

Company Registration Number 04167040

Primary Health Investment Properties (No.4) Limited

Annual Report and Financial Statements

Year ended 31 December 2016



Primary Health Investment Properties (No.4) Limited
Annual Report and Financial Statements
Year ended 31 December 2016

Contents	Pages
Officers and Professional Advisers	1
Directors' Report	2 to 4
Independent Auditor's Report	5 to 6
Statement of Comprehensive Income	7
Balance Sheet	8
Statement of Changes in Equity	9
Notes to the Financial Statements	10 to 19

Primary Health Investment Properties (No.4) Limited
Officers and Professional Advisers
Year ended 31 December 2016

Board of Directors

H A Hyman
P J Holland (resigned 1 April 2017)
R Howell (appointed 1 April 2017)
T D Walker-Arnott (resigned 1 April 2017)
D C Austin (appointed 1 April 2017)

Company Secretary

Nexus Management Services Limited

Registered Office

5th Floor, Greener House
66-68 Haymarket
London
SW1Y 4RF

Auditor

Deloitte LLP
Statutory Auditor
2 New Street Square
London
EC4A 3BZ

Primary Health Investment Properties (No.4) Limited
Directors' Report
Year ended 31 December 2016

The Directors have pleasure in presenting their Annual Report and the audited financial statements of Primary Health Investment Properties (No.4) Limited (the "Company") for the year ended 31 December 2016. The Company is registered in England and Wales (company number 04167040).

The Directors have taken advantage of the small company exemption in the Companies Act 2006 (the "Act") (Strategic Report and Directors' Report) Regulations 2015 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 through its ownership of subsidiary undertakings which own investment property.

The Annual Report for the year ended 31 December 2016 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 finance costs, which include interest payable on the Company's loan facilities, loan arrangement and commitment fees, and swap interest.

For the year ended 31 December 2016 finance costs were £2,388,501 (2015: £2,182,091). This increase reflects the higher level of borrowing incurred during the year, used to fund the investment by the Company's subsidiaries in investment and development property.

Results and Dividends

The Company's loss for the year amounted to £2,381,098 (2015: profit of £2,381,340). The loss for the year is to be transferred to reserves. The Directors have recommended that no dividend should be declared or paid for the year (2015: £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.

Going Concern

Reference to the Company's continued adoption of the going concern basis in preparation of these financial statements is made in Note 1.4 on page 11.

Primary Health Investment Properties (No.4) Limited
Directors' Report
Year ended 31 December 2016

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 (resigned 1 April 2017)
R Howell (appointed 1 April 2017)
T D Walker-Arnott (resigned 1 April 2017)
D C Austin (appointed 1 April 2017)

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 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 applicable UK 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.

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.


Primary Health Investment Properties (No.4) Limited
Directors' Report
Year ended 31 December 2016

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 14 June 2017 and signed by its order:

A handwritten signature in black ink, appearing to read 'R Howell', is written over a horizontal dotted line.

R Howell
Director

Primary Health Investment Properties (No.4) Limited
Independent Auditor's Report to the Members of Primary Health Investment Properties (No.4) Limited
Year ended 31 December 2016

We have audited the financial statements of Primary Health Investment Properties (No.4) Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity 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), 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 2016 and of its loss 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, 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.

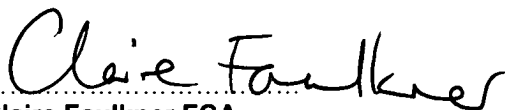
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Primary Health Investment Properties (No.4) Limited
Independent Auditor's Report to the Members of Primary Health Investment
Properties (No.4) Limited
Year ended 31 December 2016

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 companies 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,
Statutory Auditor
London

14 June 2017

Primary Health Investment Properties (No.4) Limited
Statement of Comprehensive Income
Year ended 31 December 2016

	Notes	2016 £	2015 £
Other income		8,272	-
Administrative expenses		<u>(534)</u>	<u>-</u>
Operating profit	3	7,738	-
Finance income		-	47
Finance costs	6	(2,388,501)	(2,182,091)
Other costs		(335)	-
Dividend income receivable	7	<u>-</u>	<u>4,563,384</u>
(Loss) / profit before taxation		(2,381,098)	2,381,340
Taxation	8	<u>-</u>	<u>-</u>
(Loss) / profit for the year		<u>(2,381,098)</u>	<u>2,381,340</u>
Other comprehensive (loss) / income:			
Items that may be classified subsequently to profit and loss:			
Fair value gain / (loss) on interest rate swaps treated as cash flow hedges	13	<u>4,005</u>	<u>(29,670)</u>
Other comprehensive income / (loss) for the year net of tax		<u>4,005</u>	<u>(29,670)</u>
Total comprehensive (loss) / income for the year net of tax		<u>(2,377,093)</u>	<u>2,351,670</u>

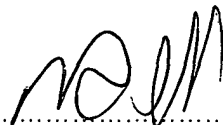
All of the activities of the Company are classed as continuing.

