PALIO (NO 19) LIMITED

ANNUAL REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2019

AMENDED

Registered Number 07813464

DIRECTORS AND ADVISORS

Directors
J Pritchard
J S Gordon

Company secretary
J McKay
Pinsent Masons Secretarial Limted (Corporate secretary)

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

Auditor
Johnston Carmichael LLP
Statutory Auditor
7 - 11 Melville Street
Edinburgh
EH3 7PE

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

CONTENTS

STRATEGIC REPORT

Principal activities

The principal activity of Palio (No 19) Limited (the "Company") is to invest in PPP infrastructure projects.

Review of the business

The Company currently holds 20% interest in ESP (Holdings) Limited. During the year, the company continued to receive revenues from its investment in the form of interest on sub debt loans. The Company reports a profit after tax for the year of £1,348,000 (2018: profit of £362,000) and a positive movement in investments at fair value of £1,348,000 (2018: positive movement of £362,000).

The Company meets the definition in IAS 28 (May 2011) Investments in Associates and Joint Ventures of a venture capital organisation or similar entity and upon initial recognition has designated its investment in joint venture and associates at fair value through profit or loss. The Company therefore measures its interest in joint ventures and associates at fair value in accordance with IFRS 9 Financial Instruments and IFRS 13 Fair Value Measurement, with changes in fair value recognised in profit or loss in the period of the change.

There have been no events subsequent to 31 December 2019 which require adjustment of or disclosure in the financial statements or notes thereto.

The Directors have considered the impact of Coronavirus (COVID-19) and based on our risk assessment, 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. The Directors consider the emergence of the Covid-19 Coronavirus pandemic to be a non-adjusting post balance sheet event. Further details can be found in note 21 to the financial statements.

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.

Fair value of investments

The Directors apply judgement in order to assess the reasonableness of assumptions used in determining the fair value of the Company's investment. The project is valued by discounting the forecast future cash flows taken from the underlying project financial models to the relevant revaluation date. A discount which rate takes into account the risks and opportunities associated with the project's earnings and is applied to the

Key performance indicators

The key performance indicator for the Company is the net assets attributable to shareholders of £5,526k (2018: £4,178k), as detailed on page 7 of the financial statements.

Future developments

In 2021 the Directors do not forsee any changes in the business or the underlying projects.

Approved by the Board and signed on its behalf by

J Pritchard
Director
1st December 2021

DIRECTORS' REPORT

The Directors submit their Annual Report and the audited financial statements for the year ended 31 December 2019.

The Company is a limited company incorporated in England. The Company is wholly owned by Craighouse UK 3 Limited, a company incorporated in Jersey. Craighouse UK 3 Limited is an indirectly wholly owned subsidiary of Jura Holdings 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 2019 (2018: £nil).

Directors

The Directors who served throughout the year were as follows:

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

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 (2018: none).

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 2019 (2018: none), as no cash flows have been paid or received by the Company.

Disclosure of Information to 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.

Johnston Carmichael LLP were appointed auditors at a meeting of the Board of Directors, a resolution that they be re-appointed will be put to a General Meeting.

Approved by the Board and signed on its behalf by

J Pritchard
Director
1st December 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and Financial Statements for each financial year in accordance with the Companies Act 2006 and International Financial Reporting Standard (IFRS) as adopted by the European Union. The Directors are responsible for preparing financial statements for each financial period that 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 IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the Annual Report and Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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 19) Limited

Opinion

We have audited the revised financial statements of Palio (No 19) Limited (the 'company') for the year ended 31 December 2019 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and notes to the revised financial statements, including a summary of significant accounting policies. These revised financial statements replace the original financial statements approved by the directors on 5 February 2021. 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. The revised financial statements have been prepared under the Companies (Revision of Defective Accounts and Reports) Regulations 2008 and accordingly do not take account of events which have taken place after the date the original financial statements were approved.

In our opinion the revised financial statements:

- give a true and fair view, seen as at the date the original financial statements were approved, of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union seen as at the date the original financial statements were approved; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as they have effect under the Companies (Revision of Defective Accounts and Reports) Regulations 2008.

