


Aberdeen Infrastructure (No.3) Limited

(Formerly BOS Infrastructure (No.3) Limited)

Annual Report and Unaudited Financial Statements

For the year ended 31 December 2014

FRIDAY MONDAY



A4C0INW8

A04 20/07/2015 #128
COMPANIES HOUSE

A4ADJKS3

A22 26/06/2015 #167
COMPANIES HOUSE

Company Number 06632304

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED
(FORMERLY BOS INFRASTRUCTURE (NO.3) LIMITED)

TABLE OF CONTENTS

	Page
Summary of Directors and Organisation	1
Report of the Directors	2-3
Strategic Report	4
Statement of Comprehensive Income	5
Statement of Financial Position	6-7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10-22

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED
(FORMERLY BOS INFRASTRUCTURE (NO.3) LIMITED)

SUMMARY OF DIRECTORS AND ORGANISATION

DIRECTORS:	I B Balfour (resigned on 31 October 2014) K M Hill (appointed on 31 October 2014) M T Smith A L Tennant I H-Y Wong
REGISTERED OFFICE:	9th Floor 20 Churchill Place Canary Wharf London United Kingdom E14 5HJ
ADMINISTRATOR:	State Street (Guernsey) Limited P.O. Box 543 First Floor Dorey Court Admiral Park St Peter Port Guernsey GY1 6HJ
BANKER:	Bank of Scotland plc Head Office The Mound Edinburgh EH1 1YZ
INVESTMENT ADVISOR:	Aberdeen Infrastructure Asset Managers Limited (Formerly Ubenor Fund Manager Limited) 10 Queen's Terrace Aberdeen AB10 1XL

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED (FORMERLY BOS INFRASTRUCTURE (NO.3) LIMITED)

REPORT OF THE DIRECTORS

For the year ended 31 December 2014

The Directors present their annual report and unaudited financial statements for Aberdeen Infrastructure (No.3) Limited (the "Company") for the year ended 31 December 2014

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.

Sale of management interest

On 1 May 2014, the General Partner and Investment Advisor of the Company's immediate parent undertaking, Aberdeen Infrastructure Partners LP Inc (formerly Bank of Scotland Infrastructure Partners L.P. Inc) ("AIPLP") were sold, as part of a suite of entities, to Aberdeen Asset Management PLC group, as part of a wider transaction. As such the management interest was transferred from Lloyds Banking Group PLC to Aberdeen Asset Management PLC. Previously, Lloyds Banking Group PLC held this management interest through entities under common control.

Financial risk management

The key risks and uncertainties faced by the Company are managed within the framework established for the Investment Advisor. Exposures to credit risk, interest rate risk and foreign exchange risk arise in the normal course of the 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 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 GBP46,043,473 (2013: GBP45,713,583). Dividends of GBP13,201,190 were paid during the year (2013: GBP9,438,126).

Future developments

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

Directors and their interests

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

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

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. 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
(FORMERLY BOS INFRASTRUCTURE (NO.3) LIMITED)

REPORT OF THE DIRECTORS (CONTINUED)
For the year ended 31 December 2014

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 as adopted by the European Union. 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.

Subsequent events

There were no subsequent events to report at the date of signing this report and the unaudited 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.

By order of the Board,



I H-Y Wong
Director
28 April 2015

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED
(FORMERLY BOS INFRASTRUCTURE (NO.3) LIMITED)

STRATEGIC REPORT

For the year ended 31 December 2014

The Directors present their strategic report on the Company for the year ended 31 December 2014

Review and principal activities

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

Principal risks and uncertainties

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

Key performance indicators

The Directors of the Company consider its operations to be consistent with those at the level of the Immediate Holding Companies that are managed by the Investment Advisor. 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
28 April 2015

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED
(FORMERLY BOS INFRASTRUCTURE (NO.3) LIMITED)

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2014

	<i>Notes</i>	2014 GBP	2013 GBP
Income			
Bank interest income		10,200	6,092
Dividend income	3	12,894,430	9,737,546
Net change in fair values of financial assets at fair value through profit or loss	5	33,153,293	35,977,050
Total income		<u>46,057,923</u>	<u>45,720,688</u>
Expenses			
Administration fees		12,700	-
Bank charges		359	111
Other expenses		-	6,195
Total expenses		<u>13,059</u>	<u>6,306</u>
Profit on ordinary activities before tax		<u>46,044,864</u>	<u>45,714,382</u>
Tax		<u>(1,391)</u>	<u>(799)</u>
Profit on ordinary activities after tax		<u>46,043,473</u>	<u>45,713,583</u>
Total comprehensive income for the year		<u><u>46,043,473</u></u>	<u><u>45,713,583</u></u>
Attributable to Equity holder:			
Total comprehensive income for the year		<u><u>46,043,473</u></u>	<u><u>45,713,583</u></u>

