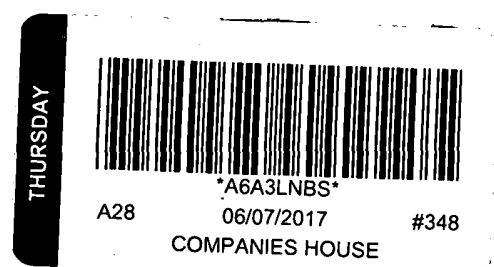


# **Aberdeen Infrastructure (No.3) Limited**

## **Annual Report and Audited Financial Statements**

**For the year ended 31 December 2016**

Company Number 06632304



# **ABERDEEN INFRASTRUCTURE (NO.3) LIMITED**

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## **ABERDEEN INFRASTRUCTURE (NO.3) LIMITED**

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### **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 AND  
SECRETARY:**

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 136  
Sarnia House  
Le Truchot  
St Peter Port  
Guernsey  
GY1 4EN

**INDEPENDENT AUDITOR:**

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

**INVESTMENT MANAGER:**

Aberdeen Asset Managers Limited  
10 Queens Terrace  
Aberdeen  
AB10 1YG

## **REPORT OF THE DIRECTORS**

**For the year ended 31 December 2016**

The Directors present their annual report and audited financial statements for Aberdeen Infrastructure (No.3) Limited (the "Company") for the year ended 31 December 2016.

### **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 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 GBP16,801,504 (2015: GBP20,171,353). Dividends of GBP11,221,759 were paid during the year (2015: GBP12,096,653).

### **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 and I H-Y Wong are also directors of Aberdeen Infrastructure Finance GP Limited, which is the General Partner of the Company's immediate parent undertaking, AIPLP.

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

The Directors are responsible for preparing the Annual Report and the Audited Financial Statements in accordance with applicable law (i.e. the Companies Act 2006) 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**

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

**For the year ended 31 December 2016**

#### **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 Auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Independent Auditor is aware of that information.

#### **Subsequent events**

The Directors have evaluated the impact of all subsequent events on the Company occurring between the end of the reporting period and 20 June 2017, the date the financial statements were available to be issued and have determined there were no subsequent events to report as at the date of signing this report and the audited financial statements.

#### **Going concern**

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

#### **Independent Auditor**

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

By order of the Board,



I H-Y Wong  
Director  
20 June 2017

**STRATEGIC REPORT****For the year ended 31 December 2016**

The Directors present their strategic report on the Company for the year ended 31 December 2016.

**Results and review of business**

The total comprehensive income for the year is set out in the Statement of Comprehensive Income on page 7. The Directors consider the performance of the Company during the year and its financial position at the end of the year, to be in line with the long term expected performance of the project, and its prospects for the future to be satisfactory.

**Principal activity**

The Company operates as an investment holding company for its parent, AIPLP, and there has been no change in that activity during the year. The Company holds AIPLP's 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 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 Directors and the Investment Manager in conjunction with AIPLP.

**Key performance indicators**

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

By order of the Board,



I H-Y Wong  
Director  
20 June 2017

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABERDEEN INFRASTRUCTURE (NO.3) LIMITED**

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## **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 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **What we have audited**

The financial statements, included within the Annual Report, comprise:

- the Statement of Financial Position as at 31 December 2016;
- 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 as adopted by the European Union, 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.

## **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Report of the Directors. We have nothing to report in this respect.

## **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 AUDITOR'S REPORT**  
**TO THE MEMBERS OF ABERDEEN INFRASTRUCTURE (NO.3) LIMITED (CONTINUED)**

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

**Our responsibilities and those of the Directors**

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements set out on pages 2 and 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**

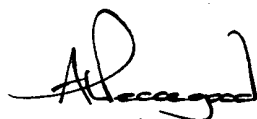
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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. With respect to the Strategic Report and Report of the Directors, we consider whether those reports include the disclosures required by applicable legal requirements.



