Aberdeen Infrastructure II Limited

Annual Report and Audited Financial Statements

For the year ended 31 December 2017

Company Number 9172323

TABLE OF CONTENTS

ABERDEEN INFRASTRUCTURE II LIMITED

SUMMARY OF OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	M S Amin G D Cohen I H-Y Wong I B Balfour
REGISTERED OFFICE:	Bow Bells House 1 Bread Street London EC4M 9HH
ADMINISTRATOR AND SECRETARY:	Ipes (Guernsey) Limited 1 Royal Plaza Royal Avenue St Peter Port Guernsey GY1 2HL
INDEPENDENT AUDITOR:	PricewaterhouseCoopers CI LLP P.O. Box 321 Royal Bank Place 1 Glatengny Esplanade St Peter Port Guernsey GY1 4ND
INVESTMENT MANAGER:	Aberdeen Fund Managers Limited Bow Bells House 1 Bread Street London EC4M 9HH
BANKER:	Barclays Bank PLC P.O. Box 41 Le Marchant House Le Truchot St Peter Port Guernsey GY1 3BE

REPORT OF THE DIRECTORS
For the year ended 31 December 2017

The Directors present their annual report and audited financial statements for Aberdeen Infrastructure II Limited (the "Company") for the year ended 31 December 2017.

Incorporation
The Company was incorporated on 12 August 2014 and is registered as a private limited company in the UK under the Companies Act 2006. The Company's registration number is 9172323.

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

Financial risk management
The key risks and uncertainties faced by the Company are managed within the framework established for the Investment Manager by the Directors. 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 15 to the financial statements. The Company is funded by Aberdeen Infrastructure Partners II LP ("AIP II LP"), and as a result liquidity risk is managed by the Company in conjunction with AIP II LP.

Results and dividends
The Company's total comprehensive loss for the year was EUR6,255,037 (2016: EUR18,802,723). The Company's non-UK domiciled assets and liabilities were transferred out of the Company via a dividend in specie of EUR25,200,000 (2016: Nil) to AIP II LP and through a direct transfer to Aberdeen Infrastructure II (Europe) Limited ("AI II Europe Ltd"), a 100% subsidiary of AIP II LP.

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, all of whom served throughout the year, are as stated on page 2.

M S Amin, G D Cohen and I H-Y Wong are also directors of Aberdeen Infrastructure GP II Limited, which is the General Partner of AIP II LP.

Statement of Directors' responsibilities in respect of the financial statements
The Directors are responsible for preparing the Report of the Directors and audited financial statements in accordance with applicable law and regulations.

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

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.

REPORT OF THE DIRECTORS (CONTINUED)
For the year ended 31 December 2017

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 applicable law 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 Directors' Report 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 they ought to have taken as a Director to make themself 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 the date of signing of this report, the date the financial statements were available to be issued and have determined the following:

There were no subsequent events to report at the date of signing this report and audited financial statements.

Going concern
The Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. In making this assessment, the Directors have taken into account all available information about the foreseeable future and consequently the going concern basis is appropriate in preparing the financial statements.

Independent auditor
PricewaterhouseCoopers CI LLP were appointed as auditor of the Company on 6 March 2017. They have indicated their willingness to continue in office and a resolution to be re-appointed will be put forward at the forthcoming Annual General Meeting.

By order of the Board,

I B Balfour
Director 13/09/18

STRATEGIC REPORT
For the year ended 31 December 2017

The Directors present their strategic report on the Company for the year ended 31 December 2017.

Results and review of business

The total comprehensive income for the year is set out in the Statement of Comprehensive Income on page 9. 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 and its prospects for the future to be satisfactory.

Principal activity

The Company was established to invest in a portfolio of high-quality, operational, Private Finance Initiative ("PFI")/Public Private Partnerships ("PPP") assets in the UK and Europe.

The Company acquired a portfolio of assets held through a group of corporate entities on 20 November 2014. The group comprised a number of holding companies and a UK registered partnership. During December 2015, the Company completed a restructuring and simplification through the collapse of the group structure such that the Company held directly the investment in the underlying assets. This restructure was achieved through the dissolution of a UK registered partnership and the transfer of its assets to the Company and the transfer of assets from four UK registered companies and two Luxembourg registered companies to the Company. These companies were liquidated during 2017.

On 19 December 2017 the Company was further restructured, the non-UK domiciled assets and liabilities of the Company were distributed in specie to AIP II LP and then transfered to AI II Europe Ltd, a 100% subsidiary of AIP II LP.

The Company's objective is to generate significant long-term investment yield over a 20 year period. The portfolio is expected to generate long-term, inflation-linked cashflows, principally driven by low-risk, availability-based contracts with government agencies. The investments are held in social and economic infrastructure projects (including health, education and leisure centres) underpinned by long-term secure government contracts characterised by stable, predictable, availability-based cash flows.

Principal risks and uncertainties

The key risks and uncertainties faced by the Company are managed within the framework established for the Investment Manager by the Directors. 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 15 to the financial statements. The Company is funded by its immediate parent undertaking, AIP II LP, and as a result liquidity risk is managed by the Company in conjunction with AIP II LP.

