Innisfree Canada ISF 2 Limited

Annual Report and Accounts

for the year ended 31 March 2022

Registered number: 10517696 (England and Wales)

Contents

Company Information

Directors

D.J. Burton

S.J. Clark

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 2022 Company number: 10517696

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 2022. 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 $1,068,955 (2021 - $14,818,989).

At 31 March 2022 the Company held investments in 4 projects with a combined value of $73,624,848 (2021 - $74,100,061).

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 $1,544,289 (2021 - $1,550,615) 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
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.

COVID-19
On 30 January 2020 the World Health Organisation declared the coronavirus ('COVID-19') a public health emergency. There continues to be uncertainty about the future course of the pandemic, the duration of its economic effect and the shape of the economic recovery.

The directors consider the Company to be well positioned to mitigate against the worst consequences of the outbreak and expect the Company and its investment portfolio to continue operations throughout this period. Business continuity plans have been enacted for the Company and its investee companies and these have been effective to date. The revenues of the investee companies are resilient to the effects of COVID-19 given the predominantly public sector client base, the mainly availability-based payment mechanisms, and the pragmatic approach being adopted by clients.

The directors continue to monitor the financial health of sub-contractors given the concerns in the sector and the potential economic impact on their non- public-sector services as a result of COVID-19.

Russian invasion of Ukraine
Russia's invasion of Ukraine on 24 February 2022 triggered coordinated implementation of sanctions against Russia, Belarus and certain of their entities and nationals. The extent of the economic effect of the conflict, the sanctions, and the likely duration of the unrest remains unclear.

The business model of the Company has no direct reliance on Russia, Belarus or the Ukraine. The directors of the Company have reviewed the Company's exposure to ensure the Company is not transacting with those subject to newly imposed sanctions or entities owned or controlled by the new sanctions targets.

Directors' Report for the year ended 31 March 2022 (continued)

Russian invasion of Ukraine (continued)
The directors of the Company continue to monitor the financial health of sub-contractors which may be indirectly impacted by rises in the price of food or materials. There is no direct exposure or risk.

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.

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 auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors
PricewaterhouseCoopers LLP has indicated its willingness to continue in office as independent auditors 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 2022

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 2022 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 Directors' Report and Accounts (the "Annual Report"), which comprise: the Balance Sheet as at 31 March 2022; 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 for 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 financial statements 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the accounts are authorised for issue.

In auditing the accounts, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the accounts is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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 year ended 31 March 2022 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.

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

Responsibilities for the accounts and the audit

Responsibilities of the directors for the accounts
As explained more fully in the Statement of directors' responsibilities, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to those that have a direct impact on the preparation of the accounts such as the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the accounts. We evaluated management's incentives and opportunities for fraudulent manipulation of the accounts (including the risk of override of controls), and determined that the principal risks were related to manipulation of financial data or intentional bias in accounting estimates.

Audit procedures performed by the engagement team included:

- Enquiry of management to identify any instances of non-compliance with laws and regulations;
- Reviewing minutes of meetings of those charged with governance;
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the accounts. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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. This description forms part of our auditors' report.

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

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 obtained 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: prepare accounts in accordance with the small companies regime; 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 2022

Profit and Loss Account
for the year ended 31 March 2022

	Note	**2022** **$**	**2021** **$**
Turnover	*6*	1,608,223	1,604,762
Administrative expenses		(64,055)	(46,729)
Operating profit	*7*	1,544,168	1,558,033
Net changes in the fair value of investments	*8*	(475,213)	13,260,956
Profit before taxation		1,068,955	14,818,989
Tax on profit	*10*	-	-
Profit for the financial year		**1,068,955**	**14,818,989**

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

All turnover arises from continuing operations.

The notes on pages 10 to 19 form an integral part of these accounts.

