

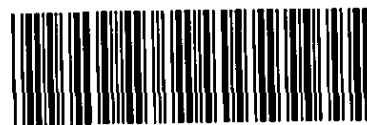
# **STAG PCT (PROJECTCO) LIMITED**

## **Directors' report and financial statements**

**For the period from incorporation on 23 April 2008 to 31 December 2008**

**Registered number 6574638**

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# STAG PCT (PROJECTCO) LIMITED

## Directors' report

The directors present their report and the financial statements for the period from incorporation on 23 April 2008 to 31 December 2008.

## Principal activities and business review

The principal activities of the company are the design, construction, financing and operation of a Primary Care and Community Centre for a period of twenty-five years pursuant to and in accordance with the terms of an agreement with the South Tyneside Primary Care Trust. This agreement together with a loan facilities agreement, a construction contract, a facilities management contract and other related contracts was signed on 29 July 2008. Construction of the facility commenced in July 2008 and is due for completion in April 2010.

The profit and loss account is set out on page 6 and relates to the operating activities during the period. The directors do not recommend the payment of a dividend.

The directors consider the performance of the company during the year, the financial position at the end of the year and its prospects for the future to be satisfactory.

## Principal risks and uncertainties

The company's principal activity as detailed above is risk averse as its trading relationships with its customer, funders and sub-contractors are determined by the terms of their respective detailed contracts. The financial risks and the measures taken to mitigate them are as detailed in the following section.

### *Credit risk*

The company will receive its revenue from a government body and therefore is not exposed to significant risk. The company invests cash and enters into interest rate swap agreements with financial institutions. The credit quality of these institutions is reviewed by the directors on a regular basis.

### *Inflation risk*

The company's project revenue, operating and lifecycle costs are linked to inflation at the inception of the project.

### *Insurance risk*

The company is exposed to the conditions prevailing in the insurance market at each renewal date. The directors manage this through close monitoring of the claims record of the project and through employing experienced broking organisations to obtain competitive insurance terms.

### *Interest rate risk*

The company has hedged its interest rate risk at the inception of the project by swapping its variable rate debt into a fixed rate by the use of an interest rate swap. As such the company's exposure to interest rate risk is reduced.

# STAG PCT (PROJECTCO) LIMITED

## Directors' report (*continued*)

### Principal risks and uncertainties (*continued*)

#### *Lifecycle risk*

The company is responsible for lifecycle costs. The directors will manage this through asset inspection and consequential forecasting of asset replacement costs. A cash lifecycle fund will be held by the company to cover future anticipated replacement costs.

#### *Liquidity risk*

The company has adopted a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due.

#### *Solvency and performance of sub-contractors*

The solvency and performance of key-subcontractors is regularly monitored by the directors.

### Key performance indicators

The company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the contract which stipulates the monitoring of the key performance criteria on operational activities detailed in the following section.

#### *Progress of the works*

The company monitors the performance of the works to date by comparing it with the planned schedule agreed at financial close under the design and build scope of the project. In respect of the period ended 31 December 2008 the company's performance against this measure was considered to be satisfactory.

#### *Financial performance*

The company has modelled the anticipated financial outcome of the project across its full term. The company monitors actual financial performance against anticipated performance. Income and expenditure for the period ended 31 December 2008 which are based on fixed long-term contracts have been in line with the directors' expectations.

#### *Safety performance*

The company is committed to providing a safe environment for its sub-contractors and those impacted by its activities. Safety reports are provided at each board meeting. These are reviewed by the directors who monitor actual performance against anticipated performance using industry benchmarks. Appropriate action is taken where necessary in order to ensure that all matters raised are fully resolved and are compliant with safety regulations.

During the period ended 31 December 2008 the safety performance of the subsidiary's sub-contractors was considered satisfactory.

# STAG PCT (PROJECTCO) LIMITED

## Directors' report (*continued*)

### Directors

The directors who served during the period and subsequently were as follows:

G Farley	(appointed 23 April 2008)
P Forsyth	(appointed 23 April 2008)
AS Robertson	(appointed 16 July 2008)
MA Bryan	(appointed 16 July 2008, resigned 12 May 2009)
TF George	(appointed 23 April 2008, resigned 23 April 2008)
LJ Mills	(appointed 23 April 2008, resigned 23 April 2008)

### Disclosure of information to auditors

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

### Auditors

KPMG LLP were appointed as auditors of the company on incorporation.

This report was approved by the board on 4 June 2009 and signed on its behalf by:



G Farley

Director

24 Birch Street  
Wolverhampton  
West Midlands  
WV1 4HY

# **STAG PCT (PROJECTCO) LIMITED**

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing 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 the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK 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 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;
- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. 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.