Key performance indicators

The Directors of the Company consider its operations to be consistent with those at the level of an immediate holding entity that is 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 B Balfour
Director

13/09/18

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ABERDEEN INFRASTRUCTURE II LIMITED

Report on the audit of the financial statements

Our opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with 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 2017; 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 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.

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 when:

- 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.

Reporting on other information (continued)

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 2017 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 3 and 4, 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ABERDEEN INFRASTRUCTURE II LIMITED

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.

A Peacegood

Adrian Peacegood (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Statutory Auditors
Guernsey, Channel Islands
Date: 13 September 2018

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Notes	2017 EUR	2016 EUR
Income			
Dividend income	18	4,548,410	7,449,887
Directors' fees income	18	500,519	534,580
Interest income	4, 18	6,141,143	6,496,680
Other income		1,560,960	-
Net foreign exchange gain		1,194,946	-
Management fee income	18	-	1,801,486
Total income		13,945,978	16,282,633
Expenses			
Net changes in fair value of financial assets at fair value through profit or loss	6	4,413,618	22,936,596
Net foreign exchange losses		-	718,281
Administration fees		14,205	38,677
Loan interest expense	13, 18	17,833,990	18,486,387
Auditor's remuneration		12,585	6,532
Legal and professional fees		229,640	188,424
Other operating expenses		387	1,453
Stamp duty		49,307	20,112
Total expenses		22,553,732	42,396,462
Loss on ordinary activities before tax		(8,607,754)	(26,113,829)
Tax	5	1,373,177	1,824,048
Loss on ordinary activities after tax		(7,234,577)	(24,289,781)
Other comprehensive loss			
Currency translation differences		979,540	5,487,058
Total comprehensive loss for the year		(6,255,037)	(18,802,723)

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	2017 EUR	2016 EUR
Assets			
Non-current assets			
Financial assets at fair value through profit or loss			
Equity securities - unlisted	6	100,444,369	134,947,984
Loans and receivables			
Debt securities	8	31,336,593	54,012,809
Total non-current assets		131,780,962	188,960,793
Current assets			
Receivables and prepayments	9	3,097,731	1,656,022
Cash and cash equivalents	10	1,823,616	2,294,052
Total current assets		4,921,347	3,950,074
Total assets		136,702,309	192,910,867
Current liabilities			
Payables and accruals	14	232,251	1,612,811
Loan interest payable	13	10,414,999	4,848,535
Total current liabilities		10,647,250	6,461,346
Non-current liabilities			
Related party loan contributions	13	88,522,727	145,871,243
Total liabilities		99,169,977	152,332,589
Net assets		37,532,332	40,578,278
Equity			
Share capital	11	2	1
Share premium	12	68,803,996	65,594,906
Cumulative translation adjustment reserve		5,848,047	4,868,507
Retained earnings		(37,119,713)	(29,885,136)
Total equity		37,532,332	40,578,278

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

I B Balfour
Director 13/09/18

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

		Share capital EUR	Share Premium EUR	Retained earnings EUR	Cumulative translation adjustment reserve EUR	Total equity EUR
As at 1 January 2016	***Note***	1	65,594,906	(5,595,355)	(618,551)	59,381,001
Loss on ordinary activities for the year		-	-	(24,289,781)	-	(24,289,781)
Other comprehensive income for the year		-	-	-	5,487,058	5,487,058
As at 31 December 2016		1	65,594,906	(29,885,136)	4,868,507	40,578,278
Balance at 1 January 2017		1	65,594,906	(29,885,136)	4,868,507	40,578,278
Share Capital		1		-	-	1
Debt to Equity swap	3		28,409,090	-	-	28,409,090
Transfer of Share Premium to Retained Earnings	3	-	(25,200,000)	25,200,000	-	-
Dividend in specie	3	-	-	(25,200,000)	-	(25,200,000)
Loss on ordinary activities for the year		-	-	(7,234,577)	-	(7,234,577)
Other comprehensive income for the year		-	-	-	979,540	979,540
As at 31 December 2017		2	68,803,996	(37,119,713)	5,848,047	37,532,332

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	Notes	2017 EUR	2016 EUR
Cash flows from operating activities			
Loss on ordinary activities before tax for the year		(8,607,754)	(26,113,829)
Net changes in fair value of financial assets at fair value through profit or loss	6	4,413,618	22,936,596
Loan interest expense		17,833,990	18,486,387
Movement in receivables and prepayments		(1,441,709)	1,817,822
Movement in payables and accruals		(1,380,560)	(63,180)
Movements in debt securities	8	1,347,113	6,112,441
Tax	5	1,373,177	1,824,048
Net foreign exchange losses		978,591	5,487,059
Loan movements	13	(2,719,376)	(10,117,097)
Net cash flow generated in operating activities		11,797,090	20,370,247
Cash flows from financing activities			
Loan interest paid		(12,267,526)	(20,089,488)
Net cash flow used in from financing activities		(12,267,526)	(20,089,488)
Net increase in cash and cash equivalents		(470,436)	280,759
Opening cash and cash equivalents		2,294,052	2,013,293
Cash and cash equivalents at 31 December	10	1,823,616	2,294,052

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

1. GENERAL INFORMATION

The Company is domiciled in the UK. The address of its registered office is Bow Bells House, 1 Bread Street, London, EC4M 9HH.

