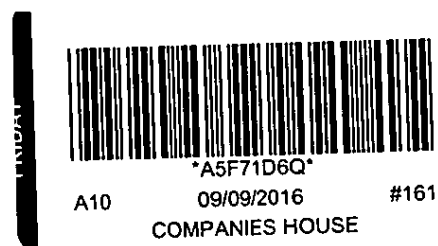


Aberdeen Infrastructure (No.3) Limited

Annual Report and Audited Financial Statements

For the year ended 31 December 2015

Company Number 06632304



ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

TABLE OF CONTENTS

	Page
Summary of Directors and Organisation	1
Report of the Directors	2-3
Strategic Report	4
Independent Auditors' Report	5-6
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the Financial Statements	11-24

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

SUMMARY OF DIRECTORS AND ORGANISATION

DIRECTORS:

K M Hill
M T Smith
A L Tennant
I H-Y Wong

REGISTERED OFFICE:

9th Floor
20 Churchill Place
Canary Wharf
London
United Kingdom
E14 5HJ

ADMINISTRATOR:

State Street (Guernsey) Limited
P.O. Box 543
First Floor
Dorey Court
Admiral Park
St Peter Port
Guernsey
GY1 6HJ

BANKER:

Lloyds Bank International Limited (Guernsey Branch)
P.O. Box 123
Samia House
Le Truchot
St Peter Port
Guernsey
GY1 4EN

INDEPENDENT AUDITORS:

PricewaterhouseCoopers CI LLP
P.O. Box 321
Royal Bank Place
1 Glatigny Esplanade
St Peter Port
Guernsey
GY1 4ND

INVESTMENT MANAGER:

Prior to 1 October 2015
Aberdeen Infrastructure Asset Managers Limited
10 Queens Terrace
Aberdeen
AB10 1YG

From 1 October 2015
Aberdeen Asset Managers Limited
10 Queens Terrace
Aberdeen
AB10 1YG

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 December 2015

The Directors present their annual report and audited financial statements for Aberdeen Infrastructure (No.3) Limited (the "Company") for the year ended 31 December 2015.

Incorporation

The Company was incorporated on 27 June 2008 as Blendmedia Limited. The Company changed its name to Uberior Infrastructure Investments (No.3) Limited on 17 July 2008, BoS Infrastructure (No.3) Limited on 24 December 2009 and Aberdeen Infrastructure (No 3) Limited on 25 September 2014. The Company's registration number is 06632304.

Registered office

The Company's registered office is at 9th Floor, 20 Churchill Place, Canary Wharf, London, United Kingdom, E14 5HJ.

Financial risk management

The key risks and uncertainties faced by the Company are managed within the framework established for the Investment Manager. Exposures to market risk, credit risk, equity risk and liquidity risk arise in the normal course of the Company's business. These risks are discussed, and supplementary qualitative and quantitative information is provided in Note 9 to the financial statements. The Company is funded by Aberdeen Infrastructure Partners LP Inc. ("AIPLP"), and as a result liquidity risk is managed by the Company in conjunction with AIPLP.

Results and dividends

The Company's total comprehensive income for the year was GBP20,171,353 (2014: GBP46,043,473). Dividends of GBP12,096,653 were paid during the year (2014: GBP13,201,190).

Future developments

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

Directors and their interests

The Directors at the date of this report are as stated on page 1.

A L Tennant is also a director of Aberdeen Infrastructure Finance GP Limited, which is the general partner of the Company's immediate parent undertaking, AIPLP.

Statement of Directors' responsibilities in respect of the financial statements

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

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

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

For the year ended 31 December 2015

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

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

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

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

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

Audit information

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

Subsequent events

On 23 June 2016 the UK electorate voted to leave the European Union. This decision commences a process that is likely to take a minimum of two years to complete, and during this time the UK remains a member of the European Union. There will be a resulting period of uncertainty for the UK economy, with increased volatility expected in financial markets. This does not impact the fair value of assets and liabilities, reported at the Statement of Financial Position date of 31 December 2015.

Going concern

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

Presentation of accounts

For the year ended 31 December 2014, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies, hence comparative figures for the year ended 31 December 2014 are disclosed as unaudited.

Independent Auditors

PricewaterhouseCoopers CI LLP were appointed as Independent Auditors during the period and have indicated their willingness to continue in office, and a resolution for their re-appointment will be proposed at the Annual General Meeting.

By order of the Board,


I H-Y Wong

Director

05 September 2016

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

STRATEGIC REPORT

For the year ended 31 December 2015

The Directors present their strategic report on the Company for the year ended 31 December 2015

Review and principal activities

The Company operates as an investment holding company for its parent, AIPLP, and there has been no change in that activity during the year. The Company holds AIPLP's equity portfolio of high quality, operational, Private Finance Initiative ("PFI")/Public Private Partnerships ("PPP") assets. The Directors do not expect any significant changes or developments to occur regarding the Company's business at the time of approval of the financial statements.

Principal risks and uncertainties

The key risks and uncertainties faced by the Company are managed within the framework established for the Investment Manager. Exposures to market risk, credit risk, equity risk and liquidity risk arise in the normal course of the Company's business. These risks are discussed, and supplementary qualitative and quantitative information is provided in Note 9 to the financial statements. The Company is funded by its immediate parent undertaking, AIPLP, and as a result liquidity risk is managed by the Company in conjunction with AIPLP.

Key performance indicators

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

By order of the Board,



I H-Y Wong
Director
05 September 2016

Independent auditors' report to the members of Aberdeen Infrastructure (No.3) Limited

Report on the financial statements

Our opinion

In our opinion, Aberdeen Infrastructure (No 3) Limited's financial statements (the "financial statements").

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit and cash flows for the year then ended,
 - have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs"), and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

The financial statements, included within the Annual Report and Audited Financial Statements (the "Annual Report"), comprise.

- the Statement of Financial Position as at 31 December 2015;
- the Statement of Comprehensive Income for the year then ended,
- the Statement of Cash Flows for the year then ended,
- the Statement of Changes in Equity for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been kept, 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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility

Independent auditors' report to the members of Aberdeen Infrastructure (No.3) Limited (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 2 to 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report



Adrian Peacegood (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Statutory Auditors
Guernsey
05 September 2016

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED**STATEMENT OF COMPREHENSIVE INCOME**
For the year ended 31 December 2015

	<i>Notes</i>	2015 GBP	2014 GBP (unaudited)
Income			
Bank interest income		3,933	10,200
Dividend income	3	12,446,121	12,894,430
Net change in fair values of financial assets at fair value through profit or loss	5	7,733,917	33,153,293
Total income		<u>20,183,971</u>	<u>46,057,923</u>
Expenses			
Administration fees		12,438	12,700
Bank charges		180	359
Total expenses		<u>12,618</u>	<u>13,059</u>
Profit on ordinary activities before tax		<u>20,171,353</u>	<u>46,044,864</u>
Tax		-	(1,391)
Profit on ordinary activities after tax		<u>20,171,353</u>	<u>46,043,473</u>
Total comprehensive income for the year		<u><u>20,171,353</u></u>	<u><u>46,043,473</u></u>
Attributable to Equity holder:			
Total comprehensive Income for the year		<u><u>20,171,353</u></u>	<u><u>46,043,473</u></u>

