

Octopus Healthcare Adviser Ltd

Annual Report and financial statements

For the year ended 30 April 2017

Registered number: 5857926



COMPANY INFORMATION

Directors M W Adams
T A Meggitt

Company Secretary P Standaloft (resigned 28 February 2017)
S E L Waterhouse (appointed 28 February 2017)

Company Number 5847926

Registered Office 33 Holborn
London
EC1N 2HT

Auditor Deloitte LLP
London

Bankers Barclays Bank Plc
1 Churchill Place
London
E14 5HP

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DIRECTORS' REPORT

For the year ended 30 April 2017

The directors present their annual report on the affairs of Octopus Healthcare Adviser Ltd ("the Company"), together with the financial statements and auditor's report, for the year ended 30 April 2017.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies in the financial statements.

Future developments and financial risk management

Details of future developments and financial risk management can be found in the Strategic Report on pages 5 and 6.

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 11 to the financial statements.

Directors

The directors who served throughout the year (except where noted) were as follows:

M W Adams

T A Meggitt

Auditor

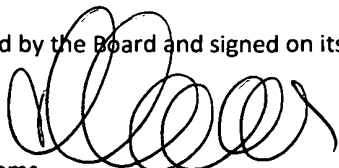
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as that 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 they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and a resolution to reappoint them will be proposed at the next Annual General Meeting.

Approved by the Board and signed on its behalf by:



M W Adams

Director

17 August 2017

Registered Office:

33 Holborn, London, EC1N 2HT

STRATEGIC REPORT

For the year ended 30 April 2017

Principal activities

The principal activity of the Company is the provision of investment advisory, property management services and corporate services.

Business review and key performance indicators

Octopus Healthcare Adviser Ltd (the Company) is the FCA-authorised fund manager specialising in healthcare property funds. It is investment adviser to the MedicX Fund, a specialist investor in primary care property listed on the London Stock Exchange. The MedicX Fund had committed investment of approximately £625 million in 157 properties (as at 24 May 2017) and further funds to invest in primary healthcare property. The Company also manages MedicX Healthfund I LP and MedicX Healthfund II LP, both private funds targeting a wide range of healthcare property investments including specialist elderly care, mental health and learning disabilities, active dementia care and specialist clinical services. These two funds add a further £362m of committed investment in 42 properties.

The results for the Company show a pre-tax profit of £5,756,592 for the period (2016: £3,870,342) on turnover of £11,506,595 (2016: £8,876,710). The profit for the period, after taxation, amounted to £4,447,160 (2016: £3,327,591).

During the year the Company did not pay a dividend to its parent company, Octopus Healthcare Sub Holdings Ltd (2016: nil). There were no significant events requiring disclosure in the financial statements after the balance sheet date.

The Company has no debt (2016: £nil) and shareholders' funds amount to £13,003,366 (2016: £8,556,206).

The directors are pleased with the Company's growth in pre-tax profits over the year which reflects on the Company's ability to remain innovative and offer investment solutions to a growing investor base. It is through this product innovation and the long term nature of many of the revenue streams that the directors expect the Company to continue to perform well in the future.

Principal risks and uncertainties

Financial risk management

The operations of the Octopus Healthcare Capital Holdings Ltd group (the "Octopus Healthcare Group" or the "Group") expose it to financial risks that might include the effects of change in debt market prices, credit risk, liquidity risk and interest rate risk. The Group has in place a risk management programme that seeks to limit the adverse effects of the financial performance of the Group by monitoring levels of debt finance and the related financial costs. The Group does not use derivative financial instruments to manage interest rate costs and, as such, no hedge accounting is applied.

Following the acquisition by Octopus, the Group formed a Risk and Compliance Committee responsible for monitoring financial and other risks.

Price risk

The Group is potentially exposed to building commodity price risk as a result of its operations. However, given the size of its operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

Credit risk

The Group has implemented policies that require appropriate credit checks on potential business associates before sales are made. Where debt finance is utilised, this would be subject to pre-approval by the board of Directors and such approval would be limited to financial institutions with an AA rating or better. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

STRATEGIC REPORT (continued)

For the year ended 30 April 2017

Liquidity risk

The Group maintains a mixture of long-term debt finance and retains cash holdings designed to ensure the Group has sufficient available funds for operations and planned expansions.

Interest rate cash flow risk

The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets are cash balances, all of which earn interest at market rates. The Group has a policy of maintaining debt at fixed rate to ensure certainty of future interest cash flows. The Directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

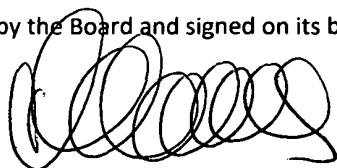
Treating customers fairly

Treating customers fairly is part of the Company's business ethos and ensures its regulated business complies with the FCA principle, "A firm must pay due regard to the interests of its customers and treat them fairly". The fair treatment of customers is central to the corporate culture.

