

Hub North Scotland (O&C) Limited

Report and Financial Statements

Year ended

30 June 2018

Company Number SC513475



Hub North Scotland (O&C) Limited

Company Information

Directors	Nial Gemmell David MacDonald Gavin MacKinlay Paul McGirk Philip McVey Kirsty O'Brien
Registered number	SC513475
Registered office	PO Box 17452 2 Lochside View Edinburgh EH12 1LB
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 (O&C) Limited

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Hub North Scotland (O&C) Limited

Directors' report For the year ended 30 June 2018

The directors present their report and the financial statements for the year ended 30 June 2018.

Principal activity

The principal activity of the company is the design, construction, financing and maintenance of Campbeltown Grammar School and Oban High School.

Directors

The directors who served during the year were:

Nial Gemmell (appointed 16 November 2017)
John Hope (resigned 31 July 2017)
David MacDonald
Gavin MacKinlay
Paul McGirk
Philip McVey
Kirsty O'Brien

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.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

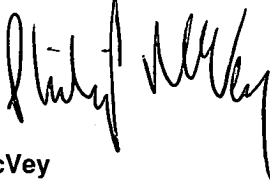
Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on

19/11/2018

and signed on its behalf.



Philip McVey
Director

Hub North Scotland (O&C) Limited

Directors' Responsibilities Statement For the year ended 30 June 2018

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 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'. 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 for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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

Independent Auditor's Report to the Members of Hub North Scotland (O&C) Limited

Opinion

We have audited the financial statements of Hub North Scotland (O&C) Limited for the year ended 30 June 2018 which comprise the statement of income and retained earnings, the balance sheet and the related 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 2018 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.

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 UK, including the FRC'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 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 directors' 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.

Hub North Scotland (O&C) Limited

Independent Auditor's Report to the Members of Hub North Scotland (O&C) Limited (continued)

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.

Opinions 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.

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 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 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.

Hub North Scotland (O&C) Limited

Independent Auditor's Report to the Members of Hub North Scotland (O&C) Limited (continued)

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 the 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 at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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 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.



Alastair Rae (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Edinburgh
United Kingdom

26 November 2018

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

Hub North Scotland (O&C) Limited

Statement of Income and Retained Earnings For the year ended 30 June 2018

	Note	2018 £	2017 £
Turnover	4	23,115,333	26,079,282
Cost of sales		(22,961,992)	(25,956,017)
Gross profit		153,341	123,265
Administrative expenses		(104,398)	(118,061)
Operating profit	5	48,943	5,204
Interest receivable and similar income	7	2,042,212	731,872
Interest payable and similar charges	8	(2,055,053)	(756,610)
Profit/(loss) before tax		36,102	(19,534)
Profit/(loss) after tax		36,102	(19,534)
Retained earnings at the beginning of the year		(43,768)	(24,234)
		(43,768)	(24,234)
Profit/(loss) for the year		36,102	(19,534)
Retained earnings at the end of the year		(7,666)	(43,768)

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of income and retained earnings.

The notes on pages 8 to 16 form part of these financial statements.

Hub North Scotland (O&C) Limited

Registered number: SC513475

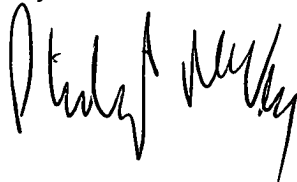
Balance Sheet As at 30 June 2018

	Note	2018 £	2017 £
Current assets			
Debtors: amounts falling due after more than one year	10	55,426,776	31,798,906
Debtors: amounts falling due within one year	10	1,090,649	1,010,882
Cash at bank and in hand	11	622,699	3,578,257
		<u>57,140,124</u>	<u>36,388,045</u>
Creditors: amounts falling due within one year	12	(551,973)	(3,021,329)
Net current assets		<u>56,588,151</u>	<u>33,366,716</u>
Total assets less current liabilities		<u>56,588,151</u>	<u>33,366,716</u>
Creditors: amounts falling due after more than one year	13	(56,594,817)	(33,409,484)
Net liabilities		<u>(6,666)</u>	<u>(42,768)</u>
Capital and reserves			
Called up share capital	14	1,000	1,000
Profit and loss account	15	(7,666)	(43,768)
		<u>(6,666)</u>	<u>(42,768)</u>

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

19/11/2018

by:



Philip McVey
Director

The notes on pages 8 to 16 form part of these financial statements.

Hub North Scotland (O&C) Limited

Notes to the financial statements For the year ended 30 June 2018

1. General information

The company is a private company limited by shares and incorporated in Scotland, UK. The company's registered office and company number are disclosed on the company information page. The company's principal activity is as described in the directors' 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 preparation 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 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 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 recognised is the certified value of the works completed on construction. An element of profit has been recognised in revenue throughout the construction phase as required by FRS 102.

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.

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.

Hub North Scotland (O&C) Limited

Notes to the financial statements For the year ended 30 June 2018

2. Accounting policies (continued)

2.4 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 for construction or upgrade services is measured initially at fair value, based on the fair value of the construction costs or upgrade services provided. After initial recognition of the financial asset is accounted for in accordance with Section 11 of FRS 102 and measured at amortised cost.

2.5 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.

