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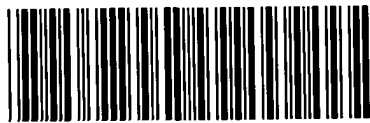
Registered number: SC431389

**HUB SOUTH WEST SCOTLAND LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

WEDNESDAY



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COMPANIES HOUSE

**HUB SOUTH WEST SCOTLAND LIMITED**

**COMPANY INFORMATION**

**DIRECTORS**

M J McBrearty  
J F McClelland  
A K Bill  
A W Nicol  
A Rafiq  
S A Brown  
G W Mackinlay  
D M Lindsay  
C V Lewis  
N W Gemmell  
D Rose

**REGISTERED NUMBER**

SC431389

**REGISTERED OFFICE**

Avondale House  
Suites 1L - 1O Phoenix Crescent  
Strathclyde Business Park  
Bellshill  
North Lanarkshire  
ML4 3NJ

**INDEPENDENT AUDITOR**

Scott-Moncrieff  
Chartered Accountants  
25 Bothwell Street  
Glasgow  
G2 6NL

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**HUB SOUTH WEST SCOTLAND LIMITED**

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## HUB SOUTH WEST SCOTLAND LIMITED

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### GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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The directors present their Group strategic report for the year ended 31 December 2017.

#### BUSINESS REVIEW

Hub South West Scotland Limited (the "Company") was established as a joint venture delivery company for the hub partnership programme covering the South West Scotland territory. The hub initiative is being led by Scottish Futures Trust Limited on behalf of the Scottish Government. The private sector investors are invested through a joint venture, Alliance Community Partnership Limited, which is holding 60% of the share capital of Hub South West Scotland Limited.

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. On 8 November 2012, the Company entered into a Territory Partnering Agreement with a number of public sector bodies including local councils, NHS boards, police, fire and rescue authorities.

The Company entered into a Management Services Agreement with Equitix Limited on 8 November 2012. Equitix Limited supports the Company in the procurement and delivery of public community infrastructure projects by providing development and commercial leadership and innovation as well as project management services. Equitix Limited also provides general day-to-day operational and financial management services to the Company.

On 22nd of November 2017 the Company celebrated its 5 years milestone period in which the business has matured and cemented its position on the market. The awards received during the year for various handed over projects are also proof of the Company's development.

During the 12 months to December 2017 Hub South West Scotland has reached financial close on 2 DBFM and 5 DBDA projects; it has also successfully handed over 2 DBFM and 2 DBDA projects.

As well as delivering projects on time and budget another main focus for the Company during the year was business development to allow the Company to enter new markets such as housing and early years developments.

#### FUTURE DEVELOPMENTS

The Company continues to pursue public community infrastructure developments throughout the South West Scotland territory and has a dedicated team that work closely with these communities and local delivery partners to ensure that all opportunities are evaluated and an optimal value for money solution is proposed every time.

The Company also has the following projects in the early stages of development that are planned for the coming 2018 financial year:

- Dumfries Learning Town - Ph 2-Laurienkenowe High
- Dumfries Learning Town - Ph 2-Dumfries High
- Dumfries Learning Town - Ph 2-Central Campus
- Riverside Office, Ayr
- North Ayrshire Council Social Housing
- Orbiston Street Workshops
- Ayr Grammar
- Tarryholme Drive Housing
- Quarry Road Sports Development
- NLC Smarter Working - Ph 2-Civic Square

#### PRINCIPAL RISKS AND UNCERTAINTIES

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

- 1) The pipeline of projects identified in the business plan not going ahead as planned thereby delaying or reducing the expected income. The pipeline is monitored by the Board to allow for timely actions to minimise any potential impact of decreased revenue streams.
- 2) The company operates as a hub for procurement purposes and as such does not make significant profits. Any profits generated from trading activity are used to cover overheads. Should the company pay suppliers before debtors are received it could result in a shortfall of working capital.

The company prepares a regular cash flow forecast to understand its position. During the year the existing working capital facility has been extended to support, if required, mitigating liquidity risk.

The loan facility amounts to £1,000,000 and is in place to cover any shortfall in working capital. As at 31 December 2017 £400,000 (2016: £400,000) has been drawn down with £nil (2016: £86,667) utilised and £400,000 (2016: £313,333) held by the Company in a treasury deposit account. The remaining facility of £600,000 (2016: £600,000) can be drawn down when required.

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**HUB SOUTH WEST SCOTLAND LIMITED**

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**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**KEY PERFORMANCE INDICATORS**

Hub South West Scotland Limited is governed by a detailed set of key performance indicators (KPIs) across the business as a whole. These performance measures relate to:

- Health & Safety;
- Programme delivery (both project development and construction);
- Value for money;
- Economic development;
- Environmental management;
- Quality assurance; and
- Customer satisfaction.

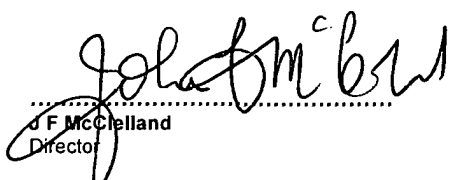
Hub South West Scotland Limited has performed well over the past 12 months and has either achieved or surpassed these targets in the majority of items. The Performance Report for the 15 months to March 2017 was approved by the Territory Partnering Board during the year. The next measurement period is 12 months to March 2018 with the related performance report review and approval due in June 2018.

**HEDGING**

Up until the disposal of the investment in Hub SW Greenfaulds Holdco Limited and Hub SW Greenfaulds Subhub Co Limited, the group used derivative financial instruments to manage exposure to interest rate risks. Interest rate swaps had been taken alongside the senior debt loans to provide a fixed interest rate over the life of the debt.

The hedge was taken out for the sole purpose to manage the interest rate risk and as a result the Group formally documented the relationship between the hedging instrument and the hedged item. The documentation states that the risk is being hedged, the hedged item and the hedging instrument are clearly identified and the risk in the hedged item is the risk being hedged with the hedging instrument. Accordingly the Group formally assessed, both at inception of the hedge and on an ongoing basis whether the hedging derivatives have been 'highly effective' in offsetting changes in the fair values or cash flows of the hedged item.

