

Company Registration Number 04167040

Primary Health Investment Properties (No.4) Limited

Report and Financial Statements

Year ended 31 December 2013

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Primary Health Investment Properties (No.4) Limited
Report and Financial Statements
Year ended 31 December 2013

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Primary Health Investment Properties (No.4) Limited

Officers and Professional Advisers

Year ended 31 December 2013

Board of Directors

H A Hyman

M H Vaughan (resigned 30 April 2014)

T D Walker-Arnott

P J Holland

Company Secretary

J O Hambro Capital Management Limited was replaced by Nexus Management Services Limited with effect from 30 April 2014.

Registered Office

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

Auditor

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

Primary Health Investment Properties (No.4) Limited

Directors' Report

Year ended 31 December 2013

The Directors have pleasure in presenting their Report and the Financial Statements of the Company for the year ended 31 December 2013.

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 through its ownership of subsidiary undertakings which own investment property.

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 proceeds of the Facility drawn to date have been on-lent to the Company's wholly owned subsidiary PHP Glen Spean Limited ("PHPGS") to repay bank loans that were held by PHPGS when owned by the Company. The property assets held by PHPGS 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. On 29 April 2013 the Group subsequently increased the facility by £20 million to take total available borrowings to £70 million.

On 31 July 2013, the Company acquired 100% of the issued share capital of Gracemount Medical Centre Limited. This company's property has also been charged as security for the Facility.

On 29 November 2013, the Company acquired 100% of the issued share capital of PHP AssetCo (2011) Limited from another group undertaking, PHP Investments (2011) Limited. This acquisition was to facilitate the refinancing of an element of debt within the Primary Health Properties PLC ("PHP") group. This company's property has also been charged as security for the Facility.

The Annual Report for the year ended 31 December 2013 of PHP, the Company's ultimate parent, 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.

Results and Dividends

The loss for the year amounted to £1,316,179 (year to 31 December 2012: £nil). The Directors have recommended that no dividend is declared or paid for the year. The loss for the period is to be transferred to reserves.

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 11.

Principal Risks and Uncertainties

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

Primary Health Investment Properties (No.4) Limited

Directors' Report *(continued)*

Year ended 31 December 2013

Changes to Advisory Services

On 26 September 2013, the PHP Board announced that it has agreed revised arrangements in respect of the provision of administrative and accounting services. Under the revised agreement Nexus will assume responsibility for providing the services previously supplied by JOHCM, with effect from 30 April 2014. Please see the PHP Annual Report for further details.

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 (resigned 30 April 2014)
T D Walker-Arnott
P J Holland

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; 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.

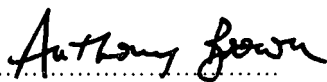
Primary Health Investment Properties (No.4) Limited

Directors' Report *(continued)*

Year ended 31 December 2013

Auditor

Following a competitive tender process the Board appointed Deloitte LLP as auditor of the Company with effect from 17 June 2013. Ernst & Young LLP has provided the company with a "Statement of Circumstances" confirming that it resigned as auditor of the Company with effect from 17 June 2013 following its unsuccessful tender and for no other reason. Deloitte 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 re-appointment is brought to an end


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Signed by order of the Board on 22 July 2014

For and on behalf of Nexus Management Services Limited
as Company Secretary of Primary Health Investment Properties (No.4) Limited

Registered office: 5th Floor, Greener House, Haymarket, London SW1Y 4RF

Company Registration Number 04167040

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 2013

We have audited the Financial Statements of Primary Health Investments (No.4) Limited for the year ended 31 December 2013 which comprise 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 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 2013 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 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

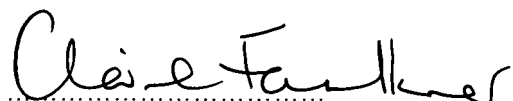
Independent Auditor's Report to the Members of Primary Health Investment Properties (No.4) Limited *(continued)*

Year ended 31 December 2013

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.
- the Directors were not entitled to take advantage of the small companies exemption in preparing the Directors' Report or in preparing a Strategic Report.



