# JLIF HOLDINGS (REGENERATION AND SOCIAL HOUSING) LIMITED

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



**Registered Number 09341846**

## DIRECTORS AND ADVISORS

**Directors**

V Everett (appointed 1 May 2019)

J Sutcliffe (appointed 1 May 2019)

P Naylor (resigned 18 January 2019)

D Hardy (resigned 1 May 2019)

J Pritchard (resigned 1 May 2019)

**Company registered office**

120 Aldersgate Street
London
EC1A 4JQ
United Kingdom

**Auditor**

Deloitte LLP
Statutory Auditor
London
United Kingdom

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

**CONTENTS** **Page**

## STRATEGIC REPORT

The Directors present the strategic report and financial statements for the period ended 31 December 2018. The principal activity of JLIF Holdings (Regeneration and Social Housing) Limited ("the Company") is to invest in PPP infrastructure projects.

### Review of the business

JLIF Holdings (Regeneration and Social Housing) Limited (the 'Company') incorporated on 4 December 2014. The Company completed the acquisition of 80% stake in Kirklees housing project on 19 December 2014. On 15 January 2015, the Company acquired a further 20% stake in the same project, which takes the Company's interest in the Kirklees housing project to 100%.

On 30 May 2016, the Company completed the purchase of a 95% interest in the Oldham Social Housing.

During the year, the Company received its revenue from its investment in the form of interest on subordinated loans and dividends. The Company reports a profit after tax for the year of £2,051,000 (2017: profit of £819,000) and a positive movement in investments at fair value of £2,835,000 (2017: positive movement of £1,391,000).

The Company qualifies as an Investment Entity as it:

a) Obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
b) Commits to its investor(s) that its business purpose is to invest funds solely for returns from investment income, capital appreciation, or both; and
c) 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.

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 Company's undertakings are held at fair value in the Statement of Financial Position with movement 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.

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 relationship with its immediate parent. More information is provided in note 2 to the financial statements.

**STRATEGIC REPORT (continued)**

**Principal risks and uncertainties**

The principal risk faced by the Company is credit risk in relation to its investment. Credit risk is mitigated by the Company holding an investment in PPP projects, which are supported by central and local government bodies. Credit risk is subsumed within the overall Company's performance risk. Please refer to note 20 for further details on the Company's financial instruments and risks, including credit risk.

There remains uncertainty over the eventual relationship between the U.K. and the E.U. This uncertainty makes it hard to foresee what impact Brexit will have on the wider macroeconomic environment and hence the valuation of the Company's assets. The Board has considered the potential implications of Brexit to the Company and the underlying portfolio of projects. Particular areas of consideration include contractor contingency plans covering areas such as availability of staff, financing and supply chain considerations. As a result of these assessments, we do not currently believe there will be a significant impact on the Company as a direct result of Brexit; however, this cannot be guaranteed and we continue to closely monitor developments as the withdrawal process continues to evolve.

**Key performance indicators**

The key performance indicator for the Company is the net assets attributable to shareholders, being £15,263,000 (2017: £13,212,000), as detailed on page 8 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, which became effective on 1 May 2019.

JLIF Limited Partnership sold its interest in JLIF Holdings (Regeneration and Social Housing) Limited on 20 September 2019. The immediate parent of JLIF Holdings (Regeneration and Social Housing) Limited is now Fenton UK 3 Limited. There is no change to the ultimate parent or ultimate controlling entity.

Approved by the Board and signed on its behalf by

J Sutcliffe
Director
Date: 30 September 2019

**DIRECTORS' REPORT**

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

**Results and dividends**

The Directors have declared and paid total dividends of £nil (2017: £nil) in respect of the year ended 31 December 2018. The Directors recommended that no final dividend be paid (2017: £nil).

**Directors**

The Directors who served throughout the year, were as follows:

V Everett (appointed 1 May 2019)
J Sutcliffe (appointed 1 May 2019)
P Naylor (resigned 18 January 2019)
D Hardy (resigned 1 May 2019)
J Pritchard (resigned 1 May 2019)

**Principal risks and uncertainties**

See page 2 for principal risks and uncertainties.

**Cash flow statement**

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

**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.

**Future developments**

The future developments of the Company are outlined in the Strategic report on page 2.

**Auditor**

In accordance with the Company's articles, a resolution proposing that Deloitte LLP be reappointed as auditor of the Company will be put at a General Meeting.

**Statement of disclosure to auditor**

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

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

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.

