

**Aberdeen Infrastructure
Limited**

**Annual Report and Audited
Financial Statements**

For the year ended 31 December 2019

Company Number 06671204



ABERDEEN INFRASTRUCTURE LIMITED

TABLE OF CONTENTS

| | Page |
|---------------------------------------|-------|
| Summary of Directors and Organisation | 1 |
| Report of the Directors | 2-4 |
| Strategic Report | 5 |
| Independent Auditor's Report | 6-10 |
| Statement of Comprehensive Income | 11 |
| Statement of Financial Position | 12 |
| Statement of Changes in Equity | 13 |
| Statement of Cash Flows | 14 |
| Notes to the Financial Statements | 15-33 |

ABERDEEN INFRASTRUCTURE LIMITED

SUMMARY OF DIRECTORS AND ORGANISATION

| | |
|-------------------------------------|---|
| DIRECTORS: | K M Hill M T Smith A L Tennant I H Y Wong |
| REGISTERED OFFICE: | Bow Bells House 1 Bread Street London United Kingdom EC4M 9HH |
| ADMINISTRATOR AND SECRETARY: | TMF Group Fund Administration (Guernsey) Limited (formerly State Street (Guernsey) Limited) * Western Suite Ground Floor Mill Court La Charroterie St Peter Port Guernsey GY1 1EJ |
| BANKER: | Lloyds Bank International Limited (Guernsey Branch) P.O. Box 136 Sarnia House Le Truchot St Peter Port Guernsey GY1 4EF |
| INDEPENDENT AUDITOR: | PricewaterhouseCoopers CI LLP P.O. Box 321 Royal Bank Place 1 Glatigny Esplanade St Peter Port Guernsey GY1 4ND |
| INVESTMENT MANAGER: | Aberdeen Asset Managers Limited 10 Queens Terrace Aberdeen AB10 1YG |

*On 7 October 2019, State Street (Guernsey) Limited changed its name to TMF Group Fund Administration (Guernsey) Limited.

ABERDEEN INFRASTRUCTURE LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 December 2019

The Directors present their annual report and audited financial statements for Aberdeen Infrastructure Limited (the "Company") for the year ended 31 December 2019.

Incorporation

The Company was incorporated on 12 August 2008 and is registered as a private company in the UK under the Companies Act 2006 (the "Act"). The Company's registration number is 06671204.

Registered office

The Company's registered office is Bow Bells House, 1 Bread Street, London, England, EC4M 9HH.

Financial risk management

The key risks and uncertainties faced by the Company are managed within the framework established for by Aberdeen Asset Managers Limited (the "Investment Manager"). Exposures to market risk, credit risk and liquidity risk arise in the normal course of the Company's business. These risks are discussed, and supplementary qualitative and quantitative information is provided in Note 11 to the financial statements. The Company is funded by Aberdeen Infrastructure Partners LP Inc. ("AIPLP"), and as a result liquidity risk is managed by the Company in conjunction with AIPLP.

Results and dividends

The Company's total comprehensive income for the year was GBP3,600,390 (2018: loss GBP3,690,139). No dividends were paid or recommended during the year (2018: GBPnil).

Future developments

The Company remains committed to the business of holding investments and will continue to manage its existing and new investments in the future.

Directors and their interests

The Directors at the date of this report are as stated on page 1, all of whom served throughout the year.

A L Tennant and I H-Y Wong are also directors of Aberdeen Infrastructure Finance GP Limited, which is the general partner of the Company's immediate parent undertaking, AIPLP.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Report of the Directors and the audited financial statements in accordance with applicable law (i.e. the Companies Act 2006) and regulations.

The Act requires the Directors to prepare financial statements for each financial year. Under the Act, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs"). Under the Act, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing these financial statements, the Directors are required to:

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

ABERDEEN INFRASTRUCTURE LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

For the year ended 31 December 2019

Statement of Directors' responsibilities in respect of the financial statements (continued)

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy, at any time, the financial position of the Company and enable the Directors to ensure that the financial statements comply with the Companies Act 2006 and IFRSs. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the audited financial statements.

Audit information

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they each are aware, there is no relevant audit information of which the Company's Independent Auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Independent Auditor is aware of that information.

Subsequent events

The Directors have evaluated the impact of all subsequent events on the Company occurring between the end of the reporting period and 03 June 2020, the date the financial statements were available to be issued and has determined that with the exception of the impact of COVID-19, there were no subsequent events to report as at the date of signing this report and the audited financial statements.

Going concern

The Company is currently in a net current liability position of GBP42,117. Included in this amount is GBP10,840,741 which relates to Eurobond interest due to the Company's immediate parent, AIPLP. AIPLP has confirmed that notwithstanding the existing terms of the Eurobond, it will not demand repayment of principal or interest until the Company has sufficient resources to continue in existence for the foreseeable future following such payment. The Company is also in a net asset position of GBP208,012. During the year, the PFI Camden project debt securities, that are no longer believed to be recoverable following the voluntary liquidation of the project, were written off. The corresponding portion of the Eurobond was redeemed by AIPLP on 9 May 2019 extinguishing the liability and returning the Company to a positive net asset position. The Directors have therefore determined that the Company has sufficient resources to continue in operation for the foreseeable future and that it is appropriate for the financial statements to be prepared on a going concern basis.

Brexit

The United Kingdom left the European Union ("Brexit") on 31 January 2020. The terms of Brexit are still uncertain. The appointed Investment Manager is a global investment manager that has been planning for a range of scenarios under which the United Kingdom would leave the European Union - including the possibility of leaving without a deal - and the Investment Manager has put in place measures to mitigate the impacts on its customers, clients and operations. The Directors in conjunction with the Investment Manager will continue to follow developments closely and assess their implications in relation to their contingency planning. The Directors' priority is to ensure, whatever the circumstances of the United Kingdom's exit from the European Union, the Investment Manager is suitably placed to support the Company.

ABERDEEN INFRASTRUCTURE LIMITED

REPORT OF THE DIRECTORS (CONTINUED) **For the year ended 31 December 2019**

COVID-19

The outbreak of the Novel Coronavirus ("COVID-19") in 2020 has resulted in significant loss of life, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The global impact of the outbreak is rapidly evolving and on 11th March 2020, the World Health Organization declared a pandemic.

Many countries have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Businesses are also implementing similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity and are having a particularly adverse impact on transportation, hospitality, tourism, entertainment and other industries. The impact of COVID-19 has led to significant volatility and declines in the global public equity markets and it is uncertain how long this volatility will continue. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess.

The Directors consider the emergence of the COVID-19 Coronavirus pandemic to be a non-adjusting post balance sheet event. Further details can be found in Note 17 to the financial statements.

