

HUB SW NHSL SUB HUB CO LIMITED**DIRECTORS' REPORT AND FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2018**

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COMPANIES HOUSE

HUB SW NHSL SUB HUB CO LIMITED

COMPANY INFORMATION

DIRECTORS

C V Lewis
D M Lindsay
M J McBrearty
J F McClelland
A W Nicol
N W Gemmell
D Rose
A Thakrar

COMPANY SECRETARY

D Radulescu

REGISTERED NUMBER

SC458387

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

BANKERS

Royal Bank of Scotland
135 Bishopsgate
London
EC2M 4XJ

HUB SW NHSL SUB HUB CO LIMITED

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HUB SW NHSL SUB HUB CO LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

The Directors present their report and the financial statements for the year ended 31 December 2018.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Hub SW NHSL Sub Hub Co Limited (the "Company") is responsible for the construction, financing, maintenance and operation of three health centres with Lanarkshire Health Board in Scotland. Construction of the three health centres was completed in 2016 following which the Company entered into a service concession with Lanarkshire Health Board which ends on 31 March 2040.

The Company's financial performance is monitored across the life of the project. Quarterly board reports that compare the actual figures against those reported in the operational model are presented to the board.

KPI's are used to provide information on the project performance, so that any shortfalls can be promptly identified and addressed. These are focused on health and safety, value for money and quality. KPI's are reported and monitored at the Hub South West Scotland Limited group level.

The Directors have considered the performance of the Company during the year and the financial position at the end of the year and believe its prospects for the future to be satisfactory and consistent with expectations.

The continued uncertainty in respect of Brexit poses a risk to the UK economy however we consider the risk to the DBFM project to be minimal given the majority of our costs are fixed, the unitary charge income due to be received over the life of the concession arrangement has been agreed, the service concession arrangement is with a public sector body and our finance costs are fixed.

HUB SW NHS SUB HUB CO LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £437,474 (2017 - £448,786).

Total comprehensive income for the year amounted to £437,474 (2017: £448,786).

The Company proposes no dividend for 2018 (2017: £nil).

DIRECTORS

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

C V Lewis
D M Lindsay
M J McBrearty
J F McClelland
A W Nicol
N W Gemmell
D Rose (appointed 18 May 2018)
A Thakrar (appointed 3 September 2018)
N Parker (resigned 4 May 2018)
G Mackinlay (resigned 3 September 2018)
A K Bill (resigned 2 October 2018)

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'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's auditor is aware of that information.

POST BALANCE SHEET EVENTS

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

AUDITOR

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

HUB SW NHSL SUB HUB CO LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

SMALL COMPANIES' EXEMPTIONS

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

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


.....
J F McClelland
Director

Date: 17 June 2019

HUB SW NHSL SUB HUB CO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUB SW NHSL SUB HUB CO LIMITED

OPINION

We have audited the financial statements of Hub SW NHSL Sub Hub Co Limited (the 'Company') for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

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

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

OTHER INFORMATION

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

HUB SW NHSL SUB HUB CO LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUB SW NHSL SUB HUB CO LIMITED
(CONTINUED)**

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.

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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

RESPONSIBILITIES OF THE DIRECTORS

As explained more fully in the Directors' responsibilities statement on page 1, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

HUB SW NHSL SUB HUB CO LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUB SW NHSL SUB HUB CO LIMITED
(CONTINUED)**

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

USE OF OUR AUDIT REPORT

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

Scott-Moncrieff

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

17 June 2019

HUB SW NHSL SUB HUB CO LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £	2017 <i>restated</i> £
Turnover	3	794,945	1,012,922
Cost of sales		(773,971)	(975,658)
GROSS PROFIT		20,974	37,264
Administrative expenses		(14,914)	(9,048)
OPERATING PROFIT	4	6,060	28,216
Interest receivable and similar income	5	2,817,818	2,870,846
Interest payable and similar charges	6	(2,301,096)	(2,377,135)
PROFIT BEFORE TAX		522,782	521,927
Tax	7	(85,308)	(73,141)
PROFIT FOR THE FINANCIAL YEAR		437,474	448,786
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		437,474	448,786

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

The notes on pages 11 to 24 form part of these financial statements.