Balance Sheet
as at 31 March 2022

	Note	As at 31 March 2022 $	As at 31 March 2021 $
Fixed assets			
Project investments	*11*	73,624,848	74,100,061
		73,624,848	74,100,061
Current assets			
Debtors: amounts falling due within one year	*12*	60,784	60,784
Cash at bank		51,555	45,887
		112,339	106,671
Current liabilities			
Creditors: amounts falling due within one year	*13*	(51,642)	(45,853)
Net current assets		60,697	60,818
Net assets		**73,685,545**	**74,160,879**
Capital and reserves			
Called-up share capital	*15*	104	104
Share premium account		26,087,943	26,087,943
Profit and loss account		47,597,498	48,072,832
Total equity		**73,685,545**	**74,160,879**

The notes on pages 10 to 19 form an integral part of these accounts.

These accounts were approved by the Board of Directors on 28 June 2022 and were signed on its behalf.

D. J. Burton
Director
28 June 2022

Innisfree Canada ISF 2 Limited
Registered number: 10517696

Statement of Changes in Equity
for the year ended 31 March 2022

	Note	Called-up share capital	Share premium account	Profit and loss account	Total equity
		$	**$**	**$**	**$**
Balance at 1 April 2020		**103**	**19,207,182**	**34,804,458**	**54,011,743**
Profit for the year		-	-	14,818,989	14,818,989
Total comprehensive income for the year		-	-	14,818,989	14,818,989
Subscription of ordinary shares	*15*	1	6,880,761	-	6,880,762
Dividends paid	*16*	-	-	(1,550,615)	(1,550,615)
Total transactions with owners recognised directly in equity		1	6,880,761	(1,550,615)	5,330,147
Balance at 31 March 2021		**104**	**26,087,943**	**48,072,832**	**74,160,879**
Balance at 1 April 2021		**104**	**26,087,943**	**48,072,832**	**74,160,879**
Profit for the year		-	-	1,068,955	1,068,955
Total comprehensive income for the year		-	-	1,068,955	1,068,955
Dividends paid	*16*	-	-	(1,544,289)	(1,544,289)
Total transactions with owners recognised directly in equity		-	-	(1,544,289)	(1,544,289)
Balance at 31 March 2022		**104**	**26,087,943**	**47,597,498**	**73,685,545**

The notes on pages 10 to 19 form an integral part of these accounts.

Notes to the accounts for the year ended 31 March 2022

1. General information

Innisfree Canada ISF 2 Limited (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 2022 (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 2022 (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.

The principal assumptions underlying the valuation are as follows:

- the discount rate applied to future cash flows, where it is available and it is considered appropriate to do so, is the transaction discount rate where other shareholders have recently sold similar stakes and if this data is not available then it is 6.75% (2021 - 7.0%). Risk premia may be added to individual investments to take account of differences in the payment mechanism or other risks where appropriate;
- a long-term assumption of CPI inflation rates of 2% per annum (2021 - 2%) is used;
- a long-term assumption of deposit interest rates of 2.25% per annum (2021 - 2%) is used;
- rates of taxation are assumed based on provincial legislation; and
- CPI inflation rates, deposit rates and rates of taxation reflective of current market conditions are assumed for the short to medium term.

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 21 and 28 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:

	2022 $	2021 $
Effect on net assets		
Increase by 50 basis points	823,535	823,357
Decrease by 50 basis points	(822,510)	(813,953)
Effect on profit		
Increase by 50 basis points	823,535	823,357
Decrease by 50 basis points	(822,510)	(813,953)

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.

Notes to the accounts for the year ended 31 March 2022 (continued)

5. Financial risk management (continued)

a) Market risk (continued)

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).

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 counterparties 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.

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

	2022	2021
	$	$
Assets		
Cash at bank	51,555	45,887
Debtors	60,784	60,784
Project investments	73,624,848	74,100,061

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.

	2022	2021
	$	$
Liabilities		
Creditors	51,642	45,853

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.

Notes to the accounts for the year ended 31 March 2022 (continued)

5. Financial risk management (continued)

e) Fair value estimation (continued)

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 of liability.

