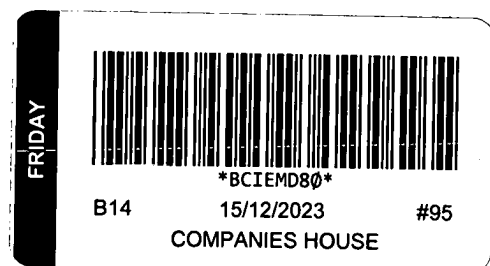


Hub South East Scotland Limited

Annual report and group financial statements
For the year ended 31 March 2023



Company No. SC380319

Officers and professional advisers

Company registration number	SC380319
Registered office	8 Melville Street Edinburgh EH3 7NS
Directors	P Brewer (Chairman) K Bradley P McGirk C Campbell S McGhee P McVey N Gemmell A Bone
Company Secretary	Galliford Try Secretariat Services Limited
Bankers	Barclays Bank Plc Unit 2 10-15 Princes Street Edinburgh EH2 2AN
Auditor	Azets Audit Services Chartered Accountants Exchange Place 3 Sempie Street Edinburgh EH3 8BL
Solicitors	Brodies LLP 15 Atholl Crescent Edinburgh EH3 8HA

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Group Strategic Report

The directors present the Group Strategic Report, the Report of the directors and the Group financial statements for the year ended 31 March 2023.

Business review

Hub South East Scotland Limited ('the Company') was established as the joint venture delivery company for the hub partnership programme covering the South East Scotland territory. The hub initiative is being led by Scottish Futures Trust Limited on behalf of the Scottish Government.

Under hub, public sector organisations across a hub territory work in partnership with each other and a private sector delivery partner to deliver community infrastructure projects such as schools, health centres, day care centres, community centres and libraries.

The directors report a profit for the Company during the year of £736,282 (2022: a loss of £443,456).

During the year to 31 March 2023 Hub South East Scotland reached financial close on three Design and Build projects ("D&B") (2022: four). In the same period six (2022: five) "D&B" projects reached completion. Significant development has taken place on a number of projects which should reach financial close or completion in the coming year.

The focus for the Company during 2022/2023 has been on project development and delivery. Going forward the focus will continue to be on project development, reaching further financial closes and building handovers. The Company will also focus on supporting our public sector participants in the delivery of pipeline and developing new opportunities.

Hub South East Scotland Limited and its subsidiaries (the "Group") consists of the principal company and one DBFM (Design, Build, Finance & Maintain) project consisting of James Gillespie's Campus Subhub Holdings Limited and James Gillespie's Campus Subhub Limited. The project is fully operational with monthly service payments, in line with the Project agreement, now being received. These will continue over the life of the service concession until the expiry date of 15 July 2041.

The directors report a profit for the year for the Group of £796,565 (2022: a loss of £510,257).

The directors have considered the performance of the Company and the Group during the year and the financial position at the year end and believe their prospects for the future to be satisfactory and consistent with the Company's and Group's business plans. A detailed three year business plan has been prepared for the Company covering 2023-2026 which assesses the anticipated income and cashflows from the project pipeline and related costs and which shows sufficient cashflow to sustain the business over the three year period based on the prudent underlying assumptions. This cashflow is updated on a regular basis as part of the preparation of the management accounts in order to incorporate any changes in assumptions and assess the impact of such changes. Forecasts are regularly updated and sensitivity analysis carried out to ensure the robustness of the cash flow forecasts. The most recent review has taken place in October 2023.

Group Strategic Report (continued)

Principal Risks and uncertainties

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

- That key projects identified in the business plan do not go ahead or are not procured through the hub programme resulting in income being deferred or lost. The future pipeline of projects is reviewed on a regular basis to ensure that the net impact on the Group is minimised if any projects are delayed or are no longer required by the participant; and
- Reduction in public sector client investment programmes resulting in a reduction in the future projects pipeline. The Group is in regular dialogue with clients regarding future projects and strategic plans.

In 2021, it was recognised that the volume of work procured through Hub South East Scotland Limited and the hub programme overall had exceeded the estimates contained within the OJEU notices under which the hub companies (hubcos) were procured. The Territory Partnering Board Chairs, the hubcos and Scottish Futures Trust acknowledged the risk of a legal challenge and, in order to mitigate that risk, Scottish Futures Trust issued VEAT notices to the market in 2021 to ensure transparency and highlight the likely scale of the pipeline anticipated for the following four years. Following publication of the VEAT notices, there were no concerns raised by any parties, evidencing that the risk of challenge was low.

Given the continued growth of the hub programme since then, it now seems likely that the revised estimates within the 2021 VEAT notices will be exceeded. Scottish Futures Trust has worked with the Territory Partnering Boards and the hubcos to consider whether it might be necessary to issue updated VEAT notices to the market and consider potential options.

The hubcos and Scottish Futures Trust have sought legal advice and are still in the process of considering how best to proceed. The board acknowledges that, until the way forward has been agreed and implemented, a risk of a successful challenge still exists. The board considers the likelihood of such a challenge to Hub South East Scotland Limited's clients remains remote and that the risk to Hub South East Scotland Limited is very low.

A risk register is in place and is reviewed by the Board at each board meeting.

Key Performance Indicators

Hub South East Scotland Limited is governed by a detailed set of key performance indicators (KPIs) across the business as a whole. These performance measures are focused around partnering, community engagement, community benefit, supporting SMEs, health and safety, sustainability, value for money, supply chain, quality and programme.

These are monitored regularly and reported to the Territory Partnering Board and have been successfully achieved for the year to 31 March 2023.

The key financial performance indicator is in respect of cashflow. This is monitored regularly along with project pipeline to ensure sufficient cash is available to meet the Company's and Group's liabilities as they fall due.

Group Strategic Report (continued)

Future developments

The Group's ambition over the next few years is to build on its successful achievements over the past year by delivering projects already under development and maintaining a robust pipeline of future projects.

