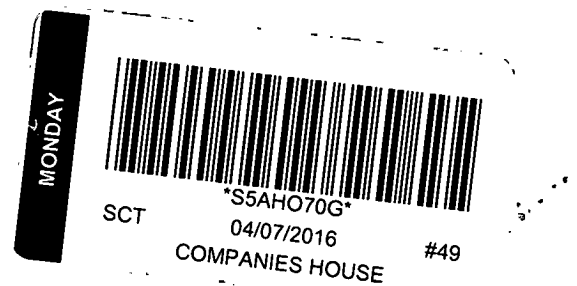


Registered number: SC431389

HUB SOUTH WEST SCOTLAND LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015



HUB SOUTH WEST SCOTLAND LIMITED

COMPANY INFORMATION

DIRECTORS

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

REGISTERED NUMBER

SC431389

REGISTERED OFFICE

Suite 1A, Willow House
Strathclyde Business Park
Bellshill
Lanarkshire
ML4 3PB

INDEPENDENT AUDITOR

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

HUB SOUTH WEST SCOTLAND LIMITED

CONTENTS

	Page
Group strategic report	1 - 2
Directors' report	3 - 4
Independent auditor's report	5 - 6
Consolidated statement of comprehensive income	7
Consolidated balance sheet	8
Company balance sheet	9
Consolidated statement of changes in equity	10
Company statement of changes in equity	11
Consolidated statement of cash flows	12
Notes to the financial statements	13 - 25

HUB SOUTH WEST SCOTLAND LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present the strategic report and the group financial statements for the year ended 31 December 2015.

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.

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 is the selected private sector delivery partner for the South West Territory hub project. 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.

FUTURE DEVELOPMENTS

The Company plans 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 2016 financial year:

- Dalbeattie Campus DBFM (achieved financial close 26 January 2016);
- East Ayrshire Learning Campus DBFM (achieved financial close 24 February 2016);
- Ayr Academy DBFM (achieved financial close 7 January 2016);
- Tarbolton Community Campus D&B (achieved financial close 22 February 2016);
- Dailly Primary School D&B;
- Carrick Leisure Centre D&B (achieved financial close 14 January 2016);
- Largs Campus DBFM;
- Cumbernauld Academy DBFM;
- Dumfries Learning Town - North West Campus D&B; and
- Dumfries Learning Town - St Josephs.

Hubco portion from the 3 DBFM projects which closed post year end following the removal of the ESA10 restrictions has been recognised in 2016.

The following projects are currently in the early stages of development and are expected to achieve financial close in the financial years from 2016 onwards:

- Dumfries Learning Town - Learning Hub;
- Central Bus Way;
- Office Rationalisation;
- Queen Margaret Academy; and
- Carrick Secondary School.

HUB SOUTH WEST SCOTLAND LIMITED

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The key business risk is 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.

However the shareholders have provided the hub with a loan facility should it be required amounting to £1,000,000 to cover any shortfall in working capital. As at 31 December 2015 only £86,667 (2014: £466,666) had been drawn with the remaining balance available if required.

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 extremely well over the past 12 months and has either achieved or surpassed these targets in the majority of items. The final Performance Report is subject to approval by the territory Partnering Board and this approval is expected in June 2016.

HEDGING

The group uses derivative financial instruments to manage exposures to interest rate risks. Interest rate swaps have been taken alongside the senior debt loans to provide a fixed interest rate over the life of the debt.

The hedge was taken out for the sole purpose to manage the interest rate risk and as a result the Company has 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 Company formally assessed, both at inception of the hedge and on an ongoing basis whether the hedging derivatives have been 'highly effective' in offsetting changes in the 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: 14 June 2016

HUB SOUTH WEST SCOTLAND LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report and the group financial statements for the year ended 31 December 2015.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless satisfied that they 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 Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 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.