The notes on pages 11 to 24 form part of these financial statements

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED**STATEMENT OF FINANCIAL POSITION**
As at 31 December 2015

	<i>Notes</i>	2015 GBP	2014 GBP (unaudited)
Assets			
Non-current assets			
Financial assets at fair value through profit or loss			
Equity securities - unlisted	5	279,668,295	271,934,378
Total non-current assets		279,668,295	271,934,378
Current assets			
Cash and cash equivalents	6	1,341,635	999,836
Total current assets		1,341,635	999,836
Total assets		281,009,930	272,934,214
Equity and liabilities			
Equity			
Share capital	7	1,066,885	1,066,885
Share premium	7	10,845,482	10,845,482
Capital contribution	8	4,484,750	4,484,750
General reserve		115,973,949	115,973,949
Retained earnings		148,635,815	140,561,115
Total equity		281,006,881	272,932,181
Liabilities			
Current liabilities			
Payables and accruals		3,049	2,033
Total current liabilities		3,049	2,033
Total equity and liabilities		281,009,930	272,934,214

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



I H-Y Wong
Director
05 September 2016

The notes on pages 11 to 24 form part of these financial statements.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

	Share capital GBP	Share premium GBP	General reserves GBP	Capital contribution GBP	Retained earnings GBP	Total equity GBP
Balance at 1 January 2014	1,066,885	10,845,482	115,973,949	4,484,750	107,718,832	240,089,898
Dividends paid (unaudited)	-	-	-	-	(13,201,190)	(13,201,190)
Total comprehensive income for the year (unaudited)	-	-	-	-	46,043,473	46,043,473
Balance at 31 December 2014 (unaudited)	1,066,885	10,845,482	115,973,949	4,484,750	140,561,115	272,932,181
Balance at 1 January 2015 (unaudited)	1,066,885	10,845,482	115,973,949	4,484,750	140,561,115	272,932,181
Dividends paid	-	-	-	-	(12,096,653)	(12,096,653)
Total comprehensive income for the year	-	-	-	-	20,171,353	20,171,353
Balance at 31 December 2015	1,066,885	10,845,482	115,973,949	4,484,750	148,635,815	281,006,881

The notes on pages 11 to 24 form part of these financial statements

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED**STATEMENT OF CASH FLOWS****For the year ended 31 December 2015**

	<i>Note</i>	2015 GBP	2014 GBP (unaudited)
Cash flows from operating activities			
Dividend income received		12,446,121	12,894,430
Bank interest received		3,933	10,200
Operating expenses paid		(11,602)	(11,027)
Tax		-	(1,390)
Net cash flow generated from operating activities		12,438,452	12,892,213
Cash flows from financing activities			
Dividends paid		(12,096,653)	(13,201,190)
Net cash flow used in financing activities		(12,096,653)	(13,201,190)
Net increase / (decrease) in cash and cash equivalents		341,799	(308,977)
Cash and cash equivalents at 1 January		999,836	1,308,813
Cash and cash equivalents at 31 December	6	1,341,635	999,836

The notes on pages 11 to 24 form part of these financial statements

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL INFORMATION

The Company is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is at 9th Floor, 20 Churchill Place, Canary Wharf, London, United Kingdom, E14 5HJ.

The Company operates as an investment holding company.

These financial statements were authorised for issue by the Board of Directors of the Company on 05 September 2016.

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 period, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Company have been prepared on a going concern basis in accordance with IFRSs. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in accordance with IFRSs requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 10.

For the year ended 31 December 2014, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies, hence comparative figures for the year ended 31 December 2014 are disclosed as unaudited

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

(a) Standards and amendments to existing standards effective 1 January 2015

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2015 that would be expected to have a material impact on the Company.

(b) New standards, amendments and interpretations effective after 1 January 2015 and not early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Company except the following set out below.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation

(b) New standards, amendments and interpretations effective after 1 January 2015 and not early adopted (continued)

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. An updated version of IFRS 9 was issued on 10 November 2013. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standards retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the required accounting period beginning on or after the date advised by the IASB. The effective mandatory date in place for IFRS 9 is 1 January 2018.

2.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Translations and balances

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

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

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".

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

(a) Classification

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

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(a) Classification (continued)

(i) Financial assets and liabilities held for trading

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

The Company did not hold any financial assets or liabilities for trading as at 31 December 2015.

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

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

The Company's policy requires the Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

(b) Recognition, derecognition and measurement

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

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

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

Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within "Dividend income" when the Company's right to receive payments is established (see Note 2.10).

(c) Fair value estimation

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

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

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(c) Fair value estimation (continued)

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

2.4 Cash and cash equivalents

Cash and cash equivalents consist of cash balances that are freely available and other cash balances with an original maturity of three months or less.

2.5 Share premium

Share premium is recognised for the consideration received in excess of the par value of shares issued.

2.6 Capital contribution

The capital contribution represents amounts received by the Company that are unconditional, have no recourse and cannot be recalled by any party.

2.7 General reserve

The general reserve is the excess carrying value of the original assets acquired at fair value over the share capital and share premium issued. This reserve is unrealised and is not available for distribution, although it is available for any impairment of an asset to which the reserve relates to.

2.8 Dividends payable to the shareholder

Dividends payable to the shareholder are recognised in the Statement of Changes in Equity when they are appropriately authorised and paid.

2.9 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.

2.10 Interest income and dividend income

Interest income is recognised on a time-proportionate basis using the effective interest method. It includes interest income from cash and cash equivalents, debt securities and cash collateral at amortised cost.

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

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Expenses

The Company is wholly owned by AIPLP, which settles some operational expenses incurred by the Company. The Company pays its own administration expenses but the audit fees will be paid by the AIPLP.

2.12 Taxation

The Company is exempt from income tax on its UK dividend income. Income from any other sources is taxable at 20.25% (2014: 21.50%). Current tax, including UK corporation tax, is reflected at amounts to be recovered or paid using the tax rate and laws that have been enacted or substantively enacted at the Statement of Financial Position date.

3. DIVIDEND INCOME

	2015 GBP	2014 GBP (unaudited)
Dividend income	<u>12,446,121</u>	<u>12,894,430</u>

4. AUDITORS' REMUNERATION

There were no audit fees payable to the Company's Independent Auditors for the year ended 31 December 2015 (2014: GBPnil).

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 GBP	2014 GBP (unaudited)
Equity securities - unlisted	<u>279,668,295</u>	<u>271,934,378</u>

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

	2015 GBP	2014 GBP (unaudited)
At 1 January	271,934,378	238,781,085
Net change in fair value of financial assets at fair value through profit or loss	<u>7,733,917</u>	<u>33,153,293</u>
As at 31 December	<u>279,668,295</u>	<u>271,934,378</u>
Change in unrealised gain for Level 3 assets held as at year end and included in net change in fair value of financial assets at fair value through profit or loss	<u>7,733,917</u>	<u>33,153,293</u>

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

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

	2015		2014	
	Fair value GBP	% of net assets	Fair value GBP (unaudited)	% of net assets (unaudited)
Equity securities - unlisted	279,668,295	99.52	271,934,378	99.63

6. CASH AND CASH EQUIVALENTS

	2015 GBP	2014 GBP (unaudited)
Cash at bank	1,341,635	999,836

7. SHARE CAPITAL AND SHARE PREMIUM

	2015 GBP	2014 GBP (unaudited)
Authorised 1,500,000 ordinary shares of GBP1.00 each	1,500,000	1,500,000
Issued and fully paid 1,066,885 ordinary shares of GBP1.00 each	1,066,885	1,066,885

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.

