

## **PHP INVESTMENTS NO.2 LIMITED**

### **Report and Financial Statements**

Year ended 31 December 2012



# **PHP Investments No.2 Limited**

## **Report and Financial Statements**

**Year Ended 31 December 20112**

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# **PHP Investments No.2 Limited**

## **Officers and Professional Advisers**

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### **The Board of Directors**

M H Vaughan  
G Warner (resigned as a director on 31/12/12)  
P J Holland

### **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**

### **Year Ended 31 December 2012**

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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 2012

#### **Principal activity and business review**

The principal activity of the Company continued to be that of property investment

The Annual Report for the year ended 31 December 2012 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 year ended 31 December 2012 turnover was £6,494,428 (period to 31 December 2011 £696,558) which represents an increase due to the Company trading for a full year in 2012 after the commencement of trading on 28 November 2011.

#### **Results and Dividends**

The profit for the year was £3,334,297 (period to 31 December 2011 £376,266). The Directors have recommended that no dividend should be declared or paid for the year (2011 £nil). The profit for the year is to be transferred to reserves.

#### **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 period and subsequently, were as follows:

M H Vaughan

G Warner (resigned as a director on 31/12/12)

P J Holland

# **PHP Investments No.2 Limited**

## **The Directors' Report**

**Year Ended 31 December 2012**

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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 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, 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 27 March 2013  
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 Year Ended 31 December 2012**

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We have audited the Financial Statements of PHP Investments No 2 Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 20. 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 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 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 2012 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 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**

**Year Ended 31 December 2012**

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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



**David Wilkinson**  
**(Senior Statutory Auditor)**

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

London  
27 March 2013

# PHP Investments No.2 Limited

## Profit and Loss Account

Year Ended 31 December 2012

	Note	2012 £	For the period 26 5 2011 to 31 12 2011 £
<b>Turnover</b>	2	<b>6,494,428</b>	696,558
Administrative expenses		<b>(18,804)</b>	(26,879)
<b>Operating profit</b>	3	<b>6,475,624</b>	669,679
Interest receivable	6	<b>213</b>	65
Interest payable and similar charges	7	<b>(3,141,540)</b>	(293,478)
<b>Profit on ordinary activities before taxation</b>		<b>3,334,297</b>	376,266
Tax on profit on ordinary activities	8	<b>—</b>	—
<b>Profit for the financial year</b>		<b>3,334,297</b>	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 2012**

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	<b>2012</b>	For the period
	<b>£</b>	26 5 2011 to
		31 12 2011
		<b>£</b>
Profit for the period attributable to the shareholders	<b>3,334,297</b>	376,266
Unrealised gain on the revaluation of investment property	<b>479,702</b>	4,428
Total gains and losses recognised in the year	<b>3,813,999</b>	380,694

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

# PHP Investments No.2 Limited

## Balance Sheet

At 31 December 2012

	Note	2012 £	2011 £
<b>Fixed assets</b>			
Investment property	9	108,325,000	107,830,000
<b>Current assets</b>			
Debtors Amounts due within one year	11	420,712	110,348
Debtors Amounts falling due after more than one year	10	13,955,633	10,752,406
<b>Current liabilities</b>			
Creditors Amounts due within one year	12	(1,548,205)	(1,500,167)
<b>Net current liabilities</b>		<u>(1,127,493)</u>	<u>(1,389,819)</u>
<b>Total assets less current liabilities</b>		121,153,140	117,192,584
Creditors Amounts falling due after more than one year	13	(116,958,446)	(116,811,889)
<b>Net assets</b>		<u>4,194,694</u>	<u>380,695</u>
<b>Capital and reserves</b>			
Share capital	14	1	1
Revaluation reserve	15	484,130	4,428
Profit and loss account	16	3,710,563	376,266
<b>Shareholders' funds</b>	17	<u>4,194,694</u>	<u>380,695</u>

These Financial Statements were approved by the Directors and authorised for issue on 27 March 2013, 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**

**Year Ended 31 December 2012**

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### **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 2012 the Company had net current liabilities of £1,127,493. 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 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, 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

### Year Ended 31 December 2012

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#### 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

	For the period 26 5 2011 to	
	2012	31 12 2011
	£	£
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 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 2011 to	
	2012	31 12 2011
	£	£
Bank interest	-	24
Interest on back-dated rent	213	41
	<u>213</u>	<u>65</u>

#### 7. Interest payable

	For the period 26 5 2011 to	
	2012	31 12 2011
	£	£
Loan arrangement fee amortisation	146,557	-
Term loan interest	2,994,983	293,478
	<u>3,141,540</u>	<u>293,478</u>

