

Registered number: 07314950

PALIO (NO 3) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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PALIO (NO 3) LIMITED

COMPANY INFORMATION

Directors	J C B Jones G S Pearce
Registered number	07314950
Registered office	3rd Floor, South Building 200 Aldersgate Street London EC1A 4HD
Independent auditor	KPMG LLP Chartered Accountants 15 Canada Square London E14 5GL

PALIO (NO 3) LIMITED

CONTENTS

	Page
Strategic report	3 - 4
Directors' report	5 - 6
Directors' responsibilities statement	7
Independent auditor's report to the members of Palio (No 3) Limited	8 - 11
Statement of comprehensive income	12
Statement of financial position	13
Statement of changes in equity	14 - 15
Notes to the financial statements	16 - 30

PALIO (NO 3) LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

Principal activities

The principal activity of Palio (No 3) Limited ("the Company") is to invest in PPP infrastructure projects.

Business review

The Company currently holds 100% interest in Prime Care Solutions (Kingston) Holdings Limited. During the year, the Company continued to receive revenues from its investments in the form of interest on sub debt loans. On 22nd of October 2021 the Company purchased 4,000 ordinary shares of £1 each in the capital of Prime Care Solutions (Kingston) Holdings Limited.

The Directors intend to cease trading and liquidate the company once the liquidation process of Prime Care Solutions (Kingston) Holdings Limited is complete.

Key performance indicators

The key performance indicators for the Company are primarily client and financially focused; including those listed below:

- tracking the performance and delivery of the services in conjunction with the KPIs set by the local authorities;
- the progress of the individual project companies;
- the comparison of actual cash flow costs to those that have been forecast;
- the value of investments held in the company portfolio in association with the expected future cash flows; and
- that all operational projects are performing within restrictions of all project documentation.

The results for the year are shown on page 12 in the Statement of Comprehensive Income. This shows a loss after tax for the year of £6,264,000 (2020: £212,000) and a negative movement in investments at fair value of £6,302,000 (2020: £212,000).

PALIO (NO 3) LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Future developments

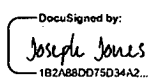
The Directors of the Company are not aware of any circumstances by which the principal activity of the Company would alter or cease and remain committed to the business of holding investments and will continue to manage its existing investment.

Principal risks and uncertainties

The Company has entered into loan arrangements with both its subsidiary and parent company. A principal risk is the Company not receiving interest payments in order to make interest payments to the Company's shareholders. Therefore, the Company's main concerns are attributable to the sound operation of the underlying PPP infrastructure asset, ensuring that the modelled cash flows, made up of, but not limited to, subordinated debt principal repayments, subordinated debt interest payments, dividends and other fees are indeed received.

Prime Care Solutions (Kingston) Holdings Limited is in significant distress and has a high probability of going into administration due to its on-going debt service deferrals, with the final deferral expiring in October 2022. The Directors believe that the risk of Prime Care Solutions (Kingston) Holdings Limited going into administration or insolvency later this calendar year has arguably increased, given it will not be able to generate enough cashflow to service its debt.

This report was approved by the board and signed on its behalf.

DocuSigned by:

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J C B Jones
Director

Date: 28-Oct-2022 | 6:23 PM BST

PALIO (NO 3) LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The Directors present their report and the audited financial statements of Palio (No 3) Limited for the year ended 31 December 2021.

Results and dividends

The loss for the year, after taxation, amounted to £6,264,000 (2020: £212,000).

The Company's results for the year are set out on Page 12 of the financial statements.

Directors

The Directors who served during the year were:

J C B Jones
A R J Thakrar (resigned 27 October 2021)
G S Pearce (appointed 15 October 2021)

Going concern

Prime Care Solutions (Kingston) Holdings Limited is in significant distress and has a high probability of going into administration due to its on-going debt service deferrals, with the final deferral expiring in October 2022. The Directors believe that the risk of Prime Care Solutions (Kingston) Holdings Limited going into administration or insolvency later this calendar year has arguably increased, given it will not be able to generate enough cashflow to service its debt.