HUB SW NHSL SUB HUB CO LIMITED
REGISTERED NUMBER: SC458387

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 restated £
NON CURRENT ASSETS			
Financial asset falling due after one year	8	33,587,570	34,585,610
		<u>33,587,570</u>	<u>34,585,610</u>
CURRENT ASSETS			
Financial asset falling due within one year	8	4,349,882	4,317,716
Debtors: amounts falling due within one year	9	1	14,286
Cash at bank and in hand	10	792,612	1,998,195
		<u>5,142,495</u>	<u>6,330,197</u>
Creditors: amounts falling due within one year	11	(2,168,798)	(3,458,494)
NET CURRENT ASSETS		<u>2,973,697</u>	<u>2,871,703</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>36,561,267</u>	<u>37,457,313</u>
Creditors: amounts falling due after more than one year	12	(35,023,139)	(36,441,967)
Provisions for liabilities			
Deferred tax		(4,523,065)	(4,437,757)
		<u>(4,523,065)</u>	<u>(4,437,757)</u>
NET LIABILITIES		<u>(2,984,937)</u>	<u>(3,422,411)</u>
CAPITAL AND RESERVES			
Called up share capital	16	1	1
Profit and loss account	17	(2,984,938)	(3,422,412)
		<u>(2,984,937)</u>	<u>(3,422,411)</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

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


J F McClelland
 Director

Date: 17 June 2019

The notes on pages 11 to 24 form part of these financial statements.

HUB SW NHSL SUB HUB CO LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Share capital £	Profit and loss account £	Total equity £
At 1 January 2018	1	(3,422,412)	(3,422,411)
COMPREHENSIVE INCOME FOR THE YEAR			
Profit for the year	-	437,474	437,474
OTHER COMPREHENSIVE INCOME FOR THE YEAR	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	437,474	437,474
AT 31 DECEMBER 2018	1	(2,984,938)	(2,984,937)

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

	Share capital £	Profit and loss account restated £	Total equity restated £
At 1 January 2017 as restated	1	(3,871,198)	(3,871,197)
COMPREHENSIVE INCOME FOR THE YEAR			
Profit for the year	-	448,786	448,786
OTHER COMPREHENSIVE INCOME FOR THE YEAR	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	448,786	448,786
AT 31 DECEMBER 2017	1	(3,422,412)	(3,422,411)

The notes on pages 11 to 24 form part of these financial statements.

HUB SW NHSL SUB HUB CO LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	<i>2017</i>
	£	<i>restated</i>
		£
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial year	437,474	448,786
ADJUSTMENTS FOR:		
Unitary charge and operational revenue	3,783,692	3,782,117
Interest paid	2,301,096	2,377,135
Interest received	(2,817,818)	(2,870,846)
Taxation charge	85,308	73,141
Decrease in debtors	14,285	83,428
(Decrease)/increase in creditors	(1,013,695)	411,244
NET CASH GENERATED FROM OPERATING ACTIVITIES	2,790,342	4,305,005
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loans	(1,760,550)	(1,061,665)
Interest paid	(2,235,375)	(2,332,414)
NET CASH USED IN FINANCING ACTIVITIES	(3,995,925)	(3,394,079)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,205,583)	910,926
Cash and cash equivalents at beginning of year	1,998,195	1,087,269
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	792,612	1,998,195
CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:		
Cash at bank and in hand	792,612	1,998,195
	792,612	1,998,195

The notes on pages 11 to 24 form part of these financial statements.

HUB SW NHSL SUB HUB CO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, unless otherwise stated in these accounting policies, and in accordance with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and the Companies Act 2006.

The presentation currency is £ sterling and the financial statements are rounded to the nearest £. These are the financial statements of the Company only. The financial statements are for the year ended 31 December 2018.

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 - 10 Phoenix Crescent
Strathclyde Business Park
Bellshill
North Lanarkshire
ML4 3NJ

The Company number is SC458387.

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

The following principal accounting policies have been applied:

1.2 Going concern

The financial model shows that the project remains profitable over the service remaining concession period of 22 years and that adequate cashflow will be available to the company to meet its liabilities including the senior and subordinated debts as they fall due. Performance to date has been consistent with the financial model. Thus, the directors are satisfied the Company is a going concern.

