

REGISTERED NUMBER: 05099525 (England and Wales)

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
FOR
PRIMA 200 FUND CO NO 1 LIMITED**

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for the Year Ended 31 December 2015**

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PRIMA 200 FUNDCO NO 1 LIMITED

COMPANY INFORMATION
for the Year Ended 31 December 2015

DIRECTORS:

R Laing
R G E Williams
J R Taylor
J E Keyte
M Grinonneau

SECRETARY:

R G E Williams

REGISTERED OFFICE:

5 The Triangle
Wildwood Drive
Worcester
Worcestershire
WR5 2QX

REGISTERED NUMBER:

05099525 (England and Wales)

AUDITORS:

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham
West Midlands
B3 2DT

**REPORT OF THE DIRECTORS
for the Year Ended 31 December 2015**

The directors present their report with the financial statements of the company for the year ended 31 December 2015.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of owning and managing its portfolio of properties in the North Staffordshire and Stoke on Trent areas as part of the government sponsored Local Improvement Finance Trust (LIFT) initiative.

REVIEW OF BUSINESS

The company invests in primary healthcare infrastructure properties in the North Staffordshire and Stoke on Trent areas and has a portfolio of five operational investment properties for which a full year of rental income was received during the year.

During the year the company put in place a new loan facility which took effect from 30 September 2015. Swap breakage costs of £6.18 million were incurred. The new loan facility has a term of 15 years and will give substantially lower interest charges in the future.

There was an increase in the value of the company's investment properties during the year, which is reflected in the value reported in the financial statements.

It is anticipated that future developments will be owned by related Fundcos and therefore no further properties will be added to the portfolio.

The level of operating activity is expected to increase in line with inflation in the year to 31 December 2016.

The principal risks and uncertainties of the business relate predominantly to tenant default on rental payments. As tenancies are predominantly with Community Health Partnerships Limited (a company owned by the Department of Health), the risk of tenant default is considered to be low.

The company performs to key performance indicators as set by its parent company.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2015 (2014 - £Nil).

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2015 to the date of this report.

R Laing
R G E Williams
J R Taylor
J E Keyte
M Grinonneau

Other changes in directors holding office are as follows:

A J Matthews - resigned 9 March 2015
M Dyer - resigned 15 December 2015
Dr A Pursey - resigned 30 April 2015

Directors were not remunerated by Prima 200 Fundco No 1 Limited, but by their respective employing entities.

**REPORT OF THE DIRECTORS
for the Year Ended 31 December 2015**

FINANCIAL RISK MANAGEMENT

The company's financial risk management objective is broadly to seek to make neither a profit nor a loss from exposure to interest rate risk. Its policy is to finance working capital through retained earnings and to finance fixed assets through fixed rate borrowings for the term of fifteen years.

The company's hedging strategy is to enter into fixed rate loans and financial instruments in the form of interest rate swaps and RPI revenue swaps in order to manage its exposure to interest rate and inflation rate risk as required. These financial instruments are held for the purposes of hedging through the entire term of the relevant loan or lease and are not intended to be traded, so that the company's exposure to price risk of financial instruments is minimal. Further as the counterparties to all financial instruments are its bankers and its parent company, the company is also exposed to minimal credit risk or liquidity risk in respect of these instruments.

The company's lease revenues and most of its costs were linked to inflation at the inception of the respective projects. The financing structure, which includes a portion of the lease income being subject to an RPI revenue swap and senior loan repayment profiles were structured such that the company would continue to meet its covenants in a low inflation environment, resulting in the company being largely but not wholly insensitive to inflation.

The directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of its financial position or profit.

STATEMENT OF 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent ;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements ;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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.

**REPORT OF THE DIRECTORS
for the Year Ended 31 December 2015**

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

APPROVED BY THE BOARD AND SIGNED ON ITS BEHALF:



.....
R G E Williams - Director

Date: 15 April 2016

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PRIMA 200 FUNDCO NO 1 LIMITED**

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion Prima 200 Fundco No 1 Limited's financial statements ("the financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its 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.

What we have audited

The financial statements, included within the Report of the Directors and Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2015;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PRIMA 200 FUNDCO NO 1 LIMITED**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.