The Group achieved its key objective over the 2022-23 financial year by reaching financial close on several D&B projects including Beattie ASN School and East Calder Primary School. In 2023-24 our objective is to reach financial close on the Peebles and Galashiels High School projects amongst others, whilst continuing to develop other projects in their early stages.

Directors statement of compliance with duty to promote the success of the group

As part of corporate governance principles and under the requirements of section 172 of the Companies Act 2006, the Directors are required to make a statement as to how they have carried out their duty to promote the success of the Group for the benefit of its stakeholders as a whole having regards to the matters set out in section 172(1):

- the likely consequences of any decision in the long-term;
 - Decisions are supported and underpinned by a detailed business plan, regular reviews of performance against plan and regular and detailed financial forecasting.
- the interest of the Group's employees;
 - The Group does not have any direct employees as staff are either seconded or operate as part of a Management Services Agreement. Therefore, the main stakeholders of the Group are the shareholders, the public sector organisations in the territory, the Supply Chain and other service providers.
- the need to foster the Group's business relationships with suppliers, customers, and others;
 - The Shareholders and the Territory Partnering Board (comprising representatives from each of the public sector participants, a representative from Hub South East Scotland Limited and a representative from Scottish Futures Trust) are regularly kept updated of the Group's ongoing relationship and partnership with the public sector organisations, contractors and suppliers. The Board is also updated on the development of the Group's project pipeline, performance of the projects and the measurement of performance against KPIs.
- the impact of the Group's operations on the community and the environment;
 - The Group encourages small and medium-sized enterprises (SMEs) to be involved in the hub programme delivery, thereby generating economic growth, social value and regeneration within the local economy as well as creating training, education and apprenticeship opportunities.
 - Embedding itself at the heart of the community infrastructure inception, planning and delivery process is a key aim of the Group.
 - The Group has a long-standing relationship with and regularly fundraises for a local Social Enterprise.
 - The impact on the environment is a key consideration on all projects and the Group supports clients in their efforts to achieve aspirational Government targets in relation to net zero carbon, notably delivering Scotland's first accredited Passivhaus public educational facility.
- the desirability of the Group maintaining a reputation for high standard of business conduct;
 - Achieved through regular monitoring against a series of key performance indicators, including customer satisfaction surveys; and

Group Strategic Report (continued)

- the need to act fairly between members of the Group.
 - The need to consider the best interests of the Group's shareholders is underpinned by relevant Shareholder Agreements.

This report has been approved by the board on 13 December 2023 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'P Brewer', with a stylized, flowing script.

P Brewer
Director and Chairman

Report of the directors

The directors submit their annual report and the Group financial statements for the year ended 31 March 2023.

Principal Activity

The principal activity of the Company and the Group during the year was providing project development and strategic partnering services to the public sector participants in the Hub South East Territory to help drive projects through the key stages of infrastructure procurement.

Results and dividends

The results for the year are set out on pages 13 and 14. The profit for the Group for the year amounted to £796,565 (2022: loss of £510,257). The profit for the Company for the year amounted to £736,282 (2022: loss of £443,456). No dividend has been paid or is proposed.

Directors

The directors of the Company who held office during the year and to date are as follows:

P Brewer (Chairman)	
K Bradley	
P McGirk (Chief Executive)	
C Campbell	
P McVey	
N Gemmell	
A Bone	
R Park	(resigned 8 September 2023)
S McGhee	(appointed 4 July 2023)
M Templeton	(resigned 4 July 2023)

In accordance with the Company's Articles of Association, none of its directors are required to retire by rotation.

Engagement with suppliers, customers and others

The required disclosure in respect of this has been included within the section 172(1) statement within the Strategic Report.

Greenhouse gas emission, energy consumption and energy efficiency action

The Group used 12,492 kWh (2022: 12,140 kWh) of electricity and 22,031 kWh (2022: 41,303 kWh) of gas in the financial year ended 31 March 2023. This amounted to 2,560 kilograms (2022: 2,348 kilograms) of CO₂e per kWh of electricity and 4,030 kilograms (2022: 7,540 kilograms) of CO₂e per kWh of gas, a total of 34,523 kWh (2022: 53,443 kWh).

The energy consumption quoted was calculated by multiplying the electricity usage per kwh by the conversion factor provided in the UK Governments 2023 GHG Reporting. The decrease in consumption in 2023 is related to more conscious energy usage given the increases in costs.

The intensity ratio (based on office floor space) is 26 kWh (2022: 39 kWh) of CO₂e per square metre.

Report of the directors (continued)

The Group monitors its energy consumption and ensures the use of electricity and gas is minimised where possible through staff education, the use of energy efficient lightbulbs, thermostats and central heating timing programmes

Statement of directors' responsibilities

The directors are responsible for preparing the Group Strategic Report, the Report of the directors 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). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and Group 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements. The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditor

To the knowledge and belief of each of the persons who are directors at the time the report is approved:

- So far as each director is aware, there is no relevant information of which the auditor is unaware; and
- He has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information, and to establish that the auditor is aware of the information.

Post balance sheet events

There have been no significant events affecting the Company or Group since the year end.

Auditor

The auditor, Azets Audit Services, is deemed to be reappointed under section 487 (2) of the Companies Act 2006.

This report was approved by the Board on 13 December 2023 and signed on its behalf by:



P Brewer
Director and Chairman

Independent Auditors Report to the Members of Hub South East Scotland Limited on the Financial Statements for the year ended 31 March 2023

Opinion

We have audited the financial statements of Hub South East Scotland Limited (the 'Company') and its subsidiary (the 'Group') for the year ended 31 March 2023, which comprise the Group and Company Income Statements, the Group and Company Balance Sheets, the Group and Company Statement of Changes in Equity, the Group Statement of Cash Flows and the notes to the financial statements, including 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 Company's affairs as at 31 March 2023 and of the Group's and the Company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

Independent Auditor's report to the members of Hub South East Scotland Limited on the Financial Statements for the year ended 31 March 2023 (continued)

Other information (continued)

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the group strategic report and the report of the directors 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 of the Company and their environment obtained in the course of the audit, we have not identified material misstatements in the group strategic report or the report of the directors.