1.3 Consolidation

Hub SW NHSL Holdco Limited and Hub SW NHSL Sub Hub Co Limited are included within the group accounts prepared by the parent undertaking, being Hub South West Scotland Limited, which are publicly available from the registered office.

1.4 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. ACCOUNTING POLICIES (CONTINUED)

1.5 Interest income

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

1.6 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.

1.7 Current and deferred taxation

Tax is recognised in the profit and 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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

1.8 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. ACCOUNTING POLICIES (CONTINUED)

1.9 Financial asset

Construction and related costs of building the three health centres, excluding interest costs and other costs of funding, are being treated as a financial asset under the terms of FRS 102. The financial asset is repaid over the life of the contract as service income is received from Lanarkshire Health Board.

Upon becoming operational, the income derived from the DBFM contract was, and continues to be allocated between the provision of the asset and the provision of the subsequent services. Upon acceptance of the constructed asset by Lanarkshire Health Board, the financial asset begun being 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.

1.10 Debtors

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

1.11 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.

1.12 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.

1.13 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES (CONTINUED)

1.14 Financial instruments

The 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 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.

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 PROFIT

The profit on ordinary activities is stated after charging auditor's remuneration of £5,255 (2017: £5,100) in respect of the audit of the Company and its immediate parent, Hub SW NHSL Holdco Limited, and £930 (2017: £900) for corporation tax compliance work. The fees are paid by EMS Limited on behalf of the Company and its immediate parent as part of the ongoing MSA fee.

The Company has no directly employed personnel (2017: none).

None of the directors have any retirement benefits or other remuneration accruing to them under pension schemes (2017: none).

During the year, no director received any emoluments (2017: none).

HUB SW NHSL SUB HUB CO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

5. INTEREST RECEIVABLE

	2018 £	2017 £
Interest on financial asset	2,817,818	2,870,846
	<u>2,817,818</u>	<u>2,870,846</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018 £	2017 £
Interest payable on senior loan	1,832,486	1,906,503
Amortisation of fees	45,536	45,536
Interest payable on subordinated debt	423,074	425,096
	<u>2,301,096</u>	<u>2,377,135</u>

7. TAXATION

	2018 £	2017 <i>restated</i> £
Corporation tax		
Current tax of profits for the year	-	-
Deferred tax	85,308	73,141
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	<u>85,308</u>	<u>73,141</u>

HUB SW NHSL SUB HUB CO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

7. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2017 - *lower than*) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 <i>restated</i> £
Profit on ordinary activities before tax	522,782	521,927
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	99,329	100,453
EFFECTS OF:		
Income not taxable for tax purposes	(632,695)	(649,044)
Adjustments to brought forward values	628,710	817,261
Deferred tax not recognised	(10,036)	(185,071)
Capital allowances for the year in excess of depreciation	-	(10,458)
TOTAL TAX CHARGE FOR THE YEAR	85,308	73,141

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

A reduction to the rate of corporation tax to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the Company's future tax charge accordingly. The deferred tax asset at 30 September 2018 has been calculated based on this rate.

HUB SW NHSL SUB HUB CO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

8. FINANCIAL ASSET

	2018 £	2017 £
Cost		
Cost at 1 January 2018	48,303,629	45,432,783
Net interest receivable	2,817,818	2,870,846
Construction and related costs	-	-
At 31 December 2018	<u><u>51,121,447</u></u>	<u><u>48,303,629</u></u>
Repayment		
At 1 January 2018	(9,400,303)	(5,618,186)
Unitary charge income	(4,274,875)	(4,246,266)
Operational revenue recognised	491,183	464,149
At 31 December 2018	<u><u>(13,183,995)</u></u>	<u><u>(9,400,303)</u></u>
Net position	<u><u>37,937,452</u></u>	<u><u>38,903,326</u></u>
Financial asset		
Due within one year	4,349,882	4,317,716
Due after one year	33,587,570	34,585,610
	<u><u>37,937,452</u></u>	<u><u>38,903,326</u></u>

HUB SW NHSL SUB HUB CO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. DEBTORS

	2018 £	2017 £
Trade debtors	-	388
Amounts owed by related undertakings	-	2,313
Prepayments and accrued income	-	11,584
Amounts owed by group undertakings	1	1
	<u>1</u>	<u>14,286</u>