Paul Nott (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

Date: 26 April 2016

PRIMA 200 FUNDCO NO 1 LIMITED (REGISTERED NUMBER: 05099525)

**INCOME STATEMENT
for the Year Ended 31 December 2015**

| | Notes | 31.12.15 £ | 31.12.14 £ |
|---|-------|---------------------------|-----------------------|
| REVENUE | | 2,071,223 | 1,997,294 |
| Administrative expenses | | <u>350,977</u> | <u>351,392</u> |
| | | 1,720,246 | 1,645,902 |
| Revaluation of Investment Property | | <u>640,000</u> | <u>(62,000)</u> |
| OPERATING PROFIT | 3 | 2,360,246 | 1,583,902 |
| Interest receivable and similar income | | <u>8,724</u> | <u>6,640</u> |
| | | 2,368,970 | 1,590,542 |
| Interest payable and similar charges | 4 | 1,021,963 | 1,422,249 |
| Exceptional finance costs | 5 | <u>6,183,229</u> | <u>-</u> |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | (4,836,222) | 168,293 |
| Tax on (loss)/profit on ordinary activities | 6 | <u>(1,069,158)</u> | <u>(35,475)</u> |
| (LOSS)/PROFIT FOR THE FINANCIAL YEAR | | <u><u>(3,767,064)</u></u> | <u><u>203,768</u></u> |

The notes form part of these financial statements

PRIMA 200 FUNDCO NO 1 LIMITED (REGISTERED NUMBER: 05099525)

**STATEMENT OF COMPREHENSIVE INCOME
for the Year Ended 31 December 2015**

| | Notes | 31.12.15 £ | 31.12.14 £ |
|---|-------|-----------------------|---------------------------|
| (LOSS)/PROFIT FOR THE YEAR | | (3,767,064) | 203,768 |
| OTHER COMPREHENSIVE INCOME/(EXPENSE) | | | |
| Losses on hedging instruments | | (425,940) | (1,624,525) |
| Loss on cash flow hedges transferred to income statement | | 6,183,229 | - |
| Income tax relating to other comprehensive income | | <u>(1,169,210)</u> | <u>324,904</u> |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX | | <u>4,588,079</u> | <u>(1,299,621)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | <u><u>821,015</u></u> | <u><u>(1,095,853)</u></u> |

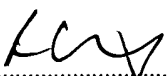
The notes form part of these financial statements

PRIMA 200 FUNDCO NO 1 LIMITED (REGISTERED NUMBER: 05099525)

STATEMENT OF FINANCIAL POSITION
31 December 2015

| | Notes | 31.12.15 | 31.12.14 |
|--|-------|-------------------------|-------------------------|
| | | £ | £ |
| FIXED ASSETS | | | |
| Investment property | 7 | 25,308,001 | 24,668,001 |
| CURRENT ASSETS | | | |
| Debtors | 8 | 312,635 | 381,070 |
| Cash at bank | | <u>1,102,552</u> | <u>2,147,469</u> |
| | | 1,415,187 | 2,528,539 |
| CREDITORS | | | |
| Amounts falling due within one year | 9 | <u>894,756</u> | <u>16,690,844</u> |
| NET CURRENT ASSETS/(LIABILITIES) | | <u>520,431</u> | <u>(14,162,305)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 25,828,432 | 10,505,696 |
| CREDITORS | | | |
| Amounts falling due after more than one year | 10 | <u>23,549,788</u> | <u>9,048,067</u> |
| NET ASSETS | | <u><u>2,278,644</u></u> | <u><u>1,457,629</u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 15 | 1 | 1 |
| Revaluation reserve | 16 | 6,033,764 | 5,402,749 |
| Hedging reserve | 16 | (727,830) | (5,315,909) |
| Retained earnings | 16 | <u>(3,027,291)</u> | <u>1,370,788</u> |
| SHAREHOLDERS' FUNDS | 19 | <u><u>2,278,644</u></u> | <u><u>1,457,629</u></u> |

The financial statements were approved and authorised for issue by the Board of Directors on 15 APRIL 2016 and were signed on its behalf by:


