

JICC DBFM Holdco Limited

Annual report and group financial statements
For the year ended 30 September 2020



Company No. SC581531

Officers and professional advisers

Company registration number	SC581531
Registered office	PO BOX 17452 2 Lochside View Edinburgh EH12 1LB
Directors	K Bradley A McCrorie P McGirk C Campbell R Park P McVey L Simmons N Gemmell M Templeton
Company Secretary	Galliford Try Secretarial Services Limited
Banker	Barclays Bank plc PALL MALL 2 Leicestershire LE87 2BB
Auditor	Azets Audit Services Chartered Accountants Exchange Place 3 Sempie Street Edinburgh EH3 8BL

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Group Strategic Report

The directors submit their Strategic Report, Report of the directors and the Group financial statements for the year ended on 30 September 2020.

Principal activities and business review

The Company, incorporated on 14 November 2017, has been established as a non-trading holding company for the investment in JICC DBFMCo Limited. JICC DBFMCo Limited has entered a Design, Build, Finance and Maintain ("DBFM") concession contract with the Scottish Borders Council. The DBFM contract involves the design, build and financing of the new Jedburgh Intergenerational Community Campus together with the provision of certain facilities management services within the campus. The DBFM Project Agreement between JICC DBFMCo Limited and the Scottish Borders Council was signed on 25 October 2018.

As part of this contract, JICC DBFMCo Limited has entered a fixed-price sub-contract with BAM Construction Limited to design and build the campus. The construction of the campus was completed in March 2020.

JICC DBFMCo Limited has also entered a sub-contract with BAM FM Limited for the provision of facilities management services within the campus.

The DBFM project is being financed by a combination of senior and subordinated debt. Senior debt facilities of £31.0m, provided by Nord/LB and £3m. of subordinated debt provided by equity shareholders have funded the construction of the community campus. £1.8m of the equity bridge loan has been drawdown from Nord and repaid using the proceeds of the second injection of subordinated debt on completion of construction. A further £1.1m of debt service reserve facility is available in certain circumstances.

The campus has handed over to the Scottish Borders Council in March 2020 and the operating term of the DBFM contract is 25 years from the completion. JICC DBFMCo Limited receives service payments from the Scottish Borders Council from the date of Practical Completion when the respective buildings within the campus became available. The construction and other related costs of the campus are being treated as an asset which will be repaid over the life of the contract.

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 and its 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, the Group'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 are either fixed or are not expected to fluctuate significantly.

Results and dividends

Group

The results for the year are set out on page 11. The profit for the year amounted to £120,090 (2019: £236,130). The directors do not recommend payment of a dividend in respect of the year.

Other comprehensive income for the year was (£275,094) (2019: (£4,175,581)) after accounting for the movements in the cashflow hedge. The fair value of the cash flow hedge was a liability of £5,494,660 (2019: £5,030,821) with an associated deferred tax asset of £1,043,985 (2019: £855,420).

Group Strategic Report (continued)

Company

The results for the Company for the year are set out on page 12. The profit for the Company for the year amounted to £nil. (2019: £nil) The directors do not recommend payment of a dividend in respect of the year.

Other comprehensive income for the year was £nil.

Principal risks and uncertainties

The Scottish Borders Council (the “Authority”) is the sole client of the Group, but the directors consider that no risk arises from such a small client base since the Scottish Government has implicitly underwritten the Authority’s obligations.

Most of the performance risk under the DBFM Agreement and related contracts is passed on to the subcontractors, BAM Construction Limited and BAM FM Limited. The obligations of the building subcontractor and service provider are underwritten by respective parent company guarantees. The Group is exposed to the risk of non-performance by its subcontractors; however, penalties imposed by the Authority will be passed onto the subcontractor at fault under the terms of the subcontracts.

The life-cycle risk on the project is passed down to the service provider BAM FM Limited.

Long-term project financing is in place for the duration of the concession. The funding fully amortises over the concession year leaving no refinancing risk.

The continued uncertainty in respect of Brexit poses a risk to the UK economy, however, we consider the risk to the DBFM project to be minimal given the majority of our costs are fixed, the annual service payment income due to be received over the life of the concession arrangement has been agreed, the service concession arrangement is with a public sector body and our finance costs are fixed due to the interest rate swap in place.

Financial risk management

In order to ensure stability of cash flows and hence manage interest rate risk, the Group has a policy of maintaining all its bank debt at a variable rate and also entering into interest rate swaps, the purpose of which is to manage the interest rate risk arising from these borrowings.

The Group receives the bulk of its revenue from the Authority and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

Group Strategic Report (continued)

Key Performance Indicators

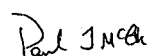
The key performance of the Group is monitored from a cash perspective. The cash position at the year end is considered adequate. Performance is assessed on a six-monthly basis by the testing of the covenants of the senior debt provider. The key indicators are the debt service cover ratio and loan life cover ratio.

