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HUB NORTH SCOTLAND (O&C) LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2019
COMPANY NUMBER: SC513475

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HUB NORTH SCOTLAND (O&C) LIMITED

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HUB NORTH SCOTLAND (O&C) LIMITED

COMPANY INFORMATION FOR THE YEAR ENDED 30 JUNE 2019

Directors

Andrew Duck
Nial Gemmell
David MacDonald
Paul McGirk
Philip McVey
Kirsty O'Brien

Registered number

SC513475

Registered office

PO Box 17452
2 Lochside View
Edinburgh
EH12 1LB

Independent auditor

Scott-Moncrieff Audit Services
25 Bothwell Street
Glasgow
G2 6NL

Solicitors

Harper MacLeod LLP
Citypoint
65 Haymarket Terrace
Edinburgh
EH12 5HD

Bankers

Clydesdale Bank PLC
154 – 158 Kensington High Street
London
W8 7RL

HUB NORTH SCOTLAND (O&C) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2019

The directors present their Strategic Report, Directors' Report and the audited financial statements of the company for the year ended 30 June 2019.

Principal activities and business review

The company was incorporated in Scotland and began trading in April 2016. It has been established to enter a Design, Build, Finance and Maintain ("DBFM") concession contract with Argyll & Bute Council. The DBFM contract involves the design, build and financing of Campbeltown Grammar School and Oban High School together with the provision of certain facilities management services within the schools. The Project Agreement between Hub North Scotland (O&C) Limited and Argyll and Bute Council was signed in March 2016.

As part of this contract, the company has entered a fixed-price sub-contract with Morrison Construction to design and build the schools. The final phase of construction of both schools was completed in May 2019.

The company has also entered a sub-contract with FES Facilities Management for the provision of facilities management services within the schools.

The DBFM project has been financed by a combination of senior and subordinated debt. Senior debt facilities of £54.3m, provided by AVIVA and £6.6m of subordinated debt provided by equity shareholders funded the construction of the schools.

The operating term of the DBFM contract runs from the completion of the final phase to the expiry date of February 2043. The company has received service payments from Argyll and Bute Council from the date of Practical Completion when Campbeltown Grammar School and Oban High School became available. The construction and other related costs of the schools are being treated as an asset which will be repaid over the life of the contract.

Results and dividends

The results for the year are set out on page 9. The profit for the year amounted to £27,209 (2018: £36,102). The directors do not recommend the payment of a dividend in respect of the year.

Principal risks and uncertainties

Argyll and Bute Council (the "Authority") is the sole client of the company, but the directors consider that no risk arises from such a small client base since the Scottish Government has implicitly underwritten the Authority's obligations.

Most of the performance risk under the DBFM Agreement and related contracts is passed on to the subcontractor Morrison Construction. The obligations of the service provider and building subcontractor are underwritten by respective Parent Company guarantees. The company is exposed to the risk of non-performance by its subcontractors; however, penalties imposed by the Authority will be passed onto the subcontractor at fault under the terms of the subcontracts.

The life-cycle risk on the project is passed down to the service provider FES Facilities Management.

Long-term project financing is in place for the duration of the concession. The funding fully amortises over the concession period leaving no refinancing risk.

Principal risks and uncertainties (continued)

The continued uncertainty in respect of Brexit poses a risk to the UK economy however we consider the risk to the DBFM project to be minimal given the majority of our costs are fixed, the annual service payment income due to be received over the life of the concession arrangement has been agreed, the service concession arrangement is with a public sector body and our finance costs are fixed due to the fixed interest rate in place in the loan agreement.

Financial risk management

The company receives the bulk of its revenue from the Authority and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

Key Performance Indicators

The key performance of the company is monitored from a cash perspective. The cash position at the year end is considered adequate. Now construction is complete and service payments are being received, this will be assessed on a six-monthly basis by the testing of the covenants of the senior debt provider. The key indicators are the debt service cover ratio and loan life cover ratio. During the construction phase the senior debt provider monitors the company's expenditure against a budgeted profile.

