

# **PRIMARY HEALTH INVESTMENT PROPERTIES (No. 4) LIMITED**

## **Report and Financial Statements**

Year ended 31 December 2012



# **Primary Health Investment Properties (No. 4) Limited**

## **Report and Financial Statements**

**Year Ended 31 December 2012**

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# **Primary Health Investment Properties (No. 4) Limited**

## **Officers and Professional Advisers**

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### **Board of Directors**

H A Hyman  
M H Vaughan  
T D Walker-Arnott  
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. 4) Limited**

## **Directors' Report**

### **Year Ended 31 December 2012**

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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 through its ownership of subsidiary undertakings which own investment property

Following the transfer out on 28 November 2011 of the Company's investment properties, and their related assets and liabilities, the Company has not traded in the year. On 13 December 2012, the Company acquired 100% of the issued share capital of Apollo Medical Partners Limited and its wholly owned subsidiary Apollo Capital Projects Limited (together "Apollo")

The Annual Report for the year ended 31 December 2012 of the Company's ultimate parent undertaking, 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 has not traded in the year, however, the Company's turnover would represent rental income on any investment property, which the Directors would consider to be the key performance indicator.

For the year ended 31 December 2012 turnover was £nil (2011 £289,900), the decrease reflects the transfer out of investment property to another group undertaking on 28 November 2011.

#### **Results and Dividends**

The profit for the year amounted to £nil (2011 £257,244). The Directors have not recommended that a dividend should be declared and paid in the year (2011 £nil).

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

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

#### **Directors**

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

H A Hyman  
M H Vaughan  
T D Walker-Arnott  
P J Holland

# Primary Health Investment Properties (No. 4) Limited

## Directors' Report

Year Ended 31 December 2012

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### 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 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 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.

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

### Auditor

The Auditor, 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 18 April 2013  
For and on behalf of J O Hambro Capital Management Limited as  
Company Secretary of Primary Health Investment Properties (No. 4) Limited

Registered office  
14 Ryder Court  
Ryder Street  
London  
SW1Y 6QB

Company Registration Number 04167040

# **Primary Health Investment Properties (No. 4) Limited**

## **Independent Auditor's Report to the Shareholders of Primary Health Investment Properties (No. 4) Limited**

**Year Ended 31 December 2012**

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We have audited the Financial Statements of Primary Health Investment Properties (No. 4) Limited for the year ended 31 December 2012 which comprises the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 19. 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 shareholders, 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 shareholders 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 shareholders 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 audited Financial Statements. If become aware of any apparent material misstatements or inconsistencies we consider the implication 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 result 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. 4) Limited**

## **Independent Auditor's Report to the Shareholders of Primary Health Investment Properties (No. 4) Limited**

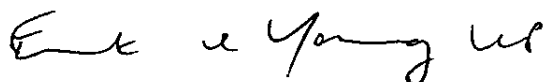
**Year Ended 31 December 2012**

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### **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

*22 April*

2013

# **Primary Health Investment Properties (No. 4) Limited**

## **Profit and Loss Account**

**Year Ended 31 December 2012**

	<b>Note</b>	<b>2012 £</b>	<b>2011 £</b>
<b>Turnover</b>	2	—	289,900
Administrative expenses		—	—
<b>Operating profit</b>	3	—	289,900
Interest payable	4	—	(38,498)
<b>Profit on ordinary activities before taxation</b>		—	251,402
Tax on profit on ordinary activities	7	—	5,842
<b>Profit for the financial year</b>		—	257,244

The Company's trade has ceased however the activities of the Company are classed as continuing

The notes on pages 9 to 15 form part of these Financial Statements



# **Primary Health Investment Properties (No. 4) Limited**

## **Statement of Total Recognised Gains and Losses**

**Year Ended 31 December 2012**

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	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Profit for the financial year attributable to the shareholders	–	257,244
Unrealised gain on revaluation of investment properties	–	220,000
Total gains and losses recognised in the year	<u>–</u>	<u>477,244</u>

**The notes on pages 9 to 15 form part of these Financial Statements**

# Primary Health Investment Properties (No. 4) Limited

## Balance Sheet

At 31 December 2012

	Note	2012 £	2011 £
<b>Fixed Assets</b>			
Investment property	8	—	—
Investment in subsidiary	9	9,551,086	—
<b>Current Assets</b>			
Debtors	10	55,413	5,285,405
		<u>55,413</u>	<u>5,285,405</u>
<b>Current liabilities</b>			
Creditors Amounts falling due within one year	11	(7,028,703)	(2,707,609)
<b>Net current (liabilities)/assets</b>		<u>(6,973,290)</u>	<u>2,577,796</u>
<b>Total assets less current liabilities</b>		<u>2,577,796</u>	<u>2,577,796</u>
<b>Net assets</b>		<u><u>2,577,796</u></u>	<u><u>2,577,796</u></u>
<b>Capital and reserves</b>			
Called-up equity share capital	12	210	210
Revaluation reserve	13	—	—
Profit and loss account	14	2,577,586	2,577,586
<b>Shareholders' funds</b>	15	<u><u>2,577,796</u></u>	<u><u>2,577,796</u></u>