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

Approved by the Board and signed on its behalf by

J Sutcliffe
Director
Date: 30 September 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 JLIF Holdings (Regeneration and Social Housing) Limited**

**Report on the audit of the financial statements**

**Opinion**

In our opinion the financial statements of JLIF Holdings (Regeneration and Social Housing) Limited (the 'company'):

- 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 adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of JLIF Holdings (Regeneration and Social Housing) 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 22.

The financial reporting framework that has been applied in their preparation is applicable law and 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 JLIF Holdings (Regeneration and Social Housing) 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
Date: 1 October 2019

**INCOME STATEMENT**
**for the year ended 31 December 2018**

| | Notes | 2018 £'000s | 2017 £'000s |
|---|---|---|---|
| Interest Income | | **1,686** | 1,747 |
| Dividend Income | | **-** | 63 |
| Net gain on investments at fair value through profit or loss | 10 | **2,835** | 1,391 |
| **Operating income** | | **4,521** | 3,201 |
| Administrative expenses | | **(3)** | (3) |
| **Operating profit** | 4 | **4,518** | 3,198 |
| Finance costs | 8 | **(2,651)** | (2,530) |
| **Profit before tax** | | **1,867** | 668 |
| Tax credit | 9 | **184** | 151 |
| **Profit for the year** | 15 | **2,051** | 819 |

The Income Statement has been prepared on the basis that all operations are continuing operations.

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

The notes on pages 10 to 23 form part of these financial statements.

## 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 | 10 | **33,012** | 31,212 |
| **Current assets** | | | |
| Trade and other receivables | 11 | **4,757** | 8,361 |
| **Total assets** | | **37,769** | 39,573 |
| **Current liabilities** | | | |
| Trade and other payables | 13 | **(1,143)** | (4,998) |
| **Net current assets** | | **3,614** | **3,363** |
| **Non-current liabilities** | | | |
| Borrowings | 12 | **(21,363)** | (21,363) |
| **Total liabilities** | | **(22,506)** | (26,361) |
| **Net assets** | | **15,263** | 13,212 |
| **Equity** | | | |
| Share capital | 14 | **-** | - |
| Retained earnings | 15 | **15,263** | 13,212 |
| **Total equity** | | **15,263** | 13,212 |

The notes on pages 10 to 23 form part of these financial statements.

The financial statements of JLIF Holdings (Regeneration and Social Housing) Limited, registered number 09341846, were approved by the Board and authorised for issue on 30 September 2019, signed on its behalf by:

J Sutcliffe
Director

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

| | | Statement of Changes in Equity in 2018 | | | |
|---|---|---|---|---|---|
| | Notes | Share capital £'000s | Share premium account £'000s | Retained Earnings £'000s | Total equity £'000s |
| **Balance at 1 January 2018** | 14 & 15 | - | - | 13,212 | 13,212 |
| | | - | - | 13,212 | 13,212 |
| Profit for the year | 15 | - | - | 2,051 | 2,051 |
| **Total comprehensive income for the year** | | - | - | 2,051 | 2,051 |
| **Balance at 31 December 2018** | | - | - | 15,263 | 15,263 |

| | | Statement of Changes in Equity in 2017 | | | |
|---|---|---|---|---|---|
| | Notes | Share capital £'000s | Share premium account £'000s | Retained Earnings £'000s | Total equity £'000s |
| Balance at 1 January 2017 | 14 & 15 | - | - | 12,393 | 12,393 |
| | | - | - | 12,393 | 12,393 |
| Profit for the year | 15 | - | - | 819 | 819 |
| Total comprehensive income for the year | | - | - | 819 | 819 |
| Balance at 31 December 2017 | | - | - | 13,212 | 13,212 |

Director

**NOTES TO THE FINANCIAL STATEMENTS**
**for the year ended 31 December 2018**

**1 General Information**

JLIF Holdings (Regeneration and Social Housing) (the 'Company') is a private limited company, domiciled and incorporated in England and Wales, having its registered office at 120 Aldersgate Street, London United Kingdom, EC1A 4JQ and having company registration number 09341846 The Company is wholly owned by JLIF Limited Partnership, the limited partner of which is JLIF LuxCo 2 S.á.r.l. The limited partner is an indirectly wholly owned subsidiary of Jura Infrastructure Limited. The Company invests in PPP infrastructure projects.

**2 Significant Accounting Policies**

**2.1 Basis of accounting**

The financial statements of JLIF Holdings (Regeneration and Social Housing) Limited have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU").