This report was approved by the board and signed on its behalf by:

  
.....  
J F McClelland  
Director

Date: 19 June 2018

# HUB SOUTH WEST SCOTLAND LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Information regarding principal activity, business review, future developments, principal risks and uncertainties, and key performance indicators is shown in the Strategic Report and not in the Directors' Report.

### DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', (United Kingdom Generally Accepted Accounting Practice). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgements and accounting 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 Group 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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### RESULTS AND DIVIDENDS

The profit for the year for the Group, after taxation, amounted to £423,511 (2016 - £813,113).

### DIRECTORS

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

M J McBrearty  
J A Hope (resigned 31 July 2017)  
J F McClelland  
N G B Parker (resigned 4 May 2018)  
A K Bill  
A W Nicol  
A Rafiq  
S A Brown  
G W Mackinlay  
D M Lindsay  
C V Lewis  
N W Gemmell (appointed 5 December 2017)  
D Rose (appointed 18 May 2018)

**HUB SOUTH WEST SCOTLAND LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**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 each director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware; and
- each director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

**POST BALANCE SHEET EVENTS**

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

**AUDITOR**

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

This report was approved by the board and signed on its behalf by:

  
.....  
J E McClelland  
Director

Date: 19 June 2018

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## HUB SOUTH WEST SCOTLAND LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUB SOUTH WEST SCOTLAND LIMITED

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#### OPINION

We have audited the financial statements of Hub South West Scotland Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2017, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

#### 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### CONCLUSIONS RELATING TO GOING CONCERN

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

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

#### OTHER INFORMATION

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

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

We have nothing to report in this regard.



## HUB SOUTH WEST SCOTLAND LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUB SOUTH WEST SCOTLAND LIMITED (CONTINUED)

#### OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Directors' Report have 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 the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report and Directors' Report.

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### RESPONSIBILITIES OF THE DIRECTORS

As explained more fully in the Directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

#### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.



**Nick Bennett (Senior Statutory Auditor)**  
**for and on behalf of Scott-Moncrieff, Statutory Auditor**

Chartered Accountants  
25 Bothwell Street  
Glasgow  
G2 6NL

19 June 2018

**HUB SOUTH WEST SCOTLAND LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

|  | Note | Continuing operations<br>2017<br>£ | Discontinued operations<br>2017<br>£ | Total<br>2017<br>£ | Continuing operations<br>2016<br>£ | Discontinued operations<br>2016<br>£ | Total<br>2016<br>£ |
|--|------|------------------------------------|--------------------------------------|--------------------|------------------------------------|--------------------------------------|--------------------|
| Turnover                                       | 3    | 59,679,561                         | -                                    | 59,679,561         | 80,150,012                         | 15,275,080                           | 95,425,092         |
| Cost of sales                                  |      | (59,263,305)                       | -                                    | (59,263,305)       | (79,201,584)                       | (15,198,805)                         | (94,400,389)       |
| <b>GROSS PROFIT</b>                            |      | <b>416,256</b>                     | <b>-</b>                             | <b>416,256</b>     | <b>948,428</b>                     | <b>76,275</b>                        | <b>1,024,703</b>   |
| Administrative expenses                        |      | (480,946)                          | -                                    | (480,946)          | (660,094)                          | (19,800)                             | (679,894)          |
| <b>OPERATING (LOSS)/PROFIT</b>                 | 4    | <b>(64,690)</b>                    | <b>-</b>                             | <b>(64,690)</b>    | <b>288,334</b>                     | <b>56,475</b>                        | <b>344,809</b>     |
| Profit/(loss) on disposal of subsidiary        | 21   | -                                  | -                                    | -                  | -                                  | (34,077)                             | (34,077)           |
| Interest receivable and similar income         | 6    | 2,870,846                          | -                                    | 2,870,846          | 2,897,953                          | 956,191                              | 3,854,144          |
| Interest payable and expenses                  | 7    | (2,382,645)                        | -                                    | (2,382,645)        | (2,477,673)                        | (779,436)                            | (3,257,109)        |
| <b>PROFIT BEFORE TAX</b>                       |      | <b>423,511</b>                     | <b>-</b>                             | <b>423,511</b>     | <b>708,614</b>                     | <b>199,153</b>                       | <b>907,767</b>     |
| Tax on profit                                  | 8    | -                                  | -                                    | -                  | (48,915)                           | (45,739)                             | (94,654)           |
| <b>PROFIT FOR THE FINANCIAL YEAR</b>           |      | <b>423,511</b>                     | <b>-</b>                             | <b>423,511</b>     | <b>659,699</b>                     | <b>153,414</b>                       | <b>813,113</b>     |
| <b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b> |      |                                    |                                      |                    |                                    |                                      |                    |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b> |      |                                    |                                      | <b>423,511</b>     |                                    |                                      | <b>813,113</b>     |

The notes on pages 13 to 23 form part of these financial statements.

**HUB SOUTH WEST SCOTLAND LIMITED**  
**REGISTERED NUMBER: SC431389**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

