

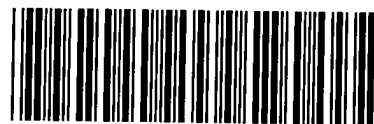
Company Registration Number 03335613

Primary Health Investment Properties (No.3) Limited

Annual Report and Financial Statements

Year ended 31 December 2015

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Primary Health Investment Properties (No.3) Limited
Annual Report and Financial Statements
Year ended 31 December 2015

Contents	Pages
Officers and Professional Advisers	1
Directors' Report	2 to 3
Independent Auditor's Report	4 to 5
Income Statement	6
Balance Sheet	7
Statement of Changes in Equity	8
Notes to the Financial Statements	9 to 17

Primary Health Investment Properties (No.3) Limited
Officers and Professional Advisers
Year ended 31 December 2015

Board of Directors	H A Hyman P J Holland T D Walker-Arnott (appointed 19 April 2016)
Company Secretary	Nexus Management Services Limited
Registered Office	5 th Floor, Greener House 66-68 Haymarket London SW1Y 4RF
Auditor	Deloitte LLP Chartered Accountants and Statutory Auditor 2 New Street Square London EC4A 3BZ

Primary Health Investment Properties (No.3) Limited

Directors' Report

Year ended 31 December 2015

The Directors present their Annual Report and the audited financial statements of Primary Health Investment Properties (No.3) Limited (the "Company") for the year ended 31 December 2015. The Company is registered in England and Wales (company number 03335613).

The Directors have taken advantage of the small company exemption in the Companies Act 2006 (the "Act") (Strategic Report and Directors' Report) Regulations 2013 from including a Strategic Report in these financial statements.

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 2015 of the Company's ultimate parent undertaking, Primary Health Properties PLC ("PHP"), contains a fair review of its business and that of its subsidiaries (the "Group") and an indication of future developments, as required by section 417 of the Act. It is incorporated into this report by reference.

The Directors consider the key performance indicator to be rental income on the Company's investment property.

For the year ended 31 December 2015 rental income was £180,767 (2014: £178,337) which represents an increase of 1.4%. This reflects the impact on rental income of uplifts generated on a number of rent reviews during the year. No significant changes to the operations of the Company have occurred during the year ended 31 December 2015.

Results and Dividends

The Company's profit for the year amounted to £374,294 (restated 2014 for FRS 101 transition: £255,196). The profit for the year is to be transferred to reserves. The Directors have declared and paid a dividend of £4,062,539 during the year (2014: £nil).

Future developments

No significant business developments are anticipated in the foreseeable future.

Post Balance Sheet Events

There have been no post balance sheet events (2014: none).

Going Concern

Reference to the Company's continued adoption of the going concern basis in preparation of these financial statements is made in Note 1.3 on page 10.

Financial Risk Management Objectives and Policies

Details of the principal risks and uncertainties faced by the Company and the Group and their financial risk management objectives and policies are set out in the Annual Report of PHP, the ultimate parent undertaking.

Directors

The Directors who served the Company during the year, and to the date of this Report, were as follows:

H A Hyman

P J Holland

T D Walker-Arnott

Appointed 19 April 2016

Primary Health Investment Properties (No.3) Limited
Directors' Report
Year ended 31 December 2015

Directors' and Officers' Liability Insurance

PHP has procured Directors' and Officers' Liability Insurance for the benefit of its directors and directors of all of its subsidiaries. Such insurance was available throughout the year and remains in force at the date of this report. The cost of Directors' and Officers' Liability Insurance is met by another Group company.

Directors' Responsibilities Statement

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 Financial Reporting Standard 101 Reduced Disclosure Framework. 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 those 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;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping 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.

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

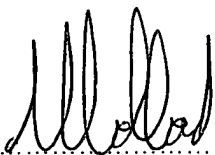
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

This report was approved by the Board of Directors on 26 April 2016 and signed by its order:



Philip Holland
Director

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 2015

We have audited the financial statements of Primary Health Investment Properties (No.3) for the year ended 31 December 2015 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 Reduced Disclosure Framework.

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, 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 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 2015 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 matters prescribed by the Companies Act 2006

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

- the information given in the 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.

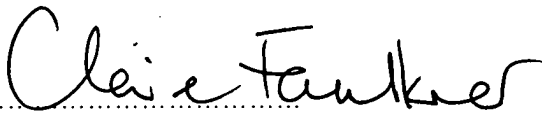
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

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 2015

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 company exemption from preparing a Strategic Report or in preparing the Directors' Report.