As a result of the above events, the accounts for the Company have been prepared on a non-going concern basis. No material adjustments arose as a result of ceasing to apply the going concern basis.

Financial risk management

The Company's management of financial risk includes credit risk detailed in note 13.

Cash flow statement

No cash flow statement is presented for the year ended 31 December 2021 (2020: None), as no cash flows have been paid or received by the Company.

Future developments

Details of future developments are included in the Strategic Report.

Disclosure of information to auditor

Each of the persons who are Director at the time when this Directors' report is approved has confirmed that:

- so 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 ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, KPMG LLP, will be proposed for reappointment in accordance with the Companies Act 2006.

PALIO (NO 3) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

This report was approved by the board and signed on its behalf.

DocuSigned by:
Joseph Jones
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J C B Jones
Director

Date: 28-Oct-2022 | 6:23 PM BST

PALIO (NO 3) LIMITED

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE
DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

The Directors are responsible for preparing the strategic report, directors' report and the financial statements, in accordance with applicable law.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Accounting Standards in conformity with the requirements of Companies Act 2006 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 period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, reliable and prudent;
- state whether they have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

PALIO (NO 3) LIMITED

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

Opinion

We have audited the financial statements of Palio (No 3) Limited (the "Company") for the year ended 31 December 2021 which comprise the Statement of total comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes, including accounting policies in note 1.

In our opinion the accompanying financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standards. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of Matter - non-going concern basis

We draw attention to the disclosure made in note 1.2 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

PALIO (NO 3) LIMITED

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

Fraud and breaches of laws and regulations - ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of management as to the Company's policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- Reading minutes of meetings of those charged with governance; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks through out the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company's revenue streams are simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management. We did not identify any additional fraud risks.

We also performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included all post year end closing journals.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience through discussion with management (as required by auditing standards) and discussed with management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related company legislation) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: anti-bribery, money laundering and GDPR compliance recognising the financial nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

PALIO (NO 3) LIMITED

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

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic Report and Directors' Report

The Directors are responsible for the strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

PALIO (NO 3) LIMITED

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

Respective responsibilities

Responsibilities of Directors

As explained more fully in their statement set out on page 7, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

The purpose of this report and restrictions on its use by persons other than the Company's members, as a body

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.



Matthew Williams (Senior statutory auditor)
for and on behalf of
KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

Date: 01/11/2022

PALIO (NO 3) LIMITED

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £000	2020 £000
Investment income		250	204
Fair value loss on investments	8	(6,302)	(212)
Loss from operations		<u>(6,052)</u>	<u>(8)</u>
Finance expense	7	(203)	(204)
Loss before tax		<u>(6,255)</u>	<u>(212)</u>
Tax expense	9	(9)	-
Total comprehensive loss		<u><u>(6,264)</u></u>	<u><u>(212)</u></u>

The notes on pages 16 to 30 form part of these financial statements.

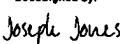
There are no other items of comprehensive income other than the profit for the year, therefore a separate Statement of Other Comprehensive Income has not been prepared.

PALIO (NO 3) LIMITED
REGISTERED NUMBER: 07314950

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Assets			
Non-current assets			
Investment held at fair value		-	7,416
Current assets			
Investment held at fair value	8	1,434	-
Total assets		<u>1,434</u>	<u>7,416</u>
Liabilities			
Non-current liabilities			
Loans and borrowings	11	-	2,258
Current liabilities			
Trade and other liabilities	10	552	270
Loans and borrowings	11	2,258	-
Total liabilities		<u>2,810</u>	<u>2,528</u>
Net (liabilities)/assets		<u>(1,376)</u>	<u>4,888</u>
Issued capital and reserves			
Share capital	12	6	6
Retained earnings		(1,382)	4,882
Total shareholder loans		<u>(1,376)</u>	<u>4,888</u>

The financial statements on pages 12 to 30 were approved and authorised for issue by the board of Directors and were signed on its behalf by:

DocuSigned by:

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J C B Jones
Director

Date: 28-Oct-2022 | 6:23 PM BST

The notes on pages 16 to 30 form part of these financial statements.