These Financial Statements were approved by the Directors and authorised for issue on 18 April 2013, and are signed on their behalf by



M H Vaughan  
Director

The notes on pages 9 to 15 form part of these Financial Statements

# **Primary Health Investment Properties (No. 4) Limited**

## **Notes to the Financial Statements**

**Year Ended 31 December 2012**

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### **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 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

As at 31 December 2012 the Company had net current liabilities of £6,973,290. Having reviewed the Company's current position, cash flow projections, loan facilities and covenant cover the Directors have a reasonable expectation that the Company 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.

#### **1.3 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.

#### **1.4 Investment properties**

All the Company's properties were 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.
- (ii) no depreciation is provided in respect of freehold properties, and

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. 4) Limited

## Notes to the Financial Statements

Year Ended 31 December 2012

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### 1. Accounting Policies (continued)

#### 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.

#### 1.6 Investment in subsidiary undertaking

Investments in subsidiary undertakings are stated at cost in the Company's balance sheet less any provision for permanent impairment in value. The cost of investment is the amount of cash paid, together with the fair value of the other consideration given and an estimate of the fair value of contingent consideration. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

### 2. Turnover

Turnover comprised gross rental income and associated revenue from the investment properties in the UK. Rental income was 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 is borne by Primary Health Investment Properties Limited, the immediate parent undertaking.

### 4. Interest payable

	2012 £	2011 £
Bank loan interest	—	22,165
Intercompany interest	—	16,333
	<u>—</u>	<u>38,498</u>

# Primary Health Investment Properties (No. 4) Limited

## Notes to the Financial Statements

### Year Ended 31 December 2012

#### 5. Particulars of employees

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

#### 6 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

#### 7. Taxation on ordinary activities

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

	2012 £	2011 £
Current tax		
UK Corporation tax based on the results for the year at 24.5% (2011: 26.5%)	–	(5,842)
Total current tax charge (note 7(b))	–	(5,842)

(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	–	251,402
UK Corporation tax at applicable rate of 24.5% (2011: 26.5%)	–	66,622
Group relief received for no consideration	–	(2,756)
REIT exempt income	–	(63,866)
Movement in tax provision relating to previous years	–	(5,842)
Total current tax credit (note 7(a))	–	(5,842)

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 are expected to be enacted during 2013.

# Primary Health Investment Properties (No. 4) Limited

## Notes to the Financial Statements

Year Ended 31 December 2012

### 8. Investment property

	2012 £	2011 £
<b>Valuation</b>		
At 1 January	–	5,215,000
Adjustment	–	(160,000)
Revaluation	–	220,000
Transfer to other group company	–	(5,275,000)
	<u>–</u>	<u>–</u>
At 31 December	<u>–</u>	<u>–</u>

On 28 November 2011 the Company's investment property, and its related assets and liabilities, were transferred at market value to PHP Investments No 2 Limited. The purpose of this transfer was to provide security for a loan facility of the other group undertaking.

### 9. Investments

	Investment in group undertakings £
<b>Cost:</b>	
Additions during the year and as at 31 December 2012	<u><u>9,551,086</u></u>

On 13 December 2012, the Company acquired Apollo, for a total initial consideration of £9.3 million (the "Transaction"). This was settled as follows:

- The vendors were issued 1,231,395 ordinary shares of Primary Health Properties PLC. The transaction value of these shares, a sum of £3.9 million, was accounted for by the Company as a loan from PHP and included within "amounts due to parent undertakings" in note 11,
- The payment of £3.3 million in cash, and
- The deferral of £1.81 million of consideration to be released in stages as three assets currently being constructed by the vendor reach completion. Completion of these assets are all due within 2013.

The Transaction also provided for potential further consideration to be payable in cash to the vendors on the occurrence of a number of pre-agreed events that were in progress at the time of the Transaction:

- A sum of £75,000 became payable to the vendors following completion by the vendor of the acquisition of a residential unit adjoining a property in Rhyl, North Wales. This amount has been included within "other creditors" (see note 11).
- A sum of £0.175 million has been included within "other creditors" (see note 11) representing the sum that will become payable upon completion of the variation of a rent review clause within the occupational lease of an Apollo property. This value represents the maximum amount payable to the vendors and is included as a contingent consideration liability by the Directors based on their assessment of the likelihood of this transaction completing. Upon completion of this event and the payment of this sum, Apollo will enhance the value of the investment property asset by the same amount.