Future developments

The directors do not anticipate any changes in the company's activities.

This report was approved by the board on 29/11/19 and signed on its behalf by:



Philip McVey
Director

HUB NORTH SCOTLAND (O&C) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

The directors present their report and the audited financial statements of the company for the year ended 30 June 2019.

Directors

The directors who served during the year and up to the date of signing these financial statements were:

Andrew Duck (appointed 11 April 2019)
Nial Gemmell
David MacDonald
Gavin MacKinlay (resigned 11 April 2019)
Paul McGirk
Philip McVey
Kirsty O'Brien

Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice). 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 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 and 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 (O&C) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019**

Disclosure of information to the auditor

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

- so far as the directors are aware, there is no relevant information of which the auditor is unaware; and
- the directors have 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 auditor is aware of that information.

Post balance sheet events

There are no significant events affecting the company since the year end.

Auditor

Scott-Moncrieff Audit Services were appointed during the year.

The auditor, Scott-Moncrieff Audit Services, will be proposed for reappointment in accordance with Section 485 of the Companies Act 2006.

This report was approved by the board on 29/11/19 and signed on its behalf by:


Philip McVey
Director

HUB NORTH SCOTLAND (O&C) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUB NORTH SCOTLAND (O&C) LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Opinion

We have audited the financial statements of Hub North Scotland (O&C) Limited (the 'company') for the year ended 30 June 2019, which comprise the Statement of Income and Retained Earnings, the Balance Sheet, the Cashflow Statement, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of the company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

HUB NORTH SCOTLAND (O&C) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUB NORTH SCOTLAND (O&C) LIMITED ON THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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.

Responsibilities of the directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our Auditor's Report.

HUB NORTH SCOTLAND (O&C) LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUB NORTH SCOTLAND (O&C)
LIMITED ON THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019**

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members, as a body, 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.

Scott - Moncrieff

James McBride (Senior Statutory Auditor)
for and on behalf of
Scott-Moncrieff Audit Services, Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL

Date: 29 NOVEMBER 2019

HUB NORTH SCOTLAND (O&C) LIMITED**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 30 JUNE 2019**

| | | 2019 | 2018 |
|---|-------------|--------------------|---------------------|
| | | £ | £ |
| | Note | | |
| Turnover | 4 | 4,315,767 | 23,115,333 |
| Cost of sales | | (4,142,251) | (22,961,992) |
| Gross profit | | 173,516 | 153,341 |
| Administrative expenses | | (13,624) | (104,398) |
| Operating profit | 5 | 159,892 | 48,943 |
| Interest receivable and similar income | 7 | 2,543,654 | 2,042,212 |
| Interest payable and similar charges | 8 | (2,671,753) | (2,055,053) |
| Profit before tax | | 31,793 | 36,102 |
| Taxation | 9 | (4,584) | - |
| Profit after tax | | 27,209 | 36,102 |
| | | | |
| Profit for the year | | 27,209 | 36,102 |
| Retained earnings at the beginning of the year | | (7,666) | (43,768) |
| Retained earnings at the end of the year | | 19,543 | (7,666) |

There were no recognised gains and losses for 2019 or 2018 other than those included in the Statement of Income and Retained Earnings.

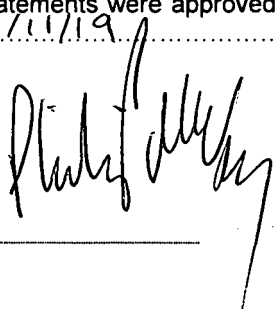
The notes form part of these financial statements.

