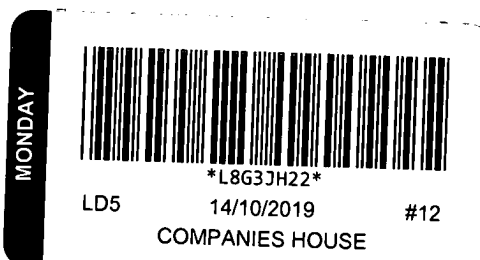


Registered number: 06800540

# **EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**



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**EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	R D Knight P A Would
<b>Company secretary</b>	E Clarke
<b>Registered number</b>	06800540
<b>Registered office</b>	3rd Floor, Suite 6C Sevendale House 5 - 7 Dale Street Manchester M1 1JB
<b>Independent auditor</b>	BDO LLP 55 Baker Street London W1U 7EU

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**EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

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**CONTENTS**

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	Page
<b>Group strategic report</b>	<b>1 - 2</b>
<b>Directors' report</b>	<b>3 - 4</b>
<b>Directors' responsibilities statement</b>	<b>5</b>
<b>Independent auditor's report</b>	<b>6 - 8</b>
<b>Consolidated statement of comprehensive income</b>	<b>9</b>
<b>Consolidated statement of financial position</b>	<b>10</b>
<b>Company statement of financial position</b>	<b>11</b>
<b>Consolidated statement of changes in equity</b>	<b>12 - 13</b>
<b>Company statement of changes in equity</b>	<b>14 - 15</b>
<b>Consolidated Statement of cash flows</b>	<b>16</b>
<b>Notes to the financial statements</b>	<b>17 - 31</b>

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## **EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

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### **GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **Introduction**

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

#### **Business review**

The Group is contracted by Leeds Partnerships NHS Foundation Trust to provide maintained mental health facilities in Leeds. Facilities management services are subcontracted to Interserve (Facilities Management) Limited; service deductions are passed down to Interserve to mitigate the risk of deductions being suffered by the Group. The Group suffered no deductions during the year or preceding period that were not passed down to the facilities management sub-contractor.

During the year Leeds PFI SPV 2 Limited (ProjectCo) refinanced keeping with the existing provider, National Australia Bank. The new senior debt facility is in place until 2027. The details of this loan are shown in note 16.

#### **Principal risks and uncertainties**

The Group manages interest rate risk via an interest rate swap agreement. All RPI risk is managed via an index linked payment mechanism.

The Group has a single client; although loss of this client would be financially significant, the Group mitigates this risk via project contracts and by only dealing with creditworthy government authorities.

The Group's board of Directors has built an appropriate liquidity risk management framework for the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

The Directors have considered the stability of financial counterparties to this project during the operational phase and have concluded that all financial counterparties have the ability to meet all contractual obligations associated to the senior lending facilities.

The Directors have also considered the ability of government authorities to continue to pay unitary fees due to the Group and do not consider this to be a material risk.

#### **Going concern**

The Group's forecasts and projections, taking into account reasonably possible changes in counterparty performance, show that the Group expects to be able to operate within the level of its current facilities and continue to meet forecast loan covenants.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

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**EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

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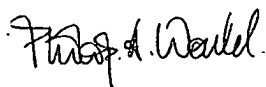
**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**Key performance indicators**

The key performance indicators for the Group are that the Group suffered minimal unavailability or service deductions during the year and preceding period and performed within the restrictions imposed by project documentation. The Group performed within the parameters expected in comparison to financial model profiling and at no time breached any covenant of the project documentation.

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



**P A Would**  
Director

Date: 10 October 2019

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## EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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The directors present their report and the financial statements for the year ended 31 December 2018.

#### Principal activity

The principal activity of the Group is to provide maintained mental health facilities to Leeds Partnerships NHS Foundation Trust under the Government's Private Finance Initiative.

The initial concession period runs to July 2028 at which point the Leeds Partnership NHS Foundation Trust has the option to extend the concession period for a further 15 years. If this is exercised the concession period can then be extended for a further 10 years by the Trust.

#### Results and dividends

The profit for the year, after taxation, amounted to £3,722 thousand (2017 - £727 thousand).

The Group continued to provide maintained mental health facilities to Leeds Mental Health Trust throughout the year and suffered no income deductions that were not fully recovered from subcontractors.