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 revised 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 revised 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.

Emphasis of matter

We draw attention to the amendment to accounts policy on page 9 to these revised financial statements which describes the need for revision of note 10 and the presentation of the investment table. This is now being shown as a single unit of account rather than a split between debt and equity. The original financial statements were approved on 5 February 2021 and our previous audit report was signed on that date. We have not performed a subsequent events review for the period from the date of our previous auditor's report to the date of this report. Our opinion is not modified in this respect.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the revised financial statements is not appropriate; or
- directors not disclosed in the revised 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 original financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the revised financial statements and our auditor's report thereon. Our opinion on the revised 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 revised financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the revised 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 revised 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 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 Strategic Report and the Directors' Report for the financial year for which the revised financial statements are prepared is consistent with the revised financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In our opinion, the original financial statements for the year end 31 December 2019 properly complied with the requirements of the Companies Act 2006. Notwithstanding that the basis for the revised financial statements more appropriately reflects the of the nature of the balances explained by the directors in note 2.2 to the financial statements.

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 Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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 revised 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.

Independent auditor's report to the members of Palio (No 19) Limited (Continued)

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the revised 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 revised financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the revised 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 revised financial statements

Our objectives are to obtain reasonable assurance about whether the revised 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 revised financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the revised financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the revised financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the revised financial statements, including the disclosures, and whether the revised financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We are also required to report whether in our opinion the original financial statements failed to comply with the requirements of the Companies Act 2006 in the respects identified by the directors. The audit of revised financial statements includes the performance of procedures to assess whether the revisions made by the directors are appropriate and have been properly made.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the company's members, as a body, in accordance with the Companies (Revision of Defective Accounts and Reports) Regulation 2008. 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

Irvine Spowart (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP
Chartered Accountants
Statutory Auditor

3 December 2021

7-11 Melville Street
Edinburgh
EH3 7PE

INCOME STATEMENT
for the year ended 31 December 2019

	Notes	2019 £'000s	2018 £'000s
Other interest receivable and similar income		146	182
Net Gain on fair value of investments	10	1,348	362
Investment income		1,494	544
Operating profit	4	1,494	544
Interest payable and similar expenses	7	(146)	(182)
Profit before taxation		1,348	362
Tax on profit/(loss)	8	-	-
Profit for the financial year		1,348	362

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 2019

	Notes	2019 £'000s	2018 £'000s
Non-current assets			
Investments at fair value through profit or loss	10	5,783	5,941
Total non-current assets		5,783	5,941
Current assets			
Trade and other receivables	11	552	-
Total current assets		552	-
Total assets		6,335	5,941
Current liabilities			
Trade and other payables	12	(569)	(423)
Total current liabilities		(569)	(423)
Non-current liabilities			
Loans and borrowings	13	(240)	(1,340)
Total non-current liabilities		(240)	(1,340)
Total liabilities		(809)	(1,763)
Net assets		5,526	4,178
Equity			
Share capital	14	17	17
Retained earnings	15	5,509	4,161
Total equity		5,526	4,178

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

The financial statements of Palio (No 19) Limited, registered number 07813464, were approved by the Board of Directors and authorised for issue on 1st December 2021. They were signed on its behalf by:

J Pritchard
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

Statement of Changes in Equity in 2019

	Notes	Share capital £'000s	Share premium account £'000s	Retained earnings £'000s	Total equity £'000s
Balance at 1 January 2019	**14 & 15**	**17**	**-**	**4,161**	**4,178**
Profit for the year	**15**	**-**	**-**	**1,348**	**1,348**
Total comprehensive income for the year		**-**	**-**	**1,348**	**1,348**
Dividend paid	**7**	**-**	**-**	**-**	**-**
Balance at 31 December 2019		**17**	**-**	**5,509**	**5,526**

Statement of Changes in Equity in 2018

		Share capital £'000s	Share premium account £'000s	Retained earnings £'000s	Total equity £'000s
Balance at 1 January 2018	14 & 15	17	-	3,799	3,816
Profit for the year	15	-	-	362	362
Total comprehensive income for the year		-	-	362	362
Dividend paid	7	-	-	-	-
Balance at 31 December 2018		17	-	4,161	4,178

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

1 GENERAL INFORMATION

Palio (No 19) 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 07813464. The Company is wholly owned by Craighouse UK 3 Limited, a company incorporated in Jersey. Craighouse UK 3 Limited is an indirectly wholly owned subsidiary of Jura Holdings Limited. The Company invests in PPP infrastructure projects.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of accounting

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU and therefore the Company's financial statements comply with Article 4 of the EU International Accounting Standards ("IAS") Regulation.