The Company adopted during the year any new and revised International Financial 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 become 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.

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

The Company has an investment in two operational PPP projects which yield 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 loan servicing.

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.

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

**2 Significant Accounting Policies (continued)**

**2.3 Operating income**

**(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.

**2.4 Investments in associates and subsidiaries**

**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.

**2.5 Cash and cash equivalents**

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

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.

**2.6 Borrowing costs**
All borrowing costs are recognised in the Income Statement in the period in which they are incurred.

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

**2 Significant Accounting Policies (continued)**

**2.7 Financial assets**

Financial assets are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs.

***Financial assets at fair value through profit or loss***

**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 comprise 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 asset at fair value in accordance with IFRS 13 'Fair Value Measurement'.

**Loans and receivables**
Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition. These are included in current assets, except where maturities are 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 Finance Position.

**Impairment of financial assets**
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

**Derecognition of financial assets**
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity. The transfer qualifies for derecognition in accordance with IFRS 9 'Financial Instruments and IFRS 13 'Fair Value Measurement'.

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

**2 Significant Accounting Policies (continued)**

**2.8 Financial liabilities**

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

***Other financial liabilities***

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

***Derecognition of financial liabilities***

Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled, or they expire.

**2.9 Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

**2.10 Fair value estimation**

**i) 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 rates that have been applied to the investments at current year discount rate 31 December 2018 were in the range from 6.00% to 9.50% (2017: 7.00% to 9.50%). Refer to note 10 for details of the areas of estimation in the calculation of the fair value.

**ii) Loans and receivables, borrowings and payables**

Loans and borrowings are held at amortised cost.

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

**2 Significant Accounting Policies (continued)**

**2.11 Taxation**

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

**Current tax**
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

**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 andassumptions about the fair value of assets and liabilities that affect reported amounts.

**Critical accounting judgements**
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. 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 10.

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.

**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. Profit for the period**

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

**5. Auditor's remuneration**

| | 2018 £'000s | 2017 £'000s |
|---|---|---|
| The analysis of auditor's remuneration is as follows: | | |
| Fees payable to the Company's auditor for the audit of the Company's financial statements | 2 | 2 |

**6. Employees**

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

**7. Directors' remuneration**

No Directors received any remuneration for services to the Company during the year (2017: none).

**8. Finance Costs**

The charge for the period can be reconciled to the profit per the income statement as follows:

| | 2018 £'000s | 2017 £'000s |
|---|---|---|
| Other interest payable | 2,651 | 2,530 |

**9. Income Tax**

| | 2018 £'000s | 2017 £'000s |
|---|---|---|
| **Current Tax** | | |
| Group relief receivable | 184 | 151 |
| UK Corporation tax | - | - |
| **Total Current Tax** | 184 | 151 |
| **Total credit on profit on ordinary activities** | 184 | 151 |
| **Factors affecting tax credit for the year:** | | |
| Profit on ordinary activities before taxation | 1,867 | 668 |
| Profit on ordinary activities multiplied by the blended corporation tax in the UK of 19.00% (2017: 19.25%) | (355) | (129) |
| Effect of: | | |
| Non-taxable UK dividends received | - | 12 |
| Net gain on investments at FV through profit or loss | 539 | 268 |
| **Total tax credit for the year** | 184 | 151 |

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.

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

## 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 statement of financial position as at 31 December 2018, by incorporating the fair value of these intermediate holding companies.

| | 2018<br>£'000s | 2017<br>£'000s |
|---|---|---|
| Opening balance | **31,212** | 30,678 |
| Dividends received from investments* | **-** | (63) |
| Interest received from investments* | **(1,686)** | (1,747) |
| Proceeds received from short-term borrowings | **(183)** | (734) |
| Loan stock and equity repayments | **(797)** | (121) |
| Movement in accrued interest | **(55)** | (2) |
| Unwind of discount rate and other movements* | **4,521** | 3,201 |
| **Fair value of the Company's investment at 31 December** | **33,012** | 31,212 |

The Company has not designated any financial assets that are not classified as held for trading as financial assets at fair value through profit or loss.

*Net gain on investments at fair value through profit or loss for the year ended 31 December 2018 is £2,835,000 (2017: gain of £1,391,000) .

The Ultimate Parent Company's Investment Advisor has carried out fair market valuations of the investments as at 31 December 2017. 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 Jura Infrastructure Limited in 2010. The discount rates applied range from 6.00% to 9.50% (2017: 7.00% to 9.50%) for the Jura Infrastructure Limited.