|   | Note | 2017<br>£               | 2016<br>£             |
|---|------|-------------------------|-----------------------|
| <b>FIXED ASSETS</b>                                     |      |                         |                       |
| Financial Asset >1 year                                 | 10   | 34,585,610              | 35,572,680            |
|   |      | <u>34,585,610</u>       | <u>35,572,680</u>     |
| <b>CURRENT ASSETS</b>                                   |      |                         |                       |
| Financial Asset <1 year                                 | 10   | 4,317,716               | 4,241,917             |
| Debtors: amounts falling due after more than one year   | 11   | 727,127                 | 1,203,151             |
| Debtors: amounts falling due within one year            | 11   | 10,825,369              | 10,960,020            |
| Cash at bank and in hand                                | 12   | 3,186,525               | 9,427,168             |
|   |      | <u>19,056,737</u>       | <u>25,832,256</u>     |
| Creditors: amounts falling due within one year          | 13   | (15,353,042)            | (21,695,477)          |
| <b>NET CURRENT ASSETS</b>                               |      | <u>3,703,695</u>        | <u>4,136,779</u>      |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>            |      | <u>38,289,305</u>       | <u>39,709,459</u>     |
| Creditors: amounts falling due after more than one year | 14   | (37,169,094)            | (39,012,759)          |
| <b>NET ASSETS</b>                                       |      | <u><u>1,120,211</u></u> | <u><u>696,700</u></u> |
| <b>CAPITAL AND RESERVES</b>                             |      |                         |                       |
| Called up share capital                                 | 17   | 100                     | 100                   |
| Profit and loss account                                 | 20   | 1,120,111               | 696,600               |
|   |      | <u>1,120,211</u>        | <u>696,700</u>        |

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

.....  
  
J F McClelland  
Director

Date: 19 June 2018

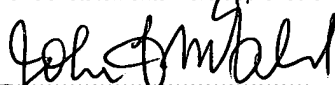
The notes on pages 13 to 23 form part of these financial statements.

**HUB SOUTH WEST SCOTLAND LIMITED**  
**REGISTERED NUMBER: SC431389**

**COMPANY STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

|   | Note |              | 2017<br>£    | 2016<br>£   |
|---|------|--------------|--------------|-------------|
| <b>FIXED ASSETS</b>                                     |      |              |              |             |
| Fixed asset investments                                 | 10   |              | 1            | 1           |
|   |      |              | 1            | 1           |
| <b>CURRENT ASSETS</b>                                   |      |              |              |             |
| Debtors: amounts falling due after more than one year   | 11   | 727,127      | 1,200,838    |             |
| Debtors: amounts falling due within one year            | 11   | 10,811,083   | 10,864,620   |             |
| Cash at bank and in hand                                | 12   | 1,188,330    | 8,339,899    |             |
|   |      | 12,726,540   | 20,405,357   |             |
| Creditors: amounts falling due within one year          | 13   | (11,894,549) | (19,007,190) |             |
| <b>NET CURRENT ASSETS</b>                               |      |              | 831,991      | 1,398,167   |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>            |      |              | 831,992      | 1,398,168   |
| Creditors: amounts falling due after more than one year | 14   |              | (727,127)    | (1,194,887) |
| <b>NET ASSETS</b>                                       |      |              | 104,865      | 203,281     |
| <b>CAPITAL AND RESERVES</b>                             |      |              |              |             |
| Called up share capital                                 | 17   |              | 100          | 100         |
| Profit and loss account                                 | 20   |              | 104,765      | 203,181     |
|   |      |              | 104,865      | 203,281     |

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

  
 .....  
 J.F. McClelland  
 Director

Date: 19 June 2018

The notes on pages 13 to 23 form part of these financial statements.

**HUB SOUTH WEST SCOTLAND LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

|  | Called up share<br>capital | Profit and loss<br>account | Total equity     |
|--|----------------------------|----------------------------|------------------|
|  | £                          | £                          | £                |
| At 1 January 2017                              | 100                        | 696,600                    | 696,700          |
| <b>COMPREHENSIVE INCOME FOR THE YEAR</b>       |                            |                            |                  |
| Profit for the year                            | -                          | 423,511                    | 423,511          |
| <b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b> | -                          | -                          | -                |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b> | -                          | 423,511                    | 423,511          |
| <b>AT 31 DECEMBER 2017</b>                     | <b>100</b>                 | <b>1,120,111</b>           | <b>1,120,211</b> |

The notes on pages 13 to 23 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

|   | Called up share<br>capital | Cash flow<br>hedge reserve | Profit and loss<br>account | Total equity   |
|---|----------------------------|----------------------------|----------------------------|----------------|
|   | £                          | £                          | £                          | £              |
| At 1 January 2016   | 100                        | (207,655)                  | 91,142                     | (116,413)      |
| <b>COMPREHENSIVE INCOME FOR THE YEAR</b>                        |                            |                            |                            |                |
| Profit for the year   | -                          | -                          | 813,113                    | 813,113        |
| <b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>                  | -                          | -                          | -                          | -              |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                  | -                          | -                          | 813,113                    | 813,113        |
| Release of cash flow hedge reserve from profit and loss account | -                          | 207,655                    | -                          | 207,655        |
| Release of cash flow hedge reserve to Cash flow hedge reverse   | -                          | -                          | (207,655)                  | (207,655)      |
| <b>AT 31 DECEMBER 2016</b>                                      | <b>100</b>                 | <b>-</b>                   | <b>696,600</b>             | <b>696,700</b> |

The notes on pages 13 to 23 form part of these financial statements.

**HUB SOUTH WEST SCOTLAND LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

|  | Called up share<br>capital | Profit and loss<br>account | Total equity   |
|--|----------------------------|----------------------------|----------------|
|  | £                          | £                          | £              |
| At 1 January 2017                              | 100                        | 203,181                    | 203,281        |
| <b>COMPREHENSIVE INCOME FOR THE YEAR</b>       |                            |                            |                |
| Loss for the year                              | -                          | (98,416)                   | (98,416)       |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b> | -                          | (98,416)                   | (98,416)       |
| <b>AT 31 DECEMBER 2017</b>                     | <u>100</u>                 | <u>104,765</u>             | <u>104,865</u> |

The notes on pages 13 to 23 form part of these financial statements.

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

|  | Called up share<br>capital | Profit and loss<br>account | Total equity   |
|--|----------------------------|----------------------------|----------------|
|  | £                          | £                          | £              |
| At 1 January 2016                              | 100                        | (20,318)                   | (20,218)       |
| <b>COMPREHENSIVE INCOME FOR THE YEAR</b>       |                            |                            |                |
| Profit for the year                            | -                          | 223,499                    | 223,499        |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b> | -                          | 223,499                    | 223,499        |
| <b>AT 31 DECEMBER 2016</b>                     | <u>100</u>                 | <u>203,181</u>             | <u>203,281</u> |

The notes on pages 13 to 23 form part of these financial statements.