Independent Auditor

PricewaterhouseCoopers CI LLP have indicated their willingness to continue in office and a resolution to re-appoint the Independent Auditor will be put forward at the forthcoming Annual General Meeting.

By order of the Board,



I H Y Wong
Director
18 June 2020

ABERDEEN INFRASTRUCTURE LIMITED

STRATEGIC REPORT

For the year ended 31 December 2019

The Directors present their strategic report on the Company for the year ended 31 December 2019.

Results and review of business

The total comprehensive result for the year is set out in the Statement of Comprehensive Income on page 11. The Directors consider the performance of the Company during the year and its financial position at the end of the year, to be in line with the long term expected performance of the project, and its prospects for the future to be satisfactory.

Principal activity

The Company operates as an investment holding company for its parent, AIPLP, and there has been no change in that activity during the year. The Company holds AIPLP's debt portfolio of high quality, operational, Private Finance Initiative ("PFI")/Public Private Partnerships ("PPP") assets. This portfolio has been funded by the issuance of a Eurobond acquired by AIPLP.

Principal risks and uncertainties

The key risks and uncertainties faced by the Company are managed within the framework established for the Investment Manager. Exposures to market risk, credit risk and liquidity risk arise in the normal course of the Company's business. These risks are discussed, and supplementary qualitative and quantitative information is provided in Note 11 to the financial statements. The Company is funded by its immediate parent undertaking, AIPLP, and as a result liquidity risk is managed by the Directors and the Investment Manager in conjunction with AIPLP.

Key performance indicators

The Directors of the Company consider its operations to be consistent with those at the level of the immediate holding companies that are managed by the Investment Manager. For this reason, the Company's Directors believe that an analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company.

By order of the Board,



I H Y Wong
Director
18 June 2020

Independent auditor's report to the members of Aberdeen Infrastructure Limited

Report on the audit of the financial statements

Opinion

In our opinion, Aberdeen Infrastructure Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Audited Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2019; the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

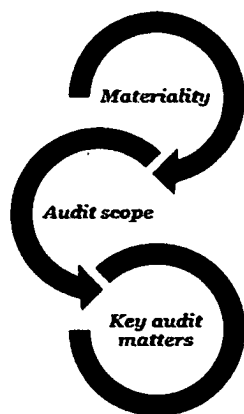
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Aberdeen Infrastructure Limited (the "Company") in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall materiality: £1,185,000 (2018: £1,214,000), based on 1% of total assets.
- The Company operates as an investment holding vehicle for its parent, Aberdeen Infrastructure Partners LP Inc. ("AIPLP"). The Company holds AIPLP's debt portion of its portfolio of Private Finance Initiative ("PFI") and Public Private Partnerships ("PPP") projects. The project quarter-end valuations were prepared by the Investment Manager and approved by the Board of Directors of the Company.
- We conducted our audit in Guernsey from information provided by TMF Group Fund Administration (Guernsey) Limited (the "Administrator") to whom the Board of Directors has delegated the provision of certain functions including the preparation of these financial statements.
- Our audit was scoped by obtaining an understanding of the Company and its environment, including internal controls and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
- Fair value of debt securities.
- Management's consideration of the potential impact of COVID-19

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| <p><i>Fair value of debt securities</i></p> <p>The Company is a wholly owned subsidiary of AIPLP, and the Company holds AIPLP's debt portion of its portfolio of Private Finance Initiative ("PFI") and Public Private Partnerships ("PPP") projects valued at £107,628,943 (the "debt securities"). A sister entity of the Company (also wholly owned by AIPLP) holds the corresponding equity portion of AIPLP's portfolio of PFI/PPP assets (the "equity securities").</p> <p>The debt security and equity security of each PFI/PPP asset is managed collectively as a single investment (a "project"), as the debt and equity portion of any one single investment cannot be realised separately. These are collectively measured at fair value with consideration for the net present value of the estimated future debt and equity cash flows based on a discounted cash flow model (the "income approach"). As described in the Critical Accounting Estimates and Judgements Note (Note 12 in the financial statements), the carrying value apportioned to the debt security element of the investment is represented by its amortised cost using the effective interest rate method, which is considered to be a reasonable proxy of the fair value.</p> <p>The fair value of these debt securities has been assessed as a key audit matter due to the significant judgement required and assumptions applied in determining the appropriate values of the projects in which the debt securities are held. The key areas of judgement concerning the following factors in the valuation methodology are:</p> <ul style="list-style-type: none">• forecasted future cash flows - enhancements made to underlying project cash flows to enhance or change the timing of cash flows from the PFI/PPP infrastructure projects; and• discount rates - the determination of the appropriate discount rate for each project that is reflective of current market and industry conditions (i.e. macro-economic assumptions such as interest rates, inflation rates, the effects of political developments and trends on these assumptions) and the specific risks as applicable to each project. | <p>Valuation methodology</p> <p>The method the Company has used in determining the value of the debt securities is considered standard industry practice. We have reviewed other third-party transactions in which similar projects were sold using the same valuation basis.</p> <p>The methodology of determining the fair value of the debt securities is considered appropriate.</p> <p>Controls evaluation</p> <p>The Investment Manager prepares quarter-end project valuations. We obtained an understanding of the design and implementation of controls in operation over these valuations, and specifically tested the operating effectiveness of their periodic review and approval by the Aberdeen Alternatives Pricing Committee ("Pricing Committee").</p> <p>Integrity of cash flow models</p> <p>The Investment Manager prepares a cash flow model for each investment.</p> <p>We tested the mathematical integrity of the respective models, these tests included recalculating the net present value of the projects by applying the respective discount rates approved by the Pricing Committee and verified by PwC.</p> <p>We verified that the carrying value apportioned to the debt security element of each project is accurately calculated and the value correctly recorded in the books and records.</p> <p>Forecasted cash flow assumptions</p> <p>We held discussions with the Investment Manager in relation to all project entities to understand their performance.</p> <p>We assessed the valuation movements on each project focusing on changes since the previous financial reporting date of 31 December 2018. Using a risk-based approach, we performed follow up procedures, including an inspection of supporting documentation, to assess and challenge the impact of the specific issues, if any, on the forecasted cash flows.</p> <p>For a risk-based selection of projects, we performed the following procedures:</p> <ul style="list-style-type: none">• with the assistance of PwC valuation experts, we identified the key assumptions used to determine the underlying variable cash flows in the lender models, including assumptions that require significant judgement or are subject to complex regulatory requirements;• we tested historical accuracy of forecasting by comparing the historical forecast relevant cash flows from the projects to the actual figures; and• we inspected the latest financial statements of the |