HUB NORTH SCOTLAND (O&C) LIMITED

**BALANCE SHEET
AS AT 30 JUNE 2019**

| | Note | £ | 2019 £ | £ | 2018 £ |
|---|------|-------------|--------------|-----------|--------------|
| Non-current assets | | | | | |
| Financial asset due after more than 1 year | 10 | | 55,650,119 | | 54,148,386 |
| Current assets | | | | | |
| Financial asset due within 1 year | 10 | 1,858,733 | | 1,278,390 | |
| Debtors | 11 | 442,258 | | 1,090,649 | |
| Cash at bank and in hand | 12 | 2,084,875 | | 622,699 | |
| | | 4,385,866 | | 2,991,738 | |
| Creditors: amounts falling due within one year | 13 | (3,938,803) | | (551,973) | |
| Net current assets | | | 447,063 | | 2,439,765 |
| Total assets less current liabilities | | | 56,097,182 | | 56,588,151 |
| Creditors: amounts falling due after more than one year | 14 | | (56,076,639) | | (56,594,817) |
| Net assets | | | 20,543 | | (6,666) |
| Capital and reserves | | | | | |
| Called up share capital | 15 | | 1,000 | | 1,000 |
| Profit and loss account | 16 | | 19,543 | | (7,666) |
| | | | 20,543 | | (6,666) |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29/11/19 by:



Philip McVey
Director

Company number: SC513475

The notes form part of these financial statements.

HUB NORTH SCOTLAND (O&C) LIMITED**CASHFLOW STATEMENT
AS AT 30 JUNE 2019**

| | 2019 | 2018 |
|---|--------------------|---------------------|
| | £ | £ |
| Cash flows from operating activities | | |
| Profit for the financial year | 27,209 | 36,102 |
| Adjustments for: | | |
| Non-cash revenue | (4,341,083) | (23,047,954) |
| Monthly service payments received | 4,800,563 | 1,462,296 |
| Interest paid | 2,671,753 | 2,055,053 |
| Interest received | (2,543,654) | (2,042,212) |
| Taxation | 4,584 | - |
| Decrease/(increase) in trade and other debtors | 648,391 | (79,767) |
| Increase/(decrease) in trade and other creditors | 391,602 | (2,757,285) |
| Net cash generated/(used) in operating activities | 1,659,365 | (24,373,767) |
| Cash flows from investing activities | | |
| Interest received | 2,098 | - |
| Cash flows from financing activities | | |
| Senior debt loan drawn | 1,177,563 | 20,602,276 |
| Subordinated debt loans drawn | 960,968 | 2,816,639 |
| Repayment of senior debt loan | (322,563) | - |
| Interest paid | (2,015,255) | (2,000,706) |
| Net cash (used)/generated from financing activities | (199,287) | 21,418,209 |
| Net increase/(decrease) in cash and cash equivalents | 1,462,176 | (2,955,558) |
| Cash and cash equivalents at the beginning of the year | 622,699 | 3,578,257 |
| Cash and cash equivalents at the end of the year | 2,084,875 | 622,699 |

The notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

1. General information

The company is a private company limited by shares and is incorporated in Scotland, UK. The company's registered office and company number are disclosed on the company information page of these financial statements. The company's principal activity is as described in the Strategic Report.

The functional currency used to prepare the financial statements is GBP and they are rounded to the nearest pound.

2. Accounting policies

2.1 Basis of presentation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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

The following principal accounting policies have been applied:

2.2 Going concern

The company has prepared financial projections which indicate that sufficient funds will be generated to allow ongoing obligations to be met as they fall due. 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.

2.3 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.

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 or to be incurred to complete the contract can be measured reliably.

2. Accounting policies (continued)

2.4 Interest receivable

Interest receivable is recognised in the Statement of Income and Retained Earnings using the effective interest method.

2.5 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.

Finance costs that relate directly to the construction of the asset are capitalised as part of the cost of the asset. Capitalisation of finance costs ceases when the construction of the asset is completed.

2.6 Taxation

Tax is recognised in the Statement of Income and Retained Earnings, except that a charge attributable to an item of income and expenditure recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the UK where the company operates and generates income.

2.7 Financial asset

Construction and related costs of Campbeltown Grammar School and Oban High School, excluding interest costs and other costs of funding, are being treated as a financial asset under the terms of FRS 102. The financial asset will be repaid over the life of the contract as service income is received from Argyll & Bute Council.

