

# **Hub Community Foundation SCIO**

**Charity number SC046192**

**Trustees' Report and Group Financial Statements**

**Year Ended 31 December 2019**

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## **Reference and administrative information**

### **Trustees**

A D Bruce  
G P Farley  
W J Mackintosh  
L Scenna (resigned 04 March 2019)  
M Morton (appointed 15 January 2019)  
A Munro (appointed 06 June 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 Paull  
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 2019. 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, with support from Inspiring Scotland ("IS"), has continued to support the 10 Charities selected last year in their charitable activities. A further £437,006 was given to these Charities in the year, making a total of £652,199 to date.

543 young people have benefitted from these funds, with 279 achieving accredited qualifications. There have also been 1,153 employability outcomes achieved, which include volunteering, training and reengagement with education.

Inspiring Scotland provides ongoing monitoring and support to each of the charities and reports formally to the HCF Trustees on a quarterly basis.

The Trustees have also interacted directly with a number of the charities.

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

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

In the 12 months to 31st December 2019, HCF invested in shares in 1 hub project; activity which furthers HCF's objectives directly, as well as bringing the prospect of future dividends to allow further support towards these objectives.

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 2019, £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.

To date, capital and interest of £50,999 has been received on these Loans.

In the year under review, dividends of £47,975 were received from investments.

### **Financial review**

HCF has posted net income of £520,265 for the year. Income generated from fees and interest earned was less than expenditure incurred and interest paid in the year and also included £437,006 in donations to the Building Brighter Futures Fund. HCF recorded profit of associates of £850,837 in the year, contributing the overall net income in the year.

An unwelcome development in May 2019, the announcement by the Scottish Government following publication of a report by Audit Scotland, that Infrastructure projects of the type which have, to date, generated the vast majority of HCF's revenues, would no longer be treated as "Off-Balance Sheet" for the Scottish Government, a consequence of which is that no further projects will be undertaken. Accordingly, HCF will not benefit from this income source. Naturally, this will impact on HCF's operations and the Trustees are carrying out an options analysis to determine the best way to move forward in the absence of this income.

Current commitments under the Building Brighter Futures Fund ("BBFF") are well covered and 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 on ensuring that 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.

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

### **Plans for future periods**

Following the year end the impact of Covid19 has been substantial on the health and financial situation of the underlying communities that the BBFF fund supports. Inspiring Scotland have been working with each of the 10 charities to provide extra support during this very difficult time and HCF has made a modest additional donation to some of these charities to provide additional resilience.

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 BBFF described above.

### **Reserves policy**

At the year end, the charity held £4,140,308 (2018: £3,216,870) 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.

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' report *(continued)*

### 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 statement of recommended practice ("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.

### 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 24 September 2020 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 2019 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 2019 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

25 September 2020

MHA Henderson Loggie is a trading name of Henderson Loggie LLP

## Consolidated and charity statement of financial activities for year ended 31 December 2019

	Note	2019 Group Unrestricted funds £	2019 Charity Unrestricted funds £	2018 Group Unrestricted funds £	2018 Charity Unrestricted funds £
<b>Income from:</b>					
<i>Donations – Donation from subsidiary</i>		-	100,000	-	389,118
<i>Other income</i>	2	97,750	-	639,865	275,800
<i>Investments</i>	3	873,789	83,894	756,900	29,613
Share of operating profits of associates		993,035	850,837	-	-
<b>Total income</b>		<b>1,964,574</b>	<b>1,034,731</b>	<b>1,396,765</b>	<b>694,531</b>
<b>Expenditure on:</b>					
<i>Raising funds</i>	4	(773)	(773)	(14,310)	(14,310)
<i>Charitable activities</i>	5	(513,693)	(513,693)	(296,673)	(296,673)
<i>Other</i>	6	(803,014)	-	(815,169)	-
<b>Total expenditure</b>		<b>(1,317,480)</b>	<b>(514,466)</b>	<b>(1,126,152)</b>	<b>(310,983)</b>
<b>Net income and net movement in funds for the year</b>		<b>647,094</b>	<b>520,265</b>	<b>693,132</b>	<b>270,613</b>
<b>Funds brought forward</b>		<b>3,493,214</b>	<b>3,216,870</b>	<b>3,222,601</b>	<b>2,833,322</b>
<b>Funds carried forward</b>		<b>4,140,308</b>	<b>3,737,135</b>	<b>3,493,214</b>	<b>3,216,870</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 20 form part of these financial statements.

