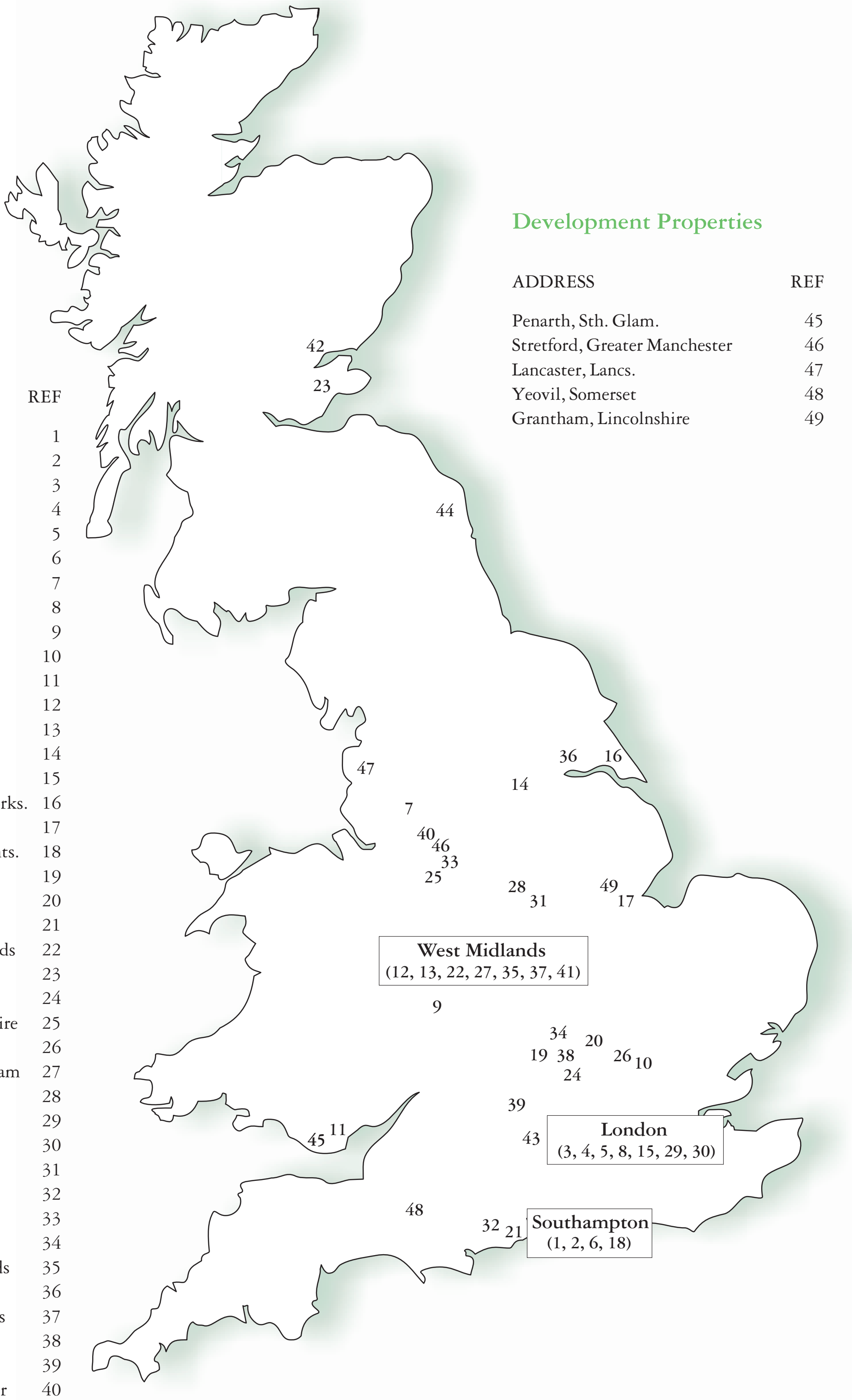
Primary Health Properties PLC

Annual Report for the year ended 30 June 2002

Map showing location of Properties



Properties Held as Investments

ADDRESS	REF
Stokewood Surgery, Eastleigh, Hants.	1
Blackthorn Surgery, Netley Abbey, Hants.	2
Falcon Road Medical Centre, London SW11	3
Rushton Street Surgery, London N1	4
Chorleywood Health Centre, Chorleywood, Herts.	5
The Old Fire Station Surgery, Woolston, Hants.	6
Lever Chambers, Bolton, Greater Manchester	7
Willesden Health Centre, London NW10	8
Corbett Medical Practice, Droitwich, Worcs.	9
Astonia House, Baldock, Herts.	10
Llandaff North Medical Centre, Cardiff, Sth. Glam.	11
Maypole, Birmingham, West Midlands	12
Bearwood, Birmingham, West Midlands	13
Trinity Medical Centre, Wakefield, Yorks.	14
James Pringle House, London W1	15
Withernsea Community Hospital, Withernsea, E Yorks.	16
Hereward Group Practice, Bourne, Lincs.	17
Woolston Lodge & Canute Surgeries, Woolston, Hants.	18
Montgomery House Surgery, Bicester, Oxon.	19
Toddington Medical Centre, Toddington, Beds.	20
Milton Medical Centre, New Milton, Hants	21
St John's Medical Centre, Walsall Wood, W. Midlands	22
The Surgery, Auchtermuchty, Fife	23
Poplar Grove Practice, Aylesbury, Bucks.	24
West Timperley Medical Centre, Altrincham, Cheshire	25
Larksfield Surgery, Stotfold, Beds.	26
Eaton Wood Medical Centre, Pype Hayes, Birmingham	27
Tibshelf Medical Centre, Tibshelf, Derbyshire	28
Killick Street Health Centre, Islington, London N1	29
Ritchie Street Health Centre, Islington, London N1	30
Hucknell Road Medical Centre, Nottingham	31
Cornerways Medical Centre, Ringwood, Hants.	32
Washway Road Medical Centre, Sale, Cheshire	33