A dividend was paid in the year for £19,802 thousand (2017: £220 thousand).

#### Directors

The directors who served during the year were:

R D Knight  
P A Would

#### Future developments

The Directors of the Group are not aware of any circumstances by which the principal activity of the Group would alter or cease. The Group was incorporated on 8 December 2008.

#### Company's policy for payment of creditors

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that all Group suppliers are made aware of the terms of payment and abide by these terms. Trade creditors of the Group at 31 December 2018 were equivalent to 46 days' purchases (2017: 23 days), based on the average daily amount invoiced by suppliers during the year.

#### Qualifying third party indemnity provisions

The Directors have qualifying third party indemnity provisions put in place through other companies of which they are also directors.

#### Disclosure of information to auditor

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

- so far as that each director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- that each director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

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**EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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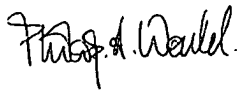
**Post balance sheet events**

There have been no significant events affecting the Group since the year end.

**Auditor**

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



**P A Would**  
Director

Date: 10 October 2019

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## **EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

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### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018**

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The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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## **EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

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### **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

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#### **Opinion**

We have audited the financial statements of Equitix Healthcare (Leeds) Holdings Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018, which comprise the Group Statement of comprehensive income, the Group and Company Statements of financial position, the Group Statement of cash flows, the Group and Company Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, Including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 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 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 Group's or the parent 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.

#### **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

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## **EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

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### **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED (CONTINUED)**

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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 this regard.

#### **Opinion 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 Group 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 Group strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report or 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

#### **Responsibilities of directors**

As explained more fully in the Directors' responsibilities statement on page 5, 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 Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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**EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EQUITIX HEALTHCARE (LEEDS)  
HOLDINGS LIMITED (CONTINUED)**

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**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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's report.

**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.



Alexander Tapp (Senior statutory auditor)

for and on behalf of

**BDO LLP, Statutory auditor**

55 Baker Street  
London  
W1U 7EU

Date: 11 OCTOBER 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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**EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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	Note	2018 £000	2017 £000
Turnover	3	10,171	11,346
Cost of sales		(2,742)	(6,627)
<b>Gross profit</b>		<b>7,429</b>	<b>4,719</b>
Administrative expenses		(2,557)	(2,307)
<b>Operating profit</b>	4	<b>4,872</b>	<b>2,412</b>
Interest receivable and similar income	6	2,799	2,856
Interest payable and expenses	7	(3,855)	(4,228)
<b>Profit before tax</b>		<b>3,816</b>	<b>1,040</b>
Tax on profit	8	(94)	(313)
<b>Profit for the financial year</b>		<b>3,722</b>	<b>727</b>
<b>Other comprehensive income for the year</b>			
Movement in cash flow hedge		826	1,156
Taxation in respect of items of other comprehensive income		(140)	(196)
<b>Other comprehensive income for the year</b>		<b>686</b>	<b>960</b>
<b>Total comprehensive income for the year</b>		<b>4,408</b>	<b>1,687</b>
<b>Profit for the year attributable to:</b>			
Owners of the parent company		(3,722)	(727)

All amounts relate to ongoing activities.

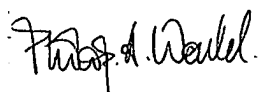
The notes on pages 17 to 31 form part of these financial statements.

**EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**  
**REGISTERED NUMBER: 06800540**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Intangible assets	9	13,821	15,264
		<u>13,821</u>	<u>15,264</u>
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	12	32,651	27,447
Debtors: amounts falling due within one year	12	2,990	1,709
Cash at bank and in hand	13	2,905	9,138
		<u>38,546</u>	<u>38,294</u>
Creditors: amounts falling due within one year		<u>(6,235)</u>	<u>(8,446)</u>
<b>Net current assets</b>		32,311	29,848
<b>Total assets less current liabilities</b>		<u>46,132</u>	<u>45,112</u>
Creditors: amounts falling due after more than one year	15	(61,000)	(44,586)
<b>Net assets excluding pension asset</b>		<u>(14,868)</u>	<u>526</u>
<b>Net (liabilities)/assets</b>		<u>(14,868)</u>	<u>526</u>
<b>Capital and reserves</b>			
Other reserves		(1,880)	(2,566)
Profit and loss account		(12,988)	3,092
<b>Equity attributable to owners of the parent Company</b>		<u>(14,868)</u>	<u>526</u>
		<u>(14,868)</u>	<u>526</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 10 October 2019.