The Group has interest rate swaps in place which have resulted in a liability being included in the Balance Sheet. The swaps have been effected to minimise interest rate risk to the Group over the life of the senior debt loans. The swap profiles follow the loan drawdowns and are therefore fully effective. As such the Group has adopted hedge accounting and the movements are presented in the Statement of Total Comprehensive Income rather than the Income Statement. The profiles are monitored regularly to ensure they do not deviate from this profile and that hedge accounting continues to be permissible.

Future developments

The directors do not anticipate any changes in the Group's activities.

This report has been approved by the board on 10 March 2021 and signed on its behalf by:



P McGirk
Director

Report of the directors

The directors submit their report and the Group financial statements for the year ending on 30 September 2020.

Directors and their interests

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

K Bradley
A McCrorie
P McGirk
P McVey
R Park
C Campbell
L Simmons
N Gemmell
M Templeton
G Sheret (resigned 2 April 2020)

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

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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 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.

Report of the directors (continued)

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 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 auditor is aware of the information.

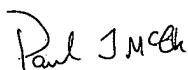
Post balance sheet events

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

Auditor

On 7 September 2020 Group Audit Services Limited trading as Scott Moncrieff Audit Services changed its name to Azets Audit Services Limited. The name they practice under is Azets Audit Services and accordingly they have signed their report in their new name. The auditor, Azets Audit Services, will be proposed for reappointment in accordance with Section 485 of the Companies Act 2006.

This report has been approved by the board on 10 March 2021 and signed on its behalf by:



P McGirk
Director

Independent Auditor's Report to the Members of JICC DBFM Holdco Limited

Opinion

We have audited the financial statements of JICC DBFM Holdco Limited (the 'Parent Company') and its subsidiary (the 'Group') for the year ended 30 September 2020, which comprise the Group and Company Income Statements, the Group and Company Statements of Total Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Changes in Equity, the Group Statement of Cash Flows and the notes to the financial statements, 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 Financial Reporting Standard 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's and of the Parent Company's affairs as at 30 September 2020 and of the Group's and the Parent Company's profit 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 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 Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditor's Report to the Members of JICC DBFM Holdco Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. 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.

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 Group Strategic Report and the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the directors have 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 Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

Independent Auditor's Report to the Members of JICC DBFM Holdco Limited (continued)

Responsibilities of the directors

As explained more fully in the Statement of directors' responsibilities on page 6, 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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 for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our Auditor's Report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Azets Audit Services

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: 10 March 2021

Group Income Statement for the year ended 30 September 2020

		Year ended 30 September 2020	Year ended 30 September 2019
	Note	£	£
Turnover	3a	7,374,608	25,115,749
Cost of sales		<u>(7,228,743)</u>	<u>(24,858,916)</u>
Gross profit		145,865	256,833
Administration expenses		(63,012)	(7,704)
Operating profit	3b	<u>82,853</u>	<u>249,129</u>
Interest payable	4	(1,378,580)	(663,830)
Interest receivable	4	1,443,986	706,220
Profit on ordinary activities before taxation		<u>148,259</u>	<u>291,519</u>
Taxation	5	(28,169)	(55,389)
Retained profit for the year		<u><u>120,090</u></u>	<u><u>236,130</u></u>

Company Income Statement for the year ended 30 September 2020

		Year ended 30 September 2020	Year ended 30 September 2019
	Note	£	£
Administration expenses		-	-
Operating profit	3b	-	-
Interest payable	4	(200,316)	(37,635)
Interest receivable	4	200,316	37,635
Profit on ordinary activities before taxation		-	-
Taxation	5	-	-
Retained profit for the year		-	-

Group Statement of Total Comprehensive Income for the year ended 30 September 2020

		Year ended 30 September 2020	Year ended 30 September 2019
	Note	£	£
Retained profit for the year		120,090	236,130
Cash flow hedge - fair value movement in asset	17	(841,375)	(5,030,821)
Cash flow hedge - recycled to profit	17	377,536	-
Cash flow hedge - deferred tax asset	5	188,745	855,240
Other comprehensive income for the year		(275,094)	(4,175,581)
Total comprehensive income for the year		(155,004)	(3,939,451)


Company Statement of Total Comprehensive Income for the year ended 30 September 2019

	Year ended 30 September 2020	Year ended 30 September 2019
	£	£
Retained profit for the year	-	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	-	-

