

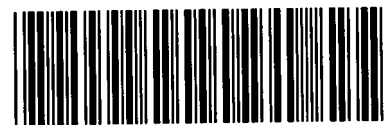
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**Scott-Moncrieff**  
business advisers and accountants  
with Campbell Dallas  
a Caring Company

**HUB NORTH SCOTLAND (INVERURIE CAMPUS) HOLDINGS LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2019**  
**COMPANY NUMBER: SC573396**

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## **HUB NORTH SCOTLAND (INVERURIE CAMPUS) HOLDINGS LIMITED**

### **CONTENTS**

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	<b>Page</b>
<b>Company Information</b>	<b>1</b>
<b>Group Strategic Report</b>	<b>2 – 3</b>
<b>Directors' Report</b>	<b>4 – 5</b>
<b>Independent Auditor's Report</b>	<b>6 – 8</b>
<b>Group Income statement</b>	<b>9</b>
<b>Group Statement Total of Comprehensive Income</b>	<b>10</b>
<b>Group Balance Sheet</b>	<b>11</b>
<b>Company Balance Sheet</b>	<b>12</b>
<b>Group and Company Statements of Changes in Equity</b>	<b>13-14</b>
<b>Group Cashflow Statement</b>	<b>15</b>
<b>Notes to the Financial Statements</b>	<b>16 - 28</b>

**HUB NORTH SCOTLAND (INVERURIE CAMPUS) HOLDINGS LIMITED**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 30 JUNE 2019**

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**Directors**

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

**Registered number**

SC573396

**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**

Barclays Bank PLC  
Unit 2  
10-15 Princes Street  
Edinburgh  
EH2 2AN

## **HUB NORTH SCOTLAND (INVERURIE CAMPUS) HOLDINGS LIMITED**

### **GROUP STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2019**

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

#### **Principal activities and business review**

The company was incorporated in Scotland in August 2017 has been established as a non-trading holding company for the investment in Hub North Scotland (Inverurie Campus) Limited. Hub North Scotland (Inverurie Campus) Limited has been established to enter a Design, Build, Finance and Maintain ("DBFM") concession contract with Aberdeenshire Council. The DBFM contract involves the design, build and financing of Inverurie Community Campus together with the provision of certain facilities management services within the campus. The Project Agreement between Hub North Scotland (Inverurie Campus) Limited and Aberdeenshire Council was signed in April 2018.

As part of this contract, Hub North Scotland (Inverurie Campus) Limited has entered a fixed-price sub-contract with Robertsons Construction to design and build Inverurie Community Campus. The construction of the campus is due to be completed in March 2021.

Hub North Scotland (Inverurie Campus) Limited has also entered a sub-contract with FES Facilities Management for the provision of facilities management services within the campus.

The DBFM project has been financed by a combination of senior and subordinated debt. Senior debt facilities of £53,180,626, provided by NORD and £5,183,170 of subordinated debt provided by equity shareholders is funding the construction cost of the campus.

The operating term of the DBFM contract runs from the completion of the final phase to the expiry date of February 2045. Hub North Scotland (Inverurie Campus) Limited will receive service payments from Aberdeenshire Council from the date of Practical Completion when the campus becomes available. The construction and other related costs of building the campus are being treated as an asset which will be repaid over the life of the contract.

#### **Results and dividends**

##### **Group**

The results for the group for the year are set out on pages 9 and 10. The profit for the year amounted to £118,083 (2018: £37,334). The directors do not recommend the payment of a dividend in respect of the year.

Total comprehensive income for the year was (£2,605,975) (2018: (£1,560,194)) after accounting for the movements in the fair value of the interest rate swap and deferred tax asset. The fair value of the interest rate swap at 30 June 2019 less the deferred tax asset was (£4,321,586) (2018: (£1,597,528)).

##### **Company**

The company did not trade throughout the year 30 June 2019 or the period ended 30 June 2018.

#### **Principal risks and uncertainties**

Aberdeenshire Council (the "Authority") is the sole client of the group, 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, Robertson Construction. The obligations of the service provider and building subcontractor are underwritten by respective Parent Company guarantees. The group is exposed to the risk of non-performance by its subcontractor; 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.

