

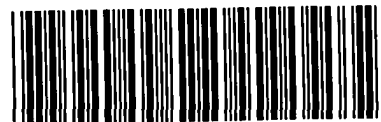
INFRASTRUCTURE INVESTMENTS (AUSTRALIA) LLP

Registered Number OC392005

MEMBERS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

TUESDAY



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INFRASTRUCTURE INVESTMENTS (AUSTRALIA) LLP

Registered Number OC392005

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INFRASTRUCTURE INVESTMENTS (AUSTRALIA) LLP

Registered Number OC392005

STRATEGIC REPORT

The strategic report has been prepared for Infrastructure Investments (Australia) LLP (the “Partnership”).

The Members present their Strategic Report and Members’ report on the affairs of the Partnership, which has been prepared in compliance with s414C of Companies Act 2006, together with the financial statements, for the year ended 31 March 2017.

Principal activity, review of business and future developments

The principal activity of the Partnership during the year under review was that of an investment holding company. The Members expect the Partnership to continue this activity in the foreseeable future. The results for the year and financial position of the Partnership are as shown in the attached financial statements.

The Partnership has prepared financial statements for the year to 31 March 2017. The comparative period covers the period from 1 April 2015 to 31 March 2016. The Partnership’s financial statements have been prepared in accordance with Financial Reporting Standard 102 (“FRS 102”) issued by the Financial Reporting Council (“FRC”).

The Partnership treats its equity investments as a homogenous investment portfolio, therefore all investments are measured at fair value through profit and loss. As at 31 March 2017 the fair value of investments was A\$138,245,067 (2016: A\$128,534,508).

Going concern

The Members have a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The financial statements show net current assets of A\$153,478 as at 31 March 2017 (2016: A\$602,501).

Risk management

Risk is managed on a group basis. This comprises identifying and evaluating the risks that the group faces and ensuring that appropriate controls and processes are in place to manage these risks. It also comprises responsibility for the oversight of the risk management process. An important part of the group risk management framework is to have documented policies and procedures in place.

The Members of the Partnership are responsible for ensuring that the Partnership complies with the group’s risk management framework. Assurance as to the effectiveness of and compliance with the risk management framework and internal controls is provided by the group’s risk management functions.

The Members consider the risk management framework to be appropriate for a company of its size and complexity.

INFRASTRUCTURE INVESTMENTS (AUSTRALIA) LLP

Registered Number OC392005

STRATEGIC REPORT (continued)

Financial risk management

The Partnership is subject to a number of financial risks throughout its business, primarily credit risk and liquidity risk.

Credit risk

Credit risk is the risk of financial loss if a counterparty fails to meet its obligations to repay outstanding amounts as they fall due. Credit risk arises principally from amounts owed to the Partnership from the companies it has interest in.

Appropriate credit checks are required to be made on all counterparties to the Partnership. The Partnership only deposits money with appropriately rated counterparties.

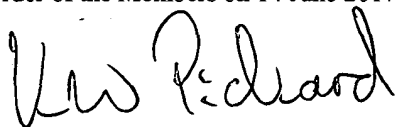
Liquidity risk

Liquidity risk is the risk that the Partnership may be unable to meet its payment obligations as they fall due or can only do so at a significantly high cost. The Partnership's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient funds to meet its liabilities when due.

Key performance indicators

The key performance indicator for the Partnership is the net assets attributable to shareholders, as detailed on page 7 of the financial statements.

By order of the Members on 14 June 2017 and signed on its behalf by:



K W Pickard

Registered Office:
12 Charles II Street
London

SW1Y 4QU

Registered Number OC392005

INFRASTRUCTURE INVESTMENTS (AUSTRALIA) LLP

Registered Number OC392005

MEMBERS' REPORT

Principal activities

The Partnership acts as an investment holding company. No change in the Partnership's activities is anticipated. In accordance with Companies Act 2006 s414, further information regarding the Partnership's principal activity is found within the Strategic report on pages 1 to 2.

