

## **Innisfree Canada ISF 2 Limited**

### **Annual Report and Accounts**

**for the year ended 31 March 2019**

Registered number: 10517696 (England and Wales)



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## **Company Information**

### **Directors**

D.J. Burton  
S.J. Clark  
G.C. Kewish  
T.R. Pearson  
S.C. Todd

### **Registered Number**

10517696

### **Registered Office**

First floor, Boundary House  
91/93 Charterhouse Street  
London EC1M 6HR

### **Independent Auditors**

PricewaterhouseCoopers LLP  
7 More London Riverside  
London SE1 2RT

### **Bankers**

HSBC Bank Plc  
London Commercial Banking Centre  
Level 6, 71 Queen Victoria Street  
London EC4V 4AY

### **Solicitors**

Hogan Lovells International LLP  
Atlantic House  
Holborn Viaduct  
London EC1A 2FG

## **Directors' Report for the year ended 31 March 2019**

The directors present their annual report on the affairs of the Company, together with the audited accounts and Independent auditors' report, for the year to 31 March 2019. This report has been prepared in accordance with the special provisions relating to small companies within part 15 of the Companies Act 2006.

### **Principal activity and future developments**

The principal activity of the Company is the investment in PFI/PPP projects. The directors expect the Company to carry on business in a similar fashion in the future.

### **Results and review of business**

The profit for the financial year was \$8,502,516 (period ended 31 March 2018 - \$1,253,579).

At 31 March 2019 the Company held investments in 4 projects with a combined value \$47,456,567 (2018 - \$40,637,736).

### **Key Performance Indicators**

The directors consider the value of the project investments held and profit before taxation to be the key performance indicators for the Company. Performance for the year against these has been outlined above.

### **Dividends**

Dividends of \$1,730,905 (2018 - \$2,270,332) were paid in the year. Full details are included in note 16.

### **Directors**

The directors of the Company holding office during the year and up to the date of signing of these accounts were:

D.J. Burton  
S.J. Clark  
G.C. Kewish  
T.R. Pearson  
S.C. Todd

The directors have the benefit of a qualifying third party indemnity provision (as defined in section 234 of the Companies Act 2006) as they maintain Directors' and Officers' insurance in respect of the Company and its directors. This insurance was in force throughout the year and up to the date of approval of these accounts.

### **Financial Risk Management**

The directors have considered the principal risks and uncertainties related to the Company and consider financial risk to be the most relevant. This is described in detail in note 5 to the accounts.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' Report and the accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have prepared the accounts 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' ('FRS 102'). Under company law the directors must not approve the accounts 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 the accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards including FRS 102 have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

## **Directors' Report for the period ended 31 March 2019 (continued)**

### **Statement of directors' responsibilities (continued)**

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 accounts 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.

### **Disclosure of information to auditors**

Each of the directors in office at the date of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he 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.

### **Independent auditors**

PricewaterhouseCoopers LLP was appointed as independent auditor and has indicated its willingness to continue in office for the ensuing year.

### **Strategic Report**

The Company qualifies as a small company in accordance with the Companies Act 2006 and as such a Strategic report has not been included within these accounts.

On behalf of the Board,



D. J. Burton  
Director  
28 June 2019

## **Independent auditors' report to the members of Innisfree Canada ISF 2 Limited**

### **Report on the audit of the accounts**

#### ***Opinion***

In our opinion, Innisfree Canada ISF 2 Limited's accounts:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the accounts, included within the Annual Report and Accounts (the 'Annual Report'), which comprise: the Balance sheet as at 31 March 2019, the Profit and Loss Account, the Statement of Changes in Equity for the year then ended and the notes to the accounts, which include a description of the significant accounting policies.

#### ***Basis of opinion***

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Independence***

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the accounts in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### ***Conclusions relating to going concern***

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the accounts is not appropriate; or
- the directors have not disclosed in the accounts 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 accounts are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and, in common with other companies, it is difficult to evaluate all of the potential implications on the Company's business and the wider economy.

