

PHP Investments No.2 Limited

Report and Financial Statements

Period ended 31 December 2011



PHP Investments No.2 Limited

Report and Financial Statements

Period Ended 31 December 2011

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PHP Investments No.2 Limited

Officers and Professional Advisers

The Board of Directors	M H Vaughan (appointed as a Director on 26 May 2011) G Warner (appointed as a Director on 26 May 2011) P J Holland (appointed as Director on 17 October 2011)
Company Secretary	J O Hambro Capital Management Limited
Registered Office	14 Ryder Court Ryder Street London SW1Y 6QB
Auditor	Ernst & Young LLP 1 More London Place London SE1 2AF

PHP Investments No.2 Limited

The Directors' Report

Period Ended 31 December 2011

The Directors have pleasure in presenting their Report and the Financial Statements of the Company for the period ended 31 December 2011

Principal activity and business review

The Company was incorporated on 26 May 2011 with its principal activity being that of property investment

On 28 November 2011 investment property with a market and net book value of £5,275,000, and its related assets and liabilities, were transferred from Primary Health Investment Properties (No 4) Limited. On the same day investment property with a market and net book value of £102,550,572, and its related assets and liabilities, were transferred from Primary Health Investment Properties Limited

On 28 November 2011, the Company entered into a new £75 million, seven year, interest only facility with Aviva, this was immediately fully drawn. The all-inclusive interest rate is 4% for the term of the loan

The Annual Report for the year ended 31 December 2011 of the Company's ultimate parent, Primary Health Properties PLC ("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 properties, which the Directors consider to be the key performance indicator, together with the value of investment property

For the period ended 31 December 2011 turnover was £696,558 which represents the rental income from the company's investment property

Results and Dividends

The profit for the 7 month period amounted to £376,266. The Directors do not recommend the payment of a dividend in the period. The profit for the period is to be transferred to reserves

Principal Risks and Uncertainties

Details of the principal risks and uncertainties are set out in the Financial Statements of PHP

Directors

The Directors who served the Company during the period and subsequently, were as follows

M H Vaughan
G Warner
P J Holland

M H Vaughan was appointed as a Director on 26 May 2011
G Warner was appointed as a Director on 26 May 2011
P J Holland was appointed as a Director on 17 October 2011

PHP Investments No.2 Limited

The Directors' Report

Period Ended 31 December 2011

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 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, 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
- having made enquiries of fellow Directors and the Company's Auditor 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

Auditor

The Auditor, Ernst & Young LLP, was appointed on 26 May 2011 and 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 reappointment is brought to an end.



Signed by order of the Board on 18 July 2012

For and on behalf of J O Hambro Capital Management Limited as
Company Secretary of PHP Investments No 2 Limited

Registered office
14 Ryder Court
Ryder Street
London
SW1Y 6QB

Company Registration Number 07647993

PHP Investments No.2 Limited

Independent Auditor's Report to the Members of PHP Investments No.2 Limited

Period Ended 31 December 2011

We have audited the Financial Statements of PHP Investments No 2 Limited for the period ended 31 December 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 (APB'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 2011 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the Financial Statements are prepared is consistent with the Financial Statements.

PHP Investments No.2 Limited

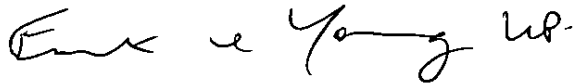
Independent Auditor's Report to the Members of PHP Investments No.2 Limited

Period Ended 31 December 2011

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



David Wilkinson
(Senior Statutory Auditor)

for and on behalf of
Ernst & Young LLP,
Statutory Auditor

London
18 July 2012

PHP Investments No.2 Limited

Profit and Loss Account

Period Ended 31 December 2011

	Note	For the period 26.5.2011 to 31.12.2011 £
Turnover	2	696,558
Administrative expenses		(26,879)
Operating profit	3	669,679
Interest receivable	6	65
Interest payable	7	(293,478)
Profit on ordinary activities before taxation		376,266
Tax on profit on ordinary activities	8	—
Profit for the financial period		376,266

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 Investments No.2 Limited

Statement of Total Recognised Gains and Losses

Period Ended 31 December 2011

	For the period 26 5 2011 to 31.12.2011 £
Profit for the period attributable to the shareholders	376,266
Unrealised gain on the revaluation of investment property	4,428
Total gains and losses recognised in the period	<u>380,694</u>

The notes on pages 9 to 14 form part of these Financial Statements

PHP Investments No.2 Limited

Balance Sheet

At 31 December 2011

	Note	As at 31.12.2011 £
Fixed assets		
Investment property	9	107,830,000
Debtors Amounts falling due after more than one year	10	10,752,403
Current assets		
Debtors Amounts due within one year	11	110,348
Current liabilities		
Creditors Amounts due within one year	12	(1,500,167)
Net current liabilities		<u>(1,389,819)</u>
Total assets less current liabilities		<u>117,192,584</u>
Creditors Amounts falling due after more than one year	13	(116,811,889)
Net assets		<u><u>380,695</u></u>
Capital and reserves		
Share capital	14	1
Revaluation reserve	15	4,428
Profit and loss account	16	376,266
Shareholders' funds	17	<u><u>380,695</u></u>

These Financial Statements were approved by the Directors and authorised for issue on 18 July 2012, and are signed on their behalf by


M H Vaughan
Director

The notes on pages 9 to 14 form part of these Financial Statements

PHP Investments No.2 Limited

Notes to the Financial Statements

Period Ended 31 December 2011

1 Accounting policies

The following accounting policies have been applied consistently with items which are considered material in relation to the Company's Financial Statements

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 undertaking the Directors have reasonable expectation that the Company will continue to receive support as required from the ultimate parent undertaking and therefore has adequate resources to continue in operational existence for the foreseeable future

As at 31 December 2011 the Company had net current liabilities of £1,389,819. Having reviewed the Company's current position, cash flow projections, loan facilities and covenant cover compliance the Directors have a reasonable expectation that 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 the Company is small

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, 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 period, and
- (ii) no depreciation is provided in respect of long leasehold and 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

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

PHP Investments No.2 Limited

Notes to the Financial Statements

Period Ended 31 December 2011

2. Turnover

Turnover comprises gross rental income and associated revenue from the investment properties in the UK. Rental income is normally recognised as invoiced on a receivable basis, adjusted for certain rents invoiced in advance, the effect of lease incentives such as rent free periods and accrued income receivable following rent reviews.