Upon becoming operational, the income derived from the DBFM contract is allocated between the provision of the asset and the provision of the subsequent services. Upon acceptance of the constructed asset by Argyll & Bute Council, the financial asset is amortised over the life of the contract against the relevant portion of the contracted income. The proportion of the financial asset to be amortised against contracted income receivable within one year is classified as a current asset and the remainder non-current.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of amounts recoverable, 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.

2.8 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.

2. Accounting policies (continued)

2.9 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.

2.10 Creditors

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

2.11 Financial instruments

The company enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the 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 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 of amounts recoverable, 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.

HUB NORTH SCOTLAND (O&C) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

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

In preparing the 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 the accounting for the service concession arrangement. Factors taken into account in reaching such decisions include the overall expected profit of 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.

The financial asset is a long term asset. The amount allocated to current assets is the expected net movement in the following year.

4. Turnover

All turnover arose within the United Kingdom.

| | 2019 £ | 2018 £ |
|---------------------|------------------|-------------------|
| Turnover | | |
| Construction income | 3,360,466 | 22,868,367 |
| Passthrough income | (25,316) | 67,379 |
| Service income | 980,617 | 179,587 |
| | <u>4,315,767</u> | <u>23,115,333</u> |

5. Operating profit

The operating profit is stated after charging:

Fees payable to the company's auditor for the audit of the company's annual financial statements

| | |
|-------|-------|
| 3,665 | 2,950 |
|-------|-------|

Fees payable to the company's auditor for other services

| | | |
|--------------------------------|---------|---------|
| - Accountancy fees | 2,260 | 2,250 |
| - Taxation compliance services | 735 | 875 |
| - Other taxation services | - | 515 |
| | <u></u> | <u></u> |

6. Employees

The company has no employees (2018 – none). The directors did not receive any remuneration (2018 - £nil).

| 7. Interest receivable and similar income | 2019 £ | 2018 £ |
|---|------------------|------------------|
| Interest receivable on financial asset | 2,541,556 | 2,042,212 |
| Bank interest | 2,098 | - |
| | <u>2,543,654</u> | <u>2,042,212</u> |

HUB NORTH SCOTLAND (O&C) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019**

| | 2019 £ | 2018 £ |
|--|------------------|------------------|
| 8. Interest payable and similar charges | | |
| Interest on senior debt loan | 2,041,243 | 1,752,544 |
| Interest on subordinated debt loans from related parties | 630,510 | 302,509 |
| | <u>2,671,753</u> | <u>2,055,053</u> |

| | 2019 £ | 2018 £ |
|--|--------------|-----------|
| 9. Taxation | | |
| Corporation tax | | |
| Current tax on profits for the year | 4,584 | - |
| Total current tax charge on ordinary activities | <u>4,584</u> | <u>-</u> |

Factors affecting the tax charge for the year:

The tax assessed for the year is lower than (2018: *lower than*) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

| | 2019 £ | 2018 £ |
|--|---------------|---------------|
| Profit on ordinary activities before tax | <u>31,793</u> | <u>36,102</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%) | 6,041 | 6,859 |
| Effects of: | | |
| Unrelieved tax losses utilised/carried forward | (1,457) | 6,859 |
| Total tax charge for the year | <u>4,584</u> | <u>-</u> |

Reconciliation of corporation tax liability

| | | |
|-------------------------|--------------|----------|
| Opening balance | - | - |
| Tax charge for the year | 4,584 | - |
| Closing balance | <u>4,584</u> | <u>-</u> |

Factors that may affect future tax charge

Reductions in the UK corporation tax rate from 19% to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. A further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future tax charge accordingly.

