

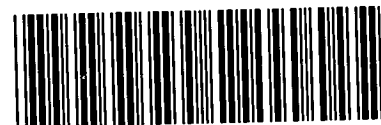
Aberdeen Infrastructure (No.3) Limited

Annual Report and Audited Financial Statements

For the year ended 31 December 2020

Company Number 06632304

THURSDAY



AA8GS5V

A07

05/08/2021

#83

COMPANIES HOUSE

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

TABLE OF CONTENTS

	Page
Summary of Directors and Organisation	1
Report of the Directors	2-4
Strategic Report	5
Independent Auditor's Report	6-9
Statement of Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Notes to the Financial Statements	14-32

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:

Bow Bells House
1 Bread Street
London
England
EC4M 9HH

**ADMINISTRATOR AND
SECRETARY:**

TMF Group Fund Administration (Guernsey) Limited
Western Suite
Ground Floor
Mill Court
La Charroterie
St Peter Port
Guernsey
GY1 1EJ

BANKER:

Lloyds Bank International Limited (Guernsey Branch)
P.O. Box 136
Sarnia House
Le Truchot
St Peter Port
Guernsey
GY1 4EF

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

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 December 2020

The Directors present their annual report and audited financial statements for Aberdeen Infrastructure (No.3) Limited (the "Company") for the year ended 31 December 2020.

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 Bow Bells House, 1 Bread Street, London, England, EC4M 9HH.

Financial risk management

The key risks and uncertainties faced by the Company are managed within the framework established by Aberdeen Asset Managers Limited (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 8 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 loss for the year was GBP9,592,031 (2019: income of GBP10,718,455). Dividends of GBP5,442,728 were paid during the year from retained earnings brought forward (2019: GBP8,053,789).

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.

Brexit

The United Kingdom left the European Union ('EU') on 31 January 2020 ('Brexit'). The transitional period in which the UK was no longer a member of the EU but was still subject to EU rules and remained a member of the Customs Union, was concluded on 31 December 2020. Following the end of this transition period, a limited trade deal was agreed. However, implications for matters such as imports/exports, investment, taxes etc are evolving. Consequently, there will likely be impacts to many UK businesses as the UK's future trading relationship with the EU remains subject to negotiation. The Directors in conjunction with the Investment Manager will continue to follow developments closely and assess their implications in relation to their contingency planning. The Directors' priority is to ensure the Investment Manager is suitably established to support the Company.

As at 11pm on 31 December 2020, International Financial Reporting Standards as adopted by the European Union ("IFRS") as it existed have been "frozen" into UK law and the Company has utilized the frozen EU-IFRS in accordance with the international accounting standards in conformity with the requirements of the Companies Act 2006.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

For the year ended 31 December 2020

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 accounting standards in conformity with the requirements of the Companies Act 2006. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. 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 8 July 2021, the date the financial statements were made available to be issued and have determined that there were no subsequent events requiring adjustments or additional disclosure 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.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

For the year ended 31 December 2020

COVID-19

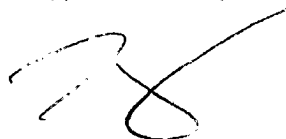
COVID-19 is a developing situation and the assessment of this situation will need continued attention and will evolve over time. The Directors have considered the impact of COVID-19 and where applicable have built this into its fair value modelling which has been reflected in the fair value of the investments in the financial statements.

The rapid development and fluidity of the COVID-19 virus makes it difficult to predict the ultimate impact at this stage. However, the Directors do not underestimate the seriousness of the issue and the inevitable effect it will have on the global economy and many businesses across the world.

The Directors believe that the impact of the virus outbreak will be material on the general economy as initially evidenced by some central banks having already started to act by reducing interest rates and taking other measures. Undoubtedly, this will have implications for the underlying investment portfolio of the Company.

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.



I H Y Wong
Director
08 July 2021

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

STRATEGIC REPORT

For the year ended 31 December 2020

The Directors present their strategic report on the Company for the year ended 31 December 2020.

Results and review of business

The total comprehensive loss for the year is set out in the Statement of Comprehensive Income on page 9. The Directors consider the performance of the Company during the year and its financial position at the end of the year, to be in line with the long term expected performance 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.