## **Independent auditors' report to the members of STAG PCT (Projectco) Limited**

We have audited the financial statements of STAG PCT (Projectco) Limited for the period ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors**

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its result for the period ended 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP  
KPMG LLP

*Chartered Accountants  
Registered Auditor*

4 June 2009  
2 Cornwall Street  
Birmingham  
B3 2DL

# STAG PCT (PROJECTCO) LIMITED

## Profit and loss account

for the period from 23 April 2008 to 31 December 2008

	Notes	Period ended 31 December 2008 £000
Turnover	1	-
Other operating charges		-
Operating result	2	-
Net interest payable	3	-
Result on ordinary activities before taxation		-
Taxation on result on ordinary activities	5	-
Result on ordinary activities after taxation and for the financial period	11	-

The results reported above derive from continuing operations in a single class of business within the United Kingdom.

There is no material difference between the result as disclosed in the profit and loss account above and its historical cost equivalent.

There were no recognised gains and losses other than the results for the period reported above.

# STAG PCT (PROJECTCO) LIMITED

## Balance sheet at 31 December 2008

	Notes	2008 £000
<b>Fixed assets</b>		
Tangible fixed assets	6	<u>9,310</u>
<b>Current assets</b>		
Debtors: Amounts falling due within one year	7	106
Cash at bank		<u>1</u>
		107
<b>Current liabilities</b>		
Creditors: Amounts falling due within one year	8	(882)
<b>Net current liabilities</b>		<u>(775)</u>
Creditors: Amounts falling due after more than one year	9	(8,525)
<b>Net assets</b>		<u><u>10</u></u>
<b>Capital and reserves</b>		
Called up share capital	10	10
Profit and loss account	11	-
<b>Equity shareholder's funds</b>	12	<u><u>10</u></u>

These financial statements were approved by the board of directors on 4 June 2009 and were signed on its behalf by:



G Farley

Director



# STAG PCT (PROJECTCO) LIMITED

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### *Basis of accounting*

The financial statements have been prepared in accordance with applicable Accounting Standards using the historical cost convention.

#### *Going concern*

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future.

The accounts show net current liabilities of £775,000. This net current liabilities position is driven by costs incurred during the construction of the fixed asset.

The directors have reviewed the company's working capital forecasts and profit projection. The forecasts demonstrate that the company expects to comply with its banking covenants in the future and to meet liabilities as they fall due.

#### *Turnover*

Turnover represents the value of work done and excludes value added tax. The company's sole business is that described in the directors' report and all turnover is derived in the United Kingdom.

#### *Tangible fixed assets*

In accordance with FRS 5 Application Note F, the costs incurred during construction have been treated as a fixed asset. This treatment arises from applying the guidance within the Application Note which indicates that the project's principal agreements cause STAG PCT (Projectco) Limited to retain all the risks and rewards of ownership of the asset.

Tangible fixed assets therefore represent the design, finance and construction costs of the centre which have been capitalised in accordance with FRS 15 Tangible Fixed Assets.

Depreciation is due to begin on the commencement of operations which is scheduled for April 2010.

#### *Interest payable*

Interest payable on bank borrowings is capitalised as part of land and buildings, in accordance with FRS 15.

#### *Deferred taxation*

The charge for taxation is based on the result for each period and takes into account deferred taxation calculated in accordance with the requirements of FRS 19 Deferred taxation. Deferred tax assets or liabilities are calculated on a non-discounted full provision basis in respect of timing differences that are expected to reverse in future periods.

# STAG PCT (PROJECTCO) LIMITED

## Notes (continued)

### 1 Accounting policies (continued)

#### *Cash flow statement*

The company is exempt from the requirements of FRS 1 to prepare a cashflow statement as it qualifies as a small company.

#### *Finance costs*

Financing costs are accounted for in accordance with FRS 4 Capital Instruments and are written off on a straight line basis over the life of the financing to which they relate.

The balance at the end of the period is set against the outstanding liability.

#### *Financial instruments*

The company has entered into certain hedging agreements in respect of interest rates. These financial instruments are accounted for at cost.

### 2 Operating result

The following costs were incurred during the period and have been capitalised as part of fixed assets in accordance with FRS 15.

	Period ended 31 December 2008 £000
Auditor's remuneration - audit of these financial statements	<u>10</u>

### 3 Net interest payable

	Period ended 31 December 2008 £000
<b>Interest payable and similar charges</b>	
Bank borrowings	162
Bank commitment fees	24
Amortisation of issue costs	7
Net interest payable	<u>193</u>
Amount capitalised as part of fixed assets	<u>(193)</u>
Interest charged to profit and loss account	<u>-</u>

# STAG PCT (PROJECTCO) LIMITED

## Notes (continued)

### 4 Staff costs

There were no employees during the period. The directors have no contract of service with the company.

### 5 Taxation on result on ordinary activities

Period ended  
31 December  
2008  
£000

#### a) Analysis of tax charge for the period

Current tax

UK corporation tax

-

#### b) Factors affecting the tax charge for the period

The tax charge assessed on the result on ordinary activities is in line with the standard rate of corporation tax in the UK of 28% as explained below.

Period ended  
31 December  
2008  
£000

Result on ordinary activities before tax

-

Result on ordinary activities multiplied by standard rate of corporation tax in the UK of 28%

-

#### c) Factors affecting the tax charges in future years

There are no known factors affecting the future tax charge.