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p><i>Management's consideration of the potential impact of COVID-19</i></p> | <p>respective projects for evidence of impairment indicators and inconsistencies with the cash flow models.</p> <p>Benchmarking discount rates and other valuation assumptions</p> <p>With the support of our PwC valuation experts, we challenged the Company's discount rates and macroeconomic assumptions applied in the valuation models by benchmarking these to independent market data, including recent market transactions, and using our valuation expert's experience in valuing similar investments. We further assessed the reasonableness of the Investment Manager's assumptions by comparing these to the assumptions used by peer companies.</p> <p>Based on the procedures detailed above, no misstatements were identified which required reporting to those charged with governance.</p> |
| <p>Management and the Directors have considered the potential impact of the non-adjusting post balance sheet events that have been caused by the pandemic, COVID-19, on the current and future operations of the Company (Note 17). In doing so, management have made estimates and judgements that are critical to the outcomes of these considerations with particular focus on the Company's ability to continue as a going concern for a period of at least 12 months from the date of the financial statements.</p> <p>As a result of the impact of COVID-19 on the wider financial markets we have determined management's consideration of the potential impact of COVID-19 (including their associated estimates and judgements) to be a key audit matter.</p> | <p>In considering management's consideration of the potential impact of COVID-19, we have undertaken the following audit procedures:</p> <ul style="list-style-type: none"> • we obtained management's most recent financial results forecasts and liquidity analysis underlying their going concern assessment and verified the integrity of the forecasts. • we inspected management's most recent forecasts and assessed the underlying calculations and assumed duration of the disruption having considered information from recent industry sources. • we challenged management on the key assumptions included in the scenarios and we subjected management's most recent forecasts to additional stress testing to confirm that both management and the Directors have considered a balanced range of outcomes in their assessment of the potential impact of COVID-19 on the Company. • we also considered the likelihood and effect of potential mitigating actions available to management which had not been reflected in their assessment. • we discussed the most recent forecasts with the Investment Manager to understand management's and the Directors' views on going concern and the potential impact of COVID-19 on the Company. • we considered the appropriateness of the disclosures made by management and the Directors in respect to the potential impact of COVID-19 on the current and future operations of the Company as a non-adjusting post balance sheet event. <p>Based on our procedures and the information available at the time of the Directors' approval of the financial statements we have not identified any matters to report with respect to both management and the Board's consideration of the impact of COVID-19 on the current and future operations of the company, albeit acknowledging that the situation continues to evolve.</p> |

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We conducted our audit of the financial statements in Guernsey and we tailored the scope of our audit taking into account the various components of turnover, the material financial statement line items and the controls and business processes in operation within the Company.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|--|--|
| Overall materiality | £1,185,000 (2018: £1,214,000). |
| How we determined it | 1% of total assets. |
| Rationale for benchmark applied | We believe that total assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark. |

We agreed with the Directors that we would report to them misstatements identified during our audit above £59,200 (2018: £61,900) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements set out on page 2 and 3, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

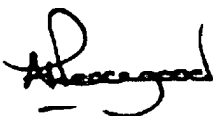
Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Adrian Peacegood BA(Hons) FCA (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Statutory Auditors
Guernsey, Channel Islands
18 June 2020

ABERDEEN INFRASTRUCTURE LIMITED

STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2019

| | <i>Notes</i> | 2019 GBP | 2018 GBP |
|---|--------------|---------------------|---------------------|
| Income | | | |
| Bank interest income | | 3,397 | 2,055 |
| Interest income | 3 | 12,883,462 | 13,028,678 |
| Other income | 9 | 3,629,869 | - |
| | | <hr/> | <hr/> |
| Total income | | 16,516,728 | 13,030,733 |
| | | <hr/> | <hr/> |
| Expenses | | | |
| Administration fees | | 11,377 | 9,430 |
| Audit fees | 4 | 5,253 | 5,100 |
| Eurobond interest | 9, 14 | 12,842,422 | 12,987,638 |
| Filing and regulatory fees | | 6,206 | 5,608 |
| Net change in financial assets at fair value through profit or loss | 6 | - | 3,662,016 |
| Other operating expenses | | 10,040 | 10,040 |
| | | <hr/> | <hr/> |
| Total expenses | | 12,875,298 | 16,679,832 |
| | | <hr/> | <hr/> |
| Operating profit / (loss) | | 3,641,430 | (3,649,099) |
| | | <hr/> | <hr/> |
| Tax | 5 | 41,040 | 41,040 |
| | | <hr/> | <hr/> |
| Profit / (loss) on ordinary activities after tax | | 3,600,390 | (3,690,139) |
| | | <hr/> | <hr/> |
| Total comprehensive income / (loss) for the year | | 3,600,390 | (3,690,139) |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Attributable to Equity holders: | | | |
| Total comprehensive income / (loss) for the year | | 3,600,390 | (3,690,139) |
| | | <hr/> <hr/> | <hr/> <hr/> |

The notes on pages 15 to 33 form part of these financial statements.

ABERDEEN INFRASTRUCTURE LIMITED

STATEMENT OF FINANCIAL POSITION As at 31 December 2019

| | <i>Notes</i> | 2019 GBP | 2018 GBP |
|---|--------------|---------------------------|---------------------------|
| Assets | | | |
| Non-current assets | | | |
| Financial assets at fair value through profit or loss | 6 | 107,628,943 | 111,021,675 |
| Total non-current assets | | <u>107,628,943</u> | <u>111,021,675</u> |
| Current assets | | | |
| Receivables and prepayments | 7 | 9,237,856 | 5,194,555 |
| Cash and cash equivalents | | 1,636,957 | 1,606,713 |
| Total current assets | | <u>10,874,813</u> | <u>6,801,268</u> |
| Total assets | | <u><u>118,503,756</u></u> | <u><u>117,822,943</u></u> |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 8 | 10,000 | 10,000 |
| Retained earnings / (losses) | | 198,012 | (3,402,378) |
| Total equity / (deficit) | | <u>208,012</u> | <u>(3,392,378)</u> |
| Liabilities | | | |
| Non-current liabilities | | | |
| Eurobond capital | 9 | 107,378,814 | 113,511,288 |
| Total non-current liabilities | | <u>107,378,814</u> | <u>113,511,288</u> |
| Current liabilities | | | |
| Eurobond interest payable | 9 | 10,840,741 | 7,641,656 |
| Payables and accruals | 10 | 11,211 | 9,983 |
| Tax payable | | 64,978 | 52,394 |
| Total current liabilities | | <u>10,916,930</u> | <u>7,704,033</u> |
| Total liabilities | | <u>118,295,744</u> | <u>121,215,321</u> |
| Total equity and liabilities | | <u><u>118,503,756</u></u> | <u><u>117,822,943</u></u> |

The financial statements were authorised for issue by the Board of Directors of the Company and signed on its behalf by:



I H. Y. Wong
Director
18 June 2020

The notes on pages 15 to 33 form part of these financial statements.

