PALIO (NO 14) LIMITED

ANNUAL REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2018

Registered Number 07813219

DIRECTORS AND ADVISORS

Directors
J S Gordon (appointed 29 April 2019)
J Pritchard
D M Hardy (resigned 29 April 2019)

Company secretaries
J McKay (appointed 29 April 2019)
P Naylor (resigned 18 January 2019)
Pinsent Masons Secretarial Limted (Corporate secretary, appointed 29 April 2019)

Company registered office[1]
1 Park Row
Leeds, United Kingdom
LS1 5AB

Auditor
Deloitte LLP
Statutory Auditor
London
United Kingdom

[1] The company's registered office address changed from 1 Kingsway London, WC2B 6AN on the 29 April 2019.

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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STRATEGIC REPORT

Principal activities

The principal activity of Palio (No. 14) Limited is to invest in PPP infrastructure projects.

Business review

The Company currently holds 100% interest in Collaborative Services Support (NE) Holdings Limited. During the year, the Company continued to receive revenues from its investment in the form of interest on subordinated debt loans. The Company reports a profit after tax for the year of £726,000 (2017: profit of £1,406,000). Included in this amount is a positive movement in investments at fair value of £726,000 (2017: positive movement of £936,000).

The Company is required under Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) to measure its investments in subsidiaries at fair value through profit or loss, except where the subsidiary provides investment-related services or activities. The Company measures its investments in PPP assets in accordance with IFRS 13 Fair Value Measurement, with changes in fair value recognised in profit or loss in the period of the change.

The Company's subsidiary is held at fair value in the statement of financial position with movements recorded through the Income Statement as explained in note 2. In order to determine the fair value of these investments, the Company takes into consideration the fair value of the underlying portfolio companies and intermediate holding companies.

Jura Infrastructure Limited (formerly John Laing Infrastructure Fund Limited renamed Jura Infrastructure Limited on 12 October 2018) was taken over on 28 September 2018 by Jura Acquisition Limited, a newly formed Guernsey registered company, subsidiary of Jura Holdings Limited owned by a consortium jointly led by funds managed by Dalmore Capital Limited ("Dalmore")and Equitix Investment Management Limited ("Equitix"). The Directors now regard Jura Holdings Limited as the ultimate parent of the Company. The Directors consider that there is no ultimate controlling entity. Prior to 28 September 2018, Jura Infrastructure Limited was the Company's ultimate parent and controlling entity.

Going concern

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 activity and forecast over the next 12 months and the Company's relationships with its immediate parent. More information is provided in note 2 to the financial statements.

Principal risks and uncertainties

Credit risk

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

Brexit risk

The Company is exposed to Brexit risk as a result of the inherent uncertainty around the UK's exit from the European Union. Whilst the Company itself is not considered to be significantly exposed, subcontractors which the underlying investments of the Company engage with are considered to have exposure in relation to labour and the cost of supplies. Due to the evolving nature of the risk, the Board continue to actively monitor developments.

Key performance indicators

The key performance indicator for the Company is the net assets attributable to shareholders of £4,596k (2017: £3,870), as detailed on page 7 of the financial statements.

Future developments

Following the acquisition of the Jura Infrastructure Limited by Jura Acquisition Limited, which is jointly owned by a consortium jointly-led by funds managed by Dalmore and Equitix (refer to business review for further details) the intention is for individual assets within the portfolio to be transferred from the Company to respective funds managed by Dalmore and Equitix.

Events after balance sheet date

On 15 October 2018, Jura Infrastructure Limited terminated the Investment Advisory Agreement with their Investment Advisor, John Laing Capital Management, whcih became effective on 1 May 2019.

JLIF Limited Partnership sold its interest in Palio (No 14) Limited on 20 September 2019. The immediate parent of Palio (No 14) Limited is now Craighouse UK 3 Limited. There is no change to the ultimate parent or ultimate controlling entity.

Approved by the Board and signed on its behaf by

J Pritchard
Director
4th October 2019

DIRECTORS' REPORT

The Directors submit their annual report and the audited financial statements for the year ended 31 December 2018.