**P A Would**  
Director

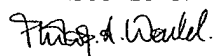
The notes on pages 17 to 31 form part of these financial statements.

**EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**  
**REGISTERED NUMBER: 06800540**

**COMPANY STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Intangible assets		35,152	27,175
		<u>35,152</u>	<u>27,175</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	1,235	1,235
		<u>1,235</u>	<u>1,235</u>
Creditors: amounts falling due within one year	14	(1,235)	(1,235)
		<u>-</u>	<u>-</u>
<b>Net current assets</b>		-	-
<b>Total assets less current liabilities</b>		<u>35,152</u>	<u>27,175</u>
Creditors: amounts falling due after more than one year	15	(27,175)	(27,175)
		<u>7,977</u>	<u>-</u>
<b>Net assets excluding pension asset</b>		7,977	-
<b>Net assets</b>		<u><u>7,977</u></u>	<u><u>-</u></u>
<b>Capital and reserves</b>			
Profit for the year		27,779	-
Other changes in the profit and loss account		(19,802)	-
		<u>7,977</u>	<u>-</u>
Profit and loss account carried forward		<u><u>7,977</u></u>	<u><u>-</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 10 October 2019.



**P A Would**  
Director

The notes on pages 17 to 31 form part of these financial statements.

**EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2018	-	(2,566)	3,092	526
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	3,722	3,722
Taxation in respect of items of other comprehensive income	-	(140)	-	(140)
Hedge effective portion of change in fair value of designated hedging	-	826	-	826
<b>Other comprehensive income for the year</b>	-	686	-	686
<b>Total comprehensive income for the year</b>	-	686	3,722	4,408
Dividends: Equity capital	-	-	(19,802)	(19,802)
<b>Total transactions with owners</b>	-	-	(19,802)	(19,802)
<b>At 31 December 2018</b>	-	(1,880)	(12,988)	(14,868)

The notes on pages 17 to 31 form part of these financial statements.

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**EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	Called up share capital	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2017	-	(3,526)	2,585	(941)
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	727	727
Taxation in respect of items of other comprehensive income	-	(196)	-	(196)
Hedge effective portion of change in fair value of designated hedging	-	1,156	-	1,156
<b>Other comprehensive income for the year</b>	-	960	-	960
<b>Total comprehensive income for the year</b>	-	960	727	1,687
Dividends: Equity capital	-	-	(220)	(220)
<b>Total transactions with owners</b>	-	-	(220)	(220)
<b>At 31 December 2017</b>	-	(2,566)	3,092	526

The notes on pages 17 to 31 form part of these financial statements.

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**EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

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**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
<b>Comprehensive income for the year</b>			
Profit for the year	-	27,779	27,779
<b>Other comprehensive income for the year</b>	-	-	-
<b>Total comprehensive income for the year</b>	-	27,779	27,779
<b>Contributions by and distributions to owners</b>			
Dividends: Equity capital	-	(19,802)	(19,802)
<b>Total transactions with owners</b>	-	(19,802)	(19,802)
<b>At 31 December 2018</b>	-	7,977	7,977

The notes on pages 17 to 31 form part of these financial statements.

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**EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

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**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	<b>Called up share capital £000</b>	<b>Total equity £000</b>
<b>Other comprehensive income for the year</b>	-	-
<b>Total comprehensive income for the year</b>	-	-
<b>Total transactions with owners</b>	-	-

The notes on pages 17 to 31 form part of these financial statements.

**EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £000	2017 £000
<b>Cash flows from operating activities</b>		
Profit for the financial year	3,722	727
<b>Adjustments for:</b>		
Amortisation of intangible assets	1,443	1,442
Amortisation of refinancing costs	18	-
Impairments of fixed assets	31	31
Corporation tax paid	(269)	-
Interest paid	3,806	4,197
Interest received	(2,799)	(2,856)
Taxation charge	94	313
(Increase)/decrease in debtors	(6,485)	854
(Decrease)/increase in creditors	(4,017)	189
Turnover for mark-up on costs	(8,595)	(8,959)
<b>Net cash generated from operating activities</b>	<b>(13,051)</b>	<b>(4,062)</b>
<b>Cash flows from investing activities</b>		
Receipts on financial asset	12,576	12,612
<b>Net cash from investing activities</b>	<b>12,576</b>	<b>12,612</b>
<b>Cash flows from financing activities</b>		
Refinancing costs	(1,403)	-
New secured loans	21,919	-
Repayment of loans	(2,666)	(2,481)
Dividends paid	(19,802)	(220)
Interest paid	(3,806)	(4,197)
<b>Net cash used in financing activities</b>	<b>(5,758)</b>	<b>(6,898)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(6,233)</b>	<b>1,652</b>
Cash and cash equivalents at beginning of year	9,138	7,486
<b>Cash and cash equivalents at the end of year</b>	<b>2,905</b>	<b>9,138</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	2,905	9,138
	<b>2,905</b>	<b>9,138</b>

The notes on pages 17 to 31 form part of these financial statements.

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## **EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **1. Accounting policies**

##### **1.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The judgments and accounting estimates applied are disclosed in Note 2.

The financial currency of the Group is Sterling and the results are presented in round £'000.

##### **1.2 Basis of consolidation**

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

##### **1.3 Going concern**

The Group's forecasts and projections, taking into account of reasonably possible changes in counterparty performance, show that the Group expects to be able to operate within the level of its current facilities and continue to meet forecast loan covenants.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

##### **1.4 Revenue**

The assets of the Group fall under Service Concession Arrangements by virtue of the fact that the public sector customer ("Grantor") passes both elements of the asset control test:

- i) The Grantor controls the use of the asset via the project agreement and all service level requirements contained therein;
- ii) The Grantor controls the entitlement to residual asset proceeds via an entitlement to purchase the asset prior to an offer to the open market which can be exercised at the Grantor's discretion.

Under section 34 of FRS102, such assets should be capitalised into a financial asset attributed to the provision of services.

Pursuant to section 23 of FRS102, revenue associated with the financial asset comprises service income related to facilities management, lifecycle maintenance and other administrative running costs of the Company.

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## **EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **1. Accounting policies (continued)**

##### **1.5 Intangible assets**

An intangible asset is recognised on the acquisition of service concession arrangements and represents the rights to future profits on the service element of these concessions. This intangible is initially recognised at fair value and is subsequently amortised over the period of service concession, ending on 31 July 2028.

At each report date, the Director's review the carrying amounts of intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

##### **1.6 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

##### **1.7 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

##### **1.8 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

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## EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 1. Accounting policies (continued)

##### 1.9 Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit or loss.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate unless hedge accounting is applied (see 1.11).

##### 1.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

##### 1.11 Hedge accounting

The Group uses variable to fixed interest rate swaps to manage its exposure to cash flow risk on its variable rate debt. These derivatives are measured at fair value at each balance sheet date.

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## **EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **1. Accounting policies (continued)**

##### **1.12 Finance costs**

Finance costs are charged to the profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

##### **1.13 Interest income**

Interest income is recognised in the profit or loss using the effective interest method.

##### **1.14 Borrowing costs**

All borrowing costs are recognised in the profit or loss in the year in which they are incurred.

##### **1.15 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

##### **1.16 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are not discounted.

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## EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 2. Judgments in applying accounting policies and key sources of estimation uncertainty

The estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are as follows:

##### Key sources of estimation uncertainty

**Financial Asset** - The calculation of the amortised cost of the financial asset requires an estimate of the residual value of the properties at the end of the lease term. This estimate has been based on the residual value allocated to the contract based on an external valuation of the properties undertaken in 2013 and applied in the financial model.

**Financial Asset Interest Rate** - The financial asset interest income is based on the weighted average cost of capital of the project and is applied to the carrying value of the Financial Asset on a quarterly basis. The interest rate used in 2018 is 9.70% (2017: 10.21%) per annum.

**Service Margin** - After the property is constructed, the group provides property management services. The remuneration for these services is recognised at cost plus an estimated mark up for profit on property management services. The service margin rate used in 2018 is 69.36% (2017: 71.90%) per annum.

##### Critical judgments

**Concession arrangements** - The concession arrangements undertaken by the group are considered to fall within the scope of section 34 of FRS 102 "Service Concession Arrangements", as described in the Turnover note. This judgment has been based on a consideration of the nature and terms of the agreements.

