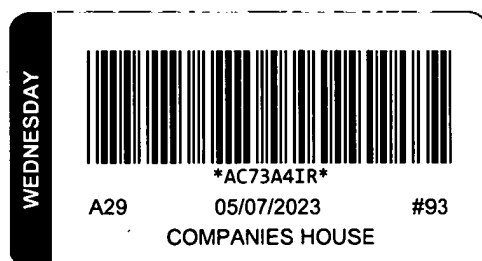


Company registration number 06574638 (England and Wales)

STAG PCT (PROJECTCO) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022



STAG PCT (PROJECTCO) LIMITED

COMPANY INFORMATION

Directors	J C B Jones C S E Douglass
Secretary	J L Fowler
Company number	06574638
Registered office	c/o EMS Ltd 2nd Floor Toronto Square Toronto Street Leeds West Yorkshire LS1 2HJ
Auditor	Goodman Jones LLP 29-30 Fitzroy Square Fitzrovia London W1T 6LQ

STAG PCT (PROJECTCO) LIMITED

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STAG PCT (PROJECTCO) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the company continued to be that of the design, construction, financing and operation of a Primary Care and Community Centre (the "Centre") for a period of a twenty-five years pursuant to and in accordance with the terms of an agreement with NHS Property Services Limited (formerly with the South Tyneside Primary Care Trust).

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J C B Jones
C S E Douglass

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Auditor

In accordance with the company's articles, a resolution proposing that Goodman Jones LLP be reappointed as auditor of the company will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Small companies exemption

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board

Joe Jones

.....
J C B Jones
Director

Date: 21-06-23
.....

STAG PCT (PROJECTCO) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors are responsible for preparing the annual 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;
- 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.

STAG PCT (PROJECTCO) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF STAG PCT (PROJECTCO) LIMITED

Opinion

We have audited the financial statements of STAG PCT (PROJECTCO) LIMITED (the 'company') for the year ended 31 December 2022 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 company's affairs as at 31 December 2022 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

STAG PCT (PROJECTCO) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF STAG PCT (PROJECTCO) LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Company and industry, we identified that the principal risks of noncompliance with laws and regulations related to industry sector regulations and unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and UK Tax Legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls). Appropriate audit procedures in response to these risks were carried out.

These procedures included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading minutes of meetings of those charged with governance;
- Obtaining and reading correspondence from legal and regulatory bodies including HMRC;
- Identifying and testing journal entries;
- Challenging assumptions and judgements made by management in their significant accounting estimates.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members; and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

STAG PCT (PROJECTCO) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF STAG PCT (PROJECTCO) LIMITED

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's member 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 member those matters we are required to state to the member 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 member, for our audit work, for this report, or for the opinions we have formed.

Goodman Jones LLP

Paul Bailey
Senior Statutory Auditor
For and on behalf of Goodman Jones LLP

21-06-23
Date:

Chartered Accountants
Statutory Auditor

29-30 Fitzroy Square
Fitzrovia
London
W1T 6LQ

STAG PCT (PROJECTCO) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

		2022	2021 as restated
	Notes	£'000	£'000
Turnover	3	835	606
Cost of sales		(208)	(206)
Gross profit		627	400
Administrative expenses		(305)	(183)
Operating profit		322	217
Interest receivable and similar income	5	1,150	1,186
Interest payable and similar expenses	6	(995)	(1,060)
Profit before taxation		477	343
Tax on profit	7	(170)	(399)
Profit/(loss) for the financial year		307	(56)
Other comprehensive income			
Cash flow hedges gain/(loss) arising in the year		2,321	(317)
Tax relating to other comprehensive income		(580)	284
Total comprehensive income for the year		2,048	(89)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 9 to 18 form part of these financial statements.

The 2021 comparatives for cost of sales and administrative expenses have been adjusted to include £206k of costs in cost of sales as these costs are directly attributable to sales. This treatment is inline with contractual documents and the operational model.

