

Company Registration Number 07647993

PHP Investments No.2 Limited

Annual Report and Financial Statements

Year ended 31 December 2014

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PHP Investments No.2 Limited
Annual Report and Financial Statements
Year ended 31 December 2014

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PHP Investments No.2 Limited
Officers and Professional Advisers
Year ended 31 December 2014

Board of Directors	H A Hyman	
	P J Holland	
	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 Auditor 2 New Street Square London EC4A 3BZ	

PHP Investments No.2 Limited

Strategic report

Year ended 31 December 2014

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

Principal activity and business review

The principal activity of PHP Investments No.2 Limited (the "Company") during the year continued to be that of property investment.

The Annual Report for the year ended 31 December 2014 of the Company's ultimate parent undertaking, Primary Health Properties PLC ("PHP"), contains a fair review of its business and that of 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.

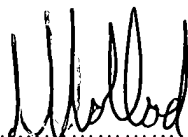
The Company's turnover represents rental income from the letting of the Company's investment property, which the Directors consider to be the key performance indicator.

For the year ended 31 December 2014 turnover was £6,656,996 (2013: £6,814,774), representing a decrease of 2.3%. This has resulted from a fall in fixed rent increases and lower value of rent reviews completed in the year when compared to 2013.

Principal Risks and Uncertainties

Details of the principal risks and uncertainties faced by the Company and the Group and their financial risk management objectives and policies are set out in the Annual Report of PHP, the ultimate parent undertaking.

This report was approved by the Board of Directors on 9 June 2015 and signed by its order:

A handwritten signature in black ink, appearing to read 'Philip Holland', is written over a horizontal dotted line.

Philip Holland
Director

PHP Investments No.2 Limited

Directors' Report

Year ended 31 December 2014

The Directors have pleasure in presenting their Annual Report and the audited financial statements of the Company for the year ended 31 December 2014. The Company is registered in England and Wales (company number 07647993)

Disclosures required by s416(4) which have been included in the Strategic Report on page 2 as required by s.414C(11) of the Companies Act 2006 include:

- Principal activity and business review; and
- Principal risks and uncertainties.

Results and Dividends

The profit for the year was £3,473,909 (2013: £3,632,823). The profit for the year is to be transferred to reserves. The Directors have recommended that no dividend should be declared or paid for the year (2013: £nil).

Going Concern

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.

Directors

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

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

Directors' and Officers' Liability Insurance

PHP has procured Directors' and Officers' Liability Insurance for the benefit of its Directors and Directors of all of its subsidiaries. Such insurance was available throughout the year and remains in force at the date of this report. The cost of Director's and Officer's Liability Insurance is met by another Group company.

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 disclosed 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.

PHP Investments No.2 Limited

Directors' Report

Year ended 31 December 2014

Directors' Responsibilities Statement (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:

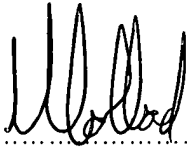
- there is no relevant audit information of which the Company's Auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s.418 of the Companies Act 2006.

Auditor

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 9 June 2015 and signed by its order:



Philip Holland
Director

PHP Investments No.2 Limited

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

Year ended 31 December 2014

We have audited the financial statements of PHP Investments No.2 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 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 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 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

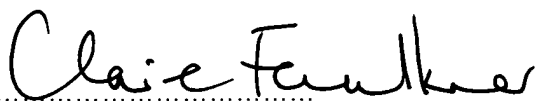
Independent Auditor's Report to the Members of PHP Investments No.2 Limited

Year ended 31 December 2014

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

9 June 2015

PHP Investments No.2 Limited
Profit and Loss Account
Year ended 31 December 2014

	Notes	2014 £	2013 £
Turnover	2	6,656,996	6,814,774
Administrative expenses		(36,558)	(27,335)
Operating profit	3	6,620,438	6,787,439
Interest receivable	6	-	182
Interest payable and similar charges	7	(3,146,529)	(3,154,798)
Profit on ordinary activities before taxation		3,473,909	3,632,823
Tax on profit on ordinary activities	8	-	-
Profit for the year		3,473,909	3,632,823

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 2014

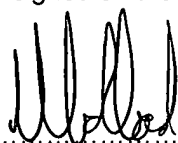
	Note	2014 £	2013 £
Profit for the year attributable to the shareholder		3,473,909	3,632,823
Unrealised gain/(loss) on revaluation of investment property	9	2,211,150	(391,076)
Total gains and losses recognised in the year		<u>5,685,059</u>	<u>3,241,747</u>

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

PHP Investments No.2 Limited**Balance Sheet****As at 31 December 2014**

	Notes	2014 £	2013 £
Fixed assets			
Investment property	9	110,980,000	108,405,000
Current assets			
Debtors	10	21,095,397	17,716,817
Current liabilities			
Creditors: Amounts falling due within one year	11	(44,527,628)	(44,405,946)
Net current assets		(23,432,231)	(26,689,129)
Total assets less current liabilities		87,547,769	81,715,871
Creditors: Amounts falling due after more than one year	12	(74,426,269)	(74,279,430)
Net assets		13,121,500	7,436,441
Capital and reserves			
Called up share capital	13	1	1
Revaluation reserve	14	2,304,204	93,054
Profit and loss account	15	10,817,295	7,343,386
Shareholder's funds	16	13,121,500	7,436,441

These financial statements were approved by the Directors and authorised for issue on 9 June 2015, and are signed on their behalf by:



Philip Holland
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 2014

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.

