

PALIO (NO 3) LIMITED

**DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012**



Registered Number 7314950

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

CONTENTS	Page
Directors and advisors	1
Directors' report	2
Directors' responsibilities statement	3
Independent auditor's report to the members of Palio (No 3) Limited	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 10

DIRECTORS AND ADVISORS

Directors

A G Charlesworth
D B Marshall

Company secretary and registered office

M Lewis
1 Kingsway
London
WC2B 6AN

Auditor

Deloitte LLP
Chartered Accountants
London

DIRECTORS' REPORT

The Directors submit their Annual Report and the audited financial statements for the year ended 31 December 2012

The Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption

The Company is wholly owned by JLIF Limited Partnership, the limited partner of which is JLIF LuxCo 2 S á r l. The limited partner is an indirectly wholly owned subsidiary of John Laing Infrastructure Fund Limited

PRINCIPAL ACTIVITIES

The principal activity of the Company is to act as the holding company for its interests in Prime Care Solutions (Kingston) Holdings Limited, whose wholly owned subsidiary has entered into PFI contracts

There have been no events subsequent to 31 December 2012 which require adjustment of or disclosure in the financial statements or notes thereto

The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of current market conditions and concluded that it is appropriate. In reaching this conclusion, the Directors have specifically considered the Company's relationships with its immediate parent. More information is provided in note 1 to the financial statements

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk faced by the Company is credit risk in relation to its investment. Credit risk is mitigated by the Company holding its investment in a PFI project, which is supported by central and local government bodies

DIRECTORS

The Directors who served throughout the period are shown on page 1

EMPLOYEES

Details of the number of employees and related costs can be found in note 5 to the financial statements on page 8

AUDITOR

Each of the persons who is a Director at the date of approval of this report confirms that

- as far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provision of section 418 of the Companies Act 2006

Deloitte LLP were appointed auditor at a meeting of the Board of Directors. Deloitte LLP have indicated their willingness to be reappointed as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting

On behalf of the Board



D B Marshall
Director

7 May 2013

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting estimates that are reasonable and prudent, and
- state whether 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 Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PALIO (NO 3) LIMITED

We have audited the financial statements of Palio (No 3) Limited for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company'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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies in the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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 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
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the Directors were not entitled to take advantage of the small companies exemption in preparing the Directors' Report.



Jacqueline Holden FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

7 May 2013

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £'000	Period from 14 July 2010 to 31 December 2011 £'000
Impairment losses	2	(90)	-
Operating loss	3	(90)	-
Income from fixed asset investment	6	215	15
Profit on ordinary activities before interest		125	15
Interest receivable	7	178	223
Interest payable	7	(178)	(223)
Profit on ordinary activities before taxation		125	15
Tax on profit on ordinary activities	8	-	-
Profit for the financial year/period		125	15

A reconciliation of movements in shareholder's funds is given in note 15

All items in the profit and loss account relate to continuing operations

There is no material difference between the results stated in the profit and loss account and their historical cost equivalents


All gains and losses are recognised in the profit and loss account in both the current year and preceding period, and therefore no separate statement of total recognised gains and losses has been presented

PALIO (NO 3) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Investments	10	2,985	3,075
Current assets			
Debtors		2,024	2,023
- due within one year	11	46	45
- due after more than one year	11	1,978	1,978
Current liabilities			
Creditors amounts falling due within one year	12	(61)	(60)
Net current assets		<u>1,963</u>	<u>1,963</u>
Total assets less current liabilities		4,948	5,038
Creditors amounts falling due after more than one year	12	(1,978)	(1,978)
Net assets		<u>2,970</u>	<u>3,060</u>
Capital and reserves			
Called up share capital	13	6	6
Share premium account	14	3,054	3,054
Profit and loss account	14	(90)	-
Shareholder's funds	15	<u>2,970</u>	<u>3,060</u>

The financial statements of Palio (No 3) Limited, registered number 7314950, were approved by the Board of Directors and authorised for issue on 7 May 2013. They were signed on its behalf by


D B Marshall
Director
7 May 2013

Notes to the financial statements for the year ended 31 December 2012

1 ACCOUNTING POLICIES

a) Basis of preparation of accounts

The financial statements have been prepared under the historical cost convention and in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). A summary of the principal accounting policies adopted by the Directors, which have been applied consistently throughout the current year and preceding period, is shown below.