HUB NORTH SCOTLAND (O&C) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019**

| | 2019 £ | 2018 £ |
|---|-------------------|-------------------|
| 10. Financial Asset | | |
| Opening balance 1 July 2018 | 55,426,776 | 31,798,906 |
| Net interest receivable | 2,541,556 | 2,042,212 |
| Construction costs less capital contributions | 3,360,466 | 22,868,367 |
| Unitary charge income | (4,800,563) | (1,462,296) |
| Operational revenue recognised | 980,617 | 179,587 |
| Closing balance 30 June 2019 | 57,508,852 | 55,426,776 |
| Financial asset due within one year | 1,858,733 | 1,278,390 |
| Financial asset due after more than one year | 55,650,119 | 54,148,386 |
| | 57,508,852 | 55,426,776 |
| 11. Debtors | 2019 £ | 2018 £ |
| Trade debtors | 245,546 | 921,696 |
| Other debtors | 185,780 | 151,307 |
| Prepayments and accrued income | 10,932 | 17,646 |
| | 442,258 | 1,090,649 |
| 12. Cash and cash equivalents | 2019 £ | 2018 £ |
| Cash at bank and in hand | 2,084,875 | 622,699 |
| | 2,084,875 | 622,699 |
| 13. Creditors: Amounts falling due within one year | 2019 £ | 2018 £ |
| Senior debt loan | 1,701,833 | 287,929 |
| Amounts owed to related parties - subordinated debt loans | 1,407,304 | - |
| Amounts owed to related parties - accrued interest | 169,436 | - |
| Corporation tax | 4,584 | - |
| Trade creditors | 357,157 | 59,961 |
| Accruals and deferred income | 161,994 | 204,083 |
| VAT creditor | 136,495 | - |
| | 3,938,803 | 551,973 |

HUB NORTH SCOTLAND (O&C) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019**

| | 2019 £ | 2018 £ |
|--|-------------------|-------------------|
| 14. Creditors: Amounts falling due after more than one year | | |
| Senior debt loan | 50,839,384 | 51,372,304 |
| Amounts owed to related parties - subordinated debt loans | 5,237,255 | 5,222,513 |
| | <u>56,076,639</u> | <u>56,594,817</u> |

Secured creditors

The senior debt loan represents a loan from Aviva Public Private Finance Limited which is secured by way of a fixed and floating charge over the assets of the company. The total loan facility is for £54,282,166.

The subordinated loan represents loans from entities that are shareholders of the immediate parent Hub North Scotland (O&C) Holdings Limited. The loans are repayable in half yearly instalments commencing in September 2019 with the final repayment due in March 2043. The loans are unsecured and bear interest at a rate of 10.2%.

| | 2019 £ | 2018 £ |
|---|-------------------|-------------------|
| Creditors falling due after more than one year | | |
| 1 – 2 years | 1,944,952 | 3,109,137 |
| 2 – 5 years | 5,814,116 | 5,845,225 |
| Greater than 5 years | 48,317,571 | 47,640,455 |
| | <u>56,076,639</u> | <u>56,594,817</u> |

| | 2019 £ | 2018 £ |
|---|--------------|--------------|
| 15. Share capital | | |
| Allotted, called up and fully paid | | |
| 1,000 (2018 – 1,000) ordinary shares of £1 each | <u>1,000</u> | <u>1,000</u> |

Each share holds equal voting rights and ranks equally in respect of distributions.

16. Reserves**Profit and loss account**

The profit and loss account represents cumulative profits and losses.

HUB NORTH SCOTLAND (O&C) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

17. Related party transactions

During the year, the entity entered into the following transactions with related parties:

| | Purchases 2019 £ | Purchases 2018 £ | Amounts outstanding 2019 £ | Amounts outstanding 2018 £ |
|---|---------------------------------|---------------------------------|---|---|
| ACP: North Hub Limited (1) | 125,076 | 161,355 | 2,772 | - |
| Hub North Scotland Limited (2) | 38,824 | 82,389 | - | 3,352 |
| Galliford Try Investments Limited (3) | 3,765 | 48,701 | - | - |
| Currie & Brown UK Limited (4) | 61,269 | 165,657 | 5,202 | 8,292 |
| Currie & Brown Investment Services Limited (4) | - | - | - | 1,232 |
| Equitix Fund IV LP (5) | 3,765 | 52,841 | - | - |
| Galliford Try Building T/A Morrison Construction (3) | 3,130,692 | 30,124,890 | 23,603 | 148,329 |
| | 3,363,391 | 30,635,833 | 31,577 | 161,205 |