The Company operates as an investment holding company.

The Company acquired a portfolio of assets held through a group of corporate entities on 20 November 2014. The group comprised a number of holding companies and a UK registered partnership. During December 2015, the Company completed the consolidation and simplification through the collapse of the group structure such that the Company held directly the investment in the underlying assets. This restructure was achieved through the dissolution of a UK registered partnership and the transfer of its assets to the Company and the transfer of assets from four UK registered companies and two Luxembourg registered companies to the Company. These companies were liquidated during April 2017.

On 19 December 2017 the Company was further restructured, the non-UK domiciled assets and liabilities of the Company were distributed in specie to AIP II LP or transfered to AI II Europe Ltd.

These financial statements were authorised for issue by the Board of Directors of the Company on 13 September 2018.

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 in accordance with IFRSs and appicable laws. 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 and appicable laws 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 16.

The Company meets the definition of an Investment Entity as defined by IFRS 10 and is required to account for its investments in equity securities at fair value through profit and loss.

The Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. In making this assessment, the Directors have taken into account all available information about the foreseeable future and consequently the going concern basis is appropriate in preparing the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Standards and amendments to existing standards effective 1 January 2017

Amendments to IAS 7, 'Statement of Cash Flows' became effective for annual periods beginning on or after 1 January 2017. These amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Adoption of these amendments did not have a material impact on the Company's financial statements.

There are no other new standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2017 that would be expected to have a material impact on the Company.

(b) New standards, amendments and interpretations effective after 1 January 2017 and not early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Company, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. An updated version of IFRS 9 was issued on 24 July 2014. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

Pursuant to the issue and impending adoption of IFRS 9, management have assessed the current classification of the financial instruments disclosed in the Financial Statements and have concluded that no change is required to be made as the classification of financial instruments as they currently stand is in line with the new standards recommendations. Management do not consider that the expected credit loss will have a material impact on the financial statements.

IFRS 15, 'Revenue from Contracts with Customers', was issued in May 2014 and applies to an annual reporting period beginning on or after 1 January 2018. It specifies how and when revenue is recognised as well as requiring entities to provide users of financial statements with more informative and relevant disclosures. The standard provides a principles based model to be applied to all contracts with customers.

Pursuant to the issue and impending adoption of IFRS 15 (Revenue from Contracts with Customers), management have assessed the income streams disclosed in the Financial Statements and have concluded that no change is required to be made as the recognition methodology of income as it currently stands is in line with the new standards recommendations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Foreign currency translation

(a) Functional and presentation currency
The Directors consider Pound Sterling ("GBP") as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions of the Company. However, the Directors choose to report in Euros ("EUR"), the functional currency of the Company's ultimate investors.

(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.

Assets and liabilities in the Statement of Financial Position presented are translated into the presentation currency at the exchange rate prevailing at the Statement of Financial Position date. Income and expenses in the Statement of Comprehensive Income are translated from the functional currency into the presentational currency using the exchange rates prevailing at the date of the transaction. All resulting exchange differences are recognised in other comprehensive income with the cumulative amount of the exchange differences presented in a separate component of Equity, the cumulative translation adjustment reserve. All items included in the Statement of Changes in Equity, other than the comprehensive income for the year, are translated at historical exchange rates.

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

In the Statement of Cash Flows, cash balances at the beginning and end of each period presented, are translated at exchange rates at the respective dates of the beginning and end of each period. All cash flows are translated at the exchange rates prevailing at the date of the transaction.

2.3.1 Investment entity

The Company indirectly holds multiple investments. Ownership interests in the Company are in the form of limited partnership interests which are classified as liabilities under the provisions of IAS 32. The Directors have determined that the Company 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.

2.3.2 Investment entity status

The Directors have determined that the Company meets the definition of an Investment Entity. An Investment Entity is defined as an entity that:

a) has raised capital to invest in infrastructure investments and to provide the shareholder with investment management services with respect to these infrastructure investments;

b) intends to generate capital and income returns from its infrastructure investments which will, in turn, be distributed to the Shareholder; and

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.2 Investment entity status (continued)

c) evaluates its infrastructure investments' performance on a fair value basis, in accordance with the policies set out in these financial statements.

Although the Company met all three defining criteria, the Directors have also assessed the business purpose of the Company, the investment strategies, the nature of any earnings and the fair value models of its investments. The Directors made this assessment in order to determine whether any additional areas of judgment exist with respect to the typical characteristics of an investment entity versus those of the Company.