## Consolidated and charity balance sheet at 31 December 2019

	Note	2019 Group £	2019 Charity £	2018 Group £	2018 Charity £
<b>Fixed assets</b>					
Investments	7	11,324,088	1,690,527	10,392,494	818,730
<b>Current assets</b>					
Debtors	8	167,146	9,973	125,043	19,943
Cash at bank and in hand		2,170,409	2,054,658	2,610,422	2,396,435
		2,337,555	2,064,631	2,735,465	2,416,378
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	9	(286,250)	(18,023)	(806,352)	(18,238)
<b>Net current assets</b>		2,051,305	2,046,608	1,929,113	2,398,140
Creditors: amounts falling due after more than one year	10	(9,235,085)	-	(8,828,393)	-
<b>Net assets</b>		4,140,308	3,737,135	3,493,214	3,216,870
<b>Unrestricted funds</b>					
General fund		3,147,273	2,886,298	3,493,214	3,216,870
Designated fund – non distributable reserve		993,035	850,837	-	-
<b>Total funds</b>		4,140,308	3,737,135	3,493,214	3,216,870

Approved by the board of directors and authorised for issue on 24 September 2020

  
**W Mackintosh**  
Trustee

**Company registration number SC046192**

The notes on pages 11 to 20 form part of these financial statements.

## Group and charity statement of cash flows for the year ended 31 December 2019

	Group £	Charity £	Group £	Charity £
<b>Cash (used in)/provided by operating activities</b>	<b>(521,982)</b>	<b>(404,711)</b>	326,917	346,924
<b>Cash flows from investing activities</b>				
Purchase of Investments	(305,200)	-	(2,178,424)	(500,000)
Investment income	689,992	62,934	331,390	12,087
Disposal of investments/repayment of loans	550,850	-	43,293	-
<b>Cash (used in)/provided by investing activities</b>	<b>935,642</b>	<b>62,934</b>	(1,803,741)	(487,913)
<b>Cash flows from financing activities</b>				
Receipt of Loans	305,200	-	1,678,183	-
Loans repaid	(549,166)	-	(43,855)	-
Interest payable	(609,707)	-	(315,657)	-
<b>Cash (used in)/provided by financing activities</b>	<b>(853,673)</b>	<b>-</b>	1,318,671	-
Decrease in cash and cash equivalents in the year	(440,013)	(341,777)	(158,153)	(140,989)
Cash and cash equivalents at the beginning of the year	2,610,422	2,396,435	2,768,575	2,537,424
Total cash and cash equivalents at the end of the year	2,170,409	2,054,658	2,610,422	2,396,435

## 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 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 financial statements have been prepared on a going concern basis. The Trustees have considered relevant information, including the annual budget, forecast future cash flows and the impact of subsequent events in making their assessment including the impact of the COVID-19 pandemic on the group's investment projects. Based on these assessments and having regard to the resources available to the entity, the Trustees have concluded that there is no material uncertainty and that they can continue to adopt the going concern basis in preparing the annual report and accounts.

#### (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 plus accrued capitalised interest less impairment.

Investments in associates are accounted for using the equity method. They are recognised initially in the statement of financial activities at the transaction price and subsequently adjusted to reflect the group's share of total comprehensive income and equity of the associate, less any impairment. Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the group has incurred legal or constructive obligations or has made payments on behalf of the associate.

