Aviva Investors Alternatives S.A.

Société anonyme de titrisation

Audited Annual Accounts

For the year ended 31 December 2020

Signed by Aviva Investors Alternatives S.A., represented by:

DocuSigned by:	DocuSigned by:
D50D001AAF1145C...	9D2DB0CCAB7C438...
mark phillips	Thibault JEAN
Director	Director
16 June 2021	16 June 2021

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

For the year ended 31 December 2020

The directors of the Company (the "**Directors**") present their Report and the Annual Accounts for the year ended 31 December 2020 (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 (2019: profit of EUR 50,000).

As at 31 December 2020:

- The Company's total indebtedness is EUR 201,042,901 (2019: EUR 179,370,882);
- The Company has Unsecured Profit Participating Notes due 2053 of EUR 192,931,000 (2019: EUR 176,129,000) 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.

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. Market risk embodies the potential for both gains and losses. The Noteholders are exposed to the market risk of the portfolio of loans which includes in particular the interest rate risk and the price risk.

- *Interest rate risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the value or profitability of the assets of the Company. Changes in the general level of interest rates may impact the Company's profitability by affecting the spread between, amongst other things, the income on its assets and the expense of any interest-bearing liabilities or by affecting the ability of the Company to hedge the basic risk of investments which bear interest at a fixed rate.

- *Price risk*

Price risk is the risk that the value of financial instruments will fluctuate due to multiple factors including factors specific to the individual investment, its issuer, the industry or any factor affecting the wider macroeconomic environment. The Company is exposed to price risk 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 2020

The result for the year is set out on the Profit and Loss Account. No dividends are recommended by the Directors for the year under review.

DIRECTORS' REPORT (CONTINUED)

For the year ended 31 December 2020

6. DIRECTORS AND THEIR INTERESTS

The Directors who held office on 31 December 2020 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.

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.

Audit Committee

The Board duly notes that, based on Article 52 of the law of 23 July 2016 concerning the audit profession (the 'Audit Law'), the Company is classified as a public-interest entity and is required to establish an audit committee. However, the Company's sole business is to act as issuer of asset-backed securities as defined in point (5) of Article 2 of Commission regulation (EC) N° 809/2004 Therefore, it is exempted from the audit committee obligation based on Article 52 (5) c). The Company has concluded that the establishment of a dedicated audit committee or an administrative or supervisory body entrusted to carry out the function of an audit committee is not appropriate for the nature and extent of the Company's business which consists merely of an interest in assets to which the limited recourse Notes issued are linked. Furthermore, the Company operates in a strictly defined regulatory environment (e.g. Securitisation Law, listing on EU-regulated market) and is subject to respective governance mechanisms.

8. GOING CONCERN ASSESSMENT

Considering the market conditions and related uncertainties due to developments of a the Covid-19, the 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.

DIRECTORS' REPORT (CONTINUED)

For the year ended 31 December 2020

9. MARKET OUTLOOK

Management continue to expect that most infrastructure debt sub-sectors will remain relatively insulated from the Covid-19 pandemic, and that most transport assets will rebound quickly once travel restrictions are lifted, with one possible exception being airports, where recovery may take longer and traffic levels may remain impacted over the long term due to behavioural changes.

Liquidity in the market remains high and we haven't seen major changes in the financing structures of the transactions or the deal quality for the sectors that have had limited impact from Covid. The small repricing (ca. 10-40bps) observed in H1 2020 is slowly eroding and pricings tend to reach their pre-crisis level.

The market trends observed since the beginning of 2020 continued in Q4 2020. Transport, Telecoms and Renewables remained the most active sectors, with Transport outstripping the other 2 sectors (34% of total deals in Q4). The Power sector shrunk to 3% of total deals (vs 18% in Q3 2020), making way for a rise in the share of Energy (15% vs 2% in Q3 2020) and Social Infrastructure (9% vs 4% in Q3 2020).

