

PRIMARY HEALTH INVESTMENT PROPERTIES (No. 3) LIMITED

Report and Financial Statements

Year ended 31 December 2012



Primary Health Investment Properties (No. 3) Limited

Report and Financial Statements

Year Ended 31 December 2012

Contents	Pages
Officers and Professional Advisers	1
Directors' Report	2 and 3
Independent Auditor's Report	4 and 5
Profit and Loss Account	6
Statement of Total Recognised Gains and Losses	7
Balance Sheet	8
Notes to the Financial Statements	9 to 13

Primary Health Investment Properties (No. 3) Limited

Officers and Professional Advisers

The Board of Directors

H A Hyman
M H Vaughan
P J Holland

Company Secretary

J O Hambro Capital Management Limited

Registered Office

14 Ryder Court
Ryder Street
London
SW1Y 6QB

Auditor

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Primary Health Investment Properties (No. 3) Limited

Directors' Report

Year Ended 31 December 2012

The Directors have pleasure in presenting their Report and the Financial Statements of the Company for the year ended 31 December 2012

Principal activity and business review

The principal activity of the Company during the year continued to be that of property investment

The Annual Report for the year ended 31 December 2012 of the Company's parent, Primary Health Properties PLC ("PHP"), contains a fair review of the business of the Group and an indication of future developments, as required by Section 417 of the Companies Act 2006. It is incorporated into this report by reference.

The Company's turnover represents rental income on the Company's investment property, which the Directors consider to be the key performance indicator. For the year ended 31 December 2012 turnover was £175,416 (2011: £186,543), this decrease of 6.0% is reflective of a unit at the property becoming vacant during 2011 and remaining vacant throughout 2012.

Results and Dividends

The profit for the year amounted to £167,178 (2011: £276,793). The Directors have recommended that no dividend should be declared or paid for the year (2011: £nil). The profit for the year is to be transferred to reserves.

Principal Risks and Uncertainties

Details of the principal risks and uncertainties are set out in the Annual Report of PHP, the ultimate parent undertaking.

Directors

The Directors who served the Company during the year and subsequently were as follows:

H A Hyman
M H Vaughan
P J Holland

Primary Health Investment Properties (No. 3) Limited

Directors' Report *(continued)*

Year Ended 31 December 2012

Directors' Responsibilities

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 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 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.

In so far as the Directors are aware

- there is no relevant audit information of which the Company's Auditor is unaware, and
- having made enquiries of fellow Directors and the Company's Auditor, the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

The Auditors, Ernst & Young LLP, will be deemed to have been re-appointed at the end of the period of 28 days beginning with the day on which copies of this report and the Financial Statements are sent to the member unless a resolution is passed to the effect that their reappointment is brought to an end.



Signed by order of the Board on 27 March 2013
For and on behalf of J O Hambro Capital Management Limited as
Company Secretary of Primary Health Investment Properties (No. 3) Limited

Registered office
14 Ryder Court
Ryder Street
London
SW1Y 6QB

Company Registration Number 03335613

Primary Health Investment Properties (No. 3) Limited

Independent Auditor's Report to the Members of Primary Health Investment Properties (No. 3) Limited

Year Ended 31 December 2012

We have audited the Financial Statements of Primary Health Investment Properties (No. 3) Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 18. 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'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 Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 (UK 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 Report and Financial Statements to identify material inconsistencies with the audited Financial Statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the 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 2012 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.

Primary Health Investment Properties (No. 3) Limited

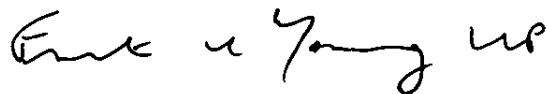
Independent Auditor's Report to the Members of Primary Health Investment Properties (No. 3) Limited

Year Ended 31 December 2012

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



David Wilkinson
(Senior Statutory Auditor)

for and on behalf of
Ernst & Young LLP,
Statutory Auditor

London

27 March 2013

Primary Health Investment Properties (No. 3) Limited

Profit and Loss Account

Year Ended 31 December 2012

	Note	2012 £	2011 £
Turnover	2	175,416	186,543
Administrative expenses		(8,238)	(100)
Operating profit	3	167,178	186,443
Interest receivable	6	–	90,909
Interest payable	7	–	(559)
Profit on ordinary activities before taxation		167,178	276,793
Tax on profit on ordinary activities	8	–	–
Profit for the financial year		167,178	276,793