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.

The Company has considered the need to prepare consolidated financial statements, however, the Company meets the definition of an Investment Entity under IFRS 10 Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) and as a result, the Company has not prepared consolidated financial statements and instead recognises its investments in PPP assets as Investments at fair value through profit or loss rather than at book value.

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/liabilities classified at their fair value through profit or loss.

The Company has not adopted during the period any new and revised International Financial Reporting Standards interpretations and amendments. 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 17 Insurance Contracts (effective 1 January 2021)

The Directors do not expect that the adoption of the standard 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 period, is shown below.

2.2 Amendment to accounts

The table documenting the movements in both equity and debt investments during the year to 31 December 2019 (rounded to the nearest £'000) in note 10 of the financial statements has been amended. The effect of this amendment is to present the fair value movement in investments at a total level, rather than presenting debt and equity instruments separately.

The carrying values of investments at 31 December 2019 have not changed following the representation of balances. This adjustment was made to reflect the position that all fair value movements during the year were attributable to the equity investments, in line with the Company's valuation policy in Note 2.8 of the financial statements. The amended accounts replace the original accounts and are now the statutory accounts.

[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 2019

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Going concern

Having reviewed the Company's investment portfolio including the associated future cash requirements and forecast receipts, the Directors are satisfied that they have a reasonable expectation that the Company will have access to adequate resources to continue in existence for the foreseeable future, at least 12 months from the date of siging 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 yield dividends. The cash flow from the projects yield comfortably covers the Company's expected cash flow requirements for overheads. The Company's forecasts and projections, taking account of reasonably possible changes in counterparty performance, show that the Company expects to be able to continue to operate.

Certain risks and uncertainties, as detailed in the note 18 have been considered by the Board. The Board has concluded that these do not represent a significant threat to the Company as its income is generated from a PPP concession which is supported by government backed cash flows and are forecast to cover the Company's committed costs.

The Directors have also considered the impact of Coronavirus (COVID-19) and based on our risk assessment, 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.

2.4 Investment entity

The Company holds one investment. The Directors have determined that the Company meets the definition of an Investment Entity per IFRS 10 as the following conditions exist:

a) The Company has obtained funds for the purpose of providing investors with professional investment management services;

b) The Company's business purpose, which was communicated directly to investors, is investing for capital appreciation and investment income; and

c) The investments are measured and evaluated on a fair value basis.

2.5 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 subsidiary 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.

2.6 Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the period. 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.

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 set off 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.

2.8 Non-derivative 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 IAS 39 'Financial Instruments: Recognition and Measurement' 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 2019

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Non-derivative financial instruments (CONTINUED)

a) Investments at fair value through profit or loss (Continued)

Investments in joint ventures and associates

The Company meets the definition in IAS 28 (May 2011) Investments in Associates and Joint Ventures of a venture capital organisation or similar entity and upon initial recognition has designated its investment in joint venture and associates at fair value through profit or loss. The Company therefore measures its interest in joint ventures and associates at fair value in accordance with IFRS 9 Financial Instruments and IFRS 13 Fair Value Measurement, with changes in fair value recognised in profit or loss in the period of the charge.

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 Financial 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) 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.

(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 both 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 rate that has been applied to the investments at 31 December 2019 is 7% (2018: 6.00% to 9.50%). Refer to note 10 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

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.

(i) Critical accounting judgements

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 underlying cash flows generated from the investments.

Investment entity status

The accounting policies reflect the Directors' assessment of the entity meeting the definition of an Investment Entity under IFRS 10. See note 2.4 for further details of this assessment.