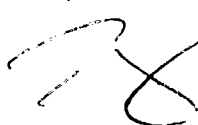
Principal risks and uncertainties

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 8 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
08 July 2021

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Audited Financial Statements (the "Annual Report"), which comprise: statement of financial position as at 31 December 2020; statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

Reporting on other information (continued)

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

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Responsibilities for the financial statements and the audit (continued)

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

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

- enquiring with the directors, the regulated investment manager and the regulated third-party administrator as to any actual or suspected instances of fraud or non-compliance with laws and regulations;
- checking the minutes of meetings of the board of directors for additional matters relevant to the audit;
- testing the disclosures made in the Strategic Report and Report of the Directors for compliance with the requirements of the Companies Act 2006;
- understanding the design and implementation of controls in operation, and specifically testing the operating effectiveness of the periodic review and approval of the valuation of investments held at fair value through profit or loss;
- enquiring and inspecting documentation regarding: the key assumptions used to determine the underlying variable cash flows models; the basis for discounts rates and macroeconomic assumptions applied; and considering these judgements by benchmarking these to independent market data, including recent market transactions, and using our valuation expert's experience in valuing similar investments. We further challenged the reasonableness of the regulated investment manager's assumptions by comparing these to the assumptions used by peer companies;
- performing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- identifying and testing journal entries considered to be of higher fraud risk, and the evaluation of the business rationale for any significant or unusual transactions identified as being outside the normal course of business.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of this report

This report, including the opinions, has been prepared for and only for the 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.

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

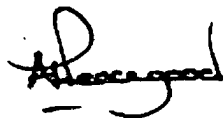
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Adrian Peacegood BA (Hons) FCA (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Statutory Auditors
Guernsey, Channel Islands
08 July 2021

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED**STATEMENT OF COMPREHENSIVE INCOME****For the year ended 31 December 2020**

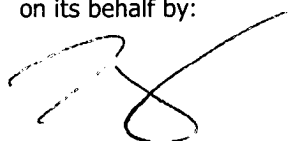
	<i>Notes</i>	2020 GBP	2019 GBP
Income			
Bank interest income		610	2,077
Dividend income	3	6,353,941	9,709,461
Net change in fair values of financial assets at fair value through profit or loss	5	(15,927,316)	1,023,567
Total income		(9,572,765)	10,735,105
Expenses			
Administration fees		11,345	11,357
Audit fees	4	5,281	5,253
Professional fees		2,600	-
Bank charges		40	40
Total expenses		19,266	16,650
(Loss) /profit on ordinary activities before tax		(9,592,031)	10,718,455
Tax	2	-	-
		(9,592,031)	10,718,455
Total comprehensive (loss) /income for the year		(9,592,031)	10,718,455
Attributable to Equity holder:			
Total comprehensive (loss) /income for the year		(9,592,031)	10,718,455

The notes on pages 14 to 32 form part of these financial statements.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED**STATEMENT OF FINANCIAL POSITION****As at 31 December 2020**

	<i>Notes</i>	2020 GBP	2019 GBP
Assets			
Non-current assets			
Financial assets at fair value through profit or loss			
Equity securities - unlisted	5	301,501,486	312,223,908
Investment in subsidiary	5	4,479,572	4,889,566
Total non-current assets		305,981,058	317,113,474
Current assets			
Cash and cash equivalents		3,450,434	2,557,798
Total current assets		3,450,434	2,557,798
Total assets		309,431,492	319,671,272
Equity and liabilities			
Equity			
Share capital	7	1,066,885	1,066,885
Share premium		10,845,482	10,845,482
Capital contribution		4,484,750	4,484,750
General reserve		115,973,949	115,973,949
Retained earnings		172,257,444	187,292,203
Total equity		304,628,510	319,663,269
Liabilities			
Current liabilities			
Payables and accruals	6	4,802,982	8,003
Total current liabilities		4,802,982	8,003
Total equity and liabilities		309,431,492	319,671,272