The notes on pages 10 to 19 form part of these financials statements.

Primary Health Investment Properties (No.4) Limited
Balance Sheet
As at 31 December 2016

	Notes	2016 £	2015 £
Non-current assets			
Investment in subsidiaries	9	14,088,312	14,088,312
Derivative financial instruments	13	-	8,580
		<u>14,088,312</u>	<u>14,096,892</u>
Current assets			
Trade and other receivables	10	64,160,635	65,669,121
Cash at bank and in hand		14,460	3,989
		<u>64,175,095</u>	<u>65,673,110</u>
Total assets		<u>78,263,407</u>	<u>79,770,002</u>
Current liabilities			
Derivative financial instruments	13	(35,665)	(48,250)
Trade and other payables	11	(5,385,016)	(21,984,684)
		<u>(5,420,681)</u>	<u>(22,032,934)</u>
Non-current liabilities			
Borrowings: Term loans and overdraft	12	(73,578,593)	(56,095,842)
		<u>(73,578,593)</u>	<u>(56,095,842)</u>
Total liabilities		<u>(78,999,274)</u>	<u>(78,128,776)</u>
Net (liabilities) / assets		<u>(735,867)</u>	<u>1,641,226</u>
Equity			
Share capital	14	210	210
Cash flow hedge reserve	13	(35,665)	(39,670)
Retained earnings	15	(700,412)	1,680,686
Total equity		<u>(735,867)</u>	<u>1,641,226</u>

These financial statements were approved by the Directors and authorised for issue on 14 June 2017, and are signed on their behalf by:



R Howell
Director

Company registration number: 04167040

The notes on pages 10 to 19 form part of these financial statements.

Primary Health Investment Properties (No.4) Limited
Statement of Changes in Equity
As at 31 December 2016

	Share capital £	Cash flow hedge reserve £	Retained earnings £	Total equity £
1 January 2015	210	(10,000)	(700,654)	(710,444)
Profit for the year	-	-	2,381,340	2,381,340
Other comprehensive income / (loss)				
Fair value movement on interest rate swaps	-	(29,670)	-	(29,670)
Total comprehensive income / (loss)	-	(29,670)	2,381,340	2,351,670
31 December 2015	<u>210</u>	<u>(39,670)</u>	<u>1,680,686</u>	<u>1,641,226</u>
1 January 2016	210	(39,670)	1,680,686	1,641,226
Loss for the year	-	-	(2,381,098)	(2,381,098)
Other comprehensive income / (loss)				
Fair value movement on interest rate swaps	-	4,005	-	4,005
Total comprehensive income / (loss)	-	4,005	(2,381,098)	(2,377,093)
31 December 2016	<u>210</u>	<u>(35,665)</u>	<u>(700,412)</u>	<u>(735,867)</u>

The notes on pages 10 to 19 form part of these financial statements.

Primary Health Investment Properties (No.4) Limited
Notes to the Financial Statements
Year ended 31 December 2016

1. Accounting Policies

The Company is a private company limited by shares 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 page 2 to 4. 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.

Details of the parent, PHP, within whose consolidated financial statements the Company is included are shown in Note 18.

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.

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 financial instruments.

1.2. Standards adopted during the year

The following new and amended IFRSs are effective for the Company as of 1 January 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Annual improvements to IFRSs 2012-2014

Primary Health Investment Properties (No.4) Limited
Notes to the Financial Statements
Year ended 31 December 2016

1. Accounting Policies (continued)

1.3. Basis of non-consolidation

The Company is exempt from the requirement to prepare group financial statements under section 400 of the Companies Act 2006, as it is a wholly owned subsidiary of PHP. The Company's results are included in the Group financial statements of PHP, a company registered in England and Wales.

1.4. 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, cash flow projections, loan facilities and covenant cover 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.

1.5. 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.

1.6. Investments in subsidiaries

Investments in subsidiary undertakings are stated at cost in the Company's balance sheet less any provision for permanent impairment in value. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

1.7. Borrowings

Borrowings are initially measured at fair value less directly attributable transaction costs. After initial recognition, all interest bearing borrowings are subsequently measured at amortised cost, using the effective interest method.

1.8. Unamortised borrowing costs

When an existing borrowing facility is replaced by another from the same lender on substantially different terms, or the terms of an existing borrowing facility are substantially modified, such an exchange or modification is treated as de-recognition of the original facility and the recognition of a new facility, and the difference in the respective carrying amounts is recognised in the profit and loss account.

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

Primary Health Investment Properties (No.4) Limited
Notes to the Financial Statements
Year ended 31 December 2016

1. Accounting Policies (continued)

1.9. 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.