PALIO (NO 3) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Share capital £000	Retained earnings £000	Total equity £000
At 1 January 2021	6	4,882	4,888
Comprehensive income for the year			
Loss for the year	-	(6,264)	(6,264)
	-	(6,264)	(6,264)
Total comprehensive income for the year			
	6	(1,382)	(1,376)
At 31 December 2021			

The notes on pages 16 to 30 form part of these financial statements.

PALIO (NO 3) LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £000	Retained earnings £000	Total equity £000
At 1 January 2020	6	5,094	5,100
Comprehensive income for the year			
Loss for the year	-	(212)	(212)
Total comprehensive income for the year	-	(212)	(212)
Contributions by and distributions to owners			
At 31 December 2020	6	4,882	4,888

The notes on pages 16 to 30 form part of these financial statements.

PALIO (NO 3) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

General information

Palio (No 3) Limited (the 'Company') is a limited company incorporated in England and Wales. The Company's registered office is at 3rd Floor, South Building, 200 Aldersgate Street, London, EC1A 4HD. The Company's principal activity is set out within the Strategic Report shown on page 3 and 4. These financial statements are presented in pounds sterling, being the currency of the primary economic environment in which the Company operates. All amounts are rounded to the nearest £'000.

1. Accounting policies**1.1 Basis of preparation**

These financial statements have been prepared and approved by the Directors in accordance with applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 ("adopted IFRSs"). A summary of the principal accounting policies, all of which have been applied consistently throughout the current year are set out below.

The financial statements are prepared on the historical cost basis except certain financial assets measured at fair value.

1.2 Going concern

Prime Care Solutions (Kingston) Holdings Limited is in significant distress and has a high probability of going into administration due to its on-going debt service deferrals, with the final deferral expiring in October 2022. The Directors believe that the risk of Prime Care Solutions (Kingston) Holdings Limited going into administration or insolvency later this calendar year has arguably increased, given it will not be able to generate enough cashflow to service its debt.

As a result of the above events, the accounts for the Company have been prepared on a non-going concern basis. No material adjustments arose as a result of ceasing to apply the going concern basis.

1.3 Investment income*Interest income*

Interest income is recognised using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

1.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

The Company holds no cash or cash equivalents and has not held any cash or cash equivalents during the year and the prior year, and therefore there have been no cash transactions during the year. All transactions have been conducted through related party non cash transactions. As such, no cash flow statement has been prepared.

PALIO (NO 3) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. Accounting policies (continued)

1.5 Taxation

The tax expense represents the sum of tax currently payable.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the net profit as reported in the statement of profit and loss and other comprehensive income 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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is calculated on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable loss, and is accounted for using the Statement of Financial Position liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax asset is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

1.6 Investments in subsidiaries

The Company meets the definition of an Investment Entity under IFRS 10, on the basis of the following criteria:

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

As such it measures its investments in subsidiaries at fair value through profit and loss and hence has not prepared consolidated financial statements.

1.7 Borrowings

Borrowing are recognised initially at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

PALIO (NO 3) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. Accounting policies (continued)**1.8 Trade and other liabilities**

Trade and other liabilities are financial liabilities with fixed or determinable payments that are not quoted in an active market. Payables are recognised initially at fair value less transaction costs, if any. These are subsequently measured at amortised cost using the effective interest method. Given the nature of payables, however, and the short time length involved between their origination and settlement, their amortised cost is generally materially the same as their fair value at the date of origination.

1.9 Share capital

Ordinary shares are classified as equity.

1.10 Expenses

All expenses are accounted for on an accruals basis. The Company's fees, finance costs and all other expenses are charged through the statement of profit and loss and other comprehensive income.

2. Critical accounting judgements and key estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates**Investments**

The fair value of the investment in aggregate is calculated by discounting total future cash flows from the investments.

The principal drivers of internally prepared valuations are therefore:

- i) expected future net cash flows; and
- ii) the discount rate to be applied.