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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company 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 statement of directors' responsibilities set out on page 8, 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's report to the members of Hub South East Scotland Limited on the Financial Statements for the year ended 31 March 2023 (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 is available on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

The extent to which the audit was considered capable of detecting irregularities including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the FRC's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the Group and the Company, their activities, their control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the Group and the Company are complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the Group and the Company that were contrary to applicable laws and regulations, including fraud.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Group and the Company through discussions with directors and other management, and from our commercial knowledge and experience of the construction sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Group and the Company, including the Companies Act 2006 and taxation, data protection, anti-bribery, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;

Independent Auditor's report to the members of Hub South East Scotland Limited on the Financial Statements for the year ended 31 March 2023 (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- enquiring of management as to actual and potential litigation and claims; and
- reviewing any correspondence with HMRC and the Group's legal advisors.

We assessed the susceptibility of the financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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.

Azets Audit Services

James McBride (Senior Statutory Auditor)
for and on behalf of
Azets Audit Services, Statutory Auditor
Chartered Accountants
Exchange Place 3
Sample Street
Edinburgh
EH3 8BL

Date: 13 December 2023

Group Income Statement for the year ended 31 March 2023

	Note	Year ended 31 March 2023 £	Year ended 31 March 2022 £
Turnover	3	58,832,201	103,862,523
Cost of sales		<u>(56,354,838)</u>	<u>(102,826,330)</u>
Gross profit		2,477,363	1,036,193
Administration expenses		(1,720,278)	(1,459,932)
Operating profit/(loss)	4	<u>757,085</u>	<u>(423,739)</u>
Interest payable	5	(1,879,037)	(1,950,669)
Interest receivable	5	2,180,530	2,227,476
Profit/(loss) on ordinary activities before taxation		<u>1,058,578</u>	<u>(146,932)</u>
Taxation	6	(262,013)	(363,325)
Retained profit/(loss) for the year		<u><u>796,565</u></u>	<u><u>(510,257)</u></u>

All activities are continuing.

There are no recognised gains or losses for the year and prior period other than the profit recognised in the profit and loss account. There was no other comprehensive income for 2023 (2022: £nil).

The notes form part of the financial statements.

Company Income Statement for the year ended 31 March 2023

		Year ended 31 March 2023	Year ended 31 March 2022
	Note	£	£
Turnover	3	58,321,545	103,355,913
Cost of sales		(55,985,888)	(102,453,516)
Gross profit		2,335,657	902,397
Administration expenses		(1,600,616)	(1,345,887)
Operating profit/(loss)	4	735,041	(443,490)
Interest payable	5	-	-
Interest receivable	5	1,241	34
Profit/(loss) on ordinary activities before taxation		736,282	(443,456)
Taxation	6	-	-
Retained profit/(loss) for the year		736,282	(443,456)

All activities are continuing.

There are no recognised gains or losses for the year and prior period other than the profit recognised in the profit and loss account. There was no other comprehensive income for 2023 (2022: £nil).

The notes form part of the financial statements.

Group Balance Sheet as at 31 March 2023

	Note	2023 £	2022 £
Non-current assets			
Financial Asset due in more than one year	8	29,285,234	30,427,608
Current assets			
Debtors due in more than one year	9	782,320	1,895,643
Financial Asset due in less than one year	8	1,026,962	1,012,294
Debtors	9	7,565,382	7,190,369
Cash at bank and in hand	10	4,643,836	8,420,160
		<u>14,018,500</u>	<u>18,518,466</u>
Current liabilities			
Creditors - amounts falling due within one year	11	(12,175,554)	(16,518,484)
Net current assets		<u>1,842,946</u>	<u>1,999,982</u>
Total assets less current liabilities		<u>31,128,180</u>	<u>32,427,590</u>
Creditors - amounts falling due after more than one year	12	(28,311,616)	(30,736,021)
Provisions	14	(137,058)	(70,641)
Deferred tax provision	6	(965,591)	(703,578)
Net assets		<u><u>1,713,915</u></u>	<u><u>917,350</u></u>
Capital and reserves			
Called-up share capital	15	100	100
Profit and loss reserve	16	<u>1,713,815</u>	<u>917,250</u>
Equity shareholders' funds		<u><u>1,713,915</u></u>	<u><u>917,350</u></u>

These financial statements were authorised for issue by the Board of directors on 13 December 2023 and signed on its behalf by:



P Brewer
Director and Chairman

Registered Number – SC380319
The notes form part of these financial statements.

Company Balance Sheet as at 31 March 2023

	Note	2023 £	2022 £
Investments	7	100	100
Current assets			
Debtors due in more than one year	9	782,320	1,895,643
Debtors	9	7,145,357	6,748,926
Cash at bank and in hand	10	<u>3,465,933</u>	<u>7,508,810</u>
		11,393,610	16,153,379
Current liabilities			
Creditors - amounts falling due within one year	11	(10,415,706)	(14,801,305)
Net current assets		<u>977,904</u>	<u>1,352,074</u>
Total assets less current liabilities		<u>978,004</u>	<u>1,352,174</u>
Creditors - amounts falling due after more than one year	12	(773,191)	(1,895,643)
Provisions	14	(48,000)	(36,000)
Net assets/(liabilities)		<u>156,813</u>	<u>(579,469)</u>
Capital and reserves			
Called-up share capital	15	100	100
Profit and loss reserve	16	<u>156,713</u>	<u>(579,569)</u>
Equity shareholders' surplus/(deficit)		<u>156,813</u>	<u>(579,469)</u>

These financial statements were authorised for issue by the Board of directors on 13 December 2023 and signed on its behalf by:



P Brewer
Director and Chairman

Registered Number – SC380319

The notes form part of these financial statements.