In November 2012, the FRC issued FRS 100, 'Application of financial reporting requirements'. FRS 100 provides direction as to the relevant standard for an entity between FRS 101, 'Reduced disclosure framework' and FRS 102, 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland'. The effective date for FRS 100, FRS 101 and FRS 102 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. FRS 102 is a single coherent financial reporting standard that replaces old UK GAAP and is derived from the IFRS for SMEs modified to address company law requirements and incorporate additional accounting options.

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 ultimate parent undertaking the Directors have a 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 2014 the Company has net current liabilities of £23,432,231. Having reviewed the Company's current position, cash flow projections, intercompany loan facility and 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.

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

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; and
- ii) no depreciation is provided in respect of freehold properties.

PHP Investments No.2 Limited
Notes to the Financial Statements
Year ended 31 December 2014

1. Accounting Policies (continued)

1.4 Investment properties (continued)

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 period 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 any non-REIT taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2. Turnover

Turnover comprises gross rental income and associated revenue from investment properties in the UK. Turnover is derived from one business segment. 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

Auditors' remuneration for audit services for the current and prior year was borne by PHP, the ultimate parent undertaking. The following amount is applicable to the audit of the Company:

		2014	2013
		£	£
Auditor's remuneration	- audit	2,100	2,000

4. Particulars of employees

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

5. Directors' emoluments

PHP procures 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 identify the amounts payable under the agreement in respect of the services of the Company's Directors.

PHP Investments No.2 Limited
Notes to the Financial Statements
Year ended 31 December 2014

6. Interest receivable

	2014 £	2013 £
Interest on back-dated rent	-	182

7. Interest payable and similar charges

	2014 £	2013 £
Term loan interest payable	2,999,187	3,008,242
Loan arrangement fee amortisation	147,342	146,556
	<u>3,146,529</u>	<u>3,154,798</u>

8. Tax on profit on ordinary activities

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

	2014 £	2013 £
Current tax:		
UK Corporation tax based on the results for the year at 21.5% (2013: 23.3%)	-	-
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 (2013: lower) than the standard rate of corporation tax in the UK.
The differences are explained below:

	2014 £	2013 £
Profit on ordinary activities before taxation	3,473,909	3,632,823
Current tax:		
UK Corporation tax at applicable rate of 21.5% (2013: 23.3%)	746,890	844,631
Transfer pricing adjustment	1,581	-
REIT exempt income	(746,890)	(844,631)
Group relief received for no consideration	(1,581)	-
Total current tax charge (note 8(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 deferred tax liability as at 31 December 2014.

PHP Investments No.2 Limited
Notes to the Financial Statements
Year ended 31 December 2014

9. Investment property

Valuation	Investment properties long leasehold £	Investment properties freehold £	Total £
As at 1 January 2014	87,165,000	21,240,000	108,405,000
Additions	341,522	22,328	363,850
Revaluations	1,758,478	452,672	2,211,150
As at 31 December 2014	89,265,000	21,715,000	110,980,000

The historical cost of the investment property at 31 December 2014 was £108,675,796 (2013: £108,311,946).

Investment properties were independently valued at 31 December 2014 by Lambert Smith Hampton, acting as external surveyors on the basis of market value as defined in RICS Appraisal and Valuations Manual.

10. Debtors

	2014 £	2013 £
Amounts owed by group undertakings	17,181,411	17,463,675
Other debtors	3,600,000	-
Prepayments and accrued income	313,986	253,142
	21,095,397	17,716,817

Other debtors as at 31 December 2014 is an amount held as security in relation to debt service and repayment of bank borrowings.

Amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

11. Creditors: Amounts falling due within one year

	2014 £	2013 £
Amounts owed to group undertakings	42,899,635	42,825,572
Other creditors	33,548	36,725
Accruals and deferred income	1,594,445	1,543,649
	44,527,628	44,405,946

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

PHP Investments No.2 Limited
Notes to the Financial Statements
Year ended 31 December 2014

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

	2014	2013
	£	£
Bank loans	74,426,269	74,279,430

Issue costs incurred by the Company in connection with the arrangement of the term loan facilities are amortised within interest payable and similar charges 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:

	2014	2013
	£	£
Amounts drawn-down on term loan facilities	75,000,000	75,000,000
Less: unamortised borrowing costs	(573,731)	(720,570)
	74,426,269	74,279,430

On 25th November 2011, the Company completed the drawdown of a £75 million, seven year, interest only debt facility with Aviva Public Private Finance Limited, locking into a fixed rate for the term of the facility of 4.00%

13. Called up share capital

	2014	2013
	£	£
Allotted and fully paid		
1 (2013: 1) ordinary share of £1	1	1

14. Revaluation reserve

	2014	2013
	£	£
Balance brought forward	93,054	484,130
Unrealised gain / (loss) on revaluation of investment property	2,211,150	(391,076)
Balance carried forward	2,304,204	93,054

PHP Investments No.2 Limited
Notes to the Financial Statements
Year ended 31 December 2014

15. Profit and loss account

	2014 £	2013 £
Balance brought forward	7,343,386	3,710,563
Profit for the year	3,473,909	3,632,823
	<u>10,817,295</u>	<u>7,343,386</u>
Balance carried forward		

16. Reconciliation of movement in shareholder's funds

	2014 £	2013 £
Opening shareholder's funds	7,436,441	4,194,694
Profit for the year	3,473,909	3,632,823
Unrealised gain /(loss) on revaluation of investment property	2,211,150	(391,076)
	<u>13,121,500</u>	<u>7,436,441</u>
Closing shareholder's funds		

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 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.

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 No.1 Limited ("PHPI1"), with a term loan facility for £25.0 million. Both loans were fully drawn as at 31 December 2014. 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 is PHP Healthcare Investments (Holdings) Limited. 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.