

# **Hub Community Foundation SCIO**

**Charity number SC046192**

**Trustees' Report and Group Financial Statements**

**Year Ended 31 December 2018**

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## Reference and administrative information

### Trustees

A D Bruce  
G P Farley  
E M Mackin (resigned 01 July 2018)  
W J Mackintosh  
L Scenna (resigned 04 March 2019)  
M Morton (appointed 15 January 2019)

### Registered Office

PO Box 17452  
2 Lochside View  
Edinburgh  
EH12 1LB

### Charity Number

SC046192

### Auditors

MHA Henderson Loggie  
11-15 Thistle Street  
Edinburgh  
EH2 1DF

### Bankers

The Royal Bank of Scotland plc  
34 St Andrew Square  
Edinburgh  
EH2 1AF

### Solicitors

Burness Paul  
120 Bothwell Street  
Glasgow  
G2 7JL

## Trustees' report

### Objectives and activities

The Trustees present their annual report and financial statements for Hub Community Foundation ('HCF') for the period ended 31st December 2018. The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with Hub Community Foundation's constitution, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland.

Hub Community Foundation's Charitable Objectives, as established in its Constitution, are:

- the relief and prevention of poverty through relieving unemployment; and in particular by assisting in the provision of apprenticeships, training and/or work experience directed towards assisting people to access long-term employment;
- the advancement of education;
- the advancement of health;
- the provision of recreational facilities with the object of improving the conditions of life for the persons for whom the facilities or activities are primarily intended; and
- the relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage.

On its formation in December 2015, the HCF was granted the rights (but not the obligation) to invest 20% of the share capital and subordinated debt in new privately financed community infrastructure projects that form part of the hub programme.

### Achievements and performance

During the year under review HCF has continued to generate receipts from the sale of subordinated debt rights (described in more detail below) alongside an ongoing focus on a grant giving programme to meet its Charitable Objectives, culminating in the launch of the Building Brighter Futures Fund ("BBFF") on 12<sup>th</sup> February 2018. Given their pioneering venture philanthropy approach matched with tailored development support to the charity sector, we appointed Inspiring Scotland (a registered Charity, SC 039605) last year to work with HCF to create this platform. With their support, the Trustees identified the area of assisting disadvantaged young people in Scotland into training and employment as one which required further support and which fitted well with our charitable objectives.

Following rigorous assessment of the 76 applications, 10 charities, spread across Scotland, were selected to receive a total of £1.3m over 3 years, subject to ongoing performance and outcome review. The successful charities are; Aberdeen Foyer; Callander Youth Project; CEIS Ayrshire; FARE (Family Action in Rogerfield and Easterhouse); Grassmarket Community Project; Inspired Community Enterprise Trust; Kirkcaldy YMCA; Move On; PEEK - Possibilities for Each and Every Kid and Station House Media Unit. Inspiring Scotland will work with each of these charities to support their work and assist them in making the most of the funds that they receive from HCF.

Formal tripartite documentation was executed between each of these charities, HCF and Inspiring Scotland and the first deployment of funds to these charities was made during July and August 2018, with further draw-downs being made on a semi-annual basis. Inspiring Scotland report to the Trustees frequently on progress in meeting the agreed targets.

## **Trustees' report** *(continued)*

### **Achievements and performance** *(continued)*

In the 12 months to 31st December 2018, HCF invested in shares in 4 hub projects; activity which furthers HCF's objectives directly, as well as bringing the prospect of future dividends to allow further support towards these objectives.

In addition, the HCF continued to sell a substantial portion of the rights it has to invest subordinated debt in these projects in exchange for a fee. These fees (and those generated by its subsidiary, HCF Investments Ltd, which have been gift aided during the year) are laying the platform for future grant support.