Future developments

The directors expect the general level of activity and growth in funds under management in its fund management business to remain consistent with 2017 in the forthcoming year.

Approved by the Board and signed on its behalf by:



M W Adams

Director

17 August 2017

Registered Office:

33 Holborn

London. EC1N 2HT

DIRECTORS' RESPONSIBILITIES STATEMENT

For the year ended 30 April 2017

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). 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed 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.

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF OCTOPUS HEALTHCARE ADVISER LTD

We have audited the financial statements of Octopus Healthcare Adviser Ltd for the period ended 30 April 2017 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 11. 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 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland".

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 30 April 2017 and of its profit for the period 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 matters 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements

In 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 Strategic Report and the Directors' Report.

**INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF OCTOPUS HEALTHCARE ADVISER LTD
(continued)**

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.



Stuart McLaren (Senior Statutory Auditor)
Deloitte LLP
Statutory Auditor
London, UK
17 August 2017

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 April 2017

		Year ended 30 April 2017	Year ended 30 April 2016
	Note	£	£
TURNOVER		11,506,595	8,876,710
Administrative expenses		(5,908,932)	(5,192,452)
OPERATING PROFIT		5,597,663	3,684,258
Income from investments		127,141	119,324
Change in fair value of investments	4	31,788	66,760
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	5,756,592	3,870,342
Tax on profit on ordinary activities	3	(1,309,432)	(542,751)
PROFIT FOR THE FINANCIAL YEAR/PERIOD		4,447,160	3,327,591

All amounts relate to continuing operations.

There were no recognised gains and losses in either period other than those included in the Statement of Comprehensive Income.

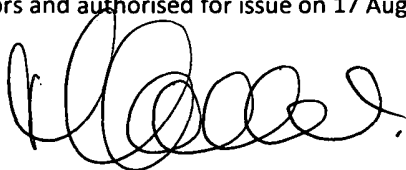
The statement of accounting policies and notes on pages 13 to 17 form part of these financial statements.

BALANCE SHEET

At 30 April 2017

	Note	2017 £	2016 £
FIXED ASSETS			
Investments	4	1,983,644	1,824,715
		<u>1,983,644</u>	<u>1,824,715</u>
CURRENT ASSETS			
Debtors – due within one year	5	12,687,085	5,972,105
Cash at bank and in hand		25,814	1,584,850
		<u>12,712,899</u>	<u>7,556,955</u>
CREDITORS: amounts falling due within one year	6	(1,693,177)	(825,464)
NET CURRENT ASSETS		<u>11,019,722</u>	<u>6,731,491</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>13,003,366</u>	<u>8,556,206</u>
NET ASSETS		<u>13,003,366</u>	<u>8,556,206</u>
CAPITAL AND RESERVES			
Called up share capital	7	2	2
Profit and loss account	8	13,003,364	8,556,204
SHAREHOLDERS' FUNDS		<u>13,003,366</u>	<u>8,556,206</u>

The financial statements of Octopus Healthcare Adviser Ltd (registered number: 5857926) were approved by the Board of Directors and authorised for issue on 17 August 2017. They were signed on its behalf by:



M W Adams
Director

The statement of accounting policies and notes on pages 13 to 17 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2017

	Called-up share capital	Profit and loss account	Total
	£'000s	£'000s	£'000s
At 30 April 2015	2	5,228,613	5,228,615
Profit for the year	-	3,327,591	3,327,591
At 30 April 2016	2	8,556,204	8,556,206
Profit for the year	-	4,447,160	4,447,160
At 30 April 2017	2	13,003,364	13,003,366

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2017

1. Statement of accounting policies

Octopus Healthcare Adviser Ltd is a private company limited by shares and incorporated and domiciled in the United Kingdom and registered in England and Wales. The Registered Office is disclosed on page 2.

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and the preceding year.

Basis of accounting and preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The Company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about the group of which it is a part.

The functional currency of Octopus Healthcare Adviser Ltd is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

Octopus Healthcare Adviser Ltd meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement, remuneration of key management personnel and reconciliation of share capital.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review which forms part of the Strategic Report. The Strategic Report also describes the financial position of the Company, its liquidity position and borrowing facilities, the Company's objectives, policies and processes for managing its capital and its financial risk management objectives.

The Company has considerable financial resources together with long-term agreements with a number of the funds across different asset classes. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2017

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

Turnover

Turnover is recorded net of VAT and represents amounts earned in the year for investment advisory services, property management services and corporate services. Turnover is recognised when a right to receive consideration has been obtained through the performance of contractual commitments.

Turnover is all generated by one segment and in the UK, hence no segmental or geographical analysis is required.

Fixed asset investments

Investments are held as fixed assets and are shown at fair value through profit or loss. The investment comprises equity shares which are traded on the London Stock exchange (relating to a group to which the company provides investment management services) with the fair value being the number of shares held multiplied by the share price.