**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2019**

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**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 swap in place.

**Financial risk management**

In order to ensure stability of cash flows and hence manage interest rate risk, the group has a policy of maintaining all its bank debt at a variable rate and also entering into interest rate swaps, the purpose of which is to manage the interest rate risk arising from these borrowings.

The group 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 group is monitored from a cash perspective. The cash position at the year end is considered adequate.

The group has interest rate swaps in place which have resulted in a liability being included in the Balance Sheet. The swaps have been effected to minimise interest rate risk to the group over the life of the senior debt loans. The swap profiles follow the loan drawdowns and are therefore fully effective. As such the group has adopted hedge accounting and the movements are presented in the Statement of Total Comprehensive Income rather than the Income Statement. The profiles are monitored regularly to ensure they do not deviate from this profile and that hedge accounting continues to be permissible.

**Future developments**

The directors do not anticipate any changes in the group's or 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 (INVERURIE CAMPUS) HOLDINGS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019**

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The directors present their report and the audited financial statements of the group and 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 Group 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 group and company and of the profit or loss of the group and 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 group and 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 (INVERURIE CAMPUS) HOLDINGS LIMITED**

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

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**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 group or 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 (INVERURIE CAMPUS) HOLDINGS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUB NORTH SCOTLAND (INVERURIE CAMPUS) HOLDINGS LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

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#### **Opinion**

We have audited the financial statements of Hub North Scotland (Inverurie Campus) Holdings Limited (the 'parent company') and its subsidiary (the 'group') for the year ended 30 June, which comprise the Group Income Statement, the Group Statement of Total Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Changes in Equity, the Group 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 group's and the parent company's affairs as at 30 June 2019 and of the group'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 group and the parent 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 group or the parent 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.



## **HUB NORTH SCOTLAND (INVERURIE CAMPUS) HOLDINGS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUB NORTH SCOTLAND (INVERURIE CAMPUS) HOLDINGS LIMITED ON THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019**

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We have nothing to report in this regard.

#### **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 Group 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 Group 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 group and parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Group 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company's 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 group's and the parent 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 group or the parent 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](http://www.frc.org.uk/auditorsresponsibilities). The description forms part of our Auditor's Report.

**HUB NORTH SCOTLAND (INVERURIE CAMPUS) HOLDINGS LIMITED**

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

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**Use of our report**

This report is made solely to the parent 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 parent 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 parent company and the parent 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 (INVERURIE CAMPUS) HOLDINGS LIMITED****GROUP INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2019**

		<b>2019</b>	<i>11 Months ended 30 June 2018</i>
		<b>£</b>	<b>£</b>
	<b>Note</b>		
<b>Turnover</b>	<b>4</b>	<b>28,409,163</b>	<b>8,705,770</b>
<b>Cost of sales</b>		<b>(28,264,035)</b>	<b>(8,664,279)</b>
<b>Gross profit</b>		<b>145,128</b>	<b>41,491</b>
<b>Administrative expenses</b>		<b>(108,570)</b>	<b>(32,759)</b>
<b>Operating profit</b>	<b>5</b>	<b>36,558</b>	<b>8,732</b>
<b>Interest receivable and similar income</b>	<b>7</b>	<b>1,007,229</b>	<b>84,791</b>
<b>Interest payable and similar charges</b>	<b>8</b>	<b>(898,006)</b>	<b>(47,432)</b>
<b>Profit before tax</b>		<b>145,781</b>	<b>46,091</b>
<b>Taxation</b>	<b>9</b>	<b>(27,698)</b>	<b>(8,757)</b>
<b>Profit after tax</b>		<b>118,083</b>	<b>37,334</b>

The notes form part of these financial statements.

