

**Aberdeen European  
Infrastructure GP III Limited**

**Annual Report and Audited  
Financial Statements**

**For the year ended 31 December 2022**

Company Number 11677371



## **ABERDEEN EUROPEAN INFRASTRUCTURE GP III LIMITED**

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## **ABERDEEN EUROPEAN INFRASTRUCTURE GP III LIMITED**

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### **SUMMARY OF DIRECTORS AND ORGANISATION**

<b>DIRECTORS:</b>	R Melia C Pollock I H-Y Wong (appointed 1 June 2022)
<b>REGISTERED OFFICE:</b>	From 6 December 2022 280 Bishopsgate London EC2M 4AG  Until 6 December 2022 Bow Bells House 1 Bread Street London EC4M 9HH
<b>SECRETARY AND ADMINISTRATOR:</b>	TMF Group Fund Services (Guernsey) Limited Top Floor Mill Court La Charroterie St Peter Port Guernsey GY1 1EJ
<b>INDEPENDENT AUDITOR:</b>	KPMG Channel Islands Limited Gategny Court Gategny Esplanade St Peter Port Guernsey GY1 1WR
<b>BANKER:</b>	Barclays Bank PLC St Julian's Court St Julian's Avenue St Peter Port Guernsey GY1 1WA
<b>INVESTMENT MANAGER:</b>	abrdn Fund Managers Limited* From 5 December 2022 280 Bishopsgate London EC2M 4AG  Until 5 December 2022 Bow Bells House 1 Bread Street London EC4M 9HH

\*On 1 August 2022 Aberdeen Standard Fund Managers Limited changed its name to abrdn Fund Managers Limited.

## **ABERDEEN EUROPEAN INFRASTRUCTURE GP III LIMITED**

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### **REPORT OF THE DIRECTORS**

#### **For the year ended 31 December 2022**

The Directors present their annual report and audited financial statements for Aberdeen European Infrastructure GP III Limited (the "Company") for the year ended 31 December 2022.

The Company qualifies as a small company in accordance with Section 381-382 of the Companies Act 2006 (the "Act") and the Report of the Directors has therefore been prepared taking into consideration the provisions of Part 15 of the Act. The Company has taken advantage of exemptions available to small sized entities as defined in the Act.

In preparing this report, the Directors have taken advantage of the small companies exemption provided by Section 414B of the Act and have not prepared a strategic report.

#### **Principal activity**

The Company's principal activity during the year was to act as General Partner to Aberdeen European Infrastructure Partners III LP ("AEIP III LP" or the "Fund"). The Company remains committed to the business of the Fund and will continue to act as General Partner in the future. The Company is part of abrdn plc.

#### **Principal risks and uncertainties**

abrdn plc, of which the Company is part, has an established Enterprise Risk Management framework, integrating oversight of strategic planning, operational management of the business and internal control.

The principal risks and uncertainties facing the Company are integrated into the principal risks of the merged group under abrdn plc and are therefore not managed separately. Accordingly, the principal risks and uncertainties of abrdn plc, which include those of the Company, are discussed fully in the abrdn plc Annual Report and Accounts which does not form part of this report.

The list below does however provide a summary of the key risks facing the Company which are also common to abrdn plc. Further details on each of the risks, together with how they link to the new strategy, how they have evolved over the year and how they are managed can be found in the abrdn plc Annual Report and Accounts.

The principal risks to which the Company is most specifically exposed can be categorised as follows:

*Technology risk:* IT failure and security including cyber risk; third party oversight; and process execution failure.

*Regulatory and legal risk:* the Company operates in a regulated industry, across a number of geographies and regulatory regimes, which has the potential to expose the Company to risks.

#### **Coronavirus**

The Directors have considered the impact of coronavirus and where applicable has built this into its fair value modelling which has been reflected in the fair value of the investments in the financial statements of the underlying Fund.

The private infrastructure market has not been immune. The underlying Fund's portfolio is however made up of infrastructure assets with limited demand risk and strong downside protection, limiting the impact to the investment portfolio to date. The Investment Manager continues to manage its investments to ensure they are well positioned to deal with the ever changing macro situation and believes that the underlying Fund will continue to create value for its Limited Partners.

## **ABERDEEN EUROPEAN INFRASTRUCTURE GP III LIMITED**

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### **REPORT OF THE DIRECTORS (CONTINUED)**

**For the year ended 31 December 2022**

#### **Macroeconomic environment**

The Directors have considered the continuing inflationary pressures across the underlying Fund's geographies and the central bank interest rate rises in response. The rise of government bond rates has led to pressure on infrastructure discount rates. The underlying Fund has considered this in the weighted average discount rate of the portfolio.

#### **Geopolitical situation in Ukraine**

On 24 February 2022, Russia launched a military offensive against Ukraine resulting in widespread sanctions on Russia and heightened security and cyber threats.

As at the date of approval of the financial statements, the underlying Fund did not hold any assets in Ukraine or Russia. The underlying Fund's key suppliers do not have operations pertaining to the Fund in Ukraine or Russia. The General Partner and the Investment Manager continue to monitor the situation carefully and will take whatever steps are necessary in the best interests of the underlying Fund's Investors. This includes but is not limited to ensuring that the requirements of all international sanctions are adhered to, managing the assets of the underlying Fund proactively to best mitigate risk and ensuring that the Investment Manager and other key suppliers continue to operate all protections, protocols and monitoring of heightened cyber threats. At the date of approval of the financial statements, there is not expected to be any significant long term adverse impact from the military operation in Ukraine on the assets, operational activities, processes and procedures of the underlying Fund.

#### **Going concern**

The Company is currently in a net asset value position of EUR 2 (2021: EUR 2), holds a cash balance of EUR 3,707,820 (2021: EUR 1,807,219), and GPS receivable of EUR 423,709 (2021: EUR 519,111). As detailed in Note 2.9, advisory fees is a residual balance after all operating expenses are paid. Advisory fees payable represents a significant balance of the current payables and will only be paid when the Company has sufficient resources to do so. The value of the assets and operational structure of the Company is sufficient for the Company to cover its operating expenses for the the next twelve months. The Board believes that the Company holds adequate resources to continue in business for the next twelve months from the date of signing these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

#### **Key performance indicators**

Given the straightforward nature of the business, the Directors believe that analysis using key performance indicators is not necessary or appropriate to understand the development, performance or financial position of the Company.

#### **Business review**

The Company's total comprehensive income for the year was EUR nil (2021: EUR nil). No dividends were paid during the year (2021: EUR nil).

#### **Directors**

The Directors at the date of this report are as stated on page 1 and all served during the year, unless otherwise stated.

#### **Audit information**

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are each 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 themselves aware of any relevant audit information and to establish that the Company's Independent Auditor is aware of that information.

## **ABERDEEN EUROPEAN INFRASTRUCTURE GP III LIMITED**

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### **REPORT OF THE DIRECTORS (CONTINUED)**

**For the year ended 31 December 2022**

#### **Independent Auditor**

KPMG Channel Islands Limited has indicated its willingness to continue in office.

#### **Statement of Directors' responsibilities in respect of the financial statements**

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

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 year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

By order of the Board



I H-Y Wong  
Director  
18 September 2023

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF ABERDEEN EUROPEAN INFRASTRUCTURE GP III LIMITED**

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### **Our opinion**

We have audited the financial statements of Aberdeen European Infrastructure GP III Limited (the "Company"), which comprise the statement of financial position as at 31 December 2022, the statements of comprehensive income and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

### **In our opinion, the accompanying financial statements:**

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of the Company's result for the year then ended;
- are properly prepared in accordance with United Kingdom accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standards. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (the "going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBER OF ABERDEEN EUROPEAN INFRASTRUCTURE GP III LIMITED  
(CONTINUED)**

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**Fraud and breaches of laws and regulations – ability to detect**

*Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of management as to the Company's policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance; and
- using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company's revenue streams are simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management. We did not identify any additional fraud risks.

We performed procedures including:

- identifying journal entries and other adjustments to test based on risk criteria and comparing any identified entries to supporting documentation; and
- incorporating an element of unpredictability in our audit procedures.

*Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general sector experience and through discussion with management (as required by auditing standards), and discussed with management the policies and procedures regarding compliance with laws and regulations.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of litigation or impacts on the Company's ability to operate. We identified company law as being the area most likely to have such an effect. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBER OF ABERDEEN EUROPEAN INFRASTRUCTURE GP III LIMITED  
(CONTINUED)**

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**Fraud and breaches of laws and regulations – ability to detect (continued)**

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

*The report of the directors*

The directors are responsible for the report of the directors. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the report of the directors and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the report of the directors;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

*Matters on which we are required to report by exception*

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBER OF ABERDEEN EUROPEAN INFRASTRUCTURE GP III LIMITED  
(CONTINUED)**

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**Respective responsibilities**

*Directors' responsibilities*

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

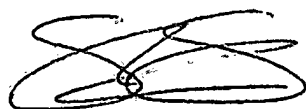
*Auditor's responsibilities*

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Company's member, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and its member, as a body, for our audit work, for this report, or for the opinions we have formed.



Steve Stormonth (Senior Statutory Auditor)  
For and on behalf of KPMG Channel Islands Limited (Statutory Auditor)  
Chartered Accountants  
Guernsey  
18 September 2023

**ABERDEEN EUROPEAN INFRASTRUCTURE GP III LIMITED****STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2022**

	<i>Notes</i>	<b>2022 EUR</b>	<b>2021 EUR</b>
<b>INCOME</b>			
General Partner's Share	<b>2.8</b>	1,793,136	1,773,509
Foreign exchange gain		261	3,671
Total income		<u>1,793,397</u>	<u>1,777,180</u>
<b>EXPENSES</b>			
Advisory fees	<b>2.9</b>	1,750,807	1,760,001
Administration fees		22,454	10,014
Other operating expenses		10,530	207
Audit remuneration	<b>3.1</b>	9,606	6,958
Total expenses		<u>1,793,397</u>	<u>1,777,180</u>
Profit on ordinary activities before tax		-	-
Tax		-	-
Profit on ordinary activities after tax		-	-
<b>Total comprehensive income for the year</b>		<u>-</u>	<u>-</u>
Attributable to Equity holder:			
Total comprehensive income for the year		<u>-</u>	<u>-</u>

The notes on pages 12 to 16 form part of these financial statements.

**ABERDEEN EUROPEAN INFRASTRUCTURE GP III LIMITED****STATEMENT OF FINANCIAL POSITION  
As at 31 December 2022**

	<i>Notes</i>	<b>2022 EUR</b>	<b>2021 EUR</b>
<b>Assets</b>			
<b>Current assets</b>			
Receivables	<b>4</b>	423,785	552,717
Cash and cash equivalents		3,707,820	1,807,219
<b>Total current assets</b>		4,131,605	2,359,936
<b>Total assets</b>		4,131,605	2,359,936
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	<b>6</b>	2	2
<b>Total equity</b>		2	2
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables and accruals	<b>5</b>	4,131,603	2,359,934
<b>Total liabilities</b>		4,131,603	2,359,934
<b>Total equity and liabilities</b>		4,131,605	2,359,936

The financial statements on pages 9 to 16 were authorised for issue by the Board of Directors of the Company on 18 September 2023 and signed on its behalf by:



I H-Y Wong  
Director  
18 September 2023

The notes on pages 12 to 16 form part of these financial statements.

**ABERDEEN EUROPEAN INFRASTRUCTURE GP III LIMITED**

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**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2022**

	Share capital EUR	Retained earnings EUR	Total equity EUR
<b>Balance at 1 January 2021</b>	<b>2</b>	<b>-</b>	<b>2</b>
Total comprehensive income for the year	-	-	-
<b>Balance at 31 December 2021</b>	<b>2</b>	<b>-</b>	<b>2</b>
Total comprehensive income for the year	-	-	-
<b>Balance at 31 December 2022</b>	<b>2</b>	<b>-</b>	<b>2</b>

The notes on pages 12 to 16 form part of these financial statements.

## **ABERDEEN EUROPEAN INFRASTRUCTURE GP III LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2022**

#### **1. GENERAL INFORMATION**

The Company is domiciled in the United Kingdom. The address of its registered office is 280 Bishopsgate, London, EC2M 4AG.

The Company's business activities, together with expected future developments and key risks facing the Company, are detailed in the Report of the Directors.

The financial statements were authorised for issue by the Board of Directors of the Company on 18 September 2023.

#### **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**

###### **(a) Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101")**

The Company meets the definition of a qualifying entity under Application of Financial Reporting Requirements 100 as issued by the Financial Reporting Council. Accordingly, the financial statements for year ended 31 December 2022 have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') as issued by the Financial Reporting Council.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Application of FRS 101, in conjunction with the equivalent disclosures being available in the abrdn plc Annual Report and Accounts, has allowed the Company to take advantage of various disclosure exemptions. These are presentation of a cash flow statement, standards not yet effective, financial instruments and transactions with group companies.

The financial statements have been prepared under the historical cost convention, unless otherwise stated.

###### **(b) Standards and amendments to existing standards effective 1 January 2022**

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2022 that had material impact on the Company.

##### **2.2 Going concern**

The Company is currently in a net asset value position of EUR 2 (2021: EUR 2), holds a cash balance of EUR 3,707,820 (2021: EUR 1,807,219), and GPS receivable of EUR 423,709 (2021: EUR 519,111). As detailed in Note 2.9, advisory fees is a residual balance after all operating expenses are paid. Advisory fees payable represents a significant balance of the current payables and will only be paid when the Company has sufficient resources to do so. The value of the assets and operational structure of the Company is sufficient for the Company to cover its operating expenses for the the next twelve months. The Board believes that the Company holds adequate resources to continue in business for the next twelve months from the date of signing these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3 Foreign currency translation**

**(a) Functional and presentation currency**

The Board of Directors consider the Euro ("EUR") as the functional and presentation currency of the Company. This is the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions of the Company.

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

**(b) Transactions 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.

**2.4 Receivables**

Receivables are initially recognised at fair value and measured subsequently at amortised cost using the effective interest rate method less provision for impairment. The Company takes the practical expedient approach to the impairment of receivables.

**2.5 Cash and cash equivalents**

Cash and cash equivalents consist of cash balances that are freely available with a maturity of three months or less. As at 31 December 2022 and 2021, the carrying amounts of cash and cash equivalents approximate their fair values.

**2.6 Payables and accruals**

Payables and accruals are initially recognised at fair value and measured subsequently at amortised cost using the effective interest rate method. Payables and accruals are derecognised when the obligation under the liability is discharged, cancelled or expires. As at 31 December 2022 and 2021, the carrying amounts of the payables and accruals approximate their fair values.

**2.7 General Partner's Share / General Partner's Share receivable**

In accordance with Clauses 9.1 and 9.2 of the Limited Partnership Agreement (the "LPA") dated 19 December 2018, the Company is entitled to receive a General Partner's Share ("GPS") and there shall be allocated to the Company as a first charge on the net income and capital gains of the Fund.

GPS is recognised when the right to receive payment is established. General Partner's Share is initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

## **ABERDEEN EUROPEAN INFRASTRUCTURE GP III LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.7 General Partner's Share / General Partner's Share receivable (continued)**

The GPS is calculated as follows:

- (i) in respect of the period from the closing date up to and including the fifth anniversary of the closing date, 0.80% per annum of invested capital;
- (ii) in respect of the period from the fifth anniversary of the closing date up to and including the tenth anniversary of the closing date, 0.65% per annum of invested capital; and
- (iii) in respect of the period from the tenth anniversary of the closing date up to and including the fifteenth anniversary of the closing date, 0.55% per annum of invested capital.

The GPS shall be reduced by deducting an amount equal to 100% of any transaction fees, investment related fees, Directors' fees, abort fees and other fees earned by the General Partner, Investment Manager or any associate of either.

##### **2.8 Expenses**

Expenses are recognised on an accruals basis.

Advisory fees represent the Company's share of the General Partner fees payable to abrdn Fund Managers Limited ("AFML") (formerly known as Aberdeen Standard Fund Managers Limited), in lieu of the provision of services as the Investment Manager to the Fund. Advisory fees are limited to any surplus income after all expenses have been settled.

##### **2.9 Taxation**

Tax on the profit or loss for the year comprises current tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised in other comprehensive income. Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the date of the Statement of Financial Position.

##### **2.10 Share capital**

Share capital represents the nominal value of shares that have been issued.

##### **2.11 Critical accounting estimates and judgements**

Management have not used any significant accounting estimates or judgements when preparing the financial statements.



## **ABERDEEN EUROPEAN INFRASTRUCTURE GP III LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

#### **3. EXPENSES**

##### **3.1 Audit remuneration**

Fees charged by the Company's Independent Auditor for the audit of the Company's annual accounts for the year ended 31 December 2022 were EUR 9,606 (2021: EUR 6,958).

##### **3.2 Staff costs**

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

Management fee which is limited to any surplus income after all expenses have been settled.

#### **4. RECEIVABLES**

	<b>2022 EUR</b>	<b>2021 EUR</b>
GPS receivable	423,709	519,111
Amounts due from AEIP III Carry LP	74	-
Amounts due from Shareholders	2	2
Amounts due from AEIP III LP	-	30,000
Amounts due from AEI III A Ltd	-	3,604
	<b>423,785</b>	<b>552,717</b>

The amount due from Aberdeen European Infrastructure Partners III Carry LP includes transfer to cover bank charges. The amount is unsecured, interest free, has no fixed date and is repayable on demand.

As at 31 December 2022 and 31 December 2021, the carrying amounts of receivables approximate their fair value.

#### **5. PAYABLES AND ACCRUALS**

	<b>2022 EUR</b>	<b>2021 EUR</b>
Advisory fees	4,101,468	2,350,661
Amounts due to Group companies	15,293	-
Audit fees	9,230	6,773
Administration fees	5,612	2,500
	<b>4,131,603</b>	<b>2,359,934</b>

Amounts due to Group companies includes amounts owed to abrdn PLC Corporate Fund.

## **ABERDEEN EUROPEAN INFRASTRUCTURE GP III LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

#### **6. SHARE CAPITAL**

	<b>2022 EUR</b>	<b>2021 EUR</b>
Authorised		
Unlimited ordinary shares of EUR1 nominal value	unlimited	unlimited
Issued and fully paid		
2 ordinary shares of EUR1 nominal value	2	2

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

#### **7. RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly-owned subsidiaries.

#### **8. ULTIMATE PARENT UNDERTAKING**

The Company's immediate parent company is abrdn Alternative Holdings Limited and its ultimate parent company is abrdn plc, which is incorporated in the United Kingdom and registered in Scotland.

The results of the Company are consolidated in the abrdn plc Annual Report and Accounts, which is the largest and smallest group that the results are consolidated within, which are available to the public and may be obtained from 1 George Street, Edinburgh, EH2 2LL.

#### **9. SUBSEQUENT EVENTS**

The Directors have evaluated the impact of all subsequent events on the Company occurring between the end of the reporting period and 18 September 2023, the date the financial statements were available to be issued and have determined there were no subsequent events to report as at the date of signing this report and the audited financial statements.