Members

The Members who served during the period were as follows:

Name

InfraRed Environmental Infrastructure GP Limited, acting in its capacity as general partner of InfraRed Environmental Infrastructure Fund (I) LP, InfraRed Environmental Infrastructure Fund (II) LP and InfraRed Environmental Infrastructure Fund (III) LP (the "A Member")

Infrastructure Investments General Partner Limited, acting in its capacity as general partner of Infrastructure Investments Limited Partnership (the "B Member")

Members' profit and losses

The net profits and losses each year shall be allocated to the B Member, as in accordance with the Limited Liability Partnership Agreement.

Auditor

KPMG LLP has been reappointed as auditor of the Partnership.

INFRASTRUCTURE INVESTMENTS (AUSTRALIA) LLP

Registered Number OC392005

MEMBERS' REPORT (continued)

Statement of members' responsibilities in respect of the Members' Report and the financial statements

The members are responsible for preparing the Members' Report and the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the members 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 LLP and of the profit or loss of the for that period. In preparing these financial statements, the members are required to:

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

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its financial statements comply with those regulations. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

On behalf of the Members



K W Pickard

14 June 2017

Registered Office:
12 Charles II Street
London
SW1Y 4QU
Registered Number OC392005

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INFRASTRUCTURE INVESTMENTS (AUSTRALIA) LLP

We have audited the financial statements of Infrastructure Investments (Australia) LLP for the year ended 31 March 2017 set out on pages 6 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the members of the limited liability partnership (LLP), as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditor

As explained more fully in the Members' Responsibilities Statement set out on page 4, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

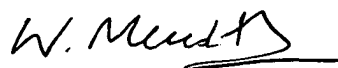
In our opinion the financial statements:

- give a true and fair view, of the state of affairs of the LLP as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



William Meredith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London, E14 5GL

16/06/2017

INFRASTRUCTURE INVESTMENTS (AUSTRALIA) LLP

Registered Number OC392005

INCOME STATEMENT

for the year ending 31 March 2017

		Year ended 31 March 2017	Period ended 31 March 2016
	Notes	Total A\$	Total A\$
Gain/loss on investments	6	9,710,559	(3,803,723)
Dividend income		9,310,702	12,903,718
Profit for the year/period		19,021,261	9,099,995
Administration fee		(85,456)	(74,660)
Interest receivable		10,219	73,582
Profit before and after tax before members' remuneration		18,946,024	9,098,917
Members' remuneration		(9,684,488)	(12,885,239)
Profit/(loss) for the financial year after Members' remuneration		9,261,536	(3,786,322)

The results of the Partnership are derived entirely from continuing operations.

There are no recognised gains and losses other than the net income for the financial year.

The notes form part of these financial statements.

INFRASTRUCTURE INVESTMENTS (AUSTRALIA) LLP

Registered Number OC392005

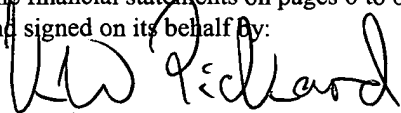
STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

		Year ended 31 March 2017	Period ended 31 March 2016
	Notes	A\$	A\$
Non-current assets			
Investments at fair value through profit or loss	6	138,245,067	128,534,508
Total non-current assets		138,245,067	128,534,508
Current assets			
Cash and cash equivalents		178,878	619,901
Total current assets		178,878	619,901
Creditors: Amounts falling due within one year		(25,400)	(17,400)
Net current assets		153,478	602,501
Net assets attributable to Members		138,398,545	129,137,009
Represented by:			
Loans and other debts due to members within one year			
Other amounts		525,000	525,000
Member Loans		136,296,329	136,296,329
Total Loans and other debts due to members		136,821,329	136,821,329
Members' other interests			
Members' capital classified as equity		100	100
Other reserves classified as equity		1,577,116	(7,684,420)
Profit and loss account		-	-
Total Members' other interests		1,577,216	(7,684,320)
Total Members' interests		138,398,545	129,137,009

The notes form part of these financial statements.