### 6 Fixed assets

Fixed asset in  
the course of  
construction  
£000

At 23 April 2008

-

Additions

9,310

Depreciation

-

Cost carried forward

9,310

The aggregate amount of interest payable included in the cost of the tangible asset is £193,000.

# STAG PCT (PROJECTCO) LIMITED

## Notes (continued)

### 7 Debtors: Amounts falling due within one year

	2008 £000
Other debtors	<u>106</u>

### 8 Creditors: Amounts falling due within one year

	2008 £000
Trade creditors	811
Other creditors	31
Accruals and deferred income	<u>40</u>
	<u>882</u>

### 9 Creditors: Amounts falling due after more than one year

	2008 £000
Bank borrowings	8,570
Less: unamortised issue costs	<u>(201)</u>
	8,369
Other creditors	<u>156</u>
	<u>8,525</u>
The bank borrowings are repayable as follows:	
Between one and two years	2,386
Between two and five years	107
Greater than five years	<u>6,077</u>
	<u>8,570</u>

Bank borrowings relate to term loan facilities granted by the bank on 29 July 2008. The loan facility is for a total value of £23,079,000 comprising £19,352,000 term loan facility, £2,381,000 equity bridge facility, £1,030,000 debt service reserve facility and £316,000 change in law facility. As at 31 December 2008 £8,570,000 has been drawn comprising £6,189,000 term loan, £2,381,000 equity bridge loan, £nil debt service reserve facility and £nil change in law facility. Loan issue costs in respect of these facilities have been deducted from the gross proceeds of the bank borrowings and are being amortised over the periods of the facilities as part of the finance costs in accordance with the provisions of FRS 4.

# STAG PCT (PROJECTCO) LIMITED

## Notes (continued)

### 9 Creditors: Amounts falling due after more than one year (continued)

The term loan is repayable in six-monthly instalments commencing on 30 September 2010 and ending on 30 September 2034. The equity bridge loan is repayable on 30 November 2010. Interest is charged on amounts drawn under the facilities based on floating LIBOR. The company has entered into interest hedging agreements to be applied to the expected future borrowings under the facilities. The hedging agreement in respect of the equity bridge loan fixes the interest rate at 5.52% until 29 October 2010. The hedging agreement in respect of the term loan fixes the interest rate at 5.025% until 31 March 2035. The fair value of these financial instruments at 31 December 2008 was a liability of £4,483,000.

The facilities are secured, by way of first fixed charge, over all of the assigned rights which the company now has, its present and future interest in the securities and all other stocks, shares, debentures, bonds and other securities, all account monies, all benefits in respect of insurances, all book and other debts and other monies due, its present and future goodwill and its present and future uncalled capital. They are also secured by way of a floating charge over the whole of the charged assets being the whole of the property (including uncalled capital) which is or may be from time to time comprised in the property and undertaking of the chargor.

The shareholders of the company's parent company, STAG PCT (Holdco) Limited, have committed to subscribe £2,381,000 of equity and loan stock no later than 30 November 2010.

### 10 Share capital

	2008 £000
<b>Authorised</b>	
10,000 ordinary shares of £1 each	<u>10</u>
<b>Allotted, called up and fully paid</b>	
10,000 ordinary shares of £1 each	<u>10</u>

### 11 Profit and loss account

	Period ended 31 December 2008 £000
At beginning of period	-
Result for the financial period	-
At end of period	<u>-</u>

# STAG PCT (PROJECTCO) LIMITED

## Notes (continued)

### 12 Reconciliation of movement in equity shareholder's funds

	2008 £000
On incorporation	-
Share capital issued during the period	10
Result for the financial period	-
At end of period	<u>10</u>

### 13 Capital commitments

Under the terms of a contract with Carillion Construction Limited dated 29 July 2008, the company was committed at 31 December 2008 to payments totalling £10,594,000 in respect of design and construction services to be provided in the period to April 2010.

Under the terms of a contract with Carillion Construction Limited, the company was committed at 31 December 2008 to payments totalling £1,084,000 (index-linked) in respect of management and administration services to be provided in the period to October 2034.

### 14 Related party disclosures

In addition to the contracted commitments set out in note 13 above, administrative, construction, financial and technical services were provided to the company during the period by companies related to Carillion Private Finance (Education) Limited at a cost of £6,664,000.

As at 31 December 2008 £811,000 was owed to companies related to Carillion Private Finance (Education) Limited.

### 15 Parent undertakings

The company is a wholly-owned subsidiary of STAG PCT (Holdco) Limited, a company incorporated in the United Kingdom.

The financial statements of STAG PCT (Holdco) Limited are available to the public and may be obtained from:

Companies House  
Crown Way  
Cardiff  
CF14 3UZ

At 31 December 2008 50% of the share capital of STAG PCT (Holdco) Limited was held by Carillion Private Finance (Health) Limited and 50% by Bank of Ireland Nominees Limited. Both of these companies are incorporated in the United Kingdom.