The Company is a limited company incorporated in England. The Company is wholly owned by JLIF Limited Partnership, the limited partner of which is JLIF LuxCo 2 S.à.r.l. The limited partner is an indirectly wholly owned subsidiary of Jura Infrastructure Limited. The Company invests in PPP infrastructure projects in the UK.

Results and dividends

No dividends were paid or recommended to be paid by the Company during the year ended 31 December 2018 (2017: £nil).

Directors

The Directors who served throughout the year were as follows:

J Pritchard
D M Hardy

Directors' indemnities

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

Employees

The Company had no employees during the year (2017: none).

Principal risks and uncertainties

See page 1 for principal risks and uncertainties.

Future developments

The future developments of the Company are outlined in the Strategic report on page 1.

Cash flow statement

No cash flow statement is presented for the year ended 31 Dec 2018 (2017: none), as no cash flows have been paid or received by the Company.

Auditor

Each of the persons who is a Director at the date of approval of this annual 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 was appointed auditor at a meeting of the Board of Directors. Deloitte LLP has 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.

Approved by the Board and signed on its behalf by

J Pritchard
Director
4th October 2019

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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 14) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Palio (No 14) Limited (the 'company') which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

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.

Independent auditor's report to the members of Palio (No 14) Limited (continued)

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.

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.

John Clacy FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom
04 October 2019

INCOME STATEMENT
for the year ended 31 December 2018

	Notes	2018 £'000s	2017 £'000s
Interest Income		346	351
Net gain on investments at fair value through profit or loss	8	726	936
Operating Income		1,072	1,287
Operating profit	4	1,072	1,287
Net finance costs	5	(346)	(350)
Profit before tax		726	937
Tax credit	6	-	469
Profit for the year		726	1,406

All results are derived from continuing operations.

The notes on pages 9 to 22 form part of these financial statements.

There are no Items of Other Comprehensive Income in both the current and preceding year, and therefore no separate Statement of Comprehensive Income has been presented.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Notes	2018 £'000s	2017 £'000s
Non-current assets			
Investments at fair value through profit or loss	8	7,928	7,029
Total non-current assets		7,928	7,029
Total assets		7,928	7,029
Current liabilities			
Trade and other payables	9	(448)	(275)
Total current liabilities		(448)	(275)
Non-current liabilities			
Loans and borrowings	10	(2,884)	(2,884)
Total non-current liabilities		(2,884)	(2,884)
Total liabilities		(3,332)	(3,159)
Net assets		4,596	3,870
Equity			
Share capital	11	50	50
Retained earnings	12	4,546	3,820
Total equity		4,596	3,870

The notes on pages 9 to 22 form part of these financial statements.

The financial statements of Palio (No 14) Limited, registered number 07813219, were approved by the Board of Directors and authorised for issue on 4th October 2019. They were signed on its behalf by:

J Pritchard
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	Notes	Share capital £'000s	Share premium account £'000s	Retained earnings £'000s	Total equity £'000s
		Statement of Changes in Equity in 2018			
Balance at 1 January 2018	11,12	50	-	3,820	3,870
Profit for the year	12	-	-	726	726
Total comprehensive income for the year		-	-	726	726
Balance at 31 December 2018		50	-	4,546	4,596

	Notes	Share capital £'000s	Share premium account £'000s	Retained earnings £'000s	Total equity £'000s
		Statement of Changes in Equity in 2017			
Balance at 1 January 2017	11,12	50	-	2,414	2,464
Profit for the year	12	-	-	1,406	1,406
Total comprehensive income for the year		-	-	1,406	1,406
Balance at 31 December 2017		50	-	3,820	3,870

The notes on pages 9 to 22 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

1 GENERAL INFORMATION

Palio (No 14) Limited (the 'Company') is a private limited company, domiciled and incorporated in England and Wales, having its registered office at 1 Park Row, Leeds United kingdom, LS1 5AB[1] and having company registration number 07314929. The Company is wholly owned by JLIF Limited Partnership, the limited partner of which is JLIF LuxCo 2 S.à.r.l. The limited partner is an indirectly wholly owned subsidiary of Jura Infrastructure Limited. The Company invests in PPP infrastructure projects in the UK.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU").