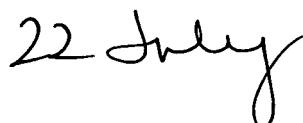
Claire Faulkner

(Senior Statutory Auditor)

for and on behalf of Deloitte LLP,

Chartered Accountants and Statutory Auditor

London



2014

Primary Health Investment Properties (No.4) Limited
Profit & Loss Statement
Year ended 31 December 2013

	Note	2013 £	2012 £
Turnover	2	-	-
Other income	3	100	-
Administrative expenses		(281,016)	-
Operating loss	4	(280,916)	-
Interest payable	7	(1,035,263)	-
Loss on ordinary activities before taxation		(1,316,179)	-
Tax on loss from ordinary activities	8	-	-
Loss for the financial year		(1,316,179)	-

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

The notes on pages 11 to 18 form part of these Financial Statements.

Primary Health Investment Properties (No.4) Limited
Statement of Total Recognised Gains and Losses
Year ended 31 December 2013

	2013	2012
	£	£
Loss for the financial year attributable to the shareholders	(1,316,179)	-
Unrealised gain on revaluation of interest rate derivatives	472,000	-
Total gains and losses recognised in the year	(844,179)	-

The notes on pages 11 to 18 form part of these Financial Statements.

Primary Health Investment Properties (No.4) Limited

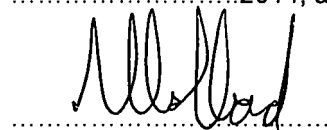
Balance Sheet

Year ended 31 December 2013

	Note	2013 £	2012 £
Non current assets			
Investment in subsidiaries	9	14,135,216	9,551,086
Derivative interest rate swaps	10	472,000	-
		<u>14,607,216</u>	<u>9,551,086</u>
Current assets			
Debtors	11	54,085,742	55,413
Cash at bank and in hand		602,327	-
		<u>54,688,069</u>	<u>55,413</u>
Current liabilities			
Creditors: Amounts falling due within one year	12	(19,103,145)	(7,028,703)
Net current assets / (liabilities)		<u>35,584,924</u>	<u>(6,973,290)</u>
Total assets less current liabilities		<u>50,192,140</u>	<u>2,577,796</u>
Creditors: Amounts falling due after more than one year	13	(48,458,523)	-
Net assets		<u><u>1,733,617</u></u>	<u><u>2,577,795</u></u>
Capital and reserves			
Share capital	14	210	210
Profit and loss account	15	1,733,407	2,577,586
Shareholders' funds	16	<u><u>1,733,617</u></u>	<u><u>2,577,796</u></u>

These Financial Statements were approved by the Directors and authorised for issue on

22 July 2014, and are signed on their behalf by:



P J Holland
Director

Company Registration Number 04167040

The notes on pages 11 to 18 form part of these Financial Statements.

Primary Health Investment Properties (No.4) Limited

Notes to the Financial Statements

Year ended 31 December 2013

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 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.

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 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.

1.5 Investment in subsidiary undertaking

Investments in subsidiary undertakings are stated at cost in the Company's balance sheet less and 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.

1.6 Derivative financial instruments

The Company uses interest rate swaps to hedge its risks associated with interest rate risk. Such derivative financial instruments are always stated at their fair value. Full FRS 29 disclosures are not required as these are provided in the PHP Annual Report.

Primary Health Investment Properties (No.4) Limited

Notes to the Financial Statements

Year ended 31 December 2013

The Company documents from the inception of the transaction the relationship between hedging. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

- i) Cash flow hedges: Where a derivative is designated as a hedge of the variability of a highly probable forecast transaction i.e. 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 equity are reclassified into the Profit and Loss Account in the same period or periods during which the asset acquired or liability assumed affects the Profit and Loss Account i.e. when interest income or expense is recognised.
- ii) For derivatives that do not qualify for hedge accounting any gain or loss on derivatives that do not qualify for hedge accounting, and the non-qualifying element of derivatives that do qualify for hedge accounting, are recognised in the Profit and Loss Account immediately.