Group Statement of Changes in Equity for the year ended 31 March 2023

	Called up share capital	Profit and loss account	Total Equity
	£	£	£
Balance at 1 April 2022	100	917,250	917,350
Profit for the year	-	796,565	796,565
Balance at 31 March 2023	<u>100</u>	<u>1,713,815</u>	<u>1,713,915</u>

Group Statement of Changes in Equity for the year ended 31 March 2022

	Called up share capital	Profit and loss account	Total Equity
	£	£	£
Balance at 1 April 2021	100	1,427,507	1,427,607
Loss for the year	-	(510,257)	(510,257)
Balance at 31 March 2022	<u>100</u>	<u>917,250</u>	<u>917,350</u>

The notes form part of the financial statements.

Company Statement of Changes in Equity for the year ended 31 March 2023

	Called up share capital	Profit and loss account	Total Equity
	£	£	£
Balance at 1 April 2022	100	(579,569)	(579,469)
Profit for the year	-	736,282	736,282
Balance at 31 March 2023	<u>100</u>	<u>156,713</u>	<u>156,813</u>

Company Statement of Changes in Equity for the year ended 31 March 2022

	Called up share capital	Profit and loss account	Total Equity
	£	£	£
Balance at 1 April 2021	100	(136,113)	(136,013)
Loss for the year	-	(443,456)	(443,456)
Balance at 31 March 2022	<u>100</u>	<u>(579,569)</u>	<u>(579,469)</u>

The notes form part of the financial statements.

Group Statement of Cash Flows for the year ended 31 March 2023

	2023	2022
	£	£
Profit/(loss) for the financial year	796,565	(510,257)
Adjustments for:		
Non-cash revenue	(462,911)	(414,793)
Annual service payment received	3,745,583	3,689,644
Interest paid	1,879,037	1,950,669
Interest received	(2,180,530)	(2,227,476)
Taxation charge	262,013	363,325
Decrease in debtors	738,310	212,341
Increase in creditors	(5,494,195)	3,031,205
Corporation tax refund/(paid)	-	-
Increase in provision	66,417	46,641
Net cash (used in)/ generated from operating activities	(649,711)	6,141,299
Cash flows from investing activities		
Interest received	25,564	211
Cash flows from financing activities		
Repayment of bank loans	(1,280,308)	(1,224,124)
Subordinated debt loans (repayment)	(41,110)	(40,115)
Interest paid	(1,830,759)	(1,901,366)
Net cash used in financing activities	(3,152,177)	(3,165,605)
Net (decrease)/increase in cash and cash equivalents	(3,776,324)	2,975,905
Cash and cash equivalents at the beginning of the year	8,420,160	5,444,255
Cash and cash equivalents at the end of the year	4,643,836	8,420,160
Components of cash and cash equivalents		
Cash at bank and in hand	4,643,836	8,420,160

The notes form part of the financial statements.

Group Statement of Cash Flows for the year ended 31 March 2023

Analysis of changes in net debt 2023

	At 1 April 2022	Cash flows	Other non-cash changes	At 31 March 2023
	£	£	£	£
Cash and cash equivalents				
Cash	8,420,160	(3,776,324)	-	4,643,836
	<u>8,420,160</u>	<u>(3,776,324)</u>	<u>-</u>	<u>4,643,836</u>
Borrowings				
Debt due within one year	(1,292,668)	1,321,418	(1,350,228)	(1,321,478)
Debt due more than one year	(28,840,378)	-	1,301,953	(27,538,425)
	<u>(30,133,046)</u>	<u>1,321,418</u>	<u>(48,275)</u>	<u>(28,859,903)</u>
Total net debt	<u>(21,712,886)</u>	<u>(2,454,906)</u>	<u>(48,275)</u>	<u>(24,216,067)</u>

The notes form part of the financial statements.

Notes to the Financial Statements

1 Principal accounting policies

(a) General information

The financial statements are presented in Pounds Sterling (GBP) and are rounded to the nearest whole pound. The financial statements cover the results for the year ended 31 March 2023 for the Company and the Group. The continuing activities of the Company and Group are providing project development and strategic partnering services to the public sector participants in the Hub South East Territory to help drive projects through the key stages of infrastructure procurement.

The Company is a private Company limited by shares and was incorporated in Scotland. The registered office is 8 Melville Street, Edinburgh, EH3 7NS.

The Company's registered number is SC380319.

(b) Basis of preparation

These financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice). The financial statements have been prepared on the historical cost basis.

The preparation of the 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 2).

A summary of the more important accounting policies is set out below.

Notes to the Financial Statements

1 Principal accounting policies (continued)

(c) Going concern

During the year, the Group made a profit of £796,565 (2022: a loss of £510,257) and at the Balance Sheet date, its assets exceeded its liabilities by £1,713,915 (2022: £917,350). The Company made a profit of £736,282 (2022: loss of £443,456) and at the Balance Sheet date, its assets exceeded its liabilities by £156,813 (2022: liabilities exceeded its assets by £579,649). The financial statements have been prepared on the going concern basis which assumes that the Group and Company will continue in operational existence for the foreseeable future, being at least 12 months from the date of approval of these financial statements, for the following reasons:

- The James Gillespie's school is operational with monthly service payments, in line with the Project agreement now being received. These will continue over the life of the 25 year service concession until the expiry date of 15 July 2041.
- The directors have prepared and approved cashflow forecasts as part of the 3 year business plan 2023-2026 and based on this information the directors believe the Group and Company will be able to meet all liabilities as they fall due. A detailed three year business plan has been prepared for the Company during 2023 which assesses anticipated project pipeline and related costs and which shows sufficient cashflow over the three year period based on the prudent underlying assumptions. This cashflow is updated on a regular basis as part of the preparation of the management accounts in order to incorporate any changes in assumptions and assess the impact of such changes. It has been updated in October 2023 to take into account changes in the expected financial closes and the pipeline of projects and shows that the Company should have sufficient cashflow to trade for the 12 months following the signing of the financial statements.