The level of the share capital issued and the associated share premium have been based on the previous carrying value (excluding any revaluation) of the underlying assets acquired.

8. CAPITAL CONTRIBUTION

During the year, the Company did not receive any capital contribution (2014: GBPnil).

9. FINANCIAL RISK MANAGEMENT

9.1 Financial risk factors

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

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Financial risk factors (continued)

The Company owns a portfolio of investments predominantly in the ordinary equity of PFI/PPP companies. These companies are structured at the outset to minimise financial risks of acquiring and holding the investment. The Company primarily focuses its risk management on the direct financial risks of acquiring and holding the 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.

9.1.1 Market risk

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

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

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

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

(a) Price risk

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

Price risk arises from the Company's exposure to unlisted equity securities. The Company 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 valued using a discounted cash flow based valuation. These valuations use a range of rates, based on the market interest rate and risk premium specific to these unlisted investments, of 7% to 9% (2014: 7.5% to 14.2%). Further information about the Company's sensitivity to changes in the fair value of equity investments is set out below.

At the reporting date the carrying value of equity investments amounted to GBP279,668,295 (2014: GBP271,934,378). For investments carried at fair value through profit or loss, changes in fair value would have a direct impact on the result for the year. The table below sets out the sensitivity of total comprehensive income for the year to a 10% change in fair value of equity investments as at the Statement of Financial Position date.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Financial risk factors (continued)

(a) Price risk (continued)

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

	2015 GBP	2014 GBP (unaudited)
Effect of 10% increase in fair value of equities	27,966,830	27,193,438
Effect of 10% decrease in fair value of equities	(27,966,830)	(27,193,438)

(b) Currency risk

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

(c) Interest rate risk

The Company is not directly affected by changes in interest rate risk, except as part of the exercise to value its unlisted investments.

(d) Inflation risk

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

9.1.2 Credit risk

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

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

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Financial risk factors (continued)

9.1.2 Credit risk (continued)

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:

	2015 GBP	2014 GBP (unaudited)
Cash and cash equivalents	1,341,635	999,836

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

As at 31 December 2015, the Company did not have any overdue and impaired balances (2014: GBPnil). The table below sets out the internal credit rating of equity securities:

	2015 %	2014 %
Internal rating – better than satisfactory risk	-	-
Internal rating – satisfactory risk	100	100
Internal rating – viable but monitoring	-	-
Internal rating – high risk	-	-

Cash transactions are limited to the Banker who is a subsidiary of a financial institution with Long term debt credit rating of A (2014: A), as rated by the rating agency, Standard & Poor's. At 31 December 2015, all cash and cash equivalents are placed with the Banker.

In accordance with the Company's policy, the Investment Manager monitors the Company's credit risk exposure on a monthly basis, and the Directors review it on a quarterly basis.

9.1.3 Liquidity risk

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

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

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

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Financial risk factors (continued)

9.1.3 Liquidity risk (continued)

The Company manages its liquidity risk by a combination of (i) contractual uncalled committed capital, which can be called with 14 days notice and used to company investments and pay management fees and (ii) maintaining cash levels to fund short term operating expenses.

The Company operates as an investment structure whereby the Company invests and commits to invest into various portfolio companies. As at 31 December 2015, 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

9.2 Capital risk management

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

The Board of Directors and Investment Manager monitor capital on the basis of the value of shareholder's equity.

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

9.3 Fair value estimation

The Company uses the income approach which discounts the expected cash flows attributable to each asset at an appropriate rate to arrive at fair values. In determining the discount rate, regard is given to risk free rates, the specific risks of each investment and the evidence of recent transactions. A detailed discounted cashflow valuation methodology is disclosed on Note 2 3 (c)

For instruments for which there is no active market, the Company may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted equity for which markets were or have been inactive during the financial year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions

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

The models used to determine fair values are validated and reviewed by the Investment Manager and approved by the Board of Directors periodically.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.3 Fair value estimation (continued)

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

Fair value hierarchy

The fair value hierarchy consists of the following three levels:

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

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

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

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

	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
As at 31 December 2015				
Equity securities - unlisted	-	-	279,668,295	279,668,295
	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
As at 31 December 2014 (unaudited)				
Equity securities - unlisted	-	-	271,934,378	271,934,378

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 9.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.3 Fair value estimation (continued)

The following summarises the valuation technique and input used for equity securities categorised in Level 3 as at 31 December 2015 and 2014.

As at 31 December 2015	Fair value GBP	Valuation technique	Unobservable input	Weighted average input
Equity securities - unlisted	279,668,295	Discounted cash flow	Cost of capital	7.22%
		Reasonable possible shift (absolute value)	Change in valuation GBP	
Equity securities - unlisted		5% decrease in discount rate	13,938,392	
As at 31 December 2014 (unaudited)	Fair value GBP	Valuation technique	Unobservable input	Weighted average input
Equity securities - unlisted	271,934,378	Discounted cash flow	Cost of capital	7.70%
		Reasonable possible shift (absolute value)	Change in valuation GBP	
Equity securities - unlisted		5% decrease in discount rate	14,392,933	

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

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

The Company has recognised unrealised gains of GBP7,733,917 (2014: GBP33,153,293) 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 during the current reporting period.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

10. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Fair value of equity securities

The Company holds financial instruments that are not quoted in active markets such as the unlisted equity securities. Fair values of such instruments are determined by using valuation techniques (see Note 9.3). Where valuation techniques are used to determine fair values, they are validated and reviewed by the Investment Manager and approved by the Board of Directors periodically.

11. FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables GBP	Designated at fair value through profit or loss GBP	Total GBP
As at 31 December 2015			
Assets			
Equity securities - unlisted	-	279,668,295	279,668,295
Cash and cash equivalents	1,341,635	-	1,341,635
	<u>1,341,635</u>	<u>279,668,295</u>	<u>281,009,930</u>

	Loans and receivables GBP	Designated at fair value through profit or loss GBP	Total GBP
As at 31 December 2014 (unaudited)			
Assets			
Equity securities - unlisted	-	271,934,378	271,934,378
Cash and cash equivalents	999,836	-	999,836
	<u>999,836</u>	<u>271,934,378</u>	<u>272,934,214</u>

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

11. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Other financial liabilities at amortised GBP	Liabilities at fair value through profit or loss GBP	Total GBP
As at 31 December 2015			
Liabilities			
Payables and accruals	3,049	-	3,049
	Other financial liabilities at amortised GBP	Liabilities at fair value through profit or loss GBP	Total GBP
As at 31 December 2014 (unaudited)			
Liabilities			
Payables and accruals	2,033	-	2,033

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

The Company's immediate parent is AIPLP. Dividends of GBP12,096,653 (2014: GBP13,201,190) were declared and was paid to AIPLP during the year.

13. STAFF COSTS

The Company has no employees. The Directors did not receive any remuneration.