**Aberdeen European Infrastructure Partners II LP**  
**Annual Report and Audited Financial**  
**Statements**

**For the year ended 31 December 2022**

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS II LP**

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## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS II LP**

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### **SUMMARY OF OFFICERS AND PROFESSIONAL ADVISERS**

**GENERAL PARTNER:** Aberdeen European Infrastructure GP II Limited  
From 5 December 2022  
280 Bishopsgate  
London  
EC2M 4AG

Until 5 December 2022  
Bow Bells House  
1 Bread Street  
London  
EC4M 9HH

**DIRECTORS OF THE GENERAL PARTNER:** M S Amin  
G D Cohen  
I H Y Wong

**REGISTERED OFFICE:** From 5 December 2022  
280 Bishopsgate  
London  
EC2M 4AG

Until 5 December 2022  
Bow Bells House  
1 Bread Street  
London  
EC4M 9HH

**ADMINISTRATOR:** TMF Group Fund Services (Guernsey) Limited  
Top Floor  
Mill Court  
La Charroterie  
St Peter Port  
Guernsey  
GY1 1EJ

**BANKERS:** Barclays Bank PLC, Guernsey Branch  
St Julian's Court  
St Julian's Avenue  
St Peter Port  
Guernsey  
GY1 1WA

**INDEPENDENT AUDITOR:** PricewaterhouseCoopers CI LLP  
P.O. Box 321  
Royal Bank Place  
1 Gategny Esplanade  
St Peter Port  
Guernsey  
GY1 4ND

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS II LP**

### **SUMMARY OF OFFICERS AND PROFESSIONAL ADVISERS - (CONTINUED)**

**INVESTMENT MANAGER:**

abrdn Fund Managers Limited \*  
From 5 December 2022  
280 Bishopsgate  
London  
EC2M 4AG

Until 5 December 2022  
Bow Bells House  
1 Bread Street  
London  
EC4M 9HH

**DEPOSITARY:**

State Street Trustees Limited  
20 Churchill Place  
London  
E14 5HJ

\*On 1 August 2022 Aberdeen Standard Fund Managers Limited changed its name to abrdn Fund Managers

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS II LP**

### **REPORT OF THE GENERAL PARTNER**

**For the year ended 31 December 2022**

The General Partner presents its annual report and audited financial statements for Aberdeen European Infrastructure Partners II LP (the "Fund", "Partnership" or "Investment Entity") for the year ended 31 December 2022.

#### **Limited partnership**

The Fund was established on 3 July 2014 and is registered as a limited partnership in England under the Limited Partnerships Act 1907.

The Fund is a registered closed-ended investment fund domiciled in the UK and established as a limited partnership under the laws of England. The General Partner is responsible for ensuring that the Fund is always operated and managed under the terms of the Limited Partnership Agreement ("LPA"). The General Partner has delegated these responsibilities to the Investment Manager.

#### **Principal activity**

The Fund was established to invest in primary and secondary social and economic infrastructure projects in the European Union, Norway, Switzerland, Turkey, Iceland and Liechtenstein which offer investors the opportunity to earn attractive risk adjusted returns with a low correlation to economic cycles and other investment classes.

The Fund was set up to invest in social and economic infrastructure projects (e.g. health, defence, education, social housing, government accommodation, custodial facilities, roads, bridges, rail and waste management) underpinned by long-term secure government contracts characterised by stable, predictable, availability-based cash flows. The Fund may also invest in infrastructure assets that are not government-backed Public Private Partnerships ("PPP") assets but that have substantially the same risk profile and characteristics as PPP assets.

The Fund's objective is to generate significant long-term investment yield. It aims to achieve this objective by investing in a portfolio of high-quality PPP assets. The portfolio is expected to generate long-term, inflation-linked cash flows, principally driven by low-risk, availability-based contracts with government agencies.

#### **Financial risk management**

The key risks and uncertainties faced by the Fund are managed within the framework established for the Investment Manager. Exposures to market risk, credit risk and liquidity risk arise in the normal course of the Fund's business. These risks are discussed, and supplementary qualitative and quantitative information is provided in Note 8 to the financial statements. The Fund's liquidity risk management is delegated to the Investment Manager.

#### **Results and review of business**

The Fund's net decrease in net assets attributable to the Limited Partners from operations for the year was EUR3,987,175 (2021: increase of EUR45,206,764). Drawdowns of EUR4,178,657 were made during the year (2021: EUR22,203,928). Capital returned during the year amounted to EUR83,690,000 (2021: EUR6,900,000).

### **REPORT OF THE GENERAL PARTNER (CONTINUED)**

**For the year ended 31 December 2022**

#### **Statement of General Partner's responsibilities in respect of the financial statements**

The General Partner is responsible for preparing the financial statements for each financial year which give a true and fair view, in accordance with applicable law, the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008, the LPA and UK-adopted international accounting standards, of the state of affairs of the Fund and of the profit or loss of the Fund for that year.

In preparing these financial statements the General Partner is also 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 Fund will continue in business.

The General Partner is responsible for keeping proper accounting records that disclose with reasonable accuracy, at any time, the financial position of the Fund and enable the General Partner to ensure that the financial statements comply with applicable law, UK-adopted International Accounting Standards and the LPA. The General Partner is also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The General Partner confirms that it has complied with the above requirements in preparing the financial statements.

#### **Audit information**

As at the date of approval of the Report of the General Partner, the General Partner confirms that, so far as the General Partner is aware, there is no relevant audit information of which the Fund's Independent Auditor is unaware; and the General Partner has taken all the steps that ought to have been taken as a General Partner to be aware of any relevant audit information and to establish that the Fund's Independent Auditor is aware of that information.

#### **Subsequent events**

The General Partner has evaluated the impact of all subsequent events on the Fund occurring between the end of the reporting period and 30 March 2023, the date the financial statements were available to be issued and has determined that there were no subsequent events requiring adjustment or additional disclosure at the date of signing this report and the audited financial statements.



## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS II LP**

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### **REPORT OF THE GENERAL PARTNER (CONTINUED)**

**For the year ended 31 December 2022**

#### **Coronavirus**

The General Partner has considered the impact of coronavirus and where applicable has built this into its fair value modelling which has been reflected in the fair value of the investments in the financial statements.

The private infrastructure market has not been immune. The Fund's portfolio is however made up of infrastructure assets with limited demand risk and strong downside protection, limiting the impact to the investment portfolio to date. The Investment Manager continues to manage its investments to ensure they are well positioned to deal with the ever changing macro situation and believes that the Fund will continue to create value for its Limited Partners. Please refer to the General Partner's assessment of the Fund's ability to continue as a going concern highlighted below.

#### **Macroeconomic environment**

The General Partner has considered the continuing inflationary pressures across the funds geographies and the central bank interest rate rises in response. The rise of government bond rates has led to pressure on infrastructure discount rates. The Fund has recognised this by increasing the weighted average discount rate of the portfolio by 49 bps to 7.96% (2021: 7.47%). There is a risk that fair value market discount rates could increase further, reducing the valuation, all else being equal.

#### **Geopolitical situation in Ukraine**

On 24 February 2022, Russia launched a military offensive against Ukraine resulting in widespread sanctions on Russia and heightened security and cyber threats.

As at the date of approval of the financial statements, the Fund did not hold any assets in Ukraine or Russia. The Fund's key suppliers do not have operations pertaining to the Fund in Ukraine or Russia. The General Partner and the Investment Manager continue to monitor the situation carefully and will take whatever steps are necessary in the best interests of the Fund's Investors. This includes but is not limited to ensuring that the requirements of all international sanctions are adhered to, managing the assets of the Fund proactively to best mitigate risk and ensuring that the Investment Manager and other key suppliers continue to operate all protections, protocols and monitoring of heightened cyber threats. At the date of approval of the financial statements, there is not expected to be any significant long term adverse impact from the military operation in Ukraine on the assets, operational activities, processes and procedures of the Fund.

#### **Going concern**

The General Partner considers that the Fund has adequate resources to continue in operational existence for the foreseeable future. In making this assessment, the General Partner has 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 have indicated their willingness to continue in office and a resolution to reappoint the Independent Auditor will be put forward at the forthcoming Annual General Meeting.



I H Y Wong  
Director  
**General Partner**  
30 March 2023

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS II LP**

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### **REPORT OF THE INVESTMENT MANAGER For the year ended 31 December 2022**

#### **Alternative Investment Fund Managers Directive**

The EU Alternative Investment Fund Managers Directive (Directive 2011/61/EU) ("AIFMD") entered into force on 21 July 2011 and member states, including the United Kingdom, were required to transpose this into national law by 22 July 2013. The AIFMD has been implemented in the United Kingdom by a combination of the HM Treasury Regulations and FCA handbook rules.

The Investment Manager is the designated Alternative Investment Fund Manager ("AIFM") and is subject to regulation under the AIFMD. The AIFM has regular reporting responsibilities in accordance with the AIFMD. The Fund is considered to be an Alternative Investment Fund ("AIF") managed by the AIFM. Whilst the Investment Manager's registration as an AIFM has no direct regulatory bearing on the AIF, the AIFM has, together with the General Partner agreed to make available certain information in order to assist the AIFM in complying with its responsibilities.

#### **Report on the activities of the financial year**

Information on the activities of the Fund in each quarter are discussed in the Fund's Limited Partner Reports which are issued separately to the Fund's Limited Partners on a quarterly basis. The Fund's performance is discussed on a quarterly basis at the respective investor advisory committees.

#### **Material changes and periodic risk management**

Material changes are discussed in the Fund's Limited Partner Reports which are issued separately to the Fund's Limited Partners on a quarterly basis.

In relation to Risk Management, please refer to Note 8 in the Notes to the Financial Statements for details regarding the Funds exposure to certain Financial Risks which require disclosure under per the AIFMD. Separately, Operational Risks are detailed in the Operational Risk Management Report which is available to relevant regulators and the Fund's Limited Partners upon request. Such a request should be made to the Investment Manager.

#### **Remuneration disclosure**

##### **Remuneration Policy**

The abrdn plc Remuneration Policy applies with effect from 1 January 2022. The purpose of the abrdn plc Remuneration Policy (the "Policy") is to document clearly the remuneration policies, practices and procedures of abrdn as approved by the abrdn plc Remuneration Committee (the "Committee"). The Policy is available on request.

The Policy applies to employees of the abrdn group of companies ("Group" or "abrdn") including AIFMD Management Companies ("ManCos") and the AIFMD funds that the ManCo manages.

**REPORT OF THE INVESTMENT MANAGER (CONTINUED)**  
**For the year ended 31 December 2022****Remuneration disclosure (continued)****Remuneration principles**

abrdn applies Group wide principles for remuneration policies, procedures and practices ensuring that:

- Remuneration within the Group is simple, transparent and fair.
- Our Policy supports our long-term strategy by reinforcing a performance-driven culture. It aligns the interests of our employees, shareholders and, importantly, our clients/customers.
- Our remuneration structure recognises the different challenges and priorities of roles and Vectors and Functions across the organisation as appropriate.
- Remuneration policies, procedures and practices promote good conduct, including sound and effective risk management and do not encourage risk taking that exceeds the level of tolerated risk appetite.
- Remuneration extends beyond the provision of fixed and variable pay, with a focus on the retirement provision and the wellbeing needs of our employees, as part of our remuneration philosophy.
- Total remuneration delivered is affordable for the Group.

**Remuneration framework**

Employee remuneration is composed of fixed and variable elements of reward as follows:

- a) Fixed reward (fixed remuneration: salary and cash allowances, if appropriate); and benefits (including pension).
- b) Variable reward (bonus, a proportion of which may be subject to retention or deferral depending on role and regulatory requirements; and senior employees may also be awarded a long-term incentive award).

**Appropriate ratios of fixed and variable remuneration will be set to as to ensure that:**

- a) Fixed and variable components of total remuneration are appropriately balanced; and
- b) The fixed component is a sufficiently high proportion of total remuneration to allow abrdn to operate a fully flexible policy on variable remuneration components, including having the ability to award no variable remuneration component in certain circumstances where either individual and/or Group performance does not support such award.

<i>Base salary</i>	Base salary provides a core reward for undertaking the role and depending on the role, geographical or business market variances or other indicators, additional fixed cash allowances may make up a portion of fixed remuneration. Periodic reviews take into account the employee's role, scope of responsibilities, skills and experience, salary benchmarks (where available) and, where relevant, any local legislative or regulatory requirements.
<i>Benefits (including retirement benefit where appropriate)</i>	Benefits are made up of core benefits which are provided to all employees; and extra voluntary benefits that may be chosen by certain employees which may require contribution through salary sacrifice or other arrangements.  Retirement benefits are managed in line with the relevant legislative requirements and governance structures. In certain, very limited circumstances, a cash allowance may be offered in lieu of a retirement arrangement.

**REPORT OF THE INVESTMENT MANAGER (CONTINUED)**  
**For the year ended 31 December 2022**

**Remuneration disclosure (continued)**

**Remuneration framework (continued)**

<p><i>Annual Performance Bonus Awards</i></p>	<p>Employees who have been employed during a performance year (1 January to 31 December) may be eligible to be considered for an annual bonus in respect of that year.</p> <p>Annual bonuses are based upon group, vector, function, team and individual performance (with individual performance assessed against agreed goals and behaviours). The variable remuneration pool for all eligible employees, including Identified Staff or Material Risk Takers ("MRTs"), is determined initially by reference to profitability and other quantitative and qualitative financial and non-financial factors including risk considerations (on an ex-post and ex-ante basis). In reaching its final funding decision, the Committee exercises its judgement to ensure that the outcome reflects holistic Company performance considerations.</p> <p>abrdn Fund Managers Limited has specific obligations to act in the best interests of the AIFMD funds it manages and its investors. Accordingly, the performance of the underlying funds and the interests of investors (including, where relevant, investment risk) are also taken into account as appropriate. The Risk and Capital Committee and the Audit Committee formally advise the Committee as part of this process.</p> <p>The overall bonus pool is allocated to vectors and functions based on absolute and relative performance for each vector and function, and their alignment with strategic priorities and risk considerations. Allocation by region and subdivision/team is determined on a discretionary basis by the vector, regional and functional heads based on the absolute and relative performance of the constituent teams and alignment with strategic priorities.</p> <p>Individual annual bonus awards are determined at the end of the 12-month performance period with performance assessed against financial and nonfinancial individual objectives, including behaviour and conduct. Individual awards for Identified Staff are reviewed and approved by the Committee (with some individual award approvals delegated, as appropriate, to the Group's Compensation Committee, over which the Committee retains oversight). In carrying out these approvals, the Committee seeks to ensure that outcomes are fair in the context of overall Group performance measures and adjusted, where appropriate, reflect input from the Risk and Capital Committee and the Audit Committee. Variable remuneration awards are subject to deferral for a period of up to three years. A retention period may also be applied as required by the relevant regulatory requirements. Deferral rates and periods comply, at a minimum, with regulatory requirements and may exceed these. In addition to the application of ex-ante adjustments described above, variable remuneration is subject to ex-post adjustment (malus / clawback arrangements).</p>
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## ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS II LP

### REPORT OF THE INVESTMENT MANAGER (CONTINUED) For the year ended 31 December 2022

#### Remuneration disclosure (continued)

#### Remuneration framework (continued)

<i>Other elements of remuneration – selected employees</i>	<p>The following remuneration arrangements may be awarded in certain very limited circumstances:</p> <p><b>Carried Interest Plans</b> – These arrangements are designed to reward performance in roles where a carried interest plan is appropriate. Selected employees are granted carried interest shares in private market funds established by the Group.</p> <p><b>Buy-Out Awards/Guaranteed Bonuses</b> – These are intended to facilitate/support the recruitment of new employees. Buy-outs are not awarded, paid or provided unless they are in the context of hiring new employees. Guaranteed bonuses are not awarded, paid or provided unless they are exceptional and in the context of hiring new employees and limited to the first year of service. These awards are only made where such a payment or award is permitted under any relevant remuneration regulations and are designed to compensate for actual or expected remuneration foregone from previous employers by virtue of their recruitment.</p> <p><b>Retention and Special Performance Awards / LTIP</b> – Supports retention and/or the delivery of specific performance outcomes. The Company may determine that it is appropriate to grant an exceptional award in limited circumstances. Awards are structured to deliver specific retention and/or performance outcomes. Retention and/or special performance awards comply with all relevant regulatory requirements.</p> <p><b>Severance Pay</b> – Payment made to support an employee whose role is considered to be redundant. Severance payments comply with any legislative and regulatory requirements and any payments are inclusive of any statutory entitlement. In the event of severance, the treatment of any individual elements of an employee's remuneration is governed, as appropriate, by relevant plan or scheme rules.</p>
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#### Control functions

The Group ensures that, as appropriate, senior employees engaged in a control function are independent from the business units they oversee and have appropriate authority to undertake their roles and duties. These include, but are not necessarily limited to, Risk, Compliance and Internal Audit function roles. Senior employees engaged in a control function are remunerated in a way that ensures they are independent from the business areas they oversee, have appropriate authority, and have their remuneration directly overseen by the Remuneration Committee.

#### Conflicts of interest

The Remuneration Policy is designed to avoid conflicts of interest between the Group and its clients and is designed to adhere to local legislation, regulations or other provisions. In circumstances or jurisdictions where there is any conflict between the Policy and local legislation, regulations or other provisions then the latter prevail. Where the Committee receives input from members of management on the remuneration arrangements in operation across the Group this never relates to their own remuneration.

#### Personal investment strategies

The Company adheres to the regulatory principles and industry best practice on the use of personal hedging strategies which act in restricting the risk alignment embedded in employee remuneration arrangements.

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS II LP**

### **REPORT OF THE INVESTMENT MANAGER (CONTINUED)** **For the year ended 31 December 2022**

#### **Remuneration disclosure (continued)**

##### **AIFMD Identified Staff / MRTs**

The 'Identified Staff' or MRTs of abrdn Fund Managers Limited are those employees who could have a material impact on the risk profile of abrdn Fund Managers Limited or the AIFMD Funds it manages. This broadly includes senior management, decision makers and control functions. For the purposes of this disclosure, 'Identified Staff' includes employees of entities to which activities have been delegated.

##### **Quantitative remuneration disclosure**

The table below provides an overview of the following:

- Aggregate total remuneration paid by abrdn Fund Managers Limited to its entire staff; and
- Aggregate total remuneration paid by abrdn Fund Managers Limited to its AIFMD 'Identified Staff'.

Amounts shown reflect payments made during the financial reporting period in question. The reporting period runs from 1 January 2022 to 31 December 2022 inclusive.

	<b>Headcount</b>	<b>Total Remuneration £'000</b>
<b>abrdn Fund Managers Limited <sup>1</sup></b>	<b>855</b>	<b>141,552</b>
of which		
Fixed remuneration		101,713
Variable remuneration		39,839
<b>abrdn Fund Managers Limited 'Identified Staff' <sup>2</sup></b>	<b>113</b>	<b>62,151</b>
of which		
Senior Management <sup>3</sup>	46	34,570
Other 'Identified Staff'	67	27,581

The above table has not been audited.