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
08 July 2021

The notes on pages 14 to 32 form part of these financial statements.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED**STATEMENT OF CHANGES IN EQUITY**
For the year ended 31 December 2020

	Share capital GBP	Share premium GBP	Capital contribution GBP	General reserves GBP	Retained earnings GBP	Total equity GBP
Balance at 1 January 2019	1,066,885	10,845,482	4,484,750	115,973,949	184,627,537	316,998,603
Dividends paid	-	-	-	-	(8,053,789)	(8,053,789)
Total comprehensive income for the year	-	-	-	-	10,718,455	10,718,455
Balance at 31 December 2019	1,066,885	10,845,482	4,484,750	115,973,949	187,292,203	319,663,269
Dividends paid	-	-	-	-	(5,442,728)	(5,442,728)
Total comprehensive loss for the year	-	-	-	-	(9,592,031)	(9,592,031)
Balance at 31 December 2020	1,066,885	10,845,482	4,484,750	115,973,949	172,257,444	304,628,510

The notes on pages 14 to 32 form part of these financial statements.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED**STATEMENT OF CASH FLOWS****For the year ended 31 December 2020**

	<i>Notes</i>	2020 GBP	2019 GBP
Cash flows from operating activities			
Dividend income	3	6,353,941	9,709,461
Bank interest		610	2,077
Operating expenses paid		4,775,713	(15,422)
Acquisition of investments*	5	(4,794,900)	-
Net cash flow generated from operating activities		6,335,364	9,696,116
Cash flows from financing activities			
Dividends paid	11	(5,442,728)	(8,053,789)
Net cash flow used in financing activities		(5,442,728)	(8,053,789)
Net increase in cash and cash equivalents		892,636	1,642,327
Cash and cash equivalents at 1 January 2020		2,557,798	915,471
Cash and cash equivalents at 31 December 2020		3,450,434	2,557,798

Non-cash investing and financing transactions:

*The GBP4,794,900 payment for the acquisition of the additional stake in the project company Century Health (Nottingham) Holdings Limited was made directly by AIPLP and therefore represents a non-cash transaction.

The notes on pages 14 to 32 form part of these financial statements.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 Bow Bells House, 1 Bread Street, London, England, EC4M 9HH.

The Company operates as an investment holding company.

These financial statements were authorised for issue by the Board of Directors of the Company on 8 July 2021.

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 international accounting standards in conformity with the requirements of the Companies Act 2006. The Directors have 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.

Following the end of the Brexit transition, as at 11pm on 31 December 2020, International Financial Reporting Standards as adopted by the European Union ("IFRS") as it existed have been "frozen" into UK law and the Company has utilised the frozen EU-IFRS in accordance with the international accounting standards in conformity with the requirements of the Companies Act 2006.

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

The preparation of financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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 9.

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 2020

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2020 that would be expected to have a material impact on the Company.

(b) New standards, amendments and interpretations effective after 1 January 2020 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.2.1 Subsidiary

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 the profit or loss.

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

The Company operates as an investment structure whereby the Company (via its subsidiary) invests and commits to invest into various portfolio companies. As at 31 December 2020, 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.

Movements in the fair value of the Company's underlying portfolio companies directly and indirectly held via the Investment Entity subsidiary may expose the Company to potential gains or losses.

2.3 Foreign currency translation

(a) Functional and presentation currency

The operating and investing activities of the Company are denominated in Pounds 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".

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Directors classify the investments based on both the Company's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Company is primarily focused on fair value information, and it uses that information to assess the assets' performance and to make decisions. The Company has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. Consequently, all investments are measured at fair value through profit or loss.

(ii) Financial liabilities

The Company's policy requires the Investment Manager and the Directors to evaluate the information about these financial assets and liabilities on a fair value basis (Note 8), together with other related financial information. Assets and liabilities in this category are classified as current assets and current liabilities if they are expected to be realised within 12 months of the balance sheet date. Those not expected to be realised within 12 months of the balance sheet date will be classified as non-current.

(b) Recognition, derecognition and measurement

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

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

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the "financial assets or financial liabilities at fair value through profit or loss" category are presented in the Statement of Comprehensive Income within "Net changes in fair value of financial assets and 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 2.12).