14. ULTIMATE CONTROLLING PARTY

As at 31 December 2015, the Company's immediate parent undertaking is AIPLP. The Directors of the Company consider there to be no ultimate controlling party.

15. SUBSEQUENT EVENTS

On 23 June 2016 the UK electorate voted to leave the European Union. This decision commences a process that is likely to take a minimum of two years to complete, and during this time the UK remains a member of the European Union. There will be a resulting period of uncertainty for the UK economy, with increased volatility expected in financial markets. This does not impact the fair value of assets and liabilities, reported at the Statement of Financial Position date of 31 December 2015.

Aberdeen Infrastructure Partners LP Inc.

**Annual Report and Audited
Consolidated Financial Statements**

For the year ended 31 December 2015

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.

TABLE OF CONTENTS

	Page
Summary of Officers and Professional Advisers	1
Report of the General Partner	2-3
Independent Auditors' Report	4-5
Consolidated Statement of Comprehensive Income	6
Consolidated Statement of Financial Position	7
Consolidated Statement of Changes in Net Assets Attributable to the Limited Partners	8
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Financial Statements	10-32

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.

SUMMARY OF OFFICERS AND PROFESSIONAL ADVISERS

GENERAL PARTNER:

Aberdeen Infrastructure Finance GP Limited
First Floor
Dorey Court
Admiral Park
St Peter Port
Guernsey
GY1 6HJ

DIRECTORS OF THE GENERAL PARTNER:

W Scott
M I K Stokes
A L Tennant

REGISTERED OFFICE:

First Floor
Dorey Court
Admiral Park
St Peter Port
Guernsey
GY1 6HJ

ADMINISTRATOR:

State Street (Guernsey) Limited
P.O. Box 543
First Floor
Dorey Court
Admiral Park
St Peter Port
Guernsey
GY1 6HJ

BANKERS:

Lloyds Bank International Limited
P.O. Box 123
Sarnia House
Le Truchot
St Peter Port
Guernsey
GY1 4EF

INDEPENDENT AUDITORS:

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

INVESTMENT ADVISOR:

Prior to 1 October 2015
Aberdeen Infrastructure Asset Managers Limited
10 Queens Terrace
Aberdeen
AB10 1YG

From 1 October 2015
Aberdeen Asset Managers Limited
10 Queens Terrace
Aberdeen
AB10 1YG

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.

REPORT OF THE GENERAL PARTNER For the year ended 31 December 2015

The General Partner presents its annual report and audited consolidated financial statements for Aberdeen Infrastructure Partners LP Inc. (the "Fund") for the year ended 31 December 2015.

Limited partnership

The Fund was established on 19 November 2008 and is registered as a limited partnership in Guernsey under The Limited Partnership (Guernsey) Law, 1995.

The Fund is a registered closed-ended investment fund domiciled and established as a limited partnership under the laws of Guernsey and pursuant to The Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended and The Registered Collective Investment Scheme Rules 2008, Issued by the Guernsey Financial Services Commission (the "Commission"). The Commission, in granting registration, has not reviewed the Limited Partnership Agreement ("LPA") but has relied upon specific warranties provided by State Street (Guernsey) Limited, the Fund's manager.

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 by investing in a portfolio of high-quality, operational, Private Finance Initiative ("PFI")/Public Private Partnerships ("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 Advisor. Exposures to credit risk, interest rate risk and foreign exchange 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 13 to the consolidated financial statements. The Fund's liquidity risk management is delegated to the Investment Advisor.

Results and review of business

The Fund's total comprehensive income for the year was GBP27,329,760 (2014: GBP42,556,473). Income distributions paid during the year amounted to GBP29,534,487 (2014: GBP32,392,579). Capital returned during the year amounted to GBP10,252,886 (2014: GBP5,459,342).

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

The General Partner is responsible for preparing the consolidated financial statements for each financial year which give a true and fair view, in accordance with applicable Guernsey Law, the Limited Partnership Agreement and International Financial Reporting Standards ("IFRSs"), of the state of affairs of the Fund and of the profit or loss of the Fund for that year.

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.

REPORT OF THE GENERAL PARTNER (CONTINUED) **For the year ended 31 December 2015**

Statement of General Partner's responsibilities in respect of the consolidated financial statements (continued)

In preparing these consolidated 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 consolidated financial statements; and
- prepare the consolidated 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 adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy, at any time, the financial position of the Fund and enable the General Partner to ensure that the consolidated financial statements comply with The Limited Partnerships (Guernsey) Law, 1995 and IFRSs. 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 consolidated 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 Auditors are 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 Auditors are aware of that information.

Subsequent events

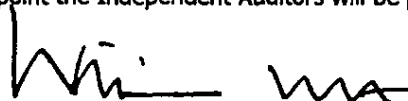
There were no subsequent events to report at the date of signing this report and the audited consolidated financial statements.

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 consolidated financial statements.

Independent auditors

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



W Scott
Director
General Partner
25 April 2016

INDEPENDENT AUDITORS' REPORT TO THE LIMITED PARTNERS OF ABERDEEN INFRASTRUCTURE PARTNERS LP INC.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements (the "financial statements") of Aberdeen Infrastructure Partners LP Inc. (the "Fund") which comprise the Consolidated Statement of Financial Position as of 31 December 2015, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Net Assets Attributable to the Limited Partners and the Consolidated Statement of Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory information.

General Partner's Responsibility for the Financial Statements

The General Partner is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") and with the requirements of Guernsey law. The General Partner is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the General Partner, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as of 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with IFRSs and have been properly prepared in accordance with the requirements of The Limited Partnerships (Guernsey) Law, 1995 and the provisions of the Limited Partnership Agreement.

Report on other Legal and Regulatory Requirements

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Report of the General Partner.

In our opinion the information given in the Report of the General Partner is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT
TO THE LIMITED PARTNERS OF ABERDEEN INFRASTRUCTURE PARTNERS LP INC.
(CONTINUED)**

Report on other Legal and Regulatory Requirements (continued)

This report, including the opinion, has been prepared for and only for the Partnership's Limited Partners as a body in accordance with Section 18 of The Limited Partnerships (Guernsey) Law, 1995 and for no other purpose. We do not, in giving this opinion, 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.

