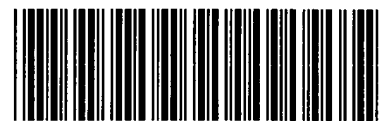


Registered number: 09115553

# **LOCHGILPHEAD HOLDCO LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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**LOCHGILPHEAD HOLDCO LIMITED**

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**LOCHGILPHEAD HOLDCO LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	J P Brown D M M Vermeer
<b>Registered number</b>	09115553
<b>Registered office</b>	3rd Floor, South Building 200 Aldersgate Street London EC1A 4HD
<b>Independent auditor</b>	KPMG LLP Chartered Accountants 15 Canada Square London E14 5GL

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## **LOCHGILPHEAD HOLDCO LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

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The Directors present their report and the audited financial statements of Lochgilphead Holdco Limited (the "Company") for the year ended 31 December 2020.

#### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is to act as a holding company for its joint venture, Lochgilphead Healthcare Services (Holdings) Limited, whose principal activity is the provision of a hospital building and associated facilities management services in Lochgilphead, Scotland.

#### **DIRECTORS**

The Directors who served during the year are shown on page 1.

#### **RESULTS AND DIVIDENDS**

The results for the year are included in the Profit and loss account on page 9.

#### **GOING CONCERN**

The Company's forecasts and projections taking account of reasonably possible changes in trading performance, and the net loss of the Company, show that the Company should be able to operate within the level of its current resources. The Company's going concern is dependent upon performance of the entities within the group. The Company has obtained a letter of support from its ultimate parent. After making enquiries, the Directors have a reasonable expectation that the Company and its parent have adequate resources to continue in operational existence for the foreseeable future, and for a minimum of 12 months from the date of signing of this report, despite any economic uncertainties. In forming this conclusion, the following has been taken into consideration:

- all committed investments of the Company and its subsidiaries holding companies are covered by commitments from the Partners of Equitix Fund IV LP (the "Fund")
- the Company has limited other outgoings and funding can be drawn down from the Fund's Partners if required to meet these obligations; and
- the Fund financial model, which consolidates the returns from the Company's investment portfolio.

The Directors of the Company have considered the impact of the COVID-19 global pandemic which has arisen in 2020 when preparing these financial statements. Refer to Note 2 Accounting Policies.

#### **FINANCIAL RISK MANAGEMENT**

The Directors' Report has been prepared in accordance with the special provisions relating to small companies under s415a of the Companies Act 2006. As such, the Company is exempt from preparing a strategic report and from including financial risk management disclosures in the Directors' Report.

#### **FUTURE DEVELOPMENTS**

The Directors of the Company are not aware of any circumstances in which the principal activity of the company would alter or cease.

#### **STRATEGIC REPORT EXEMPTION**

The Directors report has been prepared in accordance with the special provisions relating to small companies under section 414b of the Companies Act 2006. As such the Company is exempt from preparing a Strategic Report.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**AUDITOR**

Each of the persons who is a Director at the date of approval 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
- the 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's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

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



**D M M Vermeer**  
Director

Date: 01 October 2021

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with applicable law and Section 1A of FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (UK Generally Accepted Accounting Practice applicable to Smaller Entities)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOCHGILPHEAD HOLDCO LIMITED

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### Opinion

We have audited the financial statements of Lochgilphead Holdco Limited (the "Company") for the year ended 31 December 2020 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards applicable to smaller entities, including Section 1A of FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland
- 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOCHGILPHEAD HOLDCO LIMITED

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### Fraud and breaches of laws and regulations - ability to detect

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of management as to the Company's policies and procedures to prevent and detect fraud as well as inquiring whether they have knowledge of any actual, suspected or alleged fraud;
- Reading minutes of the meetings of the Directors; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as provision for impairment. On this audit we do not believe there is a fraud risk related to revenue recognition because the calculation of the revenue is non-judgmental and straightforward, with limited opportunity for manipulation. We did not identify any additional fraud risks.

We also performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included all post year end closing journals.

#### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience through discussion with management (as required by auditing standards) and discussed with management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related company legislation) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: anti-bribery, money laundering and GDPR compliance recognising the financial nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOCHGILPHEAD HOLDCO LIMITED

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### **Fraud and breaches of laws and regulations - ability to detect (continued)**

#### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **Directors' report**

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOCHGILPHEAD HOLDCO LIMITED

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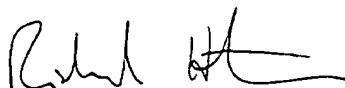
### Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A further description of our responsibilities is provided on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### The purpose of our audit work and to whom we owe our responsibilities

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.



**Richard Hinton (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor)**

Chartered Accountants

15 Canada Square  
London  
E14 5GL

Date: 01 October 2021

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**LOCHGILPHEAD HOLDCO LIMITED**

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**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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	Note	2020 £000	2019 £000
Interest income	6	93	93
Dividend income from investments	6	314	77
Fair value gain on investments	9	151	107
Other income		-	11
Administrative expenses		-	(11)
<b>Operating profit</b>	<b>4</b>	<b>558</b>	<b>277</b>
Finance costs	7	(229)	(244)
<b>Profit before tax</b>		<b>329</b>	<b>33</b>
Tax	8	-	-
<b>Profit for the financial year</b>		<b>329</b>	<b>33</b>

All of the above relates to continuing activities.

The Company has no recognised gains or losses other than those reported above, therefore no separate Statement of Other Comprehensive Income has been presented.

The notes on pages 12 to 22 form part of these financial statements.

**BALANCE SHEET  
AS AT 31 DECEMBER 2020**

	Note	2020 £000	2019 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments held at fair value	9	4,535	4,336
<b>Current assets</b>			
Interest receivable	10	-	48
Other receivables	10	13	13
<b>Total assets</b>		<u>4,548</u>	<u>4,397</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	12	(2,955)	(2,955)
<b>Current liabilities</b>			
Trade and other payables	11	(40)	(218)
<b>Total liabilities</b>		<u>(2,995)</u>	<u>(3,173)</u>
<b>Net assets</b>		<u>1,553</u>	<u>1,224</u>
<b>Capital and reserves</b>			
Called up share capital	13	6	6
Share premium account		553	553
Profit and loss account		994	665
		<u>1,553</u>	<u>1,224</u>

The notes on pages 12 to 22 form part of these financial statements.

The financial statements of Lochgilphead Holdco Limited, registered number 09115553, were approved by the Board of Directors and authorised for issue and were signed on its behalf by:



**D M M Vermeer**  
Director

Date: 01 October 2021

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**LOCHGILPHEAD HOLDCO LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
<b>At 1 January 2019</b>	6	553	632	1,191
Profit for the year	-	-	33	33
<b>At 1 January 2020</b>	6	553	665	1,224
Profit for the year	-	-	329	329
<b>At 31 December 2020</b>	6	553	994	1,553

The notes on pages 12 to 22 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**1. GENERAL INFORMATION**

Lochgilphead Holdco Limited (the "Company") is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the companies operations and its principle activities are set out in the Directors report on page 2. These financial statements are presented in pounds sterling, being the currency of the primary economic environment in which the company operates. Monetary amounts are rounded to the nearest £'000.

**2. ACCOUNTING POLICIES**

**2.1 Basis of preparation of accounts**

The financial statements have been prepared in accordance with the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102") and applicable law. A summary of the principal accounting policies adopted by the Directors, which have been applied consistently in the current period, are shown below.

The Company has taken advantage of the small companies exemption under s383 of the Companies Act 2006, and as such is exempt from preparing consolidated accounts.

The Company has taken advantage of the exemption not to prepare a cash flow statement on the basis that it meets the definition, under s382 of the Companies Act 2006, of a small company.

**2.2 Interest income**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

**2.3 Finance costs**

All finance costs are recognised in profit or loss in the period in which they are incurred.

**2.4 Taxation**

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

**2.5 Investments**

Investments are carried at fair value with changes recognised in the profit and loss account. The fair values of unlisted investments, which are not traded in an active market, are determined using discounted cash flow valuation techniques. The Directors principally use discounted cash flow analysis to make their best estimation of the fair value. The estimate of fair value may vary from the price achieved in an actual sale as potential acquirers may use different valuation criteria for their own strategic reasons. The discount rate used for the 2020 valuation is 5.75% (2019: 6.00%).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**2. ACCOUNTING POLICIES (continued)**

**2.6 Going concern**

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Company has obtained a letter of support from its ultimate parent. After making enquiries, the Directors have a reasonable expectation that the Company and its parents have adequate resources to continue in operational existence for the foreseeable future, and for a minimum of 12 months from the date of signing of this report, despite any economic uncertainties.

