

Hub North Scotland (Alford) Limited

Report and Financial Statements

Year ended

31 December 2016

Company Number SC462876



Hub North Scotland (Alford) Limited

Company Information

Directors	Mark Baxter John Hope David MacDonald Gavin Mackinlay Paul McGirk Philip McVey Kirsty O'Brien Derek Yule
Registered number	SC462876
Registered office	11 Thistle Place Aberdeen AB10 1UZ
Independent auditor	BDO LLP Citypoint 65 Haymarket Terrace Edinburgh EH12 5HD
Solicitors	Harper MacLeod LLP Citypoint 65 Haymarket Terrace Edinburgh EH12 5HD

Hub North Scotland (Alford) Limited

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Hub North Scotland (Alford) Limited

Strategic report For the year ended 31 December 2016

Business review

The directors have considered the performance of the company during the year and the financial position at the end of the year and believe its prospects for the future to be satisfactory and consistent with expectations.

Principal risks and uncertainties

The directors consider the principal risks and uncertainties to be as follows:

- Ability to meet loan covenants to be able to pay senior and sub debt repayments. This risk is mitigated by regular operational reporting at board level and for the senior debt provider.
- Underperformance of the maintenance of the building. Regular lifecycle reviews are required for the board and the senior debt provider, which ensure that the assets are managed appropriately and any issues identified early.
- Insolvency of key supply chain members. Significant reliance is placed on the supply chain members. The financial status of such companies is reviewed and provisions are put in place within the agreements to cover the risks against poor performance and management.
- Variable economic and market conditions. The level of income is relatively stable as most revenue is due under long term contract from Aberdeenshire Council, subject to satisfactory performance. Most operating costs are fixed through agreed contracts with suppliers and most financing costs are fixed through long term agreement with financiers.

Overall, the company's business risks are managed under the processes set out in the On-going and Project method statements of the company's parent, hub North Scotland Limited.

Financial key performance indicators

The company's financial performance is monitored across the life of the project. The key indicators that the company is performing as planned are the monthly board reports that compare actual figures against those reported in the financial close model.

Other key performance indicators

KPI's are used to provide information on project performance, so that any shortfalls can be promptly identified and addressed. These are focused around health and safety, value for money and quality. KPI's are reported and monitored at the Board level. It is the intention of the company to continually improve the reporting and use of such KPI's.

This report was approved by the board on 4 MAY 2017 and signed on its behalf.


.....
John Hope
Director

Hub North Scotland (Alford) Limited

Directors' report For the year ended 31 December 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Principal activity

The principal activity of the company is the design, build and maintenance of Alford Community Campus.

Results and dividends

The profit for the year, after taxation, amounted to £102,784 (2015 - £344,896).

The directors who served during the year were:

Mark Baxter

Andrew Bruce (resigned 1 February 2016)

Gerald Donald (resigned 21 November 2016)

Alan Gray (appointed 14 December 2016, resigned 3 March 2017)

John Hope

David MacDonald (appointed 1 February 2016)

Gavin Mackinlay

Paul McGirk

Philip McVey (appointed 21 June 2016)

Hugh Murdoch (resigned 12 December 2016)

Kirsty O'Brien (appointed 5 May 2016)

Andrew Richmond (appointed 1 February 2016, resigned 19 January 2017)

Derek Yule was appointed as a director on 3 March 2017.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses long-term finance.

Future developments

To continue the maintenance of Alford Community Campus.

Disclosure of information to auditor

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

- so far as 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 report was approved by the board on 4 MAY 2017

and signed on its behalf.

.....
John Hope
Director

Hub North Scotland (Alford) Limited

Directors' responsibilities statement

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law). 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 judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements 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, to disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Hub North Scotland (Alford) Limited

Independent auditor's report to the members of Hub North Scotland (Alford) Limited

We have audited the financial statements of Hub North Scotland (Alford) Limited for the year ended 31 December 2016 which comprise the statement of income and retained earnings, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is 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'.

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.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Hub North Scotland (Alford) Limited

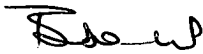
Independent auditor's report to the members of Hub North Scotland (Alford) Limited

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.



Alastair Rae (Senior statutory auditor)
for and on behalf of BDO LLP, Statutory auditor
Edinburgh
United Kingdom

12 May 2017

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

Hub North Scotland (Alford) Limited

Statement of income and retained earnings For the year ended 31 December 2016

	Note	2016 £	2015 £
Turnover	4	497,118	11,246,955
Cost of sales		(321,192)	(10,996,696)
Gross profit		175,926	250,259
Administrative expenses		(129,390)	(44,407)
Operating profit		46,536	205,852
Interest receivable and similar income	7	1,251,945	1,463,807
Interest payable and similar charges	8	(1,195,697)	(1,324,763)
Profit on ordinary activities before taxation		102,784	344,896
Taxation on profit on ordinary activities	9	-	-
Profit on ordinary activities after taxation		102,784	344,896
Retained earnings at the beginning of the year		697,080	352,184
Profit for the year		102,784	344,896
Retained earnings at the end of the year		799,864	697,080

There were no recognised gains and losses for 2016 or 2015 other than those included in the statement of income and retained earnings.