## Notes to the accounts *(continued)*

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

#### (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.

#### (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**

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

## Notes to the accounts *(continued)*

### 2. Other income

	2019 Group £	2019 Charity £	2018 Group £	2018 Charity £
Sale of right to invest in Hub projects	-	-	275,800	275,800
Fee income	97,750	-	364,065	-
	<u>97,750</u>	<u>-</u>	<u>639,865</u>	<u>275,800</u>

### 3. Income from investments

	2019 Group £	2019 Charity £	2018 Group £	2018 Charity £
Interest income	825,814	35,919	756,900	29,613
Dividends received	47,975	47,975	-	-
	<u>873,789</u>	<u>83,894</u>	<u>756,900</u>	<u>29,613</u>

### 4. Expenditure on raising funds

	2019 Group £	2019 Charity £	2018 Group £	2018 Charity £
Direct costs – Legal expenditure				
– sale of right to invest	773	773	23,870	23,870
	<u>773</u>	<u>773</u>	<u>23,870</u>	<u>23,870</u>

### 5. Expenditure on charitable activities

	2019 Group £	2019 Charity £	2018 Group £	2018 Charity £
<b>Grants payable to institutions</b>	<b>437,006</b>	<b>437,006</b>	<b>215,193</b>	<b>215,193</b>
<b>Support and governance expenditure</b>				
Financial and secretarial fees	18,998	18,998	18,488	18,488
Insurance	2,910	2,910	2,910	2,910
Bank fees	364	364	437	437
Website costs	1,030	1,030	5,116	5,116
Grant management fees	48,000	48,000	48,000	48,000
Advertising & Marketing	-	-	1,042	1,042
Governance costs:				
– Audit fee	5,247	5,247	5,382	5,382
– Trustees expenses	138	138	105	105
	<u>513,693</u>	<u>513,693</u>	<u>296,673</u>	<u>296,673</u>

The Trustees give freely their time and expertise without any form of remuneration or other benefit in cash or kind. Travel expenses totaling £138 were reimbursed to one trustee in the year (2018: £105 reimbursed to one trustee). The charity had no employees and the trustees are considered the key management.

Total group audit fees were £10,494 (2018: £10,476 )

## Notes to the accounts *(continued)*

### 6. Other expenditure

	2019 Group £	2019 Charity £	2018 Group £	2018 Charity £
HCF Investments expenditure	<b>802,602</b>	-	815,169	-

### 7. Investments

	2019 Group £	2019 Charity £	2018 Group £	2018 Charity £
Interest in subsidiary purchased at cost	-	1	-	1
Interests in associates	<b>995,468</b>	<b>852,280</b>	2,433	1,443
Subordinated debt	<b>10,328,620</b>	<b>838,246</b>	10,390,061	817,286
	<b>11,324,088</b>	<b>1,690,527</b>	10,392,494	818,730

	2019 Group £	2019 Charity £
<b>Interests in associates</b>		
Opening cost	2,433	1,443
Share of profits of associates	993,035	850,837
Share of net assets of associates	<b>995,468</b>	<b>852,280</b>

	2019 Group £	2019 Charity £
<b>Subordinated debt</b>		
Opening value	10,390,061	817,286
Loans issued	305,200	-
Loans repaid	(550,850)	-
Interest capitalised	184,209	20,960
Closing value	<b>10,328,620</b>	<b>838,246</b>



## 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 at the year end had the following balance sheet and profit and loss account. See note 11 for transactions in the year.