- 1 As there are a number of individuals indirectly and directly employed by abrdn Fund Managers Limited. This figure represents an apportioned amount of abrdn's total remuneration fixed and variable pay, apportioned to the Management Company on an AUM basis, plus any carried interest paid. The Headcount figure provided reflects the number of beneficiaries calculated on a Full Time Equivalent basis.
- 2 The Identified Staff disclosure relates to AIFMD MRTs and represents total compensation of those staff of the Management Company who are fully or partly involved in the activities of the Management Company.
- 3 Senior management are defined in this table as Management Company Directors and members of the abrdn plc Board, together with its Executive Committee, Investment Management Committee and Group Product Committee.

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS II LP**

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### **STRATEGIC REPORT**

**For the year ended 31 December 2022**

The General Partner presents its strategic report on the Fund for the year ended 31 December 2022.

#### **Results and review of business**

The net decrease in net assets attributable to the Limited Partners from operations for the year is set out in the Statement of Comprehensive Income on page 16. The General Partner considers the performance of the Fund during the year and its financial position at the end of the year, to be in line with the long term expected performance of the project, and its prospects for the future to be satisfactory.

#### **Principal activity**

The principal activity is investment holding. There has been no change in that activity during the year.

The Fund's objective is to generate significant long-term investment yield. It aims to achieve this objective from its investments in a portfolio of PPP assets held via its subsidiaries (please see Note 5 for further information), Coöperatief Aberdeen Infrastructure II-A B.A. ("Coop AI II-A B.A.") and Aberdeen Infrastructure (HoldCo) II-E Ltd ("AI HoldCo II-E"). The portfolio is expected to generate long-term, inflation-linked cash flows, principally driven by low-risk, availability-based contracts with government agencies.

The General Partner has responsibility for ensuring the Fund is always operated and managed under the terms of the LPA. The General Partner has delegated these responsibilities to the Investment Manager.

#### **Principal risks and uncertainties**

The key risks and uncertainties faced by the Fund are managed within the framework established for the Investment Manager. Exposures to market risk, credit risk and liquidity risk arise in the normal course of the Fund's business. These risks are discussed, and supplementary qualitative and quantitative information is provided in Note 8 to the financial statements. The Fund's liquidity risk is managed by the Investment Manager.

#### **Key performance indicators ("KPI")**

The Fund is a feeder vehicle in which Stichting Depositary APG Infrastructure Pool 2014 acting in its capacity as depositary of APG Infrastructure Pool 2014 and abrdn Holdings Limited (formerly known as Aberdeen Asset Management Plc), to ultimately invest in a portfolio of PPP assets. Given the straightforward nature of the business, the Directors of the General Partner are of the opinion that analysis using KPI's is not necessary for the understanding of the development, performance, or position of the business.

By order of the Board,



I H Y Wong  
Director  
**General Partner**  
30 March 2023

**INDEPENDENT AUDITOR'S REPORT  
TO THE PARTNERS OF ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS II  
LP**

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**Report on the audit of the financial statements**

**Opinion**

In our opinion, Aberdeen European Infrastructure Partners II LP's financial statements:

- give a true and fair view of the state of the partnership's affairs as at 31 December 2022 and of its result and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008.

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 2022; the statement of comprehensive income, statement of changes in net assets attributable to the limited partners and statement of cash flows 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 partnership 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**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the partnership's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the general partner's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the general partner with respect to going concern are described in the relevant sections of this report.



**INDEPENDENT AUDITOR'S REPORT  
TO THE PARTNERS OF ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS II  
LP (CONTINUED)**

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**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 general partner is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

With respect to the Strategic report and Report of the General Partner, we also considered whether the disclosures required by the UK Companies Act 2006 as applied to qualifying partnerships have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 as applied to qualifying partnerships requires us also to report certain opinions and matters as described below.

*Strategic report and Report of the General Partner*

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 General Partner for the year ended 31 December 2022 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 partnership 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 General Partner.

**Responsibilities for the financial statements and the audit**

*Responsibilities of the general partner for the financial statements*

As explained more fully in the Statement of General Partner's responsibilities in respect of the financial statements, the general partner is 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 general partner is 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 general partner is responsible for assessing the partnership'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 general partner either intends to liquidate the partnership or to cease operations, or has no realistic alternative but to do so.

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE PARTNERS OF ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS II**  
**LP (CONTINUED)**

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**Responsibilities for the financial statements and the audit (continued)**

*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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the partnership and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and the potential for management bias in accounting estimates and key judgements impacting the financial statements, specifically the valuation of investments held at fair value through profit or loss. Audit procedures performed by the engagement team included:

- enquiring with the directors of the general partner, the regulated investment manager and the regulated third party administrator as to any actual or suspected instances of fraud or non-compliance with laws and regulations;
- inspecting and testing significant transactions or financial statement disclosures determined in accordance with the terms of the limited partnership agreement, such as the management fee and general partner's share;
- checking the minutes of meetings of the board of directors of the general partner for additional matters relevant to the audit;
- testing the disclosures made in the Strategic Report and the General Partner's Report for compliance with the requirements of the Companies Act 2006 as applied to qualifying partnerships;
- understanding the design and implementation of controls in operation, and specifically testing the operating effectiveness of the periodic review and approval of the valuation of investments held at fair value through profit or loss;
- on a sample basis, enquiring and inspecting documentation regarding: the key assumptions used to determine the underlying variable cash flows models; the basis for discounts rates and macroeconomic assumptions applied; and considering these judgements by benchmarking these to independent market data, including recent market transactions, and using our valuation expert's experience in valuing similar investments. We further challenged the reasonableness of the regulated investment manager's assumptions by comparing these to the assumptions used by peer companies.

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE PARTNERS OF ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS II LP (CONTINUED)**

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#### **Responsibilities for the financial statements and the audit (continued)**

##### *Auditor's responsibilities for the audit of the financial statements (continued)*

- performing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- identifying and testing journal entries considered to be of higher fraud risk, and the evaluation of the business rationale for any significant or unusual transactions identified as being outside the normal course of business.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

##### *Use of this report*

This report, including the opinions, has been prepared for and only for the Partners of the qualifying partnership as a body in accordance with the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 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.

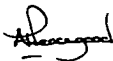
#### **Other required reporting**

##### *Companies Act 2006 exception reporting*

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

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

We have no exceptions to report arising from this responsibility.



Adrian Peacegood BA (Hons) FCA (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers CI LLP  
Chartered Accountants and Statutory Auditors  
Guernsey, Channel Islands  
30 March 2023

**ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS II LP****STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2022**

	<i>Notes</i>	<b>2022 EUR</b>	<b>2021 EUR</b>
<b>Income</b>			
Interest income	<b>3</b>	6,544,212	6,207,934
Other income		-	257,248
Net changes in fair value of financial assets at fair value through profit or loss	<b>4</b>	(7,750,657)	41,691,065
Total (loss)/income		(1,206,445)	48,156,247
<b>Expenses</b>			
General Partner's Share	<b>11</b>	2,093,482	2,123,104
Interest expense		329,688	416,517
Legal and professional fees		88,775	124,142
Custodian fees		74,726	70,957
Arrangement fees		68,367	108,024
Audit fees		57,404	50,599
Administration fees		51,782	48,855
Other operating expenses		18,650	1,766
Net foreign exchange (gain)/loss		(2,144)	5,519
Total expenses		2,780,730	2,949,483
(Loss) / Profit on ordinary activities		(3,987,175)	45,206,764
<b>(Decrease) / increase in net assets attributable to the Limited Partners from operations</b>		(3,987,175)	45,206,764

All amounts reported in the Statement of Comprehensive Income relate to continuing operations.

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS II LP**

### **STATEMENT OF FINANCIAL POSITION**

**As at 31 December 2022**

	<i>Notes</i>	<b>2022 EUR</b>	<b>2021 EUR</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	<b>4</b>	330,006,538	400,270,613
<b>Total non-current assets</b>		330,006,538	400,270,613
<b>Current assets</b>			
Receivables and prepayments	<b>6</b>	1,573,912	1,457,400
Cash and cash equivalents		312,441	13,496,315
<b>Total current assets</b>		1,886,353	14,953,715
<b>Total assets attributable to the Limited Partners</b>		331,892,891	415,224,328
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables and accruals	<b>7</b>	896,674	729,593
<b>Total liabilities</b>		896,674	729,593
<b>Net Assets attributable to the Limited Partners</b>		330,996,217	414,494,735
<b>Limited Partners' interest represented by:</b>			
Partners' capital		165,405,030	244,916,373
Partners' current accounts		165,591,187	169,578,362
<b>Total Limited Partners' interest</b>		330,996,217	414,494,735

The financial statements on pages 16 to 40 of the Fund were authorised for issue by the Board of Directors of Aberdeen European Infrastructure GP II Limited on 30 March 2023 and signed on its behalf by:



**I H Y Wong**  
**Director**  
30 March 2023

**ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS II LP****STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE LIMITED PARTNERS****For the year ended 31 December 2022**

	<b>Partners' Capital</b>	<b>Partners' current accounts</b>	<b>Total</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
<b>As at 1 January 2021</b>	229,612,445	124,371,598	353,984,043
Capital contributions	22,203,928	-	22,203,928
Return of capital	(6,900,000)	-	(6,900,000)
Increase in net assets attributable to the Limited Partners from operations	-	45,206,764	45,206,764
Increase in net assets attributable to the Limited Partners	15,303,928	45,206,764	60,510,692
<b>As at 31 December 2021</b>	244,916,373	169,578,362	414,494,735
Capital contributions	4,178,657	-	4,178,657
Return of capital	(83,690,000)	-	(83,690,000)
Decrease in net assets attributable to the Limited Partners from operations	-	(3,987,175)	(3,987,175)
Decrease in net assets attributable to the Limited Partners	(79,511,343)	(3,987,175)	(83,498,518)
<b>As at 31 December 2022</b>	165,405,030	165,591,187	330,996,217

## ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS II LP

### STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	<i>Notes</i>	<b>2022 EUR</b>	<b>2021 EUR</b>
<b>Cash flows from operating activities</b>			
(Decrease) / increase in net assets attributable to the Limited Partners from operations		(3,987,175)	45,206,764
Net changes in fair value of financial assets at fair value through profit or loss	<b>4</b>	7,750,657	(41,691,065)
Acquisitions of financial assets held at fair value through profit or loss	<b>4</b>	(4,178,657)	(22,203,928)
Disposals of financial assets held at fair value through profit or loss	<b>4</b>	67,870,000	16,000,000
(Increase)/decrease in receivables and prepayments		(116,512)	1,573,120
Increase/(decrease) in payables and accruals		167,081	(434,473)
Increase in capitalised interest	<b>4</b>	(1,177,925)	(333,319)
<b>Net cash flow generated from / (used in) operating activities</b>		<b>66,327,469</b>	<b>(1,882,901)</b>
<b>Cash flows from financing activities</b>			
Capital contributions received		4,178,657	22,203,928
Return of capital		(83,690,000)	(6,900,000)
<b>Net cash flow (used in) / generated from financing activities</b>		<b>(79,511,343)</b>	<b>15,303,928</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(13,183,874)</b>	<b>13,421,027</b>
Cash and cash equivalents at 1 January		13,496,315	75,288
Cash and cash equivalents at 31 December		<b>312,441</b>	<b>13,496,315</b>

The notes on pages 20 to 40 form part of these financial statements

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS II LP**

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### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2022**

#### **1. GENERAL INFORMATION**

The Fund is established as a limited partnership under the laws of England. The address of its registered office is 280 Bishopsgate, London, EC2M 4AG.

The principal activity of the Fund is to invest in primary and secondary social and economic infrastructure projects in the European Union, Norway, Switzerland, Turkey, Iceland and Liechtenstein which offer investors the opportunity to earn attractive risk adjusted returns with a low correlation to economic cycles and other investment classes.

The Fund's investment activities are managed by the General Partner who has delegated these responsibilities to the Investment Manager, with the administration delegated to the Administrator.

The Fund's capital is represented by the net assets attributable to the Limited Partners.

Cooperatief Aberdeen Infrastructure II-A B.A. ("Coop AI II-A B.A.") and Aberdeen Infrastructure (Holdco) II-E Limited ("HoldCo II-E Ltd") are the Subsidiaries which the Fund has invested in. Aberdeen Infrastructure (HoldCo) II-A B.V. ("AI (HoldCo) II-A B.V.") is the subsidiary held by Coop AI II-A B.A. (collectively the "Subsidiaries").

These financial statements were authorised for issue by the Board of Directors of the General Partner of the Fund on 30 March 2023.

#### **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 Fund have been prepared in accordance with applicable law, i.e. the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008, the LPA and UK-adopted International Accounting Standards. The General Partner has considered the presentational requirements of the UK Companies Act 2006 and amended the format so that the financial statements present each line item in a manner that reflects its nature. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The financial statements have been prepared on a going concern basis which assumes that the Fund will continue in operational existence for the foreseeable future. The General Partner is satisfied that it operates in such a way to ensure the Fund will continue to be a going concern, given its expected future cash flows from investing activities and its ability to call undrawn commitments (Note 13).

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



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.1 Basis of preparation (continued)**

The preparation of financial statements in accordance with UK-adopted International Accounting Standards requires the use of certain critical accounting estimates. It also requires the General Partner to exercise judgement in the process of applying the Fund'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 9.

**(a) Standards and amendments to existing standards effective 1 January 2022**

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2022 that would be expected to have a material impact on the Fund.

**(b) New standards, amendments and interpretations effective after 1 January 2022 and have not been early adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2022, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Fund.

**2.2.1 Investment entity**

The Fund has multiple unrelated investors and holds multiple investments. Ownership interests in the Fund are in the form of limited partnership interests which are classified as liabilities under the provisions of IAS 32. The General Partner has determined that the Fund meets the definition of an Investment Entity per IFRS 10 as the following conditions exist:

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

**2.2.2 Subsidiaries**

Where the Fund is deemed to control an underlying portfolio company either directly through a holding company subsidiary and whether the control be via voting rights or through the ability to direct the relevant activities in return for access to a significant portion of the variable gains and losses derived from those relevant activities, the underlying portfolio company and its results are not consolidated, instead they are reflected at fair value through the profit or loss.

The Fund does not have any other direct subsidiaries other than those determined to be Investment Entities. Investment Entity subsidiary investments are measured at fair value through profit or loss and are not consolidated in accordance with IFRS 10.

The Fund operates as an investment structure whereby the Fund (via its subsidiaries) invests and commits to invest into various portfolio companies through the Subsidiaries (described above). As at 31 December 2022 and 31 December 2021, 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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****For the year ended 31 December 2022****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.2.2 Subsidiaries (continued)**

The Fund primarily invests into the portfolio companies by purchasing, indirectly through its Investment Entity subsidiaries, the ordinary equity and subordinated loan notes of these private finance initiative companies. The portfolio companies pay cash interest or accrue interest on the debt held by the Investment Entity subsidiaries, and repay debt based on the terms of the respective agreements. Cash dividends may be paid based on the portfolio company's operating results and are at the discretion of the Board of Directors of the respective portfolio companies which are then paid up to the Fund directly or through the relevant holding company. There are no amounts due or accrued for preferred dividend or in-kind returns based on any of the shareholder agreements.

Movements in the fair value of the Fund's underlying portfolio companies held via the Investment Entity subsidiaries and the existence of unfunded commitments may expose the Fund to potential gains or losses.

**2.3 Foreign currency translation****(a) Functional and presentation currency**

The operating and investing activities of the Fund are denominated in Euro. As such the performance of the Fund is measured and reported in Euro. The General Partner considers Euro as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions of the Fund. The financial statements are presented in Euro, the Fund's functional and presentation currency.

**(b) Transactions and balances**

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

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

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the Statement of Comprehensive Income within "Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss".

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**(a) Classification**

The Fund classifies all of its investment portfolio as financial assets or liabilities at fair value through profit or loss at inception:

***(i) Financial assets***

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

***(ii) Financial liabilities***

The Fund's policy requires the Investment Manager and the General Partner to evaluate the information about these financial assets and liabilities on a fair value basis (Note 10), together with other related financial information. Assets and liabilities in this category are classified as current assets and current liabilities if they are expected to be realised within 12 months of the balance sheet date. Those not expected to be realised within 12 months of the balance sheet date will be classified as non-current.

**(b) Recognition, derecognition and measurement**

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

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund 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.

**(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 Fund's valuation technique for determining the fair value of its investments in Subsidiaries is the net present value of estimated future cash flows based on a discounted cash flow model.

The discounted cash flow model considers the total equity and debt investment made into the portfolio companies indirectly through the Fund's Subsidiaries. The Fund's policy is to manage and value the equity and shareholder debt investments in infrastructure assets as a single investment measured at fair value, because the investment was made at the same time and cannot be realised separately. The General Partner considers that equity and debt share the same characteristics and risks and they are therefore treated as a single unit of account for valuation purposes and a single class for disclosure purposes.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****For the year ended 31 December 2022****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.4 Financial assets and financial liabilities at fair value through profit or loss (continued)****(c) Fair value estimation (continued)**

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

**2.5 Receivables and prepayments**

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

Such assets are short term in nature and the carrying value of these assets is considered to be approximate to their fair value. At each reporting date, the Fund measures the loss allowance on the receivable amounts at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund measures the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance might be required. If the credit risk increases to the point that it is considered to be credit-impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit-impaired.

**2.6 Cash and cash equivalents**

Cash and cash equivalents consist of cash at bank and instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and other short-term highly liquid investments with an original maturity of three months or less. Any bank overdrafts are shown as short term borrowings in the statement of financial position. For the purpose of presenting the statement of cash flows, any bank overdraft is presented net against the cash and cash equivalents as they are repayable on demand and are integral to the Fund's cash management.

**2.7 Distributions payable to the Limited Partners**

Proposed distributions to the Limited Partners are recognised in the Statement of Comprehensive Income when they are appropriately authorised and no longer at the discretion of the Fund. This typically occurs when a proposed distribution is ratified at a General Partner's meeting. Any capital returned is recognised in the Statement of Changes in Net Assets Attributable to the Limited Partners. Subject to Clause 10 of the LPA, all income and capital proceeds of the Fund shall be distributed between the Partners in order of priority (after payment of expenses and liabilities of the Fund) in accordance with Clause 14.1 of the LPA.

**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.

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **For the year ended 31 December 2022**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.9 Interest income and dividend income**

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

Dividend income is recognised when the right to receive payment is established.

##### **2.10 Expenses**

Expenses are recognised on an accruals basis.

##### **2.11 Taxation**

The Fund is domiciled in England. Under the current laws of England, there is no income, estate, corporation, capital gains or other taxes payable by the Fund. Any other tax liability arising on the activities of the Fund will be borne by the individual partners.

##### **2.12 Net assets attributable to the Limited Partners**

Ownership interests in the Fund are in the form of an interest in the net assets attributable to the Limited Partners. Net assets attributable to the Limited Partners are classified as a financial liability, due to a finite life and contractual payment provisions to each of the Limited Partners within the LPA.