ABERDEEN INFRASTRUCTURE LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

| | Share capital GBP | Retained earnings GBP | Total equity/(deficit) GBP |
|---|------------------------------|--------------------------------------|---|
| As at 1 January 2018 | 10,000 | 287,761 | 297,761 |
| Total comprehensive loss for the year | - | (3,690,139) | (3,690,139) |
| As at 31 December 2018 | 10,000 | (3,402,378) | (3,392,378) |
| Total comprehensive income for the year | - | 3,600,390 | 3,600,390 |
| As at 31 December 2019 | 10,000 | 198,012 | 208,012 |

The notes on pages 15 to 33 form part of these financial statements.

ABERDEEN INFRASTRUCTURE LIMITED

STATEMENT OF CASH FLOWS For the year ended 31 December 2019

| | <i>Notes</i> | 2019 GBP | 2018 GBP |
|--|--------------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| Acquisitions of debt securities | 6 | - | (14,034) |
| Repayment of debt securities | 6 | 3,392,732 | 2,935,275 |
| Interest income received | | 8,840,161 | 12,709,531 |
| Bank interest received | | 3,397 | 2,055 |
| Operating expenses paid | | (31,648) | (29,520) |
| Tax | | (28,456) | (37,779) |
| Net cash flow generated from operating activities | | 12,176,186 | 15,565,528 |
| Cash flows from financing activities | | | |
| Eurobond capital paid | 9 | (2,502,605) | (2,526,983) |
| Eurobond interest paid | | (9,643,337) | (12,798,814) |
| Net cash flow used in financing activities | | (12,145,942) | (15,325,797) |
| Net increase in cash and cash equivalents | | 30,244 | 239,731 |
| Cash and cash equivalents at 1 January | | 1,606,713 | 1,366,982 |
| Cash and cash equivalents at 31 December | | 1,636,957 | 1,606,713 |

The notes on pages 15 to 33 form part of these financial statements.

ABERDEEN INFRASTRUCTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

The Company is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is Bow Bells House, 1 Bread Street, London, England, EC4M 9HH.

The Company operates as an investment holding company.

These financial statements were authorised for issue by the Board of Directors of the Company on 18 June 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the year, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Company have been prepared on a going concern basis in accordance with applicable law (i.e. the Companies Act 2006) and IFRSs. The Directors have considered the presentational requirements of the UK Companies Act 2006 and amended the format so that the financial statements present each line item in a manner that reflects its nature. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in accordance with IFRSs requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 12.

The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of the financial statements.

The Company is currently in a net current liability position of GBP42,117. Included in this amount is GBP10,840,741 which relates to Eurobond interest due to the Company's immediate parent, AIPLP. AIPLP has confirmed that notwithstanding the existing terms of the Eurobond, it will not demand repayment of principal or interest until the Company has sufficient resources to continue in existence for the foreseeable future following such payment. The Company is also in a net asset position of GBP208,012. During the year, the PFI Camden project debt securities, that are no longer believed to be recoverable following the voluntary liquidation of the project, were written off. The corresponding portion of the Eurobond was redeemed by AIPLP on 9 May 2019 extinguishing the liability and returning the Company to a positive net asset position. The Directors have therefore determined that the Company has sufficient resources to continue in operation for the foreseeable future and that it is appropriate for the financial statements to be prepared on a going concern basis.

(a) Standards and amendments to existing standards effective 1 January 2019

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2019 that would be expected to have a material impact on the Company.

ABERDEEN INFRASTRUCTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) New standards, amendments and interpretations effective after 1 January 2019 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company.

2.2 Investment Entity

The Company has determined that it meets the definition of an Investment Entity per IFRS 10 as the following conditions exist:

- a) The Company has obtained funds for the purpose of providing investors with professional investment management services;
- b) The Company's business purpose, which was communicated directly to investors, is investing for capital appreciation and investment income; and
- c) The investments are measured and evaluated on a fair value basis.

2.3 Foreign currency translation

The operating and investing activities of the Company are denominated in Pounds Sterling ("GBP"). As such the performance of the Company is measured and reported in GBP. The Directors consider GBP as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions of the Company. The financial statements are presented in GBP, the Company's functional and presentation currency.

(b) Translations and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency assets and liabilities, other than financial assets and liabilities at fair value through profit or loss are translated into the functional currency using the exchange rate prevailing at the Statement of Financial Position date.

Foreign exchange gains and losses arising from translation are included in the Statement of Comprehensive Income.

2.4 Financial assets and financial liabilities at fair value through profit or loss

(b) Classification

The Company classifies its entire investment portfolio as financial assets or liabilities at fair value through profit or loss at inception:

(i) Financial assets

The Directors classify its investments based on both the Company's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Company is primarily focused on fair value information, and it uses that information to assess the assets' performance and to make decisions. The Company has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Company's debt securities are solely principal and interest, but these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the objective of the Company's business model. Consequently, all investments are measured at fair value through profit or loss.

ABERDEEN INFRASTRUCTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Financial assets and financial liabilities at fair value through profit or loss

(ii) Financial liabilities

The Company's policy requires the Investment Manager and the Directors to evaluate the information about these financial assets and liabilities on a fair value basis (Note 11), together with other related financial information. Assets and liabilities in this category are classified as current assets and current liabilities if they are expected to be realised within 12 months of the balance sheet date. Those not expected to be realised within 12 months of the balance sheet date will be classified as non-current.

(b) Recognition, derecognition and measurement

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Statement of Comprehensive Income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income within net changes in fair value of financial assets at fair value through profit or loss in the period in which they arise.

Interest income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income in accordance with Note 2.9.

(c) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company is a wholly owned subsidiary of AIPLP and holds AIPLP's debt portion of its portfolio of PFI/PPP assets ("debt securities"). The sister entity of the Company wholly owned by AIPLP, Aberdeen Infrastructure (No.3) Limited ("AI(No 3)L") holds the corresponding equity portion of its portfolio PFI/PPP assets ("equity securities").

(c) Fair value estimation (continued)

AIPLP's policy is to manage and value the debt and equity securities in PFI/PPP assets as a single investment measured at fair value, as the investments were made at the same time and cannot be realised separately. The valuation technique for determining the fair value of such single investment is the net present value of estimated future debt and equity cash flows based on a discounted cash flow model.

The discount rate used by AIPLP is based on the risk-free rate of the economic environment in which portfolio companies operate and is adjusted with other factors such as liquidity, credit and market risk factors. The cash flows used in the discounted cash flow models are based on projected cash flows or earnings of the portfolio companies.