Adrian Peacegood (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers CI LLP  
Chartered Accountants and Statutory Auditors  
Guernsey, Channel Islands  
21 June 2017



# **ABERDEEN INFRASTRUCTURE (NO.3) LIMITED**

## **STATEMENT OF COMPREHENSIVE INCOME** **For the year ended 31 December 2016**

	<i>Notes</i>	<b>2016 GBP</b>	<b>2015 GBP</b>
<b>Income</b>			
Bank interest income		2,705	3,933
Dividend income	<b>3</b>	13,468,646	12,446,121
Net change in fair values of financial assets at fair value through profit or loss	<b>5</b>	3,354,036	7,733,917
Total income		<u>16,825,387</u>	<u>20,183,971</u>
<b>Expenses</b>			
Administration fees		12,527	12,438
Audit fees	<b>4</b>	10,000	-
Bank charges		68	180
Other operating expenses		365	-
Professional fees		923	-
Total expenses		<u>23,883</u>	<u>12,618</u>
Profit on ordinary activities before tax		16,801,504	20,171,353
Tax	<b>2</b>	-	-
Profit on ordinary activities after tax		<u>16,801,504</u>	<u>20,171,353</u>
<b>Total comprehensive income for the year</b>		<u><u>16,801,504</u></u>	<u><u>20,171,353</u></u>
Attributable to Equity holder:			
Total comprehensive income for the year		<u><u>16,801,504</u></u>	<u><u>20,171,353</u></u>

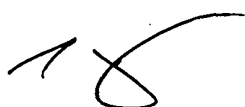
The notes on pages 11 to 29 form part of these financial statements.

## **ABERDEEN INFRASTRUCTURE (NO.3) LIMITED**

### **STATEMENT OF FINANCIAL POSITION As at 31 December 2016**

	<i>Notes</i>	<b>2016 GBP</b>	<b>2015 GBP</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss			
Equity securities - unlisted	<b>5</b>	279,209,063	276,098,227
Investment in subsidiary	<b>5</b>	3,813,268	3,570,068
<b>Total non-current assets</b>		<b>283,022,331</b>	<b>279,668,295</b>
<b>Current assets</b>			
Receivables	<b>6, 12</b>	1,650,000	-
Cash and cash equivalents		1,922,646	1,341,635
<b>Total current assets</b>		<b>3,572,646</b>	<b>1,341,635</b>
<b>Total assets</b>		<b>286,594,977</b>	<b>281,009,930</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	<b>8</b>	1,066,885	1,066,885
Share premium	<b>8</b>	10,845,482	10,845,482
Capital contribution	<b>2.9</b>	4,484,750	4,484,750
General reserve	<b>2.10</b>	115,973,949	115,973,949
Retained earnings		154,215,560	148,635,815
<b>Total equity</b>		<b>286,586,626</b>	<b>281,006,881</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables and accruals	<b>7</b>	8,351	3,049
<b>Total current liabilities</b>		<b>8,351</b>	<b>3,049</b>
<b>Total equity and liabilities</b>		<b>286,594,977</b>	<b>281,009,930</b>

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  
20 June 2017

The notes on pages 11 to 29 form part of these financial statements.

**ABERDEEN INFRASTRUCTURE (NO.3) LIMITED****STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2016**

	<b>Share capital GBP</b>	<b>Share premium GBP</b>	<b>General reserves GBP</b>	<b>Capital contribution GBP</b>	<b>Retained earnings GBP</b>	<b>Total equity GBP</b>
Balance at 1 January 2015	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
Dividends paid	-	-	-	-	(11,221,759)	(11,221,759)
Total comprehensive income for the year	-	-	-	-	16,801,504	16,801,504
Balance at 31 December 2016	1,066,885	10,845,482	115,973,949	4,484,750	154,215,560	286,586,626

The notes on pages 11 to 29 form part of these financial statements.

**ABERDEEN INFRASTRUCTURE (NO.3) LIMITED****STATEMENT OF CASH FLOWS****For the year ended 31 December 2016**

	<i>Notes</i>	<b>2016 GBP</b>	<b>2015 GBP</b>
<b>Cash flows from operating activities</b>			
Dividend income	<b>3</b>	13,468,646	12,446,121
Bank interest		2,705	3,933
Internal company loan to Aberdeen Infrastructure Limited	<b>6</b>	(1,650,000)	-
Operating expenses paid		(18,581)	(11,602)
<b>Net cash flow generated from operating activities</b>		<b>11,802,770</b>	<b>12,438,452</b>
<b>Cash flows from financing activities</b>			
Dividends paid	<b>12</b>	(11,221,759)	(12,096,653)
<b>Net cash flow used in financing activities</b>		<b>(11,221,759)</b>	<b>(12,096,653)</b>
<b>Net increase in cash and cash equivalents</b>		<b>581,011</b>	<b>341,799</b>
Cash and cash equivalents at 1 January		1,341,635	999,836
Cash and cash equivalents at 31 December		<b>1,922,646</b>	<b>1,341,635</b>

The notes on pages 11 to 29 form part of these financial statements.