Claire Faulkner FCA
(Senior Statutory Auditor)

for and on behalf of Deloitte LLP,
Chartered Accountants and Statutory Auditor

London
26 April 2016

Primary Health Investment Properties (No.3) Limited
Income Statement
Year ended 31 December 2015

	Notes	2015 £	Restated 2014 £
Rental income	3	180,767	178,337
Direct property expenses		(15,303)	35,715
Net rental income		165,464	214,052
Administrative expenses		(16)	(3,050)
Net result on property portfolio	8	208,846	44,194
Operating profit	4	374,294	255,196
Profit before taxation		374,294	255,196
Taxation	7	-	-
Profit for the year attributable to owners of the Company		374,294	255,196

All of the activities of the Company are classed as continuing.

There were no recognised gains or losses other than those included in the Income Statement and as a result no separate Statement of Comprehensive Income is disclosed.

The notes on pages 9 to 17 form part of these financial statements.

Primary Health Investment Properties (No.3) Limited
Balance Sheet
As at 31 December 2015

	Notes	2015 £	Restated 2014 £
Non-current assets			
Investment property	8	<u>4,410,000</u>	<u>3,888,858</u>
		4,410,000	3,888,858
Current assets			
Trade and other receivables	9	<u>976,178</u>	<u>1,126,179</u>
		976,178	1,126,179
Total assets		<u>5,386,178</u>	<u>5,015,037</u>
Current liabilities			
Trade and other payables	10	<u>(5,011,882)</u>	<u>(952,496)</u>
		(5,011,882)	(952,496)
Total liabilities		<u>(5,011,882)</u>	<u>(952,496)</u>
Net assets		<u>374,296</u>	<u>4,062,541</u>
Equity			
Share capital	11	<u>1</u>	<u>1</u>
Retained earnings		<u>374,295</u>	<u>4,062,540</u>
Total equity attributable to owners of the Company		<u>374,296</u>	<u>4,062,541</u>

These financial statements were approved by the Directors and authorised for issue on 26 April 2016, and are signed on their behalf by:



Philip Holland
Director

Company registration number: 03335613

The notes on pages 9 to 17 form part of these financial statements.

Primary Health Investment Properties (No.3) Limited
Statement of Changes in Equity
Year ended 31 December 2015

	Share capital £	Retained earnings £	Total equity £
1 January 2014 (restated)	1	3,807,344	3,807,345
Profit for the year (restated)		255,196	255,196
Total comprehensive income	-	255,196	255,196
31 December 2014 (restated)	1	4,062,540	4,062,541
1 January 2015 (restated)	1	4,062,540	4,062,541
Profit for the year	-	374,294	374,294
Total comprehensive income	-	374,294	374,294
Dividend declared and paid	-	(4,062,539)	(4,062,539)
31 December 2015	1	374,295	374,296

The notes on pages 9 to 17 form part of these financial statements.

Primary Health Investment Properties (No.3) Limited
Notes to the Financial Statements
Year ended 31 December 2015

1. Accounting Policies

The Company is a limited company incorporated in the United Kingdom and registered in England and Wales in accordance with the Companies Act 2006. These financial statements are presented in Sterling because that is the currency of the primary economic environment in which the Company operates.

The nature of the Company's operations and its principal activities are set out in the Directors' Report on pages 2 to 3. The Company's registered office is detailed on page 1.

The following accounting policies have been applied consistently in the current year.

1.1. Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

For all periods up to and including the year ended 31 December 2014 the Company prepared its financial statements in accordance with applicable United Kingdom generally accepted accounting practice (UK GAAP). These financial statements for the year ended 31 December 2015 are the first the Company has prepared in accordance with FRS 101. Refer to this Note for details of how the Company adopted FRS 101.

The Company has applied FRS 101, issued by the Financial Reporting Council, incorporating the Amendments to FRS 101 issued by the Financial Reporting Council in July 2015 and the amendments to Company law made by the Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 (SI 2015/980) prior to their mandatory effective date of accounting periods beginning on or after 1 January 2016.

In preparing these financial statements the Company has started from an opening balance sheet as at 1 January 2014, the Company's date of transition to FRS 101, and made the relevant changes in accounting policies and other restatements required for the first time adoption of FRS 101. Refer to Note 15 for an explanation of the principal adjustments made by the Company in restating its balance sheet as at 1 January 2014.

On transition to FRS 101, the Company has applied the requirements of paragraphs 6 to 33 of IFRS 1 "First time adoption of International Financial Reporting Standards" as amended in accordance with paragraph 5 (b) of FRS 101.