Intangible assets

The intangible asset relates to contractual rights acquired and are held at cost less amortisation. The period of amortisation is set dependent upon contract specific factors, and these are reviewed periodically. The carrying value of the intangible asset is reviewed for impairment at the end of the first full year following recognition and after other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Liquid resources

Liquid resources are those current asset investments which are readily converted into cash.

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Critical accounting judgements and key areas of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Investment Valuations

Investments are recorded at fair value or at amounts whose carrying values approximate fair value. While valuations of investments are based on assumptions that the Company believes are reasonable under the circumstances, the actual realized gains or losses will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may ultimately differ significantly from the assumptions on which the valuations were based.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2017

2. Profit on Ordinary Activities before Taxation

Profit on ordinary activities before taxation is stated after charging:

	2017	2016
	£	£
Management charge	5,723,248	4,903,283
Amortisation of intangible asset	-	254,333

Audit fees of £21,399 (2016: £18,340) are borne by a fellow group company.

The company's directors were remunerated by a fellow group company, Octopus Capital Limited, and then recharged to Octopus Healthcare Management Ltd (a fellow subsidiary of Octopus Capital Ltd). No recharge is made to Octopus Healthcare Adviser Ltd given the size of the group and the practicality of making such a charge. The directors have assessed that, having regard to the level of time spent and the nature of the company's affairs, a fair apportionment of the directors annual remuneration that would be attributable to this company is approximately £248,000 (2016: £345,000).

3. Tax on profit on ordinary activities

The tax charge comprises:

	2017	2016
	£	£
Current Tax (see note below)		
UK corporation tax	1,115,464	542,751
Adjustments in respect of prior periods	193,968	-
Total current tax	1,309,432	542,751

Factors affecting tax charge for the year

The differences between the total current tax shown above and the amount calculated by applying a blended rate of UK corporation tax of 19.92% (2016: 20.00%) to the profit before tax are as follows:

	2017	2016
	£	£
Profit on ordinary activities before tax	5,756,592	3,870,342
Tax on profit on ordinary activities at standard CT rate of 19.92% (PY: 20.00%)	1,146,587	774,068
Effects of:		
Expenses not deductible for tax purposes	532	-
Income not taxable for tax purposes	(6,331)	(37,349)
Group relief surrendered/(claimed)	-	(193,968)
Exempt ABGH distributions	(25,324)	-
Adjustments to tax charge in respect of prior periods	193,968	-
Current tax charge for the year	1,309,432	542,751

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2017

4. Fixed Asset Investments

	£
Fair value	
At 1 May 2016	1,824,715
Additions at cost value	127,141
Valuation gain/(provision for impairment)	31,788
At 30 April 2017	<u>1,983,644</u>

Investments comprise equity shares which are traded on the London Stock Exchange and relate to a group to which the company provides investment management services.

At the balance sheet date the investment had a cost value of £1,749,861 (30 April 2016: £1,622,720).

At the balance sheet date the company had 2,222,570 shares in that group with a share price of 89.25 pence per share giving them a fair value of £1,983,644 (30 April 2016: 2,079,447 shares at 87.75 pence per share = £1,824,715).

Dividends of £127,121 were receivable in the year (2016: £119,324).

5. Debtors

	2017	2016
	£	£
Amounts falling due within one year:		
Trade debtors	1,245,163	289,045
Amounts owed by group undertakings	10,711,330	4,882,589
Other debtors	730,592	670,607
Corporation tax	-	129,864
	<u>12,687,085</u>	<u>5,972,105</u>

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

	2017	2016
	£	£
Amounts owed to group undertakings	732,198	423,128
Corporation tax	563,157	-
Social security and other taxes	233,787	251,004
Accruals and deferred income	164,035	151,332
	<u>1,693,177</u>	<u>825,464</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2017

7. Called-Up Share Capital

	2017	2016
	£	£
Allotted, called-up and fully-paid		
2 Ordinary shares of £1 each	2	2

The Company did not issue any Ordinary shares during the period (2016: nil).

8. Reserves

	Profit and loss account
	£
At 1 May 2016	8,556,204
Profit for the period	4,447,160
At 30 April 2017	13,003,364

9. Related Party Transactions

The company has taken advantage of the exemption in paragraph 33.1A of FRS 102 not to disclose transactions with wholly owned Group companies wherein any subsidiary undertaking which is a party to the transactions is wholly-owned by a member of the Group.

10. Immediate and Ultimate Parent Undertaking and Controlling Party

The immediate parent Company is Octopus Healthcare Sub-Holdings Ltd, a company incorporated in the United Kingdom and registered in England and Wales and the ultimate parent company is Octopus Capital Limited a company also incorporated in the United Kingdom and registered in England and Wales. The smallest level of consolidated accounts that are prepared is now Octopus Capital Healthcare Holdings Ltd and the largest is Octopus Capital Limited, a copy of which can be obtained from The Secretary, Octopus Capital Limited, 33 Holborn, London, EC1N 2HT.

11. Subsequent Events

Since 30 April 2017, the directors are not aware of any matters or circumstances that have significantly affected or may significantly affect the company.