3. Operating profit

Operating profit is stated after crediting

	For the period 26.5.11 to 31.12.11 £
Auditors' remuneration - audit	-
- taxation	-
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Auditors' remuneration for tax and audit services is borne by Primary Health Investment Properties Limited ('PHIP'), a fellow group undertaking.

4. Particulars of employees

The Company had no employees during the period, other than the Directors.

5. Directors' emoluments

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

6. Interest receivable

	For the period 26.5.11 to 31.12.11 £
Bank interest	24
Interest on back-dated rent	41
	<hr/> <hr/>
	65

PHP Investments No.2 Limited

Notes to the Financial Statements

Period Ended 31 December 2011

7. Interest payable

	For the period 26.5.11 to 31.12.11 £
Term loan interest	293,478
	<u>293,478</u>

8. Taxation on ordinary activities

(a) Tax on profit on ordinary activities

	For the period 26.5.11 to 31.12.2011 £
Current tax	
UK corporation tax	—
Total current tax	<u>—</u>

(b) Factors affecting the tax for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below

	For the period 26.5.11 to 31.12.11 £
Loss on ordinary activities before taxation	<u>376,266</u>

	For the period 26.5.11 to 31.12.11 £
UK Corporation tax based on the results for the period at 26.5%	99,710
Exempt UK REIT income	(99,761)
Group relief surrendered	51
Total current tax	<u>—</u>

PHP Investments No.2 Limited

Notes to the Financial Statements

Period Ended 31 December 2011

8. Taxation on ordinary activities *(continued)*

A reduction in the UK corporation tax rate from 28% to 26% was substantively enacted in March 2011 and is effective from 1 April 2011. Accordingly, these rates have been applied in the measurement of the Company's tax liability as at 31 December 2011.

Following the budget in March 2012, legislation was enacted on 29 March 2012 which reduced the standard rate of corporation tax to 24% from 1 April 2012 and will reduce to 23% from 1 April 2013. A further reduction to 22% from 1 April 2014 has been announced but not yet enacted.

9. Investment property

	2011 £
At incorporation	-
Transfer in from other group undertakings	107,825,572
Revaluation	4,428
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As at 31 December	107,830,000
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On 28 November 2011 investment property with a market and net book value of £5,275,000, and its related assets and liabilities, were transferred from Primary Health Investment Properties (No 4) Limited. On the same day investment property with a market and net book value of £102,550,572, and its related assets and liabilities, were transferred from Primary Health Investment Properties Limited. The purpose of this transfer was to provide security for the bank finance as described in note 13.

10. Debtors: Amounts falling due after more than one year

	2011 £
Amounts due from parent undertaking	1
Amounts due from other group undertakings	10,752,402
	<hr/>
	10,752,403
	<hr/>

11. Debtors: Amounts falling due within one year

	2011 £
Other debtors	110,348
	<hr/>
	110,348
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PHP Investments No.2 Limited

Notes to the Financial Statements

Period Ended 31 December 2011

12. Creditors: Amounts falling within one year

	2011 £
Bank interest accrual	293,478
Other creditors	17,913
Deferred income	1,188,776
	<u>1,500,167</u>

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

	2011 £
Bank loans	73,986,317
Amounts due to group undertaking	42,825,572
	<u>116,811,889</u>

On 28 November 2011, the Group entered into a new £75 million, seven year, interest only facility with Aviva, this was immediately fully drawn. The all-inclusive interest rate is 4% for the term of the loan.

The loan was secured against the investment property transferred from other group undertakings as detailed in note 9.

Issue costs incurred by the Company in connection with the arrangement of the term loan facilities are amortised within administrative expenses over the life of the related facility. Any amounts unamortised as at the period end are offset against the amounts drawn on the facilities as shown in the table below.

	2011 £
Amounts drawn on bank loans	75,000,000
Less unamortised issue costs	(1,013,683)
	<u>73,986,317</u>

14. Share capital

Allotted, called up and fully paid

	2011 No	£
Ordinary share of £1	1	1
	<u>1</u>	<u>1</u>

PHP Investments No.2 Limited

Notes to the Financial Statements

Period Ended 31 December 2011

15. Revaluation reserve

	2011 £
Balance brought forward	–
Unrealised gain on revaluation of investment properties	4,428
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Balance carried forward	4,428
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16. Profit and loss account

	2011 £
Balance brought forward	–
Profit for the financial period	376,266
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Balance carried forward	376,266
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17. Reconciliation of shareholders' funds

	2011 £
Opening shareholders' funds	–
Issue of equity share capital	1
Unrealised gain on revaluation of investment properties	4,428
Profit for the financial period	376,266
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Closing shareholders' funds	380,695
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18. 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 Group Financial Statements in which the Company is included are publicly available.

19. Ultimate parent undertaking and controlling party

The immediate parent undertaking at the period end was PHP Healthcare Investments (Holdings) Limited. The ultimate parent undertaking and controlling party at the period 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.