

Company Registration Number 07289496

## **PHP Healthcare Investments Limited**

### **Report and Financial Statements**

Year ended 31 December 2013



**PHP Healthcare Investments Limited**  
**Report and Financial Statements**  
**Year ended 31 December 2013**

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<b>Contents</b>	<b>Pages</b>
Officers and Professional Advisers	1
Directors' Report	2 to 3
Independent Auditor's Report	4 to 5
Profit and Loss Account	6
Statement of Total Recognised Gains and Losses	7
Balance Sheet	8
Notes to the Financial Statements	9 to 14

**PHP Healthcare Investments Limited**

**Officers and Professional Advisers**

**Year ended 31 December 2013**

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**Board of Directors**

H A Hyman  
M H Vaughan (resigned on 30 April 2014)  
T D Walker-Arnott  
P J Holland

**Company Secretary**

With effect from 30 April 2014  
Nexus Tradeco Limited  
  
Prior to 30 April 2014  
J O Hambro Capital Management Ltd

**Registered Office**

With effect from 30 April 2014  
Nexus Tradeco Limited  
5th Floor, Greener House  
66-68 Haymarket  
London  
SW1Y 4RF  
  
Prior to 30 April 2014  
J O Hambro Capital Management Ltd  
Ground Floor Ryder Court  
14 Ryder Street  
London  
SW1Y 4RF

**Auditor**

Deloitte LLP  
2 New Street Square  
London  
EC4A 3BZ

## **PHP Healthcare Investments Limited**

### **Directors' Report**

#### **Year ended 31 December 2013**

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The Directors have pleasure in presenting their Report and the Financial Statements of the Company for the year ended 31 December 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. The Company's immediate parent as at 31 December 2013 was PHP Bond Finance PLC ("PBF"), a wholly owned subsidiary of Primary Health Properties PLC ("PHP"). On 4 November 2013, the entire share capital of the Company was transferred from its then parent undertaking, PHP Investments (2011) Limited, to PBF in order for the Company and its assets to provide security for a new PHP Group secured debt issue.

During the year, investment properties with a market value and net book value of £70,080,000, and their related assets and liabilities, were transferred to the Company from other group undertakings. The purpose of the transfer was to provide additional security for a new PHP Group secured debt issue.

The Annual Report for the year ended 31 December 2013 of the Company's ultimate parent, PHP, contains a fair review of the business of the Group and an indication of future developments, as required by Section 417 of the Companies Act 2006. It is incorporated into this report by reference.

The Company's turnover represents rental income on the Company's investment property, which the Directors consider to be the key performance indicator.

For the year ended 31 December 2013 turnover was £1,430,807 (2012: £1,372,867) which represents a 4.2% increase; this is attributable to the transfer of a number of investment properties from another group undertaking.

This increase is only 4.2% as during December in the prior year, investment properties with a market value and net book value of £21,683,345, and their related assets and liabilities, were transferred from the Company to another group undertaking. The purpose of this transfer was to provide security for the bank finance of the other group undertaking.

#### **Results and Dividends**

The profit for the year amounted to £1,386,631 (2012: £1,361,895). The profit for the year is to be transferred to reserves. The Directors have approved and paid a dividend of £1,500,000 on 24 October 2013 (2012: £nil).

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 9.

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

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

#### **Directors**

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

H A Hyman

M H Vaughan (resigned on 30 April 2014)

T D Walker-Arnott

P J Holland

## PHP Healthcare Investments Limited

### Directors' Report *(continued)*

Year ended 31 December 2013

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#### Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company Law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company Law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, 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.

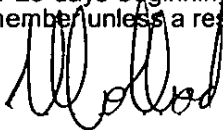
In so far as the Directors are aware

- 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.

#### 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.



Signed by order of the Board on 20 May 2014

For and on behalf of PHP Healthcare Investments Limited

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

Company Registration Number 07289496

## **PHP Healthcare Investments Limited**

### **Independent Auditor's Report to the Members of PHP Healthcare Investments Limited** **Year ended 31 December 2013**

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We have audited the Financial Statements of PHP Healthcare Investments 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 17. 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 Report and Financial Statements to identify material inconsistencies with the audited Financial Statements. 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 profit 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.

