
HUB WEST SCOTLAND PROJECT COMPANY (NO.7) LIMITED

Company Registration No. SC606100

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020



HUB WEST SCOTLAND PROJECT COMPANY (NO.7) LIMITED

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HUB WEST SCOTLAND PROJECT COMPANY (NO.7) LIMITED

Company Information

For the year ended 31 March 2020

Directors

R S Drew
J W Dryburgh
N W Gemmell
D G Lane
H Otti
G J Shirreff
M G E Speirs
A J Titmus

Company Secretary

C Sheridan

Registered Office

6th Floor Merchant Exchange
20 Bell Street
Glasgow
United Kingdom
G1 1LG

Auditor

Azets Audit Services
Chartered Accountants
25 Bothwell Street
Glasgow
United Kingdom
G2 6NL

Bankers

Barclays
Level 12
1 Churchill Place
Canary Wharf
London
E14 5HP

HUB WEST SCOTLAND PROJECT COMPANY (NO.7) LIMITED

Directors' Report

For the year ended 31 March 2020

The directors of Hub West Scotland Project Company (No.7) Limited (the 'Company') present their annual report and the audited financial statements for the year ended 31 March 2020. The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards including Section 1A of the Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice applicable to Small Entities).

Principal activity

The principal activity of the Company is to design, build, finance and maintain the Health & Social Care Hubs in Greenock, Clydebank and Stobhill located in the West of Scotland.

Directors

The current directors of the Company, who served throughout the period and subsequently unless otherwise stated below, are shown on page 1.

M G E Speirs (appointed 5 April 2019)
H Otti (appointed 1 June 2019)

A J Baillie (appointed 5 April 2019, resigned 19 June 2020)
W A Erlam (resigned 1 June 2019)

Qualifying third party indemnity provisions

The directors of the Company have qualifying third party indemnity provisions put in place through other related companies.

Directors' responsibilities statement

The directors are responsible for preparing the annual 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 Section 1A of the Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice applicable to Small Entities). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 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 WEST SCOTLAND PROJECT COMPANY (NO.7) LIMITED

Directors' Report (continued) **For the year ended 31 March 2020**

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.

Subsequent events

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

Auditor

Azets Audit Services were appointed during the year.

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

Small companies' exemptions

In preparing this report the directors have taken advantage of the small companies' exemptions provided by Section 415A of the Companies Act 2006.

This report as approved by the board on 17 September 2020 and signed on its behalf by:



H Otti
Director

HUB WEST SCOTLAND PROJECT COMPANY (NO.7) LIMITED

Independent Auditor's Report to the members of Hub West Scotland Project Company (No.7) Limited For the year ended 31 March 2020

We have audited the financial statements of Hub West Scotland Project Company (No.7) Limited (the 'Company') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the principal accounting policies and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Section 1A of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice applicable to Small Entities).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Small Entities; 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 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 WEST SCOTLAND PROJECT COMPANY (NO.7) LIMITED

Independent Auditor's Report to the members of Hub West Scotland Project Company (No.7) Limited (continued) **For the year ended 31 March 2020**

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 is 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

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 determines 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

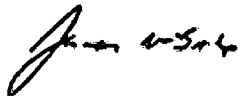
A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our Auditor's Report.

HUB WEST SCOTLAND PROJECT COMPANY (NO.7) LIMITED

Independent Auditor's Report to the members of Hub West Scotland Project Company (No.7) Limited (continued) For the year ended 31 March 2020

The 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.



James McBride (Senior Statutory Auditor)
for and on behalf of
Azets Audit Services, Statutory Auditor
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Date: 17 September 2020

HUB WEST SCOTLAND PROJECT COMPANY (NO.7) LIMITED

Statement of Comprehensive Income For the year ended 31 March 2020

		2020 £'000	2019 Restated £'000
	Note		
Turnover		22,475	6,168
Cost of sales		<u>(22,364)</u>	<u>(6,137)</u>
Gross profit		111	31
Administrative expenses		-	-
Operating profit		<u>111</u>	<u>31</u>
Interest receivable and similar income	3	480	21
Interest payable and similar charges	4	(952)	(143)
Loss on ordinary activities before taxation		<u>(361)</u>	<u>(91)</u>
Tax credit on loss on ordinary activities	5	71	15
Loss for the financial year		<u>(290)</u>	<u>(76)</u>
Movement in cash flow hedge	8	(4,939)	(1,732)
Cash flow hedge – recycled to profit	8	142	-
Taxation in respect of items of other comprehensive income	5	946	295
Total comprehensive loss for the year		<u>(4,141)</u>	<u>(1,513)</u>

The results for the current and previous financial period derive from continuing operations.