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 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial assets designated at fair value	-	-	73,624,848	73,624,848
Total assets measured at fair value	**-**	**-**	**73,624,848**	**73,624,848**

As at 31 March 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial assets designated at fair value	-	-	74,100,061	74,100,061
Total assets measured at fair value	**-**	**-**	**74,100,061**	**74,100,061**

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 2022 (2021 - none).

6. Turnover

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

	2022	**2021**
Turnover analysed by geography	**$**	**$**
Canada	1,608,223	1,604,762
	1,608,223	**1,604,762**

	2022	**2021**
Turnover analysed by category	**$**	**$**
Dividend income	1,608,223	1,604,762
	1,608,223	**1,604,762**

Notes to the accounts for the year ended 31 March 2022 (continued)

7. Operating profit

Operating profit for the year is stated after charging

	2022 $	2021 $
Auditors' remuneration		
- Statutory audit of the Company	33,054	32,049
- Statutory audit of associated companies	1,420	1,436
- Tax compliance services	11,898	12,750
- Tax advisory fees	16,671	-

8. Net changes in the fair value of investments

	2022 $	2021 $
Revaluation of portfolio investments at fair value through profit and loss	1,133,010	14,865,718
Impairment of portfolio investments at fair value through profit and loss	(1,608,223)	(1,604,762)
	(475,213)	**13,260,956**

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 year, 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 (2021 - none). The directors of the Company received remuneration totalling $3,286 (2021 - $3,467) for their services to the Company during the year. 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

	2022 $	2021 $
Current tax:		
UK Corporation tax	-	-
Deferred tax:		
Origination and reversal of timing differences	-	-
Total tax on profit	-	-

Notes to the accounts for the year ended 31 March 2022 (continued)

10. Tax on profit (continued)

(b) Reconciliation of tax charge
The tax charge is based on the standard UK corporation tax rate of 19% (2021 - 19%) over the year to 31 March 2022. The total tax is lower than (2021 - lower than) the standard rate of UK corporation tax as explained below:

	2022	2021
	$	$
Profit before taxation	1,068,955	14,818,989
Profit before taxation multiplied by the standard rate of tax in the UK of 19% (2021 - 19%)	203,101	2,815,608
Effects of:		
- Non-taxable income	(305,562)	(304,905)
- Unrealised losses / (gains) on net changes in fair value of investments not subject to tax	90,291	(2,519,582)
Losses carried forward to future years	12,170	8,879
Total current tax	-	-

A deferred tax asset of $43,732 (2021 - $31,562) calculated based on the UK corporation tax rate of 19% effective for the period beginning 1 April 2022 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.

The Finance Act 2021 received Royal Assent on 10 June 2021 and set the main rate of UK Corporation Tax at 19% for periods starting 1 April 2022, rising to 25% on profits over £250,000 from 1 April 2023. The Finance Act 2022 received Royal Assent on 24 February 2022 and made no changes to this.

11. Project investments

Details of the Company's project investments at 31 March 2022 are as follows:

	Opening Balance 1 April 2021	Additions	Impairments	Revaluation	Closing Balance 31 March 2022
	$	$	$	$	$
Bridgepoint	10,982,309	-	(744,837)	677,178	10,914,650
CHUM	46,503,779	-	-	(678,453)	45,825,326
Fort St John	9,771,027	-	(557,783)	727,385	9,940,629
Royal Jubilee	6,842,946	-	(305,603)	406,900	6,944,243
Total	**74,100,061**	**-**	**(1,608,223)**	**1,133,010**	**73,624,848**

Notes to the accounts for the year ended 31 March 2022 (continued)

