

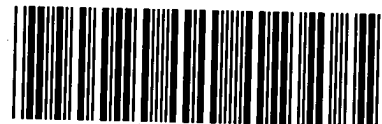
Company Registration Number 03335613

## **Primary Health Investment Properties (No.3) Limited**

### **Annual Report and Financial Statements**

Year ended 31 December 2014

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**Primary Health Investment Properties (No.3) Limited**  
**Annual Report and Financial Statements**  
**Year ended 31 December 2014**

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**Primary Health Investment Properties (No.3) Limited**  
**Officers and Professional Advisers**  
**Year ended 31 December 2014**

<b>Directors</b>	H A Hyman	
	P J Holland	
	M H Vaughan	resigned 30 April 2014
<b>Company Secretary</b>	Nexus Management Services Limited	appointed 30 April 2014
	J O Hambro Capital Management Limited	resigned 30 April 2014
<b>Registered Office</b>	5th Floor, Greener House 66-68 Haymarket London SW1Y 4RF	
<b>Auditor</b>	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 2014**

The Directors have pleasure in presenting their Annual Report and the audited financial statements of Primary Health Investment Properties (No.3) Limited (the "Company") for the year ended 31 December 2014. The Company is registered in England and Wales (company number 03335613).

The Directors have taken advantage of the small companies' exemption in The Companies Act 2006 (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 2014 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 Companies Act 2006. It is incorporated into this report by reference.

The Company's turnover represents rental income from the letting of the Company's investment property, which the Directors consider to be the key performance indicator.

For the year ended 31 December 2014 turnover was £178,337 (2013: £175,383), there were no rent reviews performed during the year.

On 31 December 2013 the Company entered into a number of agreements for lease with regard its investment property that provide for the establishment of new 21 year leases to a number of occupiers subject to the satisfactory completion of a programme of refurbishment works. During the year the Company has progressed those refurbishment works expenditure on which will total £1.7 million when completed. The refurbishment works are expected to complete in early 2015. The property's existing tenant has continued to occupy the premises and pay rent throughout the refurbishment period. The agreement for lease and refurbishment works agreement were entered into by the Company and its existing tenant upon agreement by the Company to waive certain sums due to the Company from the tenant.

#### **Results and Dividends**

The profit for the year amounted to £211,002 (2013: £165,214). The profit for the year is to be transferred to reserves. The Directors have recommended that no dividend should be declared or paid for the year (2013: £nil).

During the year a historic accrual of £49,030 was released to the profit and loss account through administrative expenses.

Reference to the Company's continued adoption of the going concern basis in preparation of these financial statements is made in Note 1.2 on page 9.

#### **Principal Risks and Uncertainties**

Details of the principal risks and uncertainties and financial risk management objectives and policies faced by the Company and the Group 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  
M H Vaughan                      resigned 30 April 2014

**Primary Health Investment Properties (No.3) Limited**  
**Directors' Report**  
**Year ended 31 December 2014**

**Directors' Indemnity**

PHP has procured qualifying third party indemnity provisions for the benefit of its Directors and Directors of all of its subsidiaries, which were available throughout the year and remain in force at the date of this report. The cost of this Directors' indemnity insurance is met by another Group company.

**Directors' Responsibilities Statement**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company Law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company Law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing 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 applicable United Kingdom Accounting Standards have 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.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's Auditor is unaware; and
- 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.

This confirmation is given and should be interpreted in accordance with the provisions of s.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 15 April 2015 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 2014**

We have audited the financial statements of Primary Health Investment Properties (No.3) Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 16. 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, 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 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 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

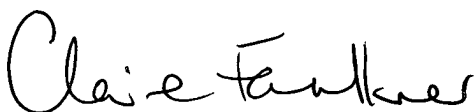
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**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 2014**

