

Newbattle DBFM Holdco Limited

**Annual Report and Financial Statements
For the year ended 31 March 2021**



Company No. SC483055

Officers and professional advisers

Company registration number	SC483055
Registered office	PO Box 17452 2 Lochside View Edinburgh EH12 1LB
Directors	K Bradley P McGirk C Campbell M Templeton R Park N Gemmell A Bone
Company Secretary	Galliford Try Secretariat Services Limited
Bankers	Barclays Bank plc Unit 2 10 - 15 Princes Street Edinburgh EH2 2AN
Auditor	Azets Audit Services Chartered Accountants Exchange Place 3 Sempole Street Edinburgh EH3 8BL

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Report of the directors

The directors submit their report and the audited financial statements for the year ending on 31 March 2021.

Business review and principal activities

The Company has been established as a non-trading holding company for the investment in Newbattle DBFMCo Limited. Newbattle DBFMCo Limited (DBFMCo) has entered a Design, Build, Finance and Maintain ("DBFM") concession contract with Midlothian Council (the Authority) to design, build and finance the Newbattle High School together with the provision of certain facilities management services within the building. The project is fully operational and the service concession runs until 30 March 2043. The Company has also provided subordinated loan notes to Newbattle DBFMCo Limited.

The directors have considered the impact that COVID-19 could have on the operations of the Company and its subsidiary and are satisfied that the Company will be able to continue for 12 months following the signing of these financial statements. This is on the basis that construction of the project has completed, Newbattle DBFMCo Limited's sole customer is a public sector body, the Annual Service Payment is per the underlying service concession arrangement, interest costs are fixed due to the interest rate swap in place and the running costs of Newbattle DBFMCo Limited are either fixed or are not expected to fluctuate significantly.

Results

The Statement of Comprehensive Income for the year is set out on page 9. During the year the Company performed in line with expectation and reported a profit of £nil (2020: £nil)

Directors

The directors of the Company who held office during the period and to date are as follows:

K Bradley	
A McCrorie	(resigned 21 March 2021)
P McGirk	
R Park	
C Campbell	
N Gemmell	
M Templeton	
A Bone	(appointed 25 May 2021)
G Sheret	(resigned 2 April 2020)

In accordance with the Company's Articles of Association, none of the directors are required to retire.

Report of the directors (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Report of the directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice, including Section 1A of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice applicable to Small Entities). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditor

To the knowledge and belief of each of the persons who are directors at the time the report is approved:

- So far as each director is aware, there is no relevant information of which the Company's auditor is unaware; and
- He has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information, and to establish that the Company's auditor is aware of the information.

Post balance sheet events

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

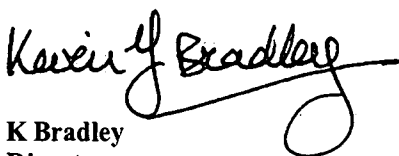
Auditor

The auditor, Azets Audit Services, is deemed to be reappointed under section 487 (2) of the Companies Act 2006.

Small companies' exemptions

The above report has been prepared in accordance with the provisions applicable to companies subject to the small companies' regime within part 15 of the Companies Act 2006.

This report was approved by the Board on 16 September 2021 and signed on its behalf by:


K Bradley
Director

Independent Auditors Report to the Members of Newbattle DBFM Holdco Limited on the Financial Statements for the year ended 31 March 2021

Opinion

We have audited the financial statements of Newbattle DBFM Holdco Limited (the 'Company') for the year ended 31 March 2021, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statements of Changes in Equity and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Section 1A of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice applicable to Small Entities).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its results for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Small Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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 audit opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' 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 Company'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 annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

Independent Auditors Report to the Members of Newbattle DBFM Holdco Limited on the Financial Statements for the year ended 31 March 2021 (continued)

Other information (continued)

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the report of directors has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of the directors

As explained more fully in the statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditors Report to the Members of Newbattle DBFM Holdco Limited on the Financial Statements for the year ended 31 March 2021 (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 is available on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

The extent to which the audit was considered capable of detecting irregularities including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the FRC's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the Company, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Company through discussions with directors and other management, and from our commercial knowledge and experience of the construction sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Company, including the Companies Act 2006, taxation legislation and data protection, anti-bribery, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;

Independent Auditors Report to the Members of Newbattle DBFM Holdco Limited on the Financial Statements for the year ended 31 March 2021 (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC and the Company's legal advisors.

