

Company Registration Number 07289496

## **PHP Healthcare Investments Limited**

### **Annual Report and Financial Statements**

Year ended 31 December 2014

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**PHP Healthcare Investments Limited**  
**Annual Report and Financial Statements**  
**Year ended 31 December 2014**

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**PHP Healthcare Investments Limited**  
**Officers and Professional Advisers**  
**Year ended 31 December 2014**

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**Board of Directors**

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

**Company Secretary**

Nexus Management Services Limited appointed 30 April 2014  
J O Hambro Capital Management Limited resigned 30 April 2014

**Registered Office**

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

**Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditors  
2 New Street Square  
London  
EC4A 3BZ

**PHP Healthcare Investments Limited**  
**Directors' Report**  
**Year ended 31 December 2014**

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The Directors have pleasure in presenting their Annual Report and the audited financial statements of PHP Healthcare Investments Limited (the "Company") for the year ended 31 December 2014. The Company is registered in England and Wales (company number 07289496).

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 is a wholly owned subsidiary of PHP Bond Finance PLC ("PHPBF"), itself a wholly owned subsidiary of Primary Health Properties PLC ("PHP"). The Company and its property assets provide security for a secured bond issued by PHPBF.

The Annual Report for the year ended 31 December 2014 of the Company's ultimate parent undertaking, PHP, contains a fair review of the business and its subsidiaries (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 2014 turnover was £4,956,782 (2013: £1,430,807) which represents a 246.4% increase on the prior year. This is attributable to having a full year of rental income following the transfer of a number of investment properties from another group undertaking during 2013.

**Results and Dividends**

The profit for the year amounted to £4,886,508 (2013: £1,386,631). The Directors have recommended that no dividend should be declared or paid for the year (2013: £nil). The profit for the year is to be transferred to reserves.

Reference to the Company's continued adoption of the going concern basis in preparation of these financial statements is made in Note 1.2 on page 9.

**Principal Risks and Uncertainties**

Details of the principal risks and uncertainties and financial risk management objectives and policies faced by the Company and the Group 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:

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

**Directors' Indemnity**

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report. The Directors' indemnity insurance is paid by another Group company.

**PHP Healthcare Investments Limited**  
**Directors' Report**  
**Year ended 31 December 2014**

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**Directors' Responsibilities statement**

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 accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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**

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

This report was approved by the Board of Directors on 26 March 2015 and signed by its order:



Philip Holland

Director

**PHP Healthcare Investments Limited**  
**Independent Auditor's Report to the Members of**  
**PHP Healthcare Investments Limited**  
**Year ended 31 December 2014**

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We have audited the financial statements of PHP Healthcare Investments Limited for the year ended 31 December 2014 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 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**  
**Year ended 31 December 2014**

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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;
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies exemption from preparing a Strategic Report or in preparing the Directors' Report.



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

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

London  
26 March 2015

**PHP Healthcare Investments Limited**  
**Profit and Loss Account**  
**Year ended 31 December 2014**

	Notes	2014 £	2013 £
<b>Turnover</b>	2	<b>4,956,782</b>	1,430,807
Administrative expenses		<u>(70,723)</u>	<u>(44,176)</u>
<b>Operating profit</b>	3	<b>4,886,059</b>	1,386,631
Interest receivable	6	<u>449</u>	<u>-</u>
<b>Profit on ordinary activities before taxation</b>		<b>4,886,508</b>	1,386,631
Tax on profit from ordinary activities	7	<u>-</u>	<u>-</u>
<b>Profit for the year</b>		<u><b>4,886,508</b></u>	<u>1,386,631</u>

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 2014**

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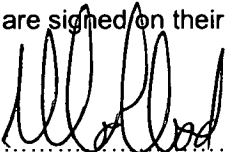
	Note	2014 £	2013 £
Profit for the year attributable to the shareholders		<b>4,886,508</b>	1,386,631
Unrealised gain on revaluation of investment property	8	<u><b>2,202,729</b></u>	<u>37,211</u>
<b>Total gains and losses recognised in the year</b>		<u><b>7,089,237</b></u>	<u>1,423,842</u>