Net assets attributable to Limited Partners' capital are carried at amortised cost.

##### **2.13 General Partner's Share**

Under Clause 9 of the LPA, the General Partner shall be entitled to receive from the Fund an allocation as a first charge on net income and capital gains by way of a General Partner's Share ("GPS").

The GPS payables shall be reduced by deducting transaction fees, investment related fees, directors' fees earned by the General Partner, Investment Manager or any Associate of either of them.

##### **2.14 Allocation of profits and losses**

- a) Subject to clause 9.5(c) of the LPA, every Limited Partner has an interest in every asset of the Fund and, accordingly, all income, capital gains and capital losses shall (after the allocation of the General Partner's Share) be allocated to the Partners so that the balances on their accounts shall reflect their respective entitlements to receive distributions in accordance with the provisions of Clause 10.1.
- b) If a particular allocation of capital gain and/or Income is assumed in computing the tax credits available to the Partners for the purpose of calculating when each Partner has received sums equal to the aggregate of amounts under Clause 10.1 then, notwithstanding any other provision of this Clause 9.5, such capital gain and/or income shall be allocated in accordance with that assumption.

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS II LP**

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### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.14 Allocation of profits and losses (continued)**

- c) The Investment Manager may in its discretion, allocate items of income, capital gains, capital losses and expenses to particular investors up to the maximum amount available, with corresponding adjustments to the allocation of the other items.

Net income, net losses, capital gains and losses are allocated to each Limited Partner's current or capital account.

##### **2.15 Undrawn committed capital**

Unfunded committed capital from the partners is not presented in the statement of financial position, since unfunded committed capital represents an undrawn financial instrument, where an effective interest rate in accordance with IFRS 9 Financial instruments would not be applicable.

##### **2.16 Carried interest**

In accordance with the LPA, if the performance conditions pertaining to the Carried Interest Entitlement as defined in the LPA are met, the Carried Interest Partner will be entitled to receive Carried Interest as calculated in accordance with Schedule 4 of the LPA.

Carried interest is measured at amortised cost and calculated based on the fair value of the investments of the Fund, as measured at the reporting date. Carried interest is equal to the Carry Partner's hypothetical share of profits, taking into account the cash already distributed from the Fund and the amount of divestment proceeds receivable. Where the calculation indicates that the performance conditions would have been achieved on a carry calculation date as set out in the LPA, carried interest is accrued. Where the calculation indicates that there is uncertain timing and realisable value of the distribution, a contingent liability is recognised and presented in the notes to the financial statements.

A carried interest contingent liability has been disclosed in Note 14 due to the uncertain timing and realisable value of the carried interest distribution.

#### **3. INTEREST INCOME**

	<b>2022 EUR</b>	<b>2021 EUR</b>
From financial assets at fair value through profit or loss	6,544,212	6,207,934

## ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS II LP

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

#### 4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 EUR	2021 EUR
As at 1 January	400,270,613	352,042,301
Acquisitions	4,178,657	22,203,928
Capitalised interest	1,177,925	333,319
Return of capital	(67,870,000)	(16,000,000)
Net change in fair value of financial assets at fair value through profit or loss	(7,750,657)	41,691,065
As at 31 December	330,006,538	400,270,613
Change in unrealised (loss) / gain 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	(7,750,657)	41,691,065

Financial assets at fair value through profit or loss	2022	% of net	2021	% of net
	Fair value EUR	assets	Fair value EUR	assets
Equity securities	252,008,366	76.14	326,850,366	78.86
Debt securities	77,998,172	23.56	73,420,247	17.71
Investments in Subsidiaries	330,006,538	99.70	400,270,613	96.57

#### 5. SUBSIDIARIES

The Fund operates as an integrated structure whereby the Fund invests solely into the Subsidiaries. Total investments made by the Fund into the Subsidiaries during the year ended 31 December 2022 were EUR4,178,657 (2021: EUR4,884,267). Total investments made by the Fund into the indirect subsidiary amounted to EUR Nil (2021: EUR17,319,661). As at 31 December 2022 and 31 December 2021 there were no capital commitment obligations and no amounts due to the Subsidiaries for unsettled purchases.

The Subsidiaries of the Fund are as follows:

Subsidiaries	Address of the registered office	Principal activity	Date of incorporation	Country of incorporation	Holding %
Coop AI II-A B.A.	Zuidplein 166, WTC H-Toren, 1077 XV Amsterdam, The Netherlands	Investment holding	28 August 2015	Netherlands	100
AI HoldCo II-E	280 Bishopsgate, London, United Kingdom, EC2M 4AG	Investment holding	14 December 2016	England	100
<i>Subsidiary of Coop AI II-A B.A.</i>					
AI (HoldCo) II-A B.V.	Zuidplein 166, WTC H-Toren, 1077 XV Amsterdam, The Netherlands	Investment holding	28 August 2015	Netherlands	100

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS II LP**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

#### **6. RECEIVABLES AND PREPAYMENTS**

	<b>2022 EUR</b>	<b>2021 EUR</b>
Interest receivable (note 11)	1,437,581	1,332,106
Intercompany loan - HoldCo II-E Ltd (note 11)	90,422	70,375
Prepayments	45,909	54,919
	<b>1,573,912</b>	<b>1,457,400</b>

As at 31 December 2022 and 31 December 2021, the carrying amounts of receivables and prepayments approximate their fair value.

#### **7. PAYABLES AND ACCRUALS**

	<b>2022 EUR</b>	<b>2021 EUR</b>
General Partner Share (note 11)	502,364	484,930
Letter of Credit fee payable	212,837	110,938
Depository fees	57,318	18,738
Audit fees	51,787	53,515
Legal and professional fees	47,466	49,947
Administration fees	24,902	11,525
	<b>896,674</b>	<b>729,593</b>

The Letter of Credit fee payable is to National Australian Bank (NAB). Refer to note 15 for the terms of credit facility.

As at 31 December 2022 and 31 December 2021 the carrying amounts of payables and accruals approximate their fair value.

#### **8. FINANCIAL RISK MANAGEMENT**

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

The Fund, through the Subsidiaries own a portfolio of investments predominantly in the subordinated loan notes (subordinate to senior debt) and ordinary equity of private finance initiative companies. These companies will be structured at the outset to minimise financial risks of acquiring and holding the investment. The Fund primarily focus its risk management on the direct financial risks of acquiring and holding the portfolios, but continues to monitor the indirect financial risks of the underlying projects through representation, where appropriate, on the Boards of the project companies and the receipt of regular financial and operational performance reports.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****For the year ended 31 December 2022****8. FINANCIAL RISK MANAGEMENT (CONTINUED)****8.1 Financial risk factors****8.1.1 Market risk**

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

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

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

The performance of any future investments acquired by the Fund are monitored by the Investment Manager on a monthly basis and reviewed by the General Partner on a quarterly basis.

**(a) Price risk**

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

Price risk arises from the Fund's exposure to investments in Subsidiaries. The Fund undertakes a full assessment of each entity's potential for value creation prior to entering into a new transaction. Thereafter, the performance of each investment is continually monitored and action taken as deemed appropriate in the circumstances. Further information about the Fund's sensitivity to changes in the fair value of its investments in Subsidiaries is set out below.

At the reporting date the carrying value of the investments in Subsidiaries amounted to EUR330,006,538 (2021: EUR400,270,613). For investments carried at fair value through profit or loss, changes in fair value would have a direct impact on the Fund's net movement in net assets attributable to the Limited Partners from operations for the year. The table below sets out the sensitivity of the Fund's net movement in net assets attributable to the Limited Partners from operations for the year to a 10% change in fair value of investments in Subsidiaries as at the reporting date.

Effect of investments in Subsidiaries fair values on the Fund's net movement in net assets attributable to the Limited Partners from operations for the year:

	<b>2022 EUR</b>	<b>2021 EUR</b>
Effect of 10% increase in fair value of the investments in Subsidiaries	33,000,654	40,027,061
Effect of 10% decrease in fair value of the investments in Subsidiaries	(33,000,654)	(40,027,061)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****For the year ended 31 December 2022****8. FINANCIAL RISK MANAGEMENT (CONTINUED)****8.1 Financial risk factors (continued)****8.1.1 Market risk (continued)****(b) Currency risk**

The Subsidiaries in which the Fund invests conduct its business and pays interest, dividends and principal in Euro. The Fund monitors its foreign exchange exposures using its near term and long-term cash flow forecasts. The Fund's policy is not to use foreign exchange hedging. The Fund's liabilities denominated in Pound Sterling at their carrying amount are summarised below:

	<b>2022 EUR</b>	<b>2021 EUR</b>
<b>Liabilities</b>		
<b>GBP</b>		
Monetary liabilities	99,254	103,461

The table below summarises the sensitivity of the Fund's monetary and non-monetary assets to changes in foreign exchange movements at 31 December 2022 and 31 December 2021. The analysis is based on the assumptions that the relevant foreign exchange rate increased/decreased by 5% to Euro, with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rates, having regard to historical volatility of those rates. This increase or decrease in the net assets attributable to Limited Partners arises mainly from a change in the fair value of Pound Sterling equity and interest securities that are classified as financial assets at fair value through profit or loss.

	<b>2022 EUR</b>	<b>2021 EUR</b>
<b>Liabilities</b>		
<b>GBP</b>		
Monetary liabilities	4,963	5,173

As at 31 December 2022, the foreign currency exchange rate applied was EUR/GBP 0.8848 (2021: EUR/GBP 0.8409).

**(c) Interest rate risk**

The Fund 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 generally either through floating rate debt or fixed interest rate bonds. Where senior debt is financed through floating rate debt, the projects typically have concession length hedging arrangements in place, which are monitored by the project companies' managers, finance parties and boards of directors.

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****For the year ended 31 December 2022****8. FINANCIAL RISK MANAGEMENT (CONTINUED)****8.1 Financial risk factors (continued)****8.1.1 Market risk (continued)****(c) Interest rate risk (continued)**

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows. The Fund holds debt securities that will expose the Fund to fair value interest rate risk. The Fund'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 quarterly basis and the Investment Manager of the Fund to review on a quarterly basis. Interest rates on the investments in Subsidiaries are fixed.

**(d) Inflation risk**

The Fund'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 Fund's overall cash flows are estimated to partially vary with inflation. The effect of these inflation changes do not always immediately flow through to the Fund's cash flows as there is a time lag due to financial models only being updated on a 6 monthly basis.

**8.1.2 Credit risk**

Credit risk is the risk that a counterparty of the Fund will be unable or unwilling to meet a commitment that it has entered into with the Fund. The Fund has invested in the indirect subsidiary, AI (HoldCo) II-A B.V. and has invested in the direct subsidiaries, AI (HoldCo) II-E and Coop AI II-A B.A.. The Fund's near term cash flow forecasts are used to monitor the timing of cash receipts from project counterparties. Underlying the cash flow forecasts are project companies' cash flow models, which are regularly updated by project companies for the purposes of demonstrating the projects' ability to pay interest and dividends based on a set of detailed assumptions. Many of the Fund's investments and their subsidiary entities generally receive revenue from government departments, public sector or local authority clients. Therefore a significant portion of the Fund's revenue arises from counterparties of good financial standing.

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

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

	<b>2022 EUR</b>	<b>2021 EUR</b>
Investments in Subsidiaries - debt securities	77,998,172	73,420,247
Receivables	1,528,003	1,402,481
Cash and cash equivalents	312,441	13,496,315
<b>Total</b>	<b>79,838,616</b>	<b>88,319,043</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

**8. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**8.1 Financial risk factors (continued)**

**8.1.2 Credit risk (continued)**

The main concentration of credit risk to which the Fund is exposed arises from the Fund's investments in the debt securities component of the Fund's financial assets carried at fair value. The maximum exposure to credit risk as a result of counterparty default equates to the current carrying value of these financial assets.

Cash transactions are limited to Barclays Bank with a long term debt credit rating of A (2021: A) as rated by the rating agency, Standard & Poor's. All debt investments represent private debt investments executed in accordance with the investment objective of the Fund.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's credit risk exposure on a monthly basis, and the General Partner reviews it on a quarterly basis.

**8.1.3 Liquidity risk**

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund'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 Fund's activity is funded by long-term funding, as it is closed ended and hence investors do not have the option to redeem their investment in the Fund. The Fund is exposed to limited liquidity risk. The Fund's liquidity risk management is delegated to the Investment Manager.

The Fund's investments are generally in private companies in which there is no active market and, therefore, such 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 Fund's investment companies do not have borrowings which rank senior to the Fund'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 Fund.

The Fund manages its liquidity risk by maintaining cash levels to fund short term operating expenses.

The Fund operates as an investment structure whereby the Fund invests and commits to invest into various portfolio companies. As at 31 December 2022, 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.

**ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS II LP****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****For the year ended 31 December 2022****8. FINANCIAL RISK MANAGEMENT (CONTINUED)****8.1 Financial risk factors (continued)****8.1.3 Liquidity risk (continued)**

The following table illustrates the expected liquidity of assets held and undrawn capital commitments:

<b>As at 31 December 2022</b>	<b>Undrawn capital commitments EUR</b>	<b>Less than 1 month EUR</b>	<b>1-12 months EUR</b>	<b>More than 12 months EUR</b>
Total assets and undrawn capital commitments	43,700,686	312,441	1,573,912	330,006,538
<b>As at 31 December 2021</b>				
Total assets and undrawn capital commitments	47,879,344	13,496,315	1,457,400	400,270,613

The amounts in the table are the contractual undiscounted cash flows.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. At present the Fund has no immediate plans to exit any of its positions in its portfolio of investments. When the General Partner is of the view that the disposal of certain investments is relatively certain; the associated net assets attributable to the partners, in so far as they may be distributed, will be disclosed in the appropriate liquidity category as noted below.

	<b>On demand EUR</b>	<b>Less than 1 year EUR</b>	<b>Between 1 and 3 years EUR</b>	<b>More than 3 years EUR</b>	<b>Total EUR</b>
<b>As at 31 December 2022</b>					
<b>Liabilities</b>					
Payables and accruals	-	896,674	-	-	896,674
Net assets attributable to the Limited Partners	-	-	-	330,996,217	330,996,217
<b>Total liabilities</b>	-	896,674	-	330,996,217	331,892,891
<b>As at 31 December 2021</b>					
<b>Liabilities</b>					
Payables and accruals	-	729,593	-	-	729,593
Net assets attributable to the Limited Partners	-	-	-	414,494,735	414,494,735
<b>Total liabilities</b>	-	729,593	-	414,494,735	415,224,328

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

**8. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**8.2 Capital risk management**

The capital structure of the Fund consists of partners' capital and partners' current accounts.

The General Partner's policy when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for the Limited Partners and to sustain the future development of the business. In order to maintain or adjust the capital structure, the Fund may call undrawn capital from the Limited Partners or raise medium/long-term third party debt. Neither the Fund nor any of its Subsidiaries are subject to externally imposed capital requirements.

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

**8.3 Fair value estimation**

As at 31 December 2022, 100% (2021: 100%) of financial assets at fair value through profit or loss comprise of the investments in Subsidiaries that have been fair valued in accordance with the policies set out above. The Subsidiaries are not publicly traded; prior to maturity, an exit can only be made by the Fund through a sale of its investments and commitments in the Subsidiaries through a secondary market. As set out in the LPA, the Fund's objective is to acquire investments with the intention to recover the capital invested through distributions received from the Subsidiaries funded through its realisation of their private equity, debt or infrastructure investment positions. As a result, the carrying value of the Subsidiaries may be significantly different from the value ultimately realised on an exit via a secondary market sale. It is not the objective nor intention of the Fund to exit the Subsidiaries in the secondary market sale.

As the Subsidiaries are not traded on an active market, and their fair values are determined using valuation techniques, the value is primarily based on the latest available financial information of the Subsidiaries as reported by the Administrator of the Subsidiaries. The Subsidiaries financial information has been prepared based on the valuation of the Subsidiaries own underlying investments. The Fund and its Subsidiaries have effectively used 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 relevant long-term government bond yields, the specific risks of each investment and the evidence of recent transactions.

**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).

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 Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS II LP**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **For the year ended 31 December 2022**

#### **8. FINANCIAL RISK MANAGEMENT (CONTINUED)**

##### **8.3 Fair value estimation (continued)**

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

	<b>Level 1 EUR</b>	<b>Level 2 EUR</b>	<b>Level 3 EUR</b>	<b>Total EUR</b>
<b>As at 31 December 2022</b>				
Investments in Subsidiaries	-	-	330,006,538	330,006,538
<b>As at 31 December 2021</b>				
Investments in Subsidiaries	-	-	400,270,613	400,270,613

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

Level 3 is comprised of the investments in Subsidiaries held by the Fund that is not quoted on an active market.

#### **Valuation – the Subsidiaries**

In determining the fair value of the Subsidiaries, the Fund relies on the valuation as reported in the latest available financial statements and the underlying valuations of the investment portfolio.

The Investment Manager is responsible for monitoring the performance of the Subsidiaries and reporting such performance to the General Partner. Where the information provided by the Subsidiaries' Administrator is not considered appropriate by the Investment Manager and General Partner, the Investment Manager will make amendments to the net asset value ("NAV") obtained as noted above in order to recommend a carrying value that more appropriately reflects the fair value at the Fund reporting date.

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS II LP**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

#### **8. FINANCIAL RISK MANAGEMENT (CONTINUED)**

##### **8.3 Fair value estimation (continued)**

The following summarises the valuation techniques and input used for investments in the underlying project companies categorised in Level 3.

	<b>Fair value EUR</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Range of discount rate applied</b>
<b>As at 31 December 2022</b>				
Investments in Subsidiaries	330,006,538	Discounted cash flow	Discount rate and expected cash flows	7.00% - 9.44%
		<b>Reasonable possible shift (absolute value)</b>	<b>Change in valuation EUR</b>	
Investments in Subsidiaries		5% movement in discount rate	12,746,460	
	<b>Fair value EUR</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Range of discount rate applied</b>
<b>As at 31 December 2021</b>				
Investments in Subsidiaries	400,270,613	Discounted cash flow	Discount rate and expected cash flows	6.50% - 8.60%
		<b>Reasonable possible shift (absolute value)</b>	<b>Change in valuation EUR</b>	
Investments in Subsidiaries		5% movement in discount rate	11,866,139	

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 the investments in Subsidiaries, decreases or increases in discounted rate would lead to an increase or decrease in estimated value respectively.

No interrelationships between unobservable inputs used in the Fund's valuation of its Level 3 investments in Subsidiaries and fund investments have been identified.