The Directors have the reasonable expectation that the Company has adequate resources to continue in operations existence for the foreseeable future when considering that all committed investments are covered by commitments, the limited outgoings of the Company, levels of undrawn commitments and unutilised credit facilities, and forecast covenant compliance associated with the Company's credit facilities. As a result, the going concern basis of accounting continues to be applied in the preparation of the Financial Statements.

The Directors of the Company have also considered the impact of the COVID-19 global pandemic, which has resulted in unprecedented risks and significant levels of volatility and reduced asset prices in global equity and bond markets. The main risk resulting from COVID-19 for the Company is in respect of the impact on the valuation of investments held at fair value through profit and loss. The Directors of the Company have considered the impact of potentially lower valuations and do not consider there to be any significant impact on the going concern basis of preparation of financial statements.

Whilst the Company holds a single asset investment, the investment has a high degree of revenue backed by the government. Therefore, the Directors consider that no severe but plausible downside event would prevent the Company being able to meet its liabilities as they fall due.

Further, the Company is at net current liabilities position. The parent has indicated its intention to continue to make available such funds as are needed and does not intend to seek repayment of any amounts payable for the next twelve months from the balance sheet date. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

In conjunction with this assessment, the Directors believe that the Company has sufficient resources to address severe but plausible financial impacts and therefore the Directors consider there is no significant impact on the going concern basis of preparation of these financial statements. Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**2. ACCOUNTING POLICIES (continued)**

**2.7 Financial instruments**

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's Balance Sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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.

*Basic financial assets*

Basic financial assets, which include debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method 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. Financial assets classified as receivable within one year are not amortised.

*Impairment of financial assets*

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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 profit or loss. If there is a decrease in the impairment loss rising on an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

*Derecognition of financial assets*

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the limited partnership transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

*Classification of financial liabilities*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the limited partnership after deducting all of its liabilities.

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**2. ACCOUNTING POLICIES (continued)**

**2.7 Financial instruments (continued)**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

*Derecognition of financial liabilities*

Financial liabilities are derecognised when the limited partnership's obligations expire or are discharged or cancelled.

**2.8 Dividends**

Equity dividends are recognised once a legal right to receive has been established and received.

**2.9 Assessable risks**

*Credit risk*

The Company is not exposed to significant credit risk as the Company's sole and principal activity of the company is to act as a holding company for its joint venture, Lochgilphead Healthcare Services (Holdings) Limited. The Company only transacts with creditworthy PFI/PPP concession companies that have a cash flow derived from projects in agreement with government or semi-government authorities.

*Liquidity risk*

The Company adopts a prudent approach to liquidity management and maintains sufficient cash reserves at group level to meet its obligations.

*Foreign exchange risk*

The Company does not currently have any exposure to foreign currency exchange risk, nor does it have any immediate plans to geographically deviate its focus.

*Interest rate risk*

The Company is not exposed to interest rate risk as the interest rate on intercompany loans is fixed.

**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF INFORMATION**

In the preparation of financial statements in accordance with FRS 102 and in applying the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF INFORMATION**

**Estimates**

The directors consider that the book value of current financial instruments also approximate to their fair value given their short term nature.

The fair value of the investment in aggregate is calculated by discounting total future cash flows from the investments. Where the interest rate of the debt element of the investment is considered not to reflect market rates at the date of valuation, then in order to separately disclose the fair value of the debt a market debt rate is determined and applied to the separate debt cash flows.

The principal drivers of internally prepared valuations are:

- i) expected future net cash flows; and
- ii) the discount rate to be applied.

Future cash flows involve a degree of uncertainty in terms of their amount and timing. Cash flows in the underlying investments are exposed to risks in relation to deductions that may be made by the relevant procuring party in relation to performance conditions, demand, availability and inflation.