2.4 Financial assets and financial liabilities

(a) Classification

The Company classifies its investments in equity securities as financial assets at fair value through profit or loss. This category has two sub-categories: financial assets or financial liabilities held for trading; and those designated at fair value through profit or loss at inception.

(i) Financial assets and liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

(ii) Financial assets and liabilities designated at fair value through profit or loss at inception

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Company's documented investment strategy.

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 together with other related financial information.

(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 and financial liabilities 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 or financial liabilities 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 and liabilities at fair value through profit or loss' in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within 'Dividend income' when the Company's right to receive payment is established (Note 2.9).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Financial assets and financial liabilities (continued)

(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 fair value of financial assets that are not traded in an active market is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. The fair values of equity securities and holding company investments are calculated using discounted cash flow models based on future profitability forecasts. In summary, the valuation model will include the review of operational performance against plan and other general operational risk indicators.

The valuation methodology employed is based on a discounted cash flow analysis of the future expected equity and loan note cash flows (including all fee income). The fair value for each investment is derived from the present value of the investment's expected future cash flows, using reasonable assumptions and forecasts and an appropriate discount rate. The Investment Manager exercises its judgment in assessing the expected future cash flows from each investment. Each investee company produces detailed concession life financial models. The Company's share of those cash flows are then extracted and a discount rate applied. The discount rate applied is subject to the appropriate risk free rate e.g. Indexed Linked Gilts and the projects' performance and risks (e.g. liquidity, currency risks, market appetite) including any risks to project earnings (e.g. predictability and covenant of the concession income), all of which may be differentiated by project phase.

2.5 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(i) those that the Company intends to sell immediately or in the short-term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;

(ii) those that the Company upon initial recognition designates as available for sale; or

(iii) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value and measured subsequently at amortised cost using the effective interest rate method. Loans and receivables are reported in the Statement of Financial Position as 'Debt securities'. Interest on loans is included in the Statement of Comprehensive Income and is reported as 'Interest income'. In case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the Statement of Comprehensive Income as 'Impairment to loans and receivables'. If in a subsequent period, there is objective evidence that the Company will be able to collect all debt securities, the impairment to loans and receivables is reversed through the Statement of Comprehensive Income.

A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due to be received. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount to be received is impaired. Once a financial asset or a Company of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Loans and receivables (continued)

The effective interest rate method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument - or, when appropriate, a shorter period - to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Investment Manager estimates the cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

As at the years ended 31 December 2017 and 31 December 2016, the carrying amount of the loans and receivables approximate to their fair value.

2.6 Receivables and prepayments

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

As at the years ended 31 December 2017 and 31 December 2016, the carrying amount of the receivables and prepayments approximate to their fair value.

2.7 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.

As at the years ended 31 December 2017 and 31 December 2016, the carrying amount of the cash and cash equivalents approximate to their fair value.

2.8 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.

As at the years ended 31 December 2017 and 31 December 2016, the carrying amount of the payables and accruals approximate to their fair value.

2.9 Interest income and dividend income

Interest income is recognised on a time-proportionate basis using the effective interest method. It includes interest income from debt securities and early repayment interest.

Dividend income, directors' fees income and tax credit income are recognised when the right to receive payment is established.

2.10 Management fee income

Management fee income is recognised on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Expenses

Expenses are recognised on an accruals basis.

2.12 Taxation

Any tax liability arising from the activity of the Company will be borne by the investors either directly or indirectly. Due to the taxation arrangement in place with HMRC, only eligible taxable income earned less allowable deductions as per the arrangement will be subject to UK corporation tax at 19.25% (2016:20%).

The Company and its subsidiaries are part of a tax group for certain aspects of the tax legislation. One of these aspects relates to group relief whereby current tax liabilities arising in its subsidiaries (companies within the same tax group) can be offset by current tax losses arising in the Company in order to mitigate the overall group tax liability.

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 2017 (31 December 2016: none).

3. RESTRUCTURE

On 19 December 2017 the Company was restructured. GBP25,000,000 of the loan from AIP II LP was converted to equity in the form of one newly issued share at a premium of EUR28,409,090 (Notes 11, 12). The Company then transfered EUR25,200,000 of the share premium into retained earnings. The non-UK domiciled assets and liabilities of the Company were transfered out of the Company via a distribution in specie of EUR25,200,000 and direct transfer to AI II Europe Ltd. As at 31 December 2017 all non-UK domiciled assets were held in AI II Europe Ltd.

4. INTEREST INCOME

	2017 EUR	2016 EUR
From cash and cash equivalents	65	2,113
From debt securities	6,141,078	6,494,567
	6,141,143	6,496,680

5. TAX

	2017 EUR	2016 EUR
UK corporation tax		
Group relief	1,373,177	1,824,048
Total current tax	1,373,177	1,824,048

Group relief consists of amounts received due to the losses of the Company being offset against subsidiaries' tax liabilities, in line with CTA10/S99.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 EUR	2016 EUR
Equity securities - unlisted	100,444,369	134,947,984
	100,444,369	134,947,984

Net changes in financial assets at fair value through profit or loss

	2017 EUR	2016 EUR
Brought forward	134,947,984	157,884,580
Transfer of investments	(30,089,997)	-
Net change in fair value of financial assets at fair value through profit or loss	(4,413,618)	(22,936,596)
As at 31 December	100,444,369	134,947,984

On 19 December 2017 the Company was restructured. The EUR30,089,997 transfer of assets represents the non-UK domiciled equity securities transferred to AI II Europe Ltd as part of the restructure which is described in note 3.