#### ***Reporting on other information***

The other information comprises all of the information in the Annual Report other than the accounts and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the accounts 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 based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

## **Independent auditors' report to the members of Innisfree Canada ISF 2 Limited (continued)**

### ***Reporting on other information (continued)***

#### ***Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the period ended 31 March 2019 is consistent with the accounts and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

### ***Responsibilities for the accounts and the audit***

#### ***Responsibilities of the directors for the accounts***

As explained more fully in the Statement of Directors' Responsibilities set out on pages 2 and 3, the directors are responsible for the preparation of the accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, 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.

#### ***Auditors' responsibilities for the audit of the accounts***

Our objectives are to obtain reasonable assurance about whether the accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 accounts.

A further description of our responsibilities for the audit of the accounts is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### ***Use of this report***

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Other required reporting**

#### ***Companies Act 2006 exception reporting***

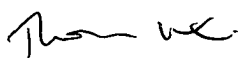
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the accounts are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### ***Entitlement to exemptions***

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



**Thomas Norrie (Senior Statutory Auditor)**  
**for and on behalf of PricewaterhouseCoopers LLP**  
Chartered Accountants and Statutory Auditors, London  
28 June 2019

**Profit and loss account  
for the year ended 31 March 2019**

	<i>Note</i>	<b>Year ended 31 March 2019</b>	<b>Period ended 31 March 2018</b> \$
Turnover	6	1,738,923	2,406,911
Administrative expenses		<u>(55,238)</u>	<u>(39,387)</u>
<b>Operating profit</b>	7	1,683,685	2,367,524
Net changes in the fair value of investments	8	<u>6,818,831</u>	<u>(1,113,945)</u>
<b>Profit on ordinary activities before taxation</b>		8,502,516	1,253,579
Taxation	10	<u>-</u>	<u>-</u>
<b>Profit for the year / period</b>		<u><b>8,502,516</b></u>	<u><b>1,253,579</b></u>

There were no other recognised gains and losses in the current year or preceding period other than the profit stated above and consequently no Statement of Comprehensive Income has been prepared.

The notes on pages 9 to 18 form an integral part of these accounts.



**Balance sheet  
as at 31 March 2019**

	<i>Note</i>	<b>As at 31 March 2019 \$</b>	<b>As at 31 March 2018 \$</b>
<b>Fixed assets</b>			
Project investments	<i>11</i>	47,456,567	40,637,736
		<u>47,456,567</u>	<u>40,637,736</u>
 <b>Current assets</b>			
Debtors: amounts falling due within one year	<i>12</i>	60,784	60,784
Cash at bank		31,249	85,522
		<u>92,033</u>	<u>146,306</u>
 <b>Current liabilities</b>			
Creditors: amounts falling due within one year	<i>13</i>	(42,505)	(49,558)
<b>Net current assets</b>		49,528	96,748
 <b>Net assets</b>		<u><b>47,506,095</b></u>	<u><b>40,734,484</b></u>
 <b>Capital and reserves</b>			
Called-up share capital	<i>15</i>	102	102
Share premium account		15,046,538	15,046,538
Profit and loss account		32,459,455	25,687,844
<b>Total equity</b>		<u><b>47,506,095</b></u>	<u><b>40,734,484</b></u>

The notes on pages 9 to 18 form an integral part of these accounts.

These accounts were approved by the Board of Directors on 28 June 2019 and were signed on its behalf.



D. J. Burton  
Director  
28 June 2019

**Innisfree Canada ISF 2 Limited**  
**Registered number: 10517696**

**Statement of changes in equity  
for the year ended 31 March 2019**

	<i>Note</i>	<b>Called-up share capital</b>	<b>Share premium account</b>	<b>Profit and loss account</b>	<b>Total equity</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Incorporation - 8 December 2016</b>		-	-	-	-
Profit for the period		-	-	1,253,579	1,253,579
Total comprehensive income for the period		-	-	1,253,579	1,253,579
Subscription of ordinary shares	15	102	41,751,135	-	41,751,237
Capital reduction		-	(26,704,597)	26,704,597	-
Dividends paid	16	-	-	(2,270,332)	(2,270,332)
Total transactions with owners recognised directly in equity		102	15,046,538	24,434,265	39,480,905
<b>Balance at 31 March 2018</b>		<b>102</b>	<b>15,046,538</b>	<b>25,687,844</b>	<b>40,734,484</b>
<b>Balance at 1 April 2018</b>		<b>102</b>	<b>15,046,538</b>	<b>25,687,844</b>	<b>40,734,484</b>
Profit for the period		-	-	8,502,516	8,502,516
Total comprehensive income for the period		-	-	8,502,516	8,502,516
Dividends paid	16	-	-	(1,730,905)	(1,730,905)
Total transactions with owners recognised directly in equity		-	-	(1,730,905)	(1,730,905)
<b>Balance at 31 March 2019</b>		<b>102</b>	<b>15,046,538</b>	<b>32,459,455</b>	<b>47,506,095</b>

The notes on pages 9 to 18 form an integral part of these accounts.