(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 investments are calculated using discounted cash flow models based on future profitability forecasts. In summary, the valuation model will include the review of operational performance against plan and other general operational risk indicators.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(c) Fair value estimation (continued)

The 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 Investments in subsidiaries

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 2020 and 2019 the Company is directly invested in one such portfolio company.

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 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 2020 and 31 December 2019, the carrying amounts of cash and cash equivalents approximate their fair value.

2.7 Share premium

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

2.8 Capital contribution

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

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 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.

2.10 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.

2.11 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.

2.12 Interest income and dividend income

Interest income on cash and cash equivalents is recognised on a time-proportionate basis using the effective interest rate method.

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

2.13 Expenses

The Company's immediate parent is AIPLP, which settles some operational expenses incurred by the Company. The Company pays its own administration and other direct expenses, recognised on accruals basis (refer to Note 11).

2.14 Taxation

The Company is exempt from income tax on its UK dividend income. Income from any other sources is taxable at 19% (2019: 19%). 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 2020 (2019: none).

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****For the year ended 31 December 2020****3. DIVIDEND INCOME**

	2020 GBP	2019 GBP
Dividend income	6,353,941	9,709,461

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 2020 were GBP 5,281 (2019 : GBP 5,253).

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 GBP	2019 GBP
Equity securities - unlisted	301,501,486	312,223,908
Investment in subsidiary	4,479,572	4,889,566
	305,981,058	317,113,474

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

	2020 GBP	2019 GBP
At 1 January	317,113,474	316,089,907
Additions	4,794,900	-
Net change in fair values of financial assets at fair value through profit or loss	(15,927,316)	1,023,567
As at 31 December	305,981,058	317,113,474
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	(15,927,316)	1,023,567

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

	2020		2019	
	Fair value GBP	% of net assets	Fair value GBP	% of net assets
Equity securities - unlisted	301,501,486	98.97	312,223,908	97.67
Investment in subsidiary	4,479,572	1.47	4,889,566	1.53
	305,981,058	100.44	317,113,474	99.20

The subsidiary of the Company is as follows:

Subsidiary	Registered office address	Principal activity	Date of incorporation	Country of incorporation	Holding %
Gloucester FM Services (Holdings) Limited	Victoria House, Victoria Road, Chelmsford, Essex, United Kingdom, CM1 1JR	Investment holding	13 February 2004	United Kingdom	100%

The Company operates as an investment holding company for its parent, AIPLP. 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 invested GBP1,493,412 (2019: GBP1,493,412) into the equity of Gloucester FM Services (Holdings) Limited. As at 31 December 2020 and 2019 there were no capital commitment obligations and no amounts due to Gloucester FM Services (Holding) Limited for unsettled contractual obligations (2019: GBPnil). The fair value of the equity as of 31 December 2020 is GBP4,479,572 (2019: GBP4,889,566).

6. PAYABLES AND ACCRUALS

	2020 GBP	2019 GBP
Audit fees	5,332	5,253
Administration fees	2,750	2,750
Due to AIPLP*	4,794,900	-
	4,802,982	8,003

*The balance relates to a short-term non-interest bearing loan issued by AIPLP to finance the acquisition of the additional stake in the project company Century Health (Nottingham) Holdings Limited. Subsequent to year-end, GBP4,534,523 of the balance has been repaid.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

7. SHARE CAPITAL AND SHARE PREMIUM

	2020 GBP	2019 GBP
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. FINANCIAL RISK MANAGEMENT

8.1 Financial risk factors

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

The Company owns a portfolio of investments 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.

8.1.1 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);
- equity markets (other price risk); and
- inflation rates (indexation 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.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

8 FINANCIAL RISK MANAGEMENT (CONTINUED)

8.1 Financial risk factors (continued)

8.1.1 Market risk (continued)

(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 equity investments. 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 6.50% to 8.75% (2019: 6.75% to 8.75%). 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 GBP305,981,058 (2019: GBP317,113,474). 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.

