

Company Registration No. 07386291 (England and Wales)

PALIO (NO 7) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021



WEDNESDAY



SBDJ740H

SCT

28/09/2022

#27

COMPANIES HOUSE

PALIO (NO 7) LIMITED

COMPANY INFORMATION

Directors	JS Gordon J Pritchard
Secretary	J McKay & Pinsent Masons Secretarial Limited
Company number	07386291
Registered office	1 Park Row Leeds LS1 5AB
Auditor	Johnston Carmichael LLP Bishop's Court 29 Albyn Place Aberdeen AB10 1YL

PALIO (NO 7) LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Directors' responsibilities statement	3
Independent auditor's report	4 - 7
Profit and loss account	8
Balance sheet	9
Statement of changes in equity	10
Notes to the financial statements	11 - 17

PALIO (NO 7) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the company is to invest in PPP infrastructure projects in the UK.

Performance Review

The company currently holds a 50% interest in UK Highways M40 (Holdings) Limited. During the year, the company continued to receive revenues from its investments in the form of interest on subordinated loans and dividends.

The profit for the year, after taxation, amounted to £424,896 (2020: £2,960,000).

The profit for the financial year will be transferred to reserves.

The directors are satisfied with the overall performance of the company and do not foresee any significant change in the company's activities in the coming financial year.

Key Performance Indicators

The key performance indicator for the company is the net assets attributable to shareholders.

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 at least 12 months from the date of signing of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The company has an investment in an operational PPP project which is expected to yield interest and dividends over the concession. The cash flow from the project's yield comfortably covers the company's expected cash flow requirements from overheads. The company's forecasts and projections, taking account of reasonably possible changes in counterparty performances, show that the company expects to be able to continue to operate for the foreseeable future.

The directors have considered the impact of coronavirus (COVID-19). While the company's investment has seen a significant reduction in 2020-21 toll revenue, it has sufficient cash reserves within the project to mitigate this. Detailed sensitivity analysis has been performed at the investment level and on this basis, the directors are satisfied that this will not directly impact the company's ability to meet its liabilities as they fall due over the next twelve months.

Dividends

The directors have declared and paid total dividends of £424,896 (2020: £2,960,000) in respect of the year to 31 December 2021. The directors recommend that no final dividend be paid (2020: £nil).

PALIO (NO 7) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

JS Gordon

J Pritchard

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Financial instruments

Cash flow and liquidity risk

The company's liquidity risk is principally managed through financing the company by means of long-term borrowings from the parent.

Credit risk

The company faces credit risk in relation to its investments. Credit risk is mitigated by the company holding investments in PPP projects, which are supported by central and local government bodies.

Auditor

The auditor, Johnston Carmichael LLP, are deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Small companies exemption

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board



J Pritchard

Director

27 September 2022

PALIO (NO 7) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

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 comprising Financial Reporting Standard FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), 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 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;
- state whether applicable United Kingdom Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the Annual Report and 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.

PALIO (NO 7) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PALIO (NO 7) LIMITED

Opinion

We have audited the financial statements of Palio (No 7) Limited (the 'company') for the year ended 31 December 2021 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirement

PALIO (NO 7) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PALIO (NO 7) LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was considered capable of detecting irregularities and fraud

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

PALIO (NO 7) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PALIO (NO 7) LIMITED

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- United Kingdom Accounting Standards, including Financial Reporting Standard 102;
- UK Companies Act; and
- UK Corporation taxes legislation.

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of any relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk.

The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Reviewing the level of and reasoning behind the company's procurement of legal and professional services;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias; and
- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

PALIO (NO 7) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF PALIO (NO 7) LIMITED

Use of our report

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.

Johnston Carmichael LLP

Jenny Junnier (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP

27 / 09 / 2022
Date:

Chartered Accountants
Statutory Auditor

Bishop's Court
29 Albyn Place
Aberdeen
AB10 1YL

PALIO (NO 7) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Income from shares in group undertakings	5	424,896	2,960,000
Interest receivable from group undertakings	5	311,049	349,741
Interest payable and similar expenses	6	(311,049)	(349,741)
Profit before taxation		<u>424,896</u>	<u>2,960,000</u>
Tax on profit	7	-	-
Profit for the financial year		<u><u>424,896</u></u>	<u><u>2,960,000</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.
The notes on pages 11 - 17 form part of these financial statements.