We assessed the susceptibility of the Company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Use of our report

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

James McBride

James McBride (Senior Statutory Auditor)
for and on behalf of
Azets Audit Services, Statutory Auditor
Chartered Accountants
Exchange Place
3 Semple Street
Edinburgh
EH3 8BL

Date: 16th September 2021

Statement of Comprehensive Income for the year ended 31 March 2021

		Year ended 31 March 2021	Year ended 31 March 2020
	Note	£	£
Administration expenses		-	-
Operating profit		-	-
Interest payable	3	(342,842)	(345,984)
Interest receivable	3	342,842	345,984
Profit on ordinary activities before taxation		-	-
Taxation	4	-	-
Retained profit for the year		-	-
Other comprehensive income		-	-
Total comprehensive income		-	-

All activities are continuing.

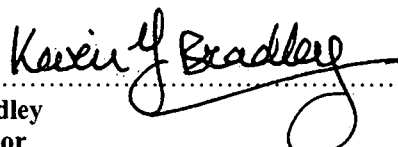
The notes form part of these financial statements.

Balance sheet as at 31 March 2021

	Note	2021 £	2020 £
Fixed Assets			
Investments	5	100	100
Current assets			
Debtors – amounts falling due after more than one year		3,247,429	3,256,519
Debtors – amounts falling due after less than one year		<u>184,258</u>	<u>193,197</u>
		3,431,687	3,449,716
Current liabilities			
Creditors – amounts falling due within one year	6	<u>(184,258)</u>	<u>(193,197)</u>
Net current assets		3,247,429	3,256,519
Total assets less current liabilities		<u>3,247,529</u>	<u>3,256,619</u>
Creditors – amounts falling due after more than one year	6	(3,247,429)	(3,256,519)
Net assets		<u><u>100</u></u>	<u><u>100</u></u>
Capital and reserves			
Called-up share capital	7	100	100
Profit and loss reserve	8	<u>-</u>	<u>-</u>
Equity shareholders' funds		<u><u>100</u></u>	<u><u>100</u></u>

The financial statements have been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

The financial statements were authorised for issued by the board of directors on 16 September 2021 and are signed on its behalf by:


.....
K Bradley
Director

Registered Number: SC483055

The notes form part of these financial statements.

Statement of Changes in Equity for the year ended 31 March 2021

	Called up share capital £	Profit and loss account £	Total Equity £
Balance at 1 April 2020	100	-	100
Profit for the year	-	-	-
Balance at 31 March 2021	<u>100</u>	<u>-</u>	<u>100</u>

Statement of Changes in Equity for the year ended 31 March 2020

	Called up share capital £	Profit and loss account £	Total Equity £
Balance at 1 April 2019	100	-	100
Profit for the year	-	-	-
Balance at 31 March 2020	<u>100</u>	<u>-</u>	<u>100</u>

Notes to the financial statements

1 Principal accounting policies

(a) General information

The financial statements are presented in Pounds Sterling (GBP) and are rounded to the nearest whole pound. The financial statements cover the results for the year ended 31 March 2021. The continuing activities of the Company are as a holding company for the subordinated debt in Newbattle DBFMCo Limited.

The Company is a private limited company which is limited by shares. The Company was incorporated in Scotland. The registered office is PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB. The Company's registered number is SC483055.

(b) Basis of preparation

These financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards, including Section 1A of the Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice applicable to Small Entities). The financial statements have been prepared on the historical cost basis.

The preparation of the financial statements in compliance with Section 1A of FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

A summary of the more important accounting policies is set out below.

(c) Going concern

The Company is being used to hold an investment in Newbattle DBFMCo Limited and the subordinated debt in respect of the new Newbattle High School project and this debt will not be repaid in the 12 months from the signing of the financial statements and thus the directors confirm that they view the Company as a going concern.

The directors have considered the impact that COVID-19 could have on the operations of its subsidiary and are satisfied that the subsidiary will be able to continue for 12 months following the signing of these financial statements. This is on the basis that construction of the project has completed, Newbattle DBFMCo Limited's sole customer is a public sector body backed by the Scottish Government, the Annual Service Payment is per the underlying service concession arrangement, interest costs are fixed and the running costs of Newbattle DBFMCo Limited are either fixed or are not expected to fluctuate significantly.

(d) Consolidation

Consolidated accounts have not been prepared as the Company has taken the exemption available to small groups.