# **ABERDEEN INFRASTRUCTURE (NO.3) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2016**

### **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 20 June 2017.

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

The Company meets the definition of an Investment Entity as defined by IFRS 10 and is required to account for the investment in subsidiary at fair value through profit and 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.

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 2016**

The amendments to IFRS 10, issued on 18 December 2014, clarifying the application of the consolidation exception for investment entities and their subsidiaries.

The Company has adopted the Investment Entities: Applying The Consolidation Exception: amendments to IFRS 10, IFRS 12 and IAS 28 (the "Amendments") which are effective 1 January 2016. The Amendments confirm that the exception to preparing consolidated financial statements should be applied by an intermediate parent investment entity whose subsidiary is also an investment entity.

The amendments to IFRS 12 clarify the disclosure requirements related to investment entities. Adoption of the IFRS 12 amendments have impacted the Company's level of presentation and disclosures in some areas noted above, but this has not impacted the Company's Statement of Financial Position and Statement of Comprehensive Income.

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 2016 that would be expected to have a material impact on the Company.

## **ABERDEEN INFRASTRUCTURE (NO.3) LIMITED**

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

**For the year ended 31 December 2016**

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

##### **2.1 Basis of preparation (continued)**

###### **(b) New standards, amendments and interpretations effective after 1 January 2016 and not early adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, 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.

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 IFRS 9 retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value 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 date in place for IFRS 9 is 1 January 2018.

##### **2.2 Investment entity**

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

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

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

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

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

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

**For the year ended 31 December 2016**

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

**2.3 Foreign currency translation**

**(a) Functional and presentation currency**

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

**(b) Translations and balances**

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

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

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".

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

**(a) Classification**

Financial assets and financial liabilities are classified as held for trading or designated as at fair value through profit or loss by the Board of the Directors 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 Company did not hold any financial assets or liabilities for trading as at 31 December 2016 or 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.

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

**For the year ended 31 December 2016**

**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)**

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

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

Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within "Dividend income" when the Company's right to receive payments is established (see Note 2.11).

**(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.

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

**2.5 Investment in subsidiary**

A subsidiary is an entity that is controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where the Company 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 profit or loss. As at 31 December 2016, the Company is directly invested in one such portfolio company.



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

**For the year ended 31 December 2016**

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

**2.5 Investment in subsidiary (continued)**

The Company does not have any other direct subsidiaries other than that determined to be an investment entity. Investment entity subsidiary investment is measured at fair value through profit or loss and is not consolidated in accordance with IFRS 10. Dividends from the investment are recognised in profit or loss.

Movements in the fair value of the Company's underlying portfolio company held via the investment entity subsidiary and the existence of unfunded commitments may expose the Company to potential gains or losses.

**2.6 Receivables**

Receivables are initially recognised at fair value and measured subsequently at amortised cost using the effective interest rate method.

**2.7 Cash and cash equivalents**

Cash and cash equivalents consist of cash balances that are freely available and other cash balances with an original maturity of three months or less, and bank overdrafts. As at 31 December 2016 and 31 December 2015, the carrying amounts of cash and cash equivalents approximate their fair value.

**2.8 Share premium**

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

**2.9 Capital contribution**

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

**2.10 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.

**2.11 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.

**2.12 Payables and accruals**

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

## **ABERDEEN INFRASTRUCTURE (NO.3) LIMITED**

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

**For the year ended 31 December 2016**

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

##### **2.13 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 and cash collateral at amortised cost.

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

##### **2.14 Expenses**

The Company is wholly owned by AIPLP, which settles some operational expenses incurred by the Company. The Company pays its own administration and other direct expenses, recognised on accruals basis (see Note 12).