The notes on pages 10 to 22 form part of these financial statements.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED
(FORMERLY BOS INFRASTRUCTURE (NO.3) LIMITED)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	<i>Notes</i>	2014 GBP	2013 GBP
Assets			
Non-current assets			
Financial assets at fair value through profit or loss			
Equity securities - unlisted	5	271,934,378	238,781,085
Total non-current assets		271,934,378	238,781,085
Current assets			
Cash and cash equivalents	6	999,836	1,308,813
Total current assets		999,836	1,308,813
Total assets		272,934,214	240,089,898
Equity and liabilities			
Equity			
Share capital	7	1,066,885	1,066,885
Share premium	7	10,845,482	10,845,482
Capital contribution	8	4,484,750	4,484,750
General reserve		115,973,949	115,973,949
Retained earnings		140,561,115	107,718,832
Total equity		272,932,181	240,089,898
Liabilities			
Current liabilities			
Payables and accruals		2,033	-
Total current liabilities		2,033	-
Total equity and liabilities		272,934,214	240,089,898

The notes on pages 10 to 22 form part of these financial statements

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED
(FORMERLY BOS INFRASTRUCTURE (NO.3) LIMITED)

STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2014

For the year ending 31st December 2014, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- the equity holders have not required the Company to obtain an audit of its financial statements for the year in question in accordance with section 476.
- 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.

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
28 April 2015

The notes on pages 10 to 22 form part of these financial statements.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED
(FORMERLY BOS INFRASTRUCTURE (NO.3) LIMITED)

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2014

	Share capital GBP	Share premium GBP	General reserves GBP	Capital contribution GBP	Retained earnings GBP	Total equity GBP
Balance at 1 January 2013	1,066,885	10,845,482	115,973,949	3,247,313	71,443,375	202,577,004
Capital contribution	-	-	-	1,237,437	-	1,237,437
Dividends paid	-	-	-	-	(9,438,126)	(9,438,126)
Total comprehensive income for the year	-	-	-	-	45,713,583	45,713,583
Balance at 31 December 2013	1,066,885	10,845,482	115,973,949	4,484,750	107,718,832	240,089,898
Balance at 1 January 2014	1,066,885	10,845,482	115,973,949	4,484,750	107,718,832	240,089,898
Dividends paid	-	-	-	-	(13,201,190)	(13,201,190)
Total comprehensive income for the year	-	-	-	-	46,043,473	46,043,473
Balance at 31 December 2014	1,066,885	10,845,482	115,973,949	4,484,750	140,561,115	272,932,181

The notes on pages 10 to 22 form part of these financial statements.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED
(FORMERLY BOS INFRASTRUCTURE (NO.3) LIMITED)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2014

	<i>Note</i>	2014 GBP	2013 GBP
Cash flows from operating activities			
Acquisition of equity securities		-	(1,237,437)
Dividend income received		12,894,430	9,737,546
Bank interest received		10,200	6,092
Operating expenses paid		(11,027)	(6,306)
Tax		(1,390)	(799)
Net cash flow generated from operating activities		12,892,213	8,499,096
Cash flows from financing activities			
Dividends paid		(13,201,190)	(7,978,739)
Net cash flow used in financing activities		(13,201,190)	(7,978,739)
Net (decrease)/increase in cash and cash equivalents		(308,977)	520,357
Cash and cash equivalents at 1 January		1,308,813	788,456
Cash and cash equivalents at 31 December	6	999,836	1,308,813

The notes on pages 10 to 22 form part of these financial statements.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED
(FORMERLY BOS INFRASTRUCTURE (NO.3) LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

1. GENERAL INFORMATION

The Company is 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.

On 1 May 2014, the General Partner and Investment Advisor of its immediate parent undertaking were sold, as part of a suite of entities, to Aberdeen Asset Management PLC group, as part of a wider transaction. As such the management interest was transferred from Lloyds Banking Group PLC to Aberdeen Asset Management PLC. Previously, Lloyds Banking Group PLC held this management interest through entities under common control.

These financial statements were authorised for issue by the Board of Directors of the Company on 28 April 2015.

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 in accordance with IFRSs as adopted by the European Union. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in accordance with IFRSs as adopted by the European Union 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 financial statements of the Company have been prepared on a going concern basis.

