STAG PCT (PROJECTCO) LIMITED

Annual report and financial statements
For the year ended 31 December 2014

Registered number 06574638

STAG PCT (PROJECTCO) LIMITED

Contents

STAG PCT (PROJECTCO) LIMITED

Directors' report

The directors present their report and the financial statements for the year ended 31 December 2014. The company has early adopted the FRS 102 for the year ended 31 December 2014.

The Directors' report has been prepared in accordance with the special provisions relating to small companies under s415a of the Companies Act 2006.

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 (the "Centre") for a period of twenty-five years pursuant to and in accordance with the terms of an agreement with NHS Property Services Ltd (formerly 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. A further agreement, dated 16 March 2010, was entered into in respect of a major variation relating to the internal configuration of the property. This was funded by the South Tyneside Primary Care Trust. Construction of the facility commenced in July 2008 and was completed in June 2010.

With effect from 1 April 2013, Primary Care Trusts ceased to exist and a statutory transfer order transferred all assets, liabilities and obligations to a new body, NHS Property Services Limited. This transfer has had no effect on the operation of the Centre or STAG PCT (Projectco) Limited.

The profit and loss account is set out on page 7 and relates to the operating activities during the year. During the year interim dividends of £nil were paid (2013: nil). A final dividend of £754k was proposed in 2014 (2013: £nil).

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.

Going Concern

The company has net liabilities of £2,499,000 (2013: net liabilities of £738,000) which includes the fair value of the interest rate swaps of £7,162,601 (2013: 4,202,606) within liabilities and RPI swap of £2,691,954 (2013: 1,266,823) within assets and net current assets of £24,667,000 (2013: 23,799,000) including cash of £1,506,000 (2013: 1,253,000) at 31 December 2014.

The directors have reviewed the future liquidity requirements and have considered the cash flow forecasts of the company. The company produces long-term financial forecasts which show the company is able to operate and meet its financial obligations as they fall due, including compliance with all loan covenants. Based on this review and the future business prospects of the company, despite the current economic conditions the directors believe the company will be able to meet its liabilities as they fall due.

The directors have a reasonable expectation that the company has adequate resources and financial support from its parent undertakings to continue in operational existence for the foreseeable future. Thus it continues to adopt the going concern basis in preparing the annual financial statements.

Directors' report *(continued)*

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 receives its revenue from a UK government body and therefore is not exposed to significant credit risk. The company draws funding, 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. As such the company's exposure to credit risk is reduced. Credit risk is generated through the overall performance risk of the project, deterioration of which might result in non-payment from the counterparty. The performance risk is mitigated via monitoring the progress of the project.

Inflation risk

The company's project revenue, operating and lifecycle costs are linked to a base RPI inflation indexation number at the inception of the project. An RPI hedge is in place to fix indexation on an element of the company's project revenue. This is a swap agreement based on a fixed RPI of 3.73% per annum from 30 September 2010 until 31 March 2035. The fair value of this financial instrument at 31 December 2014 was an asset of £2,692,000 (2013: asset of £1,267,000).

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 hedges 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. This swap agreement is based on a fixed at 5.03% per annum 29 July 2008 until 31 March 2035. The fair value of this financial instrument at 31 December 2014 was a liability of £7,163,000 (2014: liability of 4,203,000)

Lifecycle risk

The company is responsible for lifecycle costs. The directors manage this through annual 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 cautious 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.

Directors' report *(continued)*

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 operations

The company monitors the operational performance by comparing it with the operational financial model. In respect of the year ended 31 December 2014 the company's operational 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 year ended 31 December 2014, 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 year ended 31 December 2014 the safety performance of the company's sub-contractors was considered satisfactory.

Strategic Report

A strategic report has not been prepared as the company is entitled to the small companies exemption.

Directors

The directors who served during the year and subsequently except as noted, were as follows:

B Cashin
J Haan

Disclosure of information to the auditor

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 auditor is 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 auditor is aware of that information.