PALIO (NO 7) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Investments	8	32,191,124		32,191,124	
Current assets					
Debtors falling due within one year	10	657,264		325,693	
Debtors falling due after more than one year	10	1,528,086		1,840,288	
		<u>2,185,350</u>		<u>2,165,981</u>	
Creditors: amounts falling due within one year	11	<u>(817,418)</u>		<u>(485,847)</u>	
Net current assets		1,367,932		1,680,134	
Total assets less current liabilities		33,559,056		33,871,258	
Creditors: amounts falling due after more than one year	12	<u>(1,528,086)</u>		<u>(1,840,288)</u>	
Net assets		<u>32,030,970</u>		<u>32,030,970</u>	
Capital and reserves					
Called up share capital	13	1,775,001		1,775,001	
Profit and loss reserves	14	30,255,969		30,255,969	
Total equity		<u>32,030,970</u>		<u>32,030,970</u>	

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 27 September 2022 and are signed on its behalf by:



J Pritchard
Director

Company Registration No. 07386291

The notes on pages 11 - 17 form part of these financial statements.

PALIO (NO 7) LIMITED

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

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2020		1,775,001	30,255,969	32,030,970
Year ended 31 December 2020:				
Profit and total comprehensive income for the year		-	2,960,000	2,960,000
Dividends		-	(2,960,000)	(2,960,000)
Balance at 31 December 2020		1,775,001	30,255,969	32,030,970
Year ended 31 December 2021:				
Profit and total comprehensive income for the year		-	424,896	424,896
Dividends		-	(424,896)	(424,896)
Balance at 31 December 2021		1,775,001	30,255,969	32,030,970

The notes on pages 11 - 17 form part of these financial statements.

PALIO (NO 7) LIMITED

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

1 Accounting policies

Company information

Palio (No 7) Limited is a private company limited by shares incorporated in England and Wales. The registered office is 1 Park Row, Leeds, LS1 5AB.

The principal activity of the company is to invest in PPP infrastructure projects in the UK.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared on a going concern basis, in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on a going concern basis, under the historical cost convention. The company is wholly owned by Craighouse UK3 Limited and has taken advantage of the exemption in section 33 of FRS 102 'Related Party Disclosures' that allows it not to disclose transactions with wholly owned members of a group.

The company has taken advantage of the exemption in FRS 102 Section 7 'Statement of Cash Flows' part 1B, which states that a small company is not required to prepare a cash flow statement.

1.2 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 at least 12 months from the date of signing these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The company has an investment in an operational PPP project which is expected to yield interest and dividends over the concession. The cash flow from the project's yield comfortably covers the company's expected cash flow requirements from overheads. The company's forecasts and projections, taking account of reasonably possible changes in counterparty performances, show the company expects to continue to operate in the foreseeable future.

The directors have considered the impact of coronavirus (COVID-19). While the company's investment has seen a significant reduction in 2020-21 toll revenue, it has sufficient cash reserves within the project to mitigate this. Detailed sensitivity analysis has been performed at the investment level and on this basis, the directors are satisfied that this will not directly impact the company's ability to meet its liabilities as they fall due over the next twelve months.

1.3 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

1.4 Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

PALIO (NO 7) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Basic financial instruments

Basic financial assets are initially measured at transaction price including transaction costs and are subsequently at amortised cost, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future repayments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the profit and loss account immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in the profit and loss account immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Borrowings

Borrowings are recognised at amortised cost using the effective rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are recognised in the profit and loss account over the life of the borrowings. Borrowings with maturities greater than twelve months after the reporting date are classified as non-current liabilities.

1.5 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. 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 company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

PALIO (NO 7) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

2 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. These estimates and judgments are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty are as follows:

i) Impairment of assets

The carrying value of those assets recorded in the company's balance sheet at amortised cost, could be materially reduced where circumstances exist which might indicate that an asset has been impaired and an impairment review is performed. Impairment reviews consider the fair value and/or value in use of the potentially impaired asset or assets and compare that with the carrying value of the asset or assets in the balance sheet. Any reduction in value arising from such a review would be recorded in the profit and loss account. Impairment reviews involve the significant use of assumptions. Consideration has to be given as to the price that could be obtained for the asset or assets, or in relation to a consideration of value in use, estimates of the future cash flows that could be generated by the potentially impaired asset or assets, together with a consideration of an appropriate discount rate to apply to those cash flows.