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



**Claire Faulkner**  
**(Senior Statutory Auditor)**

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

London  
16 April 2015

**Primary Health Investment Properties (No.3) Limited**  
**Profit and Loss Account**  
**Year ended 31 December 2014**

	Notes	2014 £	2013 £
<b>Turnover</b>	2	<b>178,337</b>	175,383
Administrative expenses		<u>32,665</u>	<u>(10,169)</u>
<b>Operating profit</b>	3	<u><b>211,002</b></u>	<u>165,214</u>
<b>Profit on ordinary activities before taxation</b>		<b>211,002</b>	165,214
Tax on profit from ordinary activities	6	<u>-</u>	<u>-</u>
<b>Profit for the year</b>		<u><b>211,002</b></u>	<u>165,214</u>

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 2014**

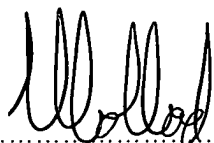
	Note	2014 £	2013 £
Profit for the year attributable to the shareholders		<b>211,002</b>	165,214
Unrealised gain on revaluation of investment property	7	<u><b>44,194</b></u>	<u>1,039,466</u>
<b>Total gains recognised in the year</b>		<u><b>255,196</b></u>	<u>1,204,680</u>

The notes on pages 9 to 13 form part of these financial statements.

**Primary Health Investment Properties (No.3) Limited**  
**Balance Sheet**  
**As at 31 December 2014**

	Notes	2014 £	2013 £
<b>Fixed assets</b>			
Investment property	7	3,888,858	2,591,222
<b>Current assets</b>			
Debtors	8	1,126,179	1,307,626
<b>Current liabilities</b>			
Creditors: Amounts falling due within one year	9	(952,496)	(91,503)
<b>Net current assets</b>		<u>173,683</u>	<u>1,216,123</u>
<b>Total assets less current liabilities</b>		<u>4,062,541</u>	<u>3,807,345</u>
<b>Net assets</b>		<u><u>4,062,541</u></u>	<u><u>3,807,345</u></u>
<b>Capital and reserves</b>			
Called-up share capital	10	1	1
Revaluation reserve	12	(167,588)	(211,782)
Profit and loss account	11	4,230,128	4,019,126
<b>Shareholder's funds</b>	13	<u><u>4,062,541</u></u>	<u><u>3,807,345</u></u>

These financial statements were approved by the Directors and authorised for issue on 15 April 2015, and are signed on their behalf by:



.....  
**Philip Holland**  
**Director**

Company registration number 03335613

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 2014**

**1. Accounting Policies**

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

**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 United Kingdom accounting standards.

The FRC issued FRS 100, 'Application of financial reporting requirements' and FRS 101, 'Reduced disclosure framework', in November 2012. The effective date for FRS 100 and FRS 101 is for accounting periods beginning on or after 1 January 2015. FRS 101 allows subsidiaries and parent entities to prepare their individual financial statements using the recognition and measurement requirements of IFRS, but with reduced disclosures.

The Company has elected to adopt FRS 101 for the period beginning on 1 January 2015.

**1.2 Going Concern**

After making enquiries of its ultimate parent undertaking the Directors have a reasonable expectation that the Company will continue to receive support as required from the ultimate parent undertaking and therefore has adequate resources to continue in operational existence for the foreseeable future.

**1.3 Cash flow statement**

The Directors have taken advantage of the exemption in FRS 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.

**1.4 Investment properties**

The Company's properties are held for long-term investment. Investment properties are carried at market value and are accounted for in accordance with SSAP19, Accounting for Investment Properties, as follows:

- i) investment properties are revalued annually by an external valuer. 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 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.

**Primary Health Investment Properties (No.3) Limited**  
**Notes to the Financial Statements**  
**Year ended 31 December 2014**

**1. Accounting Policies (continued)**

**1.5 Taxation**

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 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 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. Turnover**

Turnover comprises gross rental income and associated revenue from investment properties in the UK. Turnover 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.

**3. Operating profit**

		<b>2014</b>	2013
		<b>£</b>	£
Auditor's remuneration	- audit	<b>2,100</b>	2,000

Auditor's remuneration for audit services for the current year and prior year was borne by PHP, the ultimate parent undertaking

**4. Particulars of employees**

The Company had no employees during the year (2013: nil), other than the Directors.