Details of the parent within whose consolidated financial statements the Company is included are shown in Note 14.

As permitted by FRS 101, exemptions from applying the following requirements have been adopted:

- IFRS 7 'Financial Instruments: Disclosures';
- IFRS 13 'Fair Value Measurement' paragraphs 91 to 99;
- IAS 1 'Presentation of Financial Statements' paragraphs 10(d), 10(f), 38 and 40, 76, 79(d) and 134 to 136;
- IAS 7 'Statement of Cash Flows';
- IAS 24 'Related Party Disclosures' paragraph 17 and 18A;
- IAS 36 'Impairment of Assets' paragraphs 130(f)(ii), 130 (f)(iii), 134(d) to (f) and 135(c) to (e); and
- Standards not yet effective.

Where relevant, equivalent disclosures have been given in PHP's consolidated financial statements.

Primary Health Investment Properties (No.3) Limited
Notes to the Financial Statements
Year ended 31 December 2015

1. Accounting Policies (continued)

1.1. Basis of accounting

The Company has also taken advantage of the exemption from the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of the Group where those party to the transaction are wholly owned by a member of the Group.

The financial statements have been prepared under the historical cost convention, modified to include revaluation of investment property.

1.2. Standards adopted during the year

The following new and amended IFRSs are effective for the Company as of 1 January 2015. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- IFRIC 21 – Levies;
- Annual improvements to IFRSs 2010-2012; and
- Annual improvements to IFRSs 2011-2013.

1.3. Going concern

After making enquiries of its 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.

Having reviewed the Company's current position and cash flow projections the Directors have a reasonable expectation that the Company, together with the support of its parent, 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. Cash flow statement

The Directors have taken advantage of the exemption in FRS 101 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.

1.5. Investment properties and investment properties under construction

The Company's investment properties are held for long term investment. Investment properties and those under construction are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties and investment properties under construction are stated at fair value based on market data and a professional valuation made as of each reporting date. The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect future benefits from this future expenditure.

Gains or losses arising from changes in the fair value of investment properties and investment properties under construction are included in the Income Statement in the year in which they arise.

Investment properties are recognised for accounting purposes upon completion of contract, when the risks and rewards of ownership are transferred to the Company. Investment properties cease to be recognised when they have been disposed of. Any gains and losses arising are recognised in the Income Statement in the year of disposal.

Primary Health Investment Properties (No.3) Limited
Notes to the Financial Statements
Year ended 31 December 2015

1. Accounting Policies (continued)

1.5. Investment properties and investment properties under construction (continued)

The Company may enter into a forward funding agreement with third party developers in respect of certain properties under development. In accordance with these agreements, the Company will make monthly stage payments to the developer based on certified works on site at that time. Interest is charged to the developer on all stage payments made during the construction period and on the cost of the land acquired by the Company at the outset of the development and taken to the Income Statement in the year in which it accrues.

1.6. Financial instruments

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedging relationships as defined by IAS 39. Gains or losses on liabilities held for trading are recognised in the income statement.

Other loans and payables

Other loans and payables are non-derivative financial liabilities with fixed or determinable payments that are not quoted on an active market. Such liabilities are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and payables are de-recognised or impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are de-recognised or impaired, as well as through the amortisation process.

1.7. De-recognition of financial assets and liabilities

Financial assets

A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognised where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Primary Health Investment Properties (No.3) Limited
Notes to the Financial Statements
Year ended 31 December 2015

1. Accounting Policies (continued)

1.7. De-recognition of financial assets and liabilities (continued)

Financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in income.

When the exchange or modification of an existing financial liability is not accounted for as an extinguishment, any costs or fees incurred adjust the liability's carrying amount and are amortised over the modified liability's remaining term.

1.8. Fair value measurements

The Company measures certain financial instruments such as derivatives, and non-financial assets such as investment property, at fair value at the end of each reporting period. Also, fair values of financial instruments measured at amortised cost are disclosed in the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Company must be able to access the principal or the most advantageous market at the measurement date.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques at three levels that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole:

- | | |
|---------|---|
| Level 1 | Quoted (unadjusted) market prices in active markets for identical assets or liabilities. |
| Level 2 | Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable. |
| Level 3 | Valuation techniques for which the lowest input that is significant to the fair value measurement is unobservable. |

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

Primary Health Investment Properties (No.3) Limited
Notes to the Financial Statements
Year ended 31 December 2015

1. Accounting Policies (continued)

1.9. Net rental income

Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease term. An adjustment to rental income is recognised from the rent review date of each lease in relation to unsettled rent reviews. Such adjustments are accrued at 90% of the additional rental income that is expected to result from the review. For leases which contain fixed or minimum deemed uplifts, the rental income is recognised on a straight line basis over the lease term. Incentives for lessees to enter into lease agreements are spread evenly over the lease terms, even if the payments are not made on such a basis. Rental income is measured at the fair value of the consideration receivable, excluding discounts, rebates, VAT and other sales taxes or duty.