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

**PHP Healthcare Investments Limited**  
**Balance Sheet**  
**As at 31 December 2014**

	Notes	2014 £	2013 £
<b>Fixed assets</b>			
Investment property	8	80,460,000	77,905,000
<b>Current assets</b>			
Debtors	9	21,525,924	21,560,139
<b>Current liabilities</b>			
Creditors: Amounts falling due within one year	10	(93,887,165)	(98,455,617)
<b>Net current liabilities</b>		<u>(72,361,241)</u>	<u>(76,895,478)</u>
<b>Total assets less current liabilities</b>		<u>8,098,759</u>	<u>1,009,522</u>
<b>Net assets</b>		<u>8,098,759</u>	<u>1,009,522</u>
<b>Capital and reserves</b>			
Called-up share capital	11	-	-
Revaluation reserve	12	1,876,888	(325,841)
Profit and loss account	13	<u>6,221,871</u>	<u>1,335,363</u>
<b>Shareholder's funds</b>	14	<u>8,098,759</u>	<u>1,009,522</u>

These financial statements were approved by the Directors and authorised for issue on 26 March 2015, and are signed on their behalf by:



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Philip Holland  
Director

Company registration number 07289496

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

## **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 United Kingdom accounting standards.

The FRC issued FRS 100, 'Application of financial reporting requirements' and FRS 101, 'Reduced disclosure framework', in November 2012. The effective date for FRS 100 and FRS 101 is for accounting periods beginning on or after 1 January 2015. FRS 101 allows subsidiaries and parent entities to prepare their individual financial statements using the recognition and measurement requirements of IFRS, but with reduced disclosures.

The Company has elected to adopt FRS 101 for the period beginning on 1 January 2015.

### **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 2014 the Company had net current liabilities of £72,361,241. 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 FRS 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 by an external valuer. 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; and
- 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 2014**

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**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 property in the UK. Turnover is derived from one business segment. Rental income will be recognised as invoiced on a receivable basis, adjusted for certain rents invoiced in advance and accrued income receivable following rent reviews.

**3. Operating profit**

	2014 £	2013 £
Auditor's remuneration - audit	<u>3,100</u>	<u>3,000</u>

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

**4. Particulars of employees**

The Company had no employees during the year (2013: nil), other than the Directors.

**5. Directors' emoluments**

PHP secures the services of Directors to all of its subsidiary undertakings under an advisory agreement with Nexus Tradeco Limited, as disclosed in PHP's financial statements. It is not possible to separately identify the amounts payable under the agreement in respect of the services of the Company's Directors.

**6. Interest receivable**

	2014 £	2013 £
Interest on back-dated rent	<u>449</u>	<u>-</u>

**PHP Healthcare Investments Limited**  
**Notes to the Financial Statements**  
**Year ended 31 December 2014**

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**7. Tax on profit on ordinary activities**

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

	<b>2014</b> £	<b>2013</b> £
Current tax:		
UK Corporation tax based on the results for the year at 21.5% (2013: 23.3%)	-	-
	<u>-</u>	<u>-</u>
Total current tax charge (note 7(b))	<u>-</u>	<u>-</u>

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

The tax assessed for the year is lower (2013: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	<b>2014</b> £	<b>2013</b> £
Profit on ordinary activities before taxation	<b>4,886,508</b>	1,386,631
Current tax:		
UK Corporation tax based on the profit for the year of 21.5% (2013: 23.3%)	<b>1,050,599</b>	322,392
REIT exempt income	<b>(1,050,502)</b>	(322,392)
Transfer pricing adjustment	-	247,578
Group relief	<b>(97)</b>	(247,578)
	<u>-</u>	<u>-</u>
Total current tax charge (note 7(a))	<u>-</u>	<u>-</u>