Future cash flows involve a degree of uncertainty in terms of their amount and timing. Cash flows in the underlying investments are exposed to risks in relation to deductions that may be made by the relevant procuring party in relation to performance conditions and inflation.

(i) Future cash flows are the future distributions expected to be received by the Company from its investments. Future distributions involve a degree of uncertainty in terms of their amount and timing as cash flows in the underlying investments are exposed to risks, for example, in relation to deductions that may be made by the relevant Government Authority in relation to performance conditions and macroeconomic changes. These cashflows are based on the latest financial model available for each investment. These are updated for actual figures periodically and, for levered investments, reviewed by senior debt providers; as such these provide the most reliable estimate of future cash flows. The Investment Manager updates these financial models for the latest macroeconomic forecasts to ensure consistency across the Company's portfolio.

PALIO (NO 3) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Critical accounting judgements and key estimation uncertainty (continued)

If the expected future net cash flows were decreased or increased by 10%, with all other variables held constant, the impact on the value of financial assets would be £143,000 (2020: £742,000) loss/gain respectively.

(ii) Discount rates are based on a risk-free rate adjusted by an appropriate premium to reflect the specific risks of the investment. The risk-free rate is derived from UK government bond rates for the 24-month average yield-to-maturity matching individual investment life. A discount rate premium is then calculated considering multiple factors pertaining to the specific risk of the investment, including base infrastructure risk, construction risk (if applicable), duration risk due to an extended project life, sector specific risks, and any project specific risks.

The discount rate used for the 2021 valuation was 10.00% (2020: 7.10%). If the discount rate used in the valuation were increased or decreased by 100 bps, the impact on the value of the financial assets would be a loss/gain respectively of £183,000/£207,000 (2020: £571,000/£644,000).

The estimate of fair value may vary from the price achieved in an actual sale as potential acquirers may use different valuation criteria for their own strategic reasons.

In addition, the following economic assumptions were used in the discounted cash flow valuations:

UK inflation rate	4.10% for 2022, long term 3%
UK deposit interest rates	0.25% for 2022, long term 1%
UK corporation tax	19% for 2022, long term 25%

Judgements

The Company qualifies as an Investment Entity under 'Consolidated Financial Statements'. IFRS 10 requires the Company to measure its interests in subsidiary investments under IFRS9 'Financial Instruments' and IFRS13 'Fair Value Measurement'.

Deferred tax

The Company has not recognised deferred tax on the temporary difference between the fair value of the investment and its tax base because the Directors are of the view that the fair value of the subordinated debt component of the investment approximates to its nominal value and so any movement in fair value is attributable to the equity component only. In this case there would be no taxation arising because the value of the equity component will be realised through the receipt of non-taxable dividends and/or by a sale for which relief from taxation will be available.

PALIO (NO 3) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. International financial reporting standards ("IFRS") - adoption of new and revised standards

Standards, interpretations and amendments to published statements

There are no new or amended standards effective this year that have had a material impact on these financial statements.

A number of UK-adopted IFRSs have been issued but are not yet effective and have not been applied in these financial statements. The Directors do not expect that, when effective, they will have any material impact on the financial statements in future periods.

International Financial Reporting Standards ("IFRSs") issued but not yet effective

The Company has not early adopted any standards that have been issued but are not yet effective.

4. Operating profit

The operating profit of the Company is attributable to the principal activity of the Company, all of which was carried out in the United Kingdom.

During the year the company incurred audit costs totalling £5,200 (2020: £5,200). The Company's audit costs are borne by the ultimate parent, Fenton Holdco Limited.

5. Directors' remuneration

No staff were directly employed by the Company (2020: nil).

No Directors received any remuneration for services to the Company during the year (2020: nil). The Company is managed by secondees from third parties. No recharge for services rendered has been made during the year (2020: nil).

PALIO (NO 3) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

6. Investment income

	2021	2020
	£000	£000
Interest income	250	204
	<hr/> 250 <hr/>	<hr/> 204 <hr/>

There were no dividends received during the year (2020: none).