(a) Standards and amendments to existing standards effective 1 January 2014

IFRS 12, 'Disclosure of interests in other entities' is effective for annual periods beginning on or after 1 January 2014. IFRS 12 requires entities to disclose significant judgements and assumptions made in determining whether the entity controls, jointly controls, significantly influences or has some other interests in other entities. Entities are also required to provide more disclosures around certain 'structured entities'. Adoption of the standard has impacted the Company's level of disclosures in certain of the above noted areas, but has not impacted the Company's financial position or results of operations.

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 2014 that would be expected to have a material impact on the Company.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED
(FORMERLY BOS INFRASTRUCTURE (NO.3) LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) New standards, amendments and interpretations effective after 1 January 2014 and not early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, 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.

2.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Translations and balances

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

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

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

2.3 Financial assets and financial liabilities

(a) Classification

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

(i) Financial assets and liabilities held for trading

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

The Company did not hold any financial assets or liabilities for trading as at 31 December 2014.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED
(FORMERLY BOS INFRASTRUCTURE (NO.3) LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Financial assets and financial liabilities (continued)

(a) Classification (continued)

(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.

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

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

(c) Fair value estimation

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

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

2.4 Cash and cash equivalents

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

2.5 Share premium

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

2.6 Capital contribution

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

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED
(FORMERLY BOS INFRASTRUCTURE (NO.3) LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 General reserve

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

2.8 Dividends payable to the shareholder

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

2.9 Payables and accruals

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

2.10 Interest income and dividend income

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

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

2.11 Expenses

The Company is wholly owned by AIPLP, which settles any expenses incurred by the Company.

2.12 Taxation

The Company is exempt from income tax on its UK dividend income. Income from any other sources is taxable at 21.50% (2013: 23.25%). 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.

3. DIVIDEND INCOME

	2014 GBP	2013 GBP
Dividend income	12,894,430	9,737,546

4. AUDITORS' REMUNERATION

There were no audit fees payable to the Company's Independent Auditors for the year ended 31 December 2014 as the financial statements are unaudited. The prior year audit fee of GBP21,500 was borne by the Immediate Holding Companies proportionately, based on their holdings.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED
(FORMERLY BOS INFRASTRUCTURE (NO.3) LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2014

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 GBP	2013 GBP
Equity securities - unlisted	271,934,378	238,781,085
Net change in financial assets at fair value through profit or loss		
	2014 GBP	2013 GBP
At 1 January	238,781,085	201,566,598
Additions	-	1,237,437
Net change in fair value of financial assets at fair value through profit or loss	33,153,293	35,977,050
As at 31 December	271,934,378	238,781,085
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	33,153,293	35,977,050

	2014		2013	
	Fair value GBP	% of net assets	Fair value GBP	% of net assets
Equity securities - unlisted	271,934,378	99.63	238,781,085	99.45

6. CASH AND CASH EQUIVALENTS

	2014 GBP	2013 GBP
Cash at bank	999,836	1,308,813

7. SHARE CAPITAL AND SHARE PREMIUM

	2014 GBP	2013 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.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED
(FORMERLY BOS INFRASTRUCTURE (NO.3) LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2014

7. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

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

8. CAPITAL CONTRIBUTION

During the year, the Company did not receive any capital contribution (2013: GBP1,237,437)

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

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 Advisor who provides the Board of Directors with investment recommendations. The Investment Advisor'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 Advisor 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

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED
(FORMERLY BOS INFRASTRUCTURE (NO.3) LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2014

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Financial risk factors (continued)

9.1.1 Market risk (continued)

(b) Currency risk

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

(c) Interest rate risk

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

(d) Inflation risk

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

9.1.2 Credit risk

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

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

	2014	2013
	GBP	GBP
Cash and cash equivalents	999,836	1,308,813

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED
(FORMERLY BOS INFRASTRUCTURE (NO.3) LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2014

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Financial risk factors (continued)

9.1.2 Credit risk (continued)

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

As at 31 December 2014, the Company did not have any overdue and impaired balances (2013: GBPnil). The table below sets out the internal credit rating of equity securities:

	2014	2013
	%	%
Internal rating – better than satisfactory risk	-	-
Internal rating – satisfactory risk	100	100
Internal rating – viable but monitoring	-	-
Internal rating – high risk	-	-

The clearing and depository operations for the Company's securities transactions are concentrated with the Banker. The Banker is a member of a major securities exchange and at 31 December 2014 had a credit rating of A (2013: rating of A). At 31 December 2014, all cash and cash equivalents are placed with the Banker.