(i) Future cash flows are the future distributions expected to be received by the Company from its investments. Future distributions involve a degree of uncertainty in terms of their amount and timing as cash flows in the underlying Investments are exposed to risks, for example, in relation to deductions that may be made by the relevant Government Authority in relation to performance conditions and macroeconomic changes. These cash flows are based on the latest financial model available for each investment. These are updated for actual figures periodically and, for levered investments, reviewed by senior debt providers; as such these provide the most reliable estimate of future cash flows. The Investment Manager updates these financial models for the latest macroeconomic forecasts to ensure consistency across the Company's portfolio.

If the expected future net cash flows were decreased or increased by 10%, with all other variables held constant, the impact on the value of financial assets would be a £453k (2019: £434k) loss/gain respectively.

(ii) Discount rates are based on a risk-free rate adjusted by an appropriate premium to reflect the specific risks of the investment. The risk-free rate is derived from UK government bond rates for the 24-month average yield-to-maturity matching individual investment life. During the year, the Company changed the methodology for determining risk-free rate used for this purpose. In previous years, risk-free rate was taken to be the UK government bond rate matching the fund maturity profile. The Directors believe that the new method is more appropriate as it better represents the risk-free profile of each individual asset.

A discount rate premium is then calculated considering multiple factors pertaining to the specific risk of the investment, including base infrastructure risk, construction risk (if applicable), duration risk due to an extended project life, sector specific risks, and any project specific risks.

The discount rate used for the 2020 valuation was 5.75% (2019: 6.00%). An increase or decrease in the discount rates applied by +/- 1% would have resulted in a decrease in the fair value of investments by £398k (2019: £394k) and an increase in fair value of the investments by £450k (2019: £448k) respectively.

The estimate of fair value may vary from the price achieved in an actual sale as potential acquirers may use different valuation criteria for their own strategic reasons.

In addition, the following economic assumptions were used in the discounted cash flow valuations:

UK inflation rates	1.9% for 2020, long term 3%
UK deposit interest rates	0.2% for 2020, long term 1.0%
UK corporation tax rate	19% for 2020, long term 19%

**NOTES TO THE FINANCIAL STATEMENTS  
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**4. OPERATING PROFIT**

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

The audit fee for Lochgilphead Holdco Limited of £4.2k (2019: £3.4k) has been borne by Equitix Fund IV LP, who will not seek compensation from the Company. There were no non-audit fees (2019: nil).

**5. DIRECTORS' REMUNERATION**

No staff were directly employed by the Company (2019: none).

No Directors received any remuneration for services to the Company during the year (2019: £nil). The Company is managed by secondees from Equitix Limited. No recharge for services rendered has been made during the year (2019: £nil).

**6. INVESTMENT INCOME**

	2020 £000	2019 £000
Income from fixed assets and dividends	407	170
	<u>407</u>	<u>170</u>

**7. FINANCE COSTS**

	2020 £000	2019 £000
Loan interest payable to Equitix Infrastructure 4 Limited	229	244
	<u>229</u>	<u>244</u>

**8. TAX**

	2020 £000	2019 £000
Current year	-	-
<b>Total current tax</b>	<u>-</u>	<u>-</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**8. TAX (continued)****Factors affecting tax charge for the year**

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the result before tax are as follows:

	2020 £000	2019 £000
Profit for the year	329	33
Profit multiplied by standard rate of corporation tax in the UK 19% (2019 - 19%)	63	6
Non-taxable UK dividends received	(60)	(15)
Income and fair value movements not subject to taxation	(29)	(20)
Losses not utilised in the year	26	29
<b>Total tax charge for the year</b>	<b>-</b>	<b>-</b>

A deferred tax asset has not been recognised in respect of timing differences relating to excess management expenses for the period as there is insufficient evidence that the asset will be recovered.

**Changes in tax rates and factors affecting the future tax charges**

The March 2021 Budget announced a proposed increase in corporation tax rates with a corporation tax rate of 25% applying with effect from 1 April 2023. This will increase the Company's future current tax charge accordingly.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**9. INVESTMENTS**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Opening balances	4,336	4,229
Fair value gain	151	107
Movement in accrued interest of debt element	48	-
<b>Closing balance</b>	<b>4,535</b>	<b>4,336</b>

The investment comprises a debt element and an equity element as follows:

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Debt	714	714
Unpaid interest of debt securities	48	48
Equity	3,773	3,574
	<b>4,535</b>	<b>4,336</b>

The debt element carries a coupon of 13% (2019: 13%) and is repayable in 2036.