For 2021, we expect deal volumes to be maintained, supported by acquisitions and refinancings, possibly in anticipation of an upcoming economic slowdown. There is uncertainty around the long term trend in deal volumes, which will depend to some extent on the outcome of the Covid crisis. However, it is expected that Telecoms and Renewables, as sectors that have been largely insulated from the crisis so far, will continue to represent large portions of the pipeline. These sectors will also remain our key focus for the coming months. We anticipate significant developments in 5G, more powerful and cheaper solar panels, increased efficiency in battery storage and the development of offshore windfarms (particularly floating). Other sectors will, nevertheless, continue to be sought on an opportunistic basis. The resolution of the Covid crisis, as and when it happens, may well open up new/improved opportunities for a post-covid world.

10. SUBSEQUENT EVENTS

During Q1 2021, the Company made one investment in Infrastructure Debt for a total amount of EUR 6.8 million.

The Board of Directors,

Luxembourg, 16 June 2021

Signed by Aviva Investors Alternatives S.A., represented by:

DocuSigned by:	DocuSigned by:
D50D001AAF1145C...	9D2DB0CCAB7C438...
mark phillips	Thibault JEAN
Director	Director
16 June 2021	16 June 2021

AUDIT REPORT

Annual Accounts Helpdesk :

Tel. : (+352) 247 88 494
Email : centralebilans@statec.etat.lu

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

ABRIDGED BALANCE SHEET

Financial year from 01 01/01/2020 **to** 02 31/12/2020 *(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	825,00	108	1.350,00
C. Fixed assets	1109	4	109	186.125.557,00	110	175.315.857,00
I. Intangible assets	1111		111		112	
II. Tangible assets	1125		125		126	
III. Financial assets	1135		135	186.125.557,00	136	175.315.857,00
D. Current assets	1151		151	15.415.726,00	152	4.562.135,00
I. Stocks	1153		153		154	
II. Debtors	1163		163	1.741.783,00	164	2.232.301,00
a) becoming due and payable within one year	1203	5	203	1.741.783,00	204	2.232.301,00
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	13.673.943,00	198	2.329.834,00
E. Prepayments	1199		199		200	
TOTAL (ASSETS)			201	201.542.108,00	202	179.879.342,00

RCSL Nr. : B213846	Matricule : 2017 2203 079

CAPITAL, RESERVES AND LIABILITIES

		Reference(s)		Current year		Previous year
A. Capital and reserves	1301	7	301	133.106,00	302	83.106,00
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	3.000,00
V. Profit or loss brought forward	1319		319	50.106,00	320	106,00
VI. Profit or loss for the financial year	1321		321	50.000,00	322	50.000,00
VII. Interim dividends	1323		323		324	
VIII. Capital investment subsidies	1325		325		326	
B. Provisions	1331		331		332	
C. Creditors	1435		435	201.042.901,00	436	179.370.882,00
a) becoming due and payable within one year	1453	8.1	453	1.668.266,00	454	873.355,00
b) becoming due and payable after more than one year	1455	8.2	455	199.374.635,00	456	178.497.527,00
D. Deferred income	1403	9	403	366.101,00	404	425.354,00
TOTAL (CAPITAL, RESERVES AND LIABILITIES)			405	201.542.108,00	406	179.879.342,00

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 01/01/2020 **to** 02 31/12/2020 *(in* 03 EUR)

Aviva Investors Alternatives S.A.

2, rue du Fort Bourbon
L-1249 Luxembourg

		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		713		714	
5. Raw materials and consumables and other external expenses	1671		671	-223.617,00	672	-186.224,00
a) Raw materials and consumables	1601		601		602	
b) Other external expenses	1603	10	603	-223.617,00	604	-186.224,00
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	11	621	-4.131.257,00	622	-3.411.528,00

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	3.845.897,00	722	3.201.056,00
a) derived from affiliated undertakings	1723	723		724	
b) other income not included under a)	1725 12	725	3.845.897,00	726	3.201.056,00
11. Other interest receivable and similar income	1727	727		728	
a) derived from affiliated undertakings	1729	729		730	
b) other interest and similar income	1731	731		732	
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	4.016.372,00	666	3.318.702,00
14. Interest payable and similar expenses	1627	627	-3.433.575,00	628	-2.846.560,00
a) concerning affiliated undertakings	1629	629		630	
b) other interest and similar expenses	1631	631	-3.433.575,00	632	-2.846.560,00
15. Tax on profit or loss	1635 14	635	-23.295,00	636	-24.386,00
16. Profit or loss after taxation	1667	667	50.000,00	668	50.535,00
17. Other taxes not shown under items 1 to 16	1637	637		638	-535,00
18. Profit or loss for the financial year	1669	669	50.000,00	670	50.000,00

NOTES TO THE ANNUAL ACCOUNTS

For the year ended 31 December 2020

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 2020, 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.