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

	2020 GBP	2019 GBP
Effect of 10% increase in fair value of equities	30,598,106	31,711,347
Effect of 10% decrease in fair value of equities	(30,598,106)	(31,711,347)

(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.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

8 FINANCIAL RISK MANAGEMENT (CONTINUED)

8.1 Financial risk factors (continued)

8.1.2 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.

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:

	2020 GBP	2019 GBP
Cash and cash equivalents	3,450,434	2,557,798

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

As at 31 December 2020, the Company did not have any overdue and impaired balances (2019: GBPnil). The table below sets out the internal credit rating of equity securities:

	2020 %	2019 %
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+ (2019: A+), as rated by the rating agency, Standard & Poor's. At 31 December 2020 and 2019, all cash and cash equivalents were placed with the Lloyds Bank.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

8 FINANCIAL RISK MANAGEMENT (CONTINUED)

8.1 Financial risk factors (continued)

8.1.2 Credit risk (continued)

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.

8.1.3 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, 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 2020 and 2019, 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:

As at 31 December 2020	Less than 1 month GBP	1-12 months GBP	More than 12 months GBP
Total assets	3,450,434	-	305,981,058
As at 31 December 2019			
Total assets	2,557,798	-	317,113,474

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

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

8 FINANCIAL RISK MANAGEMENT (CONTINUED)

8.1 Financial risk factors (continued)

8.1.3 Liquidity risk (continued)

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.

	On demand GBP	Less than 1 year GBP	Between 1 and 3 years GBP	More than 3 years GBP	Total GBP
As at 31 December 2020					
Liabilities					
Payables and accruals	-	4,802,982	-	-	4,802,982

	On demand GBP	Less than 1 year GBP	Between 1 and 3 years GBP	More than 3 years GBP	Total GBP
As at 31 December 2019					
Liabilities					
Payables and accruals	-	8,003	-	-	8,003

8.2 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.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

8 FINANCIAL RISK MANAGEMENT (CONTINUED)

8.3 Fair value estimation

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

Investments in Subsidiaries have been fair valued in accordance with the policies set out above. The Subsidiary is not publicly traded; prior to maturity, an exit can only be made by the Company through a sale of its investment and commitment in the Subsidiary through a secondary market. The Company's objective is to acquire investments with the intention to recover the capital invested through distributions received from the Subsidiary which is funded through realization of its private equity, debt or infrastructure investment positions. As a result, the carrying value of the Subsidiary may be significantly different from the value ultimately realised on an exit via a secondary market sale. It is not the objective nor intention of the Company to exit the Subsidiary in the secondary market sale.

As the Subsidiary is not traded on an active market, and its fair value is determined using valuation techniques, the value is primarily based on the latest available financial/capital account statement of the Subsidiary as reported by the Administrator of the Subsidiary. The Subsidiary's financial statements have been prepared based on the valuation of the Subsidiary's own underlying investments. The Company and its Subsidiary have effectively used the income approach which discounts the expected cash flows attributable to each asset at an appropriate rate to arrive at fair values. In determining the discount rate, regard is had to relevant long-term government bond yields, the specific risks of each investment and the evidence of recent transactions.

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.

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).

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

8. FINANCIAL RISK MANAGEMENT (CONTINUED)

8.3 Fair value estimation (continued)

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

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

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

	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
As at 31 December 2020				
Equity securities - unlisted	-	-	301,501,486	301,501,486
Investment in subsidiary	-	-	4,479,572	4,479,572
	-	-	305,981,058	305,981,058
	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
As at 31 December 2019				
Equity securities - unlisted	-	-	312,223,908	312,223,908
Investment in subsidiary	-	-	4,889,566	4,889,566
	-	-	317,113,474	317,113,474

There were no transfers between the levels 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.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

8. FINANCIAL RISK MANAGEMENT (CONTINUED)

8.3 Fair value estimation (continued)

The following summarises the valuation technique and input used for equity securities categorised in Level 3 as at 31 December 2020 and 2019.