**HUB NORTH SCOTLAND (INVERURIE CAMPUS) HOLDINGS LIMITED**

**GROUP STATEMENT OF TOTAL COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2019**

		<b>2019</b>	<i>11 months ended 30 June 2018</i>
		<b>£</b>	<b>£</b>
	<b>Note</b>		
Profit after tax		<b>118,083</b>	<b>37,334</b>
Cash flow hedge – fair value movement	<b>22</b>	<b>(3,520,744)</b>	<b>(1,924,733)</b>
Cash flow hedge – recycled to profit	<b>22</b>	<b>238,746</b>	<b>-</b>
Cash flow hedge – deferred tax credit	<b>9</b>	<b>557,940</b>	<b>327,205</b>
<b>Other comprehensive income for the year</b>		<b>(2,724,058)</b>	<b>(1,597,528)</b>
<b>Total comprehensive income for the year</b>		<b>(2,605,975)</b>	<b>(1,560,194)</b>

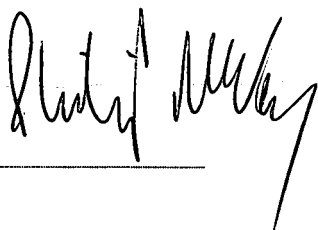
The notes form part of these financial statements.

**HUB NORTH SCOTLAND (INVERURIE CAMPUS) HOLDINGS LIMITED**

**GROUP BALANCE SHEET  
AS AT 30 JUNE 2019**

	Note	£	2019 £	£	2018 £
<b>Non-current assets</b>					
Financial asset due after more than 1 year	11		37,032,159		8,790,329
Deferred taxation > 1 year	23		812,091		286,618
<b>Current assets</b>					
Financial asset due within 1 year	11	1,172,100		-	
Deferred taxation due within 1 year	23	73,054		40,587	
Debtors	12	376,750		300,646	
Cash at bank and in hand	13	7,493,231		4,984,970	
		9,115,135		5,326,203	
Creditors: amounts falling due within one year	14	(7,748,162)		(3,803,189)	
<b>Net current (liabilities)/ assets</b>			<b>1,366,973</b>		<b>1,523,014</b>
<b>Total assets less current liabilities</b>			<b>39,211,223</b>		<b>10,599,961</b>
Creditors: amounts falling due after more than one year	15		(43,376,392)		(12,159,155)
<b>Net liabilities</b>			<b>(4,165,169)</b>		<b>(1,559,194)</b>
<b>Capital and reserves</b>					
Called up share capital	16		1,000		1,000
Cash flow hedge reserve	17		(4,321,586)		(1,597,528)
Profit and loss account	17		155,417		37,334
			<b>(4,165,169)</b>		<b>(1,559,194)</b>

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: SC573396**

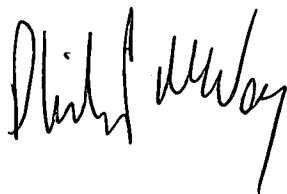
The notes form part of these financial statements.

**HUB NORTH SCOTLAND (INVERURIE CAMPUS) HOLDINGS LIMITED****COMPANY BALANCE SHEET  
30 JUNE 2019**

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Investment	10	1,000	1,000
<b>Net assets</b>		<u>1,000</u>	<u>1,000</u>
 <b>Capital and reserves</b>			
Called up share capital	16	1,000	1,000
		<u>1,000</u>	<u>1,000</u>

The company did not trade in the current and prior year. During the current and prior year, the company received no income and incurred no expenditure and therefore made neither a profit or a loss nor any other gain or loss. Thus no Income Statement or Statement of Total Comprehensive Income has been prepared.

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: SC573396**

The notes form part of these financial statements.

**HUB NORTH SCOTLAND (INVERURIE CAMPUS) HOLDINGS LIMITED**

**GROUP STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2019**

	Called up share capital £	Profit and loss account £	Cash flow hedge reserve £	Total Equity £
Balance at 1 July 2018	1,000	37,334	(1,597,528)	(1,559,194)
Profit for the year	-	118,083	-	118,083
Other comprehensive income	-	-	(2,724,058)	(2,724,058)
Total comprehensive income	-	118,083	(2,724,058)	(2,605,975)
Balance at 30 June 2019	1,000	155,417	(4,321,586)	(4,165,169)

**GROUP STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2018**

	Called up share capital £	Profit and loss account £	Cash flow hedge reserve £	Total Equity £
At incorporation	-	-	-	-
Shares Issued	1,000	-	-	1,000
Profit for the period	-	37,334	-	37,334
Other comprehensive income	-	-	(1,597,528)	(1,597,528)
Total comprehensive income	-	37,334	(1,597,528)	(1,560,194)
Balance at 30 June 2018	1,000	37,334	(1,597,528)	(1,559,194)

The notes form part of these financial statements.