All of the activities of the Company are classed as continuing

The notes on pages 9 to 13 form part of these Financial Statements

Primary Health Investment Properties (No. 3) Limited

Statement of Total Recognised Gains and Losses

Year Ended 31 December 2012

	2012	2011
	£	£
Profit for the financial year attributable to the shareholders	167,178	276,793
Unrealised deficit on revaluation of investment properties	(11,877)	(25,000)
Total gains and losses recognised in the year	<u>155,301</u>	<u>251,793</u>

The notes on pages 9 to 13 form part of these Financial Statements

Primary Health Investment Properties (No. 3) Limited

Balance Sheet

At 31 December 2012

	Note	2012 £	2011 £
Fixed assets			
Investment property	9	<u>1,365,000</u>	<u>1,365,000</u>
Current assets			
Debtors	10	<u>1,329,169</u>	<u>1,177,027</u>
Current liabilities			
Creditors Amounts falling due within one year	11	<u>(91,503)</u>	<u>(94,662)</u>
Net current assets		<u>1,237,666</u>	<u>1,082,365</u>
Net assets		<u><u>2,602,666</u></u>	<u><u>2,447,365</u></u>
Capital and reserves			
Share capital	12	2	2
Revaluation reserve	13	(1,251,248)	(1,239,371)
Profit and loss account	14	<u>3,853,912</u>	<u>3,686,734</u>
Shareholders' funds	15	<u><u>2,602,666</u></u>	<u><u>2,447,365</u></u>

These Financial Statements were approved by the Directors and authorised for issue on 27 March 2013, and are signed on their behalf by



M H Vaughan
Director

The notes on pages 9 to 13 form part of these Financial Statements

Primary Health Investment Properties (No. 3) Limited

Notes to the Financial Statements

Year Ended 31 December 2012

1. Accounting policies

The following accounting policies have been applied consistently with items which are considered material in relation to the Company's Financial Statements

1.1 Basis of accounting

The Financial Statements have been prepared under the historical cost convention, modified to include the revaluation of investment properties and in accordance with applicable accounting standards

1.2 Cash flow statement

The Directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the Financial Statements on the grounds that a consolidated cash flow statement is presented in the group financial statements of PHP

1.3 Going Concern

After making enquiries of the parent company the Directors have a reasonable expectation that the Company will continue to receive support as required from the parent company and therefore has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements

1.4 Investment properties

All the Company's properties are held for long-term investment. Investment properties are carried at open market value and are accounted for in accordance with SSAP19, as follows

- (i) investment properties are revalued annually. The surplus or deficit on revaluation is transferred to the revaluation reserve unless a deficit below original cost, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year, and
- (ii) no depreciation is provided in respect of freehold investment properties

Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the Directors believe that the policy of not providing depreciation is necessary in order for the Financial Statements to give a true and fair view since the current value of investment properties and changes to that current value are of prime importance, rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been included cannot be separately identified or quantified

1.5 Taxation

Taxation on the profit or loss for the year not exempt under UK-REIT regulations comprises current and deferred tax. Taxation is recognised in the profit and loss account except to the extent that it relates to items recognised as direct movements in equity, in which case it is also recognised as a direct movement in equity

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to the tax payable in respect of previous years

Primary Health Investment Properties (No. 3) Limited

Notes to the Financial Statements

Year Ended 31 December 2012

2. Turnover

Turnover comprises gross rental income and associated revenue from investment property in the UK. Rental income is normally recognised as invoiced on a receivable basis, adjusted for certain rents invoiced in advance and accrued income receivable following rent reviews.

3. Operating profit

Operating profit is stated after charging

	2012 £	2011 £
Auditors' remuneration - audit	-	-
- taxation	-	-
	<u>-</u>	<u>-</u>

Auditors' remuneration for tax and audit services for the current and prior years was borne by Primary Health Investment Properties Limited ('PHIP'), a fellow group undertaking.

4. Particulars of employees

The Company had no employees during the year (2011 - nil), other than the Directors.

5. Directors emoluments

PHP secures the services of Directors to all of its subsidiary undertakings under management agreements with Nexus TradeCo Limited and J O Hambro Capital Management Limited, as disclosed in its Financial Statements. It is not possible to identify the amounts payable under the agreements in respect of the services of the Company's Directors.

