

Company Registration Number 07647993

PHP Investments No.2 Limited

Report and Financial Statements

Year ended 31 December 2013



PHP Investments No.2 Limited
Report and Financial Statements
Year ended 31 December 2013

Contents	Pages
Officers and Professional Advisers	1
Strategic Report	2
Directors' Report	3 to 4
Independent Auditor's Report	5 to 6
Profit and Loss Account	7
Statement of Total Recognised Gains and Losses	8
Balance Sheet	9
Notes to the Financial Statements	10 to 15

PHP Investments No.2 Limited
Officers and Professional Advisers
Year ended 31 December 2013

Board of Directors

M H Vaughan
P J Holland
H A Hyman (appointed 2 March 2013)
T D Walker-Arnott (appointed 2 March 2013)

Company Secretary

J O Hambro Capital Management Limited

Registered Office

Ground Floor Ryder Court
14 Ryder Street
London
United Kingdom
SW1Y 6QB

With effect from 30 April 2014 the Company Secretary
and Registered Office will be

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

Auditor

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

PHP Investments No.2 Limited
Strategic Report
Year ended 31 December 2013

The Directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006 ("The Act")

Principal activity and business review

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

The Annual Report for the year ended 31 December 2013 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 Act. 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 £6,814,774 (2012: £6,494,428), representing a 4.9% increase as a result of rent reviews performed during the year.

Principal Risks and Uncertainties

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



Signed by order of the Board on 23 April 2014

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

Directors' Report

Year ended 31 December 2013

The Directors have pleasure in presenting their Report and the Financial Statements of the Company for the year ended 31 December 2013

Disclosures required by s416(4) which have been included in the Strategic Report on page 2 as required by s 414C(11) of the Act include

- Principal activity and business review
- Principal risks and uncertainties, and
- Changes to advisory services

Results and Dividends

The profit for the year was £3,632,823 (2012 £3,334,297) The Directors have recommended that no dividend should be declared or paid for the year (2012 £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 10

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

M H Vaughan
P J Holland
H A Hyman (appointed 2 March 2013)
T D Walker-Arnott (appointed 2 March 2013)

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

PHP Investments No.2 Limited

Directors' Report *(continued)*

Year ended 31 December 2013

Directors' Responsibilities *(continued)*

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 13 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 13 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 23 April 2014

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 2013

We have audited the Financial Statements of PHP Investments No 2 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 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, 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 and Strategic Report for the financial year 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
(continued)

Year ended 31 December 2013

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



Claire Faulkner
(Senior Statutory Auditor)

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

London

23 April

2014

PHP Investments No.2 Limited
Profit and Loss Account
Year ended 31 December 2013

	Note	2013 £	2012 £
Turnover	2	6,814,774	6,494,428
Administrative expenses		(27,335)	(18,804)
Operating profit	3	6,787,439	6,475,624
Interest receivable	6	182	213
Interest payable	7	(3,154,798)	(3,141,540)
Profit on ordinary activities before taxation		3,632,823	3,334,297
Tax on profit from ordinary activities	8	-	-
Profit for the financial year		3,632,823	3,334,297

All of the activities of the Company are classed as continuing

The notes on pages 10 to 15 form part of these financial statements

PHP Investments No.2 Limited
Statement of Total Recognised Gains and Losses
Year ended 31 December 2013

	2013	2012
	£	£
Profit for the financial year attributable to the shareholders	3,632,823	3,334,297
Unrealised (loss)/gain on revaluation of investment property	(391,076)	479,702
Total gains and losses recognised in the year	3,241,747	3,813,999

The notes on pages 10 to 15 form part of these financial statements

PHP Investments No.2 Limited
Balance Sheet
Year ended 31 December 2013

	Note	2013 £	2012 £
Fixed assets			
Investment property	9	<u>108,405,000</u>	108,325,000
		108,405,000	108,325,000
Current assets			
Debtors	10	<u>17,716,818</u>	14,376,345
		17,716,818	14,376,345
Current liabilities			
Creditors Amounts falling due within one year	11	<u>(1,580,374)</u>	(1,548,205)
Net current assets		<u>16,136,444</u>	12,828,140
Total assets less current liabilities		124,541,444	121,153,140
Creditors Amounts falling due after more than one year	12	<u>(117,105,002)</u>	(116,958,446)
Net assets		<u>7,436,442</u>	<u>4,194,694</u>
Capital and reserves			
Share capital	13	1	1
Revaluation reserve	14	93,054	484,130
Profit and loss account	15	<u>7,343,386</u>	3,710,563
Shareholders' funds	16	<u>7,436,441</u>	<u>4,194,694</u>