PricewaterhouseCoopers CI LLP

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
28 April 2016

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
For the year ended 31 December 2015

	<i>Notes</i>	2015 GBP	2014 GBP
Income			
Dividend income		12,446,121	12,894,430
Fund income	3	5,326,739	4,391,077
Interest income	4	14,080,148	15,587,481
Net changes in fair value of financial assets at fair value through profit or loss	6	24,684,946	46,477,956
Total income		<u>56,537,954</u>	<u>79,350,944</u>
Expenses			
Administration fees		91,440	94,375
Audit fees		69,914	96,868
Legal and professional fees		11,160	12,760
Management fees	17	933,791	903,347
Net foreign exchange losses		611,171	1,140,588
Provision	16	(2,095,731)	2,095,731
Other operating expenses		10,922	10,740
Total expenses		<u>(367,333)</u>	<u>4,354,409</u>
Operating profit		<u>56,905,287</u>	<u>74,996,535</u>
Finance costs			
Income distributions	11	(29,534,487)	(32,392,579)
Profit on ordinary activities after distributions and before tax		<u>27,370,800</u>	<u>42,603,956</u>
Tax	5	(41,040)	(47,483)
Profit on ordinary activities after distributions and tax		<u>27,329,760</u>	<u>42,556,473</u>
Total comprehensive income for the year	12	<u><u>27,329,760</u></u>	<u><u>42,556,473</u></u>

The notes on pages 10 to 32 form part of these consolidated financial statements

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2015**

	<i>Notes</i>	2015 GBP	2014 GBP
Assets			
Non-current assets			
Financial assets at fair value through profit or loss			
Equity securities - unlisted	6	298,153,916	276,917,650
Fund interests	6	62,715,197	65,351,899
Loans and receivables			
Debt securities	8	185,556,016	189,963,662
Total non-current assets		546,425,129	532,233,211
Current assets			
Receivables and prepayments	9	8,544,798	8,629,949
Cash and cash equivalents	10	5,320,723	4,441,883
Total current assets		13,865,521	13,071,832
Total assets attributable to the Limited Partners		560,290,650	545,305,043
Liabilities			
Non-current liabilities			
Provision	16	-	2,095,731
Current liabilities			
Payables and accruals		126,442	121,978
Total liabilities		126,442	2,217,709
Net assets attributable to the Limited Partners		560,164,208	543,087,334
Limited Partners' interest represented by:			
Partners' capital	12	389,796,148	400,049,034
Partners' current accounts	12	170,368,060	143,038,300
		560,164,208	543,087,334

The consolidated financial statements were authorised for issue by the Board of the General Partner of the Fund and signed on its behalf by:



W Scott
Director
25 April 2016

The notes on pages 10 to 32 form part of these consolidated financial statements.

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE LIMITED PARTNERS****For the year ended 31 December 2015**

	Notes	2015 GBP	2014 GBP
Net assets attributable to the Limited Partners at 1 January		543,087,334	505,990,203
Return of capital	11, 12	(10,252,886)	(5,459,342)
Total comprehensive income for the year		27,329,760	42,556,473
Increase in net assets attributable to the Limited Partners		17,076,874	37,097,131
Net assets attributable to the Limited Partners at 31 December		560,164,208	543,087,334

The notes on pages 10 to 32 form part of these consolidated financial statements

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.**CONSOLIDATED STATEMENT OF CASH FLOWS**
For the year ended 31 December 2015

	<i>Note</i>	2015 GBP	2014 GBP
Cash flows from operating activities			
Debt securities principal received		5,170,444	2,354,885
Proceeds from equity securities - return of capital		5,005,857	3,535,720
Dividend Income received		12,446,121	12,894,430
Interest Income received		14,231,994	15,727,430
Fund Income received		5,326,739	4,391,077
Bank Interest received		14,448	26,640
Operating expenses paid		(1,156,762)	(1,248,165)
Tax		(33,410)	(83,647)
Net cash flow generated from operating activities		41,005,431	37,598,370
Cash flows from financing activities			
Distributions paid		(39,787,373)	(37,851,921)
Net cash flow used in financing activities		(39,787,373)	(37,851,921)
Net Increase / (decrease) in cash and cash equivalents before currency adjustment		1,218,058	(253,551)
Effects of exchange rates on cash and cash equivalents		(339,218)	(320,171)
Net Increase / (decrease) in cash and cash equivalents		878,840	(573,722)
Cash and cash equivalents at 1 January		4,441,883	5,015,605
Cash and cash equivalents at 31 December	10	5,320,723	4,441,883

The notes on pages 10 to 32 form part of these consolidated financial statements.

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 31 December 2015

1. GENERAL INFORMATION

The Fund is a closed-ended investment fund domiciled and established as a limited partnership under the laws of Guernsey. The address of its registered office is First Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey, GY1 6HJ.

The Fund's investment activities are managed by the General Partner who is advised by the Investment Advisor, with the administration delegated to the Administrator.

A select number of sophisticated investors were offered the opportunity to partner with Bank of Scotland plc, by each investing a minimum of GBP40 million in the Fund. In 2011, Bank of Scotland plc reduced their holding of the Fund's commitments from 50.1% to 10.0%. The Investment Advisor advises the General Partner in relation to the portfolio.

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

These consolidated financial statements were authorised for issue by the Board of the General Partner of the Fund on 25 April 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Fund have been prepared on a going concern basis in accordance with IFRSs. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of consolidated financial statements in accordance with IFRSs 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 consolidated financial statements, are disclosed in Note 14.

(a) Standards and amendments to existing standards effective 1 January 2015

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2015 that would be expected to have a material impact on the Fund.

(b) New standards, amendments and interpretations effective after 1 January 2015 and not early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a material effect on the consolidated financial statements of the Fund except the following set out below:

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) New standards, amendments and interpretations effective after 1 January 2015 and not early adopted (continued)

IFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. An updated version of IFRS 9 was issued on 10 November 2013. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standards retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Fund is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the required accounting period beginning on or after the date advised by the IASB. The effective mandatory date in place for IFRS 9 is 1 January 2018.

2.2 Investment entity and consolidation

2.2.1 Investment entity

The Fund has multiple unrelated investors and holds multiple investments. Ownership interests in the Fund are in form of limited fund 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 are measured and evaluated on a fair value basis.

2.2.1.1 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 the commitments from a number of investors in order to raise capital to invest in infrastructure investments and to provide the investors 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 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.

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.

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) **For the year ended 31 December 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Investment entity and consolidation (continued)

2.2.2 Subsidiaries and consolidation

As disclosed in Note 14, the General Partner has determined that the Fund's direct subsidiaries which act as holding companies are not investment entities and act as an extension of the fund by providing investment-related services to maximise the investment return. As a result, the Fund continues to consolidate its subsidiaries.

The financial statements of consolidated holding company subsidiaries used to prepare these consolidated financial statements were prepared as at the Fund's reporting date.

The consolidated financial statements of the Fund comprise the financial statements of the Fund as a stand-alone entity and all consolidated holding company subsidiaries as at 31 December 2015

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Holding company subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases

The results of the holding company subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Income from the acquisition date or up to the date on which control ceases, as appropriate.

Intragroup transactions, balances and intragroup gains on transactions between the Fund and its holding company subsidiaries are eliminated on consolidation. Intragroup losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred

The integration of holding company subsidiaries into the consolidated financial statements is based on consistent accounting and valuation methods for similar transactions and other occurrences under similar circumstances.

Where the Fund is deemed to control an underlying portfolio company either directly or indirectly 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 and are instead reflected at fair value through the profit or loss. As at 31 December 2015, the Fund controls 1 portfolio companies through its ownership in a holding company.

The Fund operates as an investment structure whereby the Fund invests and commits to invest into various portfolio companies. As at 31 December 2015, 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 INFRASTRUCTURE PARTNERS LP INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) **For the year ended 31 December 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Investment entity and consolidation (continued)

2.2.2 Subsidiaries and consolidation (continued)

The Fund primarily invests into the portfolio companies by purchasing, directly, the unlisted /private equity and debt securities of these unlisted private companies. The portfolio companies pay cash interest or accrue interest in-kind on the debt held by the Fund 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 portfolio company and the existence of unfunded commitments may expose the Fund to potential losses.