North Bicester Surgery, Bure Park, Bicester, Oxon.	34
Smethwick Medical Centre, Smethwick, W. Midlands	35
South Cave Medical Centre, South Cave, E. Yorks.	36
Willenhall Medical Centre, Willenhall, W. Midlands	37
Victoria House Surgery, Bicester, Oxon.	38
Faringdon Medical Centre, Faringdon, Oxon.	39
Poplars Medical Centre, Swinton, Greater Manchester	40
Coppice Farm Medical Centre, Willenhall, W. Midlands	41
Arthurstone Medical Centre, Dundee, Tayside	42
Falkland Surgery, Newbury, Berks.	43
Scotswood House, Newcastle-upon-Tyne, Northumberland	44

Development Properties

ADDRESS	REF
Penarth, Sth. Glam.	45
Stretford, Greater Manchester	46
Lancaster, Lancs.	47
Yeovil, Somerset	48
Grantham, Lincolnshire	49

Contents

Objective of the Group

The objective of the Group is to generate rental income and capital growth through investment in primary health care property in the United Kingdom leased principally to GPs, NHS Trusts, Health Authorities and other associated health care users.

Group Financial Highlights

	As at 30 June 2002	As at 30 June 2001
Net assets (£m)	29.9	23.9
Net asset value per share (p) – basic	181.3	152.5
– fully diluted	164.6	142.2
Increase in net asset value per share (p) – basic	28.8	22.8
– fully diluted	22.4	17.2
Closing portfolio including development loans and finance leases (£m)	80.1	63.5
Commitments (£m)	3.5	9.2
Portfolio purchased and committed (£m)	83.6	72.7
Annual rent roll (£m)	6.2	5.0
Profit before taxation (£m)	2.0	1.6
Profit after taxation (£m)	1.8	1.4
Earnings per share (p) – basic	11.3	9.1
– diluted	10.4	8.7
Proposed final dividend per share (p)	4.5	4.25
Total dividend per share (p)	9.0	8.0
Total return per share (p) – basic	37.8	30.8
– fully diluted	31.4	25.2