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

23 April 2014, and are signed on their behalf by



M H
Vaughan
Director

Company Registration Number 07647993

The notes on pages 10 to 15 form part of these financial statements

PHP Investments No.2 Limited
Notes to the Financial Statements
Year ended 31 December 2013

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

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 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

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 2013

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
	£	£
Auditor's remuneration - audit	-	-
- taxation	-	-
	<u> </u>	<u> </u>

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

4. Particulars of employees

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

5. Directors' emoluments

PHP secures the services of Directors to all of its subsidiary undertakings under joint advisory 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

	2013	2012
	£	£
Interest on back-dated rent	<u>182</u>	<u>213</u>

7. Interest payable and similar charges

	2013	2012
	£	£
Term loan interest payable	3,008,242	2,994,983
Loan arrangement fee amortisation	146,556	146,557
	<u>3,154,798</u>	<u>3,141,540</u>

PHP Investments No.2 Limited
Notes to the Financial Statements
Year ended 31 December 2013

8. 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 8(b))	<u>-</u>	<u>-</u>

(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	<u>3,632,823</u>	<u>3,334,297</u>
Current tax		
UK Corporation tax at applicable rate of 23.3% (2012: 24.5%)	844,631	816,903
REIT exempt income	(844,631)	(827,398)
Group relief surrendered	-	10,495
Total current tax charge (note 8(a))	<u>-</u>	<u>-</u>

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.

9. Investment property

	2013	2012
	£	£
Valuation:		
At 1 January	108,325,000	107,830,000
Additions	471,076	15,298
Revaluation	(391,076)	479,702
At 31 December	<u>108,405,000</u>	<u>108,325,000</u>

The historical cost of the freehold investment property at 31 December 2013 was £108,311,946 (2012: £107,840,870).

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

PHP Investments No.2 Limited
Notes to the Financial Statements
Year ended 31 December 2013

10. Debtors

	2013	2012
	£	£
Other debtors	253,143	420,712
Amounts owed by parent undertaking	1	1
Amounts owed by group undertakings	17,463,674	13,955,632
	<u>17,716,818</u>	<u>14,376,345</u>

11 Creditors. Amounts falling due within one year

	2013	2012
	£	£
Deferred income	1,246,946	1,234,674
Term loan interest	296,703	288,461
Other creditors	36,725	25,070
	<u>1,580,374</u>	<u>1,548,205</u>

12 Creditors. Amounts falling due after more than one year

	2013	2012
	£	£
Amounts owed to parent undertaking	42,825,572	42,825,572
Bank loans	74,279,430	74,132,874
	<u>117,105,002</u>	<u>116,958,446</u>

The amounts owed to parent undertaking falling due after more than one year will not be called from the parent undertaking within a twelve month period from balance sheet date

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

	2013	2012
	£	£
Amounts drawn-down on term loan facilities	75,000,000	75,000,000
Less unamortised borrowing costs	(720,570)	(867,126)
	<u>74,279,430</u>	<u>74,132,874</u>

PHP Investments No.2 Limited
Notes to the Financial Statements
Year ended 31 December 2013

13. Share capital

Authorised, issued and paid up

	2013		2012	
	No	£	No	£
Ordinary shares of £1 each	1	1	1	1
	1	1	1	1

14. Revaluation reserve

	2013 £	2012 £
Balance brought forward	484,130	4,428
Unrealised (loss)/gain on revaluation of investment property	(391,076)	479,702
Balance carried forward	93,054	484,130

15. Profit and loss account

	2013 £	2012 £
Balance brought forward	3,710,563	376,266
Profit for the financial year	3,632,823	3,334,297
Balance carried forward	7,343,386	3,710,563

16. Reconciliation of shareholders' funds

	2013 £	2012 £
Opening shareholders' funds	4,194,694	380,695
Profit for the financial year	3,632,823	3,334,297
Unrealised (loss)/gain on revaluation of investment property	(391,076)	479,702
Closing shareholders' funds	7,436,441	4,194,694

17. 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.

PHP Investments No.2 Limited
Notes to the Financial Statements
Year ended 31 December 2013

18. Contingent liabilities

The Company's loan facility as detailed in note 12 is provided by Aviva Public Private Finance Limited ("Aviva"). Aviva also provide, a fellow PHP group undertaking, PHP Investments No1 Limited ("PHPI1"), with a term loan facility for £25.0 million. Both loans were fully drawn as at 31 December 2013. 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.

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 or downloaded from www.phpgroup.co.uk.