Furthermore, with a view to generating ongoing revenues to support the operating costs of HCF, the Trustees decided to take up a portion of its rights to invest Subordinated Debt in a suitable project in each of the 5 hub Territories. As at 31 December 2018, £950,000 in subordinated debt has been invested in 5 projects (between HCF and its subsidiary HCF Investments Ltd), thereby completing this strand of HCF's current investment strategy, although this will be kept under ongoing review.

### **Financial review**

HCF has posted a surplus of £384,000 during the year, generated from the fees described above and interest received from direct investments made in prior years. Since the year end, HCF has continued to generate further fees from the completion of a new community infrastructure project. Through prudent management we expect HCF to continue to remain in good financial health, whilst meeting its key charitable objectives.

### **Risk management**

HCF places great importance and priority to ensure all aspects of daily operations are conducted within its risk appetite and through the active monitoring and mitigation of key risks. Key risks identified and mitigating actions for these are as follows:

- The financial performance of investments. The Trustees review the key counterparties and investment case for each project prior to any commitment.
- Fraud. An appropriate division of responsibilities has been put in place towards the banking and accounting arrangements of HCF.

### **Plans for future periods**

The Trustees will keep under review what other areas of need HCF should support beyond that of assisting disadvantaged young people into training and employment, promoted by our £1.3m Building Brighter Futures Fund described above.

### **Reserves policy**

At the year end, the charity held £3,216,870 (2017: £2,833,322 *restated*) of unrestricted funds. Reserves policy will be reviewed and refined in future financial years once its operational experience grows.

### **Structure governance and management**

Hub Community Foundation is a registered Scottish Charitable Incorporated Organisation ('SCIO'), charity number SC046192.

The board of trustees has the ultimate decision making powers and trustees are recruited and appointed in line with the constitution. All trustees receive an induction from the existing trustees. If the individual has never served on a Board before training would also be undertaken.

## **Trustees' report** *(continued)*

### **Structure governance and management** *(continued)*

The Charities and Trustee Investment (Scotland) Act 2005 bestows a duty on each Trustee, in exercising functions as a charity trustee, to act in the interests of the charity, and, in particular must:

- seek, in good faith, to ensure that the charity acts in a manner which is in accordance with its purposes;
- act with the care and diligence which it is reasonable to expect of a person who is managing the affairs of another person; and
- ensure that the Hub Community Foundation complies with any direction, requirement, notice or duty

### **Trustees' responsibilities in relation to the financial statements**

The Trustees are responsible for preparing a Trustees' annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in Scotland requires the Trustees to prepare financial statements for each period which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources for that period. In preparing the financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the applicable charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charity Accounts (Scotland) Regulations 2006 (as amended), and the provisions of the charity's Constitution. They are also responsible for safeguarding the assets of the charity and taking reasonable steps for the prevention and detection of fraud and other irregularities.

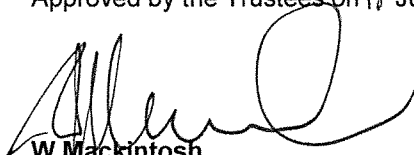
The Trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Trustees' report *(continued)*

### Approval

At the time of approving this report, the Trustees are aware of no relevant audit information of which the auditors are unaware and have taken all steps that they ought to have taken, as a Trustee, in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Approved by the Trustees on 19 June 2019 and signed on their behalf by:



**W Mackintosh**  
Trustee

## **Independent auditors' report to the trustees of Hub Community Foundation Opinion**

We have audited the Group and Charity financial statements of Hub Community Foundation for the year ended 31 December 2018 which comprise the Group and Charity Statement of Financial Activities, the Group and Charity Balance Sheet, the Group and Charity 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 FRS 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 and charity's affairs as at 31 December 2018 and of its income and expenditure 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 Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended)

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

### **Conclusions relating to going concern**

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

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity'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 other information comprises the information included in the Report of the Trustees, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information. 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.