10. CASH AND CASH EQUIVALENTS

	2018 £	2017 £
Cash at bank and in hand	792,612	1,998,195
	<u>792,612</u>	<u>1,998,195</u>

11. CREDITORS: Amounts falling due within one year

	2018 £	2017 £
Bank loans	1,358,790	1,698,996
Amounts owed to group undertakings - subordinated debt	80,938	36,893
Trade creditors	30,051	86,428
Amounts owed to parent undertaking	1	1
Taxation and social security	203,430	186,841
Retention creditors	99,317	631,418
Accruals and deferred income	269,341	711,146
Amounts owed to group undertakings - accrued interest	126,930	106,771
	<u>2,168,798</u>	<u>3,458,494</u>

There are unamortised loan arrangement fees of £45,535 (2017: £45,535).

HUB SW NHSL SUB HUB CO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

	2018	2017
	£	£
Bank loans	31,086,759	32,445,549
Amounts owed to group undertakings - subordinated debt	3,936,380	3,996,418
	<u>35,023,139</u>	<u>36,441,967</u>

There are unamortised loan arrangement fees of £819,639 (2017: £865,174).

HUB SW NHSL SUB HUB CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

13. LOANS

Analysis of the maturity of loans is given below:

	2018 £	2017 £
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Bank loans	1,358,790	1,698,996
Amounts owed to group undertakings - subordinated debt	80,938	36,893
	<u>1,439,728</u>	<u>1,735,889</u>
AMOUNTS FALLING DUE 1-2 YEARS		
Bank loans	1,342,100	1,358,790
Amounts owed to group undertakings - subordinated debt	94,461	61,222
	<u>1,436,561</u>	<u>1,420,012</u>
AMOUNTS FALLING DUE 2-5 YEARS		
Bank loans	3,798,893	5,186,529
Amounts owed to group undertakings - subordinated debt	230,835	243,667
	<u>4,029,728</u>	<u>5,430,196</u>
AMOUNTS FALLING DUE AFTER MORE THAN 5 YEARS		
Bank loans	25,945,766	25,900,230
Amounts owed to group undertakings - subordinated debt	3,611,084	3,691,529
	<u>29,556,850</u>	<u>29,591,759</u>

The parent company 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. Aviva Public Private Finance Limited holds the title deeds for the three health centres as security for the loans.

The subordinated debt bears interest at the rate of 10.5% per annum. Repayments commenced on 30 September 2016 and the final redemption date is 31 March 2040.

HUB SW NHSL SUB HUB CO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

14. FINANCIAL INSTRUMENTS

	2018 £	2017 £
Financial assets		
Cash at bank and in hand	792,612	1,998,195
Financial assets measured at amortised cost	37,937,453	38,906,028
	<u>38,730,065</u>	<u>40,904,223</u>
 Financial liabilities		
Financial liabilities measured at amortised cost	(36,988,507)	(39,713,620)
	<u>(36,988,507)</u>	<u>(39,713,620)</u>

There are no financial instruments held at fair value.

Financial assets held at amortised cost include the financial asset, trade debtors and amounts owed by group and related undertakings.

Financial liabilities measured at amortised cost include bank loans, amounts owed to group undertakings, amounts owned to parent undertaking, trade creditors, retention creditors and accruals.

15. DEFERRED TAX

	2018 £	2017 restated £
Opening provision at 1 January	(4,437,757)	(4,364,616)
Movement in the year	(85,308)	(73,141)
Closing provision at 31 December	<u>(4,523,065)</u>	<u>(4,437,757)</u>

The deferred tax provision is made up as follows:

	2018 £	2017 restated £
Capital allowances and b/fwd losses	1,926,302	2,175,808
Temporary timing difference in respect of revenue	(6,449,367)	(6,613,565)
Deferred tax provision	<u>(4,523,065)</u>	<u>(4,437,757)</u>

The temporary timing difference is in respect of the difference between the turnover recognised in the financial statements and the turnover recognised in the tax computation.

HUB SW NHSL SUB HUB CO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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16. SHARE CAPITAL

	2018 £	2017 £
Allotted, called up and fully paid		
1 (2017 - 1) Ordinary share of £1.00	<u>1</u>	<u>1</u>

There are no restrictions attached to the ordinary share.