.....
R Laing - Director

The notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
for the Year Ended 31 December 2015

| | Called up share capital £ | Retained earnings £ | Revaluation reserve £ | Hedging reserve £ | Total equity £ |
|---|------------------------------------|---------------------------|-----------------------------|-------------------------|-------------------------|
| Balance at 1 January 2014 | 1 | 1,186,554 | 5,383,215 | (4,016,288) | 2,553,482 |
| Changes in equity | | | | | |
| Profit for the year | | 203,768 | - | - | 203,768 |
| Other comprehensive income | | - | - | (1,299,621) | (1,299,621) |
| Transfer in respect of property valuation gains (net of tax) | - | (19,534) | 19,534 | | - |
| Balance at 31 December 2014 | <u>1</u> | <u>1,370,788</u> | <u>5,402,749</u> | <u>(5,315,909)</u> | <u>1,457,629</u> |
| Changes in equity | | | | | |
| Loss for the year | | (3,767,064) | - | - | (3,767,064) |
| Other comprehensive income | | - | - | 4,588,079 | 4,588,079 |
| Transfer in respect of property valuation gains (net of tax) | - | (631,015) | 631,015 | - | - |
| Balance at 31 December 2015 | <u><u>1</u></u> | <u><u>(3,027,291)</u></u> | <u><u>6,033,764</u></u> | <u><u>(727,830)</u></u> | <u><u>2,278,644</u></u> |

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2015**

1. ACCOUNTING POLICIES

General information and basis of accounting

Prima 200 Fundco No 1 Limited is a company limited by shares and is incorporated in England and Wales. The address of the registered office is 5 The Triangle, Wildwood Drive, Worcester, Worcestershire, WR5 2QX. The nature of the company's operations and its principal activity was that of owning and managing its portfolio of properties in the North Staffordshire and Stoke on Trent areas as part of the government sponsored Local Improvement Finance Trust (LIFT) initiative.

The company's financial statements have been prepared in compliance with FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" and the Companies Act 2006.

The financial statements have been prepared under the historical cost convention and on a going concern basis as modified by the revaluation of land and buildings held as investment property and certain financial assets and liabilities measured at fair value.

The company transitioned from previously extant UK GAAP to FRS 102 as at 1 January 2014. On transition to FRS 102 the company has elected not to apply paragraphs 34.12I to 34.16A of the standard in respect of service concession arrangements that were entered into before the date of transition to FRS 102. Such service concession arrangements continue to be accounted for using the same accounting policies being applied at the date of transition to FRS 102. A reconciliation and an explanation of how the transition to FRS 102 has affected the reported financial position and financial performance is given in note 19.

The financial statements comprise the audited financial statements of the company up to 31 December each year, and are stated in pound sterling, the company's functional and presentational currency.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Small entity exemption

The company meets the definition of a small entity under FRS 102 and has therefore taken advantage of the disclosure exemption available to it in respect of the requirement to prepare a Statement of Cash Flows in accordance with Section 7.

Revenue recognition

Revenue comprises rental income arising from operating leases on investment properties, to the extent that there is a right to receive consideration and is recorded at the fair value of consideration received or receivable excluding value added tax.

Rental income is accounted for on a straight line basis over the lease term. An annual inflationary adjustment to the operating lease rentals linked to the Retail Prices Index (RPI) is recognised on all operating leases from 1 April each year and is based on the published RPI index for the month of February in the year of review.

All revenue is attributable to one class of business and arose in the United Kingdom.

Investment property

Investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually with any change recognised in the income statement. Unrealised gains are transferred from retained earnings to a separate revaluation reserve.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2015

1. **ACCOUNTING POLICIES - continued**

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the period. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax is the amount of UK corporation tax payable in respect of the taxable profit for the year or prior years calculated using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Except for deferred tax relating to investment property, all other deferred tax is measured using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply to the reversal of the timing difference. Deferred tax relating to investment property that is measured at fair value is calculated using the tax rates and allowances that apply to the sale of the asset.

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets and liabilities:

Basic financial assets and liabilities, including trade and other debtors/creditors, cash/bank balances and borrowings (Senior and Junior loans) are initially recognised at transaction price. Borrowings are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan and are amortised over the life of the loan to which it relates.