## **Independent auditors' report to the trustees of Hub Community Foundation Opinion**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Charities and Trustees Investment (Scotland) Act 2005 and the Charity Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- The information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- proper accounting records have not been kept, or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of Trustees**

As explained more fully in the Statement of Trustees' responsibilities the trustees 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 trustees 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 Trustees are responsible for assessing the charity'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 Trustees either intend to cease operations or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

This report is made solely to the trustees, as a body, in accordance with Section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charity Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the trustees 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 charity and its trustees as a body for our audit work, for this report, or for the opinions we have formed.

*MHA Henderson Loggie*

**MHA Henderson Loggie**

**Chartered Accountants & Statutory Auditor**

**Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006**

11-15 Thistle Street

Edinburgh

EH2 1DF

MHA Henderson Loggie is a trading name of Henderson Loggie LLP

18 June 2019

## Consolidated and charity statement of financial activities for year ended 31 December 2018

		Year to 31 December 2018	Year to 31 December 2018	Year to 31 December 2017	Year to 31 December 2017
	Note	Group Unrestricted funds £	Charity Unrestricted funds £	Group Unrestricted funds £	Restated Charity Unrestricted funds £
<b>Income from:</b>					
<i>Donations – Donation from subsidiary</i>		-	389,118	-	1,431,877
<i>Other income</i>	2	639,865	275,800	746,024	345,077
<i>Investments</i>	3	756,900	29,613	577,271	17,691
<b>Total income</b>		<b>1,396,765</b>	<b>694,531</b>	<b>1,323,295</b>	<b>1,794,645</b>
<b>Expenditure on:</b>					
<i>Raising funds</i>	4	(14,310)	(14,310)	(28,171)	(28,171)
<i>Charitable activities</i>	5	(296,673)	(296,673)	(30,664)	(30,664)
<i>Other</i>	6	(815,169)	-	(571,328)	-
<b>Total expenditure</b>		<b>(1,126,152)</b>	<b>(310,983)</b>	<b>(630,163)</b>	<b>(58,835)</b>
<b>Net income/(expenditure) for the year</b>		<b>270,613</b>	<b>383,548</b>	<b>693,132</b>	<b>1,735,810</b>
<b>Funds brought forward</b>		<b>3,222,601</b>	<b>2,833,322</b>	<b>2,529,469</b>	<b>1,097,512</b>
<b>Funds carried forward</b>		<b>3,493,214</b>	<b>3,216,870</b>	<b>3,222,601</b>	<b>2,833,322</b>

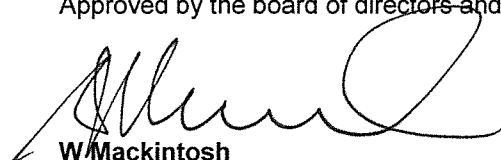
All income and expenditure is derived from continuing activities. The company has no recognised gains or losses other than those included in the Statement of Financial Activities above.

The notes on pages 11 to 18 form part of these financial statements.

## Consolidated and charity balance sheet at 31 December 2018

	Note	Year to 31 December 2018 Group £	Year to 31 December 2018 Charity £	Year to 31 December 2017 Group £	Year to 31 December 2017 Restated Charity £
<b>Fixed assets</b>					
Investments	7	10,392,494	818,730	7,831,853	301,204
<b>Current assets</b>					
Debtors	8	125,043	19,943	71,690	8,016
Cash at bank and in hand		2,610,422	2,396,435	2,768,575	2,537,424
		2,735,465	2,416,378	2,840,265	2,545,440
<b>Current liabilities</b>					
<b>Creditors:</b> amounts falling due within one year	9	(806,352)	(18,238)	(124,436)	(13,322)
<b>Net current assets</b>		1,929,113	2,398,140	2,715,829	2,532,118
<b>Creditors:</b> amounts falling due after more than one year	10	(8,828,393)	-	(7,325,081)	-
<b>Net assets</b>		3,493,214	3,216,870	3,222,601	2,833,322
<b>Unrestricted funds</b>					
General fund		3,493,214	3,216,870	3,222,601	2,833,322
<b>Total funds</b>		3,493,214	3,216,870	3,222,601	2,833,322

Approved by the board of directors and authorised for issue on 13 June 2019

  
**W Mackintosh**  
Trustee

Company registration number SC046192

The notes on pages 11 to 18 form part of these financial statements.