	2017 EUR	2016 EUR
Change in unrealised movement for Level 3 assets held as at year end and included in net changes in fair value of financial assets at fair value through profit or loss	(4,413,618)	(22,936,596)

	2017 Fair value EUR	2017 % of total assets
Equity securities - unlisted	100,444,369	73.48

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

7. SUBSIDIARIES

As at 31 December 2017 the company had the following subsidiaries:

Subsidiary	Address of the registered office	Principal activity	Date of incorporation	Country of incorporation	Holding %
Bristol Schools (Holdings) Ltd	Kelvin House, Buchanan Gate Business Park, Stepps, Glasgow, G33 6FB	Infrastructure	12 February 2004	Scotland	100
Crawley Schools (Holdings) Ltd	Kelvin House, Buchanan Gate Business Park, Stepps, Glasgow, G33 6FB	Infrastructure	22 May 2003	Scotland	100
Dalkeith SPV (Holdings) Ltd	Kelvin House, Buchanan Gate Business Park, Stepps, Glasgow, G33 6FB	Infrastructure	18 Janurary 2002	Scotland	100
East Renfrewshire Schools (Holdings) Ltd	Kelvin House, Buchanan Gate Business Park, Stepps, Glasgow, G33 6FB	Infrastructure	19 February 2004	Scotland	100
Healthcare Solutions (Hull) Holdings Ltd	Unit 18 Riversway Business Village Navigation Way, Ashton-On-Ribble, Preston, PR2 2YP	Infrastructure	28 July 2005	England	100
Linteum (Lewisham) Holdings Ltd	Unit 18 Riversway Business Village Navigation Way, Ashton-On-Ribble, Preston, England, PR2 2YP	Infrastructure	20 August 2004	England	100
Axiom Education (Rochdale) Holdings Ltd	Unit 18 Riversway Business Village Navigation Way, Ashton-On-Ribble, Preston, PR2 2YP	Infrastructure	28 July 2005	England	100

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

7. SUBSIDIARIES (CONTINUED)

Subsidiary	Address of the registered office	Principal activity	Date of incorporation	Country of incorporation	Holding %
Healthcare (St. Andrews) Ltd	Summit House, 4-5 Mitchell Street, Edinburgh, Scotland, EH6 7BD	Infrastructure	06 June 2007	Scotland	100
Linteum (Uttlesford) Holdings Ltd	Unit 18 Riversway Business Village Navigation Way, Ashton-On-Ribble, Preston, England, PR2 2YP	Infrastructure	28 December 2001	England	100
Linteum (Willesden) Holdings Ltd	Unit 18 Riversway Business Village Navigation Way, Ashton-On-Ribble, Preston, England, PR2 2YP	Infrastructure	20 August 2004	England	100

Subsidiaries transferred out of the Company in 2017:

Subsidiary	Address of the registered office	Principal activity	Date of incorporation	Country of incorporation	Holding %
Nacre 2008 S.A.S.	19 Rue Stephenson 78180 MONTIGNY LE BRETONNEUX	Infrastructure	20 February 2006	France	90
Douai Logi Services S.A.S.	19 Rue Stephenson 78180 MONTIGNY LE BRETONNEUX	Infrastructure	26 May 2005	France	90
MPFI Schools 1 Investments DAC	1st Floor Return, 25 Merrion Square, Dublin 2	Infrastructure	13 December 2007	Ireland	100
Safire Holding B.V.	p.a. Strukton Integrale Projecten, Westkanaaldijk 2, Utrecht, Postbus 1025, 3600 BA Maarssen	Infrastructure	07 April 2006	Netherlands	100
OPP Arkivet A/S	Roskildevej 12, 2620, Albertslund, Denmark	Infrastructure	18 June 2007	Denmark	100

8. LOANS AND RECEIVABLES

	2017 EUR	2016 EUR
Loans and receivables at amortised cost		
Debt securities	31,336,593	54,012,809

Movements in debt securities

	2017 EUR	2016 EUR
Brought forward	54,012,809	60,125,251
Loans transferred to AI II Europe Ltd	(21,329,103)	-
Loan repayments	(668,720)	(809,746)
Net foreign exchange loss on revaluation of loans and receivables	(678,393)	(5,302,696)
As at 31 December	31,336,593	54,012,809

The debt securities balance of EUR31,336,593 represents unsecured loans to the subsidiary companies listed in Note 7. Each of the loans have various interest rates and repayment dates as stipulated by the respective individual agreements.