Directors' report *(continued)*

Auditor

Each of the persons that is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board on 29 July 2015 and signed on its behalf by:

J Haan
Director

84 Salop Street
Wolverhampton
West Midlands
WV3 0SR

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STAG PCT (PROJECTCO) LIMITED

We have audited the financial statements of STAG PCT (Projectco) Limited for the year ended 31 December 2014 which comprise profit and loss account, statement of comprehensive income, the balance sheet, cash flow statement and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Jacqueline Holden

Jacqueline Holden FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
29 July 2015

STAG PCT (PROJECTCO) LIMITED

Profit and Loss account
for the year ended 31 December 2014

	Notes	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Turnover	*1*	**395**	532
Other operating charges		**(235)**	(321)
Operating profit	*2*	**160**	211
Net interest receivable	*3*	**1,384**	1,314
Net interest payable	*4*	**(1,268)**	(1,267)
Profit on ordinary activities before taxation		**276**	258
Taxation on profit on ordinary activities	*6*	**(56)**	(52)
Profit on ordinary activities after taxation for the financial year	*15*	**220**	206

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 profit as disclosed in the profit and loss account above and its historical cost equivalent.

The notes from pages 12 to 25 form part of these financial statements.

STAG PCT (PROJECTCO) LIMITED

Statement of Comprehensive Income

for the year ended 31 December 2014

	Note	**Year ended 31 December 2014 £000**	Year ended 31 December 2013 £000
Profit for the financial year		**220**	206
(Losses)/gains arising from cash flow hedges		**(1,534)**	993
Deferred tax on (losses)/gains arising from cash flow hedges	*7*	**307**	(199)
Total comprehensive (loss)/income for the period		**(1,007)**	1,000

STAG PCT (PROJECTCO) LIMITED

Balance Sheet
at 31 December 2014

	Notes	**2014**	2013
		£000	£000
Current assets			
Deferred Tax	*7*	**591**	339
Debtors: Amounts falling due within one year	*8*	**1,926**	1,867
Debtors: Amounts falling due after more than one year	*9*	**22,308**	21,014
Cash at bank		**1,506**	1,253
		26,331	24,473
Current liabilities			
Creditors: Amounts falling due within one year	*10*	**(1,664)**	(674)
Net current assets		**24,667**	23,799
Creditors: Amounts falling due after more than one year	*11*	**(27,166)**	(24,537)
Net liabilities		**(2,499)**	(738)
Capital and reserves			
Called up share capital	*14*	**700**	700
Profit and loss account	*15*	**377**	911
Hedging reserve	*16*	**(3,576)**	(2,349)
Equity shareholder's deficit		**(2,499)**	(738)

These financial statements were approved by the board of directors on 29 July 2015 and were signed on its behalf by:

J Haan
Director

Registered number 6574638

STAG PCT (PROJECTCO) LIMITED

Statement of changes in equity

for the year ended 31 December 2014

	Notes	Share Capital £000	Retained Earnings £000	Hedging Reserve £000	Total Equity £000
At 31 December 2012 as previously stated		**700**	**(488)**	**-**	**212**
Changes on transition to FRS 102	20	**-**	**1,193**	**(3,143)**	**(1,950)**
At 1 January 2013 as restated		**700**	**705**	**(3,143)**	**(1,738)**
Profit for the year		**-**	**206**	**-**	**206**
Gain arising from cash flow hedges		**-**	**-**	**794**	**794**
At 31 December 2013		**700**	**911**	**(2,349)**	**(738)**
Profit for the year	15	**-**	**220**	**-**	**220**
Dividends paid on equity shares		**-**	**(754)**	**-**	**(754)**
Loss arising from cash flow hedges		**-**	**-**	**(1,227)**	**(1,227)**
At 31 December 2014		**700**	**377**	**(3,576)**	**(2,499)**

STAG PCT (PROJECTCO) LIMITED

Statement of cash flows

for the year ended 31 December 2014

	Notes	Year ended 31 December 2014 £000	Period ended 31 December 2013 £000
Cash flows from operating activities			
Profit for the period		**217**	206
Adjustments for:			
Finance income	3	**(1,384)**	(1,314)
Finance expense	4	**1,268**	1,267
Taxation	6	**59**	52
		160	211
(Increase)/decrease in trade and other receivables		**(1,353)**	1,270
Decrease/(increase) in trade and other payables		**168**	(10)
		(1,025)	1,471
Interest paid and similar charges		**(1,271)**	(1,244)
Net cash from operating activities		**(1,271)**	(1,244)
Cash flow from investing activities			
Interest received on bank deposits and finance receivables		**1,384**	1,314
Net cash from investing activities		**1,384**	1,314
Cash flow from financing activities			
Drawings from loan facilities net of issue costs		**1,165**	(4,072)
Net cash inflow from financing activities		**1,165**	(4,072)
Net increase / (decrease) in cash and cash equivalents		**253**	(2,531)
Cash and cash equivalents at 31 December 2013		**1,253**	3,784
Cash and cash equivalents at 31 December 2014		**1,506**	1,253