**Group and charity statement of cash flows**  
*for the year ended 31 December 2018*

	Year to 31 December 2018		Year to 31 December 2017	
	Group £	Charity £	Group £	Restated Charity £
<b>Cash flows from operating activities</b>				
Net income	270,613	383,548	693,132	1,735,810
Add interest paid	710,821	-	548,638	-
Less: Investment income	(756,900)	(29,613)	(577,271)	(17,691)
(Increase) / decrease in debtors	(53,353)	(11,927)	(69,278)	(5,604)
Increase / (decrease) in creditors	155,736	4,916	64,517	(24,927)
<b>Cash provided by operating activities</b>	<b>326,917</b>	<b>346,924</b>	<b>659,738</b>	<b>1,687,588</b>
<b>Cash flows from investing activities</b>				
Purchase of Investments	(2,178,424)	(500,000)	(2,557,410)	(149,640)
Investment income	331,390	12,087	577,271	17,691
Repayment of loans received	43,293	-	-	-
<b>Cash provided by investing activities</b>	<b>(1,803,741)</b>	<b>(487,913)</b>	<b>(1,980,139)</b>	<b>(131,949)</b>
<b>Cash flows from financing activities</b>				
Receipt of Loans	2,029,492	-	2,203,993	-
Interest payable	(710,821)	-	(548,638)	-
<b>Cash provided by financing activities</b>	<b>1,318,671</b>	<b>-</b>	<b>1,655,355</b>	<b>-</b>
Increase in cash and cash equivalents in the year	(158,153)	(140,989)	334,954	1,555,639
Cash and cash equivalents at the beginning of the year	2,768,575	2,537,424	2,433,621	981,785
Total cash and cash equivalents at the end of the year	2,610,422	2,396,435	2,768,575	2,537,424

## Notes to the accounts

### 1. Accounting policies

#### (a) Basis of preparation and assessment of going concern

The financial statements have been prepared on a historical cost basis and in accordance with the Statement of Recommended Practice FRS102 (SORP FRS102) – "Accounting and Reporting by Charities", FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and comply with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

Hub Community Foundation is a Scottish Charitable Incorporated Organisation and constitutes a public benefit entity as defined by FRS 102. The principal office is C/o Scottish Futures Trust, 11-15 Thistle Street, Edinburgh, EH2 1DF.

The financial statements have been prepared in Sterling which is functional currency of the charity.

The group financial statements are consolidated on a line by line basis with the financial statements of HCF Investments Limited the wholly owned subsidiary.

The Trustees have considered the charity's ability to continue as a going concern and have concluded that there are no material uncertainties that could affect Hub Community Foundation's ability to continue as a going concern for the 12 months from signing these financial statements.

#### (b) Funds structure

Unrestricted funds comprise those funds which the Trustees are free to use for any purpose in furtherance of the charitable objects. These include designated funds where the Trustees, at their discretion, have created a fund for a specific purpose.

#### (c) Income recognition

All income is recognised once the charity has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably. Interest on loans provided are recognised when receivable.

#### (d) Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the Trust to that expenditure, it is probable that settlement will be required and the amount of the obligation can be measured reliably. All expenditure is accounted for on an accruals basis.

#### (e) Fixed asset investments

Investments in subsidiaries are valued using the cost model. Investments in subordinated debt are valued at cost less impairment. Other investments are measured at cost less impairment as the Trustee's consider no suitable valuation technique is available.

#### (f) Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

#### (g) Debtors

Short term debtors are measured at transactional price less any impairment.