(ii) 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. Sensitivities to these critical assumptions and their impact on the fair value of investments at fair value through profit and loss is disclosed in note 9.

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 10.

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 19) Limited of £2,700 (2018: £3,000) has been borne by Craighouse UK 2 Limited who will not seek recovery from the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

5. EMPLOYEES
The Company had no employees during the year (2018: nil).

6. Directors' remuneration
No Directors received any remuneration for services to the Company during the year (2018: nil).

7. FINANCE COSTS

	2019 £'000s	2018 £'000s
Other interest payable and similar expenses	146	182
Total finance cost	146	182

8. TAX

	2019 £'000s	2018 £'000s
Current Tax		
UK Corporation tax	-	-
Total Current Tax	-	-
Deferred Tax		
Derecognition of Deferred tax liability	-	-
Total Deferred tax	-	-
Total credit on profit/(loss)	-	-

Factors affecting tax credit for the year:

The tax assessed on the profit for the period is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019	2018
Profit before taxation	1,348	362
Profit multiplied by the blended rate of corporation tax in the UK of 19% (2018: 19%)	256	69
Effect of:		
Non-taxable UK dividends received	-	-
Net gain on investments at FV through profit or loss	(256)	(69)
Total tax credit for the year	-	-

A change to the future UK corporation tax rate was announced in the March 2020 Budget. The rate will no longer drop to 17% with effect from 1 April 2020 but will remain at the previous rate of 19%. This change had not been substantively enacted at the balance sheet date and therefore is not recognised in these financial statements. There is no impact to these financial statements.

9. DIVIDENDS

No dividends were paid or recommended to be paid by the Company during the year ended 31 December 2019 (2018: £nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

10. 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 2019, by incorporating the fair value of these intermediate holding companies.

	2019 £'000s	2018 £'000s
Opening balance	5,941	5,397
Acquisitions		-
Interest received from investments*	(146)	-
Loan stock repayments	(1,100)	-
Movement in accrued interest	(406)	182
Unwind of discount rate and other movements*	1,494	152
Discount rate movement*	-	210
Carrying amount at 31 December	**5,783**	5,941

*Net gain on investments at fair value through profit or loss for the year ended 31 December 2019 is £1,348,000 (2018: gain of £362,000)."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.

Movements in fair value are attributed to the equity portion of the investment.

The Ultimate Parent Company's Investment Advisor has carried out fair market valuations of the investments as at 31 December 2019. The Directors have satisfied themselves as to the methodology used, the discount rates applied and the valuation. The investment is in a PPP project and is valued using a discounted cash flow methodology. The discount rate applied is 7%. In determining the discount rate, regard is given to risk free rates, the specific risks of the investment and evidence of recent transactions. A 0.5% increase in the discount rate used would decrease the fair value by £0.24m. A 0.5% decrease in the discount rate used would increase the fair value by £0.25m. A 2% increase in the corporation tax rate would decrease the fair value by £0.27m.

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

	2019	2018
Long term Inflation rates (UK)	**3.00%**	3.00%
Deposit interest rates (UK)	**1.5% for 2020, 2% for 2021 and rising to 2.5% from 2022**	1.00% for 2019 and rising to 2.50% from 2022

A change to the future UK corporation tax rate was announced in the March 2020 Budget. The rate will no longer drop to 17% with effect from 1 April 2020 but will remain at the previous rate of 19%. This change had not been substantively enacted at the balance sheet date and therefore is not recognised in these financial statements.

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

	% holding 31 December 2019		% holding 31 December 2018	
Investments	**Equity**	**Subordinated loan stock**	Equity	Subordinated loan stock
ESP (Holdings) Limited	**20.00%**	**20.00%**	20.00%	20.00%
The Edinburgh Schools Partnership Limited*	**20.00%**	**20.00%**	20.00%	20.00%

* Indirectly held by the Company

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 2019

11. TRADE AND OTHER RECEIVABLES

	31 December 2019 £'000s	31 December 2018 £'000s
Amounts owed by associate companies	552	-
Balance at 31 December	552	-

12. TRADE AND OTHER PAYABLES

	2019 £'000s	2018 £'000s
Accruals and deferred income	569	423
Balance at 31 December	569	423

13. LOANS AND BORROWINGS

	2019 £'000s	2018 £'000s
Non-current liabilities		
Loan from parent company	240	1,340
Balance at 31 December	240	1,340

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 13.07%.