Group Balance Sheet as at 30 September 2020

	Note	2020 £	2019 £
Non-current assets			
Financial asset due in more than one year	7	32,085,783	25,392,927
Current assets			
Deferred tax asset due in more than one year	18	938,507	791,059
Financial asset due in less than one year	7	941,000	423,597
Deferred tax asset due in less than one year	18	105,478	64,181
Debtors	8	-	4,831
Cash at bank in hand	9	854,093	5,025,500
		<u>2,839,078</u>	<u>6,309,168</u>
Current liabilities			
Creditors – amounts falling due within one year	10	(1,882,041)	(4,303,827)
Net current assets		<u>957,037</u>	<u>2,005,341</u>
Total assets less current liabilities		<u>33,042,820</u>	<u>27,398,268</u>
Creditors – amounts falling due after more than one year	11	(37,137,175)	(31,337,619)
Net liabilities		<u>(4,094,355)</u>	<u>(3,939,351)</u>
Capital and reserves			
Called-up share capital	12	100	100
Cash flow hedge reserve	13	(4,450,675)	(4,175,581)
Profit and loss account	13	356,220	236,130
Equity shareholders' funds		<u>(4,094,355)</u>	<u>(3,939,351)</u>

The financial statements were authorised for issue by the board of directors on 10 March 2021 and signed on its behalf by:

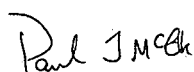

P McGirk
Director

Registered Number: SC581531

Company Balance Sheet as at 30 September 2020

	Note	2020 £	2019 £
Fixed assets			
Investments	6	100	100
Non-Current assets			
Debtors – amounts falling due after more than one year	8	3,040,789	1,200,113
Current assets			
Debtors	8	161,797	4,212
Current liabilities			
Creditors – amount falling due within one year	10	(161,797)	(1,693)
Net current assets		-	2,519
Total assets less current liabilities		3,040,889	1,202,732
Creditors – amounts falling due after more than one year	11	(3,040,789)	(1,202,632)
Net assets		100	100
Capital and reserves			
Called-up share capital	12	100	100
Profit and loss reserve	13	-	-
Equity shareholders' funds		100	100

The financial statements were authorised for issue by the board of directors on 10 March 2021 and signed on its behalf by:



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P McGirk
Director

Registered Number: SC581531

Group Statement of Changes in Equity for the year ended 30 September 2020

	Called up share capital £	Profit & Loss Account £	Cash flow Hedge Reserve £	Total £
At 1 October 2019	100	236,130	(4,175,581)	(3,939,351)
Profit for the year	-	120,090	-	120,090
Cash flow hedge movements	-	-	(275,094)	(275,094)
As at 30 September 2020	100	356,220	(4,450,675)	(4,094,355)

Group Statement of Changes in Equity for the year ended 30 September 2019

	Called up share capital £	Profit & Loss Account £	Cash flow Hedge Reserve £	Total £
At 1 October 2018	100	-	-	100
Profit for the year	-	236,130	-	236,130
Cash flow hedge movements	-	-	(4,175,581)	(4,175,581)
As at 30 September 2019	100	236,130	(4,175,581)	(3,939,351)

Company Statement of Changes in Equity for the year ended 30 September 2020

	Called up share capital £	Profit and loss account £	Cash flow hedge reserves £	Total Equity £
At 1 October 2019	100	-	-	100
Profit for the year	-	-	-	-
Cash flow hedge movements	-	-	-	-
Balance at 30 September 2020	<u>100</u>	<u>-</u>	<u>-</u>	<u>100</u>

Company Statement of Changes in Equity for the year ended 30 September 2019

	Called up share capital £	Profit & Loss Account £	Cash flow Hedge Reserve £	Total £
At 1 October 2018	100	-	-	100
Profit for the year	-	-	-	-
Cash flow hedge movements	-	-	-	-
Balance at 30 September 2019	<u>100</u>	<u>-</u>	<u>-</u>	<u>100</u>

Statement of Cash Flows for the year ended 30 September 2020

	2019 £	2019 £
Cash flows from operating activities		
Profit for the financial year	120,090	236,130
Adjustments for:		
Non-cash revenue	(7,349,632)	(25,115,749)
Annual service payment received	1,579,921	-
Interest paid	1,378,580	663,830
Interest received	(1,443,986)	(706,220)
Taxation	28,169	55,389
Decrease/(increase) in trade and other debtors	4,831	(4,731)
(Decrease)/increase in trade and other creditors	(1,379,404)	1,736,537
	<u>(7,061,431)</u>	<u>(23,134,814)</u>
Cash from operations		
Income taxes paid	(72,047)	-
Net cash used in operating activities	<u>(7,133,478)</u>	<u>(23,134,814)</u>
Cash flows from investing activities		
Interest received	3,438	5,444
Cash flows from financing activities		
Bank loans drawn	4,638,336	26,338,426
Equity bridge loans drawn	-	1,822,295
Shareholder loans drawn	1,822,295	1,166,691
Repayment of bank loans	(2,233,286)	-
Repayment of shareholder loans	(1,992)	-
Interest paid	(1,254,213)	(571,614)
Loan arrangement and commitment fees paid	(12,507)	(600,928)
Net cash generated from financing activities	<u>2,958,633</u>	<u>28,154,870</u>
Net (decrease)/increase in cash and cash equivalents	<u>(4,171,407)</u>	<u>5,025,500</u>
Cash and cash equivalents at the beginning of the year	<u>5,025,500</u>	<u>-</u>
Cash and cash equivalents at the end of the year	<u>854,093</u>	<u>5,025,500</u>