The notes on pages 8 to 15 form part of these financial statements.

Hub North Scotland (Alford) Limited

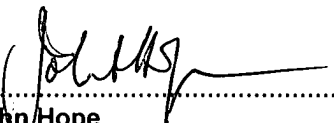
Registered number: SC462876

Balance sheet As at 31 December 2016

	Note	2016 £	2015 £
Current assets			
Debtors: Amounts falling due after more than one year	10	19,915,322	20,592,838
Debtors: Amounts falling due within one year	10	939,981	951,943
Cash at bank and in hand	11	1,229,289	617,793
		<u>22,084,592</u>	<u>22,162,574</u>
Creditors: Amounts falling due within one year	12	(1,850,933)	(1,293,480)
Net current assets		<u>20,233,659</u>	<u>20,869,094</u>
Total assets less current liabilities		<u>20,233,659</u>	<u>20,869,094</u>
Creditors: Amounts falling due after more than one year	13	(19,432,795)	(20,171,014)
Net assets		<u>800,864</u>	<u>698,080</u>
Capital and reserves			
Called up share capital	15	1,000	1,000
Profit and loss account		799,864	697,080
		<u>800,864</u>	<u>698,080</u>

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

4 MAY 2017



John Hope
 Director

The notes on pages 8 to 15 form part of these financial statements.

Hub North Scotland (Alford) Limited

Notes to the financial statements For the year ended 31 December 2016

1. General information

The company is a members' limited liability company (limited by shares) and has a registered office address and company number as noted on the company information page. The principal activity is as described in the directors' report. The company was incorporated in Scotland, UK.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of hub North (Scotland) Limited as at 31 December 2016 and these financial statements may be obtained from Companies House, Edinburgh.

2.3 Going concern

The financial projections indicate that sufficient funds will be generated to allow ongoing obligations to be met as they fall due and the directors are therefore satisfied that the going concern basis is appropriate. The directors have considered a period of at least 12 months from the date of approval of the financial statements.

Hub North Scotland (Alford) Limited

Notes to the financial statements For the year ended 31 December 2016

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Debtors

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

Amounts due under service concession arrangement contracts are recognised as a financial asset. The financial asset that is recognised as consideration for construction or upgrade services is measured initially at fair value, based on the fair value of the construction or upgrade services provided. After initial recognition the financial asset is accounted for in accordance with Section 11 of FRS 102 and measured at amortised cost.

2.6 Cash and cash equivalents

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

2.7 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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

Hub North Scotland (Alford) Limited

Notes to the financial statements For the year ended 31 December 2016

2. Accounting policies (continued)

2.7 Financial instruments (continued)

rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

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

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

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

2.8 Creditors

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

2.9 Finance costs

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

2.10 Interest income

Interest income is recognised in the statement of income and retained earnings using the effective interest method.

2.11 Borrowing costs

All borrowing costs are recognised in the statement of income and retained earnings in the year in which they are incurred.

Hub North Scotland (Alford) Limited

Notes to the financial statements For the year ended 31 December 2016

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

In preparing these financial statements, the directors have made a judgement as to the value of profit relating to the construction stage of the project and to the value of interest receivable on the financial asset recognised in accounting for the service concession arrangement. Factors taken into account in reaching such decisions include the overall expected profit on the contract, the stage of completion of the contract and the relative budgeted revenue and costs associated with each contract component at the outset of the project.

4. Turnover

The whole of the turnover is attributable to the principal activity as disclosed within the directors' report and all turnover arose within the United Kingdom.

5. Auditor's remuneration

	2016 £	2015 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	4,800	5,450
	<u>4,800</u>	<u>5,450</u>
Fees payable to the company's auditor and its associates in respect of:		
Other services relating to taxation	1,350	1,310
	<u>1,350</u>	<u>1,310</u>

6. Employees

The company has no employees other than the directors, who did not receive any remuneration (2015 - £NIL).