#### Balance sheet as at 31 December 2019

	2019 £	2018 £
<b>Fixed asset investments</b>	<b>9,633,562</b>	9,573,765
<b>Current assets</b>		
Other debtors	161,951	123,588
Cash at bank	115,751	213,987
<b>Total current assets</b>	<b>277,702</b>	337,575
Creditors - amounts falling due within one year	(273,006)	(806,602)
Total assets less current liabilities	9,638,258	9,104,738
Creditors: amounts falling due after more than one year	(9,235,085)	(8,828,393)
<b>Net assets and equity shareholders' funds</b>	<b>403,173</b>	276,345

#### Profit and loss account for the year ended 31 December 2019

	Year to 31 December 2019 £	Year to 31 December 2018 £
<b>Turnover</b>	<b>97,750</b>	364,065
Administration expenses	(33,664)	(39,564)
<b>Operating profit</b>	<b>64,086</b>	324,501
Share of operating profit of associates	142,198	-
	<b>206,284</b>	
Interest payable	(772,542)	(710,821)
Interest receivable	789,482	727,287
<b>Profit on ordinary activities before taxation</b>	<b>223,224</b>	340,967
Taxation	3,604	(64,784)
<b>Profit for the year</b>	<b>226,828</b>	276,183

#### 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 2019 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			
Name of company	Holding	Proportion of 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 (Baldragon) Midco Limited	Ordinary shares	20%	Investment Holding Co
Hub West Scotland Holdco (No.2) Limited	Ordinary shares	20%	Investment Holding Co
Hub North Scotland (Elgin High School) 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 (New Academy – SOTC) 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
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
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

	2019 Group £	2019 Charity £	2018 Group £	2018 Charity £
Prepayments and accrued income	167,146	5,195	125,043	1,455
Amounts owed by subsidiary	-	4,778	-	18,488
	<u>167,146</u>	<u>9,973</u>	<u>125,043</u>	<u>19,943</u>

### 9. Creditors due within one year

	2019 Group £	2019 Charity £	2018 Group £	2018 Charity £
Trade creditors	-	-	146	146
Amounts owed to subsidiary	-	1	-	1
Accruals	203,842	18,022	236,387	18,091
Loans	82,408	-	569,819	-
	<u>286,250</u>	<u>18,023</u>	<u>806,352</u>	<u>18,238</u>

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### 10 Creditors due in more than one year

	2019 Group £	2019 Charity £	2018 Group £	2018 Charity £
Loans	9,234,673	-	8,828,393	-

Term loans between HCF Investments Limited and GCP Asset finance 1 Limited at the year end totalled £9,317,081 (2018: £9,398,212). 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 £100,000 (2018: £389,118) in the year to Hub Community Foundation. 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. £4,778 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 and prior periods £0.7m 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. Cash flows from operating activities

	Group £	Charity £	Group £	Charity £
<b>Cash flows from operating activities</b>				
Net income/ (expenditure)			270,613	383,548
	<b>587,799</b>	<b>460,970</b>		
Add interest paid	<b>772,542</b>	-	710,821	-
Share of profits in associates	(933,740)	(791,542)		
Less: Investment income	<b>(873,789)</b>	<b>(83,894)</b>	(756,900)	(29,613)
(Increase) / decrease in debtors	<b>(42,103)</b>	<b>9,970</b>	(53,353)	(11,927)
Increase / (decrease) in creditors	<b>(32,691)</b>	<b>(215)</b>	155,736	4,916
<b>Cash (used in)/provided by operating activities</b>	<b>(521,982)</b>	<b>(404,711)</b>	326,917	346,924

### 14. Reconciliation of net cash flow to movement in net debt

	Group £	Charity £	Group £	Charity £
	£	£	£	£
(Decrease) / increase in cash in the year	<b>(440,013)</b>	<b>(341,777)</b>	(158,153)	(140,989)
Cash inflow from financing	<b>(305,200)</b>	-	(1,678,183)	-
Loan interest capitalised	<b>(162,835)</b>	-	(395,164)	-
Cash outflow from loan repayments	<b>549,166</b>	-	43,855	-
<b>Movement in net debt/cash in the year</b>	<b>(358,882)</b>	<b>(341,777)</b>	(2,187,645)	(140,989)
Net (debt)/cash at the beginning of the year	<b>(6,787,790)</b>	<b>2,396,435</b>	(4,600,145)	2,537,424
<b>Net (debt)/cash at the end of the year</b>	<b>(7,146,672)</b>	<b>2,054,658</b>	(6,787,790)	2,396,435

