

# **PRIMARY MEDICAL PROPERTY INVESTMENTS LIMITED**

**Company Registration No. 572618**

## **REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002**



PRIMARY MEDICAL PROPERTY INVESTMENTS LIMITED

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**Report and financial statements**  
**For the year ended 31 December 2002**

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# PRIMARY MEDICAL PROPERTY INVESTMENTS LIMITED

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## Company Information

<b>Directors</b>	C F Eminson A A Keith J M Bishop J C Morgan G T Marsden R J Burgess
<b>Secretary</b>	W R Johnston
<b>Business address</b>	77 Newman Street London W1P 3EW
<b>Registered office</b>	77 Newman Street London W1P 3EW
<b>Auditors</b>	Deloitte & Touche LLP Chartered Accountants and Registered Auditors Crawley
<b>Solicitors</b>	Clyde & Co 51 Eastcheap London EC3M 1JP
<b>Principal bankers</b>	Lloyds TSB Bank PLC 11-15 Monument Street London EC3V 9JA

**Directors' Report**  
**For the year ended 31 December 2002**

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

**Principal activity and review of developments**

The principal activity of the company throughout the year was the development of property for retention as investments. In the opinion of the directors, the state of the company's affairs is satisfactory and is expected to continue as such.

**Dividends**

No dividend was paid during the year. (2001: £nil)

**Directors and their interests**

The directors are shown on page 1. All the directors served throughout the year.

The directors have no interest in the shares of the Company.

All the directors are also directors of Primary Medical Property Limited, the company's parent company. Their interests in the shares of Primary Medical Property Limited are shown in the financial statements of that company.

**Auditors**

On 1 August 2003 Deloitte & Touche, the company's auditors, transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

**Directors' Report (continued)**  
**For the year ended 31 December 2002**

**Statement of Directors' responsibilities**

United Kingdom Company Law requires the directors to prepare financial statements for each financial year which give a true and fair view of the company's state of affairs at the end of the financial year 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;
- State whether applicable accounting standards have been followed;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**By order of the board**



**R J Burgess**  
Director

19 September 2003

# PRIMARY MEDICAL PROPERTY INVESTMENTS LIMITED

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## **Independent auditors' report to the members of Primary Medical Property Investments Limited**

We have audited the financial statements of Primary Medical Property Investments Limited for the year ended 31 December 2002 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, reconciliation of movements in shareholders' funds, principal accounting policies and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 opinion we have formed.

### **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Crawley

30/9/2003

**Profit and Loss Account**  
For the year ended 31 December 2002

	Notes	2002 £	2001 £
Turnover		4,166,813	3,007,796
Cost of sales		1,078,683	537,797
Gross profit		<u>3,088,130</u>	<u>2,469,999</u>
Administrative expenses		163	6,460
<b>Operating profit</b>	1	<u>3,087,967</u>	<u>2,463,539</u>
Profit on sale of investment properties		509,236	-
Interest receivable		99,862	127,560
Amounts written off investments		-	(142,205)
Interest payable	2	(2,804,228)	(2,240,519)
<b>Profit on ordinary activities before taxation</b>		<u>892,837</u>	<u>208,375</u>
Tax on profit on ordinary activities	3	(194,704)	(110,351)
<b>Profit on ordinary activities after taxation</b>		<u>698,133</u>	<u>98,024</u>
Equity dividend paid at £nil (2001- £nil) per share		-	-
<b>Retained profit for the year</b>	11	<u>698,133</u>	<u>98,024</u>

The results for the year and the preceding year derive from continuing operations.