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

9.1.3 Equity risk

Equity risk arises from the Company's exposure to unlisted equity securities. The Company undertakes a full assessment of each entity's potential for value creation prior to entering into a new transaction. Thereafter, the performance of each investment is continually valued using a discounted cash flow based valuation. These valuations use a range of rates, based on the market interest rate and risk premium specific to these unlisted investments, of 7.5% to 14.2% (2013: 8% to 10.3%). 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 GBP271,934,378 (2013: GBP238,781,085). 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:

	2014 GBP	2013 GBP
Effect of 10% increase in fair value of equities	27,193,438	23,878,109
Effect of 10% decrease in fair value of equities	(27,193,438)	(23,878,109)

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED
(FORMERLY BOS INFRASTRUCTURE (NO.3) LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2014

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Financial risk factors (continued)

9.1.4 Liquidity risk

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

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

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

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.

9.3 Fair value estimation

The Company uses the income approach which discounts the expected cash flows attributable to each asset at an appropriate rate to arrive at fair values. In determining the discount rate, regard is given to risk free rates, the specific risks of each investment and the evidence of recent transactions. A detailed discounted cashflow valuation methodology is disclosed on Note 2.3 (c).

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

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

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED
(FORMERLY BOS INFRASTRUCTURE (NO.3) LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2014

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.3 Fair value estimation (continued)

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

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

Fair value hierarchy

The fair value hierarchy consists of the following three levels.

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

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

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

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

	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
As at 31 December 2014				
Equity securities - unlisted	-	-	271,934,378	271,934,378
	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
As at 31 December 2013				
Equity securities - unlisted	-	-	238,781,085	238,781,085

There were no transfers between Level 1 and Level 2 during the year. Reconciliations of Level 3 balances are disclosed in the relevant notes as indicated below. The effect of different economic assumptions on the fair value of the Level 3 assets is disclosed in this Note 9.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED
(FORMERLY BOS INFRASTRUCTURE (NO.3) LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2014

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.3 Fair value estimation (continued)

The following summarises the valuation technique and input used for equity securities categorised in Level 3 as at 31 December 2014 and 2013

As at 31 December 2014	Fair value GBP	Valuation technique	Unobservable input	Weighted average input
Equity securities - unlisted	271,934,378	Discounted cash flow	Cost of capital	7.70%
		Reasonable possible shift (absolute value)	Change in valuation GBP	
Equity securities - unlisted		5% decrease in discount rate	14,392,933	
As at 31 December 2013	Fair value GBP	Valuation technique	Unobservable input	Weighted average input
Equity securities - unlisted	238,791,085	Discounted cash flow	Cost of capital	8.17%
		Reasonable possible shift (absolute value)	Change in valuation GBP	
Equity securities - unlisted		5% decrease in discount rate	14,938,277	

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

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

The Company has recognised unrealised gains of GBP33,153,293 on its Level 3 investments, these are included in the Statement of Comprehensive Income as net changes in fair value of financial assets through profit or loss.

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED
(FORMERLY BOS INFRASTRUCTURE (NO.3) LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2014

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

10. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Fair value of equity securities

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

11. FINANCIAL INSTRUMENTS BY CATEGORY

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

ABERDEEN INFRASTRUCTURE (NO.3) LIMITED
(FORMERLY BOS INFRASTRUCTURE (NO.3) LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2014

11. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Loans and receivables GBP	Designated at fair value through profit or loss GBP	Total GBP
As at 31 December 2013			
Assets			
Equity securities - unlisted	-	238,781,085	238,781,085
Cash and cash equivalents	1,308,813	-	1,308,813
	<u>1,308,813</u>	<u>238,781,085</u>	<u>240,089,898</u>
	Other financial liabilities at amortised GBP	Liabilities at fair value through profit or loss GBP	Total GBP
As at 31 December 2014			
Liabilities			
Payables and accruals	2,033	-	2,033
	<u>2,033</u>	<u>-</u>	<u>2,033</u>

12. RELATED PARTY TRANSACTIONS

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

The Company's immediate parent is AIPLP. Dividends of GBP13,201,190 (2013: GBP9,438,126) were declared and was paid to AIPLP during the year

During the year the Company received a capital contribution of GBPnil (2013: GBP1,237,437) from AIPLP. This contribution has been used to make further additions into the investment portfolio

13. STAFF COSTS

The Company has no employees other than the Directors, who did not receive any remuneration

14. ULTIMATE CONTROLLING PARTY

As at 31 December 2014, the Company's immediate parent undertaking is AIPLP. The Directors of the Company consider there to be no ultimate controlling party.

15. SUBSEQUENT EVENTS

There were no subsequent events to report at the date of signing the unaudited financial statements.