The financial statements have been prepared on the historical cost basis, except that the following assets and liabilities are stated at their fair values: financial assets classified at their fair value through profit or loss. The principal accounting policies are set below.

The Company adopted during the year any new and revised International Financing Reporting Standards interpretations and amendments that became effective in 2018, although these did not have a material impact.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £000.

At the date of approval of these financial statements, the Company has not applied the following new and revised IFRS standards that have been issued but are not yet effective and have not yet been adopted by the EU:

- IFRS 16 Leases (effective 1 January 2019)
- IFRS 17 Insurance Contracts (effective 1 January 2021)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) (effective 1 January 2019)
- Prepayment Features with Negative Compensation (Amendments to IFRS 9) (effective 1 January 2019)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective 1 January 2019)

The following standards became effective in the year.

- IFRS 9 Financial Instruments (effective 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)

IFRS 9, IFRS 15 and IFRS 16

In the prior year the Investment Adviser performed a detailed analysis of the potential impact of IFRS 9, IFRS 15 and IFRS 16 on the Company, the underlying projects and intermediate holding entities and concluded that the adoption of these standards will not have a material impact. Following the implementation of IFRS 9 and IFRS 15 during the year and noting that there has been no significant changes to the Company, the underlying projects and intermediate holding entities the Directors confirm that the application of these standards did not have a material impact on the Company.

The Company will continue to monitor the potential consequences of the implement of IFRS 16 but do not anticipate the implementation to have a material impact on the Company, the underlying projects and intermediate holding entities.

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company in future periods.

A summary of the principal accounting policies adopted by the Directors, which have been applied consistently throughout the current and preceding year, is shown below.

Sub debt debtors
Under IFRS, sub debt debtors of amounts owed by investments have been included within the fair value of the investment to which it relates and the debtor has been classified to investments. Consequently, the interest revenue associated to the sub debt debtor is reported within Operating Income in the Income Statement.

Investments in subsidiaries
The Company is required under Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) to measure its investments in subsidiaries at fair value through profit or loss, except where the subsidiary provides investment-related services or activities. The Company measures its investments in PPP assets in accordance with IFRS 13 Fair Value Measurement, with changes in fair value recognised in profit or loss in the period of the change.

[1]The company's registered office address changed from 1 Kingsway London United Kingdom, WC2B 6AN on the 29 April 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 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 of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The Company has an investment in one operational non-recourse PPP Project company which yields annual interest, dividends and loan repayments. The cash flow from the project yield comfortably covers the Company's expected cash flow requirements for overheads and targeted dividend distribution policy.

The Company has sufficient financial resources together with public sector long-term contracts across a range of Infrastructure projects. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully.

2.3 Revenue recognition

(i) Interest income
Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time-apportioned basis, using the effective interest rate of the instrument concerned as calculated at the acquisition or origination date. Interest income is recognised gross of withholding tax, if any.

(ii) Dividend income
Dividend income is recognised when the Company's right to receive the payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably). Dividend income is recognised gross of withholding tax, if any, and only when paid by the PPP project company.

(iii) Gains on investments at fair value through profit or loss
Gains or losses that arise from the movement in the fair value of investments are presented separately from interest income and dividend income above.

Revenue excludes the value of intra-group transactions and VAT.

2.4 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, deposits held on call with banks and other short-term highly liquid deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purpose of the cash flow statement. Deposits held with original maturities of greater than three months are included in other financial assets.

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

2.5 Borrowing costs

All borrowing costs are recognised in the Income Statement in the year in which they are incurred.

2.6 Taxation

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

<u>Current tax</u>

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the Income Statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Taxation (continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the Statement of Financial Position liability method. Deferred tax liabilities are generally recognised for all taxable 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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities (other than in a business combination) in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets 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. 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 to the Income Statement 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 there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2.7 Financial instruments

Financial assets and financial liabilities are recognised on the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the instrument expire or the asset is transferred and the transfer qualifies for derecognition in accordance with IFRS 9 'Financial Instruments' and IFRS 13 'Fair Value Measurement'.

i) Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Investments at fair value through profit or loss

Investments at fair value through profit or loss are designated upon initial recognition as financial assets at fair value through profit or loss. The Company's policy is to fair value both the equity and subordinated debt investments in PPP assets together. Subsequent to initial recognition, the investments are measured on a combined basis at fair value with changes recognised within operating income in the Income Statement.