## Notes to the accounts *(continued)*

### 1. Accounting policies *(continued)*

#### (h) Creditors

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

#### (i) Financial instruments

The charity only has financial assets and financial liabilities of a type that qualify as basic financial instruments. Basic financial instruments are initially recognised at their transaction value and subsequently at their settlement value.

#### (j) Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### (k) Impairment

##### Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The charity derecognises a financial asset when it expires or when the rights to the cash flows from the financial asset have been transferred and substantially all the risks and rewards of ownership of the financial asset have been transferred

### 2. Other income

	Year to 31 December 2018 Group £	Year to 31 December 2018 Charity £	Year to 31 December 2017 Group £	Year to 31 December 2017 Charity £
Sale of right to invest in Hub projects	275,800	275,800	345,077	345,077
Fee income	364,065	-	400,947	-
	<u>639,865</u>	<u>275,800</u>	<u>746,024</u>	<u>345,077</u>

## Notes to the accounts *(continued)*

### 3. Income from investments

	Year to 31 December 2018 Group £	Year to 31 December 2018 Charity £	Year to 31 December 2017 Group £	Year to 31 December 2017 Charity £
Interest income	756,900	29,613	577,271	17,691

### 4. Expenditure on raising funds

	Year to 31 December 2018 Group £	Year to 31 December 2018 Charity £	Year to 31 December 2017 Group £	Year to 31 December 2017 Charity £
Direct costs – Legal expenditure – sale of right to invest	23,870	23,870	28,171	28,171

### 5. Expenditure on charitable activities

	Year to 31 December 2018 Group £	Year to 31 December 2018 Charity £	Year to 31 December 2017 Group £	Year to 31 December 2017 Charity £
<b>Grants payable to institutions</b>	215,193	215,193	-	-
<b>Support and governance expenditure</b>				
Financial and secretarial fees	18,488	18,488	21,000	21,000
Insurance	2,910	2,910	2,940	2,940
Bank fees	437	437	374	374
Website costs	5,116	5,116	163	163
Grant management fees	48,000	48,000	-	-
Advertising & Marketing	1,042	1,042	-	-
Governance costs:				
- Audit fee	5,382	5,382	9,600	9,600
- Auditors' fee – Other services	-	-	(3,564)	(3,564)
Trustees expenses	105	105	151	151
	296,673	296,673	30,664	30,664

The Trustees give freely their time and expertise without any form of remuneration or other benefit in cash or kind. Travel expenses totaling £105 were reimbursed to one trustee in the year. The charity had no employees and the trustees are considered the key management.

Total group audit fees were £10,476 (2017: £9,600)

## Notes to the accounts *(continued)*

### 6. Other expenditure

	Year to 31 December 2018 Group £	Year to 31 December 2018 Charity £	Year to 31 December 2017 Group £	Year to 31 December 2017 Charity £
HCF Investments expenditure	815,169	-	571,328	-

### 7. Investments

	2018 Group £	2018 Charity £	2017 Group £	2017 Charity £
Interest in subsidiary purchased at cost	-	1	-	1
Other investments purchased at cost	2,433	1,443	2,192	1,203
Subordinated debt	10,390,061	817,286	7,829,661	300,000
	<u>10,392,494</u>	<u>818,730</u>	<u>7,831,853</u>	<u>301,204</u>

	2018 Group £	2018 Charity £
<b>Other investments purchased at cost</b>		
Opening value	2,192	1,203
Additions	241	240
Closing value	<u>2,433</u>	<u>1,443</u>

	2018 Group £	2018 Charity £
<b>Subordinated debt</b>		
Opening value	7,829,661	300,000
Loans issued	2,178,183	500,000
Loans repaid	(43,293)	-
Interest capitalised	425,510	17,286
Closing value	<u>10,390,061</u>	<u>817,286</u>



## Notes to the accounts *(continued)*

### 7. Investments (continued)

#### Investment in subsidiary

Hub Community Foundation owns the entire share capital of HCF Investments Limited company number SC522363, which as at 31 December had the following balance sheet and profit and loss account. See note 11 for transactions in the year.