1.7 Basis of non-consolidation

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

2. Turnover

Turnover comprises gross rental income and associated revenue from investment properties in the UK. Rental income is normally recognised as invoiced on a receivable basis, adjusted for certain rents invoiced in advance and accrued income receivable following rent reviews. The Company did not trade during the year ended 31 December 2013.

3. Other income

	2013	2012
	£	£
Corporate tax penalty refunded	100	-
	<hr/>	<hr/>
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Primary Health Investment Properties (No.4) Limited

Notes to the Financial Statements

Year ended 31 December 2013

4. Operating profit

Operating profit is stated after charging:

	2013	2012
	£	£
Auditor's remuneration	-	-
- audit	-	-
- taxation	-	-
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

Auditors' remuneration for tax and audit services for the current year and prior period was borne by PHP, the ultimate parent undertaking.

5. Particulars of employees

The Company had no employees during the year (2012: nil), other than the Directors.

6. Directors' emoluments

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

7. Interest payable

	2013	2012
	£	£
Bank loan interest payable	722,094	-
SWAP interest	83,312	-
Amortisation of bank loan arrangement fees	229,857	-
	<u>1,035,263</u>	<u>-</u>

Primary Health Investment Properties (No.4) Limited

Notes to the Financial Statements

Year ended 31 December 2013

8. Taxation on profit on ordinary activities

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

	2013 £	2012 £
Current tax		
UK Corporation tax based on the results for the year at 23.3% (2012: 24.5%)	-	-
Total current tax charge (note 8(b))	-	-

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

The tax assessed for the year is lower (2012: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2013 £	2012 £
Loss on ordinary activities before taxation	(1,316,179)	-
Current tax:		
UK Corporation tax at applicable rate of 23.3% (2012: 24.5%)	(306,012)	-
REIT exempt income	(23)	-
Transfer pricing adjustment	300,518	-
Group relief	6,046	-
Current year losses carried forward	(529)	-
Total current tax charge (note 8(a))	-	-

A reduction in the UK corporation tax rate from 24% to 23% was effective from 1 April 2013. A further reduction from 23% to 21% will take place from 1 April 2014 and 21% to 20% from 1 April 2015. Accordingly, these rates have been applied in the measurement of the Company's tax liability as at 31 December 2013.

Primary Health Investment Properties (No.4) Limited

Notes to the Financial Statements

Year ended 31 December 2013

9. Investments

Investment in group undertakings	2013 £	2012 £
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Valuation:

As at 31 December	<u>14,135,216</u>	<u>9,551,086</u>
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On 31 July 2013 the Company acquired the entire issued share capital of Gracemount Medical Centre Limited for £3.8 million. On 29 November the Company acquired the entire issued share capital of PHP AssetCo (2011) Limited from PHP Investments (2011), a fellow group undertaking, for its nominal value of £2. The properties within the companies acquired acts as security against the Barclays Bank PLC loan facility.

During the 2013 year, the following additional consideration in relation to the acquisition of PHP Medical Properties Limited was incurred:

- On 31 March 2013 - £75,000 was paid to the vendors following completion by the vendor of the acquisition of a residential unit adjoining a property in Rhyl, North Wales.
- On 4 June 2013 - £167,499 was paid in relation to Clydach Property expansion letting.
- On 4 June 2013 - £277,496 was paid in relation to Swansea expansion letting.
- On 15 October 2013 - £17,000 was paid in relation to Govan expansion letting.
- On 15 October 2013 - £204,577 was paid in relation to Swansea expansion letting.
- On 21 November 2013 - £89,861 a further was paid in relation to Swansea expansion letting.
- On 21 November 2013 - £270,000 was paid in relation to Cloughmore expansion letting.