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% for 2019 and rising to 2.50% from 2022** | 1% for 2018 and rising to 2.50% from 2021 |

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. These reductions have been included in the valuation at 31 December 2018.

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

**10. Investments at fair value through profit or loss (continued)**

The fair value of the investments would be an estimated £2.6 million higher or £2.3 million lower (2017: £2.8 million higher or £2.4 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 these investments as at 31 December 2018 was 7.46% (2017: 7.74%).

Details of the investment recognised at fair value through profit or loss was as follows;

| | % Holding | |
|---|---|---|
| | Equity | Subordinated loan stock |
| **JLW Excellent Homes for Life Holding Company Limited** | **100%** | **100%** |
| **Inspiral Oldham Holding Company Limited** | **95%** | **95%** |

**Investments**
The Company completed the acquisition of 80% stake in Kirklees housing project on 19 December 2014. On 15 January 2015, the Company acquired a further 20% stake in the same project, which takes 100% acquisition in Kirklees housing project.

On 30 May 2016, the Company completed the purchase of a 95% interest in the Oldham Social Housing.

**11. Trade and other receivables**

| | 2018 £'000s | 2017 £'000s |
|---|---|---|
| Amount due from parent undertaking | 4,422 | 8,206 |
| Income tax | 335 | 151 |
| Other debtors | (0) | 4 |
| | 4,757 | 8,361 |

The Company had no trade or other receivable as at 31 December 2018 (2017: none).

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

## 12. Borrowings

| | 2018 £'000s | 2017 £'000s |
|---|---|---|
| Loans from parent undertaking | **21,363** | 21,363 |

**Analysis of borrowings**
Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

| | 2018 £'000s | 2017 £'000s |
|---|---|---|
| **Non-current liabilities** | | |
| Loan from parent company | **21,363** | 21,363 |
| | **21,363** | 21,363 |

The loans from parent company comprise of four interest bearing loan notes entered into for the purpose of acquiring the investments, detailed in note 20. The loan note agreements fix the loan interest rate between 5.50% and 11.66%. The corresponding loans have different repayment schedules and will be repaid per agreed repayment schedules.

## 13. Trade and other payables

| | 2018 £'000s | 2017 £'000s |
|---|---|---|
| Trade creditors | - | 0 |
| Amount due to parent undertaking | **1,141** | 4,996 |
| Accruals | **2** | 2 |
| | **1,143** | 4,998 |

## 14. Share capital

| | 2018 £'000s | 2017 £'000s |
|---|---|---|
| Issued and fully paid | | |
| 103 ordinary shares of £1 each (2017: 103 ordinary shares of £1 each ) | - | - |

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**

## 15. Retained earnings

| | 2018 £'000s | 2017 £'000s |
|---|---|---|
| Opening balance | **13,212** | 12,393 |
| Profit for the year | **2,051** | 819 |
| | **15,263** | 13,212 |

## 16. Capital commitments

At 31 December 2018 the company had no commitments (2017: none).

## 17. Related party transactions

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 the Jura Infrastructure Limited Group. Note 19 gives details of how to obtain a copy of the financial statements of Jura Infrastructure Limited.

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

| | Inspiral Oldham Holding Company Limited | | JLW Excellent Homes for Life Holding Company Limited | |
|---|---|---|---|---|
| | **2018 £'000s** | 2017 £'000s | **2018 £'000s** | 2017 £'000s |
| **Income statement** | | | | |
| Subordinated loan interest | **907** | 954 | **778** | 794 |
| Dividends | **-** | 62 | **-** | 1 |
| **Balance due *** | | | | |
| Subordinated loan | **7,283** | 7,945 | **6,562** | 6,697 |
| Subordinated loan interest | **513** | 559 | **192** | 199 |
| Upstream loan | **-** | - | **1,810** | 1,627 |

* Forms part of the investments at fair value through profit and loss

## 18. Controlling party

The Company's immediate parent entity is the JLIF Limited Partnership, a limited partnership established in England under the Limited Partnership Act 1907, which acts through its General Partner, JLIF (GP) Limited, registered in England. The Company's immediate parent entity is incorporated in Great Britain and the 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 (formerly John Laing Infrastructure Fund Limited, renamed Jura Infrastructure Limited on 12 October 2018), a company incorporated in Guernsey, Channel Islands. Jura Infrastructure Limited 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.