#### Balance sheet as at 31 December 2018

	2018 £	Restated 2017 £
<b>Fixed asset investments</b>	<b>9,573,765</b>	7,530,650
<b>Current assets</b>		
Other debtors	123,588	63,675
Cash at bank	213,987	231,151
<b>Total current assets</b>	<b>337,575</b>	294,826
Creditors - amounts falling due within one year	(806,602)	(111,115)
Total assets less current liabilities	9,104,738	7,714,361
Creditors: amounts falling due after more than one year	(8,828,393)	(7,325,081)
<b>Net assets and equity shareholders' funds</b>	<b>276,345</b>	389,280

#### Profit and loss account for the year ended 31 December 2018

	Year to 31 December 2018 £	Restated Year to 31 December 2017 £
<b>Turnover</b>	<b>364,065</b>	400,947
Administration expenses	(39,564)	(22,671)
<b>Operating (loss)/profit</b>	<b>324,501</b>	378,276
Interest payable	(710,821)	(548,638)
Interest receivable	727,287	559,580
<b>Profit on ordinary activities before taxation</b>	<b>340,967</b>	389,218
Taxation	(64,784)	(19)
<b>Profit and total comprehensive income for the year</b>	<b>276,183</b>	389,199

#### Other investments

No dividends were received from investments either in the group or charity. Details of the investments in which the Charity or Group holds 20% or more of the share capital at 31 December 2018 are set out below. The Group has no significant influence in these investments as it has no power to participate in the financial and operating policies.