The financial statements on pages 6 to 8 were approved by the Members on 14 June 2017 and signed on its behalf by:


K W Pickard

Registered Number OC392005

INFRASTRUCTURE INVESTMENTS (AUSTRALIA) LLP

Registered Number OC392005

STATEMENT OF CASH FLOWS for the year ending 31 March 2017

	Year ended 31 March 2017 A\$	Period ended 31 March 2016 A\$
Net cash flows from operating activities		
Profit for the period before tax	18,946,024	9,098,917
<i>Adjustments for:</i>		
Interest receivable and similar income	(10,219)	(73,582)
Interest payable and similar charges	-	-
Gain/loss on investments	(9,710,559)	3,803,723
Dividend income	(9,310,702)	(12,903,718)
Movement in payables	8,000	(13,500)
Cash flows used in operating activities	(77,456)	(88,160)
Cash flows from investing activities		
Purchase of investments	-	(5,688,224)
Interest received	10,219	73,582
Dividends received	9,310,702	12,903,718
Net cash from investing activities	9,320,921	7,289,076
Cash flows from financing activities		
Distributions to members	(9,684,488)	(13,999,489)
Proceeds from partners loan advances	-	5,688,224
Net cash flows used in financing activities	(9,684,488)	(8,311,265)
Net decrease in cash and cash equivalents	(441,023)	(1,110,349)
Cash and cash equivalents at beginning of year/period	619,901	1,730,250
Cash and cash equivalents at end of year/period	178,878	619,901

The notes form part of these financial statements.

INFRASTRUCTURE INVESTMENTS (AUSTRALIA) LLP

Registered Number OC392005

STATEMENT OF NET ASSETS ATTRIBUTABLE TO MEMBERS As at 31 March 2017

	Members' Other Interests		Loans and other debts due to members		Total
	Members' Capital (Classified as equity)	Other Reserves	Member loans	Other amounts	
	100	(7,684,420)	136,296,329	525,000	129,137,009
Members' remuneration charged as an expense	-	-	-	9,684,488	9,684,488
Profit for the financial year after Members' remuneration charged as an expense	-	9,261,536	-	-	9,261,536
Distributions paid in the period	-	-	-	(9,684,488)	(9,684,488)
	100	1,577,116	136,296,329	525,000	138,398,545

For the year ended 31 March 2016

	Members' Other Interests		Loans and other debts due to members		Total
	Members' Capital (Classified as equity)	Other Reserves	Member loans	Other amounts	
	100	(3,898,098)	130,608,105	1,639,250	128,349,357
Issue of Member Loans during the period	-	-	5,688,224	-	5,688,224
Members' remuneration charged as an expense	-	-	-	12,885,239	12,885,239
Loss for the financial year after Members' remuneration charged as an expense	-	(3,786,322)	-	-	(3,786,322)
Distributions paid in the period	-	-	-	(13,999,489)	(13,999,489)
	100	(7,684,420)	136,296,329	525,000	129,137,009

INFRASTRUCTURE INVESTMENTS (AUSTRALIA) LLP

Registered Number OC392005

NOTES TO THE FINANCIAL STATEMENTS for the year ending 31 March 2017

1. General information

Infrastructure Investments (Australia) LLP was incorporated on 17 March 2014 and is domiciled in the UK. The address of the Partnership is given in the Members' Report on page 4. The nature of the Partnership's operations and its principal activities are set out in the Strategic Report on pages 1 to 2.

2. Key accounting policies

(a) Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 under historical cost convention, modified to include certain items at fair value.

The financial statements have also been prepared in accordance with the Statement of Recommended Practice for Limited Liability Partnerships issued by the Consultative Committee of Accountancy Bodies.

Paragraph 14.4B of FRS 102 requires an investor to measure its investment in associate held as part of an investment portfolio at fair value through profit or loss. This is a departure from the requirements of Schedule 1 to the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008, which would have required measurement at cost or valuation through revaluation reserve. However, that would fail to give a true and fair view, because it is inconsistent with the reason for their measurement at fair value through profit or loss, which is that they are held as part of an investment portfolio. Accordingly, in order to give a true and fair view, Schedule 1 has been departed from and instead they have been included at fair value through profit or loss.

The functional and presentational currency of these financial statements is Australian Dollar.

The principal accounting policies are set out below and have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

(b) Going concern

The financial position of the Partnership, its liquidity position and borrowing facilities, as well as the Partnership's business activities and factors likely to affect its future development and position, are described in the Strategic Report on pages 1 to 2.