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

## 19. Investments in subsidiaries

Details of the Company's investment in subsidiaries at 31 December 2018 are as follows:

| Name of Subsidiaries | Registered Office Address | Country of incorporation (or residence) | Proportion of ownership interest (%) | Financial year | Net assets/ (liabilities) £'000s | Profit for the year £'000s |
|---|---|---|---|---|---|---|
| JLW Excellent Homes for Life Holding Company Limited | ** | United Kingdom | 100% | 31/12/2018 | 50 | - |
| JLW Excellent Homes for Life Limited* | ** | United Kingdom | 100% | 31/12/2018 | (4,634) | 998 |
| Inspiral Oldham Holding Company Limited | ** | United Kingdom | 95% | 31/12/2018 | 50 | - |
| Inspiral Oldham Limited* | ** | United Kingdom | 95% | 31/12/2018 | (9,041) | (6,941) |

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

## 20. Financial instruments

**Capital risk management**

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

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**

At 31 December 2018, the Company had outstanding debt of £21.4 million (2017: £21.4m) which represented a gearing ratio of 58% (2017: 62%).

**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 from within its investments.

<u>Market risk - inflation risk</u>
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**

**20. Financial instruments (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 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 Group aims to deliver its objective by investing available cash and using leverage whilst maintaining sufficient liquidity to meet ongoing expenses and dividend payments.

Capital risk

The Company's capital structure comprises its equity and inter company loan (refer to the Statement of Changes in Equity). As at 31 December 2018 the Company had no external debt outstanding (2017: none).

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

**20. 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) | - | - | 33,012 | - | 33,012 |
| **Current assets** | | | | | |
| Finance receivables at fair value through profit and loss | - | 4,757 | - | - | 4,757 |
| **Total financial assets** | - | 4,757 | 33,012 | - | 37,769 |
| **Current liabilities** | | | | | |
| Trade and other payables | - | - | - | (1,143) | (1,143) |
| **Non-current liabilities** | | | | | |
| Interest bearing loans and borrowings | - | - | - | (21,363) | (21,363) |
| **Total financial liabilities** | - | - | - | (22,506) | (22,506) |
| **Net financial instruments** | - | 4,757 | 33,012 | (22,506) | 15,263 |

| | 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) | - | - | 31,212 | - | 31,212 |
| Current assets | | | | | |
| Finance receivables at fair value through profit and loss | - | 8,361 | - | - | 8,361 |
| Total financial assets | - | 8,361 | 31,212 | - | 39,573 |
| Current liabilities | | | | | |
| Trade and other payables | - | - | - | (4,998) | (4,998) |
| Non-current liabilities | | | | | |
| Interest bearing loans and borrowings | - | - | - | (21,363) | (21,363) |
| Total financial liabilities | - | - | - | (26,361) | (26,361) |
| Net financial instruments | - | 8,361 | 31,212 | (26,361) | 13,212 |

** FVTPL = Fair value through profit or loss. The net loss on investments at FVTPL on Level 3 financial instruments is within the 'net loss on investments at fair value through profit or loss' line in the P&L.*

*** 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 1 or 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).

**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 10. 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 the 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 from 6.00% to 9.50% (2017: 7.00% to 9.50%). 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 investments would be an estimated £2.6 million higher or £2.3 million lower (2017: £2.8 million higher or £2.4 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 these investments 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 10.

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

**21. 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, which became effective on 1 May 2019.

JLIF Limited Partnership sold its interest in JLIF Holdings (Regeneration and Social Housing) Limited on 20 September 2019. The immediate parent of JLIF Holdings (Regeneration and Social Housing) Limited is now Fenton UK 3 Limited. There is no change to the ultimate parent or ultimate controlling entity.

**22. Disclosure - service concession arrangements**

The Company holds investments in two service concession arrangements. Each concession requires the construction and operation of an asset during the concession period. The operation of the asset includes the provision of facilities management services. At the end of the concession period 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** |
| Regeneration and social housing | JLW Excellent Homes for Life Limited | Kirklees Social Housing | 100% | Design, build, finance and operate 466 social housing units. | 20-Dec-2011 | 30-Jun-2034 | 23 | Constructing costing £70 million |
| Regeneration and social housing | Inspiral Oldham Limited | Oldham Social Housing | 95% | Design, regenerate, finance and operate 633 social housing units. | 30-Nov-2011 | 30-Nov-2036 | 25 | Constructing costing £70 million |