The notes form part of these financial statements

HUB WEST SCOTLAND PROJECT COMPANY (NO.7) LIMITED

Statement of Financial Position As at 31 March 2020

	Note	2020 £'000	2019 Restated £'000
Non-current asset			
Financial asset > 1 year	6	28,591	6,189
Current assets			
Financial asset < 1 year	6	255	-
Trade and other receivables due within one year		1,056	219
Deferred tax	9	1,327	310
Cash at bank and in hand		5,868	2,901
		<u>8,506</u>	<u>3,430</u>
Current liabilities			
Trade and other payables		<u>(4,280)</u>	<u>(1,733)</u>
Net current assets		<u>4,226</u>	<u>1,697</u>
Total assets less current liabilities		32,817	7,886
Non-current liabilities			
Trade and other payables		<u>(38,471)</u>	<u>(9,399)</u>
Net liabilities		<u>(5,654)</u>	<u>(1,513)</u>
Capital and reserves			
Issued share capital		-	-
Retained earnings	10	(366)	(76)
Cash flow hedge reserve	10	(5,288)	(1,437)
Shareholders' deficit		<u>(5,654)</u>	<u>(1,513)</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A – Small Entities within Part 15 of the Companies Act 2006.

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 17 September 2020 by:



H Otti
Director

Company number: SC606100

The notes form part of these financial statements

HUB WEST SCOTLAND PROJECT COMPANY (NO.7) LIMITED

Statement of Changes in Equity For the year ended 31 March 2020

	Issued share capital £'000	Cash flow hedge reserve £'000	Retained earnings £'000	Total £'000
1 April 2019 as restated	-	(1,437)	(76)	(1,513)
Loss for the year	-	-	(290)	(290)
Movement in fair value of cash flow hedge	-	(4,939)	-	(4,939)
Cash flow hedge – recycled to profit	-	142	-	142
Taxation in respect of cash flow hedge	-	946	-	946
Other comprehensive loss for the year	-	(3,851)	-	(3,851)
Total comprehensive loss for the year	-	(3,851)	(290)	(4,141)
31 March 2020	-	(5,288)	(366)	(5,654)

	Issued share capital £'000	Cash flow hedge reserve £'000	Retained earnings £'000	Total £'000
For the period ended 31 March 2019				
22 August 2018	-	-	-	-
Loss for the year	-	-	(76)	(76)
Movement in fair value of cash flow hedge	-	(1,732)	-	(1,732)
Cash flow hedge – recycled to profit	-	-	-	-
Taxation in respect of cash flow hedge	-	295	-	295
Other comprehensive loss for the year	-	(1,437)	-	(1,437)
Total comprehensive loss for the year as restated	-	(1,437)	(76)	(1,513)
31 March 2019 as restated	-	(1,437)	(76)	(1,513)

The notes form part of these financial statements

HUB WEST SCOTLAND PROJECT COMPANY (NO.7) LIMITED

Principal Accounting Policies **For the year ended 31 March 2020**

Hub West Scotland Project Company (No.7) Limited (the 'Company') is incorporated in Scotland. The registered office is shown on page 1. The Company's principal activity is as described in the Directors' Report.

Basis of preparation

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 Section 1A of the Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice applicable to Small Entities).

The functional currency is pounds sterling and rounded to the nearest £'000, unless otherwise stated.

Going concern

The directors have reviewed the future liquidity requirements and have considered the cash flow forecasts of the Company. The Company produces long-term financial forecasts which show the Company is able to operate and meet its financial obligations as they fall due, including compliance with all loan agreements. Based on this review and the future business prospects of the Company, the directors believe the Company will be able to meet its liabilities as they fall due.

The net liability position at the year end is largely due to the fair value of the interest rate swap less the associated deferred tax asset.

In the annual review of the Company's going concern, the directors have considered the long term impact of the Covid-19 pandemic. The Company has entered into long-term contracts with both the client and suppliers, and after careful review of these contracts the directors are confident that the Company can operate as normal for the next twelve months. The directors are encouraged by the Scottish Procurement Planning Note, SPPN 5/2020 Covid 19 Supplier Relief dated 26 March 2020 as updated and supplemented by SPPN8/2020 and the Guidance on Operational PPP Projects (covering NPD Contracts, hub DBFM contracts, PPP and PFI contracts) and COVID-19 dated 6th of April updated on the 29th of June. The government guidance is supportive of continuing payment to companies of our nature. Providing additional assurance over the going concern status of the Company, the Authority has recently signed a Covid Relief Change Notice which enables the company to recover costs incurred as a result of the Covid 19 lockdown period from March – Jul 20 where construction work was restricted and additional safety measures were required to be implemented. The Directors have committed to carrying out regular reviews of the Company's cash flows to monitor the ongoing situation.