The Company's investments comprises both equity and debt. Both elements are exposed to the same primary risk, being performance risk. This performance risk is taken into consideration when determining the discount rate applied to the forecast cash flows. In determining fair value we have considered observable market transactions and have measured fair value using assumptions that market participants would use when pricing the asset including assumptions regarding risk. The debt and equity are considered to have the same risk characteristics. As such the debt and equity form a single class of financial instrument for the purposes of disclosure. The Company measures its investment as a single class of financial assets at fair value in accordance with IFRS 13 'Fair Value Measurement'.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (CONTINUED)

Investments in subsidiaries
The Company qualifies as an Investment Entity as it:
1) Obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
2) Commits to its investor(s) that its business purpose is to invest funds solely for returns from investment income, capital appreciation, or both; and
3) Measures and evaluates the performance of substantially all of its investments on a fair value basis

Consequently, under IFRS 10 and Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27, the Company is required to measure its investments in subsidiaries at fair value through profit or loss, except where the subsidiary provides investment-related services or activities. The Company measures its investments in PPP assets in accordance with IFRS 13 Fair Value Measurement, with changes in fair value recognised in profit or loss in the period of the change. Fair values for those investments for which a market quote is not available, are determined using the income approach which discounts the expected cash flows at the appropriate rate. Estimates such as future cash flows are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. In determining the discount rate, management applies their judgement in determining the appropriate risk-free rates and specific risks, and considering the evidence of recent transactions. Management deems the discount rate to be one of the most significant unobservable inputs and any change in it could have a material impact on the fair value of the investments.

b) Loans and receivables
Trade receivables, loans and other receivables that are non-derivative financial assets and that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and other receivables'. Loans and other receivables are measured at amortised cost using the effective interest method, less any impairment. They are included in current assets, except where maturities are due in greater than 12 months after the Statement of Financial Position date which are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the Statement of Finanical Position.

ii) Financial liabilities and equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

a) Equity instruments - share capital
The nominal amount of shares issued is included in the share capital account.

b) Equity instruments - share premium
The balance of proceeds received net of direct issue costs is recorded as share premium.

c) Financial liabilities
Financial liabilities are classified as other financial liabilities, comprising of:

- Loans and borrowings are recognised initially at fair value of the consideration received, less transaction costs. Subsequent to initial recognition, loan and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

- Other non-derivative financial instruments are measured at amortised cost using the effective interest method less any impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (CONTINUED)

iii) Fair value estimation

The fair value of financial instruments that are not traded in active markets is derived in one of two ways:

a) Investments at fair value through profit or loss

Fair value is calculated by discounting future cash flows, from investments in equity (dividends and equity redemptions) and subordinated loans (interest and repayments), to the Company at an appropriate discount rate. The basis of discount rates are long run average government bond rates adjusted for an appropriate premium to reflect PPP specific risk. Risk premia are then added to this adjusted base gilt rate depending on the phase of the project. The discount rates that have been applied to the investments at 31 December 2018 were in the range 6.00% to 9.50% (2017: 7.00% to 9.50%). Refer to note 8 for details of the areas of estimation in the calculation of the fair value.

b) Loans and receivables, borrowings and payables

Loans and borrowings are held at amortised cost.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the fair value of assets and liabilities that affect reported amounts.

<u>Critical accounting judgements</u>

Fair value of PPP investments

Fair values for those investments for which a market quote is not available are determined using the income approach which discounts the expected cash flows at the appropriate rate. The Directors have applied their judgement in determining this valuation methodology and concluded that this is the most appropriate valuation method given the predictability and nature of the underlyng cash flows generated from the investments.

Key assumptions and sources of estimation uncertainty

Estimates such as future cash flows are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. These cash flows also contain various assumptions, most significantly the inflation rate, deposit rate and tax rates used in forecasting the expected cash flows for each period. Sensitivity to the discount rate and its impact on the fair value of investments at fair value through profit and loss is disclosed in note 8.