**HUB NORTH SCOTLAND (INVERURIE CAMPUS) HOLDINGS LIMITED****COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2018**

	<b>Called up share capital £</b>	<b>Profit and loss account £</b>	<b>Cash flow hedge reserve £</b>	<b>Total Equity £</b>
Balance at 1 July 2018	<b>1,000</b>	-	-	<b>1,000</b>
Profit for the year	-	-	-	-
Balance at 30 June 2019	<b>1,000</b>	-	-	<b>1,000</b>

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2018**

	<b>Called up share capital £</b>	<b>Profit and loss account £</b>	<b>Cash flow hedge reserve £</b>	<b>Total Equity £</b>
At incorporation	-	-	-	-
Shares issued	<b>1,000</b>	-	-	<b>1,000</b>
Profit for the period	-	-	-	-
Balance at 30 June 2018	<b>1,000</b>	-	-	<b>1,000</b>

The notes form part of these financial statements.



**HUB NORTH SCOTLAND (INVERURIE CAMPUS) HOLDINGS LIMITED**

**GROUP CASHFLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2019**

	<b>2019</b>	<i>11 months ended 30 June 2018</i>
	<b>£</b>	<b>£</b>
<b>Cash flows from operating activities</b>		
Profit for the financial year	118,083	37,334
<b>Adjustments for:</b>		
Non-cash revenue	(28,409,163)	(8,705,770)
Interest paid	898,006	47,432
Interest received	(1,007,229)	(84,791)
Taxation	27,698	8,757
Increase in trade and other debtors	(76,104)	(300,646)
Increase in trade and other creditors	774,132	3,555,686
<b>Cash used in operations</b>	<b>(27,674,577)</b>	<b>(5,441,998)</b>
Income taxes paid	(8,757)	-
<b>Net cash used in operating activities</b>	<b>(27,683,334)</b>	<b>(5,441,998)</b>
<b>Cash flows from investing activities</b>	<b>2,462</b>	<b>232</b>
Interest received		
<b>Cash flows from financing activities</b>		
Senior debt loans drawn	31,239,536	9,405,270
Subordinated debt loans drawn	-	1,880,244
Loan arrangement and commitment fees paid	(231,160)	(821,581)
Issue of ordinary shares	-	1,000
Interest paid and similar charges	(819,243)	(38,197)
<b>Net cash generated from financing activities</b>	<b>30,189,133</b>	<b>10,426,736</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,508,261</b>	<b>4,984,970</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>4,984,970</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>7,493,231</b>	<b>4,984,970</b>

The notes form part of these financial statements.

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

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**1. General information**

The financial statements cover the results for the year ended 30 June 2019 for the group and the company. 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 and the group'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 group's accounting policies (see note 3).

The following principal accounting policies have been applied:

**2.2 Going concern**

The group has prepared financial projections which indicate that sufficient funds will be generated to allow ongoing obligations to be met as they fall due. The company is a non-trading holding company. 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 group 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 group 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.

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

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**2. Accounting policies (continued)**

**2.4 Interest receivable**

Interest receivable is recognised in the Income Statement using the effective interest method.

**2.5 Finance costs**

Finance costs are charged to the Income Statement 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**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement, 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.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

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

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**2. Accounting policies (continued)**

**2.7 Financial asset**

Construction and related costs of Inverurie Community Campus, 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 Aberdeenshire 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 Aberdeenshire 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 group 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.

**2.9 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 the group. Creditors are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

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

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**2. Accounting policies (continued)**

**2.11 Financial instruments**

The group, except for the derivative financial instruments noted below, 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 Income Statement.