6. Interest receivable

	2012 £	2011 £
Interest on back-dated rent	-	90,909
Total interest receivable	<u>-</u>	<u>90,909</u>

7. Interest payable

	2012 £	2011 £
Finance cost element of UK REIT conversion charge	-	424
Bank interest payable	-	135
Total interest payable	<u>-</u>	<u>559</u>

Primary Health Investment Properties (No. 3) Limited

Notes to the Financial Statements

Year Ended 31 December 2012

8. Taxation on profit on ordinary activities

(a) Tax on profit on ordinary activities is made up as follows

	2012 £	2011 £
<i>Current tax</i>		
UK Corporation tax based on the results for the year at 24.5% (2011: 26.5%)	-	-
Total current tax charge (note 8(b))	-	-

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower (2011 – lower) than the standard rate of corporation tax in the UK. The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before taxation	167,178	276,793
	2012 £	2011 £
UK Corporation tax at applicable rate of 24.5% (2011: 26.5%)	40,959	73,350
REIT exempt income	(40,959)	(49,372)
Non deductible items	-	112
Group relief received for no consideration	-	(24,090)
Total current tax charge (note 8(a))	-	-

A reduction in the UK corporation tax rate from 26% to 24% was effective from 1 April 2012. A further reduction from 24% to 23% was substantively enacted on 3 July 2012 and will be effective from 1 April 2013. Accordingly, these rates have been applied in the measurement of the Company's tax liability as at 31 December 2012.

In addition, the Government has announced its intention to further reduce the UK corporation tax rate to 21% from 1 April 2014 and 20% from 1 April 2015. These reductions will be enacted during 2013.

9. Investment property

	2012 £	2011 £
Valuation		
At 1 January	1,365,000	1,390,000
Additions	11,877	-
Revaluation	(11,877)	(25,000)
At 31 December	1,365,000	1,365,000

The historical cost of the investment property at 31 December 2012 was £2,616,248 (2011 – £2,604,371).

Primary Health Investment Properties (No. 3) Limited

Notes to the Financial Statements

Year Ended 31 December 2012

10 Debtors

	2012 £	2011 £
Trade debtors	47,038	47,038
Amounts due from group undertakings	1,282,131	1,129,989
	<u>1,329,169</u>	<u>1,177,027</u>

11 Creditors: Amounts falling due within one year

	2012 £	2011 £
Deferred income	40,856	40,890
Other creditors	50,647	53,772
	<u>91,503</u>	<u>94,662</u>

12. Share capital

Allotted, called up and fully paid

	2012 No	£	2011 No	£
Ordinary shares of £1 each	2	2	2	2
	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

13. Revaluation reserve

	2012 £	2011 £
Balance brought forward	(1,239,371)	(1,214,371)
Unrealised deficit on revaluation of investment property	(11,877)	(25,000)
	<u>(1,251,248)</u>	<u>(1,239,371)</u>

14. Profit and loss account

	2012 £	2011 £
Balance brought forward	3,686,734	3,409,941
Profit for the financial year	167,178	276,793
	<u>3,853,912</u>	<u>3,686,734</u>

Primary Health Investment Properties (No. 3) Limited

Notes to the Financial Statements

Year Ended 31 December 2012

15. Reconciliation of shareholders' funds

	2012 £	2011 £
Opening shareholders' funds	2,447,365	2,195,572
Profit for the financial year	167,178	276,793
Unrealised deficit on revaluation of investment property	(11,877)	(25,000)
Closing shareholders' funds	<u>2,602,666</u>	<u>2,447,365</u>

16. Contingent liabilities

As at 31 December 2012, the PHP Group of companies had available term loan facilities totalling £436 0m (2011 - £392 3m). Of these facilities, £331 0m was drawn as at 31 December 2012 (2011 - £303 0m) and secured by an unlimited guarantee from PHIP and fixed and floating charges over all properties owned by the Company.

17. Related party transactions

The Company has taken advantage of the exemption available in FRS 8 not to disclose transactions with other members of the PHP Group of companies on the basis that 100% of voting rights are controlled within the PHP Group. The group Financial Statements in which the Company is included are publicly available.

18. Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party at the year end was PHP.

The parent undertaking of the smallest and largest group of undertakings for which group Financial Statements are drawn up and of which the Company is a member is PHP. Copies of the Financial Statements of PHP can be obtained from the Register of Companies or the Company Secretary or downloaded from www.phpgroup.co.uk.