The Fund has recognised unrealised loss of EUR7,750,657 (2021: gain EUR41,691,065) on its Level 3 investments, these are included in the Statement of Comprehensive Income as net changes in fair value of financial assets through profit or loss.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 December 2022****8. FINANCIAL RISK MANAGEMENT (CONTINUED)****8.4 Transfers between levels of the fair value hierarchy**

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

**9. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

**Judgements**

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

**Carried interest**

The accounting for carried interest is a critical judgement. Carried interest is calculated based on the Carry Partner's hypothetical share of profits, taking into account the cash already distributed from the Fund and the amount of divestment proceeds receivable or to be received on disposal (indicated by the fair value of the investments at the year-end date), as estimated by the General Partner. The total carried interest eventually distributed to the Carry Partner over the life of the Fund might be significantly different from the carried interest reported at the reporting date. In accordance with the LPA clause 10.2, the Carried Interest Entitlement of the Carried Interest Partner shall be calculated as at each Carry Calculation Date with the earliest being 18 September 2025 (tenth anniversary of the closing date) and the last date being 18 September 2030 (fifteenth anniversary of the closing date). At each Carry Calculation Date, carried interest is an amount equal to a portion of the Notional Carry Amount or Final Carry Amount as calculated in accordance with Schedule 4 of the LPA.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets sets out the recognition and disclosure criteria for provisions and contingent liabilities. Carried interest will be recognised as a provision at the time when the achievement of hurdles is certain to be met (as per the LPA). In General Partner's opinion, carried interest as at 31 December 2022 represents a contingent liability due to the uncertain timing and realisable value of the distribution and as such has been disclosed in the financial statements as per note 14.

**Investment entity status**

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

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

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS II LP**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

#### **9. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

##### **Investment entity status (continued)**

Although the Fund met all three defining criteria, the General Partner has also assessed the business purpose of the Fund, the investment strategies for the infrastructure investments, the nature of any earnings from the infrastructure investments and the fair value models. The General Partner 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 Fund. The General Partner determined that the Fund meets the definition of an Investment Entity.

##### **Estimates**

The Fund recognises the investment in its directly owned Subsidiaries at fair value which includes the fair value of each of the individual project companies and holding companies in which the Company holds an indirect investment. Fair values for those investments for which a market quote is not available are determined using the income approach which discounts the expected cash flows at the appropriate rate. In determining the discount rate, regard is had to relevant long-term government bond yields, specific risks and the evidence of recent transactions. The General Partner has satisfied itself that PPP or similar investments share the same investment characteristics and as such constitute a single asset class for IFRS 7 disclosure purposes.

The range of discount rates applied in the December 2022 valuation was 7.00% - 9.44% (2021: 6.50% - 8.60%). The discount rate is considered one of the most significant unobservable inputs through which an increase or decrease would have a material impact on the fair value of the financial assets at fair value through profit or loss.

#### **10. FINANCIAL INSTRUMENTS BY CATEGORY**

At 31 December 2022, the Fund held the following classes of financial instruments that are measured at fair value. For all other assets and liabilities, their carrying value approximates to the fair value.

	<b>Financial assets at amortised cost EUR</b>	<b>Designated at fair value through profit or loss EUR</b>	<b>Total EUR</b>
<b>As at 31 December 2022</b>			
<b>Assets</b>			
Investments in Subsidiaries	-	330,006,538	330,006,538
Receivables	1,528,003	-	1,528,003
Cash and cash equivalents	312,441	-	312,441
	<b>1,840,444</b>	<b>330,006,538</b>	<b>331,846,982</b>
<b>As at 31 December 2021</b>			
<b>Assets</b>			
Investments in Subsidiaries	-	400,270,613	400,270,613
Receivables	1,402,481	-	1,402,481
Cash and cash equivalents	13,496,315	-	13,496,315
	<b>14,898,796</b>	<b>400,270,613</b>	<b>415,169,409</b>

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS II LP**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

#### **10. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)**

	<b>Other financial liabilities at amortised EUR</b>	<b>Liabilities at fair value through profit or loss EUR</b>	<b>Total EUR</b>
<b>As at 31 December 2022</b>			
<b>Liabilities</b>			
Payables and accruals	896,674	-	896,674
Net assets attributable to the Limited Partners	330,996,217	-	330,996,217
	<u>331,892,891</u>	<u>-</u>	<u>331,892,891</u>
<b>As at 31 December 2021</b>			
<b>Liabilities</b>			
Payables and accruals	729,593	-	729,593
Net assets attributable to the Limited Partners	414,494,735	-	414,494,735
	<u>415,224,328</u>	<u>-</u>	<u>415,224,328</u>

#### **11. 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.

As disclosed in the LPA, the General Partner is entitled to receive the General Partner's Share, which is calculated at a certain percentage per annum on total commitments during the investment period. After the investment period has terminated, it is calculated as a percentage per annum of the invested capital. The General Partner's Share calculated is reduced by deducting transaction fees, investment related fees, directors' fees etc. earned by the General Partner, Investment Manager or associates of either, paid quarterly in arrears by the project company.

During the year, the General Partner charged EUR2,093,482 (2021: EUR2,123,104) in respect of General Partner's Share, of which EUR502,364 (2021: EUR484,930) was outstanding at the end of the year.

During the year ended 31 December 2022 the Fund recognised interest income on loan notes from AI (Holdco) II-A B.V. and Coop AI II-A B.A. of EUR 5,366,308 (2021: EUR 5,874,601), of which EUR 1,437,581 was receivable at the year end (2021: EUR 1,332,106).

During the year ended 31 December 2022 the Fund recognised interest income on the long-term intercompany loan from HoldCo II-E Ltd of EUR 1,177,925 (2021: EUR 333,319), of which EUR nil was receivable at year end (2021: EUR nil).

During the year ended 31 December 2022 the intercompany loans with HoldCo II-E Ltd were amounting to EUR 90,422 (2021: EUR 70,375), they were short-term loans to cover expenses of the Subsidiaries, which are repayable on demand and do not incur interest.

#### **12. ULTIMATE CONTROLLING PARTY**

The Directors of the General Partner do not consider there to be any one ultimate controlling party.

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS II LP**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

#### **13. UNDRAWN COMMITMENTS**

As at 31 December 2022 the Fund had undrawn commitments from the Limited Partners of EUR43,700,686 (2021: EUR47,879,344).

#### **14. CONTINGENT LIABILITY**

IAS 37 Provisions, Contingent Liabilities and Contingent Assets sets out the recognition and disclosure criteria for provisions and contingent liabilities. Carried interest represents a contingent liability due to the uncertain timing and realisable value of the distribution and as such has been disclosed in the financial statements.

Of the net assets attributable to Limited Partners, if the Fund's assets were realised at their Net Asset Value at 31 December 2022 an amount of EUR11,423,183 (2021: EUR15,676,234) would be due to the Carried Interest Partner.

#### **15. LOAN COMMITMENTS, COMMITMENTS AND CONTINGENCIES**

The General Partner acting on behalf of the Fund entered into a revolving credit facility agreement (the "Agreement") dated 2 November 2016, as Original Borrower, with National Australia Bank as Lender. The Lender will make available to the Original Borrower a letter of credit facility equal to EUR50,000,000.

The credit facility was renewed on 28 October 2022 for a further year to 28 October 2023.

<b>Loan Lender</b>	<b>Facility termination</b>	<b>Nominal interest rate</b>	<b>Carrying amount 2022*</b>	<b>Carrying amount 2021*</b>
National Australia Bank Limited	28-Oct-23	1.75 plus Euribor	€ 22,036,436	€ 26,361,346

\* The fair value of all borrowings is deemed to reflect their carrying value.

Under the Agreement, the Fund, as the Original Borrower, must pay establishment costs and a renewal fee based upon the commitment, a facility fee based upon the available commitment and a letter of credit commission (recognised as credit facility interest) based on the outstanding amount of each letter of credit.

On 13 June 2018, the Fund requested a Letter of Credit in the amount of EUR44,243,897, to be issued to the underlying structured entity held by Coop AI II-A B.A. On 22 September 2021, the letter of credit amount was reduced to EUR26,361,346. In October 2022, the Fund requested to cancel a part of the Letter of Credit in the amount of EUR4,324,911. Following this cancellation, the amount of Letter of Credit was reduced to EUR22,036,436. The associated arrangement fees and legal fees, facility fees and letter of credit commission was paid by the Fund.

#### **16. SUBSEQUENT EVENTS**

Management has evaluated the impact of all subsequent events on the Fund occurring between the end of the reporting period and 30 March 2023, the date the financial statements were available to be issued and has determined that there were no subsequent events requiring adjustment or additional disclosure at the date of signing this report and the audited financial statements.

**Aberdeen European Infrastructure Partners III LP**  
**Annual Report and Audited Financial**  
**Statements**

**For the year ended 31 December 2022**

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

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## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

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### **SUMMARY OF OFFICERS AND PROFESSIONAL ADVISERS**

**GENERAL PARTNER:** Aberdeen European Infrastructure GP III Limited  
From 6 December 2022  
280 Bishopsgate  
London  
EC2M 4RB

Until 6 December 2022  
Bow Bells House  
1 Bread Street  
London  
EC4M 9HH

**DIRECTORS OF THE GENERAL PARTNER:** R Melia  
C Pollock  
I Wong (appointed 26 May 2022)

**REGISTERED OFFICE:** From 13 December 2022  
280 Bishopsgate  
London  
EC2M 4RB

Until 13 December 2022  
Bow Bells House  
1 Bread Street  
London  
EC4M 9HH

**ADMINISTRATOR:** TMF Group Fund Services Limited  
Top Floor  
Mill Court  
La Charroterie  
St. Peter Port  
Guernsey  
GY1 1EJ

**BANKERS:** Barclays Bank  
St Julian's Court  
St Julian's Avenue  
St Peter Port  
Guernsey  
GY1 1WA

**INDEPENDENT AUDITOR:** PricewaterhouseCoopers CI LLP  
P.O. Box 321  
Royal Bank Place  
1 Gategny Esplanade  
St Peter Port  
Guernsey  
GY1 4ND

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

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### **SUMMARY OF OFFICERS AND PROFESSIONAL ADVISERS**

**INVESTMENT MANAGER:** abrdn Fund Managers Limited \*  
From 5 December 2022  
280 Bishopsgate  
London  
EC2M 4RB

Until 5 December 2022  
Bow Bells House  
1 Bread Street  
London  
EC4M 9HH

**DEPOSITARY:** State Street Trustees Limited  
20 Churchill Place  
London  
E14 5HJ

\*On 1 August 2022 Aberdeen Standard Fund Managers Limited changed its name to abrdn Fund Managers Limited.



## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

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### **REPORT OF THE GENERAL PARTNER For the year ended 31 December 2022**

The General Partner presents its annual report and audited financial statements for Aberdeen European Infrastructure Partners III LP (the "Fund", "Partnership" or "Investment Entity") for the year ended 31 December 2022.

#### **Limited partnership**

The Fund was established on 16 November 2018 and is registered as a limited partnership in England under the Limited Partnerships Act 1907.

The Fund is a registered closed-ended investment fund domiciled in the UK and established as a limited partnership under the laws of England. The General Partner is responsible for ensuring that the Fund is always operated and managed under the terms of the Limited Partnership Agreement ("LPA"). The General Partner has delegated these responsibilities to the Investment Manager.

#### **Principal activity**

The Fund was established to invest in primary and secondary social and economic infrastructure projects in the European Union, United Kingdom, Norway, Switzerland, Turkey, Iceland and Liechtenstein which offer investors the opportunity to earn attractive risk adjusted returns with a low correlation to economic cycles and other investment classes.

The Fund was set up to invest in social and economic infrastructure projects (e.g. health, defence, education, social housing, government accommodation, custodial facilities, roads, bridges, rail and waste management) underpinned by long-term secure government contracts characterised by stable, predictable, availability-based cash flows. The Fund may also invest in infrastructure assets that are not government-backed Public Private Partnerships ("PPP") assets but that have substantially the same risk profile and characteristics as government backed PPP assets.

The Fund's objective is to generate significant long-term investment yield. It aims to achieve this objective by investing in a portfolio of high-quality PPP assets. The portfolio is expected to generate long-term, inflation-linked cash flows, principally driven by low-risk, availability-based contracts with government agencies.

#### **Financial risk management**

The key risks and uncertainties faced by the Fund are managed within the framework established for the Investment Manager. Exposures to market risk, credit risk and liquidity risk arise in the normal course of the Fund's business. These risks are discussed, and supplementary qualitative and quantitative information is provided in Note 9 to the financial statements. The Fund's liquidity risk management is delegated to the Investment Manager.

#### **Results and review of business**

The Fund's net increase in net assets attributable to the Limited Partners from operations for the year was EUR783,708 (2021: EUR20,001,297). No drawdowns were made during the year (2021: EUR45,606,718). Capital returned during the year amounted to EUR9,200,000 (2021: EUR 2,175,000).

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

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### **REPORT OF THE GENERAL PARTNER (CONTINUED)** **For the year ended 31 December 2022**

#### **Statement of General Partner's responsibilities in respect of the financial statements**

The General Partner is responsible for preparing the financial statements for each financial year which give a true and fair view, in accordance with applicable law, the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008, the LPA and UK-adopted international accounting standards, of the state of affairs of the Fund and of the profit or loss of the Fund for that year.

In preparing these financial statements the General Partner is also 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 Fund will continue in business.

The General Partner is responsible for keeping proper accounting records that disclose with reasonable accuracy, at any time, the financial position of the Fund and enable the General Partner to ensure that the financial statements comply with applicable law, UK-adopted International Accounting Standards and the LPA. The General Partner is also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The General Partner confirms that it has complied with the above requirements in preparing the financial statements.

#### **Audit information**

As at the date of approval of the Report of the General Partner, the General Partner confirms that, so far as the General Partner is aware, there is no relevant audit information of which the Fund's Independent Auditor is unaware; and the General Partner has taken all the steps that ought to have been taken as a General Partner to be aware of any relevant audit information and to establish that the Fund's Independent Auditor is aware of that information.

#### **Subsequent events**

The General Partner has evaluated the impact of all subsequent events on the Company occurring between the end of the reporting period and 30 March 2023, the date the financial statements were available to be issued and has determined that there were no other subsequent events requiring adjustment or additional disclosure at the date of signing this report and the audited financial statements.

#### **Coronavirus**

The General Partner has considered the impact of Coronavirus and where applicable has built this into its fair value modelling which has been reflected in the fair value of the investments in the financial statements.

The private infrastructure market has not been immune. The Fund's portfolio is however made up of infrastructure assets with limited demand risk and strong downside protection, limiting the impact to the investment portfolio to date. The Investment Manager continues to manage its investments to ensure they are well positioned to deal with the ever changing macro situation and believes that the Fund will continue to create value for its Limited Partners. Please refer to the General Partner's assessment of the Fund's ability to continue as a going concern highlighted below.

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

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### **REPORT OF THE GENERAL PARTNER (CONTINUED)** **For the year ended 31 December 2022**

#### **Macroeconomic environment**

The General Partner has considered the continuing inflationary pressures across the Fund's geographies and the central bank interest rate rises in response. The rise of government bond rates has led to pressure on infrastructure discount rates. The Fund has considered this in the weighted average discount rate of the portfolio and as at 31 December 2022 there are no material impacts on the Fund. There is a risk that fair value market discount rates could increase in the future, reducing the valuation, all else being equal.

#### **Geopolitical situation in Ukraine**

On 24 February 2022, Russia launched a military offensive against Ukraine resulting in widespread sanctions on Russia and heightened security and cyber threats.

As at the date of approval of the financial statements, the Fund did not hold any assets in Ukraine or Russia. The Fund's key suppliers do not have operations pertaining to the Fund in Ukraine or Russia. The General Partner and the Investment Manager continue to monitor the situation carefully and will take whatever steps are necessary in the best interests of the Fund's Investors. This includes but is not limited to ensuring that the requirements of all international sanctions are adhered to, managing the assets of the Fund proactively to best mitigate risk and ensuring that the Investment Manager and other key suppliers continue to operate all protections, protocols and monitoring of heightened cyber threats. At the date of approval of the financial statements, there is not expected to be any significant long term adverse impact from the military operation in Ukraine on the assets, operational activities, processes and procedures of the Fund.

#### **Going concern**

The General Partner considers that the Fund has adequate resources to continue in operational existence for the foreseeable future. In making this assessment, the General Partner has 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 have indicated their willingness to continue in office and a resolution to re-appoint the Independent Auditor will be put forward at the forthcoming Annual General Meeting.

By order of the Board,



I H Y Wong  
Director

**General Partner**  
30 March 2023

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

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### **REPORT OF THE INVESTMENT MANAGER For the year ended 31 December 2022**

#### **Alternative Investment Fund Managers Directive**

The EU Alternative Investment Fund Managers Directive (Directive 2011/61/EU) ("AIFMD") entered into force on 21 July 2011 and member states, including the United Kingdom, were required to transpose this into national law by 22 July 2013. The AIFMD has been implemented in the United Kingdom by a combination of the HM Treasury Regulations and FCA handbook rules.

The Investment Manager is the designated Alternative Investment Fund Manager ("AIFM") and is subject to regulation under the AIFMD. The AIFM has regular reporting responsibilities in accordance with the AIFMD. The Fund is considered to be an Alternative Investment Fund ("AIF") managed by the AIFM. Whilst the Investment Manager's registration as an AIFM has no direct regulatory bearing on the AIF, the AIFM has, together with the General Partner agreed to make available certain information in order to assist the AIFM in complying with its responsibilities.

#### **Report on the activities of the financial period**

Information on the activities of the Fund in each quarter are discussed in the Fund's Limited Partner Reports which are issued separately to the Fund's Limited Partners on a quarterly basis. The Fund's performance is discussed on a quarterly basis at the respective investor advisory committees.

#### **Material changes and periodic risk management**

Material changes are discussed in the Fund's Limited Partner Reports which are issued separately to the Fund's Limited Partners on a quarterly basis.

In relation to Risk Management, please refer to Note 9 in the Notes to the Financial Statements for details regarding the Funds exposure to certain Financial Risks which require disclosure under the AIFMD. Separately, Operational Risks are detailed in the Operational Risk Management Report which is available to relevant regulators and the Fund's Limited Partners upon request. Such a request should be made to the Investment Manager.

#### **Remuneration Disclosure**

##### **Remuneration Policy**

The abrdn plc Remuneration Policy applies with effect from 1 January 2022. The purpose of the abrdn plc Remuneration Policy (the "Policy") is to document clearly the remuneration policies, practices and procedures of abrdn as approved by the abrdn plc Remuneration Committee (the "Committee"). The Policy is available on request.

The Policy applies to employees of the abrdn group of companies ("Group" or "abrdn") including AIFMD Management Companies ("ManCos") and the AIFMD funds that the ManCo manages.

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

### **REPORT OF THE INVESTMENT MANAGER (CONTINUED)** **For the year ended 31 December 2022**

#### **Remuneration disclosure (continued)**

##### **Remuneration principles**

abrdn applies Group wide principles for remuneration policies, procedures and practices ensuring that:

- Remuneration within the Group is simple, transparent and fair.
- Our Policy supports our long-term strategy by reinforcing a performance-driven culture. It aligns the interests of our employees, shareholders and, importantly, our clients/customers.
- Our remuneration structure recognises the different challenges and priorities of roles and Vectors and Functions across the organisation as appropriate.
- Remuneration policies, procedures and practices promote good conduct, including sound and effective risk management and do not encourage risk taking that exceeds the level of tolerated risk appetite.
- Remuneration extends beyond the provision of fixed and variable pay, with a focus on the retirement provision and the wellbeing needs of our employees, as part of our remuneration philosophy.
- Total remuneration delivered is affordable for the Group.