1.10. Taxation

The Company is a member of a UK Group REIT. Taxation on the profit or loss for the period not exempt under UK-REIT regulations comprises current and deferred tax. Taxation is recognised in the income statement 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 any non-REIT taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2. Significant accounting estimates and judgements

The preparation of financial statements requires management to make a number of estimates and judgements that affect the reported amounts of assets and liabilities and may differ from future actual results. The estimates and judgements that are considered most critical and that have a significant inherent risk of causing a material adjustment to the carrying amounts of assets and liabilities are:

a) Estimates

Fair value of investment properties

Investment property includes (i) completed investment property, and (ii) investment property under construction. Completed investment property comprises real estate held by the Company or leased by the Company under a finance lease in order to earn rentals or for capital appreciation, or both.

The fair market value of a property is deemed by the independent property valuer appointed by the Company, to be the estimated amount for which a property should exchange, on the date of valuation, in an arm's length transaction. Properties have been valued on an individual basis, assuming that they will be sold individually over time. Allowances are made to reflect the purchaser's costs of professional fees and stamp duty.

In accordance with RICS Appraisal and Valuation Standards, factors taken into account are current market conditions, annual rentals, state of repair, ground stability, contamination issues and fire, health and safety legislations.

In determining the fair value of investment properties under construction the valuer is required to consider the significant risks which are relevant to the development process including, but not limited to, construction and letting risks. The valuer takes into account where the Company's assets under construction are pre-let and construction risk remains with the respective developer or contractor.

Primary Health Investment Properties (No.3) Limited
Notes to the Financial Statements
Year ended 31 December 2015

2. Significant accounting estimates and judgements (continued)

a) Estimates (continued)

Rent reviews

The Company's occupational leases include periodic rent review provisions. All reviews are effectively upwards only and either reviewed to Open Market Rent, linked to RPI or subject to a fixed uplift at the review date. The Company accrues for the potential uplift in rent from the date of the review. Estimated rents are established using data from previous reviews, supported by estimates from third-party advisers. The Company then accrues 90% of the estimated rental increase. Any additional rent receivable is booked on receipt when the rent review is agreed.

b) Judgements

Leases

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined that it retains all the significant risks and rewards of ownership of the vast majority of the properties, which are leased out on operating leases. The Company has entered into a small number of finance lease arrangements where it has determined that it has transferred substantially all the risks and rewards incidental to ownership to the occupier.

3. Rental income

Rental income comprises gross rental income and associated revenue from investment properties in the UK. Rental income is derived from one business segment. Rental income is normally recognised as invoiced on a receivable basis, adjusted for certain rents invoiced in advance, the effect of lease incentives such as rent free periods and accrued income receivable following rent reviews.

Company as a lessor

The future minimum lease payments under non-cancellable operating leases receivable by the Company are as follows:

	Less than one year £	One to five years £	More than five years £	Total £
2015	195,550	780,702	2,916,501	3,892,753
2014	138,510	554,040	2,216,160	2,908,710

The rental income earned on operating leases is recognised on a straight line basis over the lease term.

The Company leases medical centres to GPs, NHS organisations and other healthcare users, typically on long term occupational leases which provide for regular reviews of rent on an effectively upward-only basis.

Primary Health Investment Properties (No.3) Limited
Notes to the Financial Statements
Year ended 31 December 2015

4. Operating profit

Auditor's remuneration for audit services and tax compliance for the current year have been borne by PHP, the ultimate parent undertaking. The following amount is applicable to the audit of the Company:

	2015 £	Restated 2014 £
Auditor's remuneration - audit	<u>2,100</u>	<u>2,100</u>

The Company incurred no non-audit fees during the year (2014: £nil).

5. Particulars of employees

The Company had no employees during the year (2014: nil), other than the Directors.

6. Directors' emoluments

PHP procures the services of directors to all of its subsidiary undertakings under an advisory agreement with Nexus Tradeco Limited, as disclosed in PHP's financial statements. It is not possible to separately identify the amounts payable under the agreement in respect of the services of the Company's Directors.