STAG PCT (PROJECTCO) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Current assets			
Debtors falling due after more than one year	10	17,920	20,251
Debtors falling due within one year	10	754	701
Cash at bank and in hand		595	927
		<u>19,269</u>	<u>21,879</u>
Creditors: amounts falling due within one year	11	<u>(1,218)</u>	<u>(1,695)</u>
Net current assets		18,051	20,184
Creditors: amounts falling due after more than one year	12	(16,586)	(21,373)
Provisions for liabilities		<u>(753)</u>	<u>(147)</u>
Net assets/(liabilities)		<u>712</u>	<u>(1,336)</u>
Capital and reserves			
Called up share capital	14	700	700
Hedging reserve		(1,056)	(2,797)
Profit and loss reserves		<u>1,068</u>	<u>761</u>
Total equity		<u>712</u>	<u>(1,336)</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 21-06-23 and are signed on its behalf by:

Joe Jones
.....
J C B Jones
Director

Company Registration No. 06574638

STAG PCT (PROJECTCO) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital £'000	Hedging reserve £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2021		700	(2,764)	823	(1,241)
Year ended 31 December 2021:					
Loss for the year		-	-	(56)	(56)
Other comprehensive income:					
Cash flow hedges gains		-	(317)	-	(317)
Tax relating to other comprehensive income		-	284	-	284
Total comprehensive income for the year		-	(33)	(56)	(89)
Dividends	8	-	-	(6)	(6)
Balance at 31 December 2021		700	(2,797)	761	(1,336)
Year ended 31 December 2022:					
Profit for the year		-	-	307	307
Other comprehensive income:					
Cash flow hedges gains		-	2,321	-	2,321
Tax relating to other comprehensive income		-	(580)	-	(580)
Total comprehensive income for the year		-	1,741	307	2,048
Balance at 31 December 2022		700	(1,056)	1,068	712

STAG PCT (PROJECTCO) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

STAG PCT (PROJECTCO) LIMITED is a private company limited by shares incorporated in England and Wales. The registered office is c/o EMS Ltd, 2nd Floor Toronto Square, Toronto Street, Leeds, West Yorkshire, LS1 2HJ.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

The directors have reviewed the future liquidity requirements and have considered the cash flow forecasts of the company. 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. Having regard to the above and after making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Service concession accounting

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. This estimate has been based on the WACC of the project and is applied to the carrying value on a quarterly basis.

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

The Company provides property management services. The remuneration for these services is recognised at cost plus an estimated mark up on property management services. The service margin rates used in 2022 are 63.62%, 63.14% and 62.66% (2021: 63.60%, 63.97% and 63.62%) per annum.

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.

STAG PCT (PROJECTCO) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.4 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.5 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

STAG PCT (PROJECTCO) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.6 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.7 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. The Company has also entered into RPI swaps to hedge the potential volatility in future revenue cash flow arising from movements in RPI.

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 instruments. 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 company revoked 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.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured 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.

1.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

STAG PCT (PROJECTCO) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.9 Interest payable and similar charges

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

1.10 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 profit or loss as earned.

1.11 Loan arrangement fees

Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument. The capitalised fees are then released to the statement of comprehensive income on a straight line basis over the term of the loan.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Concession arrangements

The concession arrangements undertaken by the company are considered to fall within the scope of sector 34 of FRS 102 "Service Concession Arrangements", as described in the turnover note. This judgement has been based on consideration of the nature and terms of the agreements and in all contracts the existence of an opinion for the grantor to purchase the properties at the end of the contract.

STAG PCT (PROJECTCO) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Judgements and key sources of estimation uncertainty

(Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Financial asset interest rate

The financial asset interest income is based on the WACC of the project and is applied to the carrying value of the financial asset on a quarterly basis. The interest rate used 6.20% (2021: 6.20%).

Service margin

After the property is constructed, the company provides property management services. The remuneration for these services is recognised at cost plus an estimated mark up for profit on property management services. The service margin rate used in 2022 are 63.62%, 63.14% and 62.66% (2021: 63.60%, 63.97% and 63.62%).

Fair value of swap liabilities

Derivatives are professionally valued annually. The estimated value of derivative transactions is the valuation at the reporting date and this valuation can change significantly even over a very short space of time. The valuation of derivative transactions is complex and such transactions can be calculated in a number of different ways and using a variety of methods. There are a number of factors that can affect the value of a transaction and which may not be taken into account in the valuation estimate provided. This may result in the transaction having an actual value which is higher or lower than the estimate included in these financial statements.

Interest rate and RPI 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. A small 0.25% shift in the interest/inflation rate forward curve is likely to shift the valuation by a significant value in relation to the interest rate or RPI swap valuations provided by the bank and subsequently disclosed in the financial statements. The interest rate and RPI linked swaps are a structured product and valuations of this type of product can differ significantly between different valuers (market-makers / banks and third party valuation firms) due to variations in the subjective market data inputs.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2022 £'000	2021 £'000
Turnover analysed by class of business		
Service Margin	835	606
	<u> </u>	<u> </u>
	2022 £'000	2021 £'000
Other revenue		
Interest income	1,150	1,186
	<u> </u>	<u> </u>

STAG PCT (PROJECTCO) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

4 Employees

The average monthly number of persons (not including directors) employed by the company during the year was:

	2022 Number	2021 Number
Total	-	-

The Directors have no contract of service with the Company. Amounts payable to third parties in respect of Directors' services totalled £27,000 (2021: £27,000).