## **Notes to the accounts for the year ended 31 March 2019**

### **1. General information**

The Company is a private company limited by shares and is incorporated in England and Wales with reference 10517696. Its registered office is First floor, Boundary House, 91/93 Charterhouse Street, London EC1M 6HR.

### **2. Statement of compliance**

The accounts of the Company have been prepared in compliance with:

- Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102'); and
- The Companies Act 2006.

### **3. Accounting policies**

The principal accounting policies applied in the preparation of these accounts are set out below. The policies have been consistently applied, unless otherwise stated. The Company has adopted FRS 102 in these accounts.

#### **a) Basis of preparation of the accounts**

The accounts of the Company have been prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through the Profit and Loss Account and in accordance with the Companies Act 2006 and FRS102.

The preparation of accounts in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the accounts are disclosed in note 4.

The Company is a small entity for the purpose of FRS102 and has applied the exemptions available under FRS102 in respect of the Statement of Cash Flows and related notes.

#### **b) Going concern**

The directors have reviewed the Company's projected profit and have a reasonable expectation that the Company has adequate resources to continue for the foreseeable future. The Company therefore continues to adopt the going concern basis.

#### **c) Financial instruments**

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, which include debtors and cash at bank balances, are measured at fair value which is normally the transaction price unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. These are subsequently carried at amortised cost using the effective rate method. Financial assets are derecognised when the contractual rights to the cash flows from the asset expire or are settled.

Financial assets measured at amortised cost are assessed for objective evidence of impairment at each Balance Sheet date. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Profit and Loss Account.

Fixed asset investments are initially measured at fair value, which is normally the transaction price. Changes in fair value are measured in accordance with note 4(ii) and are recognised in the Profit and Loss Account.

Basic financial liabilities, which include creditors, are measured at fair value which is normally the transaction price. Such liabilities are subsequently carried at amortised cost using the effective rate method. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Financial liabilities are derecognised when the liability is extinguished, being the date that the contractual obligation is discharged, cancelled or expires.

Financial assets and liabilities are offset, and the net amounts presented in the accounts 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.

## Notes to the accounts for the year ended 31 March 2019 (continued)

### 3. Accounting policies (continued)

#### d) Turnover

Turnover is accounted for on an accruals basis and represents investment returns receivable from the Company's project investments in the normal course of business.

#### e) Taxation

Taxation expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity, respectively.

Current or deferred taxation assets or liabilities are not discounted.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantially enacted by the year end.

Deferred tax arises from timing differences that are the differences between taxable profits and profits as stated within the accounts. These timing differences arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the accounts. Deferred tax is recognised on all timing differences at the Balance Sheet date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date and that are expected to apply to the reversal of the timing difference.

#### f) Dividends

Dividends are recognised when the dividend is paid or approved by the shareholders. These amounts are recognised in the Statement of Changes in Equity.

#### g) Foreign currency translation

These accounts are presented in Canadian Dollars which is the functional and presentational currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions, or, where cash flows have been hedged, at the hedged rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account for the year.

### 4. Judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### i) Critical judgements in applying the entity's accounting policies

##### *Classification of investments as held exclusively with a view to subsequent resale*

The Company has classified its investments as held exclusively with a view to subsequent resale and therefore has not consolidated the underlying companies. The investments are held as part of an investment portfolio as their value to the shareholders of the Company is through fair value as part of an investment portfolio rather than a media through which the shareholders carry out business.