As at 31 December 2020	Fair value GBP	Valuation technique	Significant unobservable input	Range of discount rate applied
Equity securities - unlisted	301,501,486	Discounted cash flow	Discount rate	6.50% - 8.75%
Investment in subsidiary	4,479,572	Discounted cash flow	Discount rate	6.50% - 8.75%
		Reasonable possible shift (absolute value)	Change in valuation GBP	
Equity securities - unlisted		5% movement in discount rate	11,073,896	
Investment in subsidiary		5% movement in discount rate	184,773	
As at 31 December 2019	Fair value GBP	Valuation technique	Significant unobservable input	Range of discount rate applied
Equity securities - unlisted	312,223,908	Discounted cash flow	Discount rate	6.75% - 8.75%
Investment in subsidiary	4,889,566	Discounted cash flow	Discount rate	6.75% - 8.75%
		Reasonable possible shift (absolute value)	Change in valuation GBP	
Equity securities - unlisted		5% movement in discount rate	11,808,206	
Investment in subsidiary		5% movement in discount rate	492,689	

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.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

8. FINANCIAL RISK MANAGEMENT (CONTINUED)

8.3 Fair value estimation (continued)

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

The Company has recognised an unrealised loss of GBP15,927,316 (2019: gain of GBP1,023,567) 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.

8.4 Transfers between levels of the fair value hierarchy

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

9. 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.

Judgements

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

Investment Entity

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

Equity securities are not quoted in an active market and are accounted for at fair value through profit or loss. AIPLP assesses the fair value of its equity securities through the use of cash flow models of the underlying entities. The key estimates in the models include:

- a) The Company has raised commitments from a number of investors in order to raise capital to invest in infrastructure investments and to provide the investors with investment management services with respect to these infrastructure investments;
- b) The Company intends to generate capital and income returns from its infrastructure investments which will, in turn, be distributed in accordance with the authorisation; 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, the Directors have 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 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. The Directors determined that the Company meets the definition of an Investment Entity.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

9. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Estimates

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

The range of discount rates applied in the December 2020 valuation was 6.50% - 8.75% (2019: 6.75% - 8.75%). The discount rate is considered one of the most significant unobservable inputs through which an increase or decrease would have a material impact on the fair value of the financial assets at fair value through profit or loss.

10. FINANCIAL INSTRUMENTS BY CATEGORY

At 31 December 2020, the Company held the following classes of financial instruments that are measured at fair value. For all other assets and liabilities, their carrying value approximates to fair value.

	Financial assets at amortised cost GBP	Designated at fair value through profit or loss GBP	Total GBP
As at 31 December 2020			
Assets			
Equity securities - unlisted	-	301,501,486	301,501,486
Investment in subsidiary	-	4,479,572	4,479,572
Cash and cash equivalents	3,450,434	-	3,450,434
	3,450,434	305,981,058	309,431,492

	Financial assets at amortised cost GBP	Designated at fair value through profit or loss GBP	Total GBP
As at 31 December 2019			
Assets			
Equity securities - unlisted	-	312,223,908	312,223,908
Investment in subsidiary	-	4,889,566	4,889,566
Cash and cash equivalents	2,557,798	-	2,557,798
	2,557,798	317,113,474	319,671,272

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

10. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Financial liabilities at amortised cost GBP	Financial liabilities at fair value through profit or loss GBP	Total GBP
As at 31 December 2020			
Liabilities			
Payables and accruals	4,802,982	-	4,802,982
As at 31 December 2019			
Liabilities			
Payables and accruals	8,003	-	8,003

11. RELATED PARTY TRANSACTIONS

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

The Company's immediate parent is AIPLP. Dividends of GBP5,442,728 (2019: GBP8,053,789) were declared and was paid to AIPLP during the year.

During the year, the Company received an interest free short-term loan of GBP4,794,900 from AIPLP which was payable in full at year end (2019: GBPNil). Refer to Note 6.

AIPLP settles some operational expenses incurred by the Company (see Note 2.13).

12. STAFF COSTS

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

13. ULTIMATE CONTROLLING PARTY

As at 31 December 2020, the Company's immediate parent undertaking is AIPLP. The Directors of the Company consider there to be no ultimate controlling party.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

14. SUBSEQUENT EVENTS

The Directors have evaluated the impact of all subsequent events on the Company occurring between the end of the reporting period and 8 July 2021, 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.