#### 3. Turnover

	2018 £000	2017 £000
Service revenue	10,171	11,346
	<u>10,171</u>	<u>11,346</u>

All turnover arose within the United Kingdom.

#### 4. Operating profit

The operating profit is stated after charging:

	2018 £000	2017 £000
Amortisation of intangible assets, including goodwill	1,442	1,442
Fees payable to the Group's auditor and its associates for the Company's annual financial statements	<u>10</u>	<u>8</u>

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**EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**5. Directors' remuneration**

No Directors are employed directly by the Group. A recharge is made for Directors' services. The Group had no employees during the period (2017: none).

**6. Interest receivable**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Financial asset interest receivable	<b>2,757</b>	<b>2,856</b>
Interest receivable group companies	<b>34</b>	<b>-</b>
Bank interest receivable	<b>8</b>	<b>-</b>
	<b>2,799</b>	<b>2,856</b>

**7. Interest payable and similar expenses**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Bank interest payable	<b>1,190</b>	<b>1,564</b>
Amortised debt issue costs	<b>31</b>	<b>31</b>
Interest payable to parent undertakings	<b>2,616</b>	<b>2,633</b>
Amortised refinancing costs	<b>18</b>	<b>-</b>
	<b>3,855</b>	<b>4,228</b>

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**EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**8. Taxation**

	<b>2018 £000</b>	<b>2017 £000</b>
<b>Corporation tax</b>		
Current tax on profits for the year	<b>94</b>	-
	<b>94</b>	-
<b>Total current tax</b>	<b>94</b>	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	39
Corporation tax for the period	-	274
<b>Total deferred tax</b>	-	313
<b>Taxation on profit on ordinary activities</b>	<b>94</b>	<b>313</b>
<b>Tax in respect of other comprehensive income</b>		

Tax charge in respect of other comprehensive income for the year amounted to £140k (2017: £196k).

**Factors affecting tax charge for the year**

The tax assessed for the year is the same as (2017 - the same as) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%) as set out below:

	<b>2018 £000</b>	<b>2017 £000</b>
Profit on ordinary activities before tax	<b>3,816</b>	-
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	<b>725</b>	200
<b>Effects of:</b>		
Capital allowances for year in excess of depreciation	-	124
Deferred tax movement charge to other comprehensive income	<b>(669)</b>	<b>(197)</b>
Timing differences not recognised	<b>10</b>	199
Deferred tax impact on adjustment to tax rates	<b>28</b>	<b>(13)</b>
<b>Total tax charge for the year</b>	<b>94</b>	<b>313</b>

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EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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8. Taxation (continued)

**Factors that may affect future tax charges**

A corporate tax rate reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016 and substantively enacted 15 September 2016. This will reduce the group's future current tax charge accordingly. The deferred tax asset at 31 December 2018 has been calculated based on this rate.

9. Intangible assets

**Group and Company**

	£000
<b>Cost</b>	
At 1 January 2018	25,562
At 31 December 2018	<u>25,562</u>
<b>Amortisation</b>	
At 1 January 2018	10,298
Charge for the year	1,443
At 31 December 2018	<u>11,741</u>
<b>Net book value</b>	
At 31 December 2018	<u>13,821</u>
At 31 December 2017	<u>15,264</u>

The intangible asset recorded represents the value of the future service concession profits and arose upon acquisition of the other assets acquired from Accent Foundation Limited on 13 February 2009. This intangible asset is amortised over the period of service concession, ending on 31 July 2028.

10. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The profit after tax of the parent Company for the year was £27,779NIL (2017 - £NIL).

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**EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**11. Fixed asset investments**

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

<b>Name</b>	<b>Class of shares</b>	<b>Holding</b>	<b>Principal activity</b>
Leeds PFI SPV 2 Limited	Ordinary	100 %	Provision of mental health facilities.
Leeds PFI SPV2 MidCo Limited	Ordinary	100%	Provision of financial services.

On 13 February 2009 the Company acquired all issued ordinary share capital of Leeds PFI SPV 2 Limited, a company incorporated in England & Wales, and subscribed to £27,175,000 of subordinated debt in the same subsidiary; this loan has a fixed interest coupon of 9.51%.

In December 2017 the company refinanced its senior loan debt and Equitix Healthcare (Leeds) Holdings Limited formed a new subsidiary company, Leeds PFI SPV2 MidCo Limited (MidCo), a company incorporated in England & Wales.