**Statement of Total Recognised Gains and Losses**  
For the year ended 31 December 2002

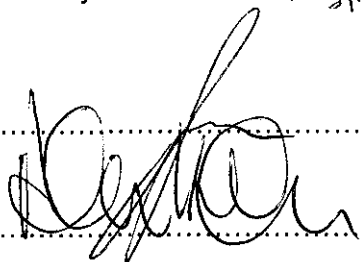
<b>Profit for the financial year</b>		698,133	98,024
<b>Unrealised surplus on revaluation of investment properties</b>	4	4,571,303	990,184
<b>Total recognised gains relating to the financial year</b>		<u>5,269,436</u>	<u>1,088,208</u>

PRIMARY MEDICAL PROPERTY INVESTMENTS LIMITED

**Balance Sheet**  
**31 December 2002**

	Notes	2002 £	2001 £
<b>Fixed assets</b>			
Tangible assets	4		
Investment properties		46,145,001	40,283,501
Investment properties under construction		-	768,178
Investments in subsidiaries	5	901,960	901,960
		<u>47,046,961</u>	<u>41,953,639</u>
<b>Current assets</b>			
Properties held for sale		50,000	160,856
Debtors	6	3,642,734	1,880,068
Cash at bank and in hand		10,813	413,015
		<u>3,703,547</u>	<u>2,453,939</u>
<b>Creditors</b>			
Amounts falling due within one year	7	<u>2,640,360</u>	<u>2,253,104</u>
<b>Net current assets</b>		<u>1,063,187</u>	<u>200,835</u>
<b>Total assets less current liabilities</b>		48,110,148	42,154,474
<b>Creditors</b>			
Amounts falling due after more than one year	8	39,165,834	38,712,550
<b>Provisions for liabilities and charges</b>	9	<u>232,954</u>	<u>-</u>
		<u>8,711,360</u>	<u>3,441,924</u>
<b>Capital and reserves</b>			
Called up share capital	10	1,000	1,000
Revaluation reserve	11	7,892,002	3,320,699
Profit and loss account	12	818,358	120,225
<b>Equity shareholders' funds</b>		<u>8,711,360</u>	<u>3,441,924</u>

Approved by the Board on 19 September 2003



R J Burgess, Director

A A Keith, Director

**Reconciliation of Movements in Shareholders' Funds**  
**For the year ended 31 December 2002**

	<b>2002 £</b>	<b>2001 £</b>
Profit on ordinary activities after taxation	698,133	98,024
Unrealised surplus on revaluation of investment properties	4,571,303	990,184
<b>Net addition to shareholders' funds</b>	<u>5,269,436</u>	<u>1,088,208</u>
Opening shareholders' funds	3,441,924	2,353,716
<b>Closing shareholders' funds</b>	<u><u>8,711,360</u></u>	<u><u>3,441,924</u></u>

## **Principal Accounting Policies**

### **For the year ended 31 December 2002**

#### **Basis of accounting**

The accounts have been prepared under the historical cost convention modified to include the revaluation of certain fixed assets and in accordance with applicable accounting standards.

#### **Group accounts**

The directors have taken advantage of the exemption, afforded to small and medium sized groups, not to prepare group accounts and therefore the financial statements present information about the company as an individual company, and not as a group.

#### **Investment properties**

Investment properties are revalued annually. Surpluses or deficits on individual properties are transferred to the investment revaluation reserve unless a deficit (or its reversal) is expected to be permanent in which case it is charged (or credited) to the profit and loss account. Depreciation is not provided in respect of freehold investment properties or leasehold investment properties where the unexpired term of the lease is more than 20 years. The directors consider that this accounting policy which represents a departure from the statutory accounting rules is necessary to provide a true and fair view as required under SSAP 19. The financial effect of the departure from the statutory accounting rules cannot reasonably be quantified as depreciation or amortisation is only one of the many factors reflected in the annual valuation.

#### **Properties in the course of development for investments**

Properties in the course of development for investment purposes are included at the lower of cost and net realisable value.

A property ceases to be treated as in course of development at the earliest of:

1. the date when the development becomes substantially let and income producing
2. three months after practical completion

Additions to the cost of properties in the course of development for investment purposes include the cost of finance on specific borrowings to fund the project.

#### **Fixed asset investments**

Investments held as fixed assets are stated at cost less provision for any impairment in value.

#### **Properties held for resale**

Properties held for resale are valued at the lower of cost and net realisable value.