##### **2.15 Taxation**

The Company is exempt from income tax on its UK dividend income. Income from any other sources is taxable at 20% (2015: 20.25%). 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.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Directors have determined there were no deferred tax assets or liabilities at 31 December 2016 (31 December 2015: none).

#### **3. DIVIDEND INCOME**

	<b>2016 GBP</b>	<b>2015 GBP</b>
Dividend income	13,468,646	12,446,121

#### **4. AUDITOR'S REMUNERATION**

Fees charged by the Company's independent auditor for the audit of the Company's financial statements for the year ended 31 December 2016 were GBP5,000. The audit fees for the year ended 31 December 2015 in the amount of GBP5,000 were expensed in 2016.

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

	<b>2016 GBP</b>	<b>2015 GBP</b>
Equity securities - unlisted	279,209,063	276,098,227
Investment in subsidiary	3,813,268	3,570,068
	<u>283,022,331</u>	<u>279,668,295</u>

# **ABERDEEN INFRASTRUCTURE (NO.3) LIMITED**

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

**For the year ended 31 December 2016**

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

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

	<b>2016 GBP</b>	<b>2015 GBP</b>
At 1 January	279,668,295	271,934,378
Net change in fair value of financial assets at fair value through profit or loss	3,354,036	7,733,917
As at 31 December	<u>283,022,331</u>	<u>279,668,295</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>3,354,036</u>	<u>7,733,917</u>

	<b>2016</b>		<b>2015</b>	
	<b>Fair value GBP</b>	<b>% of net assets</b>	<b>Fair value GBP</b>	<b>% of net assets</b>
Equity securities - unlisted	279,209,063	97.43	276,098,227	98.25
Investment in subsidiary	3,813,268	1.33	3,570,068	1.27
	<u>283,022,331</u>	<u>98.76</u>	<u>279,668,295</u>	<u>99.52</u>

The subsidiary of the Company is as follows:

<b>Subsidiary</b>	<b>Registered office address</b>	<b>Principal activity</b>	<b>Date of incorporation</b>	<b>Country of incorporation</b>	<b>Holding %</b>
Gloucester FM Services (Holdings) Limited	Victoria House Victoria Road, Chelmsford, Essex, United Kingdom,	Investment holding	13 February 2004	United Kingdom	100%

The Company operates as an investment holding company for its parent, the Fund. The Company holds the Fund's equity portfolio of high quality PFI/PPP assets.

The Company's investment into Gloucester FM Services (Holdings) Limited forms part of its investment portfolio into infrastructure projects.

The Company has currently invested GBP1,493,412 (2015: GBP1,493,412) into the equity of Gloucester FM Services (Holdings) Limited. As at 31 December 2016 there were no capital commitment obligations and no amounts due to Gloucester FM Services (Holding) Limited for unsettled contractual obligations (2015: GBPnil). The fair value of the equity as of 31 December 2016 is GBP3,813,268 (2015: GBP3,570,068).

## **ABERDEEN INFRASTRUCTURE (NO.3) LIMITED**

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

**For the year ended 31 December 2016**

#### **6. RECEIVABLES**

	<b>2016 GBP</b>	<b>2015 GBP</b>
Amounts due from related party (Note 12)	1,650,000	-

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

	<b>2016 GBP</b>	<b>2015 GBP</b>
Audit fees	5,000	-
Administration fees	3,351	3,049
	8,351	3,049

#### **8. SHARE CAPITAL AND SHARE PREMIUM**

	<b>2016 GBP</b>	<b>2015 GBP</b>
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.

#### **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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****For the year ended 31 December 2016****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 discount rates, based on the market interest rate and risk premium specific to these unlisted investments, of 7% to 9.5% (2015: 7% to 9%). 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 GBP283,022,331 (2015: GBP279,668,295). 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 2016**

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

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

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

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

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

	<b>2016 GBP</b>	<b>2015 GBP</b>
Effect of 10% increase in fair value of equities	28,302,233	27,966,830
Effect of 10% decrease in fair value of equities	(28,302,233)	(27,966,830)

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

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

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

The Company 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 investment is in the form of equity and whilst future cash flows are anticipated (in the form of dividends), there are no commitments or obligations to receive future payments and therefore there is no direct credit risk from this investment holding. The Company's direct counterparty is the project company in which it made its investment. The Company's near term cash flow forecasts are used to monitor the timing of cash receipts from the project counterparty. Underlying the cash flow forecast is the project company cash flow model, which is regularly updated by the project company for the purposes of demonstrating the project's ability to pay interest and dividends based on a set of detailed assumptions. The Company's investment receives 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.