DIRECTORS

The directors who served during the year were:

M J McBrearty
J A Hope
J F McClelland
N G B Parker
A K Bill
A W Nicol
S A Brown (appointed 3 June 2015)
G W Mackinlay
D M Lindsay
C V Lewis
P J W Prongue (resigned 3 June 2015)
P J McGirk (resigned 3 June 2015)
G B Fairbank (appointed 3 June 2015/ resigned 7 April 2016)

HUB SOUTH WEST SCOTLAND LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

DISCLOSURE OF INFORMATION TO AUDITOR

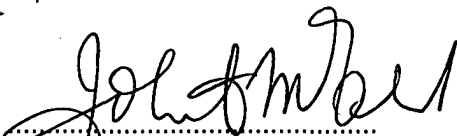
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as he/she is aware, there is no relevant audit information of which the company's auditor is unaware; and
- he/she has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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 F McClelland
Director

Date: 14 June 2016

HUB SOUTH WEST SCOTLAND LIMITED

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

We have audited the financial statements of Hub South West Scotland Limited for the year ended 31 December 2015, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheet, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of cash flows and the related notes. 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'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITOR

As explained more fully in the Directors' responsibilities statement, set out 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2015, and of the group 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.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

HUB SOUTH WEST SCOTLAND LIMITED

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where 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.



Nick Bennett (Senior Statutory Auditor)
for and on behalf of Scott-Moncrieff, Statutory Auditor
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

14 June 2016

HUB SOUTH WEST SCOTLAND LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 £	2014 £
Turnover		79,879,582	35,776,933
Cost of sales		(79,210,784)	(35,626,940)
Gross profit		668,798	149,993
Administrative expenses		(540,901)	(233,028)
Operating profit/(loss)		127,897	(83,035)
Interest receivable and similar income	6	2,727,122	710,947
Interest payable and expenses	7	(2,385,225)	(999,161)
Profit/(loss) before tax		469,794	(371,249)
Tax on profit/(loss)	8	(13,173)	80
Profit/(loss) for the year		456,621	(371,169)
Other comprehensive income for the year			
Cash Flow Hedge		(207,655)	-
Other comprehensive income for the year		(207,655)	-
Total comprehensive income for the year		248,966	(371,169)
Profit for the year attributable to:			
Owners of the parent company		456,621	(371,169)
		456,621	(371,169)

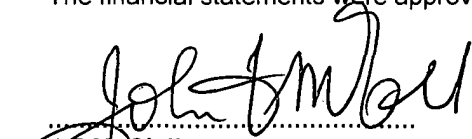
The notes on pages 13 to 25 form part of these financial statements.

HUB SOUTH WEST SCOTLAND LIMITED
REGISTERED NUMBER: SC431389

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015

	Note	2015 £	2014 £
Fixed assets			
Financial Asset	10	50,632,785	20,360,277
		<u>50,632,785</u>	<u>20,360,277</u>
Current assets			
Debtors: amounts falling due after more than one year	11	360,917	216,212
Debtors: amounts falling due within one year	11	8,666,891	3,392,135
Cash at bank and in hand	12	9,215,564	10,811,961
		<u>18,243,372</u>	<u>14,420,308</u>
Creditors: amounts falling due within one year	13	(17,297,611)	(8,561,663)
Net current assets		<u>945,761</u>	<u>5,858,645</u>
Total assets less current liabilities		<u>51,578,546</u>	<u>26,218,922</u>
Creditors: Amounts Falling Due After More Than One Year	14	(51,694,959)	(26,584,301)
Net assets		<u><u>(116,413)</u></u>	<u><u>(365,379)</u></u>
Capital and reserves			
Called up share capital	17	100	100
Other reserves		(207,655)	-
Profit and loss account		91,142	(365,479)
		<u><u>(116,413)</u></u>	<u><u>(365,379)</u></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: 14 June 2016

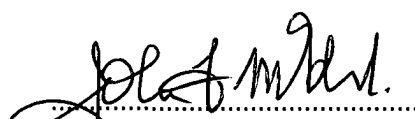
The notes on pages 13 to 25 form part of these financial statements.

HUB SOUTH WEST SCOTLAND LIMITED
REGISTERED NUMBER: SC431389

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2015

	Note	2015 £	2014 £
Fixed assets			
Investments	10	2	1
		<u>2</u>	<u>1</u>
Current assets			
Debtors: amounts falling due after more than one year	11	359,025	216,212
Debtors: amounts falling due within one year	11	7,789,675	1,779,678
Cash at bank and in hand	12	3,635,019	1,421,964
		<u>11,783,719</u>	<u>3,417,854</u>
Creditors: amounts falling due within one year	13	(11,443,328)	(3,304,023)
Net current assets		<u>340,391</u>	<u>113,831</u>
Total assets less current liabilities		<u>340,393</u>	<u>113,832</u>
Creditors: amounts falling due after one year		(360,611)	(214,372)
Net assets excluding pension asset		<u>(20,218)</u>	<u>(100,540)</u>
Capital and reserves			
Called up share capital	17	100	100
Profit and loss account		(20,318)	(100,640)
		<u>(20,218)</u>	<u>(100,540)</u>

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


J F McClelland
 Director

Date: 14 June 2016

The notes on pages 13 to 25 form part of these financial statements.