Derivatives, including interest rate and RPI swaps are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the income statement in interest received or interest payable as appropriate, unless they are included in a hedging arrangement.

(ii) Hedging arrangements:

The company applies hedge accounting for transactions entered into to manage the cash flow exposures of rental income receivable and borrowings.

RPI swaps are used to hedge the company's exposure to movements in inflation by fixing a portion of the rental income receivable which is inflation linked.

Interest rate swaps are used to hedge the company's exposure to movements in floating interest rates.

Changes in the fair value of derivatives designated as cash flow hedges, and which are effective, are recognised in other comprehensive income. Any ineffectiveness in the hedging relationship is recognised in the income statement.

The gain or loss recognised in other comprehensive income is reclassified to the income statement when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria or the hedging instrument is terminated.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2015

1. ACCOUNTING POLICIES - continued**Finance costs**

Finance costs, which include interest on loans and debt issue costs, are recognised over the life of the debt on an effective interest basis. The unamortised portion of any deferred or accelerated finance costs are netted off or added to the relevant debt balance.

Critical accounting judgements and estimates

In preparing the financial statements the directors are required to make a number of accounting judgements and make estimates and assumptions concerning the future. The following judgements and estimates are deemed significant in the context of these financial statements:

i) On adoption of FRS 102, the directors have elected not to apply paragraphs 34.12 to 34.16A of the standard in respect of service concession arrangements entered into before the date of transition, and hence continue to account for the arrangements using the same accounting policies as applied historically under UK GAAP. The company's assets under the LIFT contracts are therefore recognised as investment properties rather than financial assets.

ii) The directors have adopted a policy of cash flow hedge accounting for certain derivative financial instruments. This allows unrealised gains and losses on interest rate and RPI swaps to be deferred in a cash flow hedge reserve and only recognised through the income statement at the same time as the hedged cash flows.

iii) Investment properties are recognised at their fair value. The assessment of fair value requires the use of a range of assumptions, including future inflation rates and property yields. The valuations have been prepared by independent professional valuers, using appropriate industry guidelines.

iv) Derivative financial instruments are recognised at fair value. The assessment of fair value includes estimates of future market interest and inflation rates.

v) The company is recognising a deferred tax asset in respect of carried forward tax losses. To support such recognition, the directors have assessed the forecast future taxable profits of the company to ensure that it is probable that these losses will be utilised.

2. STAFF COSTS

There were no staff costs for the year ended 31 December 2015 nor for the year ended 31 December 2014.

3. OPERATING PROFIT

The operating profit is stated after charging:

| | 31.12.15 | 31.12.14 |
|-------------------------|--------------|--------------|
| | £ | £ |
| Auditors' remuneration | <u>6,432</u> | <u>4,500</u> |
| Directors' remuneration | <u>-</u> | <u>-</u> |

4. INTEREST PAYABLE AND SIMILAR CHARGES

| | 31.12.15 | 31.12.14 |
|-------------------------------|------------------|------------------|
| | £ | £ |
| Amortisation of finance costs | 45,860 | 82,641 |
| Senior loan interest | 673,188 | 1,059,287 |
| Junior loan interest | <u>302,915</u> | <u>280,321</u> |
| | <u>1,021,963</u> | <u>1,422,249</u> |

Junior loan interest was payable on the loan stock provided by the parent company, Prima 200 Limited.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2015

5. EXCEPTIONAL FINANCE COSTS

During the year the company's previous loan facility reached maturity on 30 April 2015. This was subsequently extended to 30 November whilst the directors put in place a new facility. The new loan facility was agreed on and took effect from 30 September 2015, incurring swap breakage costs of £6,183,229. The swaps had previously been treated as cash flow hedges and therefore the losses that had previously been recognised through other comprehensive income and recorded in a cash flow hedge reserve have been recycled through the income statement as exceptional finance costs.