ABERDEEN INFRASTRUCTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2.4 Financial assets and financial liabilities at fair value through profit or loss (continued)

(c) Fair value estimation (continued)

On an exit event AIPLP's management expect that a purchaser would settle for the principal amount of project companies' outstanding debt and repay the debt or refinance on different terms. Despite the debt and equity securities being held through separate legal entities they are intrinsically linked and cannot be realised separately hence the sub-debt and equity are effectively stapled together with the purchase consideration contractually apportioned to the debt securities being representative of the amortised cost using the effective interest rate method, and the excess value determined by the cash flow model attributed to the equity securities.

As such the management have assessed that amortised cost using the effective interest rate method is a reasonable proxy for the fair value of its debt securities. Management have further evaluated this valuation technique to be reasonable through the analysis of several market transactions that are similar in nature.

2.5 Receivables and prepayments

Receivables are initially recognised at fair value and measured subsequently at amortised cost using the effective interest rate method. Prepayments are amounts paid in advance and amortised over the relevant period.

Such assets are short term in nature and the carrying value of these assets is considered to be approximate to their fair value. All assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated based on expected discounted future cash flows. Any change in levels of impairment is recognised directly in the statement of comprehensive income. An impairment loss is reversed at subsequent financial reporting dates to the extent that the asset's carrying amount does not exceed its carrying value, had no impairment been recognised.

2.6 Cash and cash equivalents

Cash and cash equivalents consist of cash balances that are freely available and other cash balances with an original maturity of three months or less, and bank overdraft. Cash and cash equivalents of the Company consist solely of cash at bank.

2.7 Payables and accruals

Payables and accruals are initially recognised at fair value and subsequently stated at amortised cost using the effective interest rate method. Payables and accruals are derecognised when the obligation under the liability is discharged or cancelled or expires.

ABERDEEN INFRASTRUCTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Eurobond capital and Eurobond interest

Eurobond capital is a financial liability within the scope of IFRS 9 and is classified as an other liability. Other liabilities are initially recognised at fair value less directly attributable transaction costs. After initial recognition, Eurobond capital is measured at amortised cost using the effective interest rate method.

Eurobond interest is calculated and accrued on the same basis as the interest income received from the Company's debt security investments based on fixed and floating rate subordinated loan notes less a margin of up to a 12.5bps on the debt securities interest balance. The Eurobond interest only becomes payable on receipt of interest income.

2.9 Interest income

Interest income from shareholder debt that is measured at fair value through profit or loss is recognised as it accrues by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash flows through the expected life of the financial asset to the asset's carrying value or principal amount. The remaining changes in the fair value movement of the loans are recognised separately within 'Net changes in fair value of financial assets and liabilities at fair value through profit or loss' in the Statement of Comprehensive Income. It also includes interest income from cash and cash equivalents.

2.10 Expenses

Expenses are recognised on an accruals basis.

2.11 Taxation

The Company is subject to corporation tax at 19% (2018: 19%) on its profits. Quarterly tax payments are made to HMRC based on a margin equivalent to 12.5 basis points on the average outstanding principal balance of the Company's debt security investments. These payments are then subtracted from the annual tax amount computed and the excess amount owed is paid to HMRC after the annual tax return has been filed.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Directors have determined there were no deferred tax assets or liabilities at 31 December 2019 (2018: GBP Nil).

ABERDEEN INFRASTRUCTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **For the year ended 31 December 2019**

3. INTEREST INCOME

| | 2019 GBP | 2018 GBP |
|--------------------------------------|---------------------|---------------------|
| Interest income from debt securities | 12,883,462 | 13,028,678 |

4. AUDITOR'S REMUNERATION

Fees charged by the Company's Independent Auditor for the audit of the Company's financial statements for the year ended 31 December 2019 amounted to GBP5,253 (2018: GBP5,100).

5. TAX

| | 2019 GBP | 2018 GBP |
|--|---------------------|---------------------|
| Current tax expense | | |
| Current year | 41,040 | 41,040 |
| Reconciliation of effective tax rate | | |
| Average debt securities balance for the year | 107,628,942 | 113,860,811 |
| Margin payment at 12.5 basis points | 134,536 | 142,326 |
| Tax at 19% (2018: 19%) on margin payment | 25,562 | 27,042 |
| Adjustments to tax | 15,478 | 13,998 |
| Total tax charged in Statement of Comprehensive Income | 41,040 | 41,040 |

ABERDEEN INFRASTRUCTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2019 GBP | 2018 GBP |
|--|---------------------|---------------------|
| Debt securities | 107,628,943 | 111,021,675 |
| Movements in debt securities | | |
| | 2019 GBP | 2018 GBP |
| As at 1 January | 111,021,675 | 117,604,932 |
| Acquisitions | - | 14,034 |
| Repayments | (3,392,732) | (2,935,275) |
| Net changes in financial assets at fair value through profit or loss | - | (3,662,016) |
| As at 31 December | 107,628,943 | 111,021,675 |

In the prior year ended 31 December 2018, the Company wrote-off debt securities in relation to the PFI Camden subsidiary. There were no debt securities in the current year.

7. RECEIVABLES AND PREPAYMENTS

| | 2019 GBP | 2018 GBP |
|----------------------------------|---------------------|---------------------|
| Accrued debt securities interest | 8,549,116 | 5,050,873 |
| Loan principal repayments due | 688,740 | 143,682 |
| | 9,237,856 | 5,194,555 |

As at the year ended 31 December 2019 and 2018, the carrying amounts of receivables approximate their fair value.

8. SHARE CAPITAL

| | 2019 GBP | 2018 GBP |
|---|---------------------|---------------------|
| Authorised, issued and fully paid 10,000 ordinary shares of GBP1.00 each | 10,000 | 10,000 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

ABERDEEN INFRASTRUCTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2019

9. EUROBOND CAPITAL

| | 2019 | 2018 |
|---|-------------|-------------|
| | GBP | GBP |
| Unsecured redeemable loan notes | 107,378,814 | 113,511,288 |
| Movements in unsecured redeemable loan notes | | |
| | 2019 | 2018 |
| | GBP | GBP |
| As at 1 January | 113,511,288 | 116,038,271 |
| Repayment | (2,502,605) | (2,526,983) |
| Debt extinguished * | (3,629,869) | - |
| As at 31 December | 107,378,814 | 113,511,288 |

On 4 November 2008, the Company created and issued unsecured redeemable loan notes. The aggregate nominal value of the loan notes constituted by the debt instrument shall not exceed GBP150,000,000 (or the Euro equivalent of GBP150,000,000). Each loan note is issued as fully paid at par in denomination of any amount being an integral multiple of GBP1 or, as the case may be, EUR1. The loan notes, as and when issued, rank equally as an unsecured obligation of the Company. Unless previously repaid, the Company shall redeem the loan notes in full at par on the maturity date, being 31 December 2035. Interest is calculated and accrued on the same basis as the interest received from the underlying loan notes of the Company's debt securities less a margin of up to a 12.5bps on the debt securities interest balance.