HUB SOUTH WEST SCOTLAND LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2015**

	Share capital	Other reserves	Retained earnings	Total equity
	£	£	£	£
At 1 January 2015	100	-	(365,479)	(365,379)
Comprehensive income for the year				
Profit for the year	-	-	456,621	456,621
Cash Flow Hedge	-	(207,655)	-	(207,655)
Other comprehensive income for the year	-	(207,655)	-	(207,655)
Total comprehensive income for the year	-	(207,655)	456,621	248,966
At 31 December 2015	100	(207,655)	91,142	(116,413)

The notes on pages 13 to 25 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2014**

	Share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2014	100	5,690	5,790
Comprehensive income for the year			
Loss for the year	-	(371,169)	(371,169)
Total comprehensive income for the year	-	(371,169)	(371,169)
At 31 December 2014	100	(365,479)	(365,379)

The notes on pages 13 to 25 form part of these financial statements.

HUB SOUTH WEST SCOTLAND LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2015

	Share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2015	100	(100,640)	(100,540)
Comprehensive income for the year			
Profit for the year	-	80,322	80,322
Other comprehensive income for the year			
	-	-	-
Total comprehensive income for the year	-	80,322	80,322
At 31 December 2015	100	(20,318)	(20,218)

The notes on pages 13 to 26 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2014

	Share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2014	100	7,610	7,710
Comprehensive income for the year			
Loss for the year	-	(108,250)	(108,250)
Total comprehensive income for the year	-	(108,250)	(108,250)
At 31 December 2014	100	(100,640)	(100,540)

The notes on pages 13 to 25 form part of these financial statements.

HUB SOUTH WEST SCOTLAND LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	2015 £	2014 £
Cash flows from operating activities		
Profit for the financial year	456,621	(371,169)
Adjustments for:		
Taxation paid	-	(2,210)
Interest paid	2,369,518	999,161
Interest received	(2,725,137)	(710,947)
Loss on disposal	-	340
Increase in debtors	(5,419,461)	(908,500)
Increase in creditors	6,162,695	2,444,117
Unitary charge received	1,950,563	-
Non-cash Revenue	(29,566,141)	(16,508,168)
Net cash generated from operating activities	<u>(26,771,342)</u>	<u>(15,057,376)</u>
Cash flows from investing activities		
Purchase of fixed asset investments	-	(173)
Net cash from investing activities	<u>-</u>	<u>(173)</u>
Cash flows from financing activities		
Bank loans drawdown	24,088,907	20,856,864
Subordinated debt drawn from parent undertakings	1,086,038	-
Net cash used in financing activities	<u>25,174,945</u>	<u>20,856,864</u>
Net (decrease)/ increase in cash and cash equivalents	<u>(1,596,397)</u>	<u>5,799,315</u>
Cash and cash equivalents at beginning of year	10,811,961	5,012,646
Cash and cash equivalents at the end of year	<u><u>9,215,564</u></u>	<u><u>10,811,961</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	9,215,564	10,811,961
	<u><u>9,215,564</u></u>	<u><u>10,811,961</u></u>

HUB SOUTH WEST SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention subject to the valuation of certain financial instruments and in accordance with Financial Reporting Standard, 102, the 'Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 19.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Company'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:

Suite 1A, Willow House
Strathclyde Business Park
Bellshill
ML4 3PB

The company number is SC431389

The following principal accounting policies have been applied:

1.2 Basis of consolidation

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

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, Hub SW Greenfaulds Holdco Limited and Hub SW Greenfaulds Sub Hub Co Limited.

1.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

HUB SOUTH WEST SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.4 Going Concern

The Group has generated a trading profit but an overall loss within the Statement of Comprehensive Income during the year but has the continuing support of its shareholders and sponsors through a working capital loan facility. Management have prepared forecasts based on the pipeline of project opportunities that are currently under development and the current level of fees earned on projects that are already in procurement.