The Company is a wholly owned subsidiary undertaking of John Laing Infrastructure Fund Limited and as such is exempt under FRS1 (revised 1996) from the requirement to prepare its own cash flow statement.

As a wholly owned subsidiary undertaking, the Company is also exempt under section 400 of the Companies Act 2006 from any requirement to prepare consolidated financial statements for its group. Accordingly, the financial statements present information about the Company as an individual undertaking.

b) Going concern

Having reviewed the Company's investment portfolio including the associated future cash requirements and forecast receipts, the Directors are satisfied that they have a reasonable expectation that the Company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

c) Investments

Fixed asset investments are shown at cost less provision for impairment. Income from investments is included in the profit and loss account as declared.

d) Taxation

Current tax, including United Kingdom Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Notes to the financial statements for the year ended 31 December 2012 (continued)

2 IMPAIRMENT LOSSES

	2012 £'000	Period from 14 July 2010 to 31 December 2011 £'000
Amounts written off investment in joint venture	(90)	-
	<u>(90)</u>	<u>-</u>

3 OPERATING LOSS

Fees payable to the Company's auditors for the audit of the Company's annual accounts of £2,000 (2011 - £2,500) have been borne by the immediate parent JLIF Limited Partnership

4 DIRECTORS' REMUNERATION

No Directors received any remuneration for services to the Company during the current year and preceding period

5 STAFF NUMBERS

The Company had no employees during the current year and preceding period

6 INCOME FROM FIXED ASSET INVESTMENT

	2012 £'000	Period from 14 July 2010 to 31 December 2011 £'000
Dividend income from shares in joint venture	215	15

7 NET INTEREST

	2012 £'000	Period from 14 July 2010 to 31 December 2011 £'000
Interest receivable and similar income		
Interest receivable on amounts due from joint venture	178	223
	<u>178</u>	<u>223</u>
Interest payable and similar charges		
Interest payable to parent undertaking	(178)	(223)
	<u>(178)</u>	<u>(223)</u>
Net interest	<u>-</u>	<u>-</u>

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

Factors affecting tax for the current year/period

	2012 £'000	Period from 14 July 2010 to 31 December 2011 £'000
Profit on ordinary activities before taxation	125	15
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011 - 27%)	(31)	(4)
Effects of		
Non-taxable UK dividends received	53	4
Impairment losses not tax deductible	(22)	-
Total current tax for the year	<u>-</u>	<u>-</u>

For the year ended 31 December 2012, the blended UK rate of 24.5% is applied due to the change in the UK corporation tax rate from 26% to 24% with effect from 1 April 2012

Notes to the financial statements for the year ended 31 December 2012 (continued)

9 DIVIDENDS

	2012 £'000	Period from 14 July 2010 to 31 December 2011 £'000
The following interim dividends have been paid in the current year and previous period		
£12 60 per ordinary share on 19 April 2012	(76)	-
£23 20 per ordinary share on 28 September 2012	(139)	-
£2 50 per ordinary share on 2 November 2011	-	(15)
	<u>(215)</u>	<u>(15)</u>

10 INVESTMENTS

	Interest in joint venture £'000
Cost	
At 1 January 2012	3,075
At 31 December 2012	<u>3,075</u>
Provisions for impairment	
At 1 January 2012	-
Impairment charge	(90)
At 31 December 2012	<u>(90)</u>
Net book value	
At 31 December 2012	<u>2,985</u>
At 31 December 2011	<u>3,075</u>

The Company holds a 60% interest in Prime Care Solutions (Kingston) Holdings Limited