2.6 Financial instruments

The company only enters into basic financial instrument 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, 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 accounts 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 debtors and creditors, 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 the 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 the recoverable amount, 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.

Hub North Scotland (O&C) Limited

Notes to the financial statements For the year ended 30 June 2018

2. Accounting policies (continued)

2.6 Financial instruments (continued)

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

2.7 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.

2.8 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.

2.9 Interest receivable

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

2.10 Taxation

Tax is recognised in the statement of income and retained earnings, except that a charge attributable to an item of income and expense 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 countries where the company operates and generates income.

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

All turnover arose within the United Kingdom.

Hub North Scotland (O&C) Limited

Notes to the financial statements For the year ended 30 June 2018

5. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	2,950	2,875
Fees payable to the company's auditors and its associates for other services:		
- Accountancy fees	2,250	2,250
- Taxation compliance services	875	850
- Other taxation services	515	500
	<u>2,950</u>	<u>2,875</u>

6. Employees

The company has no employees other than the directors, who did not receive any remuneration (2017 - £NIL).

7. Interest receivable and similar income

	2018 £	2017 £
Interest receivable on financial asset	2,042,212	730,943
Bank interest	-	929
	<u>2,042,212</u>	<u>731,872</u>

8. Interest payable and similar charges

	2018 £	2017 £
Interest on senior debt loan	1,752,544	545,312
Interest on subordinated debt loans	302,509	211,298
	<u>2,055,053</u>	<u>756,610</u>

Hub North Scotland (O&C) Limited

Notes to the financial statements For the year ended 30 June 2018

9. Taxation

	2018 £	2017 £
Total current tax	-	-

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19.75%). The differences are explained below:

	2018 £	2017 £
Profit/(loss) on ordinary activities before tax	36,102	(19,534)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.75%)	(6,859)	(3,859)
Effects of:		
Unrelieved tax losses carried forward	6,859	3,859
Total tax charge for the year	-	-

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 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 For the year ended 30 June 2018

10. Debtors

	2018 £	2017 £
Due after more than one year		
Financial asset - amount recoverable on contract	55,426,776	31,798,906
	<u>55,426,776</u>	<u>31,798,906</u>
	2018 £	2017 £
Due within one year		
Trade debtors	921,696	6,987
Other debtors	151,307	1,003,895
Prepayments and accrued income	17,646	-
	<u>1,090,649</u>	<u>1,010,882</u>

11. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	622,699	3,578,257
	<u>622,699</u>	<u>3,578,257</u>

12. Creditors: Amounts falling due within one year

	2018 £	2017 £
Senior debt loan	287,929	-
Trade creditors	59,961	82,042
Accruals and deferred income	204,083	2,939,287
	<u>551,973</u>	<u>3,021,329</u>

Hub North Scotland (O&C) Limited

Notes to the financial statements For the year ended 30 June 2018

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

	2018 £	2017 £
Senior debt loan	51,372,304	31,177,010
Subordinated debt loans	5,222,513	2,232,474
	<u>56,594,817</u>	<u>33,409,484</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 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 September 2019 with the final repayment due in March 2043. The loans are unsecured and bear interest at a rate of 10.2%.

Creditors due after 5 years

Creditors include amounts repayable by instalment that are not wholly repayable within 5 years of £47,632,933 (2017 - £27,203,793).

14. Share capital

	2018 £	2017 £
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 and ranks equally in respect of distributions.

15. 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 For the year ended 30 June 2018

16. Related party transactions

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

	Invoiced 2018 £	Invoiced 2017 £	Amounts outstanding 2018 £	Amounts outstanding 2017 £
ACP: North Hub Limited(1)	161,355	128,312	-	437
hub North Scotland Limited(2)	82,389	87,868	2,793	4,675
Galliford Try Investments Limited(3)	48,701	58,831	-	-
Galliford Try Building Limited T/A Morrison Construction	30,124,890	27,804,322	148,329	2,868,855
Currie & Brown UK Limited(4)	165,657	186,787	6,910	24,109
Currie & Brown Investment Services Limited(4)	-	19,610	1,232	3,265
Equitix Fund IV LP(5)	52,841	53,111	-	65,367
	30,635,833	28,338,841	159,264	2,966,708

Subordinated Debt

	Subordinated debt 2018 £	Subordinated debt 2017 £
Scottish Futures Trust Investments Limited (1)	616,498	558,118
Argyll and Bute Council (1)	616,498	558,118
Hub Charitable Foundation Investments Limited (1)	1,232,997	1,116,237
Galliford Try (North Hub) Investments Limited (6)	1,378,260	-
Currie & Brown Equitix Limited (6)	1,378,260	-
	5,222,513	2,232,473

Amounts outstanding includes creditors which are disclosed net of VAT and amounts accrued at the year end.

1. A shareholder in the immediate parent company, Hub North Scotland (O&C) Holdings Limited.
2. Directly 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. Part of the same corporate group as Currie & Brown Equitix Limited (6).
5. Part of the same corporate group as Equitix N Hubco Limited, which is a shareholder in Currie & Brown Equitix Limited (6).
6. A shareholder in ACP: North Hub Limited (1).

Hub North Scotland (O&C) Limited

Notes to the financial statements For the year ended 30 June 2018

17. 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. There is therefore considered to be no ultimate controlling party.