Hub East Central (PSS) Limited

Directors' report and financial statements

Registered number SC536601

Period ended 31 March 2017

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Contents

Company information	2
Strategic Report	3
Directors' Report	4
Statement of directors' responsibilities in respect of the annual report and the financial statements	5
Independent auditor's report to the members of Hub East Central (PSS) Limited	6
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes	11

Company information

Directors	N McCormick AC Cook D Fletcher J Hope T Steele
Secretary	Amber Blue East Central Limited
Company number	SC536601
Registered office	Robertson House Castle Business Park Stirling FK9 4TZ
Auditor	KPMG LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EG
Bankers	Barclays Bank plc 1 Churchill Place London E14 5HP
Loan Finance	Aviva Public Private Finance Limited PO Box 21 Surrey Street Norwich NR1 3NJ
Solicitors	CMS Cameron McKenna LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EN

Strategic Report

Business Review

In February 2012 Hub East Central Scotland was set up as a procurement vehicle to support, develop and deliver well designed, affordable, sustainable and functional community facilities that enable effective service delivery throughout the East Central Territory. The aim of Hub East Central Scotland is to create a true partnership vehicle between private sector companies and public sector Participants which will deliver value for money exploring synergies between the Participants and where appropriate, adapting, developing, innovating and changing to deliver their key objectives in an innovative and flexible manner.

Hub East Central (PSS) Limited (the Company) has been established specifically to design, build, finance and maintain a specialist medical facility in Dundee for NHS Tayside. It reached financial close on 22 December 2016 and at the year end the project was in the construction phase.

Financial position and liquidity

The financial position of the Company is presented in the Statement of Financial Position. The total shareholders' deficit at 31st March 2017 was £73,001. The Companyhad net current assets of £897,864, with a cash balance of £1,838,884.

Principal risks and Uncertainties

Interest Rate Risk

The Company has limited exposure to interest rate risk as interest on senior debt was fixed on financial close.

Ability to meet loan covenants

The Company entered into a loan agreement at financial close which states key financial performance covenants must be met in order to pay sub debt repayments. This risk is mitigated by regular operational reporting at Board level.

Liquidity Risk

The Company is exposed to meeting its liabilities as they fall due throughout the life of the project. The Company uses a financial model generated at financial close which calculates the quantum of financing required to cover construction period costs and also the unitary charge figure payable by NHS Tayside which covers financing and operational costs during operations.

Credit Risk

The Company has entered a long term contract with its only customer NHS Tayside, a public sector Board, therefore credit risk is deemed to be low.

Inflation Risk

The Company's revenue and costs are partly linked to inflation resulting in the project being sensitive to inflation. The Company's exposure to inflationary fluctuations are monitored by the Board.

Health and safety risk

This is deemed to be low risk due to review procedures undertaken by Hub East Central Scotland Limited.

Key Performance Indicators

The Company does not have any specific Key Performance Indicators which it measures however, the Board closely monitor actual performance against that of the financial close model with any significant variances investigated. This is undertaken to ensure that the Company is meeting expectations and that loan covenants are being met. At 31st March actual results were in line with modelled expectations.

On behalf of the Board

N McCormick

Director

26 **September 2017**

Directors' report

The directors present their first annual report and audited financial statements for the period from the date of incorporation on 27 May 2016 to 31 March 2017.

Principal activities

The principal activity of the company is to deliver a medical facility through a Design, Build, Finance and Maintain (DBFM) agreement with NHS Tayside. The agreement was entered into under the Government's Hub Initiative Scheme.

Business review

Hub East Central (PSS) Limited is a special purpose company established by Hub East Central Scotland Limited which is owned by Amber Blue East Central Limited, Hub Community Foundation, Scottish Futures Trust Investments Limited and NHS Tayside. At the end of the period the facility was still in the construction phase.

The loss for the period after taxation is £73,101 as set out on page 7.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors

The directors who held office during the period were as follows:

N McCormick (Appointed 27 May 2016)
D Fletcher (Appointed 27 May 2016)
AC Cook (Appointed 27 May 2016)
J Hope (Appointed 27 May 2016)
T Steele (Appointed 21 December 2016)

Political contributions
The Company made no political donations or incurred any political expenditure during the period.