6. TAXATION**Analysis of the tax credit**

The tax credit on the loss on ordinary activities for the year was as follows:

| | 31.12.15 £ | 31.12.14 £ |
|---|--------------------|-----------------|
| Deferred tax | <u>(1,069,158)</u> | <u>(35,475)</u> |
| Tax on (loss)/profit on ordinary activities | <u>(1,069,158)</u> | <u>(35,475)</u> |

Reconciliation of total tax credit included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

| | 31.12.15 £ | 31.12.14 £ |
|---|--------------------|-----------------|
| (Loss)/profit on ordinary activities before tax | <u>(4,836,222)</u> | <u>168,293</u> |
| (Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.247% (2014 - 21.493%) | (979,190) | 36,171 |
| Effects of: | | |
| Revaluation of investment properties | (52,917) | 13,326 |
| Remeasurement of deferred tax provision | <u>(37,051)</u> | <u>(84,972)</u> |
| Total tax credit | <u>(1,069,158)</u> | <u>(35,475)</u> |

Tax effects relating to effects of other comprehensive income

| | Gross £ | 31.12.15 Tax £ | Net £ |
|---------------------------------------|--------------------|----------------------|--------------------|
| Gains/(losses) on hedging instruments | <u>5,757,289</u> | <u>(1,169,210)</u> | <u>4,588,079</u> |
| | <u>5,757,289</u> | <u>(1,169,210)</u> | <u>4,588,079</u> |
| | Gross £ | 31.12.14 Tax £ | Net £ |
| Gains/(losses) on hedging instruments | <u>(1,624,525)</u> | <u>324,904</u> | <u>(1,299,621)</u> |
| | <u>(1,624,525)</u> | <u>324,904</u> | <u>(1,299,621)</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2015

6. TAXATION - continued**Factors that may affect future tax charges**

The Finance Act 2013 which was given royal assent and therefore enacted on 17 July 2013 included legislation reducing the main rate of corporation tax from 21% to 20% from 1 April 2015.

In addition the Finance (No.2) Act 2015 was enacted on 26 October 2015 and reduced the main rate of corporation tax from 20% to 19% from 1 April 2017 and from 19% to 18% from 1 April 2020.

Based on the enacted changes to the main rate of corporation tax at the reporting date, current tax has been calculated at a blended rate of 20.247% (2014 - 21.493%). Closing balances on deferred tax assets and liabilities have been calculated using the substantively enacted tax rates above.

7. INVESTMENT PROPERTY

| | Total £ |
|-----------------------|-------------------|
| FAIR VALUE | |
| At 1 January 2015 | 24,668,001 |
| Revaluations | <u>640,000</u> |
| At 31 December 2015 | <u>25,308,001</u> |
| NET BOOK VALUE | |
| At 31 December 2015 | <u>25,308,001</u> |
| At 31 December 2014 | <u>24,668,001</u> |

Cost or valuation at 31 December 2015 is represented by:

| | £ |
|-------------------|-------------------|
| Valuation in 2006 | 835,609 |
| Valuation in 2007 | 959,244 |
| Valuation in 2008 | (125,433) |
| Valuation in 2009 | 170,000 |
| Valuation in 2010 | 2,583,000 |
| Valuation in 2011 | 609,000 |
| Valuation in 2012 | 576,039 |
| Valuation in 2013 | 449,000 |
| Valuation in 2014 | (62,000) |
| Valuation in 2015 | 640,000 |
| Cost | <u>18,673,542</u> |
| | <u>25,308,001</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2015

7. INVESTMENT PROPERTY - continued

Investment properties were revalued to fair value as at 31 December 2015, by independent valuers GVA Grimley Limited Chartered Surveyors with recent experience in the location and class of the investment properties being valued.

The valuations were carried out on a Market Value basis as defined by the Royal Institution of Chartered Surveyors (RICS) Valuation - Professional Standards January 2014, incorporating the International Valuation Standards 2013, IFRS and FT FReM guidelines.

The investment properties are leased to tenants on Lease Plus Agreements (LPA), which are standard form leases used for projects within NHS LIFT schemes. Under the terms of the LPAs, the company has facilities management obligations to repair and maintain the buildings.

The LPAs give tenants the right to acquire the properties in various situations, including at the expiry of the LPA term or in the event the company wishes to dispose of its freehold interest.