The Partnership's investment has a long-term contract with a government client for an infrastructure project. In addition, the project-level financing is non-recourse to the Partnership. As a consequence, the Members believe that the Partnership is well placed to manage its business risks successfully.

The Members have a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future, thus they adopt the going concern basis of accounting in preparing the annual financial statements.

(c) Foreign currency

Transactions in foreign currencies are translated to the Partnership's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

INFRASTRUCTURE INVESTMENTS (AUSTRALIA) LLP

Registered Number OC392005

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ending 31 March 2017

2. Key accounting policies (continued)

(d) Financial assets and liabilities

In accordance with FRS 102.22, financial instruments issued by the Partnership are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

(e) Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value with changes recognised in profit and loss. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits held at call with banks and other short term, highly liquid investments with original maturities of three months or less.

INFRASTRUCTURE INVESTMENTS (AUSTRALIA) LLP

Registered Number OC392005

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ending 31 March 2017

2. Key accounting policies (continued)

(f) Impairments

Financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit characteristics. All impairment losses are recognised in the profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For the financial assets measured at amortised cost the reversal is recognised in the profit and loss account.

(g) Investment income

Dividends are recognised when the Partnership's right to receive payment has been established.

Gains on investments relates solely to the investments held at fair value.

(h) Interest receivable and interest payable

Interest income is recognised in the income statement as it accrues on a time-apportioned basis, using the effective interest rate of the instrument concerned as calculated on acquisition or origination date.

(i) Income tax

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ending 31 March 2017

3. Financial instruments

Risk Management

The objective of the Partnership's financial risk management is to manage and control the risk exposures of its investment portfolio. The review and management of financial risks are delegated to InfraRed Capital Partners Limited, the appointed Operator of the Partnership's parent entity, Infrastructure Investments Limited Partnership. The Operator has documented procedures designed to identify, monitor and manage the financial risks to which the Partnership is exposed. This Note presents information about the Partnership's exposure to financial risks, its objectives, policies and processes for managing risk and the Partnership's management of its financial resources.

Interest rate risk

The Partnership may invest in subordinated loanstock of project companies, usually with fixed interest rate coupons. Where floating rate debt is owned the primary risk is that the Partnership's cash flows will be subject to variation depending upon changes to base interest rates. The portfolio's cash flows are continually monitored and reforecasted both over the near future (five year time horizon) and the long-term (over whole period of projects' concessions) to analyse the cash flow returns from investments.

The Partnership has an indirect exposure to changes in interest rates through its investment in project companies, which are financed by senior debt. Senior debt financing of project companies is generally either through floating rate debt, fixed rate bonds or index linked bonds. Where senior debt is floating rate, the projects typically have concession length hedging arrangements in place, which are monitored by the project companies' managers, finance parties and boards of directors. Floating rate debt is hedged using fixed floating interest rate swaps.

Inflation risk

The Partnership'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 mismatch between income and costs due to movements in inflation indexes. The Partnership's overall cashflows vary with inflation, although they are not directly correlated as not all flows are indexed. The effects of these inflation changes do not always immediately flow through to the Partnership's cashflows, particularly where a project's loanstock debt carries a fixed coupon and the inflation changes flow through by way of changes to dividends in future periods.

Market risk

Returns from the Partnership'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.

Currency risk

The projects in which the Partnership invests, all conduct their business in Australia and pay loan interest, loan principal, dividends and fees in Australian dollars.

Credit risk

Credit risk is the risk that a counterparty of the Partnership will be unable or unwilling to meet a commitment that it has entered into with the Partnership.

INFRASTRUCTURE INVESTMENTS (AUSTRALIA) LLP

Registered Number OC392005

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ending 31 March 2017

3. Financial instruments (continued)

The Partnership's key direct counterparties are the project companies in which it makes investments. The Partnership's near term cash flow forecasts are used to monitor the timing of cash receipts from project counterparties. Underlying the cash flow forecast are project company cash flow models, which are regularly updated by project companies, for the purposes of demonstrating the projects' ability to pay interest and dividends based on a set of detailed assumptions. The Partnership's investments generally receive revenue from government departments, and public sector or local authority clients. Therefore a significant portion of the Partnership's investments' revenue is with counterparties of good financial standing.