11. Project investments (continued)

Name of undertaking	Holding	Business	Registered Address
'Bridgepoint'			
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
'Royal Jubilee'			
Innisfree ISL Health (Victoria) GPCo Ltd	84%	Holding company	20th floor, 250 Howe Street Vancouver, BC V6C 3R8, Canada
ISL Health (Victoria) GP Management Co Ltd	84%	Holding company	20th floor, 250 Howe Street Vancouver, BC V6C 3R8, Canada
ISL Health (Victoria) General Partnership	84%	PFI hospital project company	1952 Bay Street, Victoria, BC V8R 1J8, Canada
'Fort St John'			
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
'CHUM'			
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	35%	PFI hospital project company	3000-1 Place Ville Marie Montréal Québec H3B 4N8, Canada

Notes to the accounts for the year ended 31 March 2022 (continued)

12. Debtors: amounts falling due within one year

	2022	2021
	$	$
Amounts owed by group undertakings	60,784	60,784
	60,784	**60,784**

Amounts owed by group undertakings are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

13. Creditors: amounts falling due within one year

	2022	2021
	$	$
Accounts payable	16,671	-
Accruals	34,971	45,853
	51,642	**45,853**

14. Financial Instruments

The Company has the following financial instruments:

	2022	2021
	$	$
Financial assets at fair value through profit and loss		
Investments	73,624,848	74,100,061
	73,624,848	**74,100,061**
Financial assets at amortised cost		
Debtors	60,784	60,784
	60,784	**60,784**
Financial liabilities at amortised cost		
Creditors	(51,642)	(45,853)
	(51,642)	**(45,853)**

15. Called-up share capital

	2022	2021
	$	$
Allotted and fully paid		
Balance as at 1 April	104	103
Issued 23 July 2021	-	1
At 31 March (104 ordinary shares of $1 each (2021 - 104))	**104**	**104**

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

Notes to the accounts for the year ended 31 March 2022 (continued)

16. Dividends

	2022 $	2021 $
1st interim dividend paid - $1,249.51 per share (2021 - $1,179.17 per share)	129,949	121,455
2nd interim dividend paid - $2,136.08 per share (2021 - $3,053.64 per share)	222,152	317,579
3rd interim dividend paid - $2,758.45 per share (2021 - $2,517.43 per share)	286,879	261,813
4th interim dividend paid - $1,536.24 per share (2021 - $1,465.41 per share)	159,769	152,403
5th interim dividend paid - $4,638.05 per share (2021 - $4,562.20 per share)	482,357	474,469
6th interim dividend paid - $2,530.61 per share (2021 - $2,143.23 per share)	263,183	222,896
Total dividends paid	**1,544,289**	**1,550,615**

17. Related party transactions

ISF2 is the beneficial owner of 100% of the Company's share capital. The Company paid dividends of $1,544,289 (2021 - $1,550,615) to ISF2 in the year. At 31 March 2022 $60,784 (2021 - $60,784) was owed to the Company by ISF2.

The Company received $1,608,223 (2021 - $1,604,762) of dividends from its portfolio investments in the year.

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 4 April 2022 the Company received a dividend of $1,676,790 from its investment in CHUM. On 5 April 2022 the Company declared and paid an interim dividend of $1,676,375.

On 5 April 2022 the Company received a dividend of $71,812 from its investment in Royal Jubilee Hospital. On 20 April 2022 the Company declared and paid an interim dividend of $71,812.

20. Accounting Estimates

The Directors consider that the discount rates used within the discounted cash flow models are the main unobservable input in determining the value of the Company's investments. The core discount rate adopted as at 31 March 2022 is 6.75% (as described in note 4), which the Directors believe fairly reflects the characteristics of the portfolio in the context of prevailing market conditions as at the balance sheet date. The table below shows what the effect would be of moving the discount rate down by 25bps (illustrating what the impact would be of a less cautious approach), or up by 25bps (illustrating a more cautious approach). These amounts are indicative only:

Base discount rate	Valuation $	Variance $
6.50%	77,528,397	3,903,549
6.75%	73,624,848	-
7.00%	69,861,870	(3,762,978)