The carrying amount of these liabilities approximates their fair value.

14. SHARE CAPITAL

	2019 £'000s	2018 £'000s
Issued and fully paid		
16,680 (2018: 16,680) ordinary shares of £1 each	17	17

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.

15. RETAINED EARNINGS

	2019 £'000s	2018 £'000s
Opening balance	4,161	3,799
Profit for the year	1,348	362
Balance at 31 December	5,509	4,161

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

16. CAPITAL COMMITMENTS

At 31 December 2019 the company had no commitments (2018: £nil).

17. TRANSACTIONS WITH RELATED PARTIES

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

	2019 £'000s	2018 £'000s
ESP (Holdings) Limited		
Income statement		
Subordinated loan interest	**146**	182
Balance due		
Subordinated loan	**240**	1,340
Subordinated loan interest	**552**	407
Cash		
Subordinated loan	**1,100**	-

The following transactions took place between the Company and parent undertakings during the year:

	2019 £'000s	2018 £'000s
CRAIGHOUSE UK 3 LIMITED		
Income statement		
Subordinated loan interest	**(20)**	-
Balance due		
Subordinated loan	**240**	-
Subordinated loan interest	**552**	-
Cash		
Subordinated loan payment	1,100	-
JLIF Limited Partnership		
Income statement		
Subordinated loan interest	**(126)**	(182)
Balance due		
Subordinated loan	-	1,340
Subordinated loan interest	-	407
Cash		
Subordinated loan payment	-	-

18. FINANCIAL INSTRUMENTS AND MANAGEMENT OF RISK

(a) Fair value disclosures

The following is an analysis of the Company's financial instruments at the statement of financial position date compring the carrying value included in the statement of financial position with the fair value of those instruments at that date. None of the Company's financial instruments have quoted prices. Consequently, the following techniques have been used to determine fair value as follows:

i) Non-current borrowings – based on the net present value of discounted cash flows in respect of fixed rate loans

ii) Investments – based on the net present value of discounted cash flows

iii) Other receivables and payables – approximates to the carrying value because of the short maturity of these instruments

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

18. FINANCIAL INSTRUMENTS AND MANAGEMENT OF RISK (CONTINUED)

The table below compares the carrying value of the Company's financial instruments with the fair value of those instruments at 31 December 2019 using the techniques described above. The table excludes those instruments where the carrying value of the financial instrument approximates to its fair value as a result of the short term maturity of those instruments. Consequently, no financial instruments which fall due within 12 months are included in this table.

	2019		
	Carrying value £	Fair value £	Valuation method
Assets			
Non-current			
Investments	5,783	5,783	Level 3
	5,783	**5,783**	
Liabilities			
Non-current			
Loans and borrowings	240	240	Level 2
	240	**240**	

	2018		
	Carrying value £	Fair value £	Valuation method
Assets			
Non-current			
Investments	5,941	5,941	Level 3
	5,941	**5,941**	
Liabilities			
Non-current			
Loans and borrowings	1,340	1,340	Level 2
	1,340	**1,340**	

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 areobservable 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). Further details on the valuation method can be found in note10. A reconciliation of financial instruments categorised as level 3 is included in note 10.

There were no transfers between Level 1 and Level 2, Level 1 and 3 or Level 2 and 3 during the current or preceding periods.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

18. FINANCIAL INSTRUMENTS AND MANAGEMENT OF RISK (CONTINUED)

The best evidence of fair value is a quoted price in an actively traded market; where this data is available then the instrument is classified as having been determined using a Level 1 valuation. In the event that the market for a financial instrument is not active, alternative valuation techniques are used. The group does not have any financial instruments where it is eligible to apply a Level 1 valuation technique.