**HUB SOUTH WEST SCOTLAND LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

|   | 2017<br>£          | 2016<br>£           |
|---|--------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |                    |                     |
| Profit for the financial year                                 | 423,511            | 813,113             |
| <b>ADJUSTMENTS FOR:</b>                                       |                    |                     |
| Loss on disposal of tangible assets                           | -                  | 34,077              |
| Interest paid   | 2,382,645          | 3,257,109           |
| Interest received   | (2,870,846)        | (3,854,144)         |
| Taxation charge   | -                  | 94,654              |
| Decrease/(increase) in debtors                                | 618,675            | (3,155,737)         |
| (Decrease)/increase in creditors                              | (7,126,565)        | 6,500,400           |
| Unitary charge received                                       | 4,246,266          | 3,960,057           |
| Operational revenue recognised                                | (464,149)          | (419,969)           |
| Damages received  | -                  | 197,140             |
| Non-cash revenue  | -                  | (18,500,077)        |
| Corporation tax (paid)  | (56,915)           | (58,912)            |
| <b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>           | <b>(2,847,378)</b> | <b>(11,132,289)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |                    |                     |
| New secured bank loans  | -                  | 16,037,257          |
| Repayment of loans  | (1,061,665)        | (3,177,210)         |
| New subordinated debt   | -                  | 1,695,429           |
| Interest paid   | (2,331,600)        | (3,211,583)         |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>                  | <b>(3,393,265)</b> | <b>11,343,893</b>   |
| <b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>       | <b>(6,240,643)</b> | <b>211,604</b>      |
| Cash and cash equivalents at beginning of year                | 9,427,168          | 9,215,564           |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>           | <b>3,186,525</b>   | <b>9,427,168</b>    |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:</b> |                    |                     |
| Cash at bank and in hand                                      | 3,186,525          | 9,427,168           |
|   | <b>3,186,525</b>   | <b>9,427,168</b>    |

The notes on pages 13 to 23 form part of these financial statements.

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## HUB SOUTH WEST SCOTLAND LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 1. ACCOUNTING POLICIES

##### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland', (United Kingdom Generally Accepted Accounting Practice) and the Companies Act 2006. These financial statements are for the Group.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies (see note 2).

The presentation currency is £ sterling and the financial statements are rounded to the nearest £.

The Company is a private company which is limited by shares. The Company was incorporated in Scotland. The registered office is:

Avondale House  
Suites 1L - 1O Phoenix Crescent  
Strathclyde Business Park  
Bellshill  
North Lanarkshire  
ML4 3NJ

The Company number is SC431389.

The following principal accounting policies have been applied:

##### 1.2 Going concern

The Company has generated a loss during the year which was covered by previously accumulated reserves. Moreover Hub South West Scotland Limited has the continuing support of its shareholders and sponsors through a working capital facility of £1,000,000 which was extended in November 2017 in accordance with the Shareholders Agreement.

Management have prepared a long term forecast based on a pipeline of project opportunities that are currently under development and the current level of fees earned on projects that are already in procurement. While public expenditure is reviewed following the latest budget announcements temporary delays may be experienced on some pipeline projects. Management has already presented to its shareholders and sponsors various proposals to help cover the temporary expected income shortfall while also suggesting further extension of the working capital facility. The directors are satisfied that the shareholders and sponsors will continue to support the company.

Accordingly, the Directors consider that it is appropriate to adopt a going concern basis of accounting.

##### 1.3 Basis of consolidation

The consolidated financial statements present the results of the Parent Company and its own subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full. The exemption from presenting a Parent Company Statement of Comprehensive Income and a Parent Company Statement of Cash Flows has been taken.

The Group financial statements consolidate the financial statement of Hub South West Scotland Limited and its subsidiaries: Hub SW NHSL Holdco Limited, Hub SW NHSL Sub Hub Co Limited and, up to the date of disposal of 26 September 2016, Hub SW Greenfaulds Holdco Limited and Hub SW Greenfaulds Sub Hub Co Limited.

##### 1.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discount, rebates, value added tax and other sales taxes.

##### 1.5 Valuation of investments

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



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**HUB SOUTH WEST SCOTLAND LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**1. ACCOUNTING POLICIES (CONTINUED)**

**1.6 Debtors**

Short term debtors are measured at transaction price, less any impairment.

**1.7 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.

**1.8 Financial instruments**

The Group and Parent Company 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 other 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 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.

**1.9 Creditors**

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

**1.10 Financial asset**

Construction and related costs of the financial asset, excluding interest costs and other costs of funding, are being treated as a financial asset under the terms of FRS 102. The financial asset will be repaid over the life of the contract as service income is received from the respective authorities.

Upon becoming operational, the income derived from the DBFM contract is allocated between the provision of the asset and the provision of the subsequent services. Upon acceptance of the constructed asset by the respective authorities, 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.

**1.11 Financial liability**

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 Statement of Comprehensive Income. 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.

**1.12 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 charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**1.13 Interest income**

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

# HUB SOUTH WEST SCOTLAND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 1. ACCOUNTING POLICIES (CONTINUED)

#### 1.14 Current and deferred taxation

Tax is recognised in profit or loss, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively. The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the 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 is possible that they will be removed 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 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 deductions available for them and the difference 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 substandard enacted by the Statement of Financial Position date.

### 2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The directors are satisfied that accounting policies are appropriate and applied consistently. There are no accounting estimates.

### 3. TURNOVER

All turnover arose within the United Kingdom.

### 4. OPERATING (LOSS)/PROFIT

#### COMPANY

The audit fee was £10,800 (2016: £10,600) and the fee for non-audit services in respect of corporation tax compliance work was £765 (2016: £750).

#### GROUP

The audit fee was £15,900 (2016: £16,400) and the fee for non-audit services in respect of corporation tax compliance work was £1,665 (2016: £1,800).