9. RECEIVABLES AND PREPAYMENTS

	2017 EUR	2016 EUR
Due from related parties (Note 18)	990,657	43,504
Accrued debt securities interest	2,107,074	1,612,518
	3,097,731	1,656,022

10. CASH AND CASH EQUIVALENTS

	2017 EUR	2016 EUR
Cash at bank	1,823,616	2,294,052

11. SHARE CAPITAL

	2017 EUR	2016 EUR
Authorised, issued and fully paid		
2 ordinary share of GBP1.00 each (2016: 1 ordinary share)	2	1

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.

The Company issued one share during the current year as part of the Company's restructuring (Note 3).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

12. SHARE PREMIUM ACCOUNT

	2017 EUR	2016 EUR
Brought forward	65,594,906	65,594,906
Shares issued during the year	28,409,090	-
Transferred to Retained Earnings	(25,200,000)	-
As at 31 December	68,803,996	65,594,906

The Company issued one share at a premium of EUR28,409,090 during the year. The Company transferred EUR25,200,000 to retained earnings as part of the restructuring (Note 3).

13. RELATED PARTY LOAN CONTRIBUTIONS

	2017 EUR	2016 EUR
Brought forward	145,871,243	155,988,340
Loans transferred to AI II Europe Ltd	(26,220,049)	-
Conversion of debt to equity due to restructuring	(28,409,091)	-
Net foreign exchange movement on revaluation of loans and receivables	(2,719,376)	(10,117,097)
Related party loan contributions	88,522,727	145,871,243

On 20 November 2014, the Company issued loan notes to AIP II LP to the value of GBP102,900,000, DKK43,300,000 and EUR20,400,000 respectively, bearing an annual interest rate of 12%. The loans are repayable on demand. On 19 December 2017 the DKK43,300,000 and EUR20,400,000 loans were novated and transfered to AI II Europe Ltd and GBP25,000,000 was converted to equity in the form of one newly issued share (Notes 11 and 12).

As at 31 December 2017 the GBP77,900,000, DKK Nil and EUR Nil remained outstanding (31 December 2016 GBP102,900,000, DKK43,300,000 and EUR20,400,000). During the year to 31 December 2017, total interest expense relating to these loans amounted to GBP12,943,403 (2016: GBP12,767,348), DKK5,128,224 (2016: DKK5,357,616) and EUR2,369,454 (2016: EUR2,488,392) respectively (EUR17,833,990 total (2016: EUR18,486,387 total)). As at 31 December 2017, the outstanding accrued interest relating to the loans amounted to GBP8,564,398 (2016: GBP4,985,467), DKK1,135,738 (2016: DKK(7,056,807)) and EUR535,082 (2016: EUR Nil) (EUR10,414,999 total (2016: EUR4,848,535 total)).

14. PAYABLES AND ACCRUALS

	2017 EUR	2016 EUR
Accounts owed to related parties (Note 18)	20,503	1,560,960
Audit fees	-	6,532
Professional fees	196,514	19,302
VAT payable	15,234	26,017
	232,251	1,612,811

15. FINANCIAL RISK MANAGEMENT

15.1 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 Company, which has 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 in subordinated loan notes and ordinary equity 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 investments, but continues to monitor the indirect financial risks of the underlying projects through representation on the Boards of the project companies and the receipt of regular financial and operational performance reports.

15.1.1 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 who 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.

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

15.1 Financial risk factors (continued)

15.1.1 Market risk (continued)

(b) Currency risk

The project companies in which the Company invests conduct their business and pay interest, dividends and principal in Pound Sterling ("GBP"). The Company monitors its foreign exchange exposures using its near term and long-term cash flow forecasts. The Company's policy is not to use foreign exchange hedging. The Company transferred its non-UK domiciled assets during December 2017 therefore there is material no currency risk at the year end. The Company's assets denominated in EUR, GBP, and DKK at their carrying amounts in EUR are summarised below:

	31 December 2017 DKK	31 December 2017 GBP	31 December 2017 EUR	31 December 2017 Total
Cash and cash equivalents	-	1,823,616	-	1,823,616
Receivables and prepayments	-	3,097,731	-	3,097,731
Debt securities	-	31,336,593	-	31,336,593
Equity securities	-	100,444,369	-	100,444,369
Related party loan	-	(88,522,727)	-	(88,522,727)
Payables and accruals	-	(115,004)	(117,247)	(232,251)
Loan interest prepaid/(payable)	-	(10,414,999)	-	(10,414,999)
	-	37,649,579	(117,247)	37,532,332
Sensitivity based on 5%	-		(5,862)	

	31 December 2016 DKK	31 December 2016 GBP	31 December 2016 EUR	31 December 2016 Total
Cash and cash equivalents	-	834,145	1,459,907	2,294,052
Receivables and prepayments	-	1,364,134	291,888	1,656,022
Debt securities	4,960,876	32,454,284	16,597,649	54,012,809
Equity securities	9,194,827	103,740,529	22,012,627	134,947,983
Related party loan	(5,820,049)	(119,651,194)	(20,400,000)	(145,871,243)
Payables and accruals	-	(51,851)	(1,560,960)	(1,612,811)
Loan interest prepaid/(payable)	948,521	(5,797,056)	-	(4,848,535)
	9,284,175	12,892,991	18,401,111	40,578,277
Sensitivity based on 5%	464,209		920,056	