The Group has the right to draw another £913,333 of working capital loans under the terms of a Working Capital Agreement to help with cashflow requirements.

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

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.

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 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 third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade 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 outright 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.

HUB SOUTH WEST SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

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 Hedge accounting

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

Hedging

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

For a hedge of variable interest rate risk of a recognised financial instrument the portion of the change in fair value of the hedging instrument that was effective is recognised in Other Comprehensive Income. Any excess cumulative change in fair value is recognised in the Statement of Comprehensive Income. The hedging gain or loss recognised in Other Comprehensive Income is reclassified to the Statement of Comprehensive Income when the hedged item is recognised in the Statement of Comprehensive Income or when the hedging relationship ends. The treatment is discontinued if the hedging instrument expires or is sold or terminated, the entity revokes the designation or the hedge no longer meets the criteria for hedge accounting.

1.11 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.

HUB SOUTH WEST SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.12 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 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.

1.13 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.

1.14 Interest income

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

1.15 Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

2. JUDGMENTS 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. ANALYSIS OF TURNOVER

All turnover arose within the United Kingdom.

HUB SOUTH WEST SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

4. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging:

	2015 £	2014 £
Loss on disposal of fixed asset	-	340
Fees payable to the auditor for the audit of the company's annual accounts	19,450	13,350
	<u>19,450</u>	<u>13,350</u>

5. EMPLOYEES - GROUP AND COMPANY

	2015 £	2014 £
Directors Fees	73,000	32,000
	<u>73,000</u>	<u>32,000</u>

The company has no directly employed personnel.

6. INTEREST RECEIVABLE

	2015 £	2014 £
Bank interest receivable	1,985	-
Interest receivable on financial asset	2,725,137	710,947
	<u>2,727,122</u>	<u>710,947</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £	2014 £
Bank interest payable on senior debt	1,848,532	578,605
Amortisation of fees	70,312	39,286
Interest payable on subordinated debt	414,342	351,475
Interest payable on working capital	15,707	29,795
Letter of credits interest payable	36,332	-
	<u>2,385,225</u>	<u>999,161</u>

HUB SOUTH WEST SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

8. TAXATION

	2015 £	2014 £
Corporation tax		
Current tax on profits for the year	13,173	(80)
Total current tax	<u>13,173</u>	<u>(80)</u>

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is the same as (2014 - the same as) the standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%) as set out below:

	2015 £	2014 £
Profit/ (Loss) on ordinary activities before tax	<u>469,794</u>	<u>(371,249)</u>
Profit/ (Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%)	95,133	(79,819)
Effects of:		
Prior year tax computation - overpayment	-	(80)
Tax losses used/ carried forward	(81,960)	79,819
Total tax charge for the year	<u>13,173</u>	<u>(80)</u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

There were no factors that may affect future tax charges.

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 profit after tax of the parent Company for the year was £80,322 (2014 - loss £108,250).

HUB SOUTH WEST SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

10. FIXED ASSET INVESTMENTS

Group

Financial Asset
£

Cost

At 1 January 2015	20,360,277
Construction and related costs	29,428,329
Net interest receivable	2,725,137
At 31 December 2015	52,513,743

Repayment

Unitary charge income	(2,018,770)
Operational revenue recognised	137,812
At 31 December 2015	(1,880,958)

At 31 December 2015	50,632,785
At 31 December 2014	20,360,277

Company

**Investments in
subsidiary
companies**
£

Cost or valuation

At 1 January 2015	1
Additions	1
At 31 December 2015	2
At 31 December 2014	1

The company has invested £1 in the share capital of both Hub SW NHSL holdco Limited and Hub SW Greenfaulds holdco Limited, which owns 100% of the ordinary share capital Hub SW NHSL Sub Hub Co Limited and Hub SW Greenfaulds Sub Hub Co Limited respectively. The investment comprises of 1 ordinary share of £1 each.

HUB SOUTH WEST SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Name	Shareholding	Period End	Profit	Capital and Reserves
Hub SW NHSL Holdco Limited	100%	31 Dec 2015	-	£1
Hub SW Greenfaulds Holdco Limited	100%	31 Dec 2015	-	£1

Financial asset amortisation

	2015 £	2014 £
Financial asset due for amortisation within one year	4,877,789	1,847,066
Financial asset due for amortisation greater than one year	45,754,996	18,513,211
	<u>50,632,785</u>	<u>20,360,277</u>

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 unitary payments are passed onto the service provider leaving no net effect in the group.