	As at 1 January 2019 £	Group Cashflows £	As at 31 December 2019 £	As at 1 January 2019 £	Charity Cashflows	As at 31 December 2019
Cash	2,610,422	(440,013)	<b>2,170,409</b>	2,396,435	(341,777)	<b>2,054,658</b>
Loans	(9,398,212)	81,131	<b>(9,317,081)</b>	-	-	-
	(6,787,790)	<b>(358,882)</b>	<b>(7,146,672)</b>	2,396,435	(341,777)	<b>2,054,658</b>

## Notes to the accounts *(continued)*

### 15 Funds analysis

Group	Funds at 1 January 2019 £	Income £	Expenditure £	Transfers £	Funds at 31 December 2019 £
<i>Unrestricted</i>					
General funds	3,493,214	1,964,574	(1,317,480)	(993,035)	<b>3,147,273</b>
Designated funds – Non-distributable	-	-	-	993,035	<b>993,035</b>
Total funds	3,493,214	1,964,574	(1,317,480)	-	<b>4,140,308</b>
<b>Charity</b>	£	£	£	£	£
<i>Unrestricted</i>					
General funds	3,216,870	1,034,731	(514,466)	(850,837)	<b>2,886,298</b>
Designated funds – Non-distributable	-	-	-	850,837	<b>850,837</b>
Total funds	3,216,870	1,034,731	(514,466)	-	<b>3,737,135</b>
<b>Group</b>	Funds at 1 January 2018 £	Income £	Expenditure £	Transfers £	Funds at 31 December 2018 £
<i>Unrestricted</i>					
General funds	3,222,601	1,396,765	(1,126,152)	-	3,493,214
<b>Charity</b>	£	£	£	£	£
<i>Unrestricted</i>					
General funds	2,833,322	694,531	(310,983)	-	3,216,870

The non distributable reserve represents profits generated in associates which are held by these associates as assets and as such not able to be distributed as charitable funds.

### 16 Analysis of net assets between funds

	Unrestricted funds		Total 2019 £
Group	General funds £	Designated funds £	
Fixed assets - investments	10,331,053	993,035	11,324,088
Current assets	2,337,555	-	2,337,555
Current liabilities	(286,250)	-	(286,250)
Long term liabilities	(9,235,085)	-	(9,235,085)
	3,147,273	993,035	4,140,308
<b>Charity</b>			
Fixed assets - investments	839,690	850,837	1,690,527
Current assets	2,064,631	-	2,064,631
Current liabilities	(18,023)	-	(18,023)
	2,886,298	850,837	3,737,135

## Notes to the accounts *(continued)*

### 16 Analysis of net assets between funds *(continued)*

	Unrestricted funds		Total
	General funds	Designated funds	2019
	£	£	£
<b>Group</b>			
Fixed assets - investments	10,392,494	-	10,392,494
Current assets	2,735,465	-	2,735,465
Current liabilities	(806,352)	-	(806,352)
Long term liabilities	(8,828,393)	-	(8,828,393)
	<hr/>	<hr/>	<hr/>
	3,493,214	-	3,493,214
	<hr/>	<hr/>	<hr/>
<b>Charity</b>			
Fixed assets - investments	818,730	-	818,730
Current assets	2,416,378	-	2,416,378
Current liabilities	(18,238)	-	(18,238)
	<hr/>	<hr/>	<hr/>
	3,216,870	-	3,216,870
	<hr/>	<hr/>	<hr/>

### 17. Event after the balance sheet date

The COVID-19 outbreak post year has presented new challenges and risks to the business but in view of the uncertainty related to the magnitude and duration, it is difficult to predict the impact of COVID-19 on its markets and activities. However, due to the contractual protections within the projects underlying the investments of the Charity, the COVID-19 outbreak is considered a non-adjusting subsequent event.