#### ii) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed on the next page:

## Notes to the accounts for the year ended 31 March 2019 (continued)

### 4. Judgements and key sources of estimation uncertainty (continued)

#### ii) Critical accounting estimates and assumptions (continued)

##### *Fair value of investments not quoted in an active market*

The fair value of securities that are not quoted in an active market are determined by using valuation techniques, primarily discounted cash flows and recent comparable transactions. The models used to determine the fair values are validated and periodically reviewed. In discounted cash flow models, unobservable inputs are projected cash flows of the relevant portfolio company and the risk premium for liquidity and credit risk that are incorporated into the discount rate. However, the discount rates used for valuing equity securities are determined based on historic equity returns for other entities operating in the same industry for which market returns are observable.

### 5. Financial risk management

The Company has invested in projects each operating as a PPP concessionaire in Canada. These investments in projects are typically held through a series of holding companies as described in note 11. The Company has financed the purchase of its investments by the issuance of shares to its parent, ISF2.

The main risk to the Company is that the expected cash flows from the investments, mainly dividends, are not as expected.

Each of the investee companies maintains a financial model which reflects the cash flows reflected over the remainder of the concession. At the balance sheet date, the concessions have between 24 and 31 years to run. The financial models are regularly updated to reflect actual performance and to refresh various assumptions, such as long-term maintenance costs, interest and inflation rates. The directors ordinarily receive the updated financial models at six monthly intervals in order to monitor progress. The investee companies themselves are exposed to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and inflation risk), credit risk and liquidity risk.

#### a) Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments changes due to the changes in variables such as interest rates, foreign exchange rates and inflation rates.

##### i) Interest rate risk

If rates of deposit interest increased / decreased by 50 basis points, with all other variables remaining constant, it is estimated that the effect on the net assets and the profit of the Company would be as follows:

	Year ended 31 March 2019 \$	Period ended 31 March 2018 \$
<i>Effect on net assets</i>		
Increase by 50 basis points	600,514	339,147
Decrease by 50 basis points	(597,588)	(336,206)
<i>Effect on profit</i>		
Increase by 50 basis points	600,514	339,147
Decrease by 50 basis points	(597,588)	(336,206)

##### ii) Foreign exchange risk

The Company's project investments are all denominated in the same currency as the Company's functional and presentational currency, the Canadian Dollar. Foreign exchange risk is therefore limited to the operating costs it incurs in Sterling which are minimal.

##### iii) Inflation risk

The Company's underlying investments have been structured to be broadly neutral to reasonably foreseeable variations in Canadian inflation, such that expected nominal returns are fixed. This has been achieved by contracting to receive income that is indexed in line with inflation to the extent necessary to mirror the expected impact of inflation on costs (the majority of which are similarly contractually linked to inflation).

## Notes to the accounts for the year ended 31 March 2019 (continued)

### 5. Financial risk management (continued)

#### b) Credit risk

The Company has exposure to credit risk, which is the risk that one party will cause a financial loss for the other party by failing to discharge an obligation. The Company's principal source of income is dividends received from its project investment companies that, in turn, receive income earned from their concession agreements. The Company is exposed to the risk that these underlying concession agreements fail to discharge their obligations to the investee companies.

To limit exposure to credit risk the Company has adopted a policy of contracting with credit-worthy counterparties. All concession-agreement counter-parties are Canadian public-sector bodies with established good performance track records to date. Cash flow forecasts are reviewed regularly, and the investments are expected to continue to perform well.

The Company has no significant concentration of credit risk outside of the investment companies. Cash transactions are limited to financial institutions with high credit ratings. The Company holds its bank accounts with HSBC Bank Plc which currently has the highest credit rating of all major UK clearing banks.

The maximum exposure to credit risk at the balance sheet date is the carrying amount of the financial assets, as follows:

	Year ended 31 March 2019	Period ended 31 March 2018
	\$	\$
<i>Assets</i>		
Cash at bank	31,249	85,522
Debtors	60,784	60,784
Project investments	47,456,567	40,637,736

#### c) Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Company has no debt and maintains cash balances on short-term deposit with a large financial institution. The operating costs of the Company are not large. Investment income is received periodically and in accordance with the cash flow forecasts provided by the investee companies which are updated at regular intervals. This policy ensures that the Company has sufficient funds.

The table below analyses the Company's financial liabilities at the balance sheet date. The amounts in the table are not discounted.