## Notes to the accounts *(continued)*

### 7. Investments *(continued)*

Group		Proportion of	
Name of company	Holding	voting rights	Nature of business
Hub SW Ayr Holdco Limited	Ordinary shares	20%	Investment Holding Co
Hub SW EALC Holdco Limited	Ordinary shares	20%	Investment Holding Co
Newbattle DBFM Holdco Limited	Ordinary shares	20%	Investment Holding Co
KHS DBFM Holdco Limited	Ordinary shares	20%	Investment Holding Co
LBP DBFM Holdco Limited	Ordinary shares	20%	Investment Holding Co
Hub SW Largs Holdco Limited	Ordinary shares	20%	Investment Holding Co
ELCH DBFM Holdco Limited	Ordinary shares	20%	Investment Holding Co
Hub East Central (PSS) Midco Limited	Ordinary shares	20%	Investment Holding Co
Hub East Central (SCV) Midco Limited	Ordinary shares	20%	Investment Holding Co
WCHS DBFM Holdco Limited	Ordinary shares	20%	Investment Holding Co
Hub North Scotland (Wick) Holdings Limited	Ordinary shares	20%	Investment Holding Co
Hub North Scotland (Anderson) Holdings Limited	Ordinary shares	20%	Investment Holding Co
Hub East Central (Forfar) Midco Limited	Ordinary shares	20%	Investment Holding Co
Hub East Central (Levenmouth) Midco Limited	Ordinary shares	20%	Investment Holding Co
REH Phase 1 Subhub Holdings Limited	Ordinary shares	20%	Investment Holding Co
Hub West Scotland Holdco (No.1) Limited	Ordinary shares	20%	Investment Holding Co
Hub SW Greenfaulds Holdco Ltd	Ordinary shares	20%	Investment Holding Co
Hub SW Dalbeattie Holdco Limited	Ordinary shares	20%	Investment Holding Co
Hub East Central (Baldrigon) Midco Limited	Ordinary shares	20%	Investment Holding Co
Hub West Scotland Holdco (No.2) Limited	Ordinary shares	20%	Investment Holding Co
Hub North Scotland (New Academy – SOTC) Holdings Limited	Ordinary shares	30%	Investment Holding Co
Hub West Scotland Holdco (No.3) Limited	Ordinary shares	23%	Investment Holding Co
Hub West Scotland Holdco (No.4) Limited	Ordinary shares	20%	Investment Holding Co
Hub North Scotland (O&C) Holdings Limited	Ordinary shares	20%	Investment Holding Co
Hub North Scotland (I&F) Holdings Limited	Ordinary shares	20%	Investment Holding Co
Hub SW Cumbernauld Holdco Limited	Ordinary shares	20%	Investment Holding Co
Hub East Central (Bertha Park) Midco Limited	Ordinary shares	20%	Investment Holding Co
Hub East Central (Angus Schools) Limited	Ordinary shares	20%	Investment Holding Co
Hub West Scotland Holdco (No. 5) Limited	Ordinary shares	20%	Investment Holding Co
Hub West Scotland Holdco (No. 6) Limited	Ordinary shares	20%	Investment Holding Co
Hub SW QMA Holdco Limited	Ordinary shares	20%	Investment Holding Co
<b>Additions</b>			
Hub North Scotland (Inverurie Campus) Holdings Limited	Ordinary shares	20%	Investment Holding Co
QHS DBFM Holdco Limited	Ordinary shares	20%	Investment Holding Co
JICC DBFM Holdco Limited	Ordinary shares	20%	Investment Holding Co
Hub West Scotland Holdco (No. 7) Limited	Ordinary shares	20%	Investment Holding Co
<b>Charity</b>			
Hub SW Ayr Holdco Limited	Ordinary shares	20%	Investment Holding Co
Hub SW EALC Holdco Limited	Ordinary shares	20%	Investment Holding Co
Newbattle DBFM Holdco Limited	Ordinary shares	20%	Investment Holding Co
KHS DBFM Holdco Limited	Ordinary shares	20%	Investment Holding Co
LBP DBFM Holdco Limited	Ordinary shares	20%	Investment Holding Co
Hub SW Largs Holdco Limited	Ordinary shares	20%	Investment Holding Co
ELCH DBFM Holdco Limited	Ordinary shares	20%	Investment Holding Co
Hub East Central (PSS) Midco Limited	Ordinary shares	20%	Investment Holding Co
Hub East Central (SCV) Midco Limited	Ordinary shares	20%	Investment Holding Co
WCHS DBFM Holdco Limited	Ordinary shares	20%	Investment Holding Co
Hub North Scotland (Wick) Holdings Limited	Ordinary shares	20%	Investment Holding Co
Hub North Scotland (Anderson) Holdings Limited	Ordinary shares	20%	Investment Holding Co
Hub East Central (Forfar) Midco Limited	Ordinary shares	20%	Investment Holding Co
Hub East Central (Levenmouth) Midco Limited	Ordinary shares	20%	Investment Holding Co
REH Phase 1 Subhub Holdings Limited	Ordinary shares	20%	Investment Holding Co
Hub West Scotland Holdco (No.1) Limited	Ordinary shares	20%	Investment Holding Co
Hub SW Greenfaulds Holdco Ltd	Ordinary shares	20%	Investment Holding Co
Hub SW Cumbernauld Holdco Limited	Ordinary shares	20%	Investment Holding Co
Hub East Central (Bertha Park) Midco Limited	Ordinary shares	20%	Investment Holding Co
Hub East Central (Angus Schools) Limited	Ordinary shares	20%	Investment Holding Co
<b>Additions</b>			
Hub North Scotland (Inverurie Campus) Holdings Limited	Ordinary shares	20%	Investment Holding Co
QHS DBFM Holdco Limited	Ordinary shares	20%	Investment Holding Co
JICC DBFM Holdco Limited	Ordinary shares	20%	Investment Holding Co

## Notes to the accounts (continued)

### 7. Investments (continued)

#### Subordinated debt

Subordinated debt represents the investments made in a number of Special Purpose Company's. The debt has coupon rates ranging from 9% - 12%. Interest will be received semi-annually once the relevant companies' activities become operational.