The directors have thus formed the view that, at the time of approving the financial statements, the Group and Company will have adequate resources to continue in existence for the foreseeable future. Therefore, the directors consider the adoption of the going concern basis in preparing the financial statements to be appropriate.

If the Group and Company were unable to continue in operation for the foreseeable future, adjustments would have to be made to reduce the Balance Sheet values of assets to their recoverable amounts and to provide for further liabilities that might arise.

Notes to the Financial Statements

1 Principal accounting policies (continued)

(d) Consolidation

The Group financial statements present the results of Hub South East Scotland Limited (the 'Company') and its subsidiaries (the 'Group') as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The Group financial statements incorporate the results of the Group using the equity method.

The financial statements consolidate the results of Hub South East Scotland Limited, James Gillespie's Campus Subhub Holdings Limited and James Gillespie's Campus Subhub Limited.

(e) Revenue

Revenue is recognised when it is probable that any future economic benefit associated with the transaction will flow to the Group/Company and the amount of revenue can be measured with reliability.

Rendering of services

Revenue is recognised from rendering services when the services have been transferred. The outcome of a transaction involving the rendering of services can be estimated reliably, when in addition to the above general recognition principles, both of the following conditions are satisfied:

- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Where a contract for services involves an indeterminate number of acts over a specified time, revenue is recognised on a straight-line basis, unless there is evidence that some other method gives a better reflection of the stage of completion at each year end.

When a contract contains a specific act that is much more significant than any other acts to be performed under the contract, the recognition of revenue is postponed until the significant act is executed. The existence of a specific act that is much more significant than any other act might indicate that the other acts do not substantively advance the transaction's stage of completion. Where the contract contains a significant act, the Group/Company has not earned revenue until the specific act is performed.

If the Group/Company is seen to perform under the contract over the period of time the services are rendered, the revenue recognition profile should reflect this. If the Group/Company has only performed under the contract after the fulfilment of a significant act, no revenue should be recognised until that act has occurred.

Revenue is measured as the fair value for the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Hubco portion income

The 'Hubco portion' (development fee income retained by the company) is recognised when a stage 2 submission is capable of being accepted or when it is considered that the significant act has been reached which is determined on a project by project basis. Prior to that, there is a risk that the project will not go ahead and that the acceptance criteria will not be met.

Notes to the Financial Statements

1 Principal accounting policies (continued)

(e) Revenue (continued)

Strategic Partnering Services

Strategic Partnering Services revenue is recognised as works are completed.

Construction revenue

Revenue recognised is the certified value of the works completed on the construction of the various projects. For the DBFM project an element of the profit has been recognised in revenue through the construction phase.

(f) Interest

Interest and other fees incurred on the loans, subordinated debt and working capital loans are expensed to the Income Statement in the period to which they relate.

Interest receivable on cash at bank is credited to the Income Statement in the period in which it is earned. Interest receivable on the financial asset is credited to the income statement during the construction and operational phase of the project.

(g) Current and deferred taxation

The charge for taxation is based on the profit, when applicable, for the year and takes into account deferred taxation. Deferred taxation has been recognised as a liability or asset if transactions have incurred at the Balance Sheet date that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

(h) Valuation of investments

Investments in subsidiaries are measured at cost. The carrying value of the investment is reviewed annually by the directors for impairment.

(i) Financial asset

Construction and related costs of building the school (James Gillespie's) excluding interest costs and other costs of funding, are being treated as a financial asset (contract debtor) under the terms of FRS 102. The financial asset will be repaid over the life of the contract as service income is received from City of Edinburgh Council.

During the operational term, the income derived from the DBFM contract is allocated between the provision of the asset and the subsequent provision of services. Upon acceptance of the constructed assets by City of Edinburgh 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.

(j) 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.

Notes to the Financial Statements

1 Principal accounting policies (continued)

(k) 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.

(l) Creditors

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

(m) Financial liabilities

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. Finance costs and gains or losses relating to financial liabilities are charged to the Income Statement. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

(n) Financial instruments

The Company and Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and related 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 the market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

(o) Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

Notes to the Financial Statements

2 Judgements in applying accounting policies and key sources of estimation uncertainty

There are assumptions included within the financial model in respect of the profit margin applied to the maintenance services provided during the operational phase. These assumptions are used to estimate the operational revenue with the revenue recognised being the costs incurred plus a reasonable market margin.

Interest receivable is also recognised based on a discount rate which causes the aggregate present value of all sums receivable to be equal to the fair value of the services to be provided over the service concession term. This discount rate is updated on an annual basis.

3 Turnover

All turnover arose within the United Kingdom and is attributable to the principal activity as disclosed within the Report of the directors.

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Turnover				
Construction & development revenue	58,282,191	103,349,610	58,282,191	103,349,610
Service Revenue	462,911	414,793	-	-
Pass through/other income	87,099	98,120	39,354	6,303
	<u>58,832,201</u>	<u>103,862,523</u>	<u>58,321,545</u>	<u>103,355,913</u>

4 Operating profit/(loss)

The Group profit/(loss) on ordinary activities is stated after charging auditor's remuneration of £21,000 (2022: £16,560). The auditor also received remuneration in respect of tax services of £3,325 (2022: £3,545).

The Company profit/(loss) on ordinary activities is stated after charging auditor's remuneration of £14,300 (2022: £11,220). The auditor also received remuneration in respect of tax services of £1,075 (2022: £1,075).

The Company has no directly employed personnel (2022: none).