**5. 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.

**Primary Health Investment Properties (No.3) Limited**  
**Notes to the Financial Statements**  
**Year ended 31 December 2014**

**6. Taxation on profit on ordinary activities**

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

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Current tax:		
UK Corporation tax based on the results for the year at 21.5% (2013: 23.3%)	-	-
Total current tax charge (note 6(b))	<u>-</u>	<u>-</u>

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

The tax assessed for the year is lower (2013: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before taxation	<b>211,002</b>	165,214
Current tax:		
UK Corporation tax at applicable rate of 21.5% (2013: 23.3%)	<b>45,365</b>	38,412
REIT exempt income	<b>(45,365)</b>	(38,412)
Total current tax charge (note 6(a))	<u>-</u>	<u>-</u>

A reduction in the UK corporation tax rate from 23% to 21% was effective from 1 April 2014. Accordingly, these rates have been applied in the measurement of the Company's tax liability as at 31 December 2014.

**7. Investment property**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
<b>Valuation</b>		
As at 1 January	<b>2,591,222</b>	1,365,000
Additions	<b>1,253,442</b>	186,756
Revaluation	<b>44,194</b>	1,039,466
As at 31 December	<u><b>3,888,858</b></u>	<u>2,591,222</u>

The historical cost of the freehold investment property at 31 December 2014 was £4,056,446 (2013: £2,803,004).

Investment properties were independently valued at 31 December 2014 by Lambert Smith Hampton, acting as external surveyors on the basis of market value as defined in RICS Appraisal and Valuations Manual.

**Primary Health Investment Properties (No.3) Limited**  
**Notes to the Financial Statements**  
**Year ended 31 December 2014**

**8. Debtors**

	2014 £	2013 £
Other debtors	4,058	-
Amounts owed by group undertakings	1,122,121	1,307,626
	<u>1,126,179</u>	<u>1,307,626</u>

**9. Creditors: Amounts falling due within one year**

	2014 £	2013 £
Amounts owed to group undertakings	877,135	-
Accruals and deferred income	37,711	40,856
Other creditors	37,650	50,647
	<u>952,496</u>	<u>91,503</u>

**10. Called-up share capital**

	2014 £	2013 £
<b>Allotted, called up and fully paid</b>		
1 (2013: 1) ordinary share of £1	<u>1</u>	<u>1</u>

**11. Profit and loss account**

	2014 £	2013 £
Balance brought forward	4,019,126	3,853,912
Profit for the financial year	211,002	165,214
	<u>4,230,128</u>	<u>4,019,126</u>

**12. Revaluation reserve**

	2014 £	2013 £
Balance brought forward	(211,782)	(1,251,248)
Unrealised gain on revaluation of investment property	44,194	1,039,466
	<u>(167,588)</u>	<u>(211,782)</u>

The Directors are of the opinion that the revaluation deficit is not permanent in nature which is why the deficit has been charged to the revaluation reserve rather than the profit and loss account.

**Primary Health Investment Properties (No.3) Limited**  
**Notes to the Financial Statements**  
**Year ended 31 December 2014**

**13. Reconciliation of movement in shareholder's funds**

	2014 £	2013 £
Opening shareholder's funds	3,807,345	2,602,665
Profit for the financial year	211,002	165,214
Unrealised gain on revaluation of investment property	<u>44,194</u>	<u>1,039,466</u>
Closing shareholder's funds	<u>4,062,541</u>	<u>3,807,345</u>

**14. Related party transactions**

The Company has taken advantage of the exemption available in FRS 8 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.

**15. Contingent liabilities**

At 31 December 2014, amounts drawn on the Club Facility with the Royal Bank of Scotland plc and Santander Corporate Banking ("the Facility") totalled £123.5 million (2013: £100.5 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.

**16. Ultimate parent undertaking and controlling party**

The immediate and ultimate parent undertaking and controlling party is 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](http://www.phpgroup.co.uk).