In determining the discount rate, management applies their judgement in determining the appropriate risk-free rates and specific risks, and consider the evidence of recent transactions. Management deems the discount rate to be one of the most significant unobservable inputs and any change in it could have a material impact on the fair value of the investments. Underlying assumptions and discount rates are disclosed in note 8.

Investment entities

The Directors have satisfied themselves that the PPP investments share the same investment characteristics and as such constitute a single asset class for IFRS 7 disclosure purposes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

4. OPERATING PROFIT

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

The audit fee for Palio (No 14) Limited of £3,000 (2017: £2,343) has been borne by JLIF Limited Partnership who will not seek recovery from the Company

The Company had no employees other than directors for the current year or preceding year. There was no directors' remuneration for the current year or preceding year.

5. FINANCE COST

	2018 £'000s	2017 £'000s
Interest expense on loans from immediate parent company	346	350
Total finance cost	346	350

6. TAX

	2018 £'000s	2017 £'000s
Current Tax		
UK Corporation tax	-	-
Total Current Tax	-	-
Deferred Tax		
Prior year adjustment - derognition of deferred tax liability	-	(469)
Total Deferred tax	-	(469)
Total credit on profit	-	(469)

Factors affecting tax credit for the year:

	2018	2017
Profit before taxation	726	937
Profit multiplied by the blended rate of corporation tax in the UK of 19% (2017: blended rate of 19.25%)	140	180
Effect of:		
Net (gain) on investments at FV through profit or loss	(140)	(180)
Prior year adjustment - derecognition of deferred tax liability	-	(469)
Total tax credit for the year	-	(469)

The government substantively enacted in the Finance Act 2016 the Corporation Tax main rate in the United Kingdom at 19% for the years starting 1 April 2017, 2018 and 2019, and a further reduction to 17% for the year starting 1 April 2020.

7. DIVIDENDS

No dividends were paid or recommended to be paid by the Company during the year ended 31 December 2018 (2017: £nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The table below shows the movement in the fair value of the Company's portfolio of PPP assets. These assets are held directly by the Company and through other intermediate holding companies. The table below also presents a reconciliation of the fair value of the asset portfolio to the Company statement of financial position as at 31 December 2018, by incorporating the fair value of these intermediate holding companies.

	2018	2017
	£'000s	£'000s
Opening balance	7,029	6,000
Interest received from investments*	(346)	(351)
Loan stock and equity repayments	-	(80)
Movement in accrued interest	173	172
Unwind of discount rate and other movements*	843	1,296
Discount rate movement*	229	(9)
Carrying amount at 31 December	7,928	7,029

*Net gain on investments at fair value through profit or loss for the year ended 31 December 2018 is £726,000 (2017: gain of £936,000). The net gain on investments at FV through P&L on Level 3 financial instruments is within the 'net gain on investments at fair value through profit or loss' line in the P&L.

The Ultimate Parent Company's Investment Advisor has carried out fair market valuations of the investments as at 31 December 2018. The Directors have satisfied themselves as to the methodology used, the discount rates applied and the valuation. The investments are all investments in PPP projects and are valued using a discounted cash flow methodology. The valuation techniques and methodologies have been applied consistently with the methodology used to value the investments since the launch of the ultimate parent company John Laing Infrastructure Fund Limited in 2010. Discount rates applied range from 6.00% to 9.50% (2017: 7.00% to 9.50%).

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

	2018	2017
Long term inflation rates - UK	3.00%	2.75%
Deposit interest rates (UK)	1.00% for 2019 and rising to 2.50% from 2022	1% for 2018 and rising to 2.50% from 2021

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. These reductions have been included in the valuation at 31 December 2018.

The fair value of the PPP investments would be an estimated £0.6 million higher or £0.5 million lower (2017: £0.6 million higher or £0.5 million lower) if the discount rate used in the discounted cash flow analysis were to differ by 1% from that used in the fair value calculation.The weighted average discount rate for the ultimate parent's PPP portfolio including this investment as at 31 December 2018 was 7.46% (2017: 7.74%).