11. DEBTORS

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Due after more than one year				
Retention debtor	360,917	216,212	359,025	216,212
	<u>360,917</u>	<u>216,212</u>	<u>359,025</u>	<u>216,212</u>
Due within one year				
Trade debtors	2,147,326	576,968	2,146,726	576,968
Other debtors	478,940	30	30	30
Amounts owed by related parties	397,689	470,505	10	10
Retention debtor	1,159,145	174,380	1,159,118	174,380
Prepayments and accrued income	4,483,791	1,028,289	4,483,791	1,028,290
Amounts due from tax authorities	-	1,141,963	-	-
	<u>8,666,891</u>	<u>3,392,135</u>	<u>7,789,675</u>	<u>1,779,678</u>

HUB SOUTH WEST SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

12. CASH AND CASH EQUIVALENTS

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Cash at bank and in hand	9,215,564	10,811,961	3,635,019	1,421,964
	<u>9,215,564</u>	<u>10,811,961</u>	<u>3,635,019</u>	<u>1,421,964</u>

13. CREDITORS: Amounts falling due within one year

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Bank loans	3,096,802	-	-	-
Trade creditors	5,851,997	5,136,507	5,788,826	2,031,126
Amounts owed to group undertakings	-	413,937	-	413,937
Amounts owed to related parties	125,671	102,815	125,671	102,815
Corporation tax	13,173	-	-	-
Taxation and social security	133,509	71,650	133,509	71,650
Retention Creditor	1,156,179	746,135	1,156,179	174,315
Other creditors	933,210	308,446	291,627	308,446
Accruals and deferred income	5,987,070	1,782,173	3,947,516	201,734
	<u>17,297,611</u>	<u>8,561,663</u>	<u>11,443,328</u>	<u>3,304,023</u>

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

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Bank loans	45,703,941	22,756,660	-	-
Amounts owed to related undertakings - subordinated debt	5,092,302	3,613,269	-	-
Retention creditor	691,061	214,372	360,611	214,372
Financial instruments (after 1 yr)	207,655	-	-	-
	<u>51,694,959</u>	<u>26,584,301</u>	<u>360,611</u>	<u>214,372</u>

Hub SW NHSL Holdco Limited has granted a share pledge as security to Aviv 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.

Hub SW Greenfaulds Sub Hub Co Limited has granted a share pledge as security in respect of a term loan by way of fixed and floating charges over the assets of the company and security over the company's interest in the lease to North Lanarkshire Council in favour of Norddeutsche Landesbank Girozentrale (NORD).

HUB SOUTH WEST SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Amounts falling due 1-2 years	2,588,303	1,714,889	360,611	214,372
Amounts falling due 2-5 years	7,444,277	4,328,848	-	-
Amounts falling due more than 5 years	41,662,379	20,540,564	-	-
	<u>51,694,959</u>	<u>26,584,301</u>	<u>360,611</u>	<u>214,372</u>

15. RELATED PARTY TRANSACTIONS - Company

	Debtors £	Creditors £	Interest Payable £	Purchases £	Sales £
2015					
Scottish Futures Trust Investments Limited	10	140,925	1,510	-	4,000
Equitix Limited*	-	39,153	-	742,581	-
Galiford Try Building Limited*	-	2,205,898	-	16,851,881	16,001
John Graham Construction Limited*	-	133	-	1,435,448	15,371
Kier Construction Limited*	-	7,389,229	-	21,825,451	15,371
Alliance & Community Partnership Limited	-	-	11,168	-	-
Hub SW NHSL Holdco Limited	-	1	-	-	-
Hub SW Greenfaulds Holdco Limited	-	1	-	-	-
Hub SW Greenfaulds Sub Hub Co Limited	-	-	-	-	160,653
	<u>10</u>	<u>9,775,340</u>	<u>12,678</u>	<u>40,855,361</u>	<u>211,396</u>
		Debtors £	Creditors £	Interest Payable £	Purchases £
2014					
Scottish Futures Trust Investments Limited	10	102,815	1,422	-	-
Equitix Limited*	-	238,752	-	-	532,753
Galiford Try Building Limited*	22,079	804,697	-	-	10,551,688
John Graham Construction Limited*	41,879	-	-	-	146,145
Kier Construction Limited*	21,479	25,773	-	-	4,014,532
Alliance & Community Partnership Limited	-	413,937	24,105	-	-
Hub SW NHSL Holdco Limited	-	1	-	-	-
	<u>85,447</u>	<u>1,585,975</u>	<u>25,527</u>	<u>15,245,118</u>	