One director received remuneration from the Group and Company during the year. The aggregate emoluments received by this director was £14,044 (2022: £12,982). None (2022: none) of the directors have any retirement benefits accruing under pension schemes.

Directors fees were charged to the Group and Company of £17,873 (2022: £34,468) and are payable to the shareholder companies.

The Group and Company loss on ordinary activities is stated after charging lease payments of £61,294 (2022: £61,294).

Notes to the Financial Statements

5 Interest payable and receivable

Group	2023	2022
	£	£
Interest payable		
Loan interest payable	1,512,022	1,579,224
Interest payable in respect of subordinated debt	367,015	371,445
	<u>1,879,037</u>	<u>1,950,669</u>
	2023	2022
	£	£
Interest receivable		
Bank interest receivable	25,564	211
Interest receivable on financial asset	2,154,966	2,227,265
	<u>2,180,530</u>	<u>2,227,476</u>
Company	2023	2022
	£	£
Interest receivable		
Bank interest receivable	1,241	34
	<u>1,241</u>	<u>34</u>

Notes to the Financial Statements

6 Taxation

Group	2023 £	2022 £
Profit/(loss) on ordinary activities before tax	<u>1,058,578</u>	<u>(146,932)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2022: 19%)	201,130	(27,917)
Carried forward losses	-	27,917
Tax losses utilised in year to reclaim tax paid in prior years	<u>(201,130)</u>	<u>-</u>
Corporation tax (credit)/charge for the year	<u>-</u>	<u>-</u>
Movement in deferred tax	<u>262,013</u>	<u>363,325</u>
Tax charge for the year	<u>262,013</u>	<u>363,325</u>
Reconciliation of corporation tax liability		
Opening balance	-	-
Refund/(payment on account) in the year	-	-
Reclaim of tax paid in prior years	-	-
Closing balance	<u>-</u>	<u>-</u>
Deferred tax provision	2023	2022
	£	£
At 1 April	(703,578)	(340,253)
Movement	<u>(262,013)</u>	<u>(363,325)</u>
	<u>(965,591)</u>	<u>(703,578)</u>
Deferred tax provision due in less than one year	-	-
Deferred tax provision due in more than one year	<u>(965,591)</u>	<u>(703,578)</u>
	<u>(965,591)</u>	<u>(703,578)</u>

There is £nil (2022: £nil) of corporation tax due for James Gillespie's Campus Subhub Limited. This is based on the company's taxable profit of £322,296 (2022: £296,524) and the prevailing corporation tax rate of 19% (2022: 19%) and takes into account fixed asset timing differences. No other factors affect the corporation tax charge.

James Gillespie's Campus Subhub Holdings Limited's profit for the year was £nil and thus no corporation tax is due (2022: £nil).

Notes to the Financial Statements

6 Taxation (continued)

Company	2023 £	2022 £
Profit/(loss) on ordinary activities before tax	<u>736,282</u>	<u>(443,456)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2022: 19%)	139,894	(84,257)
Losses carried forward	(139,894)	84,257
Tax losses utilised in year to reclaim tax paid in prior years	-	-
Taxation (credit)/charge to profit	<u>-</u>	<u>-</u>
Reconciliation of corporation tax liability		
Opening balance	-	-
Refund in the year	-	-
Reclaim of tax paid in prior years	-	-
Closing balance	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

The Chancellor confirmed in the Budget on 15 March 2023, that there would be an increase in the top rate of corporation tax to 25% for companies generated taxable profits of more than £250,000. A corporation tax rate of 19% will apply to companies generating taxable profits of less than £50,000. A marginal rate will be applied for profits between these taxable profit bandings. This change becomes effective from 1 April 2023.

7 Investments

Company	2023 £	2022 £
At 1 April 2022	<u>100</u>	<u>100</u>
Shares held at cost as at 31 March 2023	<u>100</u>	<u>100</u>

Details of these and other investments held directly by the company are in the table below.

Name	Shareholding	Year end	Equity shareholders' funds	Profit for the year to 31 March 2023
James Gillespie's Campus Subhub Holdings Limited	100%	31-Mar	£100	£-

The registered office of James Gillespie's Campus Subhub Holdings Limited is 8 Melville Street, Edinburgh, UK, EH3 7NS.

Notes to the Financial Statements

8 Financial Asset

Group	2023 £	2022 £
Cost		
At 1 April 2022	53,060,449	50,833,184
Additions during the period:		
Net interest receivable	2,154,966	2,227,265
At 31 March 2023	55,215,415	53,060,449
Repayment		
At 1 April 2022	(21,620,547)	(18,345,696)
Annual service payment income	(3,745,583)	(3,689,644)
Operational revenue recognised	462,911	414,793
At 31 March 2023	(24,903,219)	(21,620,547)
Closing balance at 31 March 2023	30,312,196	31,439,902
Financial asset - due for amortisation within one year	1,026,962	1,012,294
Financial asset - due for amortisation after one year	29,285,234	30,427,608
	30,312,196	31,439,902

Variable economic and market conditions are mitigated by the hedging of income and costs through the payment mechanism agreement. Any performance deductions which may be incurred against future annual service payments are passed on to the service provider leaving no net effect in the Group.