The Partnership is also reliant on the project's subcontractors continuing to perform their service delivery obligations such that revenues to projects are not disrupted. Management of this risk is undertaken by the Operator of Infrastructure Investments Limited Partnership appointed. The credit standing of subcontractors is reviewed, and the risk of default estimated for each significant counterparty position. Monitoring is on-going, and period end positions are reported to the Operator on a quarterly basis.

The Partnership is subject to credit risk on its loans, receivables, cash and deposits. The Partnership's cash and deposits are held with a variety of well-known banks. The credit quality of loans and receivables within the investment portfolio is based on the financial performance of the individual portfolio companies. For those assets that are not past due, it is believed that the risk of default is small and capital repayments and interest payments will be made in accordance with the agreed terms and conditions of the investment. Fair value adjustments, or "loan impairments", are made when the net present value of the future cash flows predicted to arise from the asset, discounted using the effective interest rate method, implies non-recovery of all or part of the Company's loan investment. In these cases a loan impairment is recorded equal to the valuation shortfall.

The Partnership's maximum exposure to credit risk over financial assets is the carrying value of those assets in the balance sheet. The Partnership does not hold any collateral as security.

Liquidity risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as these fall due. The Partnership'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 Partnership ensures it maintains adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company's investments are predominantly funded by share capital and medium term debt funding.

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

The Partnership's investments have borrowings which rank senior to the Partnership's own investments into the companies. This 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 Partnership.

INFRASTRUCTURE INVESTMENTS (AUSTRALIA) LLP

Registered Number OC392005

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ending 31 March 2017

Fair value estimation

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments:

Non-derivative financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Partnership 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 had to relevant long-term government bond yields, the specific risks of each investment and the evidence of recent transactions.

Classification of financial instruments

	Year ended 31 March 2017	Period ended 31 March 2016
	A\$	A\$
Financial assets		
Designated at fair value through profit or loss: ---		
Investments	138,245,067	128,534,508
Financial assets at fair value	138,245,067	128,534,508
At amortised cost:		
Cash and cash equivalents	178,878	619,901
Loans and other debts due to members	136,821,329	136,821,329
Financial assets at amortised cost	137,000,207	137,441,230

The Members believe that the carrying values of all financial instruments are not materially different to their fair values.

INFRASTRUCTURE INVESTMENTS (AUSTRALIA) LLP

Registered Number OC392005

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ending 31 March 2017

4. Auditor's remuneration

The auditor's remuneration for the current financial year is estimated at £3,000 (approx. A\$4,900) and has been borne by a group undertaking (2016: £2,000).

5. Employees

The Partnership had no employees during the financial year.

6. Investments at fair value through profit and loss

	Year ended 31 March 2017 A\$	Period ended 31 March 2016 A\$
Balance at beginning of year/period	128,534,508	126,650,007
Additions	-	5,688,224
Gain/(loss) on investments	9,710,559	(3,803,723)
Balance at end of year/period	138,245,067	128,534,508

The Partnership's ultimate parent has carried out fair market valuations of the investments as at 31 March 2017. The Members have satisfied themselves as to the methodology used, the discount rates applied, and the valuation. All investments in PFI/PPP/P3 projects are valued using a discounted cashflow methodology. The valuation techniques and methodologies have been applied consistently with the prior year. Discount rates applied by the HICL group range from 5.6% to 9.8% (weighted average of 7.4%) (2016: 7.0% to 10.1% (weighted average of 7.5%)).

The following economic assumptions were used in the discounted cash flow valuations

At 31 March 2017:

UK inflation rates	2.75%
Australia inflation rates	2.5%
UK deposit interest rates	1% to March 2021 and 2.0% thereafter

As at 31 March 2016

UK inflation rates	2.75%
Australia inflation rates	2.5%
UK deposit interest rates	1% to March 2020 and 2.5% thereafter

7. Controlling party

The Partnership has no ultimate controlling party.