Where there is no active market, the Company uses internally developed valuation models, which are based on valuation methods and techniques generally recognised as standard within the industry. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty.

The effect of different economic assumptions on the fair value of the level 3 assets is disclosed in note 10.

(b) Capital risk management

Capital management
The capital structure of the Company consists of net debt less cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 14 and 15.

The Group 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 £0.2m (31 December 2018: £0.3m) which represented a gearing ratio of 4% (2018: 6%).

(c) Financial risk management
The Company's activities expose it to a variety of financial risks: market risk (including foreign currency exchange rate risk, 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:

<u>Market risk - interest rate risk</u>
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.

<u>Market risk - inflation risk</u>
The investment will typically have part of its revenue and some of its costs linked to a specific inflation index at inception of the project. In most cases this creates a natural hedge, meaning a derivative does not need to be entered into in order to mitigate inflation risk.
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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

18. FINANCIAL INSTRUMENTS AND MANAGEMENT OF RISK (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.

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 10 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 investment (PPP project) 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.

The contractual cash flows shown in the below table are the contractual undiscounted cash flows relating to the relevant financial instruments. Where the contractual cash flows are variable based on a price or index in the future, the contractual cash flows have been determined with reference to the relevant price, interest rate or index as at the statement of financial position date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

18. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk	2019 Cash flows £	2019 0 - 1 years £	2019 1 - 2 years £	2019 2 - 5 years £	2019 > 5 years £
Non-derivative financial assets					
Intercompany loans receivable *	240	-	-	-	240
Trade and other receivables	552	552	-	-	-
	792	552	-	-	240
Non-derivative financial liabilities					
Intercompany loans payable *	(240)	-	-	-	(240)
Trade and other non-interest bearing liabilities	(569)	(569)	-	-	-
	(809)	(569)	-	-	(240)

Liquidity risk	2018 flows £	2018 years £	2018 years £	2018 years £	2018 years £
Non-derivative financial assets					
Intercompany loans receivable *	1,340	-	-	-	1,340
Trade and other receivables	-	-	-	-	-
	1,340	-	-	-	1,340
Non-derivative financial liabilities					
Intercompany loans payable *	(1,340)	-	-	-	(1,340)
Trade and other non-interest bearing liabilities	(423)	(423)	-	-	-
	(1,764)	(423)	-	-	(1,340)

*Excludes interest payments. Intercompany loans are not repayable on demand.

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 2019 the Company had no external debt outstanding (2018: £nil).

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

19. ULTIMATE PARENT UNDERTAKING

The Company's ultimate parent is Jura Holdings Limited, 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.

20. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURE

Name of Subsidiaries and Joint Venture	Registered Office Address	Place of Incorporation	Percentage of interest	Financial year end	Net assets £000	Profit & Loss for the year £000
ESP (Holdings) Limited	**	UK	20.00%	31/03/2020	83	-
The Edinburgh Schools Partnership Limited*	**	UK	20.00%	31/03/2020	7,113	1,302

* Indirectly held by the Company
** Infrastructure Managers Limited, 2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF

At 31 December 2019, none of the above subsidiaries are consolidated (2018: none).

21. EVENTS AFTER BALANCE SHEET DATE

Coronavirus

The outbreak of Covid-19 and the resulting financial and economic market uncertainty could have an adverse impact on the fair value of Company's investments. The most significant conditions relating to Covid-19 arose after the reporting period and as a result the directors consider the emergence of the Covid-19 coronavirus pandemic to be a non-adjusting post balance sheet event. Any future impact on the Company is likely to be in connection with the assessment of fair value of investments at future dates.

At the date of reporting it is not possible to quantify the future financial impact of Covid-19 on the Company's investments with any degree of certainty.

22. Disclosure - service concession arrangements

The Company holds investments in service concession arrangements in the Education sector. 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 2019 all the service concessions were fully operational (2018: 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
Education	The Edinburgh Schools Partnership Limited	Various schools within the Edinburgh area	20%	Design, build, finance and operate various Schools within the Edinburgh area	01-Sep-03	31-Aug-33	30	Construction costing £116m