##### **Remuneration framework**

Employee remuneration is composed of fixed and variable elements of reward as follows:

- a) Fixed reward (fixed remuneration: salary and cash allowances, if appropriate); and benefits (including pension).
- b) Variable reward (bonus, a proportion of which may be subject to retention or deferral depending on role and regulatory requirements; and senior employees may also be awarded a long-term incentive award).

Appropriate ratios of fixed and variable remuneration will be set to as to ensure that:

- a) Fixed and variable components of total remuneration are appropriately balanced; and
- b) The fixed component is a sufficiently high proportion of total remuneration to allow abrdn to operate a fully flexible policy on variable remuneration components, including having the ability to award no variable remuneration component in certain circumstances where either individual and/or Group performance does not support such award.

<i>Base salary</i>	Base salary provides a core reward for undertaking the role and depending on the role, geographical or business market variances or other indicators, additional fixed cash allowances may make up a portion of fixed remuneration. Periodic reviews take into account the employee's role, scope of responsibilities, skills and experience, salary benchmarks (where available) and, where relevant, any local legislative or regulatory requirements.
<i>Benefits (including retirement benefit where appropriate)</i>	Benefits are made up of core benefits which are provided to all employees; and extra voluntary benefits that may be chosen by certain employees which may require contribution through salary sacrifice or other arrangements.  Retirement benefits are managed in line with the relevant legislative requirements and governance structures. In certain, very limited circumstances, a cash allowance may be offered in lieu of a retirement arrangement.

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

### **REPORT OF THE INVESTMENT MANAGER (CONTINUED)** **For the year ended 31 December 2022**

#### **Remuneration disclosure (continued)**

#### **Remuneration framework (continued)**

<i>Annual Performance Bonus Awards</i>	<p>Employees who have been employed during a performance year (1 January to 31 December) may be eligible to be considered for an annual bonus in respect of that year.</p> <p>Annual bonuses are based upon group, vector, function, team and individual performance (with individual performance assessed against agreed goals and behaviours). The variable remuneration pool for all eligible employees, including Identified Staff or Material Risk Takers ("MRTs"), is determined initially by reference to profitability and other quantitative and qualitative financial and non-financial factors including risk considerations (on an ex-post and ex-ante basis). In reaching its final funding decision, the Committee exercises its judgement to ensure that the outcome reflects holistic Company performance considerations.</p> <p>abrdn Fund Managers Limited has specific obligations to act in the best interests of the AIFMD funds it manages and its investors. Accordingly, the performance of the underlying funds and the interests of investors (including, where relevant, investment risk) are also taken into account as appropriate. The Risk and Capital Committee and the Audit Committee formally advise the Committee as part of this process.</p> <p>The overall bonus pool is allocated to vectors and functions based on absolute and relative performance for each vector and function, and their alignment with strategic priorities and risk considerations. Allocation by region and subdivision/team is determined on a discretionary basis by the vector, regional and functional heads based on the absolute and relative performance of the constituent teams and alignment with strategic priorities.</p> <p>Individual annual bonus awards are determined at the end of the 12-month performance period with performance assessed against financial and nonfinancial individual objectives, including behaviour and conduct. Individual awards for Identified Staff are reviewed and approved by the Committee (with some individual award approvals delegated, as appropriate, to the Group's Compensation Committee, over which the Committee retains oversight). In carrying out these approvals, the Committee seeks to ensure that outcomes are fair in the context of overall Group performance measures and adjusted, where appropriate, reflect input from the Risk and Capital Committee and the Audit Committee. Variable remuneration awards are subject to deferral for a period of up to three years. A retention period may also be applied as required by the relevant regulatory requirements. Deferral rates and periods comply, at a minimum, with regulatory requirements and may exceed these. In addition to the application of ex-ante adjustments described above, variable remuneration is subject to ex-post adjustment (malus / clawback arrangements).</p>
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## ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP

### REPORT OF THE INVESTMENT MANAGER (CONTINUED) For the year ended 31 December 2022

#### Remuneration disclosure (continued)

#### Remuneration framework (continued)

<i>Other elements of remuneration – selected employees</i>	<p>The following remuneration arrangements may be awarded in certain very limited circumstances:</p> <p><b>Carried Interest Plans</b> – These arrangements are designed to reward performance in roles where a carried interest plan is appropriate. Selected employees are granted carried interest shares in private market funds established by the Group.</p> <p><b>Buy-Out Awards/Guaranteed Bonuses</b> – These are intended to facilitate/support the recruitment of new employees. Buy-outs are not awarded, paid or provided unless they are in the context of hiring new employees. Guaranteed bonuses are not awarded, paid or provided unless they are exceptional and in the context of hiring new employees and limited to the first year of service. These awards are only made where such a payment or award is permitted under any relevant remuneration regulations and are designed to compensate for actual or expected remuneration foregone from previous employers by virtue of their recruitment.</p> <p><b>Retention and Special Performance Awards / LTIP</b> – Supports retention and/or the delivery of specific performance outcomes. The Company may determine that it is appropriate to grant an exceptional award in limited circumstances. Awards are structured to deliver specific retention and/or performance outcomes. Retention and/or special performance awards comply with all relevant regulatory requirements.</p> <p><b>Severance Pay</b> – Payment made to support an employee whose role is considered to be redundant. Severance payments comply with any legislative and regulatory requirements and any payments are inclusive of any statutory entitlement. In the event of severance, the treatment of any individual elements of an employee's remuneration is governed, as appropriate, by relevant plan or scheme rules.</p>
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#### Control functions

The Group ensures that, as appropriate, senior employees engaged in a control function are independent from the business units they oversee and have appropriate authority to undertake their roles and duties. These include, but are not necessarily limited to, Risk, Compliance and Internal Audit function roles. Senior employees engaged in a control function are remunerated in a way that ensures they are independent from the business areas they oversee, have appropriate authority, and have their remuneration directly overseen by the Remuneration Committee.

#### Conflicts of interest

The Remuneration Policy is designed to avoid conflicts of interest between the Group and its clients and is designed to adhere to local legislation, regulations or other provisions. In circumstances or jurisdictions where there is any conflict between the Policy and local legislation, regulations or other provisions then the latter prevail. Where the Committee receives input from members of management on the remuneration arrangements in operation across the Group this never relates to their own remuneration.

#### Personal investment strategies

The Company adheres to the regulatory principles and industry best practice on the use of personal hedging strategies which act in restricting the risk alignment embedded in employee remuneration arrangements.

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

### **REPORT OF THE INVESTMENT MANAGER (CONTINUED)** **For the year ended 31 December 2022**

#### **Remuneration disclosure (continued)**

##### **AIFMD Identified Staff / MRTs**

The 'Identified Staff' or MRTs of abrdn Fund Managers Limited are those employees who could have a material impact on the risk profile of abrdn Fund Managers Limited or the AIFMD Funds it manages. This broadly includes senior management, decision makers and control functions. For the purposes of this disclosure, 'Identified Staff' includes employees of entities to which activities have been delegated.

#### **Quantitative remuneration disclosure**

The table on the next page provides an overview of the following:

- Aggregate total remuneration paid by abrdn Fund Managers Limited to its entire staff; and
- Aggregate total remuneration paid by abrdn Fund Managers Limited to its AIFMD 'Identified Staff'.

Amounts shown reflect payments made during the financial reporting period in question. The reporting period runs from 1 January 2022 to 31 December 2022 inclusive.

	Headcount	Total Remuneration €'000
<b>abrdn Fund Managers Limited <sup>1</sup></b>	<b>855</b>	<b>141,552</b>
of which		
Fixed remuneration		101,713
Variable remuneration		39,839
<b>abrdn Fund Managers Limited 'Identified Staff' <sup>2</sup></b>	<b>113</b>	<b>62,151</b>
of which		
Senior Management <sup>3</sup>	46	34,570
Other 'Identified Staff'	67	27,581

The above table has not been audited.

- 1 As there are a number of individuals indirectly and directly employed by abrdn Fund Managers Limited. This figure represents an apportioned amount of abrdn's total remuneration fixed and variable pay, apportioned to the Management Company on an AUM basis, plus any carried interest paid. The Headcount figure provided reflects the number of beneficiaries calculated on a Full Time Equivalent basis.
- 2 The Identified Staff disclosure relates to AIFMD MRTs and represents total compensation of those staff of the Management Company who are fully or partly involved in the activities of the Management Company.
- 3 Senior management are defined in this table as Management Company Directors and members of the abrdn plc Board, together with its Executive Committee, Investment Management Committee and Group Product Committee.



## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

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### **STRATEGIC REPORT**

**For the year ended 31 December 2022**

The General Partner presents its strategic report on the Fund for the year ended 31 December 2022.

#### **Results and review of business**

The net increase in net assets attributable to the Limited Partners from operations for the year is set out in the Statement of Comprehensive Income on page 16. The General Partner considers the performance of the Fund during the year and its financial position at the end of the year, to be in line with the long term expected performance of the project, and its prospects for the future to be satisfactory.

#### **Principal activity**

The principal activity is investment holding. There has been no change in that activity during the year.

The Fund's objective is to generate significant long-term investment yield. It aims to achieve this objective from its investments in a portfolio of PPP assets held via its subsidiaries (please see Note 6 for further information), Aberdeen European Infrastructure III A Ltd ("AEI III A Ltd"), Aberdeen European Infrastructure III B Ltd ("AEI III B Ltd"), Aberdeen Infrastructure (HOLDCO) IV B.V. ("AI IV (Holdco) IV B.V.") and Cooperatief Aberdeen Infrastructure IV B.A. ("Coop AI IV B.A."), and directly held debt securities in Tramlink Nottingham (Finco) Limited. The portfolio is expected to generate long-term, inflation-linked cash flows, principally driven by low-risk, availability-based contracts with government agencies.

The General Partner has responsibility for ensuring the Fund is always operated and managed under the terms of the LPA. The General Partner has delegated these responsibilities to the Investment Manager.

#### **Principal risks and uncertainties**

The key risks and uncertainties faced by the Fund are managed within the framework established for the Investment Manager. Exposures to market risk, credit risk and liquidity risk arise in the normal course of the Fund's business. These risks are discussed, and supplementary qualitative and quantitative information is provided in Note 9 to the financial statements. The Fund's liquidity risk is managed by the Investment Manager.

#### **Key performance indicators ("KPI")**

The Fund is a feeder vehicle in which Stichting Depositary APG Infrastructure Pool 2017 II, acting in its capacity as depositary of APG Infrastructure Pool 2017 II and abrdn Portfolio Investments Limited, to ultimately invest in a portfolio of PPP assets. Given the straightforward nature of the business, the Directors of the General Partner are of the opinion that analysis using KPI's is not necessary for the understanding of the development, performance, or position of the business.

By order of the Board,



I H Y Wong  
Director

**General Partner**

30 March 2023

## **INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

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### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, Aberdeen European Infrastructure Partners III LP's financial statements:

- give a true and fair view of the state of the partnership's affairs as at 31 December 2022 and of its result and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008.

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 2022; the statement of comprehensive income, statement of changes in net assets attributable to the limited partners and statement of cash flows 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 partnership 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**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the partnership's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the general partner's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the general partner with respect to going concern are described in the relevant sections of this report.

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE PARTNERS OF ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP (CONTINUED)**

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#### **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 general partner is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

With respect to the Strategic report and Report of the General Partner, we also considered whether the disclosures required by the UK Companies Act 2006 as applied to qualifying partnerships have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 as applied to qualifying partnerships requires us also to report certain opinions and matters as described below.

#### *Strategic report and Report of the General Partner*

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 General Partner for the year ended 31 December 2022 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 partnership 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 General Partner.

#### **Responsibilities for the financial statements and the audit**

##### *Responsibilities of the general partner for the financial statements*

As explained more fully in the Statement of General Partner's responsibilities in respect of the financial statements, the general partner is 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 general partner is 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 general partner is responsible for assessing the partnership'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 general partner either intends to liquidate the partnership or to cease operations, or has no realistic alternative but to do so.

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE PARTNERS OF ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP (CONTINUED)**

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#### **Responsibilities for the financial statements and the audit (continued)**

##### *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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the partnership and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and the potential for management bias in accounting estimates and key judgements impacting the financial statements, specifically the valuation of investments held at fair value through profit or loss. Audit procedures performed by the engagement team included:

- enquiring with the directors of the general partner, the regulated investment manager and the regulated third party administrator as to any actual or suspected instances of fraud or non-compliance with laws and regulations;
- inspecting and testing significant transactions or financial statement disclosures determined in accordance with the terms of the limited partnership agreement, such as the management fee and general partner's share;
- checking the minutes of meetings of the board of directors of the general partner for additional matters relevant to the audit;
- testing the disclosures made in the Strategic Report and the General Partner's Report for compliance with the requirements of the Companies Act 2006 as applied to qualifying partnerships;
- understanding the design and implementation of controls in operation, and specifically testing the operating effectiveness of the periodic review and approval of the valuation of investments held at fair value through profit or loss;
- on a sample basis, enquiring and inspecting documentation regarding: the key assumptions used to determine the underlying variable cash flows models; the basis for discounts rates and macroeconomic assumptions applied; and considering these judgements by benchmarking these to independent market data, including recent market transactions, and using our valuation expert's experience in valuing similar investments. We further challenged the reasonableness of the regulated investment manager's assumptions by comparing these to the assumptions used by peer companies;

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE PARTNERS OF ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP (CONTINUED)**

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#### **Responsibilities for the financial statements and the audit (continued)**

##### *Auditor's responsibilities for the audit of the financial statements (continued)*

- performing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- identifying and testing journal entries considered to be of higher fraud risk, and the evaluation of the business rationale for any significant or unusual transactions identified as being outside the normal course of business.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

##### *Use of this report*

This report, including the opinions, has been prepared for and only for the Partners of the qualifying partnership as a body in accordance with the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 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.

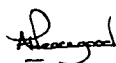
#### **Other required reporting**

##### *Companies Act 2006 exception reporting*

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

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

We have no exceptions to report arising from this responsibility.



Adrian Peacegood BA (Hons) FCA (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers CI LLP  
Chartered Accountants and Statutory Auditors  
Guernsey, Channel Islands  
30 March 2023

**ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP****STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2022**

		<b>2022</b>	<b>2021</b>
	<i>Notes</i>	<b>EUR</b>	<b>EUR</b>
<b>Income</b>			
Interest income	<b>3</b>	3,523,252	3,905,046
Dividend income	<b>4</b>	1,375,334	-
Net changes in fair value of financial assets at fair value through profit or loss	<b>5</b>	(1,782,072)	18,335,421
Total income		<u>3,116,514</u>	<u>22,240,467</u>
<b>Expenses</b>			
General Partner's share	<b>12</b>	1,793,136	1,773,508
Arrangement fees		164,548	66,638
Legal and professional fees		139,056	122,097
Administration fees		74,756	62,740
Advisory committee fees		60,000	59,963
Audit fees		54,522	48,511
Custodian fees		40,484	39,785
Net foreign exchange losses		4,522	62,523
Other operating expenses		1,782	3,405
Total expenses		<u>2,332,806</u>	<u>2,239,170</u>
<b>Increase in net assets attributable to the Limited Partners from operations</b>		<u><u>783,708</u></u>	<u><u>20,001,297</u></u>

All amounts reported in the statement of comprehensive income relate to continuing operations.

The notes on pages 20 to 42 form part of these financial statements.

**ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP****STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2022**

	<i>Notes</i>	<b>2022 EUR</b>	<b>2021 EUR</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	<b>5</b>	214,403,304	221,565,751
<b>Total non-current assets</b>		214,403,304	221,565,751
<b>Current assets</b>			
Receivables and prepayments	<b>7</b>	286,539	1,969,199
Cash and cash equivalents		323,019	107,326
<b>Total current assets</b>		609,558	2,076,525
<b>Total assets</b>		215,012,862	223,642,276
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables and accruals	<b>8</b>	572,853	786,075
<b>Total liabilities</b>		572,853	786,075
<b>Net assets attributable to the Limited Partners</b>		214,440,009	222,856,201
<b>Limited Partners' interest represented by:</b>			
Partners' capital		182,262,228	191,462,128
Partners' current accounts		32,177,781	31,394,073
<b>Total Limited Partners' interest</b>		214,440,009	222,856,201

The financial statements on pages 16 to 42 of the Fund were authorised for issue by the Board of Directors of Aberdeen European Infrastructure GP III Limited on 30 March 2023 and signed on its behalf by:



I H Y Wong  
Director  
30 March 2023

The notes on pages 20 to 42 form part of these financial statements.

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

### **STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE LIMITED PARTNERS For the year ended 31 December 2022**

	<b>Partners' capital</b>	<b>Partners' current accounts</b>	<b>Total</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
<b>As at 1 January 2021</b>	148,030,410	11,392,776	159,423,186
Capital contributions	45,606,718	-	45,606,718
Return of capital	(2,175,000)	-	(2,175,000)
Increase in net assets attributable to the Limited Partners from operations	-	20,001,297	20,001,297
Increase in net assets attributable to the Limited Partners	43,431,718	20,001,297	63,433,015
<b>As at 31 December 2021</b>	<b>191,462,128</b>	<b>31,394,073</b>	<b>222,856,201</b>
Capital contributions	100	-	100
Return of capital	(9,200,000)	-	(9,200,000)
Increase in net assets attributable to the Limited Partners from operations	-	783,708	783,708
(Decrease) / increase in net assets attributable to the Limited Partners	(9,199,900)	783,708	(8,416,192)
<b>As at 31 December 2022</b>	<b>182,262,228</b>	<b>32,177,781</b>	<b>214,440,009</b>

The notes on pages 20 to 42 form part of these financial statements.



## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

### **STATEMENT OF CASH FLOWS**

**For the year ended 31 December 2022**

	<i>Notes</i>	<b>2022 EUR</b>	<b>2021 EUR</b>
<b>Cash flows from operating activities</b>			
Increase in net assets attributable to the Limited Partners from operations		783,708	20,001,297
Net changes in fair value of financial assets at fair value through profit or loss	<b>5</b>	1,782,072	(18,335,421)
Acquisitions of financial assets held at fair value through profit or loss	<b>5</b>	(1,963,044)	(43,539,133)
Return of capital of financial assets held at fair value through profit or loss	<b>5</b>	7,343,419	-
Decrease / (increase) in receivables and prepayments		1,488,951	(1,209,601)
Decrease in intercompany loans receivable		193,709	638,558
Decrease in payables and accruals		(213,222)	(950,677)
<b>Net cash flow generated from / (used in) operating activities</b>		<b>9,415,593</b>	<b>(43,394,977)</b>
<b>Cash flows from financing activities</b>			
Capital contributions		100	45,606,718
Return of capital		(9,200,000)	(2,175,000)
<b>Net cash flow (used in) / generated from financing activities</b>		<b>(9,199,900)</b>	<b>43,431,718</b>
<b>Net increase in cash and cash equivalents</b>		<b>215,693</b>	<b>36,741</b>
Cash and cash equivalents at beginning of the year		107,326	70,585
Cash and cash equivalents at end of the year		<b>323,019</b>	<b>107,326</b>

The notes on pages 20 to 42 form part of these financial statements.