The Directors have satisfied themselves as to the methodology used, the discount rates applied and the valuation.

Investments are generally restricted on their ability to transfer funds to the Company under the terms of the senior funding arrangement for that investment. Significant restrictions include:

- Historic and projected debt services and loan life cover ratios exceed a given threshold;
- Required cash reserve account levels are met;
- Senior lenders have agreed the current financial model that forecasts the economic performance of the company;
- Project performance is in compliance with the terms of the senior funding arrangements; and
- Senior lenders have approved the annual budget for the Company.

A list of principal subsidiaries and joint ventures of the Company can be found on note 16 of these financial statements.

**10. RECEIVABLES**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Interest receivable	-	48
Other receivables	13	13
	<b>13</b>	<b>61</b>

**11. PAYABLES**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Interest payable	39	217
Other payables	1	1
	<b>40</b>	<b>218</b>

**NOTES TO THE FINANCIAL STATEMENTS  
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**12. BORROWINGS**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Loans from parent company	2,955	2,955
	<u>2,955</u>	<u>2,955</u>

The loan from Parent Company is repayable in full by 30 June 2042. Interest is charged on the loan at a rate of 7.5% plus the Bank of England Base Rate (2019: 7.5%, plus the Bank of England Base Rate).

**13. SHARE CAPITAL**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Allotted, called up and fully paid</b>		
559,207 (2019 - 559,207) Ordinary shares of £0.01 each	5,592	5,592
	<u>5,592</u>	<u>5,592</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

**NOTES TO THE FINANCIAL STATEMENTS  
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**14. RELATED PARTY TRANSACTIONS**

The following transactions took place between the Company and its related parties during the period.

<u>Profit and loss account transactions</u>	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
<b>Related Party</b>	<b>Investment income</b>	<b>Interest expense</b>	<b>Investment income</b>	<b>Interest expense</b>
Equitix Infrastructure 4 Limited		(229)		(244)
Lochgilphead Healthcare Services (Holdings) Limited	407		170	
	<b>407</b>	<b>(229)</b>	<b>170</b>	<b>(244)</b>
 <u>Balance Sheet</u>	 2020	 2020	 2019	 2019
	£'000	£'000	£'000	£'000
<b>Related Party</b>	<b>Amounts owed by related parties</b>	<b>Amounts owed to related parties</b>	<b>Amounts owed by related parties</b>	<b>Amounts owed to related parties</b>
Equitix Infrastructure 4 Limited		(2,995)		(3,173)
Lochgilphead Healthcare Services (Holdings) Limited	715		763	
	<b>715</b>	<b>(2,995)</b>	<b>763</b>	<b>(3,173)</b>

**15. ULTIMATE PARENT UNDERTAKING**

The Company's immediate parent company is Equitix Infrastructure 4 Limited, a Company incorporated in England and Wales. The Company's registered address is 3rd Floor, South Building, 200 Aldersgate Street, London, EC1A 4HD. The Company's ultimate parent and controlling entity, is Equitix Fund IV LP, a Limited Partnership registered in England and Wales. The registered address 3rd Floor, South Building, 200 Aldersgate Street, London, EC1A 4HD. The Company's results are not consolidated as the Company and its ultimate parent entity meets the criteria of Investment Entities under IFRS 10. The Company's parent does not prepare consolidated accounts.

**NOTES TO THE FINANCIAL STATEMENTS  
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**16. SUBSIDIARIES AND JOINT VENTURES AS AT 31 DECEMBER 2020**

Company name	Percentage of shares held	Description	Registered Address
Lochgilphead Healthcare Services (Holdings) Limited	45%*	Parent company to Lochgilphead Healthcare Services Limited	Infrastructure Managers Limited, 2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
Lochgilphead Healthcare Services Limited	45%**	Project company which covers the operation and management of the healthcare facilities	Infrastructure Managers Limited, 2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF

\* Designates investments that are held directly.

\*\* Designates investments that are held indirectly.

**17. POST BALANCE SHEET EVENTS**

There were no significant events or transactions following the Balance Sheet date.