1.10. Derivative financial instruments

The Company uses interest rate swaps to help manage its interest rate risk.

At the inception of the transaction the Company documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions meet the strict criteria of IAS 39 for being described as "effective" in offsetting changes in the cash flows of hedged items.

All derivatives are initially recognised at fair value at the date the derivative is entered into and are subsequently re-measured at fair value. The fair values of the Company's interest rate swaps are calculated by J.C. Rathbone Associates Limited, an independent specialist which provides treasury management services to the Company.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as an effective hedging instrument.

- i) Where a derivative is designated as a hedge of the variability of a highly probable forecast transaction, such as an interest payment, the element of the gain or loss on the derivative that is an "effective" hedge is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in the cash flow hedge reserve are reclassified into the Statement of Comprehensive Income in the same period or periods during which the asset acquired or liability assumed affects the Statement of Comprehensive Income, i.e. when interest income or expense is recognised.
- ii) The gain or loss on derivatives that do not meet the strict being "effective" and so do not qualify for hedge accounting and the non-qualifying element of derivatives that do not qualify for hedge accounting are recognised in the Statement of Comprehensive Income immediately. The treatment does not alter the fact that the derivatives are economic hedges of the underlying transaction.

Primary Health Investment Properties (No.4) Limited
Notes to the Financial Statements
Year ended 31 December 2016

1. Accounting Policies (continued)

1.10. Derivative financial instruments (continued)

For swaps that have been cancelled which previously qualified for hedge accounting, the remaining value within the cash flow hedge reserve at the date of cancellation is recycled to the Income Statement on a straight line basis from the date of cancellation to the original swap expiry date.

Full IFRS disclosures are not required as equivalent disclosures are provided in the PHP Annual Report.

1.11. 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.

1.12. Dividends

Dividend income is recognised in the period in which payment of a dividend received approval of the Board of the respective paying entity and hence, when the Company's right to the payment is established.

Primary Health Investment Properties (No.4) Limited
Notes to the Financial Statements
Year ended 31 December 2016

1. Accounting policies (continued)

1.13. 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 statement of comprehensive income 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 derivatives

In accordance with IAS 39, the Company values its derivative financial instruments at fair value. Fair value is estimated by J.C. Rathbone Associates Limited on behalf of the Company, using a number of assumptions based upon market rates and discounted future cash flows. The derivative financial instruments have been valued by reference to the mid-price of the yield curve prevailing on 31 December 2015. Fair value represents the net present value of the difference between the cash flows produced by the contracted rate and the valuation rate.

b) Judgements

Hedge effectiveness

The Company has a number of interest rate swaps that mature after the Company's bank facilities, to which they relate, are due to expire. In accordance with IAS 39, in order to apply hedge accounting in relation to these interest rate swaps, the Company has determined that it is highly probable that these bank facilities will be re-negotiated on or before expiry and that variable interest rate debt finance will be in place until the expiry date of the swaps.

3. 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:

	2016	2015
	£	£
Auditor's remuneration - audit	<u>2,200</u>	<u>2,100</u>

The Company incurred no non-audit fees during the year (2015: £nil).

4. Particulars of employees

The Company had no employees during the year (2015: nil), other than the Directors.

Primary Health Investment Properties (No.4) Limited
Notes to the Financial Statements
Year ended 31 December 2016

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. The Directors of the Company have received no remuneration during the year (2015: £Nil).

6. Finance costs

	2016 £	2015 £
Bank loan interest	1,507,266	1,463,110
Swap interest	104,016	91,314
Bank facility non-utilisation fees	368,816	315,480
Amortisation of bank loan arrangement fees	408,403	312,187
	<u>2,388,501</u>	<u>2,182,091</u>

7. Dividend income receivable

	2016 £	2015 £
Dividends received from investments in subsidiary undertakings	<u>-</u>	<u>4,563,384</u>

8. Taxation

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

	2016 £	2015 £
Current tax:		
UK Corporation tax based on the results for the year at 20.0% (2015: 20.25%)	<u>-</u>	<u>-</u>
Total current tax charge (note 8(b))	<u>-</u>	<u>-</u>

Primary Health Investment Properties (No.4) Limited
Notes to the Financial Statements
Year ended 31 December 2016

8. Taxation (continued)

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

The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2016 £	2015 £
(Loss) / profit on ordinary activities before taxation	(2,381,098)	2,381,340
UK Corporation tax at applicable rate of 20.0% (2015: 20.25%)	(476,220)	482,222
REIT exempt income	(1,654)	-
Transfer pricing adjustment	363,918	374,823
Group relief surrendered for no consideration	113,889	67,040
Non-taxable items	67	(924,085)
	<hr/>	<hr/>
Total current tax charge (note 8(a))	-	-

