

Hub Community Foundation SCIO

Charity number SC046192

Trustees' Report and Group Financial Statements

Year Ended 31 December 2020

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Reference and administrative information

Trustees

A D Bruce
G P Farley
W J Mackintosh
M Morton
A Munro

Registered Office

PO Box 17452
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Edinburgh
EH12 1LB

Charity Number

SC046192

Auditors

Henderson Loggie LLP
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
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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 2020. 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 £446,196 was given to these Charities in the year, making a total of £1,098,395 to date.

Since the launch of BBFF 1,467 young people have benefitted from these funds, with 1,049 achieving accredited qualifications. There have also been 2,246 employability outcomes achieved, which include volunteering, training and reengagement with education. Given the impact of COVID 19 on the Charities' operations, these are, in the Trustees opinion, excellent achievements.

IS provides ongoing monitoring and support to each of the charities and reports formally to the HCF Trustees on a quarterly basis on the performance of the Charities and the outcomes achieved.

Trustees' report *(continued)*

Achievements and performance *(continued)*

In the 12 months to 31st December 2020, HCF has not invested in any new hub projects. However, the projects currently invested in still allow HCF to meet its objectives directly, as well as bringing the prospect of future dividends to allow further support towards these objectives. Charitable objectives are also being met through the funding of the BBFF. There was no direct impact of the COVID-19 pandemic on the group's operations the BBFF in the year however additional grant funding of £25,000 was made to support beneficiary charities with the effects of the pandemic.

As at 31 December 2020, £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 £90,983 has been received on these Loans.

In the year under review, dividends of £229,752 were received from investments in the charity.

Financial review

HCF has posted net income of £832,378 for the year. Income generated from fees and interest earned was less than expenditure incurred and interest paid in the year. Included in the expenditure is £446,196 in donations to the BBFF. HCF recorded profit of associates of £988,951 in the year, contributing to the overall net income in the year

Following the announcement in 2019 by the Scottish Government that no further revenue funded projects would be undertaken under the hub model, which meant that HCF would not benefit from this source of funds, the Trustees commenced an options analysis to determine the best way to meet its objectives. This is ongoing, with a conclusion expected as to the way forward expected in late 2021.

Current commitments under 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 COVID 19 has continued to be substantial on the health and financial situation of the underlying communities that BBFF supports. Inspiring Scotland has been working with each of the 10 Charities to provide extra support during this very difficult time and HCF made a modest additional donation to some of these charities to provide additional resilience.

Given the impact of COVID 19 on the third sector, the Trustees concluded that rather than embark on a new fund when the existing BBFF was due to expire (August 2021), there was merit in extending the existing BBFF assistance to the supported charities for a further period of 1 year to help them recover from the pandemic, where the need for support to areas aligned with BBFF's objectives will be greater than ever.

Accordingly, after discussion with IS, 9 of the Charities were invited to make proposals for a 1 year funding extension. 1 Charity, CEIS Ayrshire, was not included in this exercise, although they still have access to ongoing advice from IS.

Reserves policy

At the year end, the group held £4,903,731 (2019: £4,140,308) 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 30 September 2021 and signed on their behalf by:


Bill Mackintosh - 2021-09-30, 09:55:55 UTC

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 2020 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 2020 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

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Enquiries with management about any known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading correspondence with regulators including OSCR;
- Reviewing board minutes;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to investment valuations and debt provisions; and
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.

Because of the field in which the client operates, we identified the following areas as those most likely to have a material impact on the financial statements: anti-bribery and corruption; and compliance with UK charity legislation.

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

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognize the non-compliance.

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 Charities 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.