8. DEBTORS

| | 31.12.15 £ | 31.12.14 £ |
|---|----------------|----------------|
| Amounts falling due within one year: | | |
| Trade debtors | 23,694 | 5,739 |
| Amounts owed by group undertakings | 4,739 | - |
| Other debtors | 575 | 575 |
| Deferred tax asset | - | 360,652 |
| Prepayments and accrued income | <u>23,027</u> | <u>14,104</u> |
| | <u>52,035</u> | <u>381,070</u> |
| Amounts falling due after more than one year: | | |
| Deferred tax asset | <u>260,600</u> | <u>-</u> |
| Aggregate amounts | <u>312,635</u> | <u>381,070</u> |

Balances with group undertakings are unsecured, repayable on demand and attract no interest.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 31.12.15 £ | 31.12.14 £ |
|---|----------------|-------------------|
| Bank loans and overdrafts (see note 11) | 687,120 | 16,409,608 |
| Trade creditors | 19,830 | 36,156 |
| Amounts owed to group undertakings | 80,204 | 47,588 |
| Social security and other taxes | 46,319 | 83,855 |
| Other creditors | 11,445 | 9,942 |
| Deferred income | 21,696 | 26,380 |
| Accrued expenses | <u>28,142</u> | <u>77,315</u> |
| | <u>894,756</u> | <u>16,690,844</u> |

Amounts owed to group undertakings includes £80,204 (2014 - £47,588) of accrued interest on the junior loan and is repayable within one year. All other balances with group undertakings are unsecured, repayable on demand and attract no interest.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2015

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 31.12.15 | 31.12.14 |
|------------------------------------|-------------------|------------------|
| | £ | £ |
| Bank loans (see note 11) | 19,988,712 | - |
| Amounts owed to group undertakings | 2,673,479 | 2,403,181 |
| Derivative financial instruments | 887,597 | 6,644,886 |
| | <u>23,549,788</u> | <u>9,048,067</u> |

Amounts owed to group undertakings represents junior loans which attract a fixed interest rate of 12% and are repayable in more than 5 years.

11. LOANS

An analysis of the maturity of loans is given below:

| | 31.12.15 | 31.12.14 |
|---|-------------------|-------------------|
| | £ | £ |
| Amounts falling due within one year or on demand: | | |
| Bank loans | <u>687,120</u> | <u>16,409,608</u> |
| Amounts falling due between one and two years: | | |
| Bank loans - 1-2 years | <u>1,342,420</u> | <u>-</u> |
| Amounts falling due between two and five years: | | |
| Bank loans - 2-5 years | <u>2,836,676</u> | <u>-</u> |
| Amounts falling due in more than five years: | | |
| Repayable by instalments | | |
| Bank loans - more than 5 years | <u>15,809,616</u> | <u>-</u> |

Outstanding bank loans payable at the year end amounted to £21,519,285 (2014 - £16,436,834).

The loans are secured by fixed and floating charges over the company's investment properties and other assets. Interest rates payable on the principal amount of the loans range from 1.98% to 2.38% and are payable to the funders on a semi-annual basis.

As at 31 December 2014 the company's balance sheet showed a current net liabilities position due to the loan facility reaching maturity on 30 April 2015. This was subsequently extended to 30 November whilst the directors put in place a new facility.

The new loan facility was agreed on and took effect from 30 September 2015 and will mature in 2034.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2015

12. LEASING AGREEMENTS

The company holds five primary healthcare properties as investment properties as disclosed in note 7 to the financial statements, which are let to Community Health Partnerships Limited (a company owned by the Department of Health). These non-cancellable leases have remaining terms of between 14 to 18 years. Rental income receivable under the leases is subject to annual inflationary increases linked to the RPI index. Contingent rent recognised as income in the period amounted to £14,980 (2014 - £39,587).

Minimum lease payments receivable under non-cancellable operating leases fall due as follows:

| | 31.12.15 | 31.12.14 |
|----------------------------|-------------------|-------------------|
| | £ | £ |
| Within one year | 2,097,153 | 2,077,228 |
| Between one and five years | 8,388,612 | 8,308,910 |
| In more than five years | <u>24,751,607</u> | <u>26,599,042</u> |
| | <u>35,237,372</u> | <u>36,985,180</u> |

Further details on purchase options and restrictions imposed on the above leasing arrangements is included in note 7 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2015