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 group 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2019**2. Accounting policies (continued)****2.12 Derivative financial instrument and hedging activities**

The group uses derivative financial instruments to manage exposures to interest rate risks. Interest rate swaps have been taken alongside the senior debt loans to provide a fixed interest rate over the life of the debt. These are measured at fair value on a mid-market basis and recognised in the Balance Sheet. The mark-to-market-value is the result of the valuation of the current interest coupons on market rates as well as the interest accrued as of the valuation date. All values are discounted from the payment date to the evaluation date.

**2.13 Hedge accounting**

Where transactions meet the specified criteria, hedge accounting is used for the related financial instrument. At the time an instrument is designated as a hedge, the group formally documents the relationship between the hedging instrument and the hedged item. Documentation ensures that the risk being hedged, the hedged item and the hedging instrument are clearly identified and the risk in the hedged item is the risk being hedged with the hedging instrument. Accordingly, the group formally assessed, both at inception of the hedge and on an ongoing basis whether the hedging derivatives have been 'highly effective' in offsetting changes in the cash flows of the hedged item.

**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 group have interest rate swaps. The fair value is estimated by calculating the present value of the cash flows of each leg of the swap. The expected cash flows of the fixed leg, based on the fixed interest rate, are discounted by an appropriate discount factor. The expected cashflows for the floating rate based on the interest yield curves are also discounted. The present value of the interest rate swap is the difference between the values of the two streams of cash flows.

**4. Turnover  
Group**

All turnover arose within the United Kingdom.

	2019	11 months ended 30 June 2018
	£	£
<b>Turnover</b>		
Construction income	<b>28,409,163</b>	<b>8,705,770</b>

HUB NORTH SCOTLAND (INVERURIE CAMPUS) HOLDINGS LIMITED

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

	2019 £	11 months ended 30 June 2018 £
<b>5. Operating profit Group</b>		
The operating profit is stated after charging:		
Fees payable to the group and company's auditor for the audit of the group and the company's annual financial statements	3,665	2,950
<b>Fees payable to the group's and the company's auditor for other services</b>		
- Accountancy fees	1,760	2,250
- Taxation compliance services	735	875
- Other taxation services	-	515
	<u>          </u>	<u>          </u>
<b>6. Employees</b>		
The group and company has no employees (2018 – none) . The directors did not receive any remuneration (2018 - £nil).		
	2019 £	11 months ended 30 June 2018 £
<b>7. Interest receivable and similar income Group</b>		
Interest receivable on financial asset	1,004,767	84,559
Bank interest	2,462	232
	<u>1,007,229</u>	<u>84,791</u>
		11 months ended 30 June 2018 £
<b>8. Interest payable and similar charges Group</b>	2019 £	
Interest on senior debt loan	851,152	38,197
Interest on subordinated debt loans from related parties	46,854	9,235
	<u>898,006</u>	<u>47,432</u>

HUB NORTH SCOTLAND (INVERURIE CAMPUS) HOLDINGS LIMITED

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

	2019 £	11 months ended 30 June 2018 £
<b>9. Taxation Group</b>		
<b>Corporation tax</b>		
Current tax on profits for the year	27,698	8,757
<b>Total current tax charge on ordinary activities</b>	<u>27,698</u>	<u>8,757</u>
<b>Factors affecting the tax charge for the year:</b>		
The tax assessed for the year is the same as (2018 – the same as) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:		
	2019 £	11 months ended 30 June 2018 £
<b>Profit on ordinary activities before tax</b>	<u>145,781</u>	<u>46,091</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	27,698	8,757
<b>Total tax charge for the year</b>	<u>27,698</u>	<u>8,757</u>
<b>Reconciliation of corporation tax liability</b>		
Opening balance	8,757	-
Payment on account in the year	(8,757)	-
Tax charge for the year	27,698	8,757
Closing balance	<u>27,698</u>	<u>8,757</u>
<b>Deferred Tax Credit</b>		
Fair value of interest rate swap liability at the year end	(5,206,731)	(1,924,733)
Deferred tax asset at the year end at 17% (2018 – 17%)	<u>885,145</u>	<u>327,205</u>
Deferred tax credit in year	<u>557,940</u>	<u>327,205</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 (INVERURIE CAMPUS) HOLDINGS LIMITED

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

	Investment in subsidiary company £
<b>10. Fixed asset investment - Company</b>	
<b>Cost and net book value</b>	
At 1 July 2018	1,000
At 30 June 2019	1,000
At 30 June 2018	1,000

### Subsidiary undertaking

The following is a subsidiary undertaking of the company:-

Name	Class of share	Holding	Principal activity
Hub North Scotland (Inverurie Campus) Limited	Ordinary	100%	The design, construction, financing and maintenance of Inverurie Community Campus.