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 Glen Spean. 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:

	<u>Class of shares</u>	<u>Holding</u>
PHP Medical Properties Limited	Ordinary	100%
PHP Glen Spean Limited*	Ordinary	100%
Gracemount Medical Centre Limited	Ordinary	100%
PHP AssetCo (2011) Limited	Ordinary	100%

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.

Primary Health Investment Properties (No.4) Limited

Notes to the Financial Statements

Year ended 31 December 2013

10. Investments

	2013 £	2012 £
Valuation:		
Derivative interest rate swaps	<u>472,000</u>	<u>-</u>

On 25 March 2013, the Company entered into an interest rate swap for a notional amount of £28 million with Barclays Bank PLC to hedge risk on the new loan facility as detailed in note 13. The swap matures on 27 March 2017, the Company pays a fixed 0.90% and received floating rate from the bank. The fair value movement has been charged to the Profit and Loss Account, as it has not been designated for hedge accounting.

11. Debtors

	2013 £	2012 £
Other debtors	-	55,414
Amounts owed by group undertakings	<u>54,085,742</u>	<u>-</u>
	<u>54,085,742</u>	<u>55,414</u>

12. Creditors: Amounts falling due within one year

	2013 £	2012 £
Other creditors	7,727	2,367,553
Amounts owed to parent undertaking	1,953,542	1,953,542
Amounts owed to group undertakings	<u>17,141,876</u>	<u>2,707,608</u>
	<u>19,103,145</u>	<u>7,028,703</u>

13. Creditors: Amounts falling due within one year

	2013 £	2012 £
Term loans	<u>48,458,523</u>	<u>-</u>

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 PHP Glen Spean Limited ("PHPGS") with a different service provider at the time it was acquired by the Company. The property assets held by PHPGS provide security for amounts drawn on 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.

On 29 April 2013 the Group subsequently increased the facility by £20 million to take the total available borrowings to £70 million.

Primary Health Investment Properties (No.4) Limited

Notes to the Financial Statements

Year ended 31 December 2013

13. Creditors: Amounts falling due after more than one year (continued)

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 as shown in the following table:

	2013	2012
	£	£
Amounts drawn on bank loans	49,470,355	-
Less unamortised issue costs	(1,011,832)	-
	<u>48,458,523</u>	<u>-</u>

14. Share capital

	2013		2012	
<u>Authorised, issued and paid up:</u>	No	£	No	£
Ordinary shares of £1 each	<u>210</u>	<u>210</u>	<u>210</u>	<u>210</u>

15. Profit and loss account

	2013	2012
	£	£
Balance brought forward	2,577,586	2,577,586
Loss for the financial year	(1,316,179)	-
Unrealised gain on revaluation of interest rate derivatives	472,000	-
Balance at 31 December	<u>1,733,407</u>	<u>2,577,586</u>

16. Reconciliation of shareholders' funds

	2013	2012
	£	£
Opening shareholders' funds	2,577,796	2,577,796
Loss for the financial year	(1,316,179)	-
Unrealised gain on revaluation of derivatives	472,000	-
Closing shareholders' funds	<u>1,733,618</u>	<u>2,577,796</u>

17. Related party transactions

The Company has taken advantage of the exemption available in FRS 8 not to disclose transactions with other members of the PHP Group of companies on the basis that 100% of voting rights are controlled within the PHP Group. The 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 2013

18. Contingent liabilities

As at 31 December 2013, the Company had available term loan facilities totalling £70 million (2012: £nil) of which £49.5 million was drawn (2012: £nil). The facilities are secured by way of a fixed and floating charge over all current and future property owned by the Company's subsidiaries.

The acquisition terms of PHPGS 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 PHPGS, which may be completed in subsequent periods. This 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 from the date of acquisition 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. Should any further such sums become payable, PHPGS would recognise an asset of equivalent value.

19. Ultimate parent undertaking and controlling party

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

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