	Year ended 31 March 2019	Period ended 31 March 2018
	\$	\$
<i>Liabilities</i>		
Creditors	42,505	49,558

#### d) Capital risk management

The Company's objective when managing capital is to safeguard the ability to continue as a going concern in order to provide returns for shareholders and to maintain a strong capital base to secure future operations. This is principally achieved by adjusting the amount of dividends paid to shareholders.

#### e) Fair value estimation

The Company has adopted Section 34 of FRS 102 in respect of disclosures about the degree of reliability of fair value measurement. This requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - inputs are prices of a recent transaction for an identical asset; and
- Level 3 - inputs are unobservable inputs for the asset or liability.

## Notes to the accounts for the year ended 31 March 2019 (continued)

### 5. Financial risk management (continued)

#### e) Fair value estimation (continued)

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

The following table analyses the Company's financial assets (by class) measured at fair value:

As at 31 March 2019	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets designated at fair value	-	-	47,456,567	47,456,567
<b>Total assets measured at fair value</b>	<b>-</b>	<b>-</b>	<b>47,456,567</b>	<b>47,456,567</b>
As at 31 March 2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets designated at fair value	-	-	40,637,736	40,637,736
<b>Total assets measured at fair value</b>	<b>-</b>	<b>-</b>	<b>40,637,736</b>	<b>40,637,736</b>

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include project investments which are classified at fair value through the Profit and Loss Account. As observable prices are not available for these securities, the Company has used valuation techniques to derive the fair value. The main inputs into the valuation models for these equity investments include the discount rates used. The Company also considers original transaction price, recent transactions in the same or similar instruments and completed third party transactions for similar assets in comparable instruments and adjusts the model as deemed necessary.

There were no transfers between levels in the year ended 31 March 2019 (2018 - none).

### 6. Turnover

Turnover, profit before taxation and net assets are all derived from investments in public-private sector projects.

	Year ended 31 March 2019	Period ended 31 March 2018
<i>Turnover analysed by geography</i>	\$	\$
Canada	1,731,496	2,320,610
Luxembourg	7,427	86,301
	<b>1,738,923</b>	<b>2,406,911</b>
	Year ended	Period ended
	31 March 2019	31 March 2018
<i>Turnover analysed by category</i>	\$	\$
Dividend income	1,738,923	2,406,911
	<b>1,738,923</b>	<b>2,406,911</b>

## Notes to the accounts for the year ended 31 March 2019 (continued)

### 7. Operating profit

Operating profit for the period is stated after charging

	Year ended 31 March 2019 \$	Period ended 31 March 2018 \$
Auditors' remuneration		
- Statutory audit of the Company	27,100	34,133
- Statutory audit of associated companies	1,254	-
- Tax compliance services	6,154	7,997
	<hr/>	<hr/>

### 8. Net changes in the fair value of investments

	Year ended 31 March 2019 \$	Period ended 31 March 2018 \$
Revaluation of portfolio investments at fair value through profit and loss	8,550,327	1,206,665
Impairment of portfolio investments at fair value through profit and loss	(1,731,496)	(2,320,610)
	<hr/>	<hr/>
	<b>6,818,831</b>	<b>(1,113,945)</b>

Project investments comprise the Company's investments in various special purpose vehicles set up to undertake public-private sector projects. These investments are revalued annually, by the Company, to a valuation based on discounted cash flows projected to be received from each project investment. Receipts of income from these project companies throughout the period, to the extent they have previously been recorded as fair value increases through the profit and loss account, are treated as impairments in these accounts.

### 9. Employees and Directors

The Company has no employees (2018 - none). The directors of the Company received remuneration totalling £2,500 (2018 - £2,500) for their services to the Company during the period. The Company's directors are employees of Innisfree Limited, the manager of ISF2, which bore these fees on behalf of the Company.