Disclosure of information to auditor
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

J Band
On behalf of Amber Blue East Central Limited

26 / 09 / 2017

Robertson House
Castle Business Park
Stirling
FK9 4TZ

Statement of directors' responsibilities in respect of the annual report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

Independent auditor's report to the members of Hub East Central (PSS) Limited

We have audited the financial statements of Hub East Central (PSS) Limited for the period from the date of incorporation on 27 May 2016 to 31 March 2017 set out on pages 7 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its loss for the year then ended.
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



27.9.2017

Hugh Harvie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
KPMG LLP
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
United Kingdom

Statement of Comprehensive Income

for the 10 month period from 27 May 2016 to 31 March 2017

	Note	**Period from 27 May 2016 to 31 March 2017 Total £**
Turnover		**6,106,350**
Cost of sales		**(6,103,046)**
Gross profit		**3,304**
Administrative expenses		**-**
Operating profit		**3,304**
Other interest receivable and similar income	*5*	**608**
Interest payable and similar charges	*6*	**(74,915)**
(Loss) on ordinary activities before taxation		**(71,003)**
Tax on loss on ordinary activities	*7*	**(2,098)**
(Loss) on ordinary activities after taxation		**(73,101)**
Total comprehensive income for the period		**(73,101)**

There are no recognised gains and losses other than the above loss for the current financial period.

The loss for the financial period has been derived from continuing activities.

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

Statement of Financial Position

As at 31 March 2017

	Note	2017 £
Current assets		
Debtors due within one year	8	**166,244**
Debtors due after more than one year	8	**6,106,350**
Cash at bank and in hand		**1,838,884**
		8,111,478
Current liabilities		
Creditors: amounts falling due within one year	9	**(1,107,264)**
Total assets less current liabilities		**7,004,214**
Creditors: amounts falling due after more than one year	10	**(7,077,215)**
Net liabilities		**(73,001)**
Capital and reserves		
Called up share capital	12	**100**
Profit and loss account		**(73,101)**
Shareholders' funds		**(73,001)**

These financial statements of Hub East Central (PSS) Limited were approved by the Board of directors and authorised for issue 26th September 2017. They were signed on its behalf by:

N McCormick
Director

Company registered number: SC536601

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

Statement of Changes in Equity

	Called up Share capital 2017 £	Profit and loss account 2017 £	Total equity 2017 £
Balance at 27 May 2016	-	-	-
(Loss) for the financial period	-	(73,101)	(73,101)
Issue of shares	100	-	100
Balance at 31 March 2017	**100**	**(73,101)**	**(73,001)**

Statement of Cash Flows

for 10 month period ended 31 March 2017

	Note	**2017**
		£
Cash flows from operating activities		
Operating profit for the period		**3,304**
Increase in trade and other debtors	*8*	**(166,244)**
Increase in trade and other creditors	*9*	**1,105,166**
Net cash from operating activities		**942,226**
Cash flows from investing activities		
Interest received	*5*	**608**
Net cash from investing activities		**608**
Cash flows from financing activities		
Increase in financial asset		**(6,106,350)**
Issue of share capital		**100**
Proceeds from new loans		**7,077,215**
Interest paid	*6*	**(74,915)**
Net cash from financing activities		**896,050**
Net increase in cash and cash equivalents		**1,838,884**
Cash and cash equivalents at 27 May 2016		**-**
Cash and cash equivalents at 31 March 2017		**1,838,884**

Notes
(forming part of the financial statements)

1 Accounting policies

Hub East Central (PSS) Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 16.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

Notwithstanding the loss for the year of £ 73,101 and net liabilities at the year end of £73,001 the financial statements have been prepared on the going concern basis, which the directors believe to be appropriate for the following reasons.

The directors have prepared financial forecasts which reflect that:

- The Company's level of income is relatively stable as most revenue is due under a long term contract from NHS Tayside, subject to satisfactory performance.
- Most operating costs are fixed through agreed contracts with suppliers and most financing costs are fixed through long term agreement with financiers.

As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have prepared a cashflow forecast for the next twelve months to assess going concern and have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Basic Financial Instruments

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Notes *(continued)*

1 Accounting policies *(continued)*

1.4 Service concession – financial asset

The Company is a special purpose entity that has been established to provide services under a Design, Build, Finance and Maintain agreement with NHS Tayside. Under the terms of these Agreements, NHS Tayside (as grantor) controls the services to be provided by the Company over the contract term. Based on the contractual arrangements the Company has classified the project as a service concession arrangement, and has accounted for the principal assets of, and income streams from, the project in accordance with FRS 102, Section 34.12 Service Concession Arrangements.

Under the terms of the arrangement, the Company has the right to receive a baseline contractual payment stream for the provision of the services from or at the direction of the grantor (NHS Tayside), and as such the asset created is accounted for as a financial asset. The financial asset has initially been recognised at the fair value of the consideration received, based on the fair value of the construction services, plus any directly attributable transaction costs, provided in line with FRS 102.