Details of investments recognised at fair value through profit or loss were as follows:

	% holding 31 December 2018		% holding 31 December 2017	
Investments	Equity	Subordinated loan stock	Equity	Subordinated loan stock
Collaborative Services Support (NE) Holdings Limited	100.0%	100.0%	100.0%	100.0%

There are no future loan stock or capital commitments on investments held at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

9. TRADE AND OTHER PAYABLES

	2018	2017
	£'000s	£'000s
Accruals and deferred income	448	275
Balance at 31 December	448	275

10. LOANS AND BORROWINGS

	2018	2017
	£'000s	£'000s
Non-current liabilities		
Loan from parent company	2,884	2,884
Balance at 31 December	2,884	2,884

The loan from Parent Company is repayable in line with repayments schedules. Interest is charged on an arm's length basis at a fixed rate of 12%.

The carrying amount of these liabilities approximates their fair value.

11. SHARE CAPITAL

	2018	2017
	£'000s	£'000s
Issued and fully paid		
50,001 (2017: 50,001) ordinary shares of £1 each	50	50

The Company is authorised to issue an unlimited number of shares.

At present, the Company has one class of ordinary shares which carry no right to fixed income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

12. RETAINED EARNINGS

	2018 £'000s	2017 £'000s
Opening balance	3,820	2,414
Profit for the year	726	1,406
Balance at 31 December	4,546	3,820

13. TRANSACTIONS WITH RELATED PARTIES

As a wholly owned subsidiary of Jura Infrastructure Limited, the Company has taken advantage of the exemption under IAS 24 (revised), 'Related party disclosures' not to provide information on related party transactions with other undertakings within Jura Infrastructure Limited.

The following transactions took place between the Company and its subsidiary during the year:

	2018 £'000s	2017 £'000s
Collaborative Services Support (NE) Holdings Limited		
Income statement		
Subordinated loan interest	346	351
Balance due*		
Subordinated loan	2,884	2,884
Subordinated loan interest	435	262

* form part of the investment at fair value through profit and loss

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

14. FINANCIAL INSTRUMENTS

CAPITAL RISK MANAGEMENT

Capital management
The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to the shareholder through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from 2017.

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 as disclosed in notes 11 and 12. The Company aims to deliver its objective by investing available cash and using leverage whilst maintaining sufficient liquidity to meet ongoing expenses and dividend payments.

Gearing ratio

As at the reporting date, the Company had outstanding debt of £2.9m (2017: £3m) which represented a gearing ratio of 39% (2017: 55%).

FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and inflation risk), credit risk, liquidity risk, and capital risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company's investment entities use derivative financial instruments to hedge certain risk exposures.

The financial risks of the Company's investments are hedged at the inception of a project. The various types of financial risk are managed as follows:

Market risk - Interest rate risk

The Company's interest rate risk arises on the floating rate deposits. The Company does not have borrowings issued at variable rates and therefore is not subject to interest rate risk on its liabilities.

Each PPP investment hedges its interest rate risk at the inception of a project. The PPP investment is bank financed, with variable rate debt which are swapped into fixed rate by the use of interest rate swaps.

The fluctuations in interest rates impact the return from floating rate deposits and hence the income from investments at fair value through profit or loss.

Market risk - Inflation risk

The investment has part of its revenue and some of its costs linked to a specific inflation index at inception of the project. This creates a natural hedge, meaning a derivative does not need to be entered into in order to mitigate inflation risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

14. FINANCIAL INSTRUMENTS

CAPITAL RISK MANAGEMENT (CONTINUED)

Credit risk

Credit risk is the risk that a counterparty of the Company, its subsidiaries or its PPP project companies will default on the contractual obligations they entered into. Credit risk is subsumed within the overall Company's performance risk. Credit risk is managed by the Company's ultimate parent.

The Company and its subsidiary rely on the performance of their main counterparties where credit risk arises, mainly from the Company's investments in PPP projects.

The performance risk arises from the PPP investments' inability to pay the forecast distributions as the Company relies on its PPP investments project companies to perform adequately and return the expected yields.

Several factors could hinder this ability such as poor operational performance, exceptional expenditures, major maintenance overspend or an event that would affect the PPP project company's cover ratios. The PPP investments are also dependent on the performance of their main operational contractors. The Company's ultimate parent regularly monitors the contractors' concentration and financial strength.