Amounts outstanding include creditors and amounts accrued at the year end.

| | Invoiced 2019 £ | Invoiced 2018 £ | Debtor 2019 £ | Debtor 2018 £ |
|-----------------------------|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Argyll and Bute Council (1) | 4,548,268 | 1,368,784 | 256,478 | 931,323 |

| | Interest charge 2019 £ | Interest charge 2018 £ | Subordinated debt 2019 £ | Subordinated debt 2018 £ |
|--|---|---|---|---|
| Subordinated Debt | | | | |
| Scottish Futures Trust Investments Limited (1) | 64,900 | 58,380 | 664,456 | 616,498 |
| Argyll and Bute Council (1) | 64,900 | 58,380 | 664,456 | 616,498 |
| HCF Investments Limited (1) | 129,800 | 116,759 | 1,328,911 | 1,232,997 |
| Galliford Try (North Hub) Investments Limited (6) | 185,455 | 34,495 | 1,993,368 | 1,378,260 |
| Currie & Brown Equitix Limited (6) | 185,455 | 34,495 | 1,993,368 | 1,378,260 |
| | 630,510 | 302,509 | 6,644,559 | 5,222,513 |

HUB NORTH SCOTLAND (O&C) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019****17. Related party transactions (continued)**

| | Accrued Interest 2019 £ | <i>Accrued Interest 2018 £</i> |
|---|--|--|
| Scottish Futures Trust Investments Limited (1) | 16,944 | - |
| Argyll and Bute Council (1) | 16,944 | - |
| HCF Investments Limited (1) | 33,886 | - |
| Galliford Try (North Hub) Investments Limited (6) | 50,831 | - |
| Currie & Brown Equitix Limited (6) | 50,831 | - |
| | <u>169,436</u> | <u>-</u> |

1. A shareholder in the immediate parent company Hub North Scotland (O&C) Holdings Limited.
2. 60% owned by ACP: North Hub Limited (1).
3. Part of the same corporate group as Galliford Try (North Hub) Investments Limited, which is a shareholder in ACP: North Hub Limited (1).
4. An entity in the same corporate group as Currie & Brown (Investments) Limited, a shareholder in Currie & Brown Equitix Limited (6).
5. An entity in the same corporate group as Equitix N Hubco Limited, a shareholder in ACP: North Hub Limited.
6. A shareholder in ACP: North Hub Limited (1).

18. Financial Instruments

| | 2019 £ | <i>2018 £</i> |
|--|-------------------|-------------------|
| Financial Assets | | |
| Cash at bank and in hand | 2,084,875 | 622,699 |
| Financial assets measured at amortised cost | 57,951,110 | 56,358,102 |
| | <u>60,035,985</u> | <u>56,980,801</u> |
| Financial Liabilities | | |
| Financial liabilities measured at amortised cost | 59,874,362 | 57,146,790 |
| | <u>59,874,362</u> | <u>57,146,790</u> |

Financial assets measured at amortised include the financial asset, trade debtors, other debtors and accrued income

Financial liabilities measured at amortised cost include the senior debt loan, subordinated debt owed to related parties, sub debt interest accruals owed to related parties, trade creditors and accruals.

HUB NORTH SCOTLAND (O&C) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

19. Controlling party

The immediate parent company is Hub North Scotland (O&C) Holdings Limited. ACP: North Hub Limited is the majority shareholder of Hub North Scotland (O&C) Holdings Limited but, in the opinion of the directors, is not considered to be the controlling party. The directors consider there to be no ultimate controlling party.

20. Capital commitments

As at 30 June 2019, the company has committed expenditure of £nil (2018 - £3,243,081).