The financial assets are classified as basic financial instruments in line with FRS 102, Schedule 11 and are subsequently measured at amortised cost using the effective interest method.

At least at each reporting date, the Company tests financial assets not measured at fair value for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the profit and loss immediately.

The Company 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.

1.5 Revenue

Revenue is recognised to the extent that it is probable that the future economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the year in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the Company will receive the consideration due under contract;
- The stage of completion of the contract at the end of the reporting period can be measured reliably; and
- The cost incurred and the costs to complete the contract can be measured reliably.

1.6 Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable on subordinated loan notes and finance leases recognised in the profit or loss using the effective interest method, and the unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are expensed as incurred.

Other interest receivable and similar income includes interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Expenses and auditor's remuneration

Included in profit/loss are the following:

Auditor's remuneration:

	Period from 27 May 2016 to 31 March 2017 £
Amounts receivable by the Company's auditor and its associates in respect of:	
Audit services	**5,432**
Taxation compliance services	**2,988**

3 Staff numbers and costs

There are no employees of the Company.

4 Directors' remuneration and Key Management Personnel Compensation.

The directors received no emoluments from the Company during the period.
Total compensation of key management personnel (including the directors) in the year amounted to £Nil.

5 Other interest receivable and similar income

	Period from 27 May 2016 to 31 March 2017 £
Other interest receivable and similar income	**608**

Notes *(continued)*

6 Interest payable and similar charges

	Period from 27 May 2016 to 31 March 2017 £
Subordinated loan interest	**74,915**
Total other interest payable and similar charges	**74,915**

Interest payable and similar charges include interest payable on subordinated loan notes. The subordinated loan interest amount above was payable to group undertakings.

7 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	Period from 27 May 2016 to 31 March 2017 £
Current tax	
Current tax on income for the period	**2,098**

Reconciliation of effective tax rate

	Period from 27 May 2016 to 31 March 2017 £
(Loss) for the period after taxation	**(73,101)**
Total tax payable	**2,098**
Loss excluding taxation	**(71,003)**
Tax recoverable using the UK corporation tax rate of 20%	**(14,201)**
Other differences leading to increase in tax charge	**16,299**
Total tax payable included in profit or loss	**2,098**

Factors affecting the future current and total tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

Notes *(continued)*

8 Debtors

	2017 £
Financial asset debtor	**6,106,350**
VAT receivable	**166,244**
	6,272,594
Due within one year	**166,244**
Due after more than one year	**6,106,350**
	6,272,594

9 Creditors: amounts falling due within one year

	2017 £
Trade creditors	**902,931**
Accruals and deferred income	**202,235**
Tax Payable	**2,098**
	1,107,264

10 Creditors: amounts falling after more than one year

	2017 £
Bank loans and overdrafts (see note 11)	**4,315,215**
Subordinated loan notes	**2,762,000**
	7,077,215

Notes *(continued)*

11 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2017 £
Creditors falling due more than one year	
Secured bank loans	**4,315,215**
Subordinated loan notes	**2,762,000**
	7,077,215

The Company has a term loan with Aviva Public Private Finance Limited secured by a charge over its present and future assets and undertakings. The loan is also secured by a guarantee supported by a charge over the assets and undertakings of the Company's parent Company, Hub East Central (PSS) Midco Limited. The loan bears interest at 3.56% per annum fixed for the duration of the term. The loan is stated net of finance costs of £262,002, and is repayable in quarterly instalments which will commence 30 September 2019. The final repayment date is 31 December 2042.

A subordinated loan was issued to the Company by Robertson Capital Projects Hub Investments Limited (35%), Amber Investments Holdings Limited (25%), Scottish Futures Trust Investments Limited (10%), FES Marketing Limited (20%) and NHS Tayside (10%). The loan is repayable on a semi-annual basis in line with the loan note instrument which commenced 22 December 2016. The annual interest paid on the loan is 10% of the of the loan balance outstanding. The final repayment date is 31 March 2044.

12 Capital and reserves

Share capital

	2017 £
Allotted, called up and fully paid	
100 ordinary shares of £1 each	**100**
Shares classified in shareholders' funds	**100**

There were no further shares allotted during the year.

13 Commitments

Capital commitments

The Company's contractual commitments in respect of construction costs in line with the construction contract at the period-end were £20,567,779.

14 Ultimate parent company

The Company is a subsidiary undertaking of Hub East Central (PSS) Midco Limited. The ultimate controlling party is Amber Blue East Central Limited whose accounts are available at Companies House, Edinburgh. The ultimate parent Company's registered office is, Robertson House, Castle Business Park, Stirling, FK9 4TZ.