17. PROFIT AND LOSS RESERVE

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

18. RELATED PARTY TRANSACTIONS

	Unitary Charge £	Other £	Purchases £	Interest payable £
2018				
Equitix Limited	-	-	101,412	-
Graham Asset Management Limited	-	-	784,114	-
Lanarkshire Health Board Limited	4,274,876	794,945	32,334	-
Graham Construction Limited	-	-	532,101	-
Hub SW NHSL Holdco Limited	-	-	-	423,074
	<u>4,274,876</u>	<u>794,945</u>	<u>1,449,961</u>	<u>423,074</u>

	Unitary Charge £	Other £	Purchases £	Interest payable £
2017 restated				
Equitix Limited	-	-	98,941	-
Graham Asset Management Limited	-	-	947,142	-
Lanarkshire Health Board Limited	4,246,266	1,012,922	26,859	-
Graham Construction Limited	-	-	-	-
Hub SW NHSL Holdco Limited	-	-	-	425,096
	<u>4,246,266</u>	<u>1,012,922</u>	<u>1,072,942</u>	<u>425,096</u>

HUB SW NHSL SUB HUB CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

18. RELATED PARTY TRANSACTIONS (CONTINUED)

	2018 Debtor £	2017 Debtor £	2018 Creditor £	2017 Creditor £
Statement of Financial Position				
Equitix Limited	-	-	15,082	10,641
Hub SW NHSL Holdco Limited	1	1	4,144,248	4,140,082
Lanarkshire Health Board Limited	-	2,313	36,676	1,160
Graham Construction Limited	-	-	99,317	631,418
Graham Asset Management Limited	-	-	243,384	263,726
	<u>1</u>	<u>2,314</u>	<u>4,538,707</u>	<u>5,047,027</u>

Equitix Limited, Lanarkshire Health Board, Graham Construction Limited and Graham Asset Management Limited are related parties by virtue of being shareholders in the joint venture which is Hub South West Scotland Limited or are controlled by entities who are shareholders in Hub South West Scotland Limited. Hub South West Scotland Limited holds 100% of the share capital of Hub SW NHSL Holdco Limited. Equitix Limited has provided management services to the company during the period. Graham Construction Limited and Graham Asset Management Limited have provided construction services with the balances due at the year end included in trade creditors, accruals and retention creditor.

Hub SW NHSL Holdco Limited is the immediate parent company of Hub SW NHSL Sub Hub Co Limited. The Company pays the audit and tax fee of Hub SW NHSL Holdco Limited. Subordinated debt is on lent by Hub SW NHSL Holdco Limited to the Company.

19. PRIOR YEAR ADJUSTMENT

There was no deferred tax liability recognised in the 2016 or 2017 financial statements as the capital allowance professional review work was not completed until late in 2018, after the sign off and submission of the 2017 financial statements. Within the 2018 financial statements a prior year adjustment has been posted to incorporate the deferred tax liability at 1 January 2017 as well as the deferred tax movement in the financial year ended 31 December 2017.

	£
Capital and reserves at 1 January 2017 as previously stated	493,419
Recognition of deferred tax liability at 1 January 2017	(4,364,616)
Capital and reserves at 1 January 2017 as restated	<u>(3,871,197)</u>
Profit for the year ended 31 December 2017 as previously stated	521,927
Recognition of deferred tax movement in 2017	(73,141)
Profit for the year ended 31 December 2017 as restated	<u>448,786</u>

HUB SW NHSL SUB HUB CO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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19. PRIOR YEAR ADJUSTMENT (CONTINUED)

Capital and reserves at 31 December 2017 as previously stated	1,015,346
Recognition of deferred tax liability at 1 January 2017	(4,364,616)
Recognition of deferred tax movement in 2017	(73,141)
Capital and reserves at 31 December 2017 as restated	(3,422,411)

20. CONTROLLING PARTY

The Company's immediate parent company is Hub SW NHSL Holdco Limited, a company incorporated and registered in Scotland. The accounts can be obtained from its registered office at Avondale House Suites 1L-1O Phoenix Crescent, Strathclyde Business Park, Bellshill, North Lanarkshire, ML3 4NJ. The immediate parent company of Hub SW NHSL Holdco Limited is Hub South West Scotland Limited.

The directors consider that there is no ultimate controlling party.