Notes to the Financial Statements

9 Debtors

Group	2023	2022
	£	£
Amounts falling due within one year		
Trade debtors	3,078,170	2,736,998
Accrued income	4,424,342	4,429,256
Prepayments	62,870	24,115
	<u>7,565,382</u>	<u>7,190,369</u>
Company	2023	2022
	£	£
Amounts falling due within one year		
Trade debtors	2,704,267	2,295,555
Accrued income	4,424,342	4,429,256
Prepayments	16,748	24,115
	<u>7,145,357</u>	<u>6,748,926</u>
Company and Group	2023	2022
	£	£
Amounts falling due in more than one year		
Accrued income	<u>782,320</u>	<u>1,895,643</u>

10 Cash at bank and in hand

Group	2023	2022
	£	£
Cash and cash equivalents	<u>4,643,836</u>	<u>8,420,160</u>
Company	2023	2022
	£	£
Cash and cash equivalents	<u>3,465,933</u>	<u>7,508,810</u>

Notes to the Financial Statements

11 Creditors - amounts falling due within one year

	2023	2022
Group	£	£
Bank loans	1,261,282	1,230,157
Subordinated debt	60,196	62,511
Trade creditors	1,077,508	841,541
Amounts owed to related parties	4,335,123	7,065,453
Amounts owed to related parties – accrued subordinated debt interest	182,465	184,693
Retention creditors	2,546,155	1,920,854
Accruals and deferred income	1,582,885	2,138,998
VAT liability	1,129,940	3,074,277
	<u>12,175,554</u>	<u>16,518,484</u>

	2023	2022
Company	£	£
Trade creditors	1,077,508	841,541
Amounts owed to related parties	4,327,429	7,030,870
Retention creditors	2,546,155	1,920,854
Accruals and deferred income	1,511,238	2,113,769
VAT	953,376	2,894,271
	<u>10,415,706</u>	<u>14,801,305</u>

12 Creditors - amounts falling due after more than one year

	2023	2022
Group	£	£
Loans	24,232,171	25,495,329
Subordinated debt loans	3,306,254	3,345,049
Retention creditor	773,191	1,895,643
	<u>28,311,616</u>	<u>30,736,021</u>

Loans

The term loan facility in respect of the James Gillespie's Campus is provided by AVIVA. The full facility is £33,704,954 which has been drawn over the construction period of the school. The term loan is repayable in instalments commencing on 30 September 2016 and ending on 30 June 2040. The balance at the year-end was £26,065,291 (2022: £27,345,600).

Interest is charged on the term loan at a fixed rate of 5.4%. The loan amount is disclosed net of unamortised issue costs of £571,838 (2022: £620,114).

The term loan is secured by way of fixed and floating charges over the assets of James Gillespie's Campus Subhub Limited and James Gillespie's Campus Subhub Holdings Limited and with security over James Gillespie's Campus Subhub Limited's interest in the lease to Edinburgh City Council in favour of AVIVA (as security trustee).

Notes to the Financial Statements

12 Creditors - amounts falling due after more than one year (continued)

Subordinated Debt

James Gillespie's Campus Subhub Holdings Limited previously received £1,638,217 in the form of fixed rate subordinated loan notes held by Scottish Futures Trust Investments Limited and these are stated at amortised cost, using the effective interest rate method. Interest is payable a rate of 10.87% until the final redemption date of 31 March 2038. The loan notes are unsecured and are repayable in instalments commencing on 31 March 2017 and ending on 31 March 2038. The amount outstanding at the year end was £1,535,286 (2022: £1,554,035). Loan interest of £167,379 (2022: £169,399) was payable in the year. Of this, £83,214 (2022: £84,230) is included in creditors at the year end.

James Gillespie's Campus Subhub Holdings Limited previously received £1,629,009 in the form of fixed rate subordinated loan notes held by Galliford Try Investments Limited. The loans are stated at amortised cost, using the effective interest rate method. Interest is payable a rate of 10.87% until the final redemption date of 31 March 2038. The loan notes are unsecured and are repayable in instalments commencing on 31 March 2017 and ending on 31 March 2038. The amount outstanding at the year end was £1,527,558 (2022: £1,546,212). Loan interest of £166,536 (2022: £168,547) was payable in the year. Of this, £82,795 (2022: £83,806) is included in creditors at the year end.

James Gillespie's Campus Subhub Holdings Limited previously received £323,770 in the form of fixed rate subordinated loan notes held by PPDI Assetco Limited. The loans are stated at amortised cost, using the effective interest rate method. Interest is payable a rate of 10.87% until the final redemption date of 31 March 2038. The loan notes are unsecured and are repayable in instalments commencing on 31 March 2017 and ending on 31 March 2038. The amount outstanding at the year end was £303,606 (2022: £307,313). Loan interest of £33,100 (2022: £33,499) was payable in the year. Of this, £16,456 (2022: £16,657) is included in creditors at the year end.

The group term loan and subordinated loan notes are repayable as follows:

	2023	2022
	£	£
Less than 1 year	1,368,454	1,340,819
Between one and two years	1,148,641	1,347,053
Between two and five years	3,522,727	3,650,314
After 5 years	23,391,920	24,414,974
	<u>29,431,742</u>	<u>30,753,160</u>
Capital instrument charges < 1 year	(46,976)	(48,151)
Capital instrument charges > 1 year	(524,862)	(571,963)
	<u>28,859,904</u>	<u>30,133,046</u>
Company		
Retention creditors	<u>773,191</u>	<u>1,895,643</u>

Retention Creditors

The retention creditors will be paid 50% when the relevant project reaches its Actual Completion Date and 50% when the Making Good Defects Certificate is issued.

Notes to the Financial Statements

13 Deferred taxation

Group

No asset has been recognised in respect of the ability to net off tax losses against future profits.

14 Provisions

	2023	2022
Group	£	£
At 1 April	70,641	24,000
Additions	66,417	46,641
Amounts utilised	-	-
	<u>137,058</u>	<u>70,641</u>
Company	2023	2022
	£	£
At 1 April	36,000	24,000
Additions	12,000	12,000
Amounts utilised	-	-
	<u>48,000</u>	<u>36,000</u>

Dilapidations provision – included in accruals and deferred income

As part of its property leasing arrangement, the Company has an obligation to repair damages which incur during the life of the lease, such as wear and tear. It is expected that significant expenditure will be required in the year of the break period of the lease. A provision has been created based on estimated expenditure required per sq ft. The directors estimate that the costs could vary between £41,500 and £96,600. It is estimated that the most likely cost will be £60,000 and a provision has been started to set this aside over the five years until the break period.