Having regard to the above and after making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Turnover

a. Public to private concession arrangements

A substantial portion of the Company's assets are used within the framework of concession contracts granted by a public sector customer (the 'grantor'). Under such contracts, the Company constructs Health & Social Care Hub facilities on behalf of a Health Board, and receives a unitary charge over a 25-year operating concession.

To fall within the scope of section 34 of FRS 102, a contract must satisfy the following two criteria:

- the grantor controls or regulates what services the operator must provide using the infrastructure, to whom, and at what price; and
- the grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement.

Pursuant to section 34 of FRS 102, such infrastructure is not recognised in assets of the operator as property, plant and equipment but as a financial asset ('financial asset model').

HUB WEST SCOTLAND PROJECT COMPANY (NO.7) LIMITED

Principal Accounting Policies (continued) For the year ended 31 March 2020

Turnover (continued)

b. Financial asset model

The financial asset model applies when the operator has an unconditional right to receive cash or another financial asset from the grantor.

In the case of concession services, the operator has such an unconditional right if the grantor contractually guarantees the payment of:

- Amounts specified or determined in the contract or
- The shortfall, if any, between amounts received from users of the public service and amounts specified or determined in the contract

Financial assets resulting from the application of section 34 of FRS 102 are recorded at the reporting date under the heading financial assets and measured at amortised cost.

Pursuant to section 23 of FRS 102, revenue associated with this financial model comprises of construction service remuneration, and, once operational, service remuneration which relates to lifecycle maintenance and facilities income and ad hoc property related services income.

Financial instruments

The Company, 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 Statement of Comprehensive Income.

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 Statement of Financial Position date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position 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 WEST SCOTLAND PROJECT COMPANY (NO.7) LIMITED

Principal Accounting Policies (continued) **For the year ended 31 March 2020**

Interest receivable

Interest receivable is recognised in the of Statement of Comprehensive Income. The rate applied is based on the WACC (Weighted Average Cost of Capital) of the project and is applied to the carrying value of the financial asset on a quarterly basis.

Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charges is at a constant rate of the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument,

Loan arrangement fees

Senior debt issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument. The capitalised fees are then released through comprehensive income using the effective interest method over the term of the loan.

Loan commitment fees

Loan commitment fees are charged to the Statement of Comprehensive Income as incurred.

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.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income 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 Statement of Financial Position 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 Statement of Financial Position 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 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 Statement of Financial Position date.

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.

HUB WEST SCOTLAND PROJECT COMPANY (NO.7) LIMITED

Principal Accounting Policies (continued) For the year ended 31 March 2020

Creditors

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

Derivative financial instrument and hedging activities

The Company 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 Statement of Financial Position. 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 valuation date.

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 Company 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 Company 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.

Accounting estimates and judgments

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are as follows:

a. Key sources of estimation uncertainty

Construction Margin - Under its contractual obligations, the Company provides services related to the construction of healthcare facilities. The remuneration for these services is recognised at cost plus a mark-up for profit on construction services. The construction margin rate used in the year to 31 March 2020 is 0.5% (2019: 0.5%) on construction costs. This is line with common industry practice and reflects the margins a similar Company may expect to earn on similar construction projects.

Financial asset interest rate - The financial asset interest rate is based on the WACC of the project. This rate is applied to the carrying value of the financial asset on a quarterly basis. The interest rate used in 2020 is 3.56 % (2019: 3.56%) per annum.

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

Interest rate swaps - The Company 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.

b. Critical judgements

Concession arrangements - The concession arrangements undertaken by the Company are considered to fall within the scope of section 34 of FRS 102 "Service Concession Arrangements", as described in the turnover note. This judgement has been based on a consideration of the nature and terms of the agreements.

HUB WEST SCOTLAND PROJECT COMPANY (NO.7) LIMITED

Notes to the Financial Statements For the year ended 31 March 2020

1. Directors' remuneration

The directors did not receive any remuneration from the Company for their services to the Company during the financial period. The directors are remunerated by the shareholding companies for their services to the group as a whole.

2. Staff numbers

The Company had no employees during the current and prior financial year.