Diana Penny

Diana Penny - 2021-09-30, 10:30:32 UTC

Henderson Loggie LLP

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

2021

Consolidated and charity statement of financial activities for year ended 31 December 2020

	Note	2020 Group Unrestricted funds £	2020 Charity Unrestricted funds £	2019 Group Unrestricted funds £	2019 Charity Unrestricted funds £
Income from:					
Donations – Donation from subsidiary		-	81,026	-	100,000
Other income	2	-	-	97,750	-
Investments	3	1,211,832	290,085	873,789	83,894
Share of operating profits of associates		977,849	988,951	993,035	850,837
Total income		2,189,681	1,360,062	1,964,574	1,034,731
Expenditure on:					
Raising funds	4	(4,269)	(4,269)	(773)	(773)
Charitable activities	5	(523,415)	(523,415)	(513,693)	(513,693)
Other	6	(898,574)	-	(803,014)	-
Total expenditure		(1,426,258)	(527,684)	(1,317,480)	(514,466)
Net income and net movement in funds for the year		763,423	832,378	647,094	520,265
Funds brought forward		4,140,308	3,737,135	3,493,214	3,216,870
Funds carried forward		4,903,731	4,569,513	4,140,308	3,737,135

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 2020

	Note	2020 Group £	2020 Charity £	2019 Group £	2019 Charity £
Fixed assets					
Investments	7	12,398,993	2,705,268	11,324,088	1,690,527
Current assets					
Debtors	8	235,956	46,156	167,146	9,973
Cash at bank and in hand		1,920,236	1,848,935	2,170,409	2,054,658
		2,156,192	1,895,091	2,337,555	2,064,631
Current liabilities					
Creditors: amounts falling due within one year	9	(424,870)	(30,846)	(286,250)	(18,023)
Net current assets		1,731,322	1,864,245	2,051,305	2,046,608
Creditors: amounts falling due after more than one year	10	(9,226,584)	-	(9,235,085)	-
Net assets		4,903,731	4,569,513	4,140,308	3,737,135
Unrestricted funds					
General fund		2,932,846	2,729,724	3,147,273	2,886,298
Designated fund – non distributable reserve		1,970,885	1,839,789	993,035	850,837
Total funds		4,903,731	4,569,513	4,140,308	3,737,135

Approved by the board of directors and authorised for issue on 30 September 2021


Bill Mackintosh – 2021-09-30, 09:55:55 UTC

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 2020

	Group £	Charity £	Group £	Charity £
Cash (used in)/provided by operating activities	(552,513)	(470,018)	(521,982)	(404,711)
Cash flows from investing activities				
Purchase of Investments	-	-	(305,200)	-
Investment income	1,009,140	263,981	689,992	62,934
Disposal of investments/repayment of loans	105,637	314	550,850	-
Cash (used in)/provided by investing activities	1,114,777	264,295	935,642	62,934
Cash flows from financing activities				
Receipt of Loans	-	-	305,200	-
Loans repaid	(103,409)	-	(549,166)	-
Interest payable	(709,028)	-	(609,707)	-
Cash (used in)/provided by financing activities	(812,437)	-	(853,673)	-
Decrease in cash and cash equivalents in the year	(250,173)	(205,723)	(440,013)	(341,777)
Cash and cash equivalents at the beginning of the year	2,170,409	2,054,658	2,610,422	2,396,435
Total cash and cash equivalents at the end of the year	1,920,236	1,848,935	2,170,409	2,054,658

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 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

	2020 Group £	2020 Charity £	2019 Group £	2019 Charity £
Fee income	-	-	97,750	-
	<u>-</u>	<u>-</u>	<u>97,750</u>	<u>-</u>

3. Income from investments

	2020 Group £	2020 Charity £	2019 Group £	2019 Charity £
Interest income	962,762	60,333	825,814	35,919
Dividends received	249,070	229,752	47,975	47,975
	<u>1,211,832</u>	<u>290,085</u>	<u>873,789</u>	<u>83,894</u>

4. Expenditure on raising funds

	2020 Group £	2020 Charity £	2019 Group £	2019 Charity £
Direct costs – Legal expenditure – sale of right to invest	4,269	4,269	773	773
	<u>4,269</u>	<u>4,269</u>	<u>773</u>	<u>773</u>

5. Expenditure on charitable activities

	2020 Group £	2020 Charity £	2019 Group £	2019 Charity £
Grants payable to institutions	446,196	446,196	437,006	437,006
Support and governance expenditure				
Financial and secretarial fees	19,465	19,465	18,998	18,998
Insurance	2,966	2,966	2,910	2,910
Bank fees	276	276	364	364
Website costs	1,133	1,133	1,030	1,030
Grant management fees	48,000	48,000	48,000	48,000
Governance costs:				
- Audit fee	5,379	5,379	5,247	5,247
- Trustees expenses	-	-	138	138
	<u>523,415</u>	<u>523,415</u>	<u>513,693</u>	<u>513,693</u>

The Trustees give freely their time and expertise without any form of remuneration or other benefit in cash or kind. There were no travel expenses paid to trustees in the year (2019: £138 reimbursed to one trustee). The charity had no employees and the trustees are considered the key management.