The parent company Directors and Investment Adviser regularly assess the returns forecast from PPP investments through the update of cash flow forecasts and by monitoring the operational and financial performance of these investments with regular performance meetings.

The PPP investments' project companies receive regular, long-term, index-linked revenue from government departments, public-sector or local authority clients or directly from the public via real tolls, providing a stable and low-risk income stream.

Credit risk also arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. The company's ultimate parent mitigates its risk on cash investments and derivative transactions by only transacting with banking counterparties with high credit ratings assigned by international credit rating agencies (a minimum of Standard and Poor's A-1).

The Directors believe that the Company is not significantly exposed to credit risk and that its investments' underlying risks are monitored and sufficiently mitigated for the investments to deliver the expected return.

The Directors have considered the above factors and the discount rate sensitivities disclosed in note 8 and does not consider it appropriate to present a separate analysis of credit risk.

Liquidity risk

The Group adopts a prudent approach to liquidity management by maintaining sufficient cash and available committed facilities to meet its obligations. Due to the nature of its investments (PPP projects) the timing of cash outflows is reasonably predictable and, therefore, is not a major risk to the Group.

The Group's liquidity management policy involves projecting cash flows in major currencies and assuming the level of liquid assets necessary to meet these.

Capital risk

The Company's capital structure comprises its equity and intercompany debt (refer to the Statement of Changes in Equity). As at 31 December 2018 the Company had no external debt outstanding (2017: £nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

14. FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments by category:

	31 December 2018				
	Cash and bank balances	Loans and receivables	Financial assets at FVTPL*	Financial liabilities at amortised cost	Total
Levels	**	**	3	**	
	£'000s	£'000s	£'000s	£'000s	£'000s
Non-current assets					
Investments at fair value through profit or loss (Level 3)	-	-	7,928	-	7,928
Total financial assets	-	-	7,928	-	7,928
Current liabilities					
Trade and other payables	-	-	-	(448)	(448)
Non-current liabilities					
Interest bearing loans and borrowings	-	-	-	(2,884)	(2,884)
Total financial liabilities	-	-	-	(3,332)	(3,332)
Net financial instruments	-	-	7,928	(3,332)	4,596

	31 December 2017				
	Cash and bank balances	Loans and receivables	Financial assets at FVTPL*	Financial liabilities at amortised cost	Total
Levels	**	**	3	**	
	£'000s	£'000s	£'000s	£'000s	£'000s
Non-current assets					
Investments at fair value through profit or loss (Level 3)	-	-	7,029	-	7,029
Total financial assets	-	-	7,029	-	7,029
Current liabilities					
Trade and other payables	-	-	-	(275)	(275)
Non-current liabilities					
Interest bearing loans and borrowings	-	-	-	(2,884)	(2,884)
Total financial liabilities	-	-	-	(3,159)	(3,159)
Net financial instruments	-	-	7,029	(3,159)	3,870

** FVTPL = Fair value through profit or loss*

*** the carrying value of cash and bank balances, loans and receivables and financial liabilities at amortised cost materially equate to their fair values.*

The above table provides an analysis of financial instruments that are measured subsequent to their initial recognition at fair value as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs to the asset or liability that are not based on observable market data (unobservable inputs).

There were no Level 2 assets or liabilities during the year (2017: none). There were no transfers between Level 1 and 2, Level 1 and 3 or Level 2 and 3 during the year (2017: none).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

14. FINANCIAL INSTRUMENTS (CONTINUED)

Reconciliation of Level 3 fair value measurement of financial assets and liabilities

An analysis of the movement between opening to closing balances of the investments at fair value through profit or loss is given in note 8. For financial assets at fair value through profit or loss, changing the discount rate used to value the underlying instruments would alter the fair value.

The investments at fair value through profit or loss, whose fair values include the use of level 3 inputs, are valued by discounting future cash flows from investments in both equity (dividends and equity redemptions) and subordinated loans (interest and repayments) to the Company at an appropriate discount rate. The basis of each discount rate, which is a weighted average cost of capital, is a long run average government bond rates adjusted by an appropriate premium to reflect PPP specific risk, phase of the PPP project and counterparty credit risk. The discount rate applied was in the range of 6.00% to 9.50% (2017: 7.00% to 9.00%). The discount rate is considered the most significant unobservable input through which an increase or decrease would have a material impact on the fair value of the investments at fair value through profit or loss.