### 10. Tax on profit

#### (a) Total tax on profit

	Year ended 31 March 2019 \$	Period ended 31 March 2018 \$
Current tax:		
UK Corporation tax	-	-
Deferred tax:		
Origination and reversal of timing differences	-	-
	<hr/>	<hr/>
Total tax on profit	<b>-</b>	<b>-</b>



## Notes to the accounts for the year ended 31 March 2019 (continued)

### 10. Tax on profit (continued)

#### (b) Reconciliation of tax charge

The tax charge is based on an effective UK corporation tax rate of 19% (2018 - 19.25%) over the year to 31 March 2019. The current tax is different to the standard rate of UK corporation tax as explained below:

	Year ended 31 March 2019 \$	Period ended 31 March 2018 \$
Profit before taxation	8,502,516	1,253,579
Profit multiplied by the standard rate of tax in the UK of 19% (2018 - 19.25%)	1,615,478	241,314
Effects of:		
- Non-taxable income	(328,984)	(461,328)
- Unrealised gains on net changes in fair value of investments not subject to tax	(1,295,578)	214,434
Losses carried forward to future periods	9,084	5,580
Total current tax	-	-

A deferred tax asset of \$14,592 (2018 - \$5,507) calculated based on the UK corporation tax rate of 19% effective for periods beginning 1 April 2019 has not been recognised as the directors believe it is unlikely that the Company will have sufficient taxable profits in the future to utilise it.

As part of the Finance (No. 2) Bill 2017, published on 20 March 2017, the UK government confirmed its intention to reduce the main rate of UK Corporation Tax to 17% by 2020. There were no changes to this announced within the Finance Act 2019 which received Royal Assent on 12 February 2019.

### 11. Project investments

Details of the Company's project investments at 31 March 2019 are as follows:

	Opening Balance 1 April 2018 \$	Impairments \$	Revaluation \$	Closing Balance 31 March 2019 \$
Bridgepoint	12,866,988	(1,007,763)	(42,935)	11,816,290
CHUM	15,458,418	-	8,372,341	23,830,759
Fort St John	9,853,739	(578,170)	187,733	9,463,302
Royal Jubilee	2,458,591	(145,563)	33,188	2,346,216
<b>Total</b>	<b>40,637,736</b>	<b>(1,731,496)</b>	<b>8,550,327</b>	<b>47,456,567</b>

## Notes to the accounts for the year ended 31 March 2019 (continued)

### 11. Project investments (continued)

Name of undertaking	Holding	Business	Registered Address
<b>'Bridgepoint'</b>			
Innisfree Health (Bridgepoint) Holdco Ltd	68%	Holding company	Suite 2300, 550 Burrard Street, Bentall 5, Vancouver, British Columbia V6C 2B5, Canada
Innisfree Health (Bridgepoint) GPco Ltd	68%	Holding company	Suite 2300, 550 Burrard Street, Bentall 5, Vancouver, British Columbia V6C 2B5, Canada
Plenary Health Bridgepoint LP	51%	PFI hospital project company	333 Bay Street, Suite 4920, Toronto, Ontario, Canada M5H 2R2
<b>'Royal Jubilee'</b>			
Innisfree ISL Health (Victoria) Holdco Ltd	68%	Holding company	20th floor, 250 Howe Street Vancouver, BC V6C 3R8, Canada
Innisfree ISL Health (Victoria) GPco Ltd	68%	Holding company	20th floor, 250 Howe Street Vancouver, BC V6C 3R8, Canada
ISL Health (Victoria) GP Management Co Ltd	34%	Holding company	20th floor, 250 Howe Street Vancouver, BC V6C 3R8, Canada
ISL Health (Victoria) General Partnership	34%	PFI hospital project company	1952 Bay Street, Victoria, BC V8R 1J8, Canada
<b>'Fort St John'</b>			
Innisfree ISL Health (FSJ) GPCO Ltd	68%	Holding company	20th floor, 250 Howe Street Vancouver, BC V6C 3R8, Canada
ISL Health (FSJ) General Partnership	34%	PFI hospital project company	Office 0313, 8407 - 112 Avenue, Fort St. John, BC V1J 0J5, Canada
<b>'CHUM'</b>			
Explore Investments No. 3 Limited	100%	Holding company	First floor, Boundary House, 91/93 Charterhouse Street, London, EC1M 6HR
Explore Health Montreal Inc	100%	Holding company	3000-1 Place Ville Marie Montréal Québec H3B 4N8, Canada
Explore Health Montreal Holding Inc	100%	Holding company	3000-1 Place Ville Marie Montréal Québec H3B 4N8, Canada
Explore Health Montreal (Partner) Inc	100%	Holding company	3000-1 Place Ville Marie Montréal Québec H3B 4N8, Canada
Health Montreal Collective LP	25%	PFI hospital project company	3000-1 Place Ville Marie Montréal Québec H3B 4N8, Canada