### 5. DIRECTORS' FEES

|                 | Group<br>2017<br>£ | Group<br>2016<br>£ | Company<br>2017<br>£ | Company<br>2016<br>£ |
|-----------------|--------------------|--------------------|----------------------|----------------------|
| Directors' Fees | 57,455             | 53,180             | 57,455               | 53,180               |
|                 | <u>57,455</u>      | <u>53,180</u>      | <u>57,455</u>        | <u>53,180</u>        |

The company has no directly employed personnel.

All Directors' fees are paid to the shareholding companies not individual Directors (see note 17).

**HUB SOUTH WEST SCOTLAND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**6. INTEREST RECEIVABLE**

|  | 2017<br>£ | 2016<br>£ |
|--|-----------|-----------|
| Interest receivable on financial asset | 2,870,846 | 3,854,144 |
|  | 2,870,846 | 3,854,144 |

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

|                                       | 2017<br>£ | 2016<br>£ |
|---------------------------------------|-----------|-----------|
| Bank interest payable on senior debt  | 1,906,503 | 2,729,483 |
| Amortisation of fees                  | 45,536    | 45,526    |
| Interest payable on subordinated debt | 425,096   | 448,132   |
| Interest payable on working capital   | 5,510     | 6,431     |
| Letter of credits interest payable    | -         | 27,537    |
|                                       | 2,382,645 | 3,257,109 |

**8. TAXATION**

|   | 2017<br>£ | 2016<br>£ |
|---|-----------|-----------|
| <b>CORPORATION TAX</b>                                    |           |           |
| Current tax on profits for the year at 19.25% (2016: 20%) | -         | 94,654    |
| <b>TOTAL CURRENT TAX</b>                                  | -         | 94,654    |

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

|  | 2017<br>£ | 2016<br>£ |
|--|-----------|-----------|
| Profit on ordinary activities before tax   | 423,511   | 907,767   |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%) | 80,467    | 181,553   |
| <b>EFFECTS OF:</b>   |           |           |
| Tax losses used/ carried forward   | (80,467)  | (93,714)  |
| Loss on disposal of subsidiary   | -         | 6,815     |
| <b>TOTAL TAX CHARGE FOR THE YEAR</b>   | -         | 94,654    |

**HUB SOUTH WEST SCOTLAND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**8. TAXATION (CONTINUED)**

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

The reduction in the corporation tax rate to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016, and was substantively enacted on 15 September 2016. This will reduce the Company's future current tax charge accordingly.

**9. PARENT COMPANY PROFIT FOR THE YEAR**

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the Parent Company for the year was £98,416 (2016 - profit £223,499).

**10. FIXED ASSET INVESTMENTS**

**FINANCIAL ASSET**

**Group**

|                                | 2017<br>£          | 2016<br>£          |
|--------------------------------|--------------------|--------------------|
| <b>COST OR VALUATION</b>       |                    |                    |
| As at 1 January                | 45,432,783         | 52,513,743         |
| Additions                      | -                  | 18,500,077         |
| Net interest receivable        | 2,870,846          | 3,854,144          |
| Disposal                       | -                  | (29,435,181)       |
| <b>At 31 December</b>          | <b>48,303,629</b>  | <b>45,432,783</b>  |
| <b>REPAYMENT</b>               |                    |                    |
| As at 1 January                | (5,618,186)        | (1,880,958)        |
| Unitary Charge Income          | (4,246,266)        | (3,960,057)        |
| Damages received               | -                  | (197,140)          |
| Operational revenue recognised | 464,149            | 419,969            |
| <b>At 31 December</b>          | <b>(9,400,303)</b> | <b>(5,618,186)</b> |
| As at 31 December 2017         | 38,903,326         | -                  |
| As at 31 December 2016         | -                  | 39,814,597         |

Included in the construction and related costs in the year is a capital contribution from Lanarkshire Health Board of £Nil (2016: £208,047). This gives a cumulative contribution of £4,646,311 (2016: £4,646,311).

|  | 2017<br>£  | 2016<br>£  |
|--|------------|------------|
| <b>FINANCIAL ASSET</b>                                     |            |            |
| Financial asset due for amortisation within one year       | 4,317,716  | 4,241,917  |
| Financial asset due for amortisation greater than one year | 34,585,610 | 35,572,680 |
|  | 38,903,326 | 39,814,597 |

Variable economic and market conditions are mitigated through the payment mechanism agreement. Any performance deductions which may be incurred against future unitary payments are passed onto the service provider leaving no net effect in the group.

**HUB SOUTH WEST SCOTLAND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**10. FIXED ASSET INVESTMENTS (CONTINUED)**

**Company**

|                               | <b>Investment in subsidiary<br/>£</b> |
|-------------------------------|---------------------------------------|
| <b>COST OR VALUATION</b>      |                                       |
| As at 1 January 2017          | 1                                     |
| Disposals                     | -                                     |
| <b>As at 31 December 2017</b> | <b>1</b>                              |
| <b>As at 31 December 2016</b> | <b>1</b>                              |

**Subsidiary**

|                            | <b>Shareholding</b> | <b>Period End<br/>31 December<br/>2017</b> | <b>Profit</b> | <b>Capital and<br/>Reserves</b> |
|----------------------------|---------------------|--|---------------|---------------------------------|
| Hub SW NHSL Holdco Limited | 100%                |  | £0            | £1                              |

The registered office for Hub SW NHSL Holdco Limited is Avondale House, Suites 1L - 10 Phoenix Crescent, Strathclyde Business Park, Bellshill, North Lanarkshire, ML4 3NJ.