The aggregate nominal value of GBP150,000,000 unsecured redeemable loan notes were admitted to the official list of the International Stock Exchange on 5 February 2009.

*During the year, there was a redemption of GBP3,629,869 (2018: GBPnil) which resulted in the liability being extinguished. The redemption income was recognised in the statement of comprehensive income as other income.

During the year, the Company incurred Eurobond interest expenses of GBP12,842,422 (2018: GBP12,987,638), with GBP10,840,741 (2018: GBP7,641,656) outstanding at the year end.

10. PAYABLES AND ACCRUALS

| | 2019 | 2018 |
|----------------------------|-------------|-------------|
| | GBP | GBP |
| Administration fees | 2,750 | 5,500 |
| Audit fees | 5,253 | 1,275 |
| Filing and regulatory fees | 3,208 | 3,208 |
| | 11,211 | 9,983 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

11. FINANCIAL RISK MANAGEMENT

11.1 Financial risk factors

The objective of the Company's financial risk management is to manage and control the risk exposures of its investment portfolio. The Directors have overall responsibility for overseeing the management of financial risks. The review and management of financial risks are performed by the Directors, who have documented procedures designed to identify, monitor and manage the financial risks to which the Company is exposed. This note presents information about the Company's exposure to financial risks, its objectives, policies and processes for managing risk and the Company's management of its financial resources.

The Company owns a portfolio of investments predominantly in subordinated loan notes of PFI/PPP companies. These companies are structured at the outset to minimise financial risks of acquiring and holding the investment. The Company primarily focuses its risk management on the direct financial risks of acquiring and holding the portfolios, but continues to monitor the indirect financial risks of the underlying projects through representation, where appropriate, on the Boards of the project companies and the receipt of regular financial and operational performance reports.

11.1.1 Market risk

Market risk is defined as the potential loss in value or earnings of the Company arising from changes in external market factors such as:

- interest rates (interest rate risk);
- foreign exchange rates (currency risk); and
- equity markets (other price risk).

The investments are susceptible to market price risk arising from uncertainties about future values of the instruments. The Company has an Investment Manager which provides the Board of Directors with investment recommendations. The Investment Manager's recommendations are reviewed by the Board of Directors before the investment decisions are implemented.

The performance of the investments held by the Company are monitored by the Investment Manager on a monthly basis and reviewed by the Board of Directors on a quarterly basis.

(a) Price risk

Returns from the Company's investments are affected by the price at which they are acquired. The value of these investments will be a function of the discounted value of their expected future cash flows, and as such will vary with, inter alia, movements in interest rates, market prices and the competition for such assets.

Price risk arises from investments in listed and unlisted equity shares. The Company has no listed or unlisted equity shares thus no sensitivity to price risk is considered to exist.

(b) Currency risk

The project companies in which the Company invests conduct their business and pay interest, dividends and principal in GBP. The Company is not exposed to any currency risk.

(c) Interest rate risk

The Company invests in subordinated loan notes of project companies, usually with fixed interest rate coupons. Where floating rate debt is owned, the primary risk is that the Company's cash flows will be subject to variation depending upon changes to base interest rates. The portfolio's cash flows are continually monitored and reforecast both over the near future and the long-term (over the whole period of projects' concessions) to analyse the cash flow returns from investments.

ABERDEEN INFRASTRUCTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **For the year ended 31 December 2019**

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

11.1 Financial risk factors (continued)

11.1.1 Market risk (continued)

(c) Interest rate risk (continued)

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows. The Company holds debt securities that expose the Company to fair value interest rate risk. The Company's policy requires the Investment Manager to manage this risk by reviewing fluctuations of the interest rate sensitivity gap of financial assets and liabilities on a monthly basis and the Directors to review on a quarterly basis. As interest income is received, it is then paid out as Eurobond interest and therefore the effect of fluctuations in interest rates on the total comprehensive income for the year and net assets attributable to shareholders is nil.

The Company has an indirect exposure to changes in interest rates through its investment in project companies, which are in part financed by senior debt. Senior debt financing of project companies is generally either through floating rate debt or fixed interest rate bonds. Where senior debt is financed through floating rate debt, the projects typically have concession length hedging arrangements in place, which are monitored by the project companies' managers, finance parties and boards of directors.

The Company's Eurobond loan notes bear interest on the same basis as the interest income received from the Company's debt security investments.

(d) Inflation risk

The Company's project companies are generally structured so that contractual income and costs are either wholly or partially linked to specific inflation where possible to minimise the risks of a mismatch between income and costs due to movements in inflation indexes. The Company's overall cash flows are estimated to partially vary with inflation. The effect of these inflation changes does not always immediately flow through to the Company's cash flows as there is a time lag due to financial models only being updated on a 6 monthly basis.

11.1.2 Credit risk

Credit risk is the risk that a counterparty of the Company will be unable or unwilling to meet a commitment that it has entered into with the Company. The Company's direct counterparties are the project companies in which it makes debt investments. The Company's near term cash flow forecasts are used to monitor the timing of cash receipts from project counterparties. Underlying the cash flow forecasts are project companies cash flow models, which are regularly updated by project companies for the purposes of demonstrating the projects' ability to pay interest and dividends based on a set of detailed assumptions. Many of the Company's investments generally receive revenue from government departments, public sector or local authority clients. Therefore a significant portion of the Company's revenue arises from counterparties of good financial standing.

The Company is also reliant on the projects' subcontractors continuing to perform their service delivery obligations such that revenues to projects are not disrupted. The Company has a subcontractor counterparty monitoring procedure in place. The credit standing of subcontractors is reviewed and the risk of default estimated for each significant counterparty position. Monitoring is ongoing and period end positions are reported to the Investment Manager on a quarterly basis.

ABERDEEN INFRASTRUCTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

11.1 Financial risk factors (continued)

11.1.2 Credit risk (continued)

No classes within trade and receivables contain impaired assets. The maximum exposure to credit risk over financial assets is the carrying value of those assets in the Statement of Financial Position as set out below:

| | 2019 | 2018 |
|---------------------------|--------------------|--------------------|
| | GBP | GBP |
| Debt securities | 107,628,943 | 111,021,675 |
| Receivables | 9,237,856 | 5,194,555 |
| Cash and cash equivalents | 1,636,957 | 1,606,713 |
| Total | <u>118,503,756</u> | <u>117,822,943</u> |

The cash of the Company is limited to financial institutions of a suitable credit quality.