As at 31 December 2017, the foreign currency exchange rates were EUR/GBP 0.8800 and EUR/DKK 7.6923 (2016: EUR/GBP 0.8600 and EUR/DKK 7.4405).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

15.1 Financial risk factors (continued)

15.1.1 Market risk (continued)

(c) Interest rate risk

The Company invests in subordinated loan notes of project companies, with fixed interest rate coupons. The portfolio's cash flows are continually monitored and reforecast both over the near future and the long-term (over the whole period of the projects' concessions) to analyse the cash flow returns from investments.

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 of the Company review it on a quarterly basis.

If interest rates on debt securities had been lower on average by 75 basis points over the year, with all other variables held constant, the decrease in net assets attributable to the Shareholders would have been EUR380,877 (2016: EUR436,506). If interest rates on debt securities had been higher on average by 75 basis points over the year, the increase in net assets attributable to the Shareholders would amount to EUR380,877 (2016 EUR436,506). The Company considers that 75 basis points is the maximum exposure to a decrease or increase in interest rates that could occur in the foreseeable future, although unlikely.

The Company has an indirect exposure to changes in interest rates through its investments in project companies, which are in part financed by senior debt. Senior debt financing of project companies is through floating rate debt. 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.

(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.

15.1.2 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. The Company's investments and their subsidiary entities 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

15.1 Financial risk factors (continued)

15.1.2 Credit risk (continued)

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.

The Board of Directors believe that objective evidence exists that the Company will be able to collect the carrying amounts of principal and interest due on the loans and receivables.

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:

	2017 EUR	2016 EUR
Debt securities	31,336,593	54,012,809
Receivables	3,097,731	1,656,022
Cash and cash equivalents	1,823,616	2,294,052
Total	36,257,940	57,962,883

As at 31 December 2017 and 31 December 2016, the Company did not record any overdue and impaired balances. The table below sets out the internal credit rating of debt securities:

	2017 %	2016 %
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. However, this risk is spread over 10 debt securities of different investments.

The cash investments of the Company is limited to financial institutions of a suitable credit quality. The clearing and depository operations for the Company's security transactions are concentrated with the Banker. The Banker is a member of a major securities exchange and at 31 December 2017 had a credit rating of A/Stable (Standard & Poors). At 31 December 2017, all cash and cash equivalents were placed with the Banker.

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, AIP II LP, reviews it on a quarterly basis.

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

15.1 Financial risk factors (continued)

15.1.3 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.

The Company's investments are 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's investment companies have borrowings which rank senior to the Company's own investments in these project companies. The senior debt is structured such that, under normal operating conditions, it will be repaid within the expected life of the projects. Debt raised by the investment companies from third parties is without recourse to the Company.

The Company operates as an investment structure whereby the Company invests and commits to invest into various portfolio companies. As at 31 December 2017 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.

15.2 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.

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

15.3 Fair value estimation

The Company uses the income approach which discounts the expected cash flows attributable to each asset at an appropriate rate to arrive at fair values. In determining the discount rate, regard is given to risk free rates, the specific risks of each investment and the evidence of recent transactions. A detailed discounted cash flow valuation methodology is disclosed on Note 2.4 (c).

For instruments for which there is no active market, the Company 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 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 fair values are validated and reviewed by the Investment Manager and approved by the Directors periodically.

The carrying value less impairment provision of receivables and prepayments and payables and accruals is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

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;
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

15.3 Fair value estimation (continued)

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.

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

	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
As at 31 December 2017				
Equity securities - unlisted	-	-	100,444,369	100,444,369
As at 31 December 2016				
Equity securities - unlisted	-	-	134,947,984	134,947,984

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 Note 15.1.1.

The following summarises the valuation techniques and inputs used for equity securities and Holding company investments categorised in Level 3 as at 31 December 2017.

	Fair value EUR	Valuation technique	Significant unobservable input	Range of discount rate applied
As at 31 December 2017				
Equity securities - unlisted	100,444,369	Discounted cash flow	Discount rate	6.75%

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

15.3 Fair value estimation (continued)

	Reasonable possible shift (absolute value)	Change in valuation 2017 EUR
Equity securities - unlisted	5% decrease in discount rate	5,615,477

	Fair value EUR	Valuation technique	Significant unobservable input	Range of discount rate applied
As at 31 December 2016				
Equity securities - unlisted	134,947,984	Discounted cash flow	Discount rate	6.81% to 7.00%

	Reasonable possible shift (absolute value)	Change in valuation 2016 EUR
Equity securities - unlisted	5% decrease in discount rate	6,016,100

The change in valuation disclosed in the above table shows the direction a decrease in the respective input variables would have on the valuation result. For equity securities decreases in discount rate would lead to an increase in estimated value.

No interrelationships between unobservable inputs used in the Company's valuation of its Level 3 equity securities have been identified.