**PHP Healthcare Investments Limited**

**Independent Auditor's Report to the Members of PHP Healthcare Investments Limited**  
(continued)

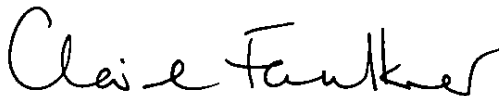
**Year ended 31 December 2013**

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**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

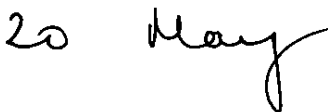
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the Financial Statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit
- the Directors were not entitled to take advantage of the small companies exemption from preparing a Strategic Report or in preparing the Directors' Report



**Claire Faulkner**  
**(Senior Statutory Auditor)**

**for and on behalf**  
**of Deloitte LLP,**  
**Chartered Accountants and Statutory Auditor**

London



2014

**PHP Healthcare Investments Limited**

**Profit and Loss Account**

**Year ended 31 December 2013**

	Note	2013 £	2012 £
Turnover	2	1,430,807	1,372,867
Administrative expenses		(44,176)	(11,009)
Operating profit	3	1,386,631	1,361,858
Interest receivable	6	-	37
Profit on ordinary activities before taxation		1,386,631	1,361,895
Tax on profit from ordinary activities	7	-	-
Profit for the financial year		1,386,631	1,361,895

All of the activities of the Company are classed as continuing

The notes on pages 9 to 14 form part of these financial statements



**PHP Healthcare Investments Limited**  
**Statement of Total Recognised Gains and Losses**  
**Year ended 31 December 2013**

	2013 £	2012 £
Profit for the financial year attributable to the shareholders	1,386,631	1,361,895
Unrealised gain/(loss) on revaluation of investment property	37,211	(340,020)
Total gains and losses recognised in the year	<u>1,423,842</u>	<u>1,021,875</u>

The notes on pages 9 to 14 form part of these financial statements

**PHP Healthcare Investments Limited**

**Balance Sheet**

**Year ended 31 December 2013**

	Note	2013 £	2012 £
<b>Fixed assets</b>			
Investment property	8	77,905,000	7,695,000
		<u>77,905,000</u>	<u>7,695,000</u>
<b>Current assets</b>			
Debtors	9	21,560,139	21,482,283
		<u>21,560,139</u>	<u>21,482,283</u>
<b>Current liabilities</b>			
Creditors Amounts falling due within one year	10	(98,455,617)	(28,091,603)
		<u>(98,455,617)</u>	<u>(28,091,603)</u>
<b>Net current liabilities</b>		<u>(76,895,478)</u>	<u>(6,609,320)</u>
<b>Total assets less current liabilities</b>		<u>1,009,522</u>	<u>1,085,680</u>
<b>Net assets</b>		<u>1,009,522</u>	<u>1,085,680</u>
<b>Capital and reserves</b>			
Share capital	11	-	-
Revaluation reserve	12	(325,841)	(363,052)
Profit and loss account	13	1,335,363	1,448,732
		<u>1,009,522</u>	<u>1,085,680</u>
<b>Shareholders' funds</b>	14	<u>1,009,522</u>	<u>1,085,680</u>

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

20 May 2014, and are signed on their behalf by



P J Holland  
Director

The notes on pages 9 to 14 form part of these financial statements

# **PHP Healthcare Investments Limited**

## **Notes to the Financial Statements**

**Year ended 31 December 2013**

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### **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

As at 31 December 2013 the Company had net current liabilities of £76,895,478. Having reviewed the Company's current position, cash flow projections, associated loan facilities and covenant requirements the directors have a reasonable expectation that together with the support of its parent the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

#### **1.3 Cash flow statement**

The Directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that a consolidated cash flow statement is presented in the group financial statements of PHP.

#### **1.4 Investment properties**

All the Company's properties are held for long-term investment. Investment properties are carried at open market value and are accounted for in accordance with SSAP19, Accounting for Investment Properties as follows:

- i) investment properties are revalued annually. The surplus or deficit on revaluation is transferred to the revaluation reserve unless a deficit below original cost, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year.
- ii) no depreciation is provided in respect of freehold properties.

Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the Directors believe that the policy of not providing depreciation is necessary in order for the financial statements to give a true and fair view since the current value of investment properties and changes to that current value are of prime importance, rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been included cannot be separately identified or quantified.

# PHP Healthcare Investments Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 1. Accounting Policies *(continued)*

#### 1.5 Taxation

Taxation on the profit or loss for the year not exempt under UK-REIT regulations, comprises current and deferred tax. Taxation is recognised in the profit and loss account except to the extent that it relates to items recognised as direct movements in equity, in which case it is also recognised as a direct movement in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to the tax payable in respect of previous years.