2.2.3 Associates

An associate is an entity over which the Fund has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Investments that are held as part of the Fund's investment portfolio are carried in the balance sheet at fair value even though the Fund may have significant influence over those companies. This treatment is permitted by IAS 28, 'Investment in associates', which allows investments that are held by Investment Entities to be recognised and measured as at fair value through profit or loss and accounted for in accordance with IAS 39 and IFRS 13, with changes in fair value recognised in the statement of comprehensive income in the year of the change.

2.2.4 Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Fund only has interests in joint ventures.

Investments that are held as part of the Fund's investment portfolio are carried in the statement of financial position at fair value even though the Fund may have joint control over those companies. This treatment is permitted by the Amendments to IAS 28, 'Investments in Associates and Joint Ventures', which allows investments that are held by Investment Entities to be recognised and measured as at fair value through profit or loss and accounted for in accordance with IAS 39 and IFRS 13, with changes in fair value recognised in the statement of comprehensive income in the period of the change.

2.3 Foreign currency translation

(a) Functional and presentation currency

The Fund's Limited Partners are from the United Kingdom ("UK"), with the Fund capital denominated in Pound Sterling. The primary activity of the Fund is to invest in UK infrastructure assets and to offer the Limited Partners a low risk and moderate return. The performance of the Fund is measured and reported to the Limited Partners in Pound Sterling. The General Partner considers Pound Sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions of the Fund. The consolidated financial statements are presented in Pound Sterling, the Fund's functional and presentation currency.

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) **For the year ended 31 December 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Foreign currency translation (continued)

(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 Consolidated Statement of Financial Position date.

Foreign exchange gains and losses arising from translation are included in the Consolidated 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 Consolidated Statement of Comprehensive Income within "Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss".

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

(a) Classification

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

(i) Financial assets and liabilities held for trading

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

The Fund did not hold any financial assets or liabilities for trading as at 31 December 2015

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

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

The Fund's policy requires the Investment Advisor and the General Partner to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

(b) Recognition, derecognition and measurement

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

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) **For the year ended 31 December 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(b) Recognition, derecognition and measurement (continued)

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 Consolidated Statement of Comprehensive Income within 'Net changes in fair value of financial assets and liabilities at fair value through profit or loss' in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the Consolidated Statement of Comprehensive Income within 'Dividend Income' when the Fund's right to receive payment is established (see Note 2.10).

(c) Fair value estimation

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

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

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

2.5 Loans and receivables

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

- (i) those that the Fund intends to sell immediately or in the short-term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; or
- (ii) those that the Fund upon initial recognition designates as available for sale; or
- (iii) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) **For the year ended 31 December 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Loans and receivables (continued)

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

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

The effective interest rate method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument - or, when appropriate, a shorter period - to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the General Partner estimates cash flows considering all contractual calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.6 Receivables and prepayments

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

2.7 Cash and cash equivalents

Cash and cash equivalents consists of cash balances that are freely available and other cash balances with an original maturity of three months or less.

2.8 Distributions payable to the Limited Partners

Proposed distributions to the Limited Partners are recognised in the Consolidated 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. The distribution is recognised as a finance cost in the Consolidated Statement of Comprehensive Income. Any capital returned is recognised in the Consolidated Statement of Changes in Net Assets Attributable to the Limited Partners.

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) **For the year ended 31 December 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 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.

2.10 Interest income, dividend income and fund income

Interest income is recognised on a time-proportionate basis using the effective interest method. It includes interest income from cash and cash equivalents and on debt securities at amortised cost.

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

2.11 Transaction costs

Transaction costs are costs incurred to acquire financial assets. They include the fees and commissions paid to agents, advisers, brokers and dealers. Other than in respect of loans and receivables, transaction costs, when incurred, are immediately recognised as an expense in the Consolidated Statement of Comprehensive Income.

2.12 Expenses

Expenses are recognised on an accruals basis.

2.13 Taxation

The Fund is exempt from income tax on its UK dividend income. The Fund has agreed with HMRC to charge taxation at 20.25% (2014: 21.50%) on 12.5 basis points of the average subordinated debt held by Aberdeen Infrastructure Limited ("AIL") at each quarter end. Bank interest earned by AIL and Aberdeen Infrastructure (No.3) Limited ("AI(No.3)L") is charged at 20.25% (2014: 21.50%). The Fund is not subject to Guernsey taxation.

3. FUND INCOME

	2015 GBP	2014 GBP
Semperian PPP Investment Holdings Limited	5,326,739	4,391,077

4. INTEREST INCOME

	2015 GBP	2014 GBP
From cash and cash equivalents	14,448	26,640
From debt securities	14,065,700	15,560,841
	14,080,148	15,587,481

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**
For the year ended 31 December 2015**5. TAX**

	2015 GBP	2014 GBP
Current tax expense		
Current year	41,040	47,483
Reconciliation of effective tax rate		
Average debt securities balance for the year	186,434,886	124,266,827
Margin payment at 12.5 basis points	233,044	155,334
Tax at 20.25% (2014: 21.50%) on margin payment	47,191	33,397
Adjustments to tax	(6,151)	14,086
Total tax charged in Consolidated Statement of Comprehensive Income	41,040	47,483

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 GBP	2014 GBP
Equity securities - unlisted	298,153,916	276,917,650
Fund interests	62,715,197	65,351,899
	360,869,113	342,269,549
Net changes in financial assets at fair value through profit or loss		
	2015 GBP	2014 GBP
At 1 January	342,269,549	299,670,657
Return of capital	(6,085,382)	(3,535,720)
Net change in fair value of financial assets at fair value through profit or loss	24,684,946	46,477,956
Net foreign exchange losses	-	(343,344)
As at 31 December	360,869,113	342,269,549
Change in unrealised 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	24,684,946	46,477,956

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2015

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

	2015		2014	
	Fair value GBP	% of net assets	Fair value GBP	% of net assets
Equity securities - unlisted	298,153,916	53.23	276,917,650	50.99
Fund Interests	62,715,197	11.20	65,351,899	12.03
	<u>360,869,113</u>	<u>64.43</u>	<u>342,269,549</u>	<u>63.02</u>

Unconsolidated subsidiaries

Subsidiary name	Country of Incorporation	Proportion of ownership
Gloucester FM Services (Holdings) Limited	England	100%

7. INVESTMENTS IN SUBSIDIARIES

The subsidiaries of the Fund are as follows:

Subsidiary	Principal activity	Date of Incorporation	Country of incorporation	Holding %
Aberdeen Infrastructure (No.2) LLP ("AI(No.2)LLP")	Investment holding and investment related services	14 October 2008	England	100
AI(No.3)L	Investment holding and investment related services	27 June 2008	England	100
AIL	Investment holding and investment related services	12 August 2008	England	100

AI(No.2)LLP, AI(No.3)L and AIL operate as investment holding and investment related services companies for their parent, the Fund.

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2015

8. LOANS AND RECEIVABLES

	2015 GBP	2014 GBP
Debt securities	185,556,016	189,963,662

Movement in debt securities

	2015 GBP	2014 GBP
As at 1 January	189,963,662	192,816,066
Additions	1,079,526	-
Loan repayments	(5,215,219)	(2,339,385)
Capitalised interest	-	(35,946)
Net foreign exchange loss on revaluation of loans and receivables	(271,953)	(477,073)
As at 31 December	185,556,016	189,963,662

As at the years ended 31 December 2015 and 2014, the carrying amount of the receivables approximate their fair value.