7. Interest receivable

	2016 £	2015 £
Interest receivable on financial asset	1,251,945	1,463,807
	<u>1,251,945</u>	<u>1,463,807</u>

Hub North Scotland (Alford) Limited

Notes to the financial statements For the year ended 31 December 2016

8. Interest payable and similar charges

	2016 £	2015 £
Interest on senior debt loan	972,969	1,117,130
Interest on subordinated loans	222,728	207,633
	<u>1,195,697</u>	<u>1,324,763</u>

9. Taxation

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>102,784</u>	<u>344,896</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	20,557	69,830
Effects of:		
Adjustments to brought forward values	139,102	102,722
Adjust opening deferred tax to average rate of 20%	(222,645)	-
Adjust closing deferred tax to average rate of 20%	206,680	240,493
Fixed asset timing differences	-	(2,339,929)
Deferred tax not recognised	(143,694)	1,926,884
Total tax charge/(credit) for the year	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

Hub North Scotland (Alford) Limited

Notes to the financial statements For the year ended 31 December 2016

10. Debtors

	2016 £	2015 £
Due after more than one year		
Financial asset - amounts recoverable on contract	19,915,322	20,592,838
	<u>19,915,322</u>	<u>20,592,838</u>
	2016 £	2015 £
Due within one year		
Trade debtors	255,534	374,340
Prepayments and accrued income	33,730	2,525
Financial asset - amounts recoverable on contract	650,717	575,078
	<u>939,981</u>	<u>951,943</u>

11. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	1,229,289	617,793
	<u>1,229,289</u>	<u>617,793</u>

12. Creditors: Amounts falling due within one year

	2016 £	2015 £
Senior debt loan	769,755	625,902
Subordinated loans	100,707	-
Trade creditors	20,730	96,755
Other taxation	102,878	10,158
Other creditors	483,885	471,643
Accruals and deferred income	372,978	89,022
	<u>1,850,933</u>	<u>1,293,480</u>

Hub North Scotland (Alford) Limited

Notes to the financial statements For the year ended 31 December 2016

13. Creditors: Amounts falling due after more than one year

	2016 £	2015 £
Senior debt loan	17,380,586	18,018,097
Subordinated loans	2,052,209	2,152,917
	<u>19,432,795</u>	<u>20,171,014</u>

Secured loans

The senior debt loan represents a loan from Aviva Public Private Finance Limited which is secured over the share capital of the company. The total loan facility is for £27,125,000.

The subordinated loans represent loans from entities in the same corporate groups as the joint controlling parties and shareholders of the immediate parent. The loans are repayable in half yearly instalments commencing in March 2017 with the final repayment due in September 2040. The loans are unsecured and bear interest at a rate of 10.2%.

Creditors falling due after five years

Creditors include amounts repayable by instalments that are not wholly repayable within five years of £16,797,705 (2015: £17,652,220).

14. Financial instruments

	2016 £	2015 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	22,050,862	22,160,049
	<u>22,050,862</u>	<u>22,160,049</u>
	2016 £	2015 £
Financial liabilities		
Financial liabilities measured at amortised cost	(21,149,677)	(21,454,336)
	<u>(21,149,677)</u>	<u>(21,454,336)</u>

Financial assets measured at amortised cost comprise of cash, financial asset - amounts recoverable on contracts and trade debtors.

Financial liabilities measured at amortised cost comprise the senior debt loan, subordinated loans, trade creditors, other creditors and accruals.

Hub North Scotland (Alford) Limited

Notes to the financial statements For the year ended 31 December 2016

15. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
1,000 Ordinary Shares of £1 each	<u>1,000</u>	<u>1,000</u>

Each share holds equal voting rights.

16. Reserves

Profit and loss account

The profit and loss account represents the cumulative profits and losses.

17. Related party transactions

The company has taken advantage of the exemption within FRS 102 not to disclose related party transactions with other members of the consolidated group.

During the year, an amount of £95,004 (2015: £97,996) was invoiced by ACP: North Hub Limited, a shareholder of hub North Scotland Limited, the immediate parent company, in respect of services provided. £1,200 was outstanding at the year end (2015: £3,798) and is included in trade creditors.

During the year, an amount of £292,067 (2015: £2,473,558) was invoiced by Morrison Construction, an entity in the same corporate group as Galliford Try (North Hub) Investments Limited, a shareholder in ACP: North Hub Limited in respect of services provided. £Nil (2015: £Nil) was outstanding at the year end.

During the year, an amount of £61,033 (2015: £51,421) was invoiced by Galliford Try Facilities Management, an entity in the same corporate group as Galliford Try (North Hub) Investments Limited, a shareholder in ACP: North Hub Limited in respect of services provided. £19,530 (2015: £4,506) was outstanding at the year end and is included in trade creditors.

At the year end subordinated loans totalling £2,152,917 (2015: £2,152,917) were provided by entities in the same corporate groups as the shareholders of ACP: North Hub Limited (Galliford Try (North Hub) Investments Limited, and Currie and Brown Equitix Limited) and shareholders of hub North Scotland Limited (Scottish Futures Trust Investments Limited). The total subordinated loans include rolled up interest of £285,327 (2015: £285,327).

18. Controlling party

The immediate parent company is hub North Scotland Limited. The consolidated financial statements of hub North Scotland Limited are available at Companies House, Edinburgh. The directors do not consider that there is an ultimate controlling party.