Total group audit fees were £10,758 (2019: £10,494).

Notes to the accounts (continued)

6. Other expenditure

	2020 Group £	2020 Charity £	2019 Group £	2019 Charity £
HCF Investments expenditure	898,574	-	802,602	-

7. Investments

	2020 Group £	2020 Charity £	2019 Group £	2019 Charity £
Interest in subsidiary purchased at cost	-	1	-	1
Interests in associates	1,973,317	1,841,231	995,468	852,280
Subordinated debt	10,425,676	864,036	10,328,620	838,246
	<u>12,398,993</u>	<u>2,705,268</u>	<u>11,324,088</u>	<u>1,690,527</u>

	2020 Group £	2020 Charity £	2019 Group £	2019 Charity £
Interests in associates				
Opening cost	995,468	852,280	2,433	1,443
Share of profits of associates	977,849	988,951	993,035	850,837
	<u>1,973,317</u>	<u>1,841,231</u>	<u>995,468</u>	<u>852,280</u>

	2020 Group £	2020 Charity £	2019 Group £	2019 Charity £
Subordinated debt				
Opening value	10,328,620	838,246	10,390,061	817,286
Loans issued	-	-	305,200	-
Loans repaid	(105,637)	(314)	(550,850)	-
Interest capitalised	202,693	26,104	184,209	20,960
	<u>10,425,676</u>	<u>864,036</u>	<u>10,328,620</u>	<u>838,246</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 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 2020

	2020 £	2019 £
Fixed asset investments	9,693,726	9,633,562
Current assets		
Other debtors	219,292	161,951
Cash at bank	71,301	115,751
Total current assets	290,593	277,702
Creditors - amounts falling due within one year	(423,516)	(273,006)
Total assets less current liabilities	9,560,803	9,638,258
Creditors: amounts falling due after more than one year	(9,226,584)	(9,235,085)
Net assets and equity shareholders' funds	334,219	403,173

Profit and loss account for the year ended 31 December 2020

	Year to 31 December 2020 £	Year to 31 December 2019 £
Turnover	-	97,750
Administration expenses	(26,525)	(33,664)
Operating (loss)/profit	(26,525)	64,086
Share of operating profit of associates	(11,102)	142,198
	(37,627)	206,284
Interest payable	(885,618)	(772,542)
Interest receivable	921,747	789,482
Loss/ profit on ordinary activities before taxation	(1,498)	223,224
Taxation	13,570	3,604
Profit for the year	12,072	226,828

Other investments

Details of the investments in which the Charity or Group holds 20% or more of the share capital at 31 December 2020 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
Charity			
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

	2020 Group £	2020 Charity £	2019 Group £	2019 Charity £
Prepayments and accrued income	235,956	16,665	167,146	5,195
Amounts owed by subsidiary	-	29,491	-	4,778
	<u>235,956</u>	<u>46,156</u>	<u>167,146</u>	<u>9,973</u>

9. Creditors due within one year

	2020 Group £	2020 Charity £	2019 Group £	2019 Charity £
Amounts owed to subsidiary	-	1	-	1
Accruals	260,780	30,845	203,842	18,022
Loans	164,090	-	82,408	-
	<u>424,870</u>	<u>30,846</u>	<u>286,250</u>	<u>18,023</u>