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.

a) *Basis of accounting*

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The company has early adopted the FRS 102 for the year ended 31 December 2014. The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year.

b) *Going concern*

The company has net liabilities of £2,499,000 (2013: net liabilities of £738,000) which includes the fair value of the interest rate swaps of £7,162,601 (2013: 4,202,606) within liabilities and RPI swap of £2,691,954 (2013: 1,266,823) within assets and net current assets of £24,667,000 (2013: 23,799,000) including cash of £1,506,000 (2013: 1,253,000) at 31 December 2014.

The directors have reviewed the future liquidity requirements and have considered the cash flow forecasts of the company. The company produces long-term financial forecasts which show the company is able to operate and meet its financial obligations as they fall due, including compliance with all loan covenants. Based on this review and the future business prospects of the company, despite the current economic conditions the directors believe the company will be able to meet its liabilities as they fall due.

The directors have a reasonable expectation that the Company has adequate resources and financial support from its parent undertakings to continue in operational existence for the foreseeable future. Thus it continues to adopt the going concern basis in preparing the annual financial statements.

c) *Service concessions*

The service concession of the company has been assessed to be within the scope of Section 34 of FRS 102. As the company has the unconditional right to receive a specified or determinable amount of cash or another financial asset from or at the direction of the grantor, the asset provided under the concession arrangement is accounted for as a financial asset.

d) *Financial instruments*

The company has chosen to adopt the recognition and measurement provisions of Section 11 and 12 of FRS 102 for financial instruments. The financial assets including PFI receivables held by the company are basic financial instruments as defined by Section 11 of FRS 102 and they are classified as loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

Financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.

Loans and receivables are subsequently measured at amortised cost.

1 **Accounting policies** ***(continued)***

The company derecognises a financial asset when it expires or when the rights to the cash flows from the financial asset have been transferred and substantially all the risks and rewards of ownership of the financial asset have been transferred.

e) Financial liabilities

Financial liabilities are classified as other financial liabilities and arise from the purchase of goods or services and loans in the normal course of the company's business and those which, not having commercial substance, cannot be classified as derivative financial instruments.

Other financial liabilities are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

The company derecognises financial liabilities when the obligations giving rise to them cease to exist.

f) Equity instruments

An equity instruments represents a residual interest in the assets of the company after deducting all of its liabilities.

Capital instruments issued by the company are recognised in equity at the proceeds received, net of issue costs.

g) Revenue and expense recognition

Construction phase – Revenue is recognised based on the fair value of work completed in the period in accordance with Section 23 of FRS 102. This has been determined to be historical cost.

Operational phase – Income received in respect of the service concession is allocated between revenue, and capital repayment of and interest income on the PFI financial asset using the effective interest rate method, which is determined to be 6.20% per annum.

Additional third party revenue arising are recognised in accordance with the contractual terms as services are performed.

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

h) Interest payable and similar charges

Interest payable on bank borrowings and similar charges are expensed to the profit and loss account as incurred.

i) Interest receivable and similar income

Interest receivable on the PFI financial asset is determined using the effective interest rate method and interest receivable on bank and deposit account is credited to the profit and loss account as earned.

1 Accounting policies *(continued)*

j) Taxation

Current tax, including United Kingdom Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the period in which differences are expected to reverse, based on the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are not discounted.

k) Finance costs

Financing costs are calculated using the effective interest method as described in Section 11 "Basic Financial Instruments" of FRS 102.

l) Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

m) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique.

n) Hedge accounting

The Company designates certain derivatives as hedging instruments in respect of variable interest rate risk of the cash flows associated with recognised debt instruments measured at amortised cost and in respect of foreign exchange risk in firm commitments and highly probable forecast transactions.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with the clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge and on an ongoing basis the Company assesses whether the hedging instrument is highly effective in offsetting the designated hedged risk.