The principal activity of Prime Care Solutions (Kingston) Holdings Limited is the holding of an investment in Prime Care Solutions (Kingston) Limited, a special purpose company whose activity is to design, build, finance and operate extension to Kingston Hospital, under the Private Finance Initiative

In the opinion of the Directors the value of the investment in the joint venture is not less than the amount stated in the balance sheet

11 DEBTORS

	2012 £'000	2011 £'000
Due within one year		
Amounts owed from joint venture	<u>46</u>	<u>45</u>
	<u>46</u>	<u>45</u>
Due after more than one year		
Loan amounts due from joint venture	<u>1,978</u>	<u>1,978</u>
	<u>1,978</u>	<u>1,978</u>

The amount owed by the joint venture is repayable in line with repayments schedules. Interest is charged at 9.00% to Prime Care Solutions (Kingston) Holdings Limited

12 CREDITORS

	2012 £'000	2011 £'000
Amounts falling due within one year		
Amounts owed to parent undertaking	<u>61</u>	<u>60</u>
	<u>61</u>	<u>60</u>
Amounts falling due after more than one year		
Amounts owed to parent undertaking	<u>1,978</u>	<u>1,978</u>
	<u>1,978</u>	<u>1,978</u>
Analysis of debt		
Debt can be analysed as falling due		
In one year or less	61	60
In five years or more	<u>1,978</u>	<u>1,978</u>
	<u>2,039</u>	<u>2,038</u>

The amount owed to parent undertaking is repayable in line with repayments schedules. Interest is charged on an arms length basis at a rate equivalent to that receivable on the loan due from the joint venture

Notes to the financial statements for the year ended 31 December 2012 (continued)

13 CALLED UP SHARE CAPITAL

	2012 £'000	2011 £'000
Allotted, called up and fully paid 6,000 ordinary shares of £1 each	6	6

14 MOVEMENT IN RESERVES

	Share Premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2012	3,054	-	3,054
Profit for the financial year	-	125	125
Dividends paid on equity shares (note 9)	-	(215)	(215)
At 31 December 2012	3,054	(90)	2,964

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2012 £'000	2011 £'000
Profit for the financial year/period	125	15
Dividends paid on equity shares (note 9)	(215)	(15)
New shares issued	-	6
Share premium	-	3,054
Net (reduction in)/addition to shareholder's funds	(90)	3,060
Opening shareholder's funds	3,060	-
Closing shareholder's funds	2,970	3,060

16 TRANSACTIONS WITH RELATED PARTIES

As an indirectly wholly owned subsidiary of John Laing Infrastructure Fund Limited, the Company has taken advantage of the exemption under Financial Reporting Standard 8 not to provide information on related party transactions with other undertakings within the John Laing Infrastructure Fund Limited group. Note 17 gives details of how to obtain a copy of the published financial statements of John Laing Infrastructure Fund Limited.

During the year, the Company received from its joint venture investments repayment of subordinated loan in addition to the returns on investments, the details of which are included below -

	2012 £'000	Period from 14 July 2010 to 31 December 2011 £'000
Prime Care Solutions (Kingston) Holdings Limited		
Cash received		
Subordinated loan interest	177	178
Dividends	215	15
Income statement		
Subordinated loan interest	178	223
Dividends	215	15
Balance due		
Subordinated loan	1,978	1,978
Subordinated loan interest	46	45

17 ULTIMATE PARENT UNDERTAKING

The Company's immediate parent entity is the JLIF Limited Partnership, a limited partnership established in England under the Limited Partnership Act 1907, which acts through its General Partner, JLIF (GP) Limited.

The smallest and largest group in which its results are consolidated is John Laing Infrastructure Fund Limited, a company incorporated in Guernsey, Channel Islands. Copies of the consolidated accounts of John Laing Infrastructure Fund Limited are available from the Company's website www.jlif.com.

The Company's ultimate parent and controlling entity is John Laing Infrastructure Fund Limited, a company incorporated in Guernsey, Channel Islands.