5 Interest receivable and similar income

	2022 £'000	2021 £'000
Interest income		
Interest on bank deposits	1	-
Other interest income	1,149	1,186
Total income	1,150	1,186

6 Interest payable and similar expenses

	2022 £'000	2021 £'000
Interest on financial liabilities measured at amortised cost:		
Amortisation of issue costs	7	6
Interest payable to group undertakings	104	118
Bank loan interest	884	936
	995	1,060

7 Taxation

	2022 £'000	2021 £'000
Current tax		
UK corporation tax on profits for the current period	144	124
Deferred tax		
Origination and reversal of timing differences	26	275
Total tax charge	170	399

STAG PCT (PROJECTCO) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

7 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £'000	2021 £'000
Profit before taxation	477	343
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	91	65
Tax effect of expenses that are not deductible in determining taxable profit	53	58
Adjustments in respect of prior years	26	17
Effect of change in corporation tax rate	-	259
Taxation charge for the year	170	399

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2022 £'000	2021 £'000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	580	(284)

8 Dividends

	2022 Per share £	2021 Per share £	2022 Total £'000	2021 Total £'000
Interim paid	-	0.01	-	6

9 Financial instruments

	2022 £'000	2021 £'000
Carrying amount of financial assets		
Instruments measured at fair value through profit or loss	-	1,735
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	1,411	5,468

STAG PCT (PROJECTCO) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

9 Financial instruments

(Continued)

The Company has entered into an 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 2022 gives rise to liability of £259,000 (2021: an asset of £1,735,000). The change in fair value in the period was an decrease of £1,994,000 with the entire charge being recognised in other comprehensive income as the swaps were 100% effective cash flow 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. 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.

10 Debtors

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Trade debtors	1	-
Financial asset	748	654
Other debtors	5	47
	<u>754</u>	<u>701</u>
	2022 £'000	2021 £'000
Amounts falling due after more than one year:		
Financial asset	17,920	18,516
Derivative financial instruments	-	1,735
	<u>17,920</u>	<u>20,251</u>
Total debtors	<u>18,674</u>	<u>20,952</u>

11 Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Bank loans	567	712
Other borrowings	113	142
Trade creditors	28	344
Corporation tax	144	124
Other taxation and social security	87	91
Accruals and deferred income	279	282
	<u>1,218</u>	<u>1,695</u>

STAG PCT (PROJECTCO) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

12 Creditors: amounts falling due after more than one year

	Notes	2022 £'000	2021 £'000
Bank loans and overdrafts		14,404	14,970
Other borrowings		771	935
Derivative financial instruments		1,411	5,468
		<u>16,586</u>	<u>21,373</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 £23,349,000, comprising of a £14,772,000 senior term loan facility, a £4,850,000 RV facility, a £2,381,000 equity bridge facility, £1,030,000 debt service reserve facility and a £316,000 change in law facility. Loans 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.

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 SONIA. 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 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 in 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 charger.

The Company's parent company STAG PCT (Holdco) Limited has subscribed to £1,691,000 of Loan Stock. As at 31 December 2022 Loan Stock balance is £883,000 (2021: £1,077,000). This loan is due for repayment, in instalments, on or before September 2034 and carried interest at a fixed rate of 10.5%.

Amounts included above which fall due after five years are as follows:

Payable by instalments	11,747	12,312
Payable other than by instalments	104	302
	<u>11,851</u>	<u>12,614</u>

STAG PCT (PROJECTCO) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

13 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2022 £'000	Liabilities 2021 £'000
Balances:		
Accelerated capital allowances	907	891
Derivative financial instruments	(353)	(933)
Capital gains	199	189
	<u>753</u>	<u>147</u>
Movements in the year:		2022 £'000
Liability at 1 January 2022		147
Charge to profit or loss		26
Charge to other comprehensive income		580
Liability at 31 December 2022		<u>753</u>

The deferred tax liability set out above is not expected to reverse within 12 months.

14 Called up share capital

	2022 Number	2021 Number	2022 £'000	2021 £'000
Ordinary share capital Issued and fully paid of £1 each	<u>700,490</u>	<u>700,490</u>	<u>700</u>	<u>700</u>

15 Related party transactions

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.

16 Parent company

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.