The effective portion of changes in the fair value of the designated hedging instrument is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time is reclassified to profit or loss when the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

***o)* Critical accounting estimates and judgements**

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The critical accounting judgements and key sources of estimation uncertainty are namely revenue recognition accounted for in line with Section 23 of FRS 102 as described at note 1 g), the accounting for the PFI asset as financial asset in line with Section 34 of FRS 102 as described at note 1 c), the accounting for the PFI financial asset as basic financial instruments in line with Section 11 of FRS 102 as described at note 1 d), the fair value measurement of derivatives as described at note 1 l) and the application of hedge accounting as described at note 1 n). The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is reviewed if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2 Operating Profit

The following costs were incurred during the year.

	Year ended 31 December 2014	Year ended 31 December 2013
	£000	£000
The audit fees for the company	**11**	9

3 Net interest receivable

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Interest receivable		
Bank interest	**2**	4
Financial asset interest	**1,382**	1,310
Net interest receivable	**1,384**	1,314

4 Net interest payable

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Interest payable and similar charges		
Bank borrowings	**1,091**	1,088
Bank commitment fees	**3**	4
Amortisation of issue costs	**7**	7
Loan Stock interest costs	**167**	168
Net interest payable	**1,268**	1,267

5 Staff costs

There were no employees during the year (2013: none). The directors have no contract of service with the company (2013: none). Amounts payable to third parties in respect of directors' services totalled £23,000 (2013: £22,562).

6 Taxation on profit on ordinary activities

a) Analysis of tax charge for the year

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Current tax:		
Corporation tax	**(1)**	-
Deferred tax:		
Timing Differences	**(55)**	(52)
Total Taxation Charge	**(56)**	(52)

6 Taxation on profit on ordinary activities *(continued)*

Corporation tax recognised in other comprehensive income

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Deferred tax recognised on derivative financial instruments	**307**	(199)

b) Factors affecting the tax charge for the year

The UK standard rate of corporation tax for the year is 21.50% (2013 23.25%). The actual tax rate above is lower than (2013: lower than) the standard rate for the reasons set out below:

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Profit on ordinary activities before tax	**276**	258
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.50% (2013: 23.25%)	**59**	60
Permanent differences	**(3)**	(8)
Total tax charge for the year	**56**	52

c) Factors affecting the tax charges in future years

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

7 Deferred tax assets

The elements of the deferred tax asset are as follows:

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Accelerated capital allowances	**(419)**	(419)
Tax losses carried forward	**116**	171
Derivative financial instruments	**894**	587
Deferred tax asset	**591**	339

There are no unrecognised deferred tax assets or liabilities. Deferred tax assets are provided in compliance with Section 29 of FRS 102 and it is expected that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

The deferred tax asset at 31 December 2014 has been calculated using the rate of 20% substantively enacted at the balance sheet date.

7 Deferred tax assets *(continued)*

Movement in deferred tax during the period

	31 December 2013 £'000	Recognised in income £'000	Recognised in equity £000	31 December 2014 £000
Accelerated capital allowances	(419)	-	-	(419)
Tax losses carried forward	171	(55)	-	116
Derivative financial instruments	587	-	307	894
	339	(55)	307	591

	31 December 2012 £'000	Recognised in income £'000	Recognised in equity £000	31 December 2013 £000
Accelerated capital allowances	(367)	(52)	-	(419)
Tax losses carried forward	171	-	-	171
Derivative financial instruments	786	-	(199)	587
	590	(52)	(199)	339

8 Debtors: amounts falling due within one year

	2014 £000	2013 £000
Prepayments and accrued income	**12**	9
Financial asset	**1,914**	1,858
	1,926	1,867

9 Debtors: amounts falling due after more than one year

	2014 £000	2013 £000
Financial asset	**19,616**	19,747
Derivative fair value (inflation/RPI swap)	**2,692**	1,267
	22,308	21,014

The senior term loan is repayable in six-monthly instalments commencing on 30 September 2010 and ending on 30 September 2034. The RV facility is repayable on 11 April 2035. Interest is charged on amounts drawn under the banking 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 term loan fixed the interest rate at 5.025% until 31 March 2035.

The derivative is accounted for as a hedge of variable interest rate risks, in accordance with FRS102 and has a fair value of a liability of £7,162,601 (2013: liability of £4,202,606) as at the year end date. The cash flows arising from the interest rate swaps will continue until their maturity in 2035, coincidental with the repayment of the term loans. The change in fair value in the period was a decrease of £2,959,995 (2013:

9 Debtors: amounts falling due after more than one year *(continued)*

increase of £2,374,232) with the entire hedge being recognised in other comprehensive income as the swaps were 100% effective hedges.