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 market conditions and related uncertainties due to developments of Covid-19, 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. Please see section 9 of the Director's report for more details of Covid-19 on the Company.

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.

Investment 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. See Note 4 for further details.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.2. Significant accounting principles (Continued)

2.2.2. Financial assets (Continued)

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

2.2.3. 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. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.2. Significant accounting principles (Continued)

2.2.7. Revenue recognition

Interest income is recorded on an accrual basis.

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

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.

NOTES TO THE ANNUAL ACCOUNTS (CONTINUED)

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.2. Significant accounting principles (Continued)

2.2.10. Foreign currency translation (Continued)

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.

3. FORMATION EXPENSES

	As at 31 December 2020	As at 31 December 2019
	EUR	**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	(1,275)	(750)
Amortisation for the year	(525)	(525)
At the end of the year	**(1,800)**	**(1,275)**
NET BOOK VALUE		
At the beginning of the year	1,350	1,875
At the end of the year	**825**	**1,350**

4. FINANCIAL ASSETS

4.1. Movements in financial assets

	As at 31 December 2020	As at 31 December 2019
	EUR	EUR
Cost		
At the beginning of the year	173,015,556	59,326,871
Additions for the year	22,072,000	118,355,000
Repayments for the year	(15,278,672)	(4,666,315)
At the end of the year	**179,808,884**	**173,015,556**
Accumulated fair value adjustment		
At the beginning of the year	2,300,301	(1,018,401)
Allocations for the year	4,016,372	3,318,702
At the end of the year	**6,316,673**	**2,300,301**
FAIR VALUE		
At the beginning of the year	175,315,857	58,308,470
At the end of the year	**186,125,557**	**175,315,857**

4.2. Investments by asset type

Investments	Invested amount	Accumulated value adjustments	Fair value
	EUR	EUR	EUR
Infrastructure debt	179,808,884	6,316,673	186,125,557
TOTAL	**179,808,884**	**6,316,673**	**186,125,557**

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 2020 and 2019.

4. FINANCIAL ASSETS (CONTINUED)

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 0.85% to 2.80% (2019: 0.10% to 3.25%).

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.

In case of absence of early prepayment fees in the respective loan agreements, Management decided to cap the loan value at par. In case of fixed prepayment fees as percentage of outstanding principal balance, the management decided to cap the loan value at par plus percentage of prepayment fees.

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

All other factors being equal, a higher/lower credit spread 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%	185,640,791	(484,762)	(0.26)%
+/-0%	**186,125,553**		
-10%	186,613,850	488,297	0.26%

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%	186,325,554	200,002	0.11%
+/-0%	**186,125,553**		
-10%	185,924,293	(201,259)	(0.11)%

As the Libor will effectively cease to be available as an interest rate benchmark from 1 January 2022, Aviva Investors is currently analysing all implications in relation thereto regarding the asset portfolio of the Company. There are a number of direct and indirect effects on the private debt sector. Whilst there is an obvious implication for floating rate assets, with the expectation that these will transition from Libor to the Sterling Overnight Interbank Average Rate ("SONIA"), there are further aspects to be covered. For valuations, the risk free rate will be replaced by SONIA for the entire portfolio. There might be added complexity given SONIA is not a term rate. Aviva Investors continues to monitor all of these aspects, together with proactively communicating with borrowers and their respective agents in respect of such transition.

NOTES TO THE ANNUAL ACCOUNTS (CONTINUED)

For the year ended 31 December 2020

4. FINANCIAL ASSETS (CONTINUED)

4.5. Reconciliation of Level 3 fair value measurements

See Note 4.1.