No other group financial statements include the results of the Company.

15 Related parties

Identity of related parties with which the Company has transacted

Related Party	Relationship	Class of transaction	2017 Expenditure	2017 Creditor
			£	£
Amber Blue East Central Limited	Amber Blue East Central Limited is a 60% shareholder in Hub East Central (PSS) Midco Limited which owns 100% of Hub East Central (PSS) Limited	Management Services agreement/FC Costs	**560,663**	-
Robertson Capital Projects hub Investments Limited	Robertson Capital Projects hub Investments Limited is a 41.67% shareholder in Amber Blue East Central Limited which owns 60% of Hub East Central (PSS) Midco Limited which owns 100% of Hub East Central (PSS) Limited	Loan interest on 35% of subordinated debt capital	**26,220**	-
Robertson Construction Group Limited	Robertson Construction Group Limited is a fellow subsidiary of Robertson Capital Projects Limited which is a 100% shareholder of Robertson Capital Projects hub Investments Limited which is a 41.67% shareholder in Amber Blue East Central Limited which owns 60% of Hub East Central (Forfar) Midco Limited which owns 100% of Hub East Central (Forfar) Limited	Construction costs	**4,338,992**	902,932
Robertson FM Limited	Robertson FM Limited is a fellow subsidiary of Robertson Capital Projects Limited (see above)	Development fee	**49,984**	-
FES Marketing Limited	FES Marketing Limited is a wholly owned subsidiary of Forth PPP Limited which is a 16.67% shareholder in Amber Blue East Central Limited which owns 60% of Hub East Central (PSS) Midco Limited which owns 100% of Hub East Central (PSS) Limited	Loan interest on 20% of subordinated debt capital	**52,815**	-
Amber Investments Holdings Limited	Amber Investments Holdings Limited is a 41.67% shareholder in Amber Blue East Central Limited which owns 60% of Hub East Central (PSS) Midco Limited which owns 100% of Hub East Central (PSS) Limited	Loan interest on 25% of subordinated debt capital/ Development fee	**113,355**	-
Scottish Futures Trust Investments Limited	Scottish Futures Trust Investment Limited is a 10% shareholder in Hub East Central (PSS) Midco Limited which owns 100% of Hub East Central (PSS) Limited	Loan interest on 10% of subordinated debt capital	**7,491**	-
NHS Tayside	NHS Tayside is a 10% shareholder in Hub East Central (PSS) Midco Limited which is a 100% shareholder in Hub East Central (PSS) Limited	Loan Interest on 10% of subordinated debt capital	**7,491**	-

Notes *(continued)*

16 Accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements
The judgements (apart from those involving estimations) that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Income taxation
Current taxation
The taxation charge or credit arising on profit before taxation and in respect of gains or losses recognised through other comprehensive income reflect the tax rates in effect or substantially enacted at the balance sheet date as appropriate. The determination of appropriate provisions for taxation requires the directors to take into account anticipated decisions of HM Revenue and Customs which inevitably requires the directors to use judgements as to the appropriate estimate of taxation provisions.

Deferred taxation
Deferred taxation is provided using the balance sheet liability method and is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding taxation bases used in the computation of taxable profit.

Judgements are required to be made as to the calculation and identification of temporary differences and in the case of the recognition of deferred taxation assets, the Directors have to form an opinion as to whether it is probable that the deferred taxation asset recognised is recoverable against future taxable profits arising. This exercise of judgement requires the Directors to consider forecast information over a long time horizon having regard to the risks that the forecasts may not be achieved and then form a reasonable opinion as to the recoverability of the deferred taxation asset. Key sources of estimation uncertainty are made concerning the future and, by their nature, will rarely equal the related actual outcome.

The key assumptions and other sources of estimation uncertainty are as follows:

i) Impairment of assets
The carrying value of those assets recorded in the Company's balance sheet, at amortised cost, could be materially reduced where circumstances exist which might indicate that an asset has been impaired and an impairment review is performed. Impairment reviews consider the fair value and or value in use of the potentially impaired asset or assets and compares that with the carrying value of the asset or assets in the balance sheet. Any reduction in value arising from such a review would be recorded in the statement of comprehensive income. Impairment reviews involve the significant use of assumptions.

Consideration has to be given as to the price that could be obtained for the asset or assets, or in relation to a consideration of value in use, estimates of the future cash flows that could be generated by the potentially impaired asset or assets, together with a consideration of an appropriate discount rate to apply to those cash flows.

ii) Accounting for service concession arrangements
Accounting for the service concession contract and finance debtors requires estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecast results of the contract.