9. RECEIVABLES AND PREPAYMENTS

	2015 GBP	2014 GBP
Interest receivable	8,423,840	8,590,134
Loan principal repayments due	44,774	-
Prepaid management fees	72,819	36,610
Prepaid other fees	3,365	3,205
	8,544,798	8,629,949

As at 31 December 2015 and 31 December 2014, the carrying amount of receivables and prepayments approximate their fair value.

10. CASH AND CASH EQUIVALENTS

	2015 GBP	2014 GBP
Cash at bank	5,320,723	4,441,883

As at 31 December 2015 and 31 December 2014, the carrying amount of cash and cash equivalents approximate their fair value.

11. DISTRIBUTIONS TO THE LIMITED PARTNERS

Income distributions paid during the year amounted to GBP29,534,487 (2014: GBP32,392,579). Capital returned during the year amounted to GBP10,252,886 (2014: GBP5,459,342).

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) **For the year ended 31 December 2015**

12. NET ASSETS ATTRIBUTABLE TO THE LIMITED PARTNERS

	Partners' capital	Partners' current accounts	Total
	GBP	GBP	GBP
As at 1 January 2015	400,049,034	143,038,300	543,087,334
Return of capital	(10,252,886)	-	(10,252,886)
Total comprehensive Income for the year	-	27,329,760	27,329,760
As at 31 December 2015	389,796,148	170,368,060	560,164,208
As at 1 January 2014	405,508,376	100,481,827	505,990,203
Return of capital	(5,459,342)	-	(5,459,342)
Total comprehensive Income for the year	-	42,556,473	42,556,473
As at 31 December 2014	400,049,034	143,038,300	543,087,334

13. FINANCIAL RISK MANAGEMENT

13.1 Financial risk factors

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 General Partner, 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, ordinary equity and fund interests of PFI/PPP companies. These companies are 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.

13.1.1 Market risk

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

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

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

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) **For the year ended 31 December 2015**

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

13.1 Financial risk factors (continued)

13.1.1 Market risk (continued)

The performance of the investments held by the Fund are monitored by the Investment Advisor on a monthly basis and reviewed by the General Partner on a quarterly basis.

(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 unlisted equity shares. 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 equity securities is set out below.

At the reporting date the carrying value of equity securities amounted to GBP298,153,916 (2014: GBP276,917,650). For investments carried at fair value through profit or loss, changes in fair value would have a direct impact on total comprehensive income for the year. The table below sets out the sensitivity of total comprehensive income for the year to a 10% change in fair value of equity securities as at the Consolidated Statement of Financial Position date

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

	2015 GBP	2014 GBP
Effect of 10% increase in fair value of equities	29,815,392	27,691,765
Effect of 10% decrease in fair value of equities	<u>(29,815,392)</u>	<u>(27,691,765)</u>

(b) Currency risk

The project companies in which the Fund invests conduct their business and pay interest, dividends and principal in Pound Sterling, except for two investments, which conduct their business and pay 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 assets denominated in Euro at their carrying amount are summarised below:

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) **For the year ended 31 December 2015**

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

13.1 Financial risk factors (continued)

13.1.1 Market risk (continued)

(b) Currency risk (continued)

	2015 GBP	2014 GBP
Assets		
Euro		
Monetary assets	11,392,728	5,827,780
Non-monetary assets	18,485,620	10,830,458

The table below summarises the sensitivity of the Fund's monetary and non-monetary assets to changes in foreign exchange movements at 31 December 2015 and 2014. The analysis is based on the assumptions that the relevant foreign exchange rate increased/decreased by 5% to Pound Sterling, 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 Euro equity and interest securities that are classified as financial assets at fair value through profit or loss.

	2015 GBP	2014 GBP
Assets		
Euro		
Monetary assets	569,636	291,389
Non-monetary assets	924,281	541,523

(c) Interest rate risk

The Fund invests in subordinated loan notes of project companies, usually with fixed interest rate coupons. Where floating rate debt is owned, the primary risk is that the Fund's cash flows will be 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 expose the Fund to fair value interest rate risk. The Fund's policy requires the Investment Advisor to manage this risk by reviewing fluctuations of the interest rate sensitivity gap of financial assets and liabilities on a monthly basis and the General Partner of the Fund to review on a quarterly basis.

If interest rates on debt securities had been lower on average by 75 basis points over the period, with all other variables held constant, the decrease in net assets attributable to the Limited Partners would have been GBP1,398,262 (2014: GBP1,432,208). If interest rates on debt securities had been higher on average by 75 basis points over the period, the increase in net assets attributable to the Limited Partners would amount to GBP1,398,262 (2014: GBP1,432,208). The Fund considers that 75 basis points is the maximum exposure to a decrease or increase in interest rates that could occur in the foreseeable future, although unlikely.

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) **For the year ended 31 December 2015**

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

13.1 Financial risk factors (continued)

(c) Interest rate risk (continued)

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.

(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.

13.1.2 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's direct counterparties are the project companies in which it makes debt investments. 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 also 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 Advisor on a quarterly basis.

With the exception of the provision recorded in 2014 as disclosed in Note 16, which was reversed in full during 2015, the Directors of the General Partner believe that objective evidence exists that the Fund will be able to collect the principal and interest due on the loans and receivables and as such no impairment provision was made on the consolidated financial statements for the years ended 31 December 2015 and 2014.

No classes within 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 Consolidated Statement of Financial Position and as set out below:

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) **For the year ended 31 December 2015**

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

13.1 Financial risk factors (continued)

13.1.2 Credit risk (continued)

	2015 GBP	2014 GBP
Debt securities	185,556,016	189,963,662
Receivables	8,468,614	8,590,134
Cash and cash equivalents	5,320,723	4,441,883
Total	<u>199,345,353</u>	<u>202,995,679</u>

The cash investments of the Fund are limited to financial institutions of a suitable credit quality.

As at 31 December 2015, the Fund did not record any overdue and impaired balances (2014: GBPnil). The table below sets out the internal credit ratings of equity securities and debt securities:

	2015 %	2014 %
Internal rating – better than satisfactory risk	-	-
Internal rating – satisfactory risk	100	100
Internal rating – viable but monitoring	-	-
Internal rating – high risk	-	-

The main concentration of credit risk to which the Fund is exposed arises from the Fund's investments in debt securities. However, this risk is spread over 33 debt securities of different investments.

Cash transactions are limited to the Banker who is a subsidiary of a financial institution with long term debt credit rating of A (2014: 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 Advisor monitors the Fund's credit risk exposure on a monthly basis, and the General Partner reviews it on a quarterly basis.

13.1.3 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 the Limited Partners do not have the option to redeem their investment in the Fund. The Fund is exposed to limited liquidity risk. The management of liquidity risk is delegated to the Investment Advisor.

The Fund's investments are generally in private companies for which there is no active market and, therefore, such investment 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.