(e) Statement of Cash Flows

A Statement of Cash Flows has not been prepared as the Company has taken the exemption available to small groups.

(f) Interest payable

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Notes to the financial statements

1 Principal accounting policies (continued)

(g) Interest Receivable

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

(h) Investments

The investment in the subsidiary undertaking is stated at cost. The carrying value of the investment is reviewed annually by the directors to determine whether there has been any impairment.

(i) Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

(j) Creditors

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

(k) Financial liabilities

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

(l) Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

The directors are satisfied that accounting policies are appropriate and consistently applied. There are no accounting estimates.

Notes to the financial statements

3 Interest receivable and payable

	2021 £	2020 £
Interest receivable		
Interest receivable from subsidiary undertaking	<u>342,842</u>	<u>345,984</u>
Interest payable		
Interest payable in respect of subordinated debt	<u>(342,842)</u>	<u>(345,984)</u>

4 Taxation

The results for the period do not give rise to a tax charge.

5 Investments

	Shareholding in group undertakings £
At 1 April 2020 and 31 March 2021	<u><u>100</u></u>

The Company has invested £100 in the share capital of Newbattle DBFMCo Limited, a company incorporated in Scotland which has entered a DBFM contract with Midlothian Council. The investment comprises 100 ordinary shares of £1 each. The shares held in Newbattle DBFMCo Limited have been pledged to Nord LB, as security trustee under the senior financing documents of the DBFM contract. Details of this investment are in the table below.

Name	Shareholding	Year end	Equity shareholders' funds £	Profit for the year to 31 March 2021 £
Newbattle DBFMCo Limited	100%	31 March 2021	(£1,072,361)	£55,162

Other comprehensive income for the period was £1,738,179 (2020: (£1,937,011)) to give total comprehensive income for the period of £1,793,341 (2020: (£1,900,889)).

The registered office of Newbattle DBFMCo Limited is PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB.

Notes to the financial statements

6 Loans

The loan notes are unsecured and are repayable in instalments commencing on 30 September 2018 and ending on 31 March 2043. The loans are stated at amortised cost, using the effective interest rate method. Interest is payable at a rate of 10.5%.

The repayment profile of the liabilities shown above is as follows:

	2021	2020
	£	£
In less than one year	13,526	20,673
Between one and two years	2,531	9,090
Between two and five years	37,886	23,372
Greater than five years	3,207,012	3,224,057
	<u>3,260,955</u>	<u>3,277,192</u>

7 Called up share capital

	2021	2020
	£	£
Allotted, issued and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

The share capital of 100 ordinary shares at a nominal value of £100 was split across 3 share classes: 10 Class A Shares (Scottish Futures Trust Investments Limited), 30 Class B Shares (20 shares belonging to HCF Limited and 10 shares belonging to Scottish Borders Council) and 60 Class C Shares (Space Scotland Limited).

All issued shares rank pari passu with each other, with one vote for each share and an equal right to dividends.

8 Reserves

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

Notes to the financial statements

9 Related party transactions

During the year the Company charged interest of £342,842 (2020: £345,984) in respect of subordinated debt loans provided to its subsidiary Newbattle DBFMCo Limited. Of this interest, £170,731 (2020: £172,524) was accrued and receivable at the year end. A balance of £3,260,955 (2020: £3,277,192) is outstanding at the year end.

Loan interest of £34,284 (2020: £34,598), £34,284 (2020: £34,598), £170,735 (2020: £172,300) and £103,539 (2020: £104,488) was payable in the period to 31 March 2021 to Scottish Futures Trust Investments Limited, Midlothian Council, DC3 (Assetco) Limited and PPDI Assetco respectively. Of this interest, £17,073 (2020: £17,253), £17,073 (2020: £17,253), £85,024 (2020: £85,916) and £51,561 (2020: £52,102) was accrued and payable to Scottish Futures Trust Investments Ltd, Midlothian Council, DC3 (Assetco) Limited and PPDI Assetco Limited respectively at the year end.

As at 31 March 2021, £326,095 (2020: £327,719) remains payable to Scottish Futures Trust Investments Limited, £984,809 (2020: £989,712) remains payable to PPDI Assetco Limited, £326,095 (2020: £327,719) remains payable to Midlothian Council and £1,623,956 (2020: £1,632,042) remains payable to DC3 (Assetco) Limited.

10 Ultimate controlling party

The directors consider there to be no ultimate controlling party.