As at 31 December 2019, the Company impaired balance on PFI Camden project debt securities of GBP nil (2018: GBP3,662,016). The table below sets out the internal credit rating of debt securities and membership shares:

| | 2019 | 2018 |
|---|-------------|-------------|
| | % | % |
| Internal rating – better than satisfactory risk | - | - |
| Internal rating – satisfactory risk | 100 | 100 |
| Internal rating – viable but monitoring | - | - |
| Internal rating – high risk | - | - |

The main concentration of credit risk to which the Company is exposed arises from the Company's investments in debt securities as disclosed in Note 6. However, this risk is spread over 33 (2018: 33) debt securities of different investments. The Company is also exposed to counterparty credit risk on cash and cash equivalents and receivables balances.

Cash transactions are limited to the Lloyds Bank which is a subsidiary of a financial institution with Long term debt credit rating of A+ (2018: A+), as rated by the rating agency, Standard & Poor's. At 31 December 2019 and 2018, all cash and cash equivalents were placed with the Lloyds Bank.

In accordance with the Company's policy, the Investment Manager monitors the Company's credit risk exposure on a monthly basis, and the Immediate Parent Undertaking, AIPLP, reviews it on a quarterly basis.

11.1.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient financial resources and liquidity to meet its liabilities when due. The Company's activity is funded by long-term funding, as it is closed ended and hence the shareholders do not have the option to redeem their investments in the Company. The Company is exposed to limited liquidity risk. The management of liquidity risk is delegated to the Investment Manager.

ABERDEEN INFRASTRUCTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2019

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

11.1 Financial risk factors (continued)

11.1.3 Liquidity risk (continued)

The Company's investments are generally in private companies for which there is no active market and, therefore, those investments would take time to realise and there is no assurance that the valuations placed on the investments would be achieved from any such sale process.

The Company is subject to liquidity risk on the Eurobond capital issued and Eurobond interest accrued. However, this risk is mitigated in accordance with the debt instrument which states Eurobond capital and interest will only be paid to the holders once the equivalent amounts have been received from the underlying investment portfolio. In addition the maturity date of the Eurobond is 31 December 2035.

The Company is currently in a net current liability position of GBP42,117. Included in this amount is GBP10,840,741 which relates to Eurobond interest due to the Company's immediate parent, AIPLP. AIPLP has confirmed that notwithstanding the existing terms of the Eurobond, it will not demand repayment of principal or interest until the Company has sufficient resources to continue in existence for the foreseeable future following such payment.

The table below analyses the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

| | Within one year GBP | One to five years GBP | Over five years GBP |
|---------------------------|---------------------------|-----------------------------|---------------------------|
| 31 December 2019 | | | |
| Financial assets | | | |
| Debt securities | - | - | 107,628,943 |
| Receivables | 9,237,856 | - | - |
| Cash and cash equivalents | 1,636,957 | - | - |
| Total financial assets | 10,874,813 | - | 107,628,943 |
| 31 December 2018 | | | |
| Financial assets | | | |
| Debt securities | - | - | 111,021,675 |
| Receivables | 5,194,555 | - | - |
| Cash and cash equivalents | 1,606,713 | - | - |
| Total financial assets | 6,801,268 | - | 111,021,675 |

ABERDEEN INFRASTRUCTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

11.1 Financial risk factors (continued)

11.1.3 Liquidity risk (continued)

| | Within one year GBP | One to five years GBP | Over five years GBP |
|------------------------------|---------------------------|-----------------------------|---------------------------|
| 31 December 2019 | | | |
| Financial liabilities | | | |
| Eurobond capital | - | - | 107,378,814 |
| Eurobond interest payable | 10,840,741 | - | - |
| Payables and accruals | 11,211 | - | - |
| Tax payable | 64,978 | - | - |
| Total financial liabilities | 10,916,930 | - | 107,378,814 |
| 31 December 2018 | | | |
| Financial liabilities | | | |
| Eurobond capital | - | - | 113,511,288 |
| Eurobond interest payable | 7,641,656 | - | - |
| Payables and accruals | 9,983 | - | - |
| Tax payable | 52,394 | - | - |
| Total financial liabilities | 7,704,033 | - | 113,511,288 |

The Company operates as an investment structure whereby the Company invests and commits to invest into various portfolio companies. As at 31 December 2019, there were no outstanding capital commitment obligations with respect to specific portfolio company acquisitions and no amounts due to the portfolio companies for unsettled purchases.

11.2 Capital risk management

The capital of the Company is represented by the net assets attributable to its shareholder. The amount of net assets attributable to its shareholder may change as the Company may adjust the amount of dividends paid to its shareholder, return capital to its shareholder, issue new shares or sell assets to reduce capital. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for its shareholder and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Company.

The Board of Directors and Investment Manager monitor capital on the basis of the value of net assets attributable to its shareholders.

There were no changes in the Company's approach to capital management during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

11.3 Fair Value Estimation

As at 31 December 2019, 100% (2018: 100%) of financial assets at fair value through profit or loss comprise of the debt securities that have been fair valued in accordance with the policies set out in Note 2.4(c).

As AIPLP's debt and equity securities, which are held through separate legal entities being the Company and AI (No.3)L, are not traded on an active market, AIPLP may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted equity and debt securities for which markets were or have been inactive during the financial year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Company holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

The models used to determine the combined fair value of AIPLP's debt and equity securities and hence the fair value of the Company's debt securities are validated and reviewed by the Investment Manager and approved by the Directors periodically.

Fair value hierarchy

The fair value hierarchy consists of the following three levels:

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' input requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

ABERDEEN INFRASTRUCTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **For the year ended 31 December 2019**

11.3 Fair Value Estimation (continued)

The following table analyses, within the fair value hierarchy, the Company's investments measured at fair value:

| | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|----------------|--------------|
| | GBP | GBP | GBP | GBP |
| As at 31 December 2019 | | | | |
| Financial assets at fair value through profit or loss | - | - | 107,628,943 | 107,628,943 |
| As at 31 December 2018 | | | | |
| Financial assets at fair value through profit or loss | - | - | 111,021,675 | 111,021,675 |

There were no transfers between Level 1 and Level 2 during the year. Reconciliations of Level 3 balances are disclosed in the relevant notes as indicated below. The effect of different economic assumptions on the fair value of the Level 3 assets is disclosed in this note.

11.4 Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period. There were no such transfers in the current reporting period.

12. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Investment Manager makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

Judgements

By virtue of the Company's status as an Investment Entity and the exemption provided by IAS 28 and IFRS 11 as well as the adoption of Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), investments are designated upon initial recognition to be accounted for at fair value through profit or loss.

The Company has assessed that amortised cost using the effective interest rate method is a reasonable proxy for the fair value of its debt securities for reasons disclosed in Note 2.4(c).