Lifecycle provision

As part of the project documents, the Group has an obligation to fund lifecycle works. The liability is created on an annual basis by applying indexation to the contract values less any works claimed to date. The liability is discharged when the works are completed or at the Expiry Date, whichever is earlier or at such other times as permitted under the contract.

15 Called up share capital

	2023	2022
Company and group	£	£
Allotted, issued and fully paid		
9,997 ordinary shares of £0.01 each	100	100
	<u>100</u>	<u>100</u>

The share capital comprises:

- 1,000 A shares of £0.01 each;
- 2,997 B shares of £0.01 each; and
- 6,000 C shares of £0.01 each.

All issued shares rank pari passu with each other, with one vote for each share and an equal right to dividends.

Notes to the Financial Statements

16 Reserves

Profit and Loss reserve

The profit and loss reserves includes all current and prior period retained profit and losses.

17 Related party transactions

The Company's related parties and the extent of transactions with them during the year ended 31 March 2023 are set out below.

2023	Group	Amounts owed to related parties	Company	Amounts owed to related parties
	Purchases from related parties		Purchases from related parties	
	£	£	£	£
Galliford Try Construction Limited t/a Morrison Construction	51,045,059	4,222,162	51,045,059	4,222,162
SPACE Scotland Limited	22,886	-	22,886	-
Galliford Try Investments Limited	1,279,087	-	1,279,087	-
Galliford Try Investments Consultancy Services Limited	145,150	-	65,000	-
Galliford Try Construction Limited t/a Galliford Try Facilities Management	1,381,324	110,672	1,056,754	102,978
Dalmore Capital 6 GP Limited for & on behalf of PPP Equity PIP LP Limited	2,958	-	-	-
Scottish Futures Trust Investments Limited	3,814	2,289	3,814	2,289
	<u>53,880,278</u>	<u>4,335,123</u>	<u>53,472,600</u>	<u>4,327,429</u>

The amounts owed above are included within trade creditors and accruals.

SPACE Scotland Limited owns 60% of the Company and provides directors to the Company.

Galliford Try Holdings Plc owns Galliford Try Investments Limited, which owns 83% of the relevant share capital of SPACE Scotland Limited and 100% of the share capital of Galliford Try Investments Consultancy Services Limited. Galliford Try Holdings plc also owns Galliford Try Construction Limited thus Galliford Try Investments Consultancy Services Limited and Galliford Try Construction Limited are related parties of the Company.

Dalmore Capital 6 GP Limited is part of the Dalmore Group which owns 17% of Space Scotland via Dormy Hub Investments LLP. It is the company nominated by the shareholder to receive its share of MSA fees.

Dormy Hub Investments LLP owns 17% of the share capital of SPACE Scotland Limited. Dormy Hub Investments LLP is owned by PPDI Assetco Limited, thus PPDI Assetco Limited is a related party of the Company.

Scottish Futures Trust Investments Limited owns 10% of the share capital in Hub South East Scotland Limited.

Notes to the Financial Statements

17 Related party transactions (continued)

During the year the Group incurred an interest charge of £167,379 (2022: £169,399) on subordinated loan notes held by Scottish Futures Trust Investments Limited. Of this £83,214 (2022: £84,230) is included in creditors at the year end.

During the year the Group incurred an interest charge of £166,536 (2022: £168,547) on subordinated loan notes held by Galliford Try Investments Limited. Of this, £82,795 (2022: £83,806) is included in creditors at the year end.

During the year the Group incurred an interest charge of £33,100 (2022: £33,499) on subordinated loan notes held by PPDI Assetco Limited. Of this, £16,456 (2022: £16,657) was included in creditors at the year end.

As at 31 March 2023 £1,535,286 (2022: £1,554,035) remains payable to Scottish Futures Trust Investments Limited, £1,527,558 (2022: £1,546,212) remains payable to Galliford Try Investments Limited, £303,606 (2022: £307,313) remains payable to PPDI Assetco Limited.

Comparative information for the year ended 31 March 2022 is set out below.

2022	Group		Company	
	Purchases from related parties	Amounts owed to related parties	Purchases from related parties	Amounts owed to related parties
	£	£	£	£
Galliford Try Construction Limited t/a Morrison Construction	80,137,418	7,028,690	80,137,418	7,028,690
SPACE Scotland Limited	21,797	-	21,797	-
Galliford Try Investments Limited	1,112,826	-	1,112,826	-
Galliford Try Investments Consultancy Services Limited	90,164	-	-	-
Galliford Try Construction Limited t/a Galliford Try Facilities Management	2,331,386	31,301	1,990,077	-
Dalmore Capital 6 GP Limited for & on behalf of PPP Equity PIP LP Limited	3,409	3,282	-	-
Scottish Futures Trust Investments Limited	3,633	2,180	3,633	2,180
	<u>83,700,633</u>	<u>7,065,453</u>	<u>83,265,751</u>	<u>7,030,870</u>

The amounts owed above are included within trade creditors and accruals.

Notes to the Financial Statements

18 Committed Expenditure

As at 31 March 2023, the Company and the Group has committed to expenditure of £21,773,804 (2022: £36,206,928). This all relates to Projects currently being undertaken by the Company and Group, as detailed in the Strategic Report. Expenditure by the Company will be a pass through cost to be matched by receipts from the relevant procuring public sector body.

Amounts payable under the operating lease for the office until the break period are as follows:

	2023	2022
Company and Group	£	£
Less than 1 year	64,331	69,470
Between one and two years	-	64,331
Between two and five years	-	-
After 5 years	-	-
	<u>64,331</u>	<u>133,801</u>

19 Immediate and ultimate parent undertakings

The Company's immediate parent company is SPACE Scotland Limited, holding 60% of the ordinary share capital.

The Directors consider there to be no ultimate controlling party.