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

13.1 Financial risk factors (continued)

13.1.3 Liquidity risk (continued)

The Fund's investment companies 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 a combination of (i) contractual uncalled committed capital, which can be called with 14 days notice and used to fund investments and pay management fees and (ii) maintaining cash levels to fund short term operating expenses. As at 31 December 2015, the amount of undrawn commitments was GBP100,000 (31 December 2014: GBP100,000).

The Fund operates as an investment structure whereby the Fund invests and commits to invest into various portfolio companies. As at 31 December 2015, 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.

13.2 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. The Fund may recall distributions made to the Limited Partners also in accordance with Section 4.4 of the LPA.

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

13.3 Fair value estimation

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. A detailed discounted cash flow valuation methodology is disclosed on Note 2.4 (c).

For instruments 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 for which markets were or have been inactive during the financial year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

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

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) **For the year ended 31 December 2015**

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

13.3 Fair value estimation (continued)

The models used to determine fair values are validated and reviewed by the Investment Advisor and approved by the General Partner periodically.

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

Fair value hierarchy

The fair value hierarchy consists of the following three levels:

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

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:

	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
As at 31 December 2015				
Equity securities - unlisted	-	-	298,153,916	298,153,916
Fund interests	-	-	62,715,197	62,715,197
	-	-	360,869,113	360,869,113

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

13.3 Fair value estimation (continued)

	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
As at 31 December 2014				
Equity securities - unlisted	-	-	276,917,650	276,917,650
Fund Interests	-	-	65,351,899	65,351,899
	-	-	342,269,549	342,269,549

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 13

The following summarises the valuation techniques and inputs used for equity securities and fund interests categorised in Level 3 as at 31 December 2015 and 2014.

	Fair value GBP	Valuation technique	Significant unobservable input	Weighted average input
As at 31 December 2015				
Equity securities - unlisted	298,153,916	Discounted cash flow	Cost of capital	7.36%
Fund Interests	62,715,197	Discounted cash flow	Cost of capital	7.65%
		Reasonable possible shift (absolute value)	Change in valuation GBP	
Equity securities - unlisted		5% decrease in discount rate	17,489,363	
Fund Interests		5% decrease in discount rate	4,526,323	

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) **For the year ended 31 December 2015**

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

13.3 Fair value estimation (continued)

	Fair value GBP	Valuation technique	Significant unobservable input	Weighted average input
As at 31 December 2014				
Equity securities - unlisted	276,917,650	Discounted cash flow	Cost of capital	7.86%
Fund Interests	65,351,899	Discounted cash flow	Cost of capital	7.78%
		Reasonable possible shift (absolute value)	Change in valuation GBP	
As at 31 December 2014				
Equity securities - unlisted		5% decrease in discount rate	16,040,286	
Fund Interests		5% decrease in discount rate	4,741,799	

The change in valuation disclosed in the above table shows the direction a decrease in the respective input variables would have on the valuation result. For equity securities and fund interests decreases in cost of capital would lead to an increase in estimated value.

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

The Fund has recognised unrealised gains of GBP24,684,946 on its Level 3 investments, these are included in the consolidated statement of comprehensive income as net changes in fair value of financial assets through profit or loss.

13.4 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.

14. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The General Partner 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.

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) **For the year ended 31 December 2015**

14. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Fair value of equity securities and fund interest

The Fund may, from time to time, hold financial instruments that are not quoted in active markets such as the unlisted equity securities and fund interest. Fair values of such instruments are determined by using valuation techniques (see Note 13.3) Where valuation techniques are used to determine fair values, they are validated and reviewed by the Investment Advisor and approved by the General Partner periodically.

(b) Debt securities

Debt securities are not quoted in an active market and are accounted for at amortised cost. The Directors of the General Partner assess the recoverability of these debt securities through the use of cash flow models of the underlying entities (see Note 13.3) As at the year-end, management consider the carrying amount of the debt securities to approximate their fair value.

(c) Provision

During the year, the Fund reversed a provision of GBP2,095,731 made in 2014, as disclosed in Note 16 This represents the General Partner's best estimate that they will be able to collect the principal and interest due.

(d) Consolidation of subsidiaries

With the Fund's adoption and application of the Amendments to IFRS 10, IFRS 12 and IAS 27 on Investment entities, the General Partner has determined that, whilst they consider the Fund to be an investment entity, the Fund's subsidiaries are not investment entities and act as extension of the Fund by providing investment-related services to maximise the investment return. As a result, the Fund continues to consolidate its subsidiaries, as disclosed in Note 2.2.2.

15. FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables GBP	Designated at fair value through profit or loss GBP	Total GBP
As at 31 December 2015			
Assets			
Equity securities - unlisted	-	298,153,916	298,153,916
Fund Interests	-	62,715,197	62,715,197
Debt securities	185,556,016	-	185,556,016
Receivables	8,468,614	-	8,468,614
Cash and cash equivalents	5,320,723	-	5,320,723
	199,345,353	360,869,113	560,214,466

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) **For the year ended 31 December 2015**

15. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Loans and receivables GBP	Designated at fair value through profit or loss GBP	Total GBP
As at 31 December 2014			
Assets			
Equity securities - unlisted	-	276,917,650	276,917,650
Fund interests	-	65,351,899	65,351,899
Debt securities	189,963,662	-	189,963,662
Receivables	8,590,134	-	8,590,134
Cash and cash equivalents	4,441,883	-	4,441,883
	202,995,679	342,269,549	545,265,228
As at 31 December 2015			
Liabilities			
Payables and accruals	126,442	-	126,442
As at 31 December 2014			
Liabilities			
Provision	2,095,731	-	2,095,731
Payables and accruals	121,978	-	121,978
	2,217,709	-	2,217,709

16. PROVISION

During 2014, a provision of GBP2,095,731 was made against Tyne Tunnel 2 subordinated debt. The Directors of the General Partner assessed the fair value of the project and recognised this provision, which represents their best estimate of the potential losses to be incurred under this contract. During the year, the Directors of the General Partner fully reversed the said provision of GBP2,095,731 following an updated valuation of the project. The Directors of the General Partners believe that objective evidence exists that the principal and interest due on the loan balances will ultimately be settled in full.

ABERDEEN INFRASTRUCTURE PARTNERS LP INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

17. RELATED PARTY TRANSACTIONS

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

The General Partner is entitled to receive a management fee equivalent to a certain percentage per annum of net asset value of all investments that are not realised as at year end for managing the affairs of the Partnership.

Management fees of GBP2,631,596 (2014: GBP2,167,253) were charged by the General Partner during the year. These fees are offset by the directors' fees received directly by the General Partner from underlying investments of the Fund. Any management fees not covered by these directors' fees are expensed in the Consolidated Statement of Comprehensive Income.

At the year end, the Fund was owed by the General Partner management fees of GBP72,819 (2014: GBP36,610).

18. ULTIMATE CONTROLLING PARTY

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

19. UNDRAWN COMMITMENTS

As at 31 December 2015 the Fund had undrawn commitments of GBP100,000 (2014: GBP100,000).

20. COMMITMENTS AND CONTINGENCIES

The subsidiaries of the Fund have taken exemption from annual audit and the Fund has provided guarantee on the outstanding liabilities of the subsidiaries until they are satisfied in full.

21. SUBSEQUENT EVENTS

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