The aggregate of the share capital and reserves as at 30 June 2019 and of the profit for the year ended on that date for the subsidiary undertaking was as follows:

	Aggregate of share capital and reserves £	Profit £
Hub North Scotland (Inverurie Campus) Limited	(4,165,169)	118,083

Included in other comprehensive income was (£2,724,058) (2018 – (£1,597,528)) in respect of the fair value of the interest rate swap less the corresponding movement in the deferred tax asset. Total comprehensive income for the year was (£2,605,975) (2018 - £1,560,194)

**HUB NORTH SCOTLAND (INVERURIE CAMPUS) HOLDINGS LIMITED**

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

	2019 £	2018 £
<b>11. Financial Asset Group</b>		
Opening balance 1 July 2018	8,790,329	-
Net interest receivable	1,004,767	84,559
Construction costs less capital contributions	28,409,163	8,705,770
<b>Closing balance 30 June 2019</b>	<b>38,204,259</b>	<b>8,790,329</b>
Financial asset due within one year	1,172,100	-
Financial asset due after more than one year	37,032,159	8,790,329
	<b>38,204,259</b>	<b>8,790,329</b>
<b>12. Debtors: Amounts falling due within one year Group</b>	2019 £	2018 £
Other debtors	376,750	300,646
	<b>376,750</b>	<b>300,646</b>
<b>13. Cash and cash equivalents Group</b>	2019 £	2018 £
Cash at bank and in hand	7,493,231	4,984,970
	<b>7,493,231</b>	<b>4,984,970</b>
<b>14. Creditors: Amounts falling due within one year Group</b>	2019 £	2018 £
Senior debt loan	2,929,014	-
Corporation tax	27,698	8,757
Trade creditors	2,244,907	28,435
Accruals and deferred income	2,116,819	3,527,251
Interest rate swap	429,724	238,746
	<b>7,748,162</b>	<b>3,803,189</b>

**HUB NORTH SCOTLAND (INVERURIE CAMPUS) HOLDINGS LIMITED**

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

	2019 £	2018 £
<b>15. Creditors: Amounts falling due after more than one year Group</b>		
Senior debt loan	36,663,052	8,583,689
Amounts owed to related parties - subordinated debt loans	1,936,333	1,889,479
Interest rate swap	4,777,007	1,685,987
	<u>43,376,392</u>	<u>12,159,155</u>

**Secured creditors**

The senior debt loan represents a loan from Nord/LB Luxembourg S.A. which is secured by way of a fixed and floating charge over the assets of the company. The total loan facility is for £53,180,626.

The subordinated loan represents loans from entities that are shareholders of the company. The loans are repayable in half yearly instalments commencing in March 2021 with the final repayment due in 2045. The loans are unsecured and bear interest at a rate of 10.2%.

	2019 £	2018 £
<b>Creditors falling due after more than one year: Senior debt and the subordinated debt loans</b>		
1 – 2 years	57,707	2,929,014
2 – 5 years	5,595,954	3,614,260
Greater than 5 years	32,945,724	3,929,894
	<u>38,599,385</u>	<u>10,473,168</u>

	2019 £	2018 £
<b>Interest rate swap</b>		
1 – 2 years	566,822	320,188
2 – 5 years	1,454,683	672,146
Greater than 5 years	2,755,502	693,653
	<u>4,777,007</u>	<u>1,685,987</u>

	2019 £	2018 £
<b>16. Share capital Group and Company</b>		
<b>Allotted, called up and fully paid</b>		
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.

**17. Reserves**

**Profit and loss account**

The profit and loss account represents cumulative profits and losses.