Statement of Cash Flows for the year ended 30 September 2020

Analysis of changes in Net Debt

	At 1 October 2019 £	Cash flows £	Other non- cash changes £	At 30 September 2020 £
Cash and cash equivalents				
Cash	5,025,500	(4,171,407)	-	854,093
	<u>5,025,500</u>	<u>(4,171,407)</u>	<u>-</u>	<u>854,093</u>
Borrowings				
Debt due within one year	(2,136,884)	(4,225,353)	5,403,985	(958,252)
Debt due more than one year	(26,681,815)	-	(5,515,845)	(32,197,660)
	<u>(28,818,699)</u>	<u>(4,225,353)</u>	<u>(111,860)</u>	<u>(33,155,912)</u>
Total net debt	<u>(23,793,199)</u>	<u>(8,396,760)</u>	<u>(111,860)</u>	<u>(32,301,819)</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 30 September 2020 for the Group and the Parent Company. The continuing activities of the Group are to Design, Build and Finance the Jedburgh Intergenerational Community Campus together with the provision of certain facilities management services.

The Parent Company is a private Company limited by shares and was incorporated in Scotland. The registered office is:

PO Box 17452
2 Lochside View
Edinburgh
EH12 1LB

The Parent Company's registered number is SC581531.

(b) Basis of preparation

These financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

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

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

Notes to the Financial Statements

1 Principal accounting policies (continued)

(c) Going concern

During the year, the Group made a profit of £120,090 (2019: £236,130) and at the Balance Sheet date, its liabilities exceeded its assets by £4,094,355 (2019: £3,939,351) due to the recognition of the fair value of the interest rate swap of £5,494,660 (2019: £5,030,821) less the associated deferred tax asset of £1,043,985 (2019: £855,240). The financial statements have been prepared on the going concern basis which assumes that the Group will continue in operational existence for the foreseeable future, being at least 12 months from the date of approval of these financial statements, for the following reasons:

- The campus is operational with monthly service payments, in line with the DBFM agreement being received. These will continue over the life of the service concession until the expiry date.
- The directors have prepared and approved cash flow forecasts for the full service concession term and based on this information the directors believe the Group will be able to meet all liabilities as they fall due.

The directors have thus formed the view that, at the time of approving the financial statements, the Group and Parent Company will have adequate resources to continue in existence for the foreseeable future. Therefore, the directors consider the adoption of the going concern basis in preparing the financial statements to be appropriate.

The directors have considered the impact that COVID-19 could have on the operations of the business and are satisfied that the Company and its subsidiary will be able to trade for the 12 months following the signing of these financial statements. This is on the basis that construction has completed, the Group's sole customer is a public sector body backed by the Scottish Government, the annual service payment (cash being received) is per the underlying service concession arrangement, interest costs are fixed and the running costs of the Company are either fixed or are not expected to fluctuate significantly.

If the Group and Parent Company were unable to continue in operation for the foreseeable future, adjustments would have to be made to reduce the balance sheet value of the assets to their recoverable amounts and to provide for further liabilities that might arise.

(d) Consolidation

The Group financial statements present the results of JICC DBFM Holdco Limited and its subsidiary, JICC DBFMCo Limited, ("the Group") as if they formed a single entity. Intergroup transactions and balances between Group companies are therefore eliminated in full.

The Group financial statements incorporate the results of the Group using the equity method.

(e) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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:

Notes to the Financial Statements

(e) Revenue (continued)

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 Group will receive the consideration due under the contract;
- The stage of completion of the contract at the end of the reporting year can be measured reliably; and
- The costs incurred and the costs to complete the contract can be measured reliably.

(f) Interest

Interest and other costs of funding are charged to the Income Statement.

Interest receivable on the financial asset is credited to the Income Statement during the construction and operational phase of the project.

(g) Current and deferred taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation. Deferred taxation has been recognised as a liability or asset if transactions have incurred at the Balance Sheet date that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. A deferred tax asset has been recognised in respect of the fair value of the cash flow hedges which have been recognised through the Statement of Total Comprehensive Income. Deferred tax assets and liabilities recognised have not been discounted.