The Company has recognised unrealised losses of EUR4,413,618 (2016: EUR22,936,596) on its Level 3 investments during the year. These are included in the Statement of Comprehensive Income as net changes in fair value of financial assets through profit or loss.

15.4 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 year. There were no such transfers in the year or prior year.

16. 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.

(a) Fair value of equity securities

The Company holds financial instruments that are not quoted in active markets such as the unlisted equity securities. Fair values of such instruments are determined by using valuation techniques (Note 15.3). Where valuation techniques are used to determine fair values, they are validated and reviewed by the Investment Manager and approved by the Directors periodically.

(b) Debt securities

Debt securities are not quoted in an active market and are accounted for at amortised cost. The Board of Directors of the Investment Manager assess the recoverability of these debt securities through the use of cash flow models of the underlying entities (Note 15.3).

(c) Investment entity status

The Director's have determined that the Company meets the definition of an Investment Entity. An Investment Entity is defined as an entity that:

(i) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
(ii) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
(iii) measures and evaluates the performance of substantially all of its investments on a fair value basis.

Although the Company met all three defining criteria, the Directors have also assessed the business purpose of the Company, the investment strategies, the nature of any earnings and the fair value models of its investments. The Director's 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.

(d) Subsidiaries

The Company controls subsidiaries as detailed in Note 7.

Per IFRS 10, there is a requirement for the Directors to assess whether the subsidiaries are themselves Investment Entities. The Directors have performed this assessment and has concluded that the subsidiaries are themselves Investment Entities for the reasons below:

(i) The subsidiaries have obtained funds for the purpose of investing in equity or other similar interests in multiple investments and providing the Company and its investors with returns from capital appreciation and investment income.

(ii) The performance of investments made through the subsidiaries are measured and evaluated on a fair value basis.

Furthermore, the subsidiaries are themselves not deemed to be operating entities providing services to the Company, and therefore the Company is able to apply the exception to consolidation.

Movements in the fair value of the subsidiaries portfolios and corresponding movements in the fair value of the subsidiaries may expose the Company to a loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

17. FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables EUR	Designated at fair value through profit or loss EUR	Total EUR
As at 31 December 2017			
Assets			
Equity securities - unlisted	-	100,444,369	100,444,369
Debt securities	31,336,593	-	31,336,593
Receivables	3,097,731	-	3,097,731
Cash and cash equivalents	1,823,616	-	1,823,616
	36,257,940	100,444,369	136,702,309

	Other financial liabilities at amortised cost EUR	Liabilities at fair value through profit or loss EUR	Total EUR
As at 31 December 2017			
Liabilities			
Related party loan contributions	88,522,727	-	88,522,727
Payables and accruals	232,251	-	232,251
Loan interest payable	10,414,999	-	10,414,999
	99,169,977	-	99,169,977

	Loans and receivables EUR	Designated at fair value through profit or loss EUR	Total EUR
As at 31 December 2016			
Assets			
Equity securities - unlisted	-	134,947,984	134,947,984
Debt securities	54,012,809	-	54,012,809
Receivables	1,656,022	-	1,656,022
Cash and cash equivalents	2,294,052	-	2,294,052
	57,962,883	134,947,984	192,910,867

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

17. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Other financial liabilities at amortised cost EUR	Liabilities at fair value through profit or loss EUR	Total EUR
As at 31 December 2016			
Liabilities			
Related party loan contributions	145,871,243	-	145,871,243
Payables and accruals	1,612,811	-	1,612,811
Loan interest payable	4,848,535	-	4,848,535
	152,332,589	-	152,332,589

18. 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 AIP II LP. A dividend in specie of EUR25,200,000 (2016: Nil) was made during the year. At the year end, the loan notes issued by the Company were EUR88,522,727 (2016: EUR145,871,243), which are held by AIP II LP.

As at 31 December 2017, there were related party amounts of: receivables of EUR990,657 (2016: EUR43,504) and other payables of EUR20,503 (2016: EUR1,560,960).

During the year, the Company incurred loan interest expenses owed to AIP II LP in the amount of EUR17,833,990 (2016: EUR18,486,387), with EUR10,414,999 outstanding at the year end (2016: EUR4,848,535).

During the year, the Company received Directors' fees of EUR500,519 (2016: EUR534,580), dividend income of EUR4,548,410 (2016: EUR7,449,887), interest income of EUR6,141,143 (2016: EUR6,496,680) and management fees of EUR Nil (2016: EUR1,801,486) from subsidiaries.

19. STAFF COSTS

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

20. ULTIMATE PARENT UNDERTAKING

As at 31 December 2017, the Company's immediate parent undertaking is AIP II LP. The Directors of the Company consider there to be no ultimate controlling party.

21. SUBSEQUENT EVENTS

The Directors have evaluated the impact of all subsequent events on the Company occurring between the end of the reporting period and 13 September 2018, the date the financial statements were available to be issued and has determined the following:

There were no subsequent events to report at the date of signing this report and the audited financial statements.