Six Year Summary of Key Performance Indicators

Accounts for the period to 30 June	1997	1998	1999	2000	2001	**2002**
Net assets (£m)	16.3	17.1	18.4	20.4	23.9	**29.9**
Net asset value per share (p)						
– basic	102.0	107.0	117.4	129.7	152.5	**181.3**
– fully diluted	102.0	107.0	115.8	125.0	142.2	**164.6**
Increase in net asset value						
per share (p) – basic	3.9	5.0	10.4	12.3	22.8	**28.8**
– fully diluted	3.9	5.0	8.8	9.2	17.2	**22.4**
Closing portfolio including development loans and finance leases (£m)	12.2	23.3	39.0	51.8	63.5	**80.1**
Annual rent roll (£m)	1.1	1.7	2.9	4.3	5.0	**6.2**
Profit before taxation (£m)	0.7	1.1	1.0	1.2	1.6	**2.0**
Earnings per share (p)						
– basic	3.3	5.3	6.6	7.1	9.1	**11.3**
– diluted	3.3	5.3	6.6	7.0	8.7	**10.4**
Total dividend per share (p)	3.2	5.6	6.0	7.0	8.0	**9.0**
Total return per share (p)						
– basic	7.1	10.6	16.4	19.3	30.8	**37.8**
– fully diluted	7.1	10.6	14.8	16.2	25.2	**31.4**
Market price per share (p)	103.5	98.0	104.0	116.5	149.0	**180.0**
Movement in Investment Property Databank (“IPD”) Index*†	100	104.4	112.1	116.1	116.1	**117.2**
Movement in basic net asset value*	100	104.9	115.1	127.2	149.5	**177.7**

* Rebased to 100 at 30 June 1997.

† IPD Index figures for the years 1997 to 2001 based on December of each year. The 2002 figure is at the end of June 2002.

The Directors have considered the impact of Financial Reporting Standard 19 “Deferred Tax”, and for the reasons given in note 1, no adjustment to any years has been required.

Chairman's Statement

I am delighted to be able to report another year of substantial progress for your Group. The total basic return per Ordinary share rose from 30.8p to 37.8p, and from 25.2p to 31.4p on a fully diluted basis. Group profit before taxation for the year ended 30 June 2002 totalled £2,015,000 (2001: £1,582,000), an increase of 27%.

The Board has recommended a final dividend of 4.5p per Ordinary share which, with the interim dividend, makes a total of 9.0p per share for the year, an increase of 13% over the total dividend of 8.0p per share paid in respect of the previous year.

During the year, the Company took advantage of strong demand for its shares by placing 785,000 shares at 148p in January 2002 to raise around £1.1 million after expenses.

The year end valuation carried out on behalf of the Board by Lambert Smith Hampton has resulted in a revaluation surplus of some £4.5 million for the year. The net asset value per share has risen from 152.5p to 181.3p on an undiluted basis and from 142.2p to 164.6p on a fully diluted basis.

The Group has again been successful in negotiating rent reviews that have exceeded inflation on a medium term basis and there have been some strong performances from properties located in the south of England.

During the year the Group's portfolio of investment properties, finance leases and properties in the course of development has increased to £80.1 million including revaluation surpluses. In addition, at the balance sheet date the Group had commitments to purchase a further £3.5 million of property, which has subsequently increased by further additions of £1.7 million at the date of the announcement of results.

At the year end our rent roll had increased from £5,014,000 at 30 June 2001 to £6,190,000, an increase of 23%.

Our expansion has been financed by the share issue referred to above and further drawings on our committed long term bank lines. At the year end, total debt including the convertible loan stock stood at £47.75 million. We continue to monitor the Group's interest rate exposure carefully and maintained our hedging position with approximately 50% of total debt at the period end with an average fixed rate before margin of some 6.0%.

Although our shares have stood at a modest premium to basic net asset value during the period the Board wishes to retain the option to effect repurchases and accordingly a resolution enabling the Group to do this is included in the Notice for this year's Annual General Meeting.

We remain on track to expand our portfolio to the £100 million level when we believe that further non-recourse methods of finance will be available to us.