HUB SOUTH WEST SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Directors fees of £30,500* were charged to the company by Scottish Futures Trust Investments Limited, £20,500 by Equitix Limited and £10,000 by NHS Ayrshire and Arran.

*Amount includes fees for 2013 to 2015.

16. RELATED PARTY TRANSACTIONS - Group

	Debtors £	Creditors £	Capital Contribution £	Interest Payable £	Purchases £	Sales £
2015						
Alliance & Community Partnership Limited	-	-	-	11,168	-	-
EMS Limited*	-	7,586	-	-	91,822	-
Equitix Limited*	-	1,502,308	-	140,165	1,168,055	-
Galliford Try Investments Limited	-	-	-	-	12,216	-
Graham Asset Management Limited	-	-	-	-	184,857	-
John Graham Construction Limited*	36,600	1,203,977	-	-	19,611,558	15,371
Graham Investment Projects Limited*	-	960,621	-	93,444	-	-
Kier Construction Limited*	-	7,389,299	-	-	21,825,451	15,371
Lanarkshire Health Board Limited*	399,184	1,200,778	1,730,737	116,805	816	2,018,770
Galiford Try Building Limited*	-	3,928,298	-	-	28,582,853	16,001
North Lanarkshire Council*	-	833,274	-	18,745	-	-
Scottish Futures Trust Investments Limited	10	818,942	-	46,693	-	4,000
	<u>435,794</u>	<u>17,845,083</u>	<u>1,730,737</u>	<u>427,020</u>	<u>71,477,628</u>	<u>2,069,513</u>

HUB SOUTH WEST SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

	Debtors £	Creditors £	Interest payable £	Capital Contribution £	Purchases £
2014					
Alliance & Community Partnership Limited	-	413,937	24,105	-	-
Equitix Limited*	1,141,963	1,539,546	126,531	-	617,970
Galliford Try Building Limited*	22,079	804,697	-	-	10,551,688
John Graham Construction Limited*	41,879	4,616,436	-	-	18,938,503
Graham Investment Projects Limited*	-	867,177	84,353	-	-
Kier Construction Limited*	21,479	25,773	-	-	4,014,532
Lanarkshire Health Board Limited*	-	1,083,973	105,443	2,707,527	105,443
Scottish Futures Trust Investments Limited	10	464,140	36,570	-	-
	<u>1,227,410</u>	<u>9,815,679</u>	<u>377,002</u>	<u>2,707,527</u>	<u>34,228,136</u>

-*Creditor balances includes trade creditors, deferred income and accrued expenses as disclosed in note 13 and 14

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

-Equitix Limited is a related party by virtue of common directors with the Company, 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.

-Alliance Community Partnership Limited is an immediate parent of the Company and provides working capital loans which were fully repaid in the 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.

-John Graham Construction Plc 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.

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

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

-Hub SW Greenfaulds Sub Hub Co Limited is a 100% fully owned subsidiary of Hub SW Greenfaulds Holdco Limited.

Directors fees of £30,500* were charged to the company by Scottish Futures Trust Investments Limited, £20,500 by Equitix Limited and £10,000 by NHS Ayrshire and Arran.

*Amount includes fees for 2013 to 2015.

HUB SOUTH WEST SCOTLAND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

17. SHARE CAPITAL- Group and Company

	2015 £	2014 £
Allotted, called up and fully paid		
1,000 Ordinary A shares of £0.01 each	10	10
3,000 Ordinary Class B shares of £0.01 each	30	30
6,000 Ordinary C shares of £0.01 each	60	60
	<hr/>	<hr/>
	100	100
	<hr/>	<hr/>

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 2015, the Company has committed expenditure of £65,986,034 (2014: £22,593,664) 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 2015, the Group has committed expenditure of £88,809,106 (2014: £46,453,691) 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. FIRST TIME ADOPTION OF FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.