7. Finance expense**Recognised in profit or loss**

	2021	2020
	£000	£000
Interest expense on loans from immediate parent company	203	204
Total finance expense	<hr/> 203 <hr/>	<hr/> 204 <hr/>

PALIO (NO 3) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

8. Investments at fair value through profit or loss

	2021	2020
	£000	£000
Opening net book value	7,416	7,424
Additions	70	-
Repayment of principal and interest	-	-
Movement in accrued interest	250	204
Fair value loss	(6,302)	(212)
	1,434	7,416

The investment comprises a debt element and an equity element as follows:

	2021	2020
	£000	£000
Debt	1,434	2,513
Equity	-	4,903
Total	1,434	7,416

The debt element carries a coupon of 9% (2020: 9%).

Investments are generally restricted on their ability to transfer funds to the Company under the terms of the senior funding arrangement for that investment. Significant restrictions include:

- Historic and projected debt service and loan life cover ratios exceed a given threshold;
- Required cash reserve account levels are met;
- Senior lenders have agreed the current financial model that forecasts the economic performance of the Company;
- Project performance is in compliance with the terms of its senior funding arrangements; and
- Senior lenders have approved the annual budget for the Company.

A list of subsidiaries of the Company can be found in note 16 of these financial statements.

PALIO (NO 3) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

9. Tax expense**9.1 Income tax recognised in profit or loss**

	2021 £000	2020 £000
Current tax		
Current tax on profits for the year	9	-
Total current tax	<u>9</u>	<u>-</u>
 Tax expense	 <u>9</u>	 <u>-</u>

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to losses for the year are as follows:

	2021 £000	2020 £000
Loss for the year	(6,264)	(212)
Income tax expense	9	-
Loss before tax	<u>(6,255)</u>	<u>(212)</u>
Tax using UK tax rate of 19% (2020: 19%)	(1,188)	(40)
Fair value movement on investment not subject to taxation	1,197	40
Total tax expense	<u>9</u>	<u>-</u>

Changes in tax rates and factors affecting the future tax charges

The March 2021 Budget announced a proposed increase in corporation tax rates with a corporation tax rate of 25% applying with effect from 1 April 2023. This will increase the Company's future current tax charge accordingly.

PALIO (NO 3) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

10. Trade and other payables

	2021	2020
	£000	£000
Current		
Payables to related parties	528	255
Accruals	15	15
Other payables - tax and social security payments	9	-
Total current trade and other payables	552	270

PALIO (NO 3) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

11. Loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2021	2020
	£000	£000
Non-current		
Loans from shareholders	-	2,258
Loans from shareholders	2,258	-
Total loans and borrowings	2,258	2,258

Loans from shareholders represent a single tranche of unsecured borrowings from the parent company Fenton UK 3 Limited. The loan is repayable on demand and interest is charged at 9%.

PALIO (NO 3) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

12. Share capital and reserves**Authorised**

	2021 Number	2021 £000	2020 Number	2020 £000
Shares treated as equity				
Ordinary shares of £1.00 each	6,001	6	6,001	6
	<u>6,001</u>	<u>6</u>	<u>6,001</u>	<u>6</u>

Other reserves

Other reserves include movements in relation to retained earnings in relation to accumulated losses from the the incorporation of the Company to the balance sheet date.

13. Financial instruments*Capital risk management*

The capital structure of the Company consists of net debt less cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Categories of financial instruments

	2021 £000	2020 £000
Financial assets		
Fair value through profit and loss		
Investments	1,434	7,416
	<u>1,434</u>	<u>7,416</u>
Financial liabilities at amortised cost		
Borrowings	2,258	2,258
Trade and other liabilities	552	270
	<u>2,810</u>	<u>2,528</u>

PALIO (NO 3) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

13. Financial instruments (continued)**Financial risk management***Risk management objectives*

The Directors provide advice to the Company on all risks faced and manage the financial risks relating to the operations of the Company through internal risk reports which analyse the exposures faced by degree and magnitude of risk consequences. These risks include market risk, credit risk and liquidity risk.