## Notes to the accounts for the year ended 31 March 2019 (continued)

### 12. Debtors: amounts falling due within one year

	Year ended 31 March 2019 \$	Period ended 31 March 2018 \$
Amounts due from parent undertaking	60,784	60,784
	<u>60,784</u>	<u>60,784</u>

Amounts owed by the parent undertaking are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

### 13. Creditors: amounts falling due within one year

	Year ended 31 March 2019 \$	Period ended 31 March 2018 \$
Accruals	42,505	42,130
Other creditors	-	7,428
	<u>42,505</u>	<u>49,558</u>

### 14. Financial Instruments

The Company has the following financial instruments:

	Year ended 31 March 2019 \$	Period ended 31 March 2018 \$
<u>Financial assets at fair value through profit and loss</u>		
Investments	47,456,567	40,637,736
	<u>47,456,567</u>	<u>40,637,736</u>
<u>Financial assets at amortised cost</u>		
Debtors	60,784	60,784
	<u>60,784</u>	<u>60,784</u>
<u>Financial liabilities at amortised cost</u>		
Creditors	(42,505)	(49,558)
	<u>(42,505)</u>	<u>(49,558)</u>

## Notes to the accounts for the year ended 31 March 2019 (continued)

### 15. Called-up share capital

	Year ended 31 March 2019	Period ended 31 March 2018
	\$	\$
Ordinary shares of \$1.00 each:		
Allotted and fully paid		
Balance as at 1 April	102	-
Issued 8 December 2016 (1 ordinary share of \$1 each)	-	1
Issued 9 March 2017 (99 ordinary shares of \$1 each)	-	99
Issued 1 February 2018 (1 ordinary share of \$1 each)	-	1
Issued 28 March 2018 (1 ordinary share of \$1 each)	-	1
<b>At 31 March (102 ordinary shares of \$1 each)</b>	<b>102</b>	<b>102</b>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends or the repayment of capital.

### 16. Dividends

	Year ended 31 March 2019	Period ended 31 March 2018
	\$	\$
1 <sup>st</sup> interim dividend paid - \$610.00 per share (2018 - \$8,266.06 per share)	62,220	826,606
2 <sup>nd</sup> interim dividend paid - \$4,920.00 per share (2018 - \$559.63 per share)	501,840	55,963
3 <sup>rd</sup> interim dividend paid - \$2,779.00 per share (2018 - \$3,537.50 per share)	283,458	353,750
4 <sup>th</sup> interim dividend paid - \$816.00 per share (2018 - \$3,019.62 per share)	83,232	301,692
5 <sup>th</sup> interim dividend paid - \$4,996.90 per share (2018 - \$636.18 per share)	509,684	63,618
6 <sup>th</sup> interim dividend paid - \$2,847.76 per share (2018 - \$4,191.00 per share)	290,471	423,291
7 <sup>th</sup> interim dividend paid - \$nil per share (2018 - \$2,406.00 per share)	-	245,412
<b>Total dividends paid</b>	<b>1,730,905</b>	<b>2,270,332</b>

### 17. Related party transactions

ISF2 is the beneficial owner of 100% of the Company's share capital. The Company paid dividends of \$1,730,905 (2018 - \$2,270,332) to ISF2 in the period. At 31 March 2019 \$60,784 (2018 - \$60,784) was owed to the Company by ISF2.

The Company received \$1,731,496 (2018 - \$2,320,610) of dividends from its portfolio investments in the period.

### 18. Ultimate controlling party

The ultimate and immediate parent entity is ISF2, a limited partnership registered in England and Wales. The ultimate controlling party of ISF2 is considered to be its General Partner, Innisfree Secondary Partners 2 LLP, the two members of which are both wholly owned subsidiaries of Innisfree Group Limited. Innisfree Group Limited is registered in England and Wales. The ultimate controlling party of Innisfree Group Limited is The David Antony Metter Settlement.

### 19. Post balance sheet events

On 5 April 2019 the Company received a dividend of \$70,586 from its investment in Royal Jubilee Hospital. On 11 April 2019 the Company declared and paid an interim dividend of \$55,080.

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