**HUB NORTH SCOTLAND (INVERURIE CAMPUS) HOLDINGS LIMITED**

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

**17. Reserves (continued)**

**Cash flow hedge reserve**

The movements in the fair value of the interest rate swap less the deferred tax credit are included in this reserve.

**18. Related party transactions**

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

	<b>Purchases 2019 £</b>	<b>Purchases 2018 £</b>	<b>Amounts outstanding 2019 £</b>	<b>Amounts outstanding 2018 £</b>
ACP: North Hub Limited (1)	123,965	37,190	-	-
Hub North Scotland Limited (2)	204,739	786,398	-	-
Galliford Try Investments Limited (3)	36,984	11,0950	-	11,095
Currie & Brown UK Limited (4)	29,000	8,400	3,000	1,800
Equitix Fund IV LP (5)	46,230	-	9,246	-
Aberdeenshire Council (1)	2,145,891	-	-	-
	<u>2,586,809</u>	<u>843,083</u>	<u>12,246</u>	<u>12,895</u>

<b>Subordinated Debt</b>	<b>Interest charge 2019 £</b>	<b>Interest charge 2018 £</b>	<b>Subordinated debt 2019 £</b>	<b>Subordinated debt 2018 £</b>
Scottish Futures Trust Investments Limited (1)	11,713	2,309	484,083	472,370
HCF Investments Limited (1)	35,141	6,926	1,452,250	1,417,109
	<u>46,854</u>	<u>9,235</u>	<u>1,936,333</u>	<u>1,889,479</u>

Amounts outstanding includes creditors including accrued interest at the year end.

1. A shareholder in Hub North Scotland (Inverurie Campus) Holdings Limited.
2. 60% owned by ACP: North Hub Limited
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 Investments Limited, which is a shareholder in 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 of ACP: North Hub Limited (1).

**HUB NORTH SCOTLAND (INVERURIE CAMPUS) HOLDINGS LIMITED**

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

**19. Financial Instruments**

	2019 £	2018 £
<b>Financial Assets</b>		
Cash at bank and in hand	7,493,231	4,984,970
Financial assets measured at amortised cost	38,204,259	8,807,204
	<u>45,697,490</u>	<u>13,792,174</u>
<b>Financial Liabilities</b>		
Financial liabilities measured at amortised cost	45,890,125	14,028,854
Financial liabilities measured at fair value through other comprehensive income	5,206,731	1,924,733
	<u>51,096,856</u>	<u>15,953,587</u>

Financial assets measured at amortised cost include the financial asset and other debtors.

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

Financial liabilities measured at fair value through other comprehensive income the interest rate swaps.

**20. Controlling party**

ACP: North Hub Limited is the majority shareholder of this company 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.

**21. Capital commitments**

As at 30 June 2019, the group has committed expenditure of £19,256,110 (2018 - £47,021,184).

**22. Financial liabilities measure at fair value through other comprehensive income**

	2019 £	2018 £
Current derivative financial liabilities (note 14)	429,724	238,746
Non-current derivative financial liabilities (note 15)	4,777,007	1,685,987
<b>Total financial liabilities measured at fair value through other comprehensive income</b>	<u>5,206,731</u>	<u>1,924,733</u>

The movement in the fair value was (£3,520,744) (2018: (£1,924,733)). £238,746 (2018: £nil) of the fair value at the prior year end was recycled to profit in the year.

HUB NORTH SCOTLAND (INVERURIE CAMPUS) HOLDINGS LIMITED

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

22. Financial liabilities measure at fair value through other comprehensive income (continued)

*Interest rate swaps*

The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2019 £40,644,806 (2018: £9,405,270).

At 30 June 2019, the fixed interest rates vary from 1.152% to 1.899% and the main floating rates are LIBOR.

23. Deferred Tax

	2019 £	2018 £
Deferred tax asset (note 9)	<u>885,145</u>	<u>327,205</u>

The deferred tax asset is in respect of the fair value of the cash flow hedge. £73,054 (2018: £40,587) is included in current assets with £812,091 (2018: £286,618) included within non-current assets, in line with the ageing of the fair value of the hedging derivative.