9. Investment in subsidiaries

	2016 £	2015 £
Carrying value		
As at 1 January	14,088,312	14,135,216
Impairment of investments in subsidiary undertakings	-	(46,904)
	<hr/>	<hr/>
As at 31 December	14,088,312	14,088,312

Subsidiaries of the Company, all of which are 100% owned and incorporated in the UK except as noted, are listed below:

Subsidiaries held directly by the Company:

PHP Assetco (2011) Limited	Gracemount Medical Centre Limited ⁽¹⁾
PHP Medical Properties Limited	PHP Empire Holdings Limited

Subsidiary held indirectly by the Company:

PHP Glen Spean Limited

The principal activity of the Company's subsidiaries is property investment. The Directors have considered that there has been no impairment in the carrying value of the investments.

The registered office of each of the Company's subsidiaries is 5th Floor, Greener House, 66-68 Haymarket, London, SW1Y 4RF.

(1) – Subsidiary company registered in Scotland. Its registered address is 191 West George Street, Glasgow, Scotland, G2 2LB.

Primary Health Investment Properties (No.4) Limited
Notes to the Financial Statements
Year ended 31 December 2016

10. Trade and other receivables

	2016 £	2015 £
Amounts owed by Group undertakings	64,160,069	65,669,121
Prepayments and accrued income	354	-
Other receivables	212	-
	<u>64,160,635</u>	<u>65,669,121</u>

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

11. Trade and other payables

	2016 £	2015 £
Current		
Amounts owed to Group undertakings	5,379,807	21,970,443
Other payables	413	7,738
Accruals and deferred income	4,796	6,503
	<u>5,385,016</u>	<u>21,984,684</u>

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

12. Borrowings: Term loan

	2016 £	2015 £
Term loan	74,974,062	57,159,513
Less: Unamortised borrowing costs	<u>(1,395,469)</u>	<u>(1,063,671)</u>
	<u>73,578,593</u>	<u>56,095,842</u>

On 19 August 2014 the Group entered into a revised and extended loan facility agreement with Barclays Bank PLC (the "Facility"). This extended the total Facility from £70.0 million to £100.0 million for a new five year term and reduced the initial margin chargeable on the debt to 190 basis points over LIBOR.

On 7 January 2016, the Facility was extended by £15 million. The enlarged facility is available for a new five year term from January 2016. All other terms of the facility remain unchanged.

On 7 October 2016, a Euro denominated tranche was agreed within the £115 million Facility, allowing an equivalent of £12 million to be drawn in Euro, secured by existing sterling denominated collateral. Euro drawings incur interest at Euribor plus the current UK loan facility margin. All other terms of the loan remain unchanged.

The property assets owned by wholly owned subsidiary undertakings of the Company provide security for amounts drawn on the Facility.

Issue costs incurred by the Company in connection with the arrangement of the term loan facilities are amortised within interest payable over the life of the related facility. Any amounts unamortised at the period end are offset against the amounts drawn on these facilities.

Primary Health Investment Properties (No.4) Limited
Notes to the Financial Statements
Year ended 31 December 2016

13. Derivative financial instruments

	2016 £	2015 £
<i>Fair value interest rate swaps treated as cash flow hedges ("effective swaps")</i>		
Non-current assets	-	8,580
Current liabilities	(35,665)	(48,250)
Non-current liabilities	-	-
	<hr/>	<hr/>
Total fair value of interest rate swaps	<u>(35,665)</u>	<u>(39,670)</u>

On 25 March 2013, the Company entered into an interest rate swap contract for a notional amount of £28 million with Barclays Bank PLC to hedge risk on the Facility as detailed in Note 12. The swap matures on 27 March 2017, the Company pays fixed interest 0.90% and receives floating interest rate from the bank.

Changes in the fair value of the contracts that do not meet the strict IAS 39 criteria to be designated as effective hedging instruments are taken to the Income Statement. For contracts that meet the IAS 39 criteria and are designated as "effective" cash flow hedges, the change in fair value of the contract is recognised in the Statement of Changes in Equity through the cash flow hedge reserve.

14. Share capital

	2016 £	2015 £
Issued, allocated and fully paid:		
210 (2015: 210) ordinary shares of £1	<u>210</u>	<u>210</u>

15. Retained earnings

	2016 £
At 1 January	1,680,686
Loss for the year	<u>(2,381,098)</u>
At 31 December	<u>(700,412)</u>

16. 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.

Primary Health Investment Properties (No.4) Limited
Notes to the Financial Statements
Year ended 31 December 2016

17. Contingent liabilities

As at 31 December 2016, the Company had available term loan facilities totalling £115 million (2015: £100 million) of which £74.97 million was drawn (2015: £57.16 million). The facilities are secured by way of a fixed and floating charge over all current and future property owned by the Company's subsidiaries.

18. 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.