# PHP Investments No.2 Limited

## Notes to the Financial Statements

### Year Ended 31 December 2012

#### 8. Taxation on profit on ordinary activities

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

	For the period 26 5 2011 to	
	2012	31 12 2011
	£	£
Current tax		
UK Corporation tax based on the results for the year at 24 5% (2011 26 5%)	-	-
Total current tax charge (note 8(b))	-	-

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower (2011 – lower) than the standard rate of corporation tax in the UK. The differences are explained below

	For the period 26 5 2011 to	
	2012	31 12 2011
	£	£
Profit on ordinary activities before taxation	<b>3,334,297</b>	376,266
Current tax		
UK Corporation tax at the applicable rate of 24 5% (2011 26 5%)	<b>816,903</b>	99,710
Group relief surrendered	<b>10,495</b>	51
REIT exempt income	<b>(827,398)</b>	(99,761)
Total current tax charge (note 8 (a))	-	-

A reduction in the UK corporation tax rate from 26% to 24% was effective from 1 April 2012. A further reduction from 24% to 23% was substantively enacted on 3 July 2012 and will be effective from 1 April 2013. Accordingly, these rates have been applied in the measurement of the Company's tax liability as at 31 December 2012.

In addition, the Government has announced its intention to further reduce the UK corporation tax rate to 21% from 1 April 2014 and 20% from 1 April 2015. These reductions will be enacted during 2013.

# PHP Investments No.2 Limited

## Notes to the Financial Statements

### Year Ended 31 December 2012

#### 9. Investment property

	2012	2011 £
As at 1 January	107,830,000	–
Additions	15,298	–
Transfer from other group undertakings	–	107,825,572
Revaluation	479,702	4,428
As at 31 December	<u>108,325,000</u>	<u>107,830,000</u>

The historical cost of the investment property at 31 December 2012 was £107,840,870 (2011 £108,825,572)

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

	2012 £	2011 £
Amounts due from parent undertaking	1	1
Amounts due from other group undertakings	13,955,632	10,752,402
	<u>13,955,633</u>	<u>10,752,403</u>

#### 11. Debtors: Amounts falling due within one year

	2012 £	2011 £
Other debtors and accrued income	420,712	110,348
	<u>420,712</u>	<u>110,348</u>

#### 12. Creditors: Amounts falling within one year

	2012 £	2011 £
Bank interest accrual	288,461	293,478
Other creditors	25,070	17,913
Deferred income	1,234,674	1,188,776
	<u>1,548,205</u>	<u>1,500,167</u>

# PHP Investments No.2 Limited

## Notes to the Financial Statements

Year Ended 31 December 2012

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

	2012 £	2011 £
Bank loans	74,132,874	73,986,317
Amounts due to group undertaking	42,825,572	42,825,572
	<u>116,958,446</u>	<u>116,811,889</u>

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

	2012 £	2011 £
Amounts drawn on bank loans	75,000,000	75,000,000
Less unamortised issue costs	(867,126)	(1,013,683)
	<u>74,132,874</u>	<u>73,986,317</u>

### 14. Share capital

*Allotted, called up and fully paid*

	2012 No	£	2011 No	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

### 15. Revaluation reserve

	2012 £	2011 £
Balance brought forward	4,428	—
Unrealised gain on revaluation of investment properties	479,702	4,428
	<u>484,130</u>	<u>4,428</u>

### 16. Profit and loss account

	2012 £	2011 £
Balance brought forward	376,266	—
Profit for the financial period	3,334,297	376,266
	<u>3,710,563</u>	<u>376,266</u>

# PHP Investments No.2 Limited

## Notes to the Financial Statements

Year Ended 31 December 2012

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### 17. Reconciliation of shareholders' funds

	2012 £	2011 £
Opening shareholders' funds	380,695	—
Issue of equity share capital	—	1
Unrealised gain on revaluation of investment properties	479,702	4,428
Profit for the financial period	3,334,297	376,266
Closing shareholders' funds	<u>4,194,694</u>	<u>380,695</u>

### 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. Contingent liabilities

The Company's loan facility as detailed in note 13 is provided by Aviva Public Private Finance Limited ("Aviva"). Aviva also provides, a fellow PHP group undertaking, PHP Investments No1 Limited ("PHPI1"), with a term loan facility for £25.0m. Both loans were fully drawn as at 31 December 2012. Whilst these loans each have a separately identifiable pool of properties that provide collateral for them, the loans are also cross collateralised by the assets of the Company and PHPI1 respectively.

### 20. 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 or downloaded from [www.phpgroup.co.uk](http://www.phpgroup.co.uk)