13. FINANCIAL INSTRUMENTS

The company has the following financial instruments:

| | Note | 31.12.15 £ | 31.12.14 £ |
|---|------|---------------------|---------------------|
| Financial assets that are debt instruments measured at amortised cost: | | | |
| Trade debtors | 8 | 23,694 | 5,739 |
| Amounts owed by group undertakings | 8 | <u>4,739</u> | <u>-</u> |
| | | <u>28,433</u> | <u>5,739</u> |
| Financial liabilities measured at fair value and designated in an effective hedging relationship: | | | |
| Derivative financial instruments | (a) | <u>(887,597)</u> | <u>(6,644,886)</u> |
| | | <u>(887,597)</u> | <u>(6,644,886)</u> |
| Financial liabilities measured at amortised cost: | | | |
| Bank loans | 9,10 | (20,675,832) | (16,409,608) |
| Amounts owed to group undertakings | 9,10 | (2,753,683) | (2,450,769) |
| Trade creditors | 9 | (19,830) | (36,156) |
| Other creditors | 9 | <u>(11,445)</u> | <u>(9,942)</u> |
| | | <u>(23,460,790)</u> | <u>(18,906,475)</u> |

(a) Derivative financial instruments

Derivative instruments held by the company comprise interest rate and RPI swaps.

Interest rate swaps are held on all bank loans which convert the borrowings from rates linked to LIBOR to a fixed rate of 2.04%. The fair value of the interest rate swaps is a liability of £163,606 (2014 - liability of £5,427,514).

RPI swaps convert a portion of the inflation linked lease revenue to a fixed inflation rate. The fair value of the RPI swaps is a liability of £723,991 (2014 - liability of £1,217,372).

These financial instruments are held for the purposes of hedging through the entire term of the relevant loan or lease and are not intended to be traded, so that the company's exposure to price risk of financial instruments is minimal.

Cash flows from interest rate swaps are settled each quarter on a net basis with the relevant loan repayments and will run until 2034. Cash flows from the RPI swaps are settled bi-annually and will also run until 2033. A loss of £425,940 was recognised in other comprehensive income for changes in the fair value of the swaps and a loss of £6,183,229 was transferred from the cash flow hedge reserve to the income statement on settlement of old hedges as described in note 5.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2015

14. DEFERRED TAX

| | |
|---|-------------------------|
| | £ |
| Balance at 1 January 2015 | (360,652) |
| Charged to Income Statement during the year | (1,069,158) |
| Charged to Other Comprehensive Income during the year | <u>1,169,210</u> |
| Balance at 31 December 2015 | <u><u>(260,600)</u></u> |

The provision for deferred tax consists of the following deferred tax liabilities/(assets):

| | | |
|---------------------------------------|-------------------------|-------------------------|
| | 31.12.15 | 31.12.14 |
| | £ | £ |
| Accelerated capital allowances | 98,909 | 109,899 |
| Capitalised interest | 240,045 | 266,716 |
| Latent gains on investment properties | 600,695 | 591,712 |
| Derivative financial instruments | (159,768) | (1,328,979) |
| Unutilised losses | <u>(1,040,481)</u> | <u>-</u> |
| Total provision | <u><u>(260,600)</u></u> | <u><u>(360,652)</u></u> |

15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

| Number: | Class: | Nominal value: | 31.12.15 | 31.12.14 |
|---------|----------|----------------|-----------------|-----------------|
| | | | £ | £ |
| 1 | Ordinary | £1 | <u><u>1</u></u> | <u><u>1</u></u> |

16. RESERVES

| | | | | |
|---------------------------------|---------------------------|-------------------------|-------------------------|-------------------------|
| | Retained earnings | Revaluation reserve | Hedging reserve | Totals |
| | £ | £ | £ | £ |
| At 1 January 2015 | 1,370,788 | 5,402,749 | (5,315,909) | 1,457,628 |
| Loss for the year | (3,767,064) | | | (3,767,064) |
| Gains on hedging instruments | - | - | 4,588,079 | 4,588,079 |
| Transfer in respect of property | | | | |
| Valuation gains (net of tax) | <u>(631,015)</u> | <u>631,015</u> | <u>-</u> | <u>-</u> |
| At 31 December 2015 | <u><u>(3,027,291)</u></u> | <u><u>6,033,764</u></u> | <u><u>(727,830)</u></u> | <u><u>2,278,643</u></u> |

The retained earnings reserve represents cumulative profits and losses net of transfers of investment property revaluations and other adjustments.