# Primary Health Investment Properties (No. 4) Limited

## Notes to the Financial Statements

### Year Ended 31 December 2012

#### 9. Investments (continued)

Further additional consideration may become payable to the vendors following the successful letting of a small number of vacant areas within the Apollo portfolio within a three year period from December 2012. The crystallisation of any such sums will result in an asset for an identical value being recognised by Apollo. Due to the difficulty in reliably assessing the probability of these lettings being achieved and the recognition of an equivalent asset, no provision for any further contingent consideration has been made by the Directors.

The following are subsidiary undertakings of the Company

Name	Class of shares	Holding
PHP Medical Properties Limited (formerly Apollo Medical Partners Limited)	Ordinary	100%
PHP Glen Spean Limited* (formerly Apollo Capital Projects Limited)	Ordinary	100%

Both subsidiaries are incorporated in England and Wales

\* - subsidiary of PHP Medical Properties Limited

The Directors have reviewed the value of the investment and do not consider there has been any impairment in its carrying value

#### 10. Debtors

	2012 £	2011 £
Amounts due from group undertakings	–	5,285,405
Other debtors	55,414	–
	<u>55,414</u>	<u>5,285,405</u>

#### 11. Creditors: Amounts falling due within one year

	2012 £	2011 £
Other creditors	2,367,553	–
Amounts due to parent undertakings	1,953,542	2,707,609
Amounts due to group undertakings	2,707,608	–
	<u>7,028,703</u>	<u>2,707,609</u>

Included within other creditors is an amount of £1.81 million that represents deferred consideration for Apollo as described in note 9 above. Also included in other creditors are amounts of £0.075 million and £0.175 million respectively representing further contingent consideration payable to the vendors of Apollo (see note 9 above).

# Primary Health Investment Properties (No. 4) Limited

## Notes to the Financial Statements

Year Ended 31 December 2012

### 12. Share capital

*Allotted, called up and fully paid*

	2012 No	£	2011 No	£
Ordinary shares of £1 each	210	210	210	210
	<u>210</u>	<u>210</u>	<u>210</u>	<u>210</u>

### 13. Revaluation reserve

	2012 £	2011 £
Balance brought forward	–	1,272,222
Unrealised gain on revaluation of investment property	–	220,000
Realisation of revaluation reserve	–	(1,492,222)
	<u>–</u>	<u>–</u>
Balance carried forward	<u>–</u>	<u>–</u>

### 14. Profit and loss account

	2012 £	2011 £
Balance brought forward	2,577,586	828,120
Profit for the financial year	–	257,244
Realised gain on transfer of investment property	–	1,492,222
	<u>2,577,586</u>	<u>2,577,586</u>
Balance carried forward	<u>2,577,586</u>	<u>2,577,586</u>

### 15. Reconciliation of shareholders' funds

	2012 £	2011 £
Opening shareholders' funds	2,577,796	2,100,552
Profit for the financial year	–	257,244
Unrealised gain on revaluation of investment property	–	220,000
	<u>2,577,796</u>	<u>2,577,796</u>
Closing shareholders' funds	<u>2,577,796</u>	<u>2,577,796</u>



# **Primary Health Investment Properties (No. 4) Limited**

## **Notes to the Financial Statements**

**Year Ended 31 December 2012**

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### **16. 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 consolidated Financial Statements in which the Company is included are publicly available.

### **17. Contingent Liabilities**

The acquisition terms of Apollo oblige the Company to pay further consideration to the vendors conditional upon a number of pre-agreed transactions in progress at the acquisition date of Apollo, which were completed in subsequent periods.

The Apollo portfolio includes a small number of vacant lettable areas to which no value was ascribed on acquisition by the Company. The Company has agreed a three year period within which the vendor is engaged to let this space and should they be successful additional consideration may become payable, with the sums being valued on the underlying terms of each letting achieved. No provision for these potential payments has been recognised at the year end because the potential value and likelihood of a payment becoming due cannot be accurately determined. The Company estimates that the maximum potential value of these sums would be £1.61 million based on current rental values etc. Should any such sums become payable, Apollo would recognise an asset of equivalent value.

### **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 Primary Health Properties PLC. Copies of the Financial Statements of Primary Health Properties PLC can be obtained from Companies House or the Company Secretary or downloaded from [www.phpgroup.co.uk](http://www.phpgroup.co.uk).

### **19. Subsequent events**

On 25 March 2013, the Company secured a new £50 million, four year, interest only revolving credit facility (the "Facility") with Barclays Bank plc. The Facility has been utilised to provide funds to repay a series of loans that were held by Apollo at the time it was acquired by the Company. The property assets held by Apollo provide security for the Facility. On the same date, the Company entered into an interest rate swap contract for a notional amount of £28 million for a four year term, to hedge against the risk of rises in market interest rates in connection with the Facility.