7. Taxation

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

	2015 £	Restated 2014 £
Current tax:		
UK Corporation tax	<u>-</u>	<u>-</u>
Tax expense for the year (note 7(b))	<u>-</u>	<u>-</u>

(b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower (2014: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2015 £	Restated 2014 £
Profit on ordinary activities before taxation	374,294	255,196
UK Corporation tax at applicable rate of 20.25% (2014: 21.5%)	75,795	54,867
REIT exempt income	(33,506)	(45,365)
Non-taxable items	(42,291)	(9,502)
Group relief surrendered for no consideration	<u>2</u>	<u>-</u>
Tax expense for the year (note 7(a))	<u>-</u>	<u>-</u>

A reduction in the UK corporation tax rate from 21% to 20% was effective from 1 April 2015. Accordingly, these rates have been applied in the measurement of the Company's tax liability as at 31 December 2015.

Primary Health Investment Properties (No.3) Limited
Notes to the Financial Statements
Year ended 31 December 2015

8. Investment property

	Investment properties freehold £
Valuation	
As at 1 January 2014	2,591,222
Additions	1,253,442
Revaluations	<u>44,194</u>
As at 31 December 2014	3,888,858
Additions	312,296
Revaluations	<u>208,846</u>
As at 31 December 2015	<u>4,410,000</u>

The historical cost of the investment property at 31 December 2015 was £4,368,742 (2014: £4,056,446).

See Note 13 for details of the Group bank borrowings for which the Company's property is included as security.

Investment properties were independently valued at 31 December 2015 by Lambert Smith Hampton, acting as external surveyors on the basis of open market value as defined in RICS Appraisal and Valuations Manual.

9. Trade and other receivables

	2015 £	2014 £
Trade receivables	1,575	-
Amounts owed by Group undertakings	969,713	1,122,121
Prepayments and accrued income	4,890	-
Other receivables	<u>-</u>	<u>4,058</u>
	<u>976,178</u>	<u>1,126,179</u>

Amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

10. Trade and other payables

	2015 £	2014 £
Current		
Trade payables	8,840	-
Amounts owed to Group undertakings	4,891,352	877,135
Other payables	67,167	37,650
Accruals and deferred income	<u>44,523</u>	<u>37,711</u>
	<u>5,011,882</u>	<u>952,496</u>

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

Primary Health Investment Properties (No.3) Limited
Notes to the Financial Statements
Year ended 31 December 2015

11. Share capital

	2015 £	2014 £
Issued, allocated and fully paid:		
1 (2014: 1) ordinary share of £1 each	<u>1</u>	<u>1</u>

12. Related party transactions

The Company has taken advantage of the exemption available in FRS 101 not to disclose transactions with other members of the Group on the basis that 100% of voting rights are controlled within the Group. The consolidated financial statements in which the Company is included are publicly available.

13. Contingent liabilities

At 31 December 2015, amounts drawn on the Club Facility with the Royal Bank of Scotland plc and Santander Corporate Banking ("the Facility") totalled £146.25 million (2014: £123.5 million). The Facility agreement has been entered into with Primary Health Investment Properties Limited ("PHIP") and other Group companies as guarantors, one of which is the Company. The property held by the Company is included as security for the Facility.

14. Ultimate parent undertaking and controlling party

The immediate and ultimate parent undertaking and the controlling party is Primary Health Properties PLC ("PHP"). PHP's registered address is 5th Floor, Greener House, 66-68 Haymarket, London, SW1Y 4RF.

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 Companies House or the Company Secretary or downloaded from www.phpgroup.co.uk.

15. Conversion to FRS 101

Following the Company's adoption of FRS 101, the 2014 comparative information in these financial statements has been restated and re-presented under FRS 101. Set out below is a reconciliation of the profit for the year ended 31 December 2014 from UK GAAP to FRS 101. The adoption of FRS 101 has resulted in no movement in total equity under UK GAAP at 1 January 2014 and 31 December 2014 to total equity under FRS 101. More detailed explanations of the key adjustments are set out below this table.

Reconciliation of profit for the year from UK GAAP to FRS 101

	Note	2014 £
Profit for the year (UK GAAP)		211,002
Net result on property portfolio	A	<u>44,194</u>
Profit for the year (FRS 101)		<u>255,196</u>

Note

A Net result on property portfolio

Under UK GAAP the Company policy was to revalue investment property to market value at the balance sheet date. This continues to be the policy under FRS 101. Under FRS 101 the net result is shown through the statement of comprehensive income rather than reserves.