(h) Investments

The investment in the subsidiary 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) Financial asset

Construction and related costs of building the campus excluding interest costs and other costs of funding, are being treated as a financial asset (contract debtor) under the terms of FRS 102. The financial asset will be repaid over the life of the contract as service income is received from the Scottish Borders Council.

Upon becoming operational, the income derived from the DBFM contract is allocated between the provision of the asset and the provision of the subsequent services. Upon acceptance of the constructed asset by the Scottish Borders Council, the financial asset is amortised over the life of the contract against the relevant portion of the contracted income. The proportion of the financial asset to be amortised against contracted income receivable within one year is classified as a current asset and the remainder non-current.

(j) 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.

(k) Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Notes to the Financial Statements

(l) Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans and amounts due to related parties are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

(m) 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. Finance costs and gains or losses relating to financial liabilities are charged to the Income Statement. 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.

(n) Financial Instruments

The Group, except for the derivative financial instruments noted below, 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 the market rate or in 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.

(o) Derivative financial instrument

The Group uses derivative financial instruments to manage exposures to interest rate risks. Interest rate swaps have been taken alongside the senior debt loans to provide a fixed interest rate over the life of the debt. These are measured at fair value on a mid-market basis and recognised in the Balance Sheet as a liability. The mark-to-market-value is the result of the valuation of the current interest coupons on market rates as well as the interest accrued as of the evaluation date. All values are discounted from the payment date to the evaluation date.

Notes to the Financial Statements

(p) Hedging

Where transactions meet the specified criteria, hedge accounting is used for the related financial instrument. At the time an instrument is designated as a hedge, the Group formally documents the relationship between the hedging instrument and the hedged item. Documentation ensures that the risk being hedged, the hedged item and the hedging instrument are clearly identified and the risk in the hedged item is the risk being hedged with the hedging instrument. Accordingly, the Group formally assessed, both at inception of the hedge and on an ongoing basis whether the hedging derivatives have been 'highly effective' in offsetting changes in the fair values or cash flows of the hedged item.

For a hedge of variable interest rate risk of a recognised financial instrument the portion of the change in fair value of the hedging instrument that was effective is recognised in other comprehensive income within the Statement of Total Comprehensive Income. Any excess cumulative change in fair value is recognised in the Income Statement. The hedging gain or loss recognised in other comprehensive income is reclassified to the Income Statement when the hedged item is recognised in the Income Statement or when the hedging relationship ends. The treatment is discontinued if the hedging instrument expires or is sold or terminated, the entity revokes the designation or the hedge no longer meets the criteria for hedge accounting.

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

The directors are satisfied that accounting policies are appropriate and consistently applied.

In preparing the financial statements, the directors have made a judgement as to the value of profit relating to the construction stage of the project, the profit margin in respect of the operational revenue recognised during the operational phase and to the value of interest receivable on the financial asset recognised in the accounting for the service concession arrangement. Factors taken into account in reaching such decisions include the overall expected profit of the contract, the stage of completion of the contract and the relative budgeted revenue and costs associated with each contract component at the outset of the project.

The Group has interest rate swaps. The fair value is estimated by calculating the present value of the cash flows of each leg of the swap. The expected cash flows of the fixed leg, based on the fixed interest rate, are discounted by an appropriate discount factor. The expected cashflows for the floating rate based on the interest yield curves are also discounted. The present value of the interest rate swap is the difference between the values of the two streams of cash flows.

The financial asset is a long-term asset. The amount allocated to current assets is the expected net movement in the following year.

3a Turnover

All turnover arose within the United Kingdom and is attributable to the principal activity as disclosed within the Strategic report. Turnover is analysed as follows:

	2020 £	2019 £
Turnover:		
Construction revenue	7,167,986	25,107,506
Service revenue	181,646	8,243
Pass through income/other	24,976	-
	<u>7,374,608</u>	<u>25,115,749</u>

Notes to the Financial Statements

3b Operating profit

None of the directors received any remuneration as directors from the Group and Company during the year. The Group and Company has no directly employed personnel.

Group

The Group profit on ordinary activities is stated after charging auditor's remuneration of £5,460 (2019: £5,250) in respect of the audit of the Company and its subsidiary. The auditor also received remuneration in respect of tax services and iXBRL tagging of £1,630 (2019: £1,630).

Parent Company

All administrative expenses are paid by the Company's subsidiary, JICC DBFMCo Limited. The audit fee of £1,300 (2019: £1,300) and non-audit fee in respect of tax and iXBRL tagging services of £630 (2019: £630) is borne by the subsidiary undertaking.