The fair values of the interest rate swaps have been determined by reference to prices available from the markets on which the instruments involved are traded.

10 Creditors: Amounts falling due within one year

	2014	2013
	£000	£000
Bank borrowings (see note 11)	250	170
Trade creditors	22	20
Other creditors	273	269
Other borrowings (including accrued interest)	229	67
Accruals and deferred income	136	146
Dividend	754	-
	1,664	672

11 Creditors: Amounts falling due after more than one year

	2014	2013
	£000	£000
Bank borrowings	18,663	18,912
Less: unamortised issue costs	(141)	(148)
	18,522	18,764
Other borrowings	1,481	1,570
Derivative fair value (interest rate swap)	7,163	4,203
	27,166	24,537
The bank borrowings are repayable by instalments as follows:		
Within one year (see note 10)	250	172
Between one and two years	325	250
Between two and five years	1,208	1,049
Greater than five years	17,129	17,613
	18,912	19,084

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 of a £14,772,000 senior term loan facility, a £4,580,000 RV facility, a £2,381,000 equity bridge facility, a £1,030,000 debt service reserve facility and a £316,000 change in law facility. As at 31 December 2014 £18,913,000 (2013: £19,084,000) has been drawn comprising £14,333,000 (2013: £14,504,000) senior term loan, £4,580,000 (2013: £4,580,000) RV facility, £nil (2013: £nil) equity bridge loan, £nil (2013: £nil) debt service reserve facility and £nil (2013: £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 years of the facilities as part of the finance costs.

11 Creditors: Amounts falling due after more than one year *(continued)*

The company has entered into a RPI swap contract to hedge its exposure to inflation. Receipts and payments on RPI instruments are recognised on an accrual basis, over the life of the instrument. The RPI swap matures in March 2035. The fair value of the RPI swap as at 31 December 2014 gives rise to an asset of £2,691,954 (2013: gave rise to an asset of £1,266,823). The change in fair value in the period was an increase of £1,425,131 (2013: decrease of £1,380,341) with the entire charge being recognised in other comprehensive income as the swaps were 100% effective hedges.

The fair values of the interest rate swap and the RPI swap have been determined by reference to prices available from the markets on which the instruments involved are traded.

The facilities are secured, by way of first fixed charge, over all of the assigned rights which the company and its parent, STAG PCT (Holdco) Limited, 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 company's parent company STAG PCT (Holdco) Limited has subscribed to £1,691,000 of Loan Stock. This loan is due for repayment, in instalments, on or before September 2034 and carries interest at a fixed rate of 10.5%.

12. Financial instruments

The carrying values of the company's financial assets and liabilities are summarised by category below:

	2014 £'000	2013 £'000
Financial assets		
Measured at fair value and designated in an effective hedging relationship		
• Derivative financial assets (see note 13)	2,692	1,267
Debt instruments measured at amortised cost		
• Financial asset (see note 8 and 9)	21,530	21,605
	24,222	22,872
Financial liabilities		
Measured at fair value and designated in an effective hedging relationship		
• Derivative financial liabilities (see note 13)	7,163	4,203
Measured at undiscounted amount payable		
• Bank borrowings (see note 10 and 11)	18,913	19,083
• Trade and other creditors (see note 10)	295	289
• Other borrowings (see note 10 and 11)	1,710	1,637
	28,081	25,212

The company's income, expense, gains and losses in respect of financial instruments are summarised below:

12. Financial instruments *(continued)*

	2014 £'000	2013 £'000
Interest income and expense		
Total interest income for financial assets at amortised cost	1,384	1,314
Fair value gains and losses		
On derivative financial assets designated in an effective hedging relationship (see note 13)	1,425	(1,430)
On derivative financial liabilities designated in an effective hedging relationship (see note 13)	(2,960)	2,497

13. Derivative financial instruments

	Current		Non-current	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Derivatives that are designated and effective as hedging instruments carried at fair value				
Assets				
RPI swap (See note 9)	-	-	2,692	1,267
	-	-	2,692	1,267
Liabilities				
Interest rate swaps (See note 11)	-	-	7,163	4,203
	-	-	7,163	4,203

RPI swaps and interest rate swaps are valued by a third party using a pricing model. The values were calculated at the mid-point of the relevant yield curve and do not reflect (i) any bid/offer spread customary for these transactions, and (ii) other factors which may affect value, including, without limitation, or portfolio configuration, credit policies and prevailing market factors as well as general business consideration.