3. Interest receivable and similar income

	2020 £'000	2019 Restated £'000
Bank interest receivable	10	-
Interest receivable on financial asset	470	21
	<u>480</u>	<u>21</u>

4. Interest payable and similar charges

	2020 £'000	2019 Restated £'000
Interest payable on senior debt borrowings	315	24
Interest payable on sub debt borrowings	319	71
Finance cost – recycled cash flow hedge	142	-
Facility commitment fees	145	43
Other financing costs	31	5
	<u>952</u>	<u>143</u>

HUB WEST SCOTLAND PROJECT COMPANY (NO.7) LIMITED

Notes to the Financial Statements (continued) For the year ended 31 March 2020

5. Tax on loss on ordinary activities

	2020 £'000	2019 Restated £'000
a) Analysis of tax on loss on ordinary activities		
Current tax		
UK corporation tax payable at 19% (2019: 19%)	-	-
Total current tax	-	-
Deferred tax (note 9)		
Origination and reversal of timing differences		
- current year	(71)	(15)
Total deferred tax credit	(71)	(15)
Tax credit on loss on ordinary activities	(71)	(15)
Taxation in respect of other comprehensive loss		
Cash flow hedge reserve	(946)	(295)
Total taxation in respect of other comprehensive loss	(946)	(295)

The tax assessed for the year differs from the standard rate of corporation tax in the UK (19%) (2019: 17%). The differences are explained below:

	£'000	£'000
b) Factors affecting the tax charge for the year		
Loss on ordinary activities before tax	(361)	(91)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK (19%) (2019: 17%)	(69)	(15)
Effects of:		
Adjustments to previous period	-	-
Adjust opening/ closing deferred tax to average rate	(2)	-
Total tax credit for the period	(71)	(15)

Factors that may affect future tax charge

There are no such factors.

HUB WEST SCOTLAND PROJECT COMPANY (NO.7) LIMITED

Notes to the Financial Statements (continued) For the year ended 31 March 2020

6. Financial asset

	2020 £'000	2019 Restated £'000
Balance at 1 April	6,189	-
Income recognised in the Statement of Comprehensive Income		
- construction remuneration	22,475	6,168
- service remuneration	-	-
- interest income	470	21
	<u>22,945</u>	<u>6,189</u>
Other movements		
- cash received	(288)	-
	<u>(288)</u>	<u>-</u>
Balance at 31 March	<u>28,846</u>	<u>6,189</u>
Financial asset due within one year	255	-
Financial asset due after more than one year	<u>28,591</u>	<u>6,189</u>
	<u>28,846</u>	<u>6,189</u>

7. Trade and other payables

Analysis of amounts falling due after 5 years is given below:

	2020 £'000	2019 Restated £'000
Senior debt borrowings	21,767	2,002
Arrangement fees	(515)	(342)
Subordinated debt borrowings	3,435	2,226
Interest rate swap derivative (note 8)	3,798	755
	<u>28,485</u>	<u>4,641</u>

Senior debt borrowings relate to term loan facilities provided by Norddeutsche Landesbank Girozentrale. On 10th December 2019 the DBFM variation was concluded in relation to the Clydebank Facility and a second loan was obtained from funder. These are referred below: FC1 (Stobhill & Greenock) and FC2 (Clydebank). Issue costs of the senior debt have been offset against the senior debt borrowings and will be amortised over the repayment period of the facility.

FC1 senior debt loan facility has an agreed monthly drawdown profile commencing in December 2018 and ending in September 2020. The amounts drawn under the term loan facility are repayable on an agreed repayment profile commencing in March 2021 and ending in December 2044.

FC2 senior debt loan facility has an agreed monthly drawdown profile commencing in December 2019 and ending in September 2021. The amounts drawn under the term loan facility are repayable on an agreed repayment profile commencing in March 2022 and ending in September 2044.

The subordinated debt loan notes carry a coupon of 9.75%, and are repayable in pre-determined semi-annual instalments commencing March 2022 and ending March 2045.

The senior and subordinated debt is secured by a fixed and floating charge on the assets of the Company. The security is held in favour of Norddeutsche Landesbank Girozentrale in the role of Security Agent and Community Solutions Management Services (Hub) Limited in the role of Junior Security Trustee.

HUB WEST SCOTLAND PROJECT COMPANY (NO.7) LIMITED

Notes to the Financial Statements (continued) For the year ended 31 March 2020

8. Financial liabilities measured at fair value through other comprehensive income

	2020 £'000	2019 £'000
Current derivative financial liabilities	528	142
Non-current derivative financial liabilities	6,000	1,590
Total financial liabilities measured at fair value through other comprehensive income	6,528	1,732

The movement in the fair value was (£4,939,000) (2019: (£1,732,000)). £142,000 (2019: £nil) of the fair value at the prior year end was recycled to profit in the year.