4 Interest payable and receivable

Group	2020 £	2019 £
Interest payable		
Bank loan interest payable and charges	(777,949)	(583,577)
Interest on loans from parent undertaking	(200,316)	(37,635)
Finance costs – recycled cashflow hedge	(377,536)	-
Letter of credit fees	(22,779)	(42,618)
	<u>(1,378,580)</u>	<u>(663,830)</u>
Interest receivable		
Interest receivable on financial asset	1,440,548	700,776
Bank interest receivable	3,438	5,444
	<u>1,443,986</u>	<u>706,220</u>

Company	2020 £	2019 £
Interest receivable		
Interest receivable from subsidiary undertaking	<u>200,316</u>	<u>37,635</u>
Interest payable		
Interest payable in respect of subordinated debt	<u>(200,316)</u>	<u>(37,635)</u>

Notes to the Financial Statements

5 Taxation

The current tax charge is the same as the amount calculated by applying the standard rate of UK corporation tax.

Group	2020 £	2019 £
Profit on ordinary activities before tax	<u>148,259</u>	<u>291,519</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 19%	28,169	55,389
Taxation charge to profit	<u>28,169</u>	<u>55,389</u>
	2020 £	2019 £
Reconciliation of corporation tax liability		
Opening balance	55,389	-
Payment on account in the year	(72,047)	-
Tax charge for the year	<u>28,169</u>	<u>55,389</u>
Closing balance	<u>11,511</u>	<u>55,389</u>
Deferred tax asset		
Fair value of cash flow hedge liability at the year end	<u>5,494,660</u>	<u>5,030,821</u>
Deferred tax asset at year end at 19% (2019: 17%)	<u>1,043,985</u>	<u>855,240</u>
Deferred tax movement in year	<u>188,745</u>	<u>855,240</u>

This deferred tax movement in the year has been recognised through the Statement of Comprehensive Income.

Company

The results for the year do not give rise to a tax charge (2019: £nil).

Future factors effecting tax

The Chancellor announced in the Budget on 3 March 2021, that there would be an increase in the top rate of corporation tax to 25% for companies generating taxable profits of more than £250,000. A corporation tax rate of 19% will apply to companies generating taxable profits of less than £50,000. A marginal rate will be applied for profits between these taxable profit bandings. This change becomes effective from 1 April 2023.

Notes to the Financial Statements

6 Investments

Group

The group held no investments.

Company

Shareholding in
group
undertakings
£

At 1 October 2019 and 30 September 2020

100

The Company has invested £100 in the share capital of JICC DBFMCo Limited, a company incorporated in Scotland which has entered a DBFM contract with the Scottish Borders Council. The investment comprises 100 ordinary shares of £1 each. The shares held in JICC 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 30 September 2020	Equity shareholders' funds £	Profit for the year to 30 September 2020 £	Other comprehensive income £
JICC DBFMCo Ltd	100%		(4,094,355)	120,090	(275,094)

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

Notes to the Financial Statements

7 Financial asset

Group	2020	2019
	£	£
Cost		
As at 1 October 2019	25,808,281	-
Additions during the year:		
Net interest receivable	1,440,548	700,776
Construction and related costs	7,167,986	25,107,505
At 30 September 2020	34,416,815	25,808,281
Repayment		
As at 1 October 2019	8,243	-
Annual service payment income	(1,579,921)	-
Operational revenue recognised	181,646	8,243
At 30 September 2020	(1,390,032)	8,243
Closing balance at 30 September 2020	33,026,783	25,816,524
Financial asset – due for amortisation within one year	941,000	423,597
Financial asset – due for amortisation after one year	32,085,783	25,392,927
	33,026,783	25,816,524

Variable economic and market conditions are mitigated by the hedging of income and costs through the payment mechanism agreement. Any performance deductions which may be incurred against future unitary payments are passed on to the service provider leaving no net effect in the Group.

Notes to the Financial Statements

8 Debtors

Company	2020 £	2019 £
Amounts falling due in more than one year		
Subordinated loan notes from subsidiary undertaking	<u>3,040,789</u>	<u>1,200,113</u>
Amounts falling due in less than one year		
Subordinated loan notes from subsidiary undertaking	4,533	4,212
Prepayments and accrued income	<u>157,264</u>	<u>-</u>
	<u>161,797</u>	<u>4,212</u>

The Company has invested in the form of a fixed rate loan note into its wholly owned subsidiary JICC DBFMCo Limited. The loan is stated at amortised cost, using the effective interest rate method. Interest is receivable at a rate of 3.40% during construction. This was converted at practical completion (March 2020). At this point the loan and rolled up interest was converted to a fixed rate subordinated loan note with an interest rate of 10.3%. The loan note is unsecured and is repayable in instalments commencing on 31 March 2020 and ending on 31 March 2045.