14 Called up Share capital

	2014 £000	2013 £000
Allotted, called up and fully paid		
700,490 ordinary shares of £1 each	**700**	700

15 Reserves

The following describes the nature of each reserve within equity:

Reserve	Description and purpose
Hedging reserve	Gains or losses arising on the effective portion of hedging instruments carried at fair value in a qualifying cash flow hedge.
Retained earnings	All other net gains or losses and transactions with owners not recognised elsewhere.

	Hedging reserve £000	**Retained earnings £000**	**Total £000**
Balance brought forward at 1 January 2014	(2,349)	911	(1,438)
Profit for the financial year	-	220	220
Dividends	-	(754)	(754)
Other comprehensive income (net of deferred tax)	(1,227)	-	(1,227)
Balance carried forward at 31 December 2014	(3,576)	377	(3,199)

	Hedging reserve £000	Retained earnings £000	Total £000
Balance brought forward at 1 January 2013	(3,143)	705	(2,438)
Profit for the financial year	-	206	206
Dividends	-	-	-
Other comprehensive income (net of deferred tax)	794	-	794
Balance carried forward at 31 December 2013	(2,349)	911	(1,438)

16 Reconciliation of movement in equity shareholder's funds

	2014 £000	2013 £000
As at 1 January	**(738)**	(1,738)
Profit for the financial year	**220**	206
Dividend paid	**(754)**	-
Hedging Reserve	**(1,227)**	794
As at 31 December	**(2,499)**	(738)

17 Capital commitments

Under the terms of a contract with Carillion Construction Limited, the company was committed at 31 December 2014 to payments totalling £769,000 (2013: £769,000) (base price) in respect of management and administration services to be provided in the period to October 2034.

18 Transaction with related parties

As a 100% subsidiary of STAG PCT (Holdco) Limited, the Company has taken advantage of the exemption under Section 33.1A of FRS 102 not to provide information on related party transactions with other undertakings within the STAG PCT (Holdco) Limited Group. The company does not have any other balances or transactions with other related parties.

19 Parent undertakings

The Company's immediate parent company is STAG PCT (Holdco) Limited, a company incorporated in the United Kingdom and registered in England and Wales.

The Company's ultimate parent and controlling entity is Equitix Fund II LP, an English limited partnership.

20 Explanation of transition to FRS 102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 December 2013 and the date of transition to FRS 102 was therefore 1 January 2013.

As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

Under previous UK GAAP, the PFI asset was accounted for as fixed asset. Under FRS 102, the PFI asset is accounted for as a financial asset. This has resulted in revised revenue recognition policies in line with Section 34 of FRS 102 in respect of service concession financial asset and a reversal of depreciation on the fixed asset under the previous GAAP, replaced with interest receivable on the financial asset.

Hedge accounting is applied for the hedging instruments in place for interest risk. Under the adoption of FRS 102, the swaps have been recognised "on balance sheet". A deferred tax asset has been recognised as a result of the recognition of the swaps on the balance sheet.

Reconciliation of equity

		At 1 January 2013 £'000	At 31 December 2013 £'000
	Equity reported under previous UKGAAP	212	137
	Adjustments to equity on transition to FRS 102		
1	Adoption of hedge accounting (net of deferred tax)	(3,143)	(2,349)
2	Accounting for the PFI asset as financial asset – revenue recognition in line with FRS 102 Section 34 and add back depreciation and replace with interest receivable on the financial asset	1,375	1,684
3	Deferred tax	(182)	(210)
	Equity reported under FRS 102	(1,738)	(738)

20 Explanation of transition to FRS 102 *(continued)*

Reconciliation of profit or loss for 2013

		£'000
	Loss for the financial year under previous UK GAAP	(75)
1	Accounting for the leasehold as financial asset – revenue recognition in line with FRS 102 Section 34 and add back depreciation and replace with interest receivable on the financial asset	309
2	Deferred tax	(28)
	Profit for the financial year under FRS 102	206