The revaluation reserve represents the cumulative effect of revaluations of investment properties which are revalued to fair value at each reporting date.

The hedging reserve represents the cumulative portion of gains and losses recorded on the company's interest rate and RPI swap hedging arrangements.

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2015**

17. RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption under Section 33 of FRS 102, not to disclose related party transactions with wholly owned subsidiaries within the group.

The company's investment properties are let to Community Health Partnerships Limited (CHP). CHP is a joint venture partner with equal voting rights in Prima 200 Limited, the parent company of Prima 200 Fundco No 1 Limited.

During the year the company invoiced CHP £2,442,988 (2014 - £2,417,196) for rent and disbursements. At the year end £13,371 (2014 - £4,576) was outstanding from CHP and is included within trade debtors.

The sales and purchases transactions with related parties are all stated inclusive of VAT.

18. ULTIMATE CONTROLLING PARTY

The parent company is Prima 200 Limited. Prima 200 Limited is jointly controlled by Prime LIFT Investments Limited and Community Health Partnerships Limited (a company owned by the Department of Health). There is no ultimate controlling party.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2015

19. EXPLANATION OF TRANSITION TO FRS 102

This is the first year that the company has presented its financial statements under FRS 102. The previous financial statements were prepared under UK GAAP and were for the year ended 31 December 2014. Set out below are the changes in accounting policies as a result of the transition to FRS 102 which had an impact on previously reported balances under UK GAAP.

A reconciliation of equity and profit for the financial year is set out below:

Reconciliation of equity:

| | Note | 01.01.14 £ | 31.12.14 £ |
|---|------|------------------|------------------|
| Equity reported under previous UK GAAP | | 7,243,014 | 7,365,248 |
| Adjustments to equity on transition to FRS 102: | | | |
| Derivative financial instruments | (a) | (5,020,361) | (6,644,886) |
| Deferred tax impact of adjustments: | (c) | | |
| - Derivative financial instruments | | 1,004,073 | 1,328,977 |
| - Revaluation of investment properties | | (673,244) | (591,710) |
| | | <hr/> | <hr/> |
| Equity reported under FRS 102 | | <u>2,553,482</u> | <u>1,457,629</u> |

Reconciliation of profit for 2014:

| | Note | £ |
|--|------|----------------|
| Profit for the financial year as reported under previous UK GAAP | | 184,234 |
| Adjustments to profit on transition to FRS 102: | | |
| Revaluation of investment properties | (b) | (62,000) |
| Deferred tax impact of adjustments: | (c) | |
| - Revaluation of investment properties | | 81,534 |
| | | <hr/> |
| Profit for the financial year under FRS 102 | | <u>203,768</u> |

(a) Derivative financial instruments

FRS 102 requires derivative financial instruments to be recognised at fair value. Previously under UK GAAP the company did not recognise these instruments in the financial statements. Accordingly at transition a liability was recognised of £5,020,361 and a loss of £1,624,525 was recognised in other comprehensive income for the year ended 31 December 2014. A liability of £6,644,886 was recognised as at 31 December 2014.

(b) Revaluation of Investment properties

FRS 102 requires revaluation adjustments on investment property to be recognised in the income statement. Previously under UK GAAP the company recognised revaluation adjustments in the Statement of total recognised gains and losses. Accordingly a revaluation loss of £62,000 was recognised in the income statement.

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2015**

(c) Deferred taxation

The company has accounted for deferred taxation as follows:

Derivative financial instruments - Deferred tax of £1,004,073 was recognised on the liability recognised on transition at 1 January 2014. During the year the company recognised a further £324,904 in other comprehensive income in respect of the increase in the value of derivative liabilities recognised in other comprehensive income.

Revaluation of investment properties - Under previous UK GAAP the company was not required to provide for taxation on revaluations. Under FRS 102 deferred taxation is provided on the temporary difference arising from the revaluation. A deferred tax charge of £673,244 arose on transition to FRS 102. In the year ended 31 December 2014 there was a deferred tax credit of £81,534 on the revaluation loss for the year.