**Principal Accounting Policies (continued)**  
**For the year ended 31 December 2002**

**Turnover**

Turnover represents rental income derived from the letting of properties owned by the company and services supplied in connection with those properties.

**Purchases and sales**

The purchase and sale of a property is recognised when contracts have been exchanged and there are no material conditions still to be satisfied.

**Deferred taxation**

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**Notes to the financial statements**  
**For the year ended 31 December 2002**

**1. Operating profit**

	2002 £	2001 £
Operating profit is stated after charging:		
Auditors' Remuneration - audit	-	-
The auditors' remuneration is borne by the company's parent company.		

**2. Interest payable**

	2002 £	2001 £
On bank loans and overdrafts	<u>2,804,227</u>	<u>2,240,519</u>

**3. Tax on profit on ordinary activities**

	2002 £	2001 £
<b>(a) Tax on profit on ordinary activities</b>		
<b>Current taxation</b>		
UK corporation tax on profits for the year	(38,250)	-
Corporation tax charge for group relief	-	110,351
Total current tax (credit)/charge	(38,250)	110,351
<b>Deferred taxation</b>		
Origination and reversal of timing differences	<u>232,954</u>	-
	<u>194,704</u>	<u>110,351</u>

**(b) Factors affecting current tax credit for the year**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2002 %	2001 %
Tax on profit on ordinary activities at standard rate	30	30
Effects of:		
Disallowable expenses	1	23
Capital allowances in excess of depreciation	(26)	-
Utilisation of trading losses brought forward	(9)	-
Current tax (credit)/charge for the year	<u>(4)</u>	<u>53</u>

Unrelieved losses of £nil (2001 - £280,000) are carried forward and are available to reduce the tax liability in respect of future profits from the same trade.

**4. Tangible Fixed Assets - Investment properties**

	Freehold property £	Long leasehold property £	Total £
<b>Valuation</b>			
As at 1 January 2002	30,909,501	9,374,000	40,283,501
Transfer from properties under construction	1,209,300	778,763	1,988,063
Revaluation	3,889,065	682,237	4,571,302
Sales	(697,865)	-	(697,865)
As at 31 December 2002	<u>35,310,001</u>	<u>10,835,000</u>	<u>46,145,001</u>

The original cost of the investment properties at 31 December 2002 was £38,253,000 (2001: £36,962,802).

The investment properties were professionally valued at the end of the financial year, on an open market basis, in accordance with the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors by the following:

Properties completed during the year were valued by Aitchison Raffety and Stiles, Harold Williams.

All other properties by Clive Eminson, FRICS, a director of the company.

**Tangible Fixed Assets - Investment properties in the course of construction**

	£
<b>Cost</b>	
As at 1 January 2002	768,178
Additions	1,219,885
Transfer to investment properties	<u>(1,988,063)</u>
As at 31 December 2002	<u>-</u>

**5. Fixed asset - Investment in subsidiaries**

	Shares £
<b>Cost</b>	
As at 1 January 2002 and 31 December 2002	<u>1,044,165</u>
<b>Provision</b>	
As at 1 January 2002 and 31 December 2002	<u>142,205</u>
<b>Net book value 2002</b>	<u>901,960</u>
<b>Net book value 2001</b>	<u>901,960</u>

**5. Fixed asset - Investment in subsidiaries (continued)**

The share capital, reserve and result of the subsidiaries for the year as reported in their statutory accounts were as follows:

	£ Medicare Developments Limited	£ D K Properties (Woolston) Limited
Share capital	1,000	2
Revaluation reserve	-	1,313,701
Profit and loss account	1,212	122,964
	<u>          </u>	<u>          </u>
Retained profit for the year	-	89,249

The company owns

Name of company	Country of incorporation	Principal activity	Proportion of ordinary Shares held
Medicare Developments Limited	England & Wales	Property investment	100%
D K Properties (Woolston) Limited	England & Wales	Dormant	100%