5. DEBTORS

	As at 31 December 2020 EUR	As at 31 December 2019 EUR
Interest receivable from investments	201,197	817,504
Repayment receivable	-	1,414,797
Receivables on settlement of investments	1,532,434	-
Advances tax payments	8,152	-
TOTAL	**1,741,783**	**2,232,301**

6. CASH AT BANK AND IN HAND

As at 31 December 2020, cash at bank and in hand for an amount of EUR 13,673,943 (2019: EUR 2,329,834) is held with RBC Investor Services Bank S.A.

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 EUR	Profit and (loss) brought forward EUR	Legal reserve EUR	Profit or (loss) for the financial year EUR	Total EUR
As at 1 January 2020	**30,000**	**106**	**3,000**	**50,000**	**83,106**
Movements for the financial year:					
Profit brought forward	-	50,000	-	(50,000)	**-**
Profit for the financial year	-	-	-	50,000	50,000
AS AT 31 DECEMBER 2020	**30,000**	**50,106**	**3,000**	**50,000**	**133,106**

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 2020 EUR	As at 31 December 2019 EUR
Interest payable on notes (see below)	1,494,822	696,628
Administrator fees	17,475	57,015
Depositary fees	19,095	11,848
Audit fees	13,223	52,182
Directors fees	14,661	10,822
Tax consulting fees	15,040	7,520
Legal fees	436	1,501
Other professional fees	42,041	-
Income tax payable	50,938	35,304
Net wealth tax payable	535	535
TOTAL	**1,668,266**	**873,355**

8.2. Becoming due and payable more than one year

	As at 31 December 2020 EUR	As at 31 December 2019 EUR
Notes issued	192,931,000	176,129,000
Equalisation provision	6,443,635	2,368,527
TOTAL	**199,374,635**	**178,497,527**

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.

NOTES TO THE ANNUAL ACCOUNTS (CONTINUED)

For the year ended 31 December 2020

8. CREDITORS (CONTINUED)

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 19 July 2053.

As at 31 December 2020, the unfunded commitment from the noteholder amounted to EUR 807,069,000 (2019: EUR 823,871,000).

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 EXTERNAL CHARGES

	Year ended 31 December 2020	**Year ended 31 December 2019**
	EUR	**EUR**
Administrator fees	24,869	26,360
Audit fees	50,855	52,899
Legal fees	13,927	53,472
Depositary fees	58,150	5,945
Management service fees (Note 15.1.)	17,550	17,550
Tax consulting fees	12,935	7,520
Other professional fees	40,592	22,339
Other charges	4,739	139
TOTAL	**223,617**	**186,224**

11. OTHER OPERATING EXPENSES

	Year ended 31 December 2020	**Year ended 31 December 2019**
	EUR	**EUR**
Equalisation provision attributable to the noteholders	4,075,108	3,365,035
Directors' fees	40,145	40,983
VAT expenses	8,824	5,510
Loan fees	7,180	-
TOTAL	**4,131,257**	**3,411,528**

12. INCOME FROM OTHER INVESTMENTS 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 3,845,897 (2019: EUR 3,201,056).

13. STAFF

During the year ended 31 December 2020 and 2019, the Company did not employ any personnel and, consequently, no payments for wages, salaries or social security were made.

14. TAXATION

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

15. 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.

15.1. 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 2020, management service fees of EUR 17,550 (2019: EUR 17,550) have been charged to the Company. No fees were payable at year-end (2019: nil).

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

For the year ended 31 December 2020, Directors' fees of EUR 40,145 (2019: EUR 40,983) have been charged to the Company, out of which EUR 14,611 (2019: EUR 10,822) were outstanding at year-end.

16. OFF-BALANCE SHEET COMMITMENTS

As at 31 December 2020 and 2019, there were no off-balance sheet commitments outstanding other than those disclosed in Note 8.

17. SUBSEQUENT EVENTS

During the first quarter of 2021, the Partnership made one investment in Infrastructure Debt for an aggregated amount of EUR 6.8 million.

Management is not aware of any further material subsequent events requiring disclosure in these annual accounts.