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 31 March 2020 was £29,043,000 (2019: £5,628,000).

At 31 March 2020, the fixed interest rates vary from 2.62% to 3.09% and the main floating rates are LIBOR.

9. Deferred tax

	2020 £'000	2019 £'000
Deferred tax		
Balance at beginning of period	310	-
Credit to profit and loss for the financial year	71	15
Credit to other comprehensive income	946	295
Balance at end of period	1,327	310

An analysis of the deferred taxation provided in the financial statements is as follows:

	2020 £'000	2019 £'000
Losses carried forward	86	15
Cash flow hedge reserve	1,241	295
	1,327	310

HUB WEST SCOTLAND PROJECT COMPANY (NO.7) LIMITED

Notes to the Financial Statements (continued) For the year ended 31 March 2020

10. Reserves

Retained earnings

Retained earnings represents cumulative profits and losses.

Cash flow hedge reserve

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

11. Ultimate parent company and controlling party

The Company is a wholly owned subsidiary of Hub West Scotland Holdco (No.7) Limited.

Hub West Scotland Holdco (No.7) Limited is a Company registered in Scotland and is owned by the following companies which are registered in Scotland: Wellspring Partnership Limited (60%), HCF Investments Limited (20%), Greater Glasgow Health Board (10%) and Scottish Futures Trust Investments Limited (10%).

Wellspring Partnership Limited is jointly owned by the following companies that are registered in England and Wales: Morgan Sindall Investments Limited, Apollo (Hub West) Limited and Community Solutions Management Services (Hub) Limited.

The directors are of the opinion that there is no ultimate parent undertaking or controlling party by virtue of the joint ownership and control.

12. Capital commitments

At the reporting date, the Company had outstanding contractual commitments to make future payments to its contractor for construction services, as shown below.

	2020 £'000	2019 £'000
Capital commitments		
Within one year	22,531	20,695
Between one and two years	1,274	4,790
	<u>23,805</u>	<u>25,485</u>

HUB WEST SCOTLAND PROJECT COMPANY (NO.7) LIMITED

Notes to the Financial Statements (continued) For the year ended 31 March 2020

13. Related party transactions

In the ordinary course of business, the Company traded with the following companies:

	Purchases 2020 £'000	Purchases 2019 £'000	Amounts outstanding 2020 £'000	Amounts outstanding 2019 £'000
Community Solutions Partnership Services Limited *	22	15	-	-
Wellspring Management Services Limited *	54	-	-	-
Hub West Scotland Limited *	1,049	2,623	21	-
	<u>1,125</u>	<u>2,638</u>	<u>21</u>	<u>-</u>

Amounts outstanding includes creditors and accruals.

	Pass- through Income 2020 £'000	Pass- through Income 2019 £'000	Debtor 2020 £'000	Debtor 2019 £'000
NHS Greater Glasgow & Clyde	-	-	4	-
	<u>-</u>	<u>-</u>	<u>4</u>	<u>-</u>

	Interest Charge 2020 £'000	Interest Charge 2019 £'000	Accrued interest 2020 £'000	Accrued interest 2019 £'000	Subord- inated debt 2020 £'000	Subord- inated debt 2019 £'000
Wellspring Subdebt Limited *	191	43	-	-	2,702	1,597
HCF Investments Limited **	64	14	-	-	901	532
Scottish Futures Trust Investments Limited **	32	7	-	-	451	266
Greater Glasgow Health Board **	32	7	-	-	451	266
	<u>319</u>	<u>71</u>	<u>-</u>	<u>-</u>	<u>4,505</u>	<u>2,661</u>

* Indirect investments via a shared parent company

** Direct investments

HUB WEST SCOTLAND PROJECT COMPANY (NO.7) LIMITED

Notes to the Financial Statements (continued) For the year ended 31 March 2020

13. Prior reporting period adjustment

	Loss for the year ended 31 March 2019 £'000	Net assets as at 31 March 2019 £'000
As previously stated	(92)	(1,529)
Financial asset interest receivable (1)	21	21
Amortisation of arrangement fees (2)	(1)	(1)
Tax effect of the above adjustment (3)	(4)	(4)
As restated	<u>(76)</u>	<u>(1,513)</u>

- 1) It was identified by Azets Audit Services that interest receivable should have been charged on the financial asset from the start of construction. The asset is a financial asset and should have been accounted for as such and not as WIP during the course of construction. Therefore, interest has been recalculated on this basis.
- 2) Amortisation of the arrangement fees has been changed from straight line to debt linked in line with FRS 102.
- 3) The effect of the above adjustments have given rise to an additional tax charge.