**11. DEBTORS**

|                                     | <b>Group<br/>2017<br/>£</b> | <b>Group<br/>2016<br/>£</b> | <b>Company<br/>2017<br/>£</b> | <b>Company<br/>2016<br/>£</b> |
|-------------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| <b>DUE AFTER MORE THAN ONE YEAR</b> |                             |                             |                               |                               |
| Amounts owed by related parties     | -                           | 2,313                       | -                             | -                             |
| Retention debtor                    | 727,127                     | 1,200,838                   | 727,127                       | 1,200,838                     |
|                                     | <b>727,127</b>              | <b>1,203,151</b>            | <b>727,127</b>                | <b>1,200,838</b>              |
|                                     |                             |                             |                               |                               |
|                                     | <b>Group<br/>2017<br/>£</b> | <b>Group<br/>2016<br/>£</b> | <b>Company<br/>2017<br/>£</b> | <b>Company<br/>2016<br/>£</b> |
| <b>DUE WITHIN ONE YEAR</b>          |                             |                             |                               |                               |
| Trade debtors                       | 4,798,913                   | 4,844,509                   | 4,798,525                     | 4,844,121                     |
| Other debtors                       | 2,343                       | 30                          | 30                            | 30                            |
| Amounts owed by related parties     | 10                          | 95,022                      | 10                            | 10                            |
| Retention debtor                    | 2,253,731                   | 943,665                     | 2,253,731                     | 943,665                       |
| Prepayments and accrued income      | 3,697,964                   | 5,056,614                   | 3,686,379                     | 5,056,614                     |
| VAT debtor                          | 64,408                      | 20,180                      | 64,408                        | 20,180                        |
| Tax recoverable                     | 8,000                       | -                           | 8,000                         | -                             |
|                                     | <b>10,825,369</b>           | <b>10,960,020</b>           | <b>10,811,083</b>             | <b>10,864,620</b>             |

**HUB SOUTH WEST SCOTLAND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**12. CASH AND CASH EQUIVALENTS**

|                          | Group<br>2017<br>£ | Group<br>2016<br>£ | Company<br>2017<br>£ | Company<br>2016<br>£ |
|--------------------------|--------------------|--------------------|----------------------|----------------------|
| Cash at bank and in hand | 3,186,525          | 9,427,168          | 1,188,330            | 8,339,899            |
|                          | <u>3,186,525</u>   | <u>9,427,168</u>   | <u>1,188,330</u>     | <u>8,339,899</u>     |

**13. CREDITORS: Amounts falling due within one year**

|   | Group<br>2017<br>£ | Group<br>2016<br>£ | Company<br>2017<br>£ | Company<br>2016<br>£ |
|---|--------------------|--------------------|----------------------|----------------------|
| Bank loans  | 1,698,996          | 1,331,309          | -                    | -                    |
| Trade creditors   | 5,520,903          | 12,372,987         | 5,434,475            | 12,169,705           |
| Amounts owed to related parties - subordinated debt     | 143,664            | 152,392            | -                    | -                    |
| Amounts owed to related parties - working capital loans | 429,242            | 423,659            | 429,242              | 423,659              |
| Corporation tax   | -                  | 48,915             | -                    | 48,914               |
| Taxation and social security                            | 186,841            | 166,325            | -                    | -                    |
| Retention creditor                                      | 2,881,346          | 1,568,423          | 2,249,928            | 937,006              |
| Accruals and deferred income                            | 4,492,050          | 5,631,467          | 3,780,904            | 5,427,906            |
|   | <u>15,353,042</u>  | <u>21,695,477</u>  | <u>11,894,549</u>    | <u>19,007,190</u>    |

**14. CREDITORS: Amounts falling due after more than one year**

|   | Group<br>2017<br>£ | Group<br>2016<br>£ | Company<br>2017<br>£ | Company<br>2016<br>£ |
|---|--------------------|--------------------|----------------------|----------------------|
| Bank loans  | 32,445,549         | 33,798,579         | -                    | -                    |
| Amounts owed to related parties - subordinated debt | 3,996,418          | 4,019,292          | -                    | -                    |
| Retention creditor                                  | 727,127            | 1,194,888          | 727,127              | 1,194,887            |
|   | <u>37,169,094</u>  | <u>39,012,759</u>  | <u>727,127</u>       | <u>1,194,887</u>     |

Hub SW NHSL Holdco Limited has granted a share pledge as security to Aviva Public Private Finance Limited for the loans held by Hub SW NHSL Sub Hub Co Limited. Under the agreement, the parent company, Hub SW NHSL Holdco Limited, pledges as security its investment in Hub SW NHSL Sub Hub Co Limited.

The repayment profile of creditors due greater than one year are as follows:

|                                       | Group 2017<br>£   | Group 2016<br>£   | Company 2017<br>£ | Company 2016<br>£ |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Amounts falling due 1-2 years         | 2,147,139         | 2,597,457         | 727,127           | 1,194,887         |
| Amounts falling due 2-5 years         | 5,430,196         | 4,238,325         | -                 | -                 |
| Amounts falling due more than 5 years | 29,591,759        | 32,176,976        | -                 | -                 |
|                                       | <u>37,169,094</u> | <u>39,012,758</u> | <u>727,127</u>    | <u>1,194,887</u>  |

**HUB SOUTH WEST SCOTLAND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**15. RELATED PARTY TRANSACTIONS**

**Company**

|  | Debtors<br>£  | Creditors<br>£    | Interest<br>Payable<br>£ | Purchases<br>£    | Sales<br>£     |
|--|---------------|-------------------|--------------------------|-------------------|----------------|
| <b>2017</b>                                |               |                   |                          |                   |                |
| Scottish Futures Trust Investments Limited | 10            | 107,310           | 1,378                    | 10,853            | -              |
| Equitix Limited*                           | -             | 437,252           | -                        | 935,937           | -              |
| Equitix Management Services Limited        | -             | -                 | -                        | -                 | 2,986          |
| Galliford Try Building Limited*            | 13,104        | 804,487           | -                        | 3,951,511         | 33,613         |
| Graham Construction Limited*               | 13,174        | 8,658,389         | -                        | 35,622,834        | 33,613         |
| Kier Construction Limited*                 | 32,966        | 1,818,534         | -                        | 12,604,653        | 34,813         |
| Public Sector participants                 | -             | 321,931           | 4,132                    | -                 | -              |
| Hub SW Cumbernauld DBFM Co Limited         | -             | -                 | -                        | 324,400           | -              |
|  | <u>59,254</u> | <u>12,147,903</u> | <u>5,510</u>             | <u>53,450,188</u> | <u>105,025</u> |