The fair value of the PPP investments would be an estimated £0.6 million higher or £0.5 million lower (2017: £0.6 million higher or £0.5 million lower) if the discount rate used in the discounted cash flow analysis were to differ by 1% from that used in the fair value calculation.The weighted average discount rate for the ultimate parent's PPP portfolio including this investment as at 31 December 2018 was 7.46% (2017: 7.74%).

For a sensitivity analysis of Financial Assets at fair value through profit or loss, refer to Note 8.

15. GUARANTEES AND OTHER COMMITMENTS

As at 31 December 2018 the Company had no commitments (2017: no commitments).

16. DISCLOSURE - SERVICE CONCESSION ARRANGEMENTS

The Company holds investments in service concession arrangements in the Justice & Emergency Services. The concessions vary on the obligations required but typically require the construction and operation of an asset during the concession period. The concession may require the acquisition or replacement of an existing asset or the construction of a new asset. The operation of the asset may include the provision of facilities management services like cleaning, catering, caretaking and major maintenance. At the end of the concession period on the majority of the concessions the assets are returned to the concession provider. As at 31 December 2018 all the service concessions were fully operational (2017: All).

The rights of both the concession provider and concession operator are stated within the specific project agreement. The standard rights of the provider to terminate the project include poor performance and in the event of force majeure. The operator's rights to terminate include the failure of the provider to make payment under the agreement, a material breach of contract and relevant changes of law which would render it impossible for the service company to fulfil its requirements.

					Period of concession			
Sector	Company name	Project name	% owned	Short description of concession arrangement	Start date	End date	No. years	Project capex
Justice & Emergency Services	Collaborative Services Support NE Limited	North East Fire & Rescue	100%	Design, construction, finance and operation of five community fire stations in North East England.	24-May-2010	16-May-2035	26	Construction costing £27 million.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2018

17. ULTIMATE PARENT UNDERTAKING

The Company's immediate parent entity is JLIF Limited Partnership, a partnership incorporated in Great Britain under the Limited Partnership Act 1907, which acts through its General Partner, JLIF (GP) Limited, a company registered in England and Wales. JLIF Limited Partnership is incorporated in Great Britain and registered address is 120 Aldersgate Street, London, EC1A 4JQ.

The Company's ultimate parent and controlling entity prior to 28 September 2018 was Jura Infrastructure Limited, a company incorporated in Guernsey, Channel Islands. Jura Infrastructure Limited (formerly John Laing Infrastructure Fund Limited renamed Jura Infrastructure Limited on 12 October 2018) was taken over on 28 September 2018 by Jura Acquisition Limited, a newly formed Guernsey registered company, subsidiary of Jura Holdings Limited owned by a consortium jointly-led by funds managed by Dalmore Capital Limited and Equitix Investment Management Limited. The Directors now regard Jura Holdings Limited as the ultimate parent of the Company. Copies of the financial statements are available from the Guernsey registry website. The Directors consider that there is no ultimate controlling entity.

18. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURE

Name of Subsidiaries and Joint Ventı	Registered Office Address	Place of Incorporation	Percentage of interest	Financial year end	Net assets/ (liabilities) £000	Profit & (Loss) for the year £000
Collaborative Services Support NE Holdings Limited	**	United Kingdom	100.00%	31/12/2018	50	-
Collaborative Services Support NE Limited	**	United Kingdom	100.00%	31/12/2018	(5,957)	(107)

* Indirectly held by the Company
**8 White Oak Square, London Road, Swanley, Kent, BR8 7AG

At 31 December 2018, none of the above subsidiaries are consolidated (2017: none).

19. EVENTS AFTER BALANCE SHEET DATE

On 15 October 2018, Jura Infrastructure Limited terminated the Investment Advisory Agreement with their Investment Advisor, John Laing Capital Management, whcih became effective on 1 May 2019.

JLIF Limited Partnership sold its interest in Palio (No 14) Limited on 20 September 2019. The immediate parent of Palio (No 14) Limited is now Craighouse UK 3 Limited. There is no change to the ultimate parent or ultimate controlling entity.