In determining the Company's status as an Investment Entity in accordance with IFRS 10, the Company considered the following:

- The Company has raised commitments from a number of investors in order to raise capital to invest in infrastructure investments and to provide the investors with investment management services with respect to these infrastructure investments;
- The Company intends to generate capital and income returns from its infrastructure investments which will, in turn, be distributed in accordance with the authorisation; and
- The Company evaluates its infrastructure investments' performance on a fair value basis, in accordance with the policies set out in these financial statements.

ABERDEEN INFRASTRUCTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2019

12. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Judgements (continued)

Although the Company met all three defining criteria, the Directors have also assessed the business purpose of the Company, the investment strategies for the infrastructure investments, the nature of any earnings from the infrastructure investments and the fair value models. The Directors made this assessment in order to determine whether any additional areas of judgement exist with respect to the typical characteristics of an Investment Entity versus those of the Company. The Directors determined that the Company meets the definition of an Investment Entity.

Estimates

Debt securities are not quoted in an active market and are accounted for at fair value through profit or loss. AIPLP assesses the combined fair value of these debt securities and its equity securities through the use of cash flow models of the underlying entities. The key estimates in the models include:

- Discount rates – the determination of the appropriate discount rate for each project that is reflective of current market and industry conditions (i.e. interest rates, inflation rates, the effects of the political developments and trends on these assumptions) and the specific risks as applicable to each project; and
- Forecast future cash flows – enhancements made to underlying project cash flows to enhance or change the timings of cash flows from the PFI/PPP infrastructure projects.

13. FINANCIAL INSTRUMENTS BY CATEGORY

At 31 December 2019, the Company held the following classes of financial instruments that are measured at fair value. For all other assets and liabilities, their carrying value approximates to fair value.

| | Financial assets at amortised cost GBP | Designated at fair value through profit or loss GBP | Total GBP |
|-------------------------------|--|---|--------------------|
| As at 31 December 2019 | | | |
| Assets | | | |
| Debt securities | - | 107,628,943 | 107,628,943 |
| Receivables | 9,237,856 | - | 9,237,856 |
| Cash and cash equivalents | 1,636,957 | - | 1,636,957 |
| | <u>10,874,813</u> | <u>107,628,943</u> | <u>118,503,756</u> |

ABERDEEN INFRASTRUCTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2019

13. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

| | Financial assets at amortised cost GBP | Designated at fair value through profit or loss GBP | Total GBP |
|-------------------------------|--|---|--------------------|
| As at 31 December 2018 | | | |
| Assets | | | |
| Debt securities | - | 111,021,675 | 111,021,675 |
| Receivables | 5,194,555 | - | 5,194,555 |
| Cash and cash equivalents | 1,606,713 | - | 1,606,713 |
| | <u>6,801,268</u> | <u>111,021,675</u> | <u>117,822,943</u> |

| | Financial liabilities at amortised cost GBP | Financial liabilities at fair value through profit or loss GBP | Total GBP |
|-------------------------------|---|---|--------------------|
| As at 31 December 2019 | | | |
| Liabilities | | | |
| Eurobond capital | 107,378,814 | - | 107,378,814 |
| Eurobond interest payable | 10,840,741 | - | 10,840,741 |
| Payables and accruals | 11,211 | - | 11,211 |
| Tax payable | 64,978 | - | 64,978 |
| | <u>118,295,744</u> | <u>-</u> | <u>118,295,744</u> |

| | | | |
|-------------------------------|--------------------|----------|--------------------|
| As at 31 December 2018 | | | |
| Liabilities | | | |
| Eurobond capital | 113,511,288 | - | 113,511,288 |
| Eurobond interest payable | 7,641,656 | - | 7,641,656 |
| Payables and accruals | 9,983 | - | 9,983 |
| Tax payable | 52,394 | - | 52,394 |
| | <u>121,215,321</u> | <u>-</u> | <u>121,215,321</u> |

ABERDEEN INFRASTRUCTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

14. RELATED PARTY TRANSACTIONS

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

The Company's immediate parent is AIPLP. No dividends were paid during the year (2018: GBPnil). The Company created unsecured redeemable loan notes ("Eurobond capital") with an aggregate nominal value of up to GBP150,000,000. At the year end, the Eurobond capital issued by the Company was GBP107,378,813 (2018: GBP113,511,288), which is held by AIPLP. During the year, the Company issued additional Eurobond capital of GBPnil (2018: GBPnil), and repaid GBP2,502,605 (2018: GBP2,526,983), GBP3,629,869 was extinguished of Eurobond capital. There are no amounts owed by AIPLP (2018: GBPnil), which represent Eurobond capital issued in respect of investments made.

During the year, the Company incurred Eurobond interest expenses of GBP12,842,422 (2018: GBP12,987,638), with GBP10,840,741 (2018: GBP7,641,656) outstanding at the year end.

The Company has a related party relationship with Aberdeen Infrastructure (No.2) LLP ("AI(No.2)L") and Aberdeen Infrastructure (No.3) Limited ("AI(No.3)L"), as entities under common control.

There are no other outstanding related party payables at year end.

15. STAFF COSTS

The Company has no employees. The Directors of the Company waived their right to receive director remuneration.

16. ULTIMATE PARENT UNDERTAKING

As at 31 December 2019, the Company's immediate parent undertaking is AIPLP. The Directors of the Company consider there to be no ultimate controlling party.

17. SUBSEQUENT EVENTS

The following event after the reporting period has been identified:

COVID-19 IMPACT

The outbreak of the Novel Coronavirus ("COVID-19") in 2020 has resulted in significant loss of life, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The global impact of the outbreak is rapidly evolving and on 11th March 2020, the World Health Organization declared a pandemic.

Many countries have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Businesses are also implementing similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity and are having a particularly adverse impact on transportation, hospitality, tourism, entertainment and other industries.

ABERDEEN INFRASTRUCTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

17. SUBSEQUENT EVENTS (CONTINUED)

COVID-19 IMPACT (CONTINUED)

The impact of COVID-19 has led to significant volatility and declines in the global public equity markets and it is uncertain how long this volatility will continue. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess.

The outbreak of COVID-19 and the resulting financial and economic market uncertainty could have a significant adverse impact on the Company, including the fair value of its investments. The most significant conditions relating to COVID-19 arose after the reporting period and as a result the Directors considers the emergence of the COVID-19 Coronavirus pandemic to be a non-adjusting post balance sheet event. Any future impact on the Company is likely to be in connection with the assessment of the fair value of investments at future dates.

At the date of reporting it is not possible to quantify the future financial impact of COVID-19 on the Fund's investments with any degree of certainty. The Directors will continue to closely analyse and review the impact of COVID-19 on the Company and will take appropriate action as required.