The HoldCo has sold its shares in ProjectCo to MidCo Limited (MidCo) in the year, for cash and new issues of shares from MidCo to HoldCo at market value. The cash consideration was equal to the HoldCo payment for the value of shares acquired in ProjectCo at £16,213,324.

The above subsidiaries have the same registered office address as the company at:

3rd Floor, Suite 6C,  
Sevendale House,  
5 - 7 Dale Street,  
Manchester,  
M1 1JB

	<b>Investments in subsidiary companies £000</b>	<b>Profit/(loss) £000</b>
Leeds PFI SPV2 MidCo Limited	16,213	-
Leeds PFI SPV 2 ProjectCo Limited	-	3,186
	<u>16,213</u>	<u>3,186</u>

**EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**11. Fixed asset investments (continued)**

	Investments in subsidiary companies £000
<b>Cost of valuation</b>	
At 1 January 2018	27,175
Additions	7,977
<b>At 31 December 2018</b>	<b>35,152</b>
<b>Net book value</b>	
At 31 December 2018	35,152
	<b>35,152</b>

**12. Debtors**

	<b>Group 2018 £000</b>	<i>Group 2017 £000</i>	<b>Company 2018 £000</b>	<i>Company 2017 £000</i>
<b>Due after more than one year</b>				
Amounts recoverable on L/T contracts	32,651	27,447	-	-
	<b>32,651</b>	27,447	-	-
	<b>Group 2018 £000</b>	<i>Group 2017 £000</i>	<b>Company 2018 £000</b>	<i>Company 2017 £000</i>
<b>Due within one year</b>				
Trade debtors	315	183	-	-
Amounts owed by group undertakings	34	-	1,235	1,235
Other taxation and social security	1,035	-	-	-
Prepayments and accrued income	1,183	1,236	-	-
Deferred taxation	423	290	-	-
	<b>2,990</b>	1,709	1,235	1,235

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**EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**12. Debtors (continued)**

Amounts owed by group undertakings is an intercompany loan totalling £16,213k owed by the parent of the company, Equitix Healthcare Limited (2017: £Nil). The loan notes have a fixed rate of 3.07% and are repayable in instalments based on a percentage of the total outstanding balance over the next 10 years.

**13. Cash and cash equivalents**

	<b>Group 2018 £000</b>	<i>Group 2017 £000</i>
Cash at bank and in hand	2,905	9,138
	<u>2,905</u>	<u>9,138</u>

**14. Creditors: Amounts falling due within one year**

	<b>Group 2018 £000</b>	<i>Group 2017 £000</i>	<b>Company 2018 £000</b>	<i>Company 2017 £000</i>
Bank loans (note 1B)	3,307	2,666	-	-
Trade creditors	479	478	-	-
Amounts owed to group undertakings	1,235	1,235	1,235	1,235
Corporation tax	98	-	-	-
Other taxation and social security	-	441	-	-
Other creditors	-	1	-	-
Accruals and deferred income	1,116	3,625	-	-
	<u>6,235</u>	<u>8,446</u>	<u>1,235</u>	<u>1,235</u>

**15. Creditors: Amounts falling due after more than one year**

	<b>Group 2018 £000</b>	<i>Group 2017 £000</i>	<b>Company 2018 £000</b>	<i>Company 2017 £000</i>
Bank loans (see note 16)	33,095	14,484	-	-
Amounts owed to group undertakings	27,175	27,175	27,175	27,175
Unamortised debt arrangement fees (see note 16)	(1,536)	(165)	-	-
Cash flow hedge - Interest rate swap	2,266	3,092	-	-
	<u>61,000</u>	<u>44,586</u>	<u>27,175</u>	<u>27,175</u>

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EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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**16. Loans**

The ProjectCo has entered into a subordinated loan note agreement with MidCo, the Company's parent undertaking. The subordinated loans are repayable in instalments based on an agreed percentage of the total facility outstanding per annum, maturing in 2028.

During the year the Company refinanced its term loan arrangements with the existing lender, extending the existing SWAP to cover the increased loan amount. The remaining unamortised arrangement fees on the old debt and unamortised refinancing costs have been disclosed in note 15 and 16.