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

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### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2022**

#### **1. GENERAL INFORMATION**

The Fund is established as a limited partnership under the laws of England. The address of its registered office is Bow Bells House, 1 Bread Street, London, EC4M 9HH.

The principal activity of the Fund is to invest in primary and secondary social and economic infrastructure projects in the European Union, Norway, Switzerland, Turkey, Iceland and Liechtenstein which offer investors the opportunity to earn attractive risk adjusted returns with a low correlation to economic cycles and other investment classes.

The Fund's investment activities are managed by the General Partner who has delegated these responsibilities to the Investment Manager, with the administration delegated to the Administrator.

The Fund's capital is represented by the net assets attributable to the Limited Partners.

Aberdeen European Infrastructure III A Ltd ("AEI III A Ltd"), Aberdeen European Infrastructure III B Ltd ("AEI III B Ltd"), Aberdeen Infrastructure (HOLDCO) IV B.V. ("AI IV (Holdco) IV B.V.") and Cooperatief Aberdeen Infrastructure IV B.A. ("Coop AI IV B.A.") are the Subsidiaries which the Fund has invested in (collectively the "Subsidiaries").

These financial statements were authorised for issue by the Board of Directors of the General Partner of the Fund on 30 March 2023.

#### **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 Fund have been prepared in accordance with applicable law, i.e. the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008, the LPA and UK-adopted International Accounting Standards. The General Partner has considered the presentational requirements of the UK Companies Act 2006 and amended the format so that the financial statements present each line item in a manner that reflects its nature. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The financial statements have been prepared on a going concern basis which assumes that the Fund will continue in operational existence for the foreseeable future. The General Partner is satisfied that it operates in such a way to ensure the Fund will continue to be a going concern, given its expected future cash flows from investing activities and its ability to call undrawn commitments (Note 14).

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.1 Basis of preparation (continued)**

The preparation of financial statements in accordance with UK-adopted International Accounting Standards requires the use of certain critical accounting estimates. It also requires the General Partner to exercise judgement in the process of applying the Fund'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 10.

**(a) Standards and amendments to existing standards effective 1 January 2022**

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2022 that would be expected to have a material impact on the Fund.

**(b) New standards, amendments and interpretations effective after 1 January 2022 and have not been early adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2022, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Fund.

**2.2.1 Investment entity**

The Fund has two unrelated investors and holds six investments. Ownership interests in the Fund are in the form of limited partnership interests which are classified as liabilities under the provisions of IAS 32. The General Partner has determined that the Fund meets the definition of an Investment Entity per IFRS 10 as the following conditions exist:

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

**2.2.2 Subsidiaries**

Where the Fund is deemed to control an underlying portfolio company either directly through a holding company subsidiary and whether the control be via voting rights or through the ability to direct the relevant activities in return for access to a significant portion of the variable gains and losses derived from those relevant activities, the underlying portfolio company and its results are not consolidated instead they are reflected at fair value through the profit or loss.

The Fund does not have any other direct subsidiaries other than those determined to be Investment Entities. Investment Entity subsidiary investments are measured at fair value through profit or loss and are not consolidated in accordance with IFRS 10.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2.2 Subsidiaries (continued)**

The Fund operates as an investment structure whereby the Fund (via its subsidiaries) invests and commits to invest into various portfolio companies through the Subsidiaries (described on the previous page). As at 31 December 2022 and 2021, 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.

The Fund primarily invests into the portfolio companies by purchasing the ordinary equity and subordinated loan notes of these private finance initiative companies. The portfolio companies pay cash interest or accrue interest on the debt held by the Investment Entity subsidiaries, and repay debt based on the terms of the respective agreements. Cash dividends may be paid based on the portfolio company's operating results and are at the discretion of the Board of Directors of the respective portfolio companies which are then paid up to the Fund. There are no amounts due or accrued for preferred dividend or in-kind returns based on any of the shareholder agreements.

Movements in the fair value of the Fund's underlying portfolio companies and the existence of unfunded commitments may expose the Fund to potential gains or losses.

**2.3 Foreign currency translation**

**(a) Functional and presentation currency**

The operating and investing activities of the Fund are denominated in Euro. As such the performance of the Fund is measured and reported in Euro. The General Partner considers Euro as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions of the Fund. The financial statements are presented in Euro, the Fund's functional and presentation currency.

**(b) Transactions and balances**

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

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

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the Statement of Comprehensive Income within "Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss".

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**(a) Classification**

The Fund classifies all of its investment portfolio as financial assets or liabilities at fair value through profit or loss at inception:

***(i) Financial assets***

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

***(ii) Financial liabilities***

The Fund's policy requires the Investment Manager and the General Partner to evaluate the information about these financial assets and liabilities on a fair value basis (Note 10), together with other related financial information. Assets and liabilities in this category are classified as current assets and current liabilities if they are expected to be realised within 12 months of the balance sheet date. Those not expected to be realised within 12 months of the balance sheet date will be classified as non-current.

**(b) Recognition, derecognition and measurement**

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

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund 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.

The Fund measures both debt and equity investments at fair value and they are recognised in the Statement of Financial Position as "Financial assets at fair value through profit or loss".

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.4 Financial assets and financial liabilities at fair value through profit or loss (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 Fund's valuation technique for determining the fair value of its investments in Subsidiaries and directly held investments is the net present value of estimated future cash flows based on a discounted cash flow model.

The discounted cash flow model considers the total equity and debt investment made into the portfolio companies directly or indirectly through the Fund's Subsidiary and directly held investments. The values of the investments in Subsidiaries and directly held investments are represented by the residual values and where portfolio investments are held through subsidiary holding companies, the net assets of the holding company are added to the value of the portfolio investment being assessed to produce the fair value of the holding company held by the Fund.

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

**2.5 Receivables and prepayments**

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

Such assets are short term in nature and the carrying value of these assets is considered to be approximate to their fair value. At each reporting date, the Fund measures the loss allowance on the receivable amounts at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund measures the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance might be required. If the credit risk increases to the point that it is considered to be credit-impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit-impaired.

**2.6 Cash and cash equivalents**

Cash and cash equivalents consist of cash at bank and instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value available and other cash balances with an original maturity of three months or less. Any bank overdrafts are shown as short term borrowings in the statement of financial position. For the purpose of presenting the statement of cash flows, any bank overdraft is presented net against the cash and cash equivalents as they are repayable on demand and are integral to the Fund's cash management.

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

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### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.7 Distributions payable to the Limited Partners**

Proposed distributions to the Limited Partners are recognised in the Statement of Comprehensive Income when they are appropriately authorised and no longer at the discretion of the Fund. This typically occurs when a proposed distribution is ratified at a General Partner's meeting. Any capital returned is recognised in the Statement of Changes in Net Assets Attributable to the Limited Partners. Subject to Clause 10 of the LPA, all income and capital proceeds of the Fund shall be distributed between the Partners in order of priority (after payment of expenses and liabilities of the Fund) in accordance with Clause 14.1 of the LPA.

##### **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.

##### **2.9 Interest income and dividend income**

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

Dividend income is recognised when the right to receive payment is established.

##### **2.10 Expenses**

Expenses are recognised on an accruals basis.

##### **2.11 Taxation**

The Fund is domiciled in England. Under the current laws of England, there is no income, estate, corporation, capital gains or other taxes payable by the Fund. Any other tax liability arising on the activities of the Fund will be borne by the individual partners.

##### **2.12 Net assets attributable to the Limited Partners**

Ownership interests in the Fund are in the form of an interest in the net assets attributable to the Limited Partners. Net assets attributable to the Limited Partners are classified as a financial liability, due to a finite life and contractual payment provisions to each of the Limited Partners within the LPA.

Net assets attributable to Limited Partners' capital are carried at amortised cost.

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

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### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.13 General Partner's Share**

Under Clause 9 of the LPA, the General Partner shall be entitled to receive from the Fund an allocation as a first charge on net income and capital gains by way of a General Partner's Share ("GPS").

The GPS payables shall be reduced by deducting transaction fees, investment related fees, directors' fees earned by the General Partner, Investment Manager or any Associate of either of them.

##### **2.14 Allocation of profits and losses**

- a) Subject to clause 9.5(c) of the LPA, every Limited Partner has an interest in every asset of the Fund and, accordingly, all Income, capital gains and capital losses shall (after the allocation of the General Partner's Share) be allocated to the Partners so that the balances on their accounts shall reflect their respective entitlements to receive distributions in accordance with the provisions of Clause 10.1.
- b) If a particular allocation of capital gain and/or Income is assumed in computing the Tax Credits available to the Partners for the purpose of calculating when each Partner has received sums equal to the aggregate of amounts under Clause 10.1 then, notwithstanding any other provision of this Clause 9.5, such capital gain and/or Income shall be allocated in accordance with that assumption.
- c) The Investment Manager may in its discretion, allocate items of Income, capital gains, capital losses and expenses to particular Investors up to the maximum amount available, with corresponding adjustments to the allocation of the other items.

Net income, net losses, capital gains and losses are allocated to each Limited Partner's current or capital account.

##### **2.15 Undrawn committed capital**

Unfunded committed capital from the partners is not presented in the statement of financial position, since unfunded committed capital represents an undrawn financial instrument, where an effective interest rate in accordance with IFRS 9 Financial Instruments would not be applicable.

##### **2.16 Carried interest**

In accordance with the LPA, if the performance conditions pertaining to the Carried Interest Entitlement as defined in the LPA are met, the Carried Interest Partner will be entitled to receive Carried Interest as calculated in accordance with Schedule 4 of the LPA.

Carried interest is measured at amortised cost and calculated based on the fair value of the investments of the Fund, as measured at the reporting date. Carried interest is equal to the Carry Partner's hypothetical share of profits, taking into account the cash already distributed from the Fund and the amount of divestment proceeds receivable. Where the calculation indicates that the performance conditions would have been achieved on a carry calculation date as set out in the LPA, carried interest is accrued. Where the calculation indicates that there is uncertain timing and realisable value of the distribution, a contingent liability is recognised and presented in the notes to the financial statements.



## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

<b>3. INTEREST INCOME</b>	<b>2022 EUR</b>	<b>2021 EUR</b>
Investment interest income from investments in Subsidiaries	1,737,847	1,070,820
Investment interest income from direct investments	1,785,405	2,834,226
From financial assets at fair value through profit or loss	3,523,252	3,905,046
	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
Dividend income	1,375,334	-

No reimbursement fees were charged for the year ended 31 December 2022 and 31 December 2021.

### **5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2022 EUR</b>	<b>2021 EUR</b>
As at 1 January	221,565,751	159,691,197
Acquisitions	1,186,443	42,907,261
Return of capital	(7,343,419)	-
Net change in fair value of financial assets at fair value through profit or loss	(1,782,072)	18,335,421
Interest capitalised	776,601	631,872
As at 31 December	214,403,304	221,565,751
Change in unrealised (loss) / gain 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	(1,782,072)	18,335,421

The net unrealised loss of EUR1,782,072 (2021: gains EUR18,335,421) is made up of foreign exchange losses EUR1,521,167 (2021: gain EUR2,226,874), fair value unrealised loss of EUR260,905 (2021: gain EUR16,108,546) and investments write off of EUR32,129,801 (2021: EURNil).

## ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

#### 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Financial assets at fair value through profit or loss	2022		2021	
	Fair value EUR	% of net assets	Fair value EUR	% of net assets
<i>Investments in Subsidiaries</i>				
Equity securities	133,493,243	62.25	106,099,036	47.61
Debt securities	51,324,024	23.93	55,853,183	25.06
Direct investments in debt securities	-	-	32,892,084	14.76
Direct investments in equity securities	29,586,037	13.80	26,721,448	11.99
	214,403,304	99.98	221,565,751	99.42

Direct investments in debt securities relate to direct debt investment into Tramlink Nottingham (Finco) Limited. Direct investments in equity securities represent the 3.73% direct equity investment in Autoroute de Liaison Seine-Sarthe (ALIS SA).

#### 6. SUBSIDIARIES

The Fund operates as an integrated structure whereby the Fund invests into the Subsidiaries. Total investments made by the Fund into the Subsidiaries during the year ended 31 December 2022 were EURnil (2021: EUR8,167,261). As at 31 December 2022 and 31 December 2021 there were no capital commitment obligations and no amounts due to the Subsidiaries for unsettled purchases.

The Subsidiaries of the Fund are as follows:

Subsidiaries	Address of the registered office	Principal activity	Date of incorporation	Country of incorporation	Holding %
Coöperatief Aberdeen Infrastructure IV B.A.	Amsterdam Branch WTC H-Tower, 20th Floor, Zuidplein 166 1077XV, Amsterdam	Investment holding	15 March 2019	Netherlands	100
Aberdeen European Infrastructure III A Ltd	280 Bishopsgate, London EC2M 4RB	Investment holding	31 July 2019	United Kingdom	100
<i>Subsidiary of Coöperatief Aberdeen Infrastructure IV B.A.</i>					
Aberdeen Infrastructure (HOLDCO) IV B.V.	Amsterdam Branch, Amsterdam Branch WTC H-Tower, 20th Floor, Zuidplein 166 1077XV, Amsterdam	Investment holding	15 March 2019	Netherlands	100

## ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

#### 6. SUBSIDIARIES (CONTINUED)

Subsidiaries	Address of the registered office	Principal activity	Date of incorporation	Country of incorporation	Holding %
<i>Subsidiary of Aberdeen European Infrastructure III A Ltd</i>					
Aberdeen European Infrastructure III B Ltd	280 Bishopsgate, London EC2M 4RB	Investment holding	31 July 2019	United Kingdom	100

#### 7. RECEIVABLES AND PREPAYMENTS

	2022 EUR	2021 EUR
Interest receivable (note 12)	133,687	1,623,090
Prepayments	139,233	138,781
Due from AI HoldCo IV B.V. & Coop AI IV B.A. (note 12)	13,519	207,328
Other receivables	100	-
	<u>286,539</u>	<u>1,969,199</u>

As at 31 December 2022 and 31 December 2021, the carrying amounts of receivables and prepayments approximate their fair value.

#### 8. PAYABLES AND ACCRUALS

	2022 EUR	2021 EUR
General Partner Share (note 12)	423,709	519,111
Professional fees	61,029	49,947
Audit fees	43,263	38,391
Depository fees	29,836	9,981
Administration fees	14,877	14,250
Due to HoldCo IV B.V.	139	-
Due to AEI III B Ltd	-	118,920
Due to General Partner	-	30,000
Due to AEIP LP	-	5,375
Due to Coop AI IV B.A	-	100
	<u>572,853</u>	<u>786,075</u>

As at 31 December 2022 and 31 December 2021, the carrying amounts of payables and accruals approximate their fair value.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****For the year ended 31 December 2022****8. PAYABLES AND ACCRUALS (CONTINUED)**

The balance due to AEI III B Ltd represents the intercompany loan payable to AEI III B Ltd, which was fully repaid during the year.

The balance to AEIP LP relates to short term loans utilised for administrations fees. The balance has been fully repaid during the year and did not incur interest.

As at 31 December 2022 and 31 December 2021, the carrying amounts of payables and accruals approximate their fair value.

**9. FINANCIAL RISK MANAGEMENT**

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

The Fund, owns a portfolio of investments predominantly in the subordinated loan notes (subordinate to senior debt) and ordinary equity of private finance initiative companies. These companies will be structured at the outset to minimise financial risks of acquiring and holding the investment. The Fund primarily focuses its risk management on the direct financial risks of acquiring and holding the portfolios, but continues to monitor the indirect financial risks of the underlying projects through representation, where appropriate, on the Boards of the project companies and the receipt of regular financial and operational performance reports.

**9.1 Financial risk factors****9.1.1 Market risk**

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

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

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

The performance of any future investments acquired by the Fund are monitored by the Investment Manager on a monthly basis and reviewed by the General Partner on a quarterly basis.

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

#### **9. FINANCIAL RISK MANAGEMENT (CONTINUED)**

##### **9.1 Financial risk factors (continued)**

###### **9.1.1 Market risk (continued)**

###### **(a) Price risk**

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

Price risk arises from the Fund's exposure to investments in Subsidiaries and its directly held investments. The Fund undertakes a full assessment of each entity's potential for value creation prior to entering into a new transaction. Thereafter, the performance of each investment is continually monitored and action taken as deemed appropriate in the circumstances. Further information about the Fund's sensitivity to changes in the fair value of its investments in Subsidiaries and directly held investments is set out below.

At the reporting date the carrying value of the investments in Subsidiaries and its directly held investments amounted to EUR214,403,304 (2021: EUR221,565,751). For investments carried at fair value through profit or loss, changes in fair value would have a direct impact on total comprehensive loss for the year. The table below sets out the sensitivity of total comprehensive income for the period to a 10% change in fair value of investments in Subsidiaries and its directly held investments as at the reporting date.

Effect of equity fair values on total comprehensive income for the year:

	<b>2022 EUR</b>	<b>2021 EUR</b>
Effect of 10% increase in fair value of the investments	21,440,330	22,156,575
Effect of 10% decrease in fair value of the investments	(21,440,330)	(22,156,575)

###### **(b) Currency risk**

The Fund operates internationally and can be exposed to both monetary and non-monetary assets and liabilities denominated in currencies other than the EUR, the functional currency. Foreign currency risk, as defined in IFRS 7, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. However, management monitors the exposure on all foreign currency denominated assets and liabilities.

	<b>2022 GBP</b>	<b>2022 EUR</b>	<b>Total EUR</b>
Financial assets at fair value through profit or loss	5,684,715	208,718,589	214,403,304
Cash and cash equivalents	320,274	2,745	323,019
Receivables	-	147,306	147,306
Payables and accruals	(219,969)	(352,884)	(572,853)
	5,785,020	208,515,756	214,300,776
Sensitivity based on 5%	289,251		

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **For the year ended 31 December 2022**

#### **9. FINANCIAL RISK MANAGEMENT (CONTINUED)**

##### **9.1 Financial risk factors (continued)**

###### **9.1.1 Market risk (continued)**

###### **(b) Currency risk (continued)**

	<b>2021 GBP</b>	<b>2021 EUR</b>	<b>Total EUR</b>
Financial assets at fair value through profit or loss	39,637,648	181,928,103	221,565,751
Cash and cash equivalents	73,785	33,541	107,326
Receivables	-	1,830,418	1,830,418
Payables and accruals	(771,548)	(14,528)	(786,075)
	<b>38,939,885</b>	<b>183,777,534</b>	<b>222,717,420</b>
Sensitivity based on 5%	<b>1,946,994</b>		

As at 31 December 2022, the foreign currency exchange rate applied was EUR/GBP 0.8848 (2021: EUR/GBP 0.8409).