Group	2020 £	2019 £
Amounts falling due within one year		
VAT recoverable	-	4,831
	<u>-</u>	<u>4,831</u>

9 Cash at bank and in hand

Group	2020 £	2019 £
Cash and cash equivalents	<u>854,093</u>	<u>5,025,500</u>

Notes to the Financial Statements

10 Creditors - amounts falling due within one year

Group	2020 £	2019 £
Amounts falling due within one year		
Bank loans	953,719	2,132,672
Amounts owed to immediate Parent Company – subordinated loan notes	4,533	1,693
Amounts owed to immediate Parent Company – accrued sub debt interest	157,264	-
Trade creditors	-	22,138
Amounts owed to related parties	5,510	19,391
Accruals	69,550	1,695,008
VAT	124,809	-
Corporation tax creditor	11,511	55,389
Current derivative financial liabilities (note 17)	555,145	377,536
	<u>1,882,041</u>	<u>4,303,827</u>
Company	2020 £	2019 £
Amounts falling due within one year		
Subordinated loan notes to related parties	4,533	1,693
Other creditors and accruals	157,264	-
	<u>161,797</u>	<u>1,693</u>

11 Creditors – amounts falling due after more than one year

Group	2020 £	2019 £
Amounts falling after more than one year		
Bank loans	29,156,871	25,481,702
Subordinated loan notes to related parties	3,040,789	1,202,632
Non-current derivative financial liabilities (note 17)	4,939,515	4,653,285
	<u>37,137,175</u>	<u>31,337,619</u>
Company	2019 £	2019 £
Amounts falling after more than one year		
Subordinated loan notes to related parties	3,040,789	1,202,632

Group

The term loan facility is provided by Nord/LB. The full facility is £30,976,762 which has been drawn over the construction period of the school. The term loan is repayable in instalments commencing on 31 March 2021 and ending on 30 September 2044. The equity bridge loan of £1,822,295 was drawn at the start of construction and was repaid on 6 March 2020, funded by a further drawdown of subordinated debt.

Notes to the Financial Statements

11 Creditors – amounts falling due after more than one year (continued)

Interest is charged on the term loan and equity bridge loan at LIBOR plus a margin. There are interest rate swaps in place to give a fixed rate of interest. The loans are disclosed net of unamortised issue costs of £455,181 (2019: £546,346).

The term loan is secured by way of a fixed and floating charges over the assets of the company and security over the Company's interest in the lease to the Scottish Borders Council in favour of Nord/LB (as security trustee).

Group and Company

The subordinated loan notes are fixed rate loan notes which along with the rolled up interest at 3.4% converted to subordinated debt in the year. The loans are stated at amortised cost, using the effective interest rate method. Interest is payable at a rate of 10.3%. The loan notes are unsecured and are repayable in instalments commencing on 31 March 2020 and ending on 31 March 2045.

The term loan and subordinated loan notes are repayable as follows:

Group	2020	2019
	£	£
Less than one year	1,062,412	2,234,979
Between one and two years	1,093,976	1,058,809
Between two and five years	3,483,539	3,485,903
After 5 years	27,971,166	22,585,354
	<u>33,611,093</u>	<u>29,365,045</u>
Capital instrument charges < 1 year	(104,160)	(100,614)
Capital instrument charges > 1 year	(351,021)	(445,732)
	<u>33,155,912</u>	<u>28,818,699</u>
 Company	 2020	 2019
	£	£
Less than one year	4,533	1,693
Between one and two years	2,306	930
Between two and five years	8,833	3,103
Greater than five years	3,029,650	1,198,599
	<u>3,045,322</u>	<u>1,204,325</u>

Notes to the Financial Statements

11 Creditors – amounts falling due after more than one year (continued)

The derivative financial liabilities are repayable as follows:

Group	2020 £	2019 £
Less than one year	555,145	377,536
Between one and two years	532,168	401,753
Between two and five years	1,319,459	1,121,093
After 5 years	3,087,888	3,130,439
	<u>5,494,660</u>	<u>5,030,821</u>

The hedging gain or loss (i.e. the movement in the fair value of the interest rate swap) that has previously been recognised in Other Comprehensive Income relating to the current year is recycled (i.e. reclassified) to profit or loss in the current year from Other Comprehensive Income as this part of the interest rate swap has been exercised in the year.

12 Called up share capital

Company and Group	2020 £	2019 £
Allotted, issued and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

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

13 Reserves

Profit and loss account

The profit and loss account includes all current and prior year retained profit and losses.

Cash flow hedge reserve

The movements in the fair value of the cash flow hedge less the deferred tax credit are included in this reserve.