## **ABERDEEN INFRASTRUCTURE (NO.3) LIMITED**

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

**For the year ended 31 December 2016**

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

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

###### **9.1.2 Credit risk (continued)**

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

The maximum exposure to credit risk over financial assets is the carrying value of those assets in the Statement of Financial Position and as set out below:

	<b>2016 GBP</b>	<b>2015 GBP</b>
Receivables	1,650,000	-
Cash and cash equivalents	1,922,646	1,341,635
<b>Total</b>	<b>3,572,646</b>	<b>1,341,635</b>

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

As at 31 December 2016, the Company did not have any overdue and impaired balances (2015: GBPnil). The table below sets out the internal credit rating of equity securities:

	<b>2016 %</b>	<b>2015 %</b>
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 Lloyds Bank which is a subsidiary of a financial institution with Long term debt credit rating of A (2015: A), as rated by the rating agency, Standard & Poor's. At 31 December 2016, all cash and cash equivalents are placed with the Lloyds Bank.

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

## **ABERDEEN INFRASTRUCTURE (NO.3) LIMITED**

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

**For the year ended 31 December 2016**

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

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

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

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

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

The Company manages its liquidity risk by 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 2016, there were no outstanding capital commitment obligations with respect to specific portfolio company acquisitions and no amounts due to the portfolio companies for unsettled purchases.

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

<b>As at 31 December 2016</b>	<b>Less than 1 month GBP</b>	<b>1-12 months GBP</b>	<b>More than 12 months GBP</b>
Total assets	-	3,572,646	283,022,331
<b>As at 31 December 2015</b>			
Total assets	-	1,341,635	279,668,295

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

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



## **ABERDEEN INFRASTRUCTURE (NO.3) LIMITED**

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

**For the year ended 31 December 2016**

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

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

	<b>On demand GBP</b>	<b>Less than 1 year GBP</b>	<b>Between 1 and 3 years GBP</b>	<b>More than 3 years GBP</b>	<b>Total GBP</b>
<b>As at 31 December 2016</b>					
<b>Liabilities</b>					
Payables and accruals	-	8,351	-	-	8,351

	<b>On demand GBP</b>	<b>Less than 1 year GBP</b>	<b>Between 1 and 3 years GBP</b>	<b>More than 3 years GBP</b>	<b>Total GBP</b>
<b>As at 31 December 2015</b>					
<b>Liabilities</b>					
Payables and accruals	-	3,049	-	-	3,049

#### **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 cash flow 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.

## **ABERDEEN INFRASTRUCTURE (NO.3) LIMITED**

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

**For the year ended 31 December 2016**

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

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

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.

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:

	<b>Level 1 GBP</b>	<b>Level 2 GBP</b>	<b>Level 3 GBP</b>	<b>Total GBP</b>
<b>As at 31 December 2016</b>				
Equity securities - unlisted	-	-	279,209,063	279,209,063
Investment in subsidiary	-	-	3,813,268	3,813,268
	-	-	283,022,331	283,022,331

## ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

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

##### 9.3 Fair value estimation (continued)

	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
<b>As at 31 December 2015</b>				
Equity securities - unlisted	-	-	276,098,227	276,098,227
Investment in subsidiary	-	-	3,570,068	3,570,068
	-	-	279,668,295	279,668,295

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.

The following summarises the valuation technique and input used for equity securities categorised in Level 3 as at 31 December 2016 and 2015.