**6. Debtors**

	2002 £	2001 £
Trade debtors	129,166	146,002
Other debtors	1,630,477	144,067
Amounts owed by subsidiary undertaking	1,101,259	1,223,015
Amounts owed by parent company	620,040	289,910
Corporation tax recoverable	38,250	-
Prepayments and accrued income	123,542	77,074
	<u>3,642,734</u>	<u>1,880,068</u>

**7. Creditors**

	<b>2002 £</b>	<b>2001 £</b>
<b>Amounts falling due within one year:</b>		
Mortgage loan	734,163	478,326
Bank overdraft	362,051	-
Trade creditors	62,487	189,617
Amounts owed to subsidiary undertaking	31,214	31,214
Other taxation and social security	10,593	10,593
Other creditors	893,443	1,047,620
Accruals and deferred income	546,409	495,734
	<u>2,640,360</u>	<u>2,253,104</u>

**8. Creditors**

**Amounts falling due after more than one year:**

	<b>2002 £</b>	<b>2001 £</b>
Not wholly repayable within five years		
Mortgage loans	<u>39,165,834</u>	<u>38,712,550</u>

**Amounts due at 31 December are repayable as follows:**

Within one year	734,163	478,326
Between one and two years	445,896	1,063,889
Between two and five years	1,534,562	1,219,535
After five years	37,185,376	36,429,126
	<u>39,899,997</u>	<u>39,190,876</u>

The mortgage loans are composed of a number of separate loans which are repayable over terms of between 18 to 30 years and bear interest at rates between 5.98% and 9.75% providing repayments are received within 30 days of the due date. The loans are secured on the company's freehold and leasehold properties.

**9. Provisions for liabilities and charges**

	<b>2002 £</b>
<b>Deferred tax provision</b>	
Balance as at 1 January	-
Charge to the profit and loss account	232,954
Balance as at 31 December	<u>232,954</u>

The amount of deferred taxation, which is fully provided in the accounts, is as follows:

	<b>2002 £</b>	<b>2001 £</b>
Accelerated capital allowances	<u>232,954</u>	<u>-</u>

**10. Called up share capital**

	<b>2002 £</b>	<b>2001 £</b>
<b>Authorised</b>		
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

**11. Revaluation reserve**

	<b>2002 £</b>	<b>2001 £</b>
Balance as at 1 January	3,320,699	2,330,515
Revaluation of investment properties	4,571,303	990,184
Balance as at 31 December	<u>7,892,002</u>	<u>3,320,699</u>

**12. Profit and loss account**

	<b>2002 £</b>	<b>2001 £</b>
Balance as at 1 January	120,225	22,201
Retained profit for the year	698,133	98,024
Balance as at 31 December	<u>818,358</u>	<u>120,225</u>

**13. Directors' remuneration**

The company had no employees during the year (or the preceding year) other than the directors. The directors received no remuneration in either year.

**14. Capital commitments**

	2002 £	2001 £
Contracted for but not provided for in the financial statements		
Land and buildings: freehold investment property	<u>-</u>	<u>1,055,000</u>

**15. Ultimate parent company**

The directors consider that the ultimate parent undertaking and ultimate controlling party of this Company is Primary Medical Property Limited, which is registered in England and Wales. Copies of the financial statements of this company may be obtained from 77 Newman Street, London W1P 3LA.

**16. Related party transactions**

The company entered into the following related party transactions.

Management fees of £222,799 (2001 £366,278) were charged by Primary Medical Property Limited during the year for services performed in the normal course of business. During the year the company advanced £1,715,111 (£175,565) to its parent company. At the year end a balance of £948,572 was due by its parent to the company (2001 £163,354 due by the company to its parent).

During the year, the company was charged £150,513 £(2001 £50,000) for services provided by PMP Plus Limited, a company in which Clive Eminson has a shareholding. At the year-end, a balance of £nil was owed to PMP Plus Limited.

During the year, the company was charged £32,800 (2001 £nil) for services in the normal course of business provided by Primary Medical Property Health Developments Limited, a company in which Alistair Keith has a shareholding. At the year-end, a balance of £nil (2001 £nil) was owed to Primary Medical Property Health Developments Limited.

There were no other contracts of significance during the year with related parties.