**Group**

|  | Debtors<br>£  | Creditors<br>£    | Interest<br>Payable<br>£ | Purchases<br>£    | Sales / UC<br>£  |
|--|---------------|-------------------|--------------------------|-------------------|------------------|
| <b>2017</b>                                |               |                   |                          |                   |                  |
| Equitix Limited                            | -             | 447,893           | -                        | 1,043,746         | -                |
| Equitix Management Services Limited        | -             | -                 | -                        | -                 | 2,986            |
| Galliford Try Building Limited*            | 13,174        | 804,487           | -                        | 3,951,511         | 33,613           |
| Graham Asset Management Limited            | -             | 263,726           | -                        | 947,142           | -                |
| Graham Construction Limited*               | 13,104        | 9,289,807         | -                        | 35,622,834        | 33,613           |
| Graham Investment Projects Limited         | -             | -                 | 97,567                   | -                 | -                |
| Kier Construction Limited*                 | 32,966        | 1,818,534         | -                        | 12,604,653        | 34,813           |
| Lanarkshire Health Board                   | 2,313         | 1,243,185         | 127,529                  | -                 | 4,743,929        |
| Scottish Futures Trust Investments Limited | 10            | 521,319           | 43,888                   | 10,853            | -                |
| Equitix hubco 3 Limited                    | -             | 2,484,048         | 157,490                  | -                 | -                |
| Public Sector participants                 | -             | 321,931           | 4,132                    | -                 | -                |
| Hub SW Cumbernauld DBFM Co Limited         | -             | -                 | -                        | 324,400           | -                |
|  | <u>61,567</u> | <u>17,194,930</u> | <u>430,606</u>           | <u>54,505,139</u> | <u>4,848,954</u> |

Directors fees of £10,853 (2016: £10,590) were charged to the company by Scottish Futures Trust Investments Limited, £22,863 (2016: £20,000) by Equitix Limited and £10,853 (2016: £10,590) by NHS Ayrshire and Arran. Directors fees charged by the Chairman total £12,000 (2016: £12,000).

**HUB SOUTH WEST SCOTLAND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**15. RELATED PARTY TRANSACTIONS (CONTINUED)**

**Company**

|  | Debtors<br>£ | Creditors<br>£    | Interest<br>Payable<br>£ | Purchases<br>£    | Sales<br>£       |
|--|--------------|-------------------|--------------------------|-------------------|------------------|
| <b>2016</b>                                |              |                   |                          |                   |                  |
| Scottish Futures Trust Investments Limited | 10           | 105,859           | 1,607                    | -                 | -                |
| Equitix Limited*                           | -            | 30,214            | -                        | 1,123,650         | -                |
| Galliford Try Building Limited*            | -            | 4,823,134         | -                        | 16,050,099        | 14,901           |
| Graham Construction Limited*               | -            | 6,239,911         | -                        | 9,550,176         | 14,843           |
| Kier Construction Limited*                 | -            | 8,033,511         | -                        | 44,218,153        | 14,901           |
| Public Sector Participants                 | -            | 317,800           | 4,824                    | -                 | -                |
| Hub SW Dalbeattie DBFM Co Limited          | -            | -                 | -                        | -                 | 1,123,716        |
| Hub SW Ayr DBFM Co Limited                 | -            | -                 | -                        | -                 | 120,000          |
| Hub SW Largs DBFM Co Limited               | -            | -                 | -                        | -                 | 220,736          |
|  | <u>10</u>    | <u>19,550,429</u> | <u>6,431</u>             | <u>70,942,078</u> | <u>1,509,097</u> |

**Group**

|  | Debtors<br>£  | Creditors<br>£    | Capital<br>Contribution<br>£ | Interest<br>Payable<br>£ | Purchases<br>£    | Sales / UC<br>£  |
|--|---------------|-------------------|------------------------------|--------------------------|-------------------|------------------|
| <b>2016</b>                                |               |                   |                              |                          |                   |                  |
| Equitix Limited*                           | -             | 103,086           | -                            | -                        | 1,244,117         | -                |
| Galliford Try Building Limited*            | -             | 4,823,134         | -                            | -                        | 16,050,099        | 14,901           |
| Graham Asset Management Limited            | -             | 100,887           | -                            | -                        | 682,782           | -                |
| Graham Construction Limited                | 32,497        | 7,012,214         | -                            | -                        | 13,048,997        | 15,695           |
| Graham Investment Projects Limited         | -             | 1,001,197         | -                            | 102,862                  | -                 | -                |
| Kier Construction Limited                  | -             | 8,033,511         | -                            | -                        | 44,218,153        | 14,901           |
| Lanarkshire Health Board                   | 64,828        | 1,251,497         | 208,047                      | 128,579                  | -                 | 4,380,026        |
| Scottish Futures Trust Investments Limited | 10            | 523,026           | -                            | 49,350                   | -                 | -                |
| Equitix Hubco 3 Limited                    | -             | 1,501,823         | -                            | 154,297                  | -                 | -                |
| Public Sector Participants                 | -             | 317,800           | -                            | 4,824                    | -                 | -                |
| Hub SW Dalbeattie DBFM Co Limited          | -             | -                 | -                            | -                        | -                 | 1,123,716        |
| Hub SW Ayr DBFM Co Limited                 | -             | -                 | -                            | -                        | -                 | 120,000          |
| Hub SW Largs DBFM Co Limited               | -             | -                 | -                            | -                        | -                 | 220,736          |
| North Lanarkshire Council                  | -             | -                 | -                            | 14,651                   | -                 | -                |
|  | <u>97,335</u> | <u>24,668,175</u> | <u>208,047</u>               | <u>454,563</u>           | <u>75,244,148</u> | <u>5,889,975</u> |



## HUB SOUTH WEST SCOTLAND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 15. RELATED PARTY TRANSACTIONS (CONTINUED)

-\*Creditor balances includes trade creditors, deferred income, subordinated debt, working capital loans and accrued expenses as disclosed in note 13 and 14. Working capital drawn down amounts to £400,000 (2016: £400,000) with Enil (2016: £86,667) utilised and £400,000 (2016: £313,333) held by the Company in a treasury deposit account. Subordinated debt amounts to £4,033,311 (2016: £4,064,124).