### 8. Debtors

	2018 Group £	2018 Charity £	2017 Group £	2017 Charity £
Prepayments and accrued income	125,043	1,455	71,690	8,016
Amounts owed by subsidiary	-	18,488	-	-
	<u>125,043</u>	<u>19,943</u>	<u>71,690</u>	<u>8,016</u>

### 9. Creditors due within one year

	2018 Group £	2018 Charity £	2017 Group £	2017 Charity £
Trade creditors	146	146	9,129	3,099
Amounts owed to subsidiary	-	1	-	1
Accruals	236,387	18,091	71,668	10,222
Loans	569,819	-	43,639	-
	<u>806,352</u>	<u>18,238</u>	<u>124,436</u>	<u>13,322</u>

### 10 Creditors due in more than one year

	2018 Group £	2018 Charity £	2017 Group £	2017 Charity £
Loans	8,828,393	-	7,325,081	-

Term loans between HCF Investments Limited and GCP Asset finance 1 Limited at the year end totalled £9,398,212 (2017: £7,368,720). These loans were secured by individual restricted asset floating charges over individual assets of HCF Investments Limited.

### 11. Related parties

HCF Investments Limited's Directors are the same individuals as the Trustees of Hub Community Foundation. HCF Investments made donations of £389,118 (2017: £1,431,877) in the year to Hub Community Foundation and at the year end this amount was outstanding and included in debtors. Hub Community Foundation purchased the share capital of £1 in HCF Investments Limited in 2017 and at the year end this amount was outstanding and included in creditors. £18,488 is due from HCF investments for the recharge of financial and secretarial fees.

### 12. Contingent Liabilities

The charity has committed to provide grants totalling £1.3m to 10 charities over three years. After accounting for grant payments paid in the current period £1.1m of this commitment remains to be expended subject to the grantees achieving key scheduled activities and outcomes and meeting the terms and conditions set out in the grant agreements. Specific grant payments are only committed to grantees once formal approval has been given on completion of individual quarterly performance reviews.

## Notes to the accounts *(continued)*

### 13. Reconciliation with previous Generally Accepted Accounting Practice

In preparing the financial statements, the trustees have considered whether, in applying the accounting policies required by FRS 102, any restatement of comparative items was required. Update Bulletin 2 of the Charities SORP (FRS102) published in October 2018 requires a restatement to recognise gift aid donations from the subsidiary entity when paid rather than when committed by the board. A reconciliation of opening balances is provided below:

Charity reconciliation of funds at 31 December 2016		Unrestricted £
Funds held under previous UK GAAP		2,529,389
Gift aid receipt post year end		(1,431,877)
Funds restated as at 31 December 2016		<u>1,097,512</u>
Charity reconciliation of funds at 31 December 2017		Unrestricted £
Funds held under previous UK GAAP		3,222,440
Gift aid receipt post year end		(389,118)
Funds restated as at 31 December 2017		<u>2,833,322</u>
Charity reconciliation of income for year ended 31 December 2017		Unrestricted £
Net movement in funds as previously stated		693,051
Receipt of prior year gift aid distribution		1,431,877
Gift aid paid out post year end		(389,118)
Net income restated		<u>1,735,810</u>

### 14. Financial instruments

	2018 Group £	2018 Charity £	2018 Group £	2018 Charity £
<b>Carrying amount of financial assets</b>				
Debt instruments measured at amortised cost	10,513,649	835,774	7,896,008	302,673
Equity instrument measured at cost less impairment	<u>2,433</u>	<u>1,444</u>	<u>2,192</u>	<u>1,204</u>
<b>Carrying amount of financial liabilities</b>				
Measured at amortised cost	236,533	18,238	80,797	13,322
Loan commitments measured at cost less impairment	<u>9,398,212</u>	<u>-</u>	<u>7,368,720</u>	<u>-</u>

Debt instruments measured at amortised cost comprises trade debtors and other debtors.

Debt instruments measured at fair value through profit and loss comprises investments.

Liabilities measured at amortised cost comprises trade creditors and accruals.