Credit risk management

The Company is exposed to credit risk in respect to its current assets as outlined in the Statement of Financial Position through possible default of the relevant counterparty. The maximum gross exposure to credit risk, before credit enhancements and other mitigates, is represented by the carrying amounts of the financial assets that are carried on the Statement of Financial Position. This risk is mitigated through the presences of collateral and credit enhancements at the project level including charges over, or ownership of, physical asset.

13. Financial instruments (continued)**Liabilities**

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up on undiscounted cash flows of financial liabilities based on the earliest date the Company could be required to satisfy borrowing repayments. The table includes principal repayment cash flows. Further information regarding the interest payable in future periods is provided in the narrative below:

	Less than 1 year £000	1-2 years £000	3-5 years £000	5+ years £000	Total £000
2021					
Borrowings	2,258	-	-	-	2,258
Trade and other liabilities	552	-	-	-	552
	<u>2,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,810</u>
2020					
Borrowings	-	-	-	2,258	2,258
Trade and other liabilities	270	-	-	-	270
	<u>270</u>	<u>-</u>	<u>-</u>	<u>2,258</u>	<u>2,528</u>

Borrowings comprise a fixed rate loan agreement entered into with shareholder.

PALIO (NO 3) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

13. Financial instruments (continued)

The Company holds a number of financial instruments on the statement of financial position at their fair values. The following hierarchy classifies each class of financial asset or liability depending upon the valuation technique applied in determining its fair value.

- (i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities, where inputs are observable;
- (ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) where inputs are directly or indirectly observable; and
- (iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data, where the inputs are unobservable.

There have been no transfers between these categories in the current period.

14. Parent company

The Company's immediate parent company is Fenton UK 3 Limited, a company incorporated in Jersey, with registered office at 44 Esplanade, St Helier, Jersey, JE4 9WG. The Company's ultimate parent and controlling entity, is Fenton Holdco Limited, a company registered in England and Wales, with registered office at 3rd Floor, South Building, 200 Aldersgate Street, London, EC1A 4HD. The Company's results are not consolidated as the Company and its parent entities meet the criteria of Investment Entities under IFRS 10.

PALIO (NO 3) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

15. Related party transactions

The following transactions took place between the Company and its joint ventures and subsidiaries during the period:

2021

<u>Statement of comprehensive income transactions</u>	Investment income	Interest expense
	£'000	£'000
Related party		
Fenton UK 3 Limited	-	(203)
Prime Care Solutions (Kingston) Holdings Limited	250	-
	<u>250</u>	<u>(203)</u>

	Amounts owed by related parties	Amounts owed to related parties
<u>Statement of financial position items</u>	2021	2021
	£'000	£'000
Related party		
Fenton UK 3 Limited	-	(2,801)
Prime Care Solutions (Kingston) Holdings Limited	2,833	-
	<u>2,833</u>	<u>(2,801)</u>

2020

<u>Statement of comprehensive income transactions</u>	Investment income	Interest expense
	£'000	£'000
Related party		
Fenton UK 3 Limited	-	(204)
Prime Care Solutions (Kingston) Holdings Limited	204	-
	<u>204</u>	<u>(204)</u>

	Amounts owed by related parties	Amounts owed to related parties
<u>Statement of financial position items</u>	2020	2020
	£'000	£'000
Related party		
Fenton UK 3 Limited	-	(2,513)
Prime Care Solutions (Kingston) Holdings Limited	2,513	-
	<u>2,513</u>	<u>(2,513)</u>

PALIO (NO 3) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

16. Investments in subsidiaries

Company name	Percentage of shares held	Category	Registered Address
Prime Care Solutions (Kingston) Holdings	100%	Intermediate holding	8 White Oak Square, London Road, Swanley, England, BR8 7AG
Prime Care Solutions (Kingston) Limited	100%*	Intermediate holding	8 White Oak Square, London Road, Swanley, England, BR8 7AG

*denotes investment held indirectly

17. Post balance sheet events

There have been no circumstances or events after the reporting period which require adjustment of, or disclosure in, the financial statements or in the notes.