3 Auditor's remuneration

The audit fee of £2,915 (2020: £2,750) was borne by Craighouse UK2 Limited and was not recharged.

4 Employees

The average monthly number of persons (including directors) employed by the company during the year was nil (2020: nil)

The directors are not employed by the company and did not receive any remuneration from the company during the year (2020: nil).

PALIO (NO 7) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

5 Interest receivable and similar income

	2021 £	2020 £
Interest receivable and similar income includes the following:		
Income from shares in group undertakings	424,896	2,960,000
Interest receivable from group companies	311,049	349,741

6 Interest payable and similar expenses

	2021 £	2020 £
Interest payable and similar expenses includes the following:		
Interest payable to group undertakings	311,049	349,741

7 Taxation

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2021 £	2020 £
Profit before taxation	424,896	2,960,000
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	80,730	562,400
Tax effect of income not taxable in determining taxable profit	(80,730)	(562,400)
Taxation charge for the year	-	-

8 Fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 January 2021 & 31 December 2021	32,191,124
Impairment losses	-
Carrying amount	
At 31 December 2021	32,191,124
At 31 December 2020	32,191,124

PALIO (NO 7) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

9 Significant undertakings

The undertakings in which the company's interests at the year end is 20% or more are:

Name of undertaking	Registered office	Class of shares held	% Held	
			Direct	Indirect
UK Highways M40 (Holdings) Limited	England	Ordinary	50.00	-
UK Highways M40 Limited	England	Ordinary	-	50.00

The aggregate capital and reserves and the result for the year of significant undertakings noted above was as follows:

Name of undertaking	Profit/(Loss)	Capital and Reserves
	£	£
UK Highways M40 (Holdings) Limited	850,000	3,661,000
UK Highways M40 Limited	8,011,000	12,077,000

Registered Office - 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG

10 Debtors

	2021	2020
	£	£
Amounts falling due within one year:		
Amounts owed by group undertakings	657,263	325,692
Other debtors	1	1
	<u>657,264</u>	<u>325,693</u>
	2021	2020
	£	£
Amounts falling due after more than one year:		
Amounts owed by group undertakings	1,528,086	1,840,288
	<u>1,528,086</u>	<u>1,840,288</u>
Total debtors	<u>2,185,350</u>	<u>2,165,981</u>

Amounts owed to Group undertakings includes loan notes due from the joint venture of £1,980,086 (2020: £2,110,288). The loan bears interest at a rate of 15% per annum, is unsecured and repayable on 1 May 2026, or before if funds allow. Also included in amounts owed by Group undertakings is accrued interest of £205,263 (2020: £55,692).

PALIO (NO 7) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

11 Creditors: amounts falling due within one year

	2021 £	2020 £
Amounts owed to group undertakings	657,263	325,692
Accruals and deferred income	160,155	160,155
	<u>817,418</u>	<u>485,847</u>

Amounts owed to group undertakings relates to accrued interest and is unsecured, non interest bearing and repayable on demand.

12 Creditors: amounts falling due after more than one year

	2021 £	2020 £
Amounts owed to group undertakings	<u>1,528,086</u>	<u>1,840,288</u>

Amounts owed to group undertakings relates to loans due to the immediate parent. Loans due are unsecured, repayable on 1 May 2026, or before if funds allow, and bear interest at a fixed rates of 15%.

13 Called up share capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	<u>1,775,001</u>	<u>1,775,001</u>	<u>1,775,001</u>	<u>1,775,001</u>

14 Profit and loss reserves

Retained earnings records retained earnings and accumulated losses.

15 Related party transactions

The company is wholly owned by Craighouse UK 3 Limited and has taken advantage of the exemption in section 33 of FRS102 'Related Party Disclosures', that allows it not to disclose transactions with wholly owned members of a group.

The following disclosures are with entities in the group that are not wholly owned:

The company received subordinated loan interest of £311,049 (2020:£349,741) and dividend income of £424,896 (2020: £2,960,000) from UK Highways M40 (Holdings) Limited. Amounts owed by group undertakings at 31 December 2021 are disclosed within note 10.

PALIO (NO 7) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

16 Parent company

The Company's ultimate parent is Jura Holdings Limited, a Guernsey registered company owned by a consortium of jointly-led funds managed by Dalmore Capital Limited and Equitix Investment Management Limited. Copies of the financial statements are available from the Guernsey registry website. The Directors consider that there is no ultimate controlling entity.