###### **(c) Interest rate risk**

The Fund 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 generally either through floating rate debt or fixed interest rate bonds. Where senior debt is financed through floating rate debt, the projects typically have concession length hedging arrangements in place, which are monitored by the project companies' managers, finance parties and boards of directors.

The Fund, through the Subsidiaries and direct equity & debt investments invest in subordinated loan notes (subordinate to senior debt) of project companies, with fixed and variable interest rate coupons. Where floating rate debt is owned, the primary risk is that the Fund's cash flows are subject to variation depending upon changes to base interest rates. The portfolio's cash flows are continually monitored and re-forecast both over the near future and the long-term (over the whole period of 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 Fund holds debt securities that will expose the Fund to fair value interest rate risk. The Fund'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 quarterly basis and the Investment Manager of the Fund to review on a quarterly basis. Interest rates on the investments in Subsidiaries are fixed.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****For the year ended 31 December 2022****9. FINANCIAL RISK MANAGEMENT (CONTINUED)****9.1 Financial risk factors (continued)****9.1.1 Market risk (continued)****(d) Inflation risk**

The Fund'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 Fund's overall cash flows are estimated to partially vary with inflation. The effect of these inflation changes do not always immediately flow through to the Fund's cash flows as there is a time lag due to financial models only being updated on a 6 monthly basis.

**9.1.2 Credit risk**

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

The Fund is reliant on the projects' subcontractors continuing to perform their service delivery obligations such that revenues to projects are not disrupted. The Fund 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.

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

	<b>2022 EUR</b>	<b>2021 EUR</b>
Investments in Subsidiaries - debt securities	51,324,024	55,853,183
Direct investments in debt securities	-	32,892,084
Receivables	147,306	1,830,418
Cash and cash equivalents	323,019	107,326
<b>Total</b>	<b>51,794,349</b>	<b>90,683,011</b>

The main concentration of credit risk to which the Fund is exposed arises from the Fund's investments in the debt securities component of the Fund's financial assets carried at fair value. The maximum exposure to credit risk as a result of counterparty default equates to the current carrying value of these financial assets.

Cash transactions are limited to Barclays Bank which a subsidiary of a financial institution with a long term debt credit rating of A (2021: A) as rated by the rating agency, Standard & Poor's. All debt investments represent private debt investments executed in accordance with the investment objective of the Fund.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's credit risk exposure on a monthly basis, and the General Partner reviews it on a quarterly basis.

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

#### **9. FINANCIAL RISK MANAGEMENT (CONTINUED)**

##### **9.1 Financial risk factors (continued)**

###### **9.1.3 Liquidity risk**

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund'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 Fund's activity is funded by long-term funding, as it is closed ended and hence investors do not have the option to redeem their investment in the Fund. The Fund is exposed to limited liquidity risk. The Fund's liquidity risk management is delegated to the Investment Manager.

The Fund's investments are generally in private companies in which there is no listed market and, therefore, such 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 following table illustrates the expected liquidity of assets held and undrawn capital commitments:

<b>As at 31 December 2022</b>	<b>Undrawn capital commitments EUR</b>	<b>Less than 1 month EUR</b>	<b>1-12 months EUR</b>	<b>More than 12 months EUR</b>
Total assets and undrawn capital commitments	102,763,523	323,019	147,306	214,403,304
<b>As at 31 December 2021</b>				
Total assets and undrawn capital commitments	102,763,523	107,326	1,830,418	221,565,751

The amounts in the table are the contractual undiscounted cash flows.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. At present the Fund has no immediate plans to exit any of its positions in its portfolio of investments. When the General Partner is of the view that the disposal of certain investments is relatively certain; the associated net assets attributable to the partners, in so far as they may be distributed, will be disclosed in the appropriate liquidity category as noted below.

	<b>On demand EUR</b>	<b>Less than 1 year EUR</b>	<b>Between 1 and 3 years EUR</b>	<b>More than 3 years EUR</b>	<b>Total EUR</b>
<b>As at 31 December 2022</b>					
<b>Liabilities</b>					
Payables and accruals	-	572,853	-	-	572,853
Net assets attributable to the Limited Partners	-	-	-	214,440,009	214,440,009
<b>Total liabilities</b>	-	572,853	-	214,440,009	215,012,862



## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

#### **9. FINANCIAL RISK MANAGEMENT (CONTINUED)**

##### **9.1 Financial risk factors (continued)**

###### **9.1.3 Liquidity risk (continued)**

	<b>On demand EUR</b>	<b>Less than 1 year EUR</b>	<b>Between 1 and 3 years EUR</b>	<b>More than 3 years EUR</b>	<b>Total EUR</b>
<b>As at 31 December 2021</b>					
<b>Liabilities</b>					
Payables and accruals	-	786,075	-	-	786,075
Net assets attributable to the Limited Partners	-	-	-	222,856,201	222,856,201
<b>Total liabilities</b>	-	786,075	-	222,856,201	223,642,276

##### **9.2 Capital risk management**

The capital structure of the Fund consists of partners' capital and partners' current accounts.

The General Partner's policy when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for the Limited Partners and to sustain the future development of the business. In order to maintain or adjust the capital structure, the Fund may call undrawn capital from the Limited Partners or raise medium/long-term third party debt. Neither the Fund nor any of its Subsidiaries are subject to externally imposed capital requirements.

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

##### **9.3 Fair value estimation**

As at 31 December 2022, 100% (2021: 100%) of financial assets at fair value through profit or loss comprise of the investments in Subsidiaries and directly held investments that have been fair valued in accordance with the policies set out above. The Subsidiaries and directly held investments are not publicly traded; prior to maturity, an exit can only be made by the Fund through a sale of its investments and commitments in the Subsidiaries and directly held investments through a secondary market. As set out in the LPA, the Fund's objective is to acquire investments with the intention to recover the capital invested through distributions received from the Subsidiaries and directly held investments funded through its realisation of their private equity, debt or infrastructure investment positions. As a result, the carrying value of the Subsidiaries and directly held investments may be significantly different from the value ultimately realised on an exit via a secondary market sale. It is not the objective nor intention of the Fund to exit the Subsidiaries and directly held investments in the secondary market sale.

As the Subsidiaries and directly held investments are not traded on an active market, and their fair values are determined using valuation techniques, the value is primarily based on the latest available financial information of the Subsidiaries and directly held investments as reported by the Administrator of the Subsidiaries. The Subsidiaries financial statements have been prepared based on the valuation of the Subsidiaries own underlying investments. The Fund and its Subsidiaries have effectively used 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 relevant long-term government bond yields, the specific risks of each investment and the evidence of recent transactions.

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

#### **9. FINANCIAL RISK MANAGEMENT (CONTINUED)**

##### **9.3 Fair value estimation (continued)**

###### **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).

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 Fund. The Fund 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 Fund's investments measured at fair value:

	<b>Level 1 EUR</b>	<b>Level 2 EUR</b>	<b>Level 3 EUR</b>	<b>Total EUR</b>
<b>As at 31 December 2022</b>				
Investments in Subsidiaries	-	-	184,817,267	184,817,267
Direct investments in equity	-	-	29,586,037	29,586,037
	-	-	214,403,304	214,403,304
<b>As at 31 December 2021</b>				
Investments in Subsidiaries	-	-	161,952,219	161,952,219
Direct investments in debt	-	-	32,892,084	32,892,084
Direct investments in equity	-	-	26,721,448	26,721,448
	-	-	221,565,751	221,565,751

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

Level 3 is comprised of the investments in Subsidiaries and directly held investments that are not quoted on an active market.

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

#### **9. FINANCIAL RISK MANAGEMENT (CONTINUED)**

##### **9.3 Fair value estimation (continued)**

###### **Valuation – the Subsidiaries**

In determining the fair value of the Subsidiaries, the Fund relies on the valuation as reported in the latest available financial accounting information and the underlying valuations of the investment portfolio.

The Investment Manager is responsible for monitoring the performance of the Subsidiary and reporting such performance to the General Partner. Where the information provided by the Subsidiary's Administrator is not considered appropriate by the Investment Manager and General Partner, the Investment Manager will make amendments to the net asset value ("NAV") obtained as noted above in order to recommend a carrying value that more appropriately reflects the fair value at the Fund reporting date.

###### **Valuation - directly held investments**

For directly held investments for which there is no active market, the Fund may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted equity and debt securities for which markets were or have been inactive during the financial year. The Fund 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. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. A detailed discounted cash flow valuation methodology is disclosed in Note 2.4 (c).

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 Fund 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 General Partner periodically.

The following summarises the valuation techniques and inputs used for the underlying project companies and directly held investments categorised in Level 3 as at 31 December 2022 and 31 December 2021.

	<b>Fair value EUR</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Range of discount rate applied</b>
<b>As at 31 December 2022</b>				
Investments in Subsidiaries and directly held investments	214,403,304	Discounted cash flow	Discount rate and expected cash flows	7.50% - 11.80%
		<b>Reasonable possible shift (absolute value)</b>	<b>Change in valuation EUR</b>	
Investments in Subsidiaries and directly held investments		5% movement in discount rate	7,927,382	

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **For the year ended 31 December 2022**

#### **9. FINANCIAL RISK MANAGEMENT (CONTINUED)**

##### **9.3 Fair value estimation (continued)**

	<b>Fair value EUR</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Range of discount rate applied</b>
<b>As at 31 December 2021</b>				
Investments in Subsidiaries and directly held investments	221,565,751	Discounted cash flow	Discount rate and expected cash flows	8.00% - 14.00%
		<b>Reasonable possible shift (absolute value)</b>	<b>Change in valuation EUR</b>	
Investments in Subsidiaries and directly held investments		5% movement in discount rate	3,971,010	

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 the investments in Subsidiaries and direct held investments, decreases or increases in discounted rate would lead to an increase or decrease in estimated value respectively.

No interrelationships between unobservable inputs used in the Fund's valuation of its Level 3 investments in Subsidiaries and directly held investments have been identified.

The Fund has recognised unrealised loss of EUR1,782,072 (2021: gain EUR18,335,421) on its Level 3 investments, these are included in the Statement of Comprehensive Income as net changes in fair value of financial assets through profit or loss.

##### **9.4 Transfers between levels of the fair value hierarchy**

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

#### **10. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

##### **Judgements**

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****For the year ended 31 December 2022****10. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)****Investment entity status**

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

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

**Estimates**

The Fund recognises the investment in its directly owned Subsidiary at fair value which includes the fair value of each of the individual project companies and holding companies in which the Subsidiary holds an investment. Fair values for those investments and the directly held investments (for which a market quote is not available) are determined using the income approach which discounts the expected cash flows at the appropriate rate. In determining the discount rate, regard is had to relevant long-term government bond yields, specific risks and the evidence of recent transactions. The General Partner has satisfied itself that PPP or similar investments share the same investment characteristics and as such constitute a single asset class for IFRS 7 disclosure purposes.

The debt security and equity instruments of each investment is managed collectively as a single asset, as the debt and equity portion of any one single investment cannot be realised separately. These are collectively measured at fair value with consideration for the net present value of the estimated future debt and equity cash flows based on a discounted cash flow model (the "income approach"). The carrying value apportioned to the debt security element of the investment is represented by its principal cost, which is considered to be a reasonable proxy of the fair value with any residual fair value attributed to the equity instrument.

The range of discount rates applied in the December 2022 valuation was 7.50% - 11.80% (2021: 8.00% - 14.00%). The discount rate is considered one of the most significant unobservable inputs through which an increase or decrease would have a material impact on the fair value of the financial assets at fair value through profit or loss.

**Carried interest**

The accounting for carried interest is a critical judgement. Carried interest is calculated based on the Carry Partner's hypothetical share of profits, taking into account the cash already distributed from the Fund and the amount of divestment proceeds receivable or to be received on disposal (indicated by the fair value of the investments at the year-end date), as estimated by the General Partner. The total carried interest eventually distributed to the Carry Partner over the life of the Fund might be significantly different from the carried interest reported at the reporting date. In accordance with the LPA clause 10.2, the Carried Interest Entitlement of the Carried Interest Partner shall be calculated as at each Carry Calculation Date with the earliest being 19 December 2028 (tenth anniversary of the closing date) and the last date being 19 December 2033 (fifteenth anniversary of the closing date). At each Carry Calculation Date, carried interest is an amount equal to a portion of the Notional Carry Amount or Final Carry Amount as calculated in accordance with Schedule 4 of the LPA.

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

#### **10. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

##### **Carried interest (continued)**

IAS 37 Provisions, Contingent Liabilities and Contingent Assets sets out the recognition and disclosure criteria for provisions and contingent liabilities. Carried interest will be recognised as a provision at the time when the achievement of hurdles is certain to be met (as per the LPA). In General Partner's opinion, as at 31 December 2022 represents a contingent liability due to the uncertain timing and realisable value of the distribution and as such has been disclosed in the financial statements as per note 14.

#### **11. FINANCIAL INSTRUMENTS BY CATEGORY**

At 31 December 2022 and 31 December 2021, the Fund held the following classes of financial instruments that are measured at fair value. For all other assets and liabilities, their carrying value approximates to the fair value.

	<b>Financial assets at amortised cost EUR</b>	<b>Designated at fair value through profit or loss EUR</b>	<b>Total EUR</b>
<b>As at 31 December 2022</b>			
<b>Assets</b>			
Investments in Subsidiaries	-	184,817,267	184,817,267
Direct investments in equity securities	-	29,586,037	29,586,037
Receivables	147,306	-	147,306
Cash and cash equivalents	323,019	-	323,019
	<u>470,325</u>	<u>214,403,304</u>	<u>214,873,629</u>
<b>As at 31 December 2021</b>			
<b>Assets</b>			
Investments in Subsidiaries	-	161,952,219	161,952,219
Direct investments in debt securities	-	32,892,084	32,892,084
Direct investments in equity securities	-	26,721,448	26,721,448
Receivables	1,830,418	-	1,830,418
Cash and cash equivalents	107,326	-	107,326
	<u>1,937,744</u>	<u>221,565,751</u>	<u>223,503,495</u>

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

#### **11. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)**

	<b>Other financial liabilities at amortised cost EUR</b>	<b>Liabilities at fair value through profit or loss EUR</b>	<b>Total EUR</b>
<b>As at 31 December 2022</b>			
<b>Liabilities</b>			
Payables and accruals	572,853	-	572,853
Net assets attributable to the Limited Partners	214,440,009	-	214,440,009
	<u>215,012,862</u>	<u>-</u>	<u>215,012,862</u>
<b>As at 31 December 2021</b>			
<b>Liabilities</b>			
Payables and accruals	786,075	-	786,075
Net assets attributable to the Limited Partners	222,856,201	-	222,856,201
	<u>223,642,276</u>	<u>-</u>	<u>223,642,276</u>

#### **12. 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.

As disclosed in the LPA, the General Partner is entitled to receive the General Partner's Share, which is calculated at a certain percentage per annum of invested capital. The General Partner's Share calculated is reduced by deducting transaction fees, investment related fees, directors' fees etc. earned by the General Partner, Investment Manager or associates of either, paid quarterly in arrears by the project company.

During the year, the General Partner charged EUR1,793,136 (2021: EUR1,773,508) in respect of General Partner's Share, of which EUR423,709 (2021: EUR519,111) (including foreign exchange) was outstanding at the end of the year.

As at 31 December 2022, the loan interest income was EUR1,737,847 (2021: EUR1,070,820), out of which EUR133,687 (2021: EUR1,623,090) was receivable from Holdco IV B.V.

The intercompany loans with AI HoldCo IV B.V. & Coop AI IV B.A. are short-term loans, which are repayable on demand and do not incur interest.

The payable balance due from AEIP LP relates to short term loan utilized for administration fees. It is payable on demand and does incur interest.

#### **13. ULTIMATE CONTROLLING PARTY**

The Directors of the General Partner do not consider there to be any one ultimate controlling party.

## **ABERDEEN EUROPEAN INFRASTRUCTURE PARTNERS III LP**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2022**

#### **14. UNDRAWN COMMITMENTS**

As at 31 December 2022 the Fund had undrawn commitments from the Limited Partners of EUR102,763,523 (2021: EUR102,763,523).

#### **15. CONTINGENT LIABILITY**

IAS 37 Provisions, Contingent Liabilities and Contingent Assets sets out the recognition and disclosure criteria for provisions and contingent liabilities. Carried interest represents a contingent liability due to the uncertain timing and realisable value of the distribution and as such has been disclosed in the financial statements.

Of the net assets attributable to Limited Partners, if the Fund's assets were realised at their Net Asset Value at 31 December 2022 an amount of EURNil would be due to the Carried Interest Partner (2021: EUR1,292,234).

#### **16. LOAN COMMITMENTS, COMMITMENTS AND CONTINGENCIES**

The General Partner acting on behalf of the Fund entered into a revolving credit facility agreement (the "Agreement") dated 6 November 2019, as Original Borrower, with National Australia Bank as Lender. The Lender will make available to the Original Borrower a letter of credit facility equal to EUR60,000,000.

The credit facility was renewed on 4 November 2021 for a further year to 5 November 2022. On 27 October 2022 the credit facility was renewed for another year to 4 November 2023. The maximum facility commitment remained unchanged at year end EUR66,000,000 (2021: EUR66,000,000).

<b>Loan Lender</b>	<b>Facility termination</b>	<b>Nominal interest rate</b>	<b>Carrying amount* 2022</b>	<b>Carrying amount* 2021</b>
National Australia Bank	4 November 2023	1.75 plus Euribor	EUR59,454,661	EUR62,289,530

\* The fair value of all borrowings is deemed to reflect their carrying value.

Under the Agreement, the Fund, as the Original Borrower, must pay establishment costs and a renewal fee based upon the commitment, a facility fee based upon the available commitment and a letter of credit commission (recognised as credit facility interest) based on the outstanding amount of each letter of credit.

On 15 November 2019 and 6 January 2020, the Fund requested a Letter of Credit in the amount of GBP26,500,000 and GBP24,009,836 respectively, to be issued to the underlying structured entity held by AEI III B Ltd. On 22 November 2019 the reduction notice was issued whereby the Letter of Credit of GBP26,500,000 was reduced by GBP2,490,164 to GBP24,009,836. The associated arrangement fees and legal fees, facility fees and letter of credit commission was recharged to its subsidiary AEI III B Ltd. On 23 December 2020, the Fund requested a Letter of Credit in the amount of EUR5,184,180 to be issued to the structured entity associated to AI IV (Holdco) IV B.V. There were no additional drawdowns during the year (2021: EURNil).

#### **17. SUBSEQUENT EVENTS**

Management has evaluated the impact of all subsequent events on the Fund occurring between the end of the reporting period and 30 March 2023, the date the financial statements were available to be issued and has determined that there were no other subsequent events requiring adjustment or additional disclosure at the date of signing this report and the audited financial statements.