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

**PHP Healthcare Investments Limited**  
**Notes to the Financial Statements**  
**Year ended 31 December 2014**

**8. Investment property**

	<b>2014</b>	<b>2013</b>
		£
<b>Valuation:</b>		
At 1 January	<b>77,905,000</b>	7,695,000
Transfer from other group undertakings	-	70,080,000
Additions	<b>352,271</b>	92,789
Revaluation	<b>2,202,729</b>	37,211
	<u><b>80,460,000</b></u>	<u>77,905,000</u>
At 31 December	<u><b>80,460,000</b></u>	<u>77,905,000</u>
Investment property comprises:		
	<b>2014</b>	<b>2013</b>
	£	£
Freehold	<b>64,190,000</b>	62,180,000
Long leasehold	<b>16,270,000</b>	15,725,000
	<u><b>80,460,000</b></u>	<u>77,905,000</u>

The historical cost of the long leasehold and freehold investment property at 31 December 2014 was £78,382,173 (2013: £78,029,902).

In 2013, 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 2025 issued by the Company's immediate parent, PHP Bond Finance PLC (see note 16).

Investment properties were independently valued at 31 December 2014 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**

	<b>2014</b>	<b>2013</b>
	£	£
Other debtors	<b>550</b>	500
Amounts owed by group undertakings	<b>21,297,055</b>	21,297,055
Prepayments and accrued income	<b>228,319</b>	262,584
	<u><b>21,525,924</b></u>	<u>21,560,139</u>

**PHP Healthcare Investments Limited**  
**Notes to the Financial Statements**  
**Year ended 31 December 2014**

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

	2014 £	2013 £
Amounts owed to parent undertaking	59,208	-
Amounts owed to group undertakings	92,569,719	97,205,207
Other creditors	147,453	178,080
Accruals and deferred income	1,110,785	1,072,330
	<u>93,887,165</u>	<u>98,455,617</u>

**11. Called-up share capital**

	2014 £	2013 £
<b>Allotted and fully paid</b>		
1 (2013: 1) ordinary share of £0.01 each	<u>-</u>	<u>-</u>

**12. Revaluation reserve**

	2014 £	2013 £
Brought forward balance	(325,841)	(363,052)
Unrealised gain on revaluation of investment property	2,202,729	37,211
Balance carried forward	<u>1,876,888</u>	<u>(325,841)</u>

**13. Profit and loss account**

	2014 £	2013 £
Brought forward balance	1,335,363	1,448,732
Profit for the year	4,886,508	1,386,631
Equity dividends paid	-	(1,500,000)
Balance carried forward	<u>6,221,871</u>	<u>1,335,363</u>

**PHP Healthcare Investments Limited**  
**Notes to the Financial Statements**  
**Year ended 31 December 2014**

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**14. Reconciliation of movement in shareholder's funds**

	<b>2014</b> £	<b>2013</b> £
Opening shareholder's funds	<b>1,009,522</b>	1,085,680
Profit for the year	<b>4,886,508</b>	1,386,631
Unrealised gain on revaluation of investment property	<b>2,202,729</b>	37,211
Equity dividends paid	<u>-</u>	<u>(1,500,000)</u>
Closing shareholder's funds	<u><b>8,098,759</b></u>	<u>1,009,522</u>

**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 Group on the basis that 100% of voting rights are controlled within the Group. The consolidated financial statements in which the Company is included are publicly available.

**16. Contingent liabilities**

As at 31 December 2014 the Company's immediate parent, PHPBF, had secured bonds in issue with a nominal value of £70 million, maturing on or around 30 December 2025. These bonds are secured by way of a fixed and floating charge over all current and future property owned by the Company and a number of other wholly owned subsidiaries of PHPBF.

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

The immediate parent undertaking is PHPBF. The ultimate parent undertaking and controlling party is 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).