-\*Debtor balances include trade debtors as disclosed in note 11.

-Equitix Limited is a related party as it is controlled by an entity which is the shareholder in the joint venture which is Alliance Community Partnership Limited. This related party provides general day-to-day management services, financial management services, construction management services and commercial development services.

-Alliance Community Partnership Limited owns 60% of relevant share capital of the Company and provides working capital loans which were fully repaid in the prior year.

-Galliford Try Plc owns Galliford Try Investments Limited which owns 10% of Alliance Community Partnership Limited, Galliford Try Plc also owns Galliford Try Building Limited who provide construction services to the Company under the trading name, Morrison Construction.

-Kier Group Plc is the ultimate parent of Kier Project Investment Limited, which owns 10% of Alliance Community Partnership Limited. Kier Group Plc is also the ultimate parent of Kier Construction Limited which provide construction services to the Company.

-Graham Construction Limited is a related party by virtue of common directors with the Company and also provide construction services to the Company.

-Scottish Future Trust Investments Limited owns 10% of the Company and provides working capital loans and subordinated debt to the group.

-Hub SW NHSL Holdco Limited is a 100% fully owned subsidiary of Hub South West Scotland Limited.

-Directors fees of £10,853 (2016: £10,590) were charged to the company by Scottish Futures Trust Investments Limited, £22,863 (2016: £20,000) by Equitix Limited and £10,853 (2016: 10,590) by NHS Ayrshire and Arran.

-Hub SW Dalbeattie DBFM Co Limited is a related company by virtue of common directors and shareholders.

-Hub SW Ayr DBFM Co Limited is a related company by virtue of common directors and shareholders.

-Hub SW Largs DBFM Co Limited is a related company by virtue of common directors and shareholders.

-North Lanarkshire Council is a related party by virtue of their 10% ownership in Hub SW Greenfaulds Sub Hub Co Limited.

-Public sector participants provide working capital loans.

#### 16. FINANCIAL INSTRUMENTS

|   | Group<br>2017<br>£  | Group<br>2016<br>£  | Company<br>2017<br>£ | Company<br>2016<br>£ |
|---|---------------------|---------------------|----------------------|----------------------|
| <b>FINANCIAL ASSETS</b>   |                     |                     |                      |                      |
| Cash and cash equivalents   | 3,186,525           | 9,427,168           | 1,188,330            | 8,339,899            |
| Financial assets that are debt instruments measured at amortised cost | 50,383,414          | 51,957,588          | 11,465,802           | 12,045,278           |
|   | <u>53,569,939</u>   | <u>61,384,756</u>   | <u>12,654,132</u>    | <u>20,385,177</u>    |
| <b>FINANCIAL LIABILITIES</b>  |                     |                     |                      |                      |
| Financial liabilities measured at amortised cost                      | (49,453,951)        | (60,492,996)        | (12,621,676)         | (20,153,163)         |
|   | <u>(49,453,951)</u> | <u>(60,492,996)</u> | <u>(12,621,676)</u>  | <u>(20,153,163)</u>  |

Financial assets that are debt instruments measured at amortised cost include the financial asset, trade debtors, other debtors, amounts owed by related parties, accrued income and retention debtors.

Financial liabilities measured at amortised cost include bank loans, trade creditors, amounts owed to related parties, accruals and retention creditors.

**HUB SOUTH WEST SCOTLAND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**17. SHARE CAPITAL- Group and Company**

|   | 2017<br>£  | 2016<br>£  |
|---|------------|------------|
| <b>Shares classified as equity</b>        |            |            |
| <b>Allotted, called up and fully paid</b> |            |            |
| 1,000 Ordinary A shares of £0.01 each     | 10         | 10         |
| 3,000 Ordinary B shares of £0.01 each     | 30         | 30         |
| 6,000 Ordinary C shares of £0.01 each     | 60         | 60         |
|   | <u>100</u> | <u>100</u> |

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

**18. COMMITTED EXPENDITURE**

**COMPANY**

As at 31 December 2017, the Company has committed expenditure of £29,743,836 (2016: £60,676,452) relating to projects currently being undertaken by the Group. These amounts will pass through as cost of sales for the Group with a matching sales invoice issued to the relevant public sector counterparty.

**GROUP**

As at 31 December 2017, the Group has committed expenditure of £29,743,836 (2016: £60,676,452) relating to projects currently being undertaken by the Group. These amounts will pass through as cost of sales for the Group with a matching sales invoice issued to the relevant public sector counterparty.

**19. IMMEDIATE PARENT AND CONTROLLING PARTY**

The immediate parent is Alliance Community Partnership Limited, however the directors consider there to be no controlling party.

**20. RESERVES**

**PROFIT AND LOSS RESERVE**

The profit and loss reserve account includes all current and prior period retained profits and losses.

**CASH FLOW HEDGE RESERVE**

The movement in the fair value of the cash flow hedge less the deferred tax asset was included in this reserve. This related to Hub SW Greenfaulds Sub Hub Co Limited which was disposed of in the year. Thus this reserve has been transferred to the Profit and Loss reserve.

**21. DISCONTINUED OPERATIONS**

Due to the requirements of ESA10, the Group was forced to dispose of its investment in Hub SW Greenfaulds Holdco Limited and Hub SW Greenfaulds Sub Hub Co Limited on 26 September 2016. At the date of disposal, the net assets were £34,078. The Group received a cash consideration of £1 resulting in a loss on disposal of £34,077.