Notes to the Financial Statements

14 Related party transactions

The Group's related parties, and the extent of transactions with them during the year ended 30 September 2020 are set out below:

	Purchases from related parties	Amounts owed to related parties	Purchases from related parties	Amounts owed to related parties
	2020	2020	2019	2019
	£	£	£	£
Galliford Try Investments Limited	22,779	-	60,118	4,556
Galliford Try Investments Consultancy Services Limited	120,996	5,510	161,349	14,835
Scottish Borders Council	-	-	4,584,993	-
Total	143,775	5,510	4,806,460	19,391

	Annual Service Payments	Pass through and other income	Annual Service Payments	Pass through and other income
	2020	2020	2019	2019
	£	£	£	£
Scottish Borders Council	1,579,921	24,976	-	-

Galliford Try Investments Limited is a wholly owned subsidiary of Galliford Try Holdings Plc, and owns a stake in the joint venture, SPACE Scotland Limited. SPACE Scotland Limited owns 60% of JICC DBFM Holdco Limited.

Galliford Try Investments Consultancy Services Limited is owned 100% by Galliford Try Investments Limited and provides operational and financial concession management services to the Company.

During the year until 30 September 2020 the Group made purchases of £nil (2019: £4,584,993) from The Scottish Borders Council in relation to construction costs that were paid by The Scottish Borders Council before financial close.

Company

During the year, the Company charged interest at a rate of 3.4% of £20,694 (2019: £37,635) during the construction period in respect of subordinated loans totalling £1,166,691 (2019: £1,166,691) provided to subsidiary JICC DBFMCo Limited. This is anticipated by the loan note instrument and the cumulative interest charge of £58,329 (2019: £37,635) has been rolled up into the loan balance while the asset was in construction which converted to subordinated loan notes in March 20. In March 20, a further subordinated loan of £1,822,295 was provided giving a total of £3,047,315 (2019: £1,166,691) provided to subsidiary JICC DBFMCo Limited of which £3,045,322 (2019: £1,204,325) was outstanding at the year end. The Company incurred an interest charge payable at a rate of 10.3% of £179,622 in respect of subordinated loans totalling £3,047,315 (£1,166,691) of which £157,264 is included within creditors at the year end.

Notes to the Financial Statements

14 Related party transactions (continued)

Group and Company

During the year additional subordinated debt loans were received of £304,731 (2019: £nil) held by Scottish Borders Council and £1,517,564 (2019: £nil) held by Galliford Try Investments Limited. The existing loans held by Scottish Futures Trust Investments Limited and DC3 (Assetco) Limited converted to subordinated loan notes along with their rolled up interest.

During the year the Group and Company incurred loan interest, at a rate of 3.4% during construction and 10.3% post construction, of £23,110, £17,962, £89,452 and £69,792 payable in the year to Scottish Futures Trust Investments Limited Scottish Borders Council, Galliford Try Investments Limited and DC3 (Assetco) Limited respectively. Within this, interest of £15,726 owed to SFTi, £15,726 owed to Scottish Borders Council, £78,318 owed to Galliford Try Investments Limited and £47,494 owed to DC3 (Assetco) Limited was outstanding at the year end and included in creditors.

As at 30 September 2020 £304,532 remains payable to Scottish Futures Trust Investments Limited, £304,532 remains payable to Scottish Border Council, £1,516,571 remains payable to Galliford Try Investments Limited and £919,687 remains payable to DC3 (Assetco) Limited.

15 Immediate and ultimate parent undertaking

JICC DBFM Holdco Limited is a joint venture in which SPACE Scotland Limited holds 60% of the share capital. The Directors consider there to be no ultimate controlling party.

16 Committed expenditure

As at 30 September 2020, the Group has committed to expenditure of £nil (2019: £6,882,483) in respect of the new Jedburgh Intergenerational Community Campus.

Notes to the Financial Statements

17 Financial assets and liabilities measured at fair value through other comprehensive income

Group	2020 £	2019 £
Current derivative financial liabilities (note 10)	555,145	377,536
Non-current derivative financial liabilities (note 11)	4,939,515	4,653,285
Total financial liabilities measured at fair value through other comprehensive income	5,494,660	5,030,821

The movement in the fair value of the financial liability was (£841,375) (2019: (£5,030,821)) and was recognised within other comprehensive income. £377,536 of the fair value at the prior year end was recycled to profit in the year.

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 30 September 2020 was £30,858,430.

At 30 September 2020, the fixed interest rates vary is 1.903% and the main floating rates are LIBOR. Gains and losses recognised in the hedging reserve within equity on interest rate swap contracts as of 30 September 2020 will be continuously released to the Income Statement until the related bank borrowings are repaid.

18 Deferred tax

	2020 £	2019 £
Deferred tax asset (note 5)	1,043,985	855,240

The deferred tax asset is in respect of the fair value of the cash flow hedge liability. £105,478 (2019: £64,181) is included in current assets with £938,507 (2019: £791,059) included within non-current assets, in line with the ageing of the fair value of the hedging derivative.