10 Creditors due in more than one year

	2020 Group £	2020 Charity £	2019 Group £	2019 Charity £
Loans	9,226,584	-	9,235,085	-

Term loans between HCF Investments Limited and GCP Asset finance 1 Limited at the year end totalled £9,390,674 (2019: £9,317,493). 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 £81,026 (2019: £100,000) 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. £29,491 (2019: £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 £0.3m 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 £
Cash flows from operating activities				
Net income/ (expenditure)	763,422	832,377	587,799	460,970
Add interest paid	885,618	-	772,542	-
Share of profits in associates	(977,849)	(988,951)	(933,740)	(791,542)
Less: Investment income	(1,211,832)	(290,084)	(873,789)	(83,894)
(Increase) / decrease in debtors	(68,810)	(36,183)	(42,103)	9,970
Increase / (decrease) in creditors	56,938	12,823	(32,691)	(215)
Cash (used in)/provided by operating activities	(552,513)	(470,018)	(521,982)	(404,711)

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

	Group £	Charity £	Group £	Charity £
(Decrease) / increase in cash in the year	(250,173)	(205,723)	(440,013)	(341,777)
Cash inflow from financing	-	-	(305,200)	-
Loan interest capitalised	(177,002)	-	(162,835)	-
Cash outflow from loan repayments	103,409	-	549,166	-
Movement in net debt/cash in the year	(323,766)	(205,723)	(358,882)	(341,777)
Net (debt)/cash at the beginning of the year	(7,146,672)	2,054,658	(6,787,790)	2,396,435
Net (debt)/cash at the end of the year	(7,470,438)	1,848,935	(7,146,672)	2,054,658

	As at 1 January 2020 £	Group Cashflows £	As at 31 December 2020 £	As at 1 January 2020 £	Charity Cashflows	As at 31 December 2020
Cash	2,170,409	(250,173)	1,920,236	2,054,658	(205,723)	1,848,935
Loans	(9,317,081)	(73,593)	(9,390,674)	-	-	-
	(7,146,672)	(323,766)	(7,470,438)	2,054,658	(205,723)	1,848,935

Notes to the accounts (continued)

15 Funds analysis

Group	Funds at 1 January 2020	Income	Expenditure	Transfers	Funds at 31 December 2020
<i>Unrestricted</i>	£	£	£	£	£
General funds	3,147,273	2,189,681	(1,426,258)	(977,850)	2,932,846
Designated funds – Non-distributable	993,035	-	-	977,850	1,970,885
Total funds	4,140,308	2,189,681	(1,426,258)	-	4,903,731
Charity					
<i>Unrestricted</i>	£	£	£	£	£
General funds	2,886,298	1,360,062	(527,684)	(988,952)	2,729,724
Designated funds – Non-distributable	850,837	-	-	988,952	1,839,789
Total funds	3,737,135	1,360,062	(527,684)	-	4,569,513
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)	3,147,273
Designated funds – non distributable	-	-	-	993,035	993,035
	3,493,214	1,964,574	(1,317,480)	-	4,140,308
Charity					
<i>Unrestricted</i>	£	£	£	£	£
General funds	3,216,870	1,034,731	(514,466)	(850,837)	2,886,298
Designated Funds- Non distributable	-	-	-	850,837	850,837
	3,216,870	1,034,731	(514,466)	-	3,737,135

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

Group	Unrestricted funds		Total 2020
	General funds	Designated funds	
	£	£	£
Fixed assets - investments	10,428,108	1,970,885	12,398,993
Current assets	2,156,192	-	2,156,192
Current liabilities	(424,870)	-	(424,870)
Long term liabilities	(9,226,584)	-	(9,226,584)
	2,932,846	1,970,885	4,903,731
Charity			
Fixed assets - investments	865,479	1,839,789	2,705,268
Current assets	1,895,091	-	1,895,091
Current liabilities	(30,846)	-	(30,846)
	2,729,724	1,839,789	4,569,513

Notes to the accounts *(continued)*

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

	Unrestricted funds		Total
	General funds	Designated funds	2019
	£	£	£
Group			
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)
	<hr/>	<hr/>	<hr/>
	3,147,273	993,035	4,140,308
	<hr/>	<hr/>	<hr/>
Charity			
Fixed assets - investments	839,690	850,837	1,690,527
Current assets	2,064,631	-	2,064,631
Current liabilities	(18,023)	-	(18,023)
	<hr/>	<hr/>	<hr/>
	2,886,298	850,837	3,737,135
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