The senior debt facility with National Australia Bank Limited consists of £36,402,000 with a floating interest rate of LIBOR + 1.10% however, this is fixed at 2.631% via an interest rate SWAP agreement facilitated by National Australia Bank. The swap expires on 31 March 2027. The loan is repayable in instalments based on an agreed percentage amount of the total facility outstanding per annum, maturing in 2027.

Analysis of the maturity of loans is given below:

	<b>Group 2018 £000</b>	<b>Group 2017 £000</b>
<b>Amounts falling due within one year</b>		
Bank loans	<b>3,307</b>	2,666
	<b>3,307</b>	2,666
<b>Amounts falling due 1-2 years</b>		
Bank loans	<b>2,991</b>	2,865
	<b>2,991</b>	2,865
<b>Amounts falling due 2-5 years</b>		
Bank loans	<b>11,149</b>	9,939
	<b>11,149</b>	9,939
<b>Amounts falling due after more than 5 years</b>		
Bank loans	<b>18,954</b>	1,680
Unamortised debt arrangement fees	<b>(1,536)</b>	(165)
	<b>17,418</b>	1,515
	<b>34,865</b>	16,985

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**EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**16. Loans (continued)**

The Group has one bank loan of £34,865,000 (2017: £16,985,000) net of deferred financing fees of £1,536,000 (2017: £165,000); repayments of this loan commenced on 31 March 2009 and will continue until 31 March 2027. The loan is secured by a charge over certain of the Group's properties and assets. Issue costs of the debt are offset against the bank loan and will be amortised over the duration of the facilities.

The subordinated debt is a back to back arrangement with the subsidiary and the terms of the loan notes in the Company are the same. This loan has a fixed interest rate of 9.51% until March 2024 at which point it is increased to 10.51% to March 2028. After this point the interest rate is increased to 10.68% until repayment in a single instalment in September 2028.

**17. Financial instruments**

	<b>Group 2018 £000</b>	<i>Group 2017 £000</i>	<b>Company 2018 £000</b>	<i>Company 2017 £000</i>
<b>Financial assets</b>				
Financial assets that are debt instruments measured at amortised cost	<b>37,034</b>	38,005	<b>28,410</b>	28,410
<b>Financial liabilities</b>				
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	<b>(2,266)</b>	(3,092)	-	-
Financial liabilities measured at amortised cost	<b>(65,177)</b>	(50,104)	<b>(28,420)</b>	(28,410)
	<b>(67,443)</b>	(53,196)	<b>(28,420)</b>	(28,410)

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, accrued income and financial assets in respect of infrastructure assets.

Financial Liabilities measured at amortised cost comprise bank loans, group loans, trade creditors, accruals and other creditors.

Derivative financial instruments designated as hedges of variable interest rate risk comprise an interest rate swap. The fair value of the interest rate swap has been determined by reference to process available from the market on which the instruments involved are traded.

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**EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**18. Deferred taxation**

**Group**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
At beginning of year	<b>290</b>	799
Charged to profit or loss	<b>273</b>	(313)
Charged to other comprehensive income	<b>(140)</b>	(196)
<b>At end of year</b>	<b>423</b>	290

The deferred tax asset is made up as follows:

	<b>Group</b>	<b>Group</b>
	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Fixed asset timing differences	<b>(235)</b>	77
Tax losses carried forward	<b>273</b>	(313)
Cash flow hedge reserve	<b>385</b>	526
	<b>423</b>	290

**19. Share capital**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Allotted, called up and fully paid</b>		
100 (2017 - 100) Ordinary shares of £1.00 each	<b>100</b>	100

**20. Related party transactions**

During the year the Group paid £43k (2017: £42k) to Equitix Healthcare Limited in relation to Directors' fees. Equitix Healthcare Limited is a related party and owns 100% of issued ordinary share capital of Equitix Healthcare (Leeds) Holdings Limited.

Amount outstanding at the year end is as described in note 12, £16,213k (2017: £Nil) in the form of an intercompany loan.

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**EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**21. Controlling party**

The Company's immediate parent company is Equitix Healthcare Limited. The Company's ultimate parent and controlling entity is Equitix Fund I LP, a limited partnership registered in England and Wales.

**22. Dividends**

Interim dividends were paid in the reporting period at £35,890 per share (2017: £2,200) for a total of £3,589,000 (2017: £220,000) and an additional £16,213,324 as part of the refinancing gain from HoldCo to the parent company, Equitix Healthcare Limited.