### 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.

### 3. Operating profit

Operating profit is stated after charging

	2013 £	2012 £
Management fees payable	-	-
Auditor's remuneration - audit	-	-
- taxation	-	-
	<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.

### 4. Particulars of employees

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

### 5. Directors' emoluments

PHP secures the services of Directors to all of its subsidiary undertakings under a joint advisory agreement with Nexus Tradeco 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.

### 6. Interest receivable

	2013 £	2012 £
Interest on back-dated rent	-	37
	<u>-</u>	<u>37</u>

# PHP Healthcare Investments Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 7 Taxation on profit on ordinary activities

(a) Tax on the profit on ordinary activities 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 7(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 £
Profit on ordinary activities before taxation	1,386,631	1,361,895
Current tax		
UK Corporation tax at applicable rate of 23.3% (2012 24.5%)	322,392	333,665
Exempt UK REIT income	(322,392)	(333,665)
Transfer pricing adjustment	247,578	10,007
Group relief	(247,578)	(10,007)
Total current tax charge (note 7(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.

# PHP Healthcare Investments Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 8 Investment property

	2013 £	2012 £
<b>Valuation.</b>		
At 1 January	7,695,000	17,845,000
Transfer from/(to) other group undertakings	70,080,000	(21,683,345)
Additions	92,789	11,873,365
Revaluation	37,211	(340,020)
At 31 December	<u>77,905,000</u>	<u>7,695,000</u>

The historical cost of the freehold investment property at 31 December 2013 was £78,029,902 (2012 £7,857,113)

Investment properties with a market value and net book value of £70,080,000, and their related assets and liabilities, were transferred to the Company from other group undertakings

The purpose of this transfer was to provide security for the £70m secured bond financing facility in the Company's immediate parent, PHP Bond Finance PLC (see note 16)

Properties independently valued at 31 December 2013 by Lambert Smith Hampton, acting as external surveyors on the basis of open market value as defined in RICS Appraisal and Valuations Manual

### 9. Debtors

	2013 £	2012 £
Other debtors	500	500
Amounts owed by group undertakings	21,297,055	21,297,054
Prepayments and accrued income	262,584	-
VAT recoverable	-	184,729
	<u>21,560,139</u>	<u>21,482,283</u>

### 10 Creditors. Amounts falling due within one year

	2013 £	2012 £
Deferred income	1,072,330	109,613
Other creditors and accruals	178,080	1,993
Amounts owed to parent undertakings	-	19,237,834
Amounts owed to group undertakings	97,205,207	8,742,162
	<u>98,455,617</u>	<u>28,091,602</u>

# PHP Healthcare Investments Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 11. Share capital

Authorised, issued and fully paid up

	2013		2012	
	No	£	No	£
Ordinary shares of £0.01 each	1	-	1	-
	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>

### 12. Revaluation reserve

	2013 £	2012 £
Balance brought forward	(363,052)	(23,032)
Unrealised gain/(loss) on revaluation of investment property	37,211	(340,020)
Balance carried forward	<u>(325,841)</u>	<u>(363,052)</u>

The Directors have considered the revaluation movement downwards to below original cost of the properties and concluded that this is only a temporary reduction in the values and does not constitute an impairment of the assets

### 13. Profit and loss account

	2013 £	2012 £
Balance brought forward	1,448,732	86,837
Equity dividends paid	(1,500,000)	-
Profit for the financial year	1,386,631	1,361,895
Balance carried forward	<u>1,335,363</u>	<u>1,448,732</u>

### 14. Reconciliation of shareholders' funds

	2013 £	2012 £
Opening shareholders' funds	1,085,680	63,805
Profit for the financial year	1,386,631	1,361,895
Unrealised gain/(loss) on revaluation of investment property	37,211	(340,020)
Equity dividends paid	(1,500,000)	-
Closing shareholders' funds	<u>1,009,522</u>	<u>1,085,680</u>

## **PHP Healthcare Investments Limited**

### **Notes to the Financial Statements**

**Year ended 31 December 2013**

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#### **15. 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.

#### **16. Contingent liabilities**

As at 31 December 2013, the Company's immediate parent, PHP Bond Finance PLC, had available secured bond finance facilities totalling £70 million, of which £60.0 million was drawn as at 31 December 2013. These facilities are secured by way of a fixed and floating charge over all current and future property owned by the Company and other group undertakings.

#### **17. Ultimate parent undertaking and controlling party**

The immediate parent undertaking at the year end was PHP Bond Finance PLC. 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 Registrar of Companies or the Company Secretary or downloaded from [www.phpgroup.co.uk](http://www.phpgroup.co.uk).