	Fair value GBP	Valuation technique	Significant Unobservable input	Range of discount rate applied
<b>As at 31 December 2016</b>				
Equity securities - unlisted	279,209,063	Discounted flow	Discount rate	7%-9.50%
Investment in subsidiary	3,813,268	Discounted flow	Discount rate	7%-9.50%
		<b>Reasonable possible shift (absolute</b>	<b>Change in valuation GBP</b>	
Equity securities - unlisted		5% movement in discount rate	13,620,496	
Investment in subsidiary		5% movement in discount rate	186,020	

## **ABERDEEN INFRASTRUCTURE (NO.3) LIMITED**

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

**For the year ended 31 December 2016**

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

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

<b>As at 31 December 2015</b>	<b>Fair value GBP</b>	<b>Valuation technique</b>	<b>Significant Unobservable input</b>	<b>Range of discount rate applied</b>
Equity securities - unlisted	276,098,227	Discounted flow	Discount rate	7%-9%
Investment in subsidiary	3,570,068	Discounted flow	Discount rate	7%-9%
		<b>Reasonable possible shift (absolute</b>	<b>Change in valuation GBP</b>	
Equity securities - unlisted		5% movement in discount rate	13,760,453	
Investment in subsidiary		5% movement in discount rate	177,929	

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 discount rate 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 GBP3,354,036 (2015: GBP7,733,917) 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.

#### **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.

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

**For the year ended 31 December 2016**

**10. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

*(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.

*(b) Investment entity status*

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

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

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

*(c) Subsidiaries*

The Company controls 100% of the voting rights and ownership interests in Gloucestershire FM Services (Holdings) Limited.

Per IFRS 10, there is a requirement for the Directors to assess whether the Subsidiary is itself an Investment Entities. The Directors have performed this assessment and have concluded that the Subsidiary is itself an Investment Entity for the reasons below:

- (i) The Subsidiary has obtained funds for the purpose of investing in equity or other similar interests in multiple investments and providing the Company and its investors with returns from capital appreciation and investment income.
- (ii) The performance of investments made through the Subsidiary are measured and evaluated on a fair value basis.

Furthermore, the Subsidiary is not deemed to be an operating entity providing services to the Company, and therefore is able to apply the exception to consolidation.

Movements in the fair value of the Subsidiary's portfolio and corresponding movements in the fair value of the Subsidiary may expose the Company to a loss.

# **ABERDEEN INFRASTRUCTURE (NO.3) LIMITED**

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

**For the year ended 31 December 2016**

### **11. FINANCIAL INSTRUMENTS BY CATEGORY**

	<b>Loans and receivables GBP</b>	<b>Designated at fair value through profit or loss GBP</b>	<b>Total GBP</b>
<b>As at 31 December 2016</b>			
<b>Assets</b>			
Equity securities - unlisted	-	279,209,063	279,209,063
Investment in subsidiary	-	3,813,268	3,813,268
Receivables	1,650,000	-	1,650,000
Cash and cash equivalents	1,922,646	-	1,922,646
	<b>3,572,646</b>	<b>283,022,331</b>	<b>286,594,977</b>
<b>As at 31 December 2015</b>			
<b>Assets</b>			
Equity securities - unlisted	-	276,098,227	276,098,227
Investment in subsidiary	-	3,570,068	3,570,068
Cash and cash	1,341,635	-	1,341,635
	<b>1,341,635</b>	<b>279,668,295</b>	<b>281,009,930</b>
<b>As at 31 December 2016</b>			
<b>Liabilities</b>			
Payables and accruals	8,351	-	8,351
<b>As at 31 December 2015</b>			
<b>Liabilities</b>			
Payables and accruals	3,049	-	3,049

## **ABERDEEN INFRASTRUCTURE (NO.3) LIMITED**

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

**For the year ended 31 December 2016**

#### **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 GBP11,221,759 (2015: GBP12,096,653) were declared and was paid to AIPLP during the year.

During the year an amount of GBP1,650,000 was loaned to Aberdeen Infrastructure Limited ( "AIL" ) to fund the acquisition of subordinated debt loan notes by AIL. The loan which was a short term loan was outstanding at year end but subsequently repaid in 2017. The Company is wholly owned by AIPLP, which settles some operational expenses incurred by the Company (see Note 2.14).

#### **13. STAFF COSTS**

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

#### **14. ULTIMATE CONTROLLING PARTY**

As at 31 December 2016, the Company's immediate parent undertaking is AIPLP. The Directors of the Company consider there to be no ultimate controlling party.

#### **15. SUBSEQUENT EVENTS**

Management has evaluated the impact of all subsequent events on the Company occurring between the end of the reporting period and 20 June 2017, the date the financial statements were available to be issued and has determined there were no subsequent events to report as at the date of signing this report and the audited financial statements.