During the period we established a joint venture, Primary Health Solutions Ltd, with one of our major developers, Brackley Investments Ltd. This joint venture is designed to enable PHP to take part in developments both of Primary Care Trust sale and leasebacks and the Government's new LIFT programme. To date, several tenders have been made, but success has not been forthcoming. We will continue to strive for selection on these types of projects. Our maximum commitment to the project is some £2.5 million and during the year we spent £50,000 on share capital.

At this time of market volatility it is important to note that 92% of our income derives directly or indirectly from the Government via the NHS, with pharmacy operators making up the majority of the balance.

The Government has earmarked substantial new funds for the modernisation of the NHS and we stand poised to make our contribution to the radical restructuring of the NHS that is in progress, in a way that should continue to deliver good shareholder returns.

G A Elliot
Chairman

17 September 2002

Managing Director's Report

Portfolio Movements

The table below sets out the development of our portfolio during the year under review. We took delivery of a number of new developments and purchased an investment in June leased to Northumbria Ambulance Service NHS Trust. At the year end the portfolio, when commitments are included, reached £83.6 million (2001: £72.7 million) as set out below.

	30 June 2002	30 June 2001
	£m	£m
Investment properties	76.9	59.2
Properties in course of development	0.7	1.8
Finance leases	2.5	2.5
Total owned and leased	80.1	63.5
Committed	3.5	9.2
Total owned, leased and committed	83.6	72.7

Portfolio Purchases During the Year

The Group completed the purchases of a number of properties during the year, details of which are set out below:

Property	**Acquisition Cost**	**Occupational Tenants**
	£m	
Buckingham Road, Bicester	1.60	Doctors and Physiotherapist
Faringdon, Oxon	2.11	Two Doctors Practices
Swinton, Manchester	1.53	Doctors and Pharmacy
Coppice Farm, Walsall	1.23	Doctors and Pharmacy
Arthurstone Terrace, Dundee	2.14	Two Doctors Practices
Monks Lane, Newbury	1.76	Doctors and Pharmacy
Scotswood House, Newcastle	2.63	NHS Trust
	13.00	

Revaluation

As reported in the Chairman's Statement, the annual portfolio valuation has resulted in an uplift of some £4.5 million which has been incorporated into the balance sheet, giving a closing property investment valuation of £80.1 million, including property in the course of development. This increase amounted to 27.1p per share on an undiluted basis and 20.7p per share on a fully diluted basis. The valuation surplus reflects the impact, during the period, of our successful rent reviews. There has also been a slight hardening of investment yields during the period.

Rent Reviews

The Group completed a number of rent reviews during the year and there are a number of reviews outstanding that we expect to see resolved during the coming year. The results of the reviews completed during the year added some £150,000 to our rent roll. The chart on page 9 shows the timing of reviews across our portfolio. We are still hampered by the long timescale that reviews follow, although we are fully protected through the chargeability of interest.

Rent Roll and Yield on Cost

At 30 June 2002, our portfolio had a rent roll over of some £6.2 million (2001: £5.0 million), producing a yield on cost of 9.3% (2001: 9.4%). Yield on valuation was around 7.3% (2001: 7.8%).

Managing Director's Report continued

Primary Health Solutions (PHS)

As announced at the time of our interim results, PHP has set up a joint venture company with Brackley Investments Ltd. This company, PHS, has been set up to tender for projects that involve whole estate properties and projects being advanced under the Government's LIFT initiative. Our maximum capital commitment is £2.5 million and, during the year, £50,000 had been spent as our share of share capital.

To date we have submitted bids for three LIFT projects, been invited to interview on two of these, but have not yet been short listed.

Although it is early days, we believe that our involvement in PHS will enable PHP to participate in development opportunities and to secure future purchase opportunities.

Tax Charge and Accounting Policy Changes

Financial Reporting Standard (FRS)19 "Deferred Tax" requires that deferred tax should now be provided in full on most timing differences. The FRS does not normally require deferred tax to be recognised on the revaluation surplus. Our accounting policy was previously to recognise deferred tax only to the extent that liabilities or assets were expected to crystallise. FRS19 has no effect on actual tax payments. We have therefore changed our accounting policy to make full provision for timing differences which, in our case, arise primarily from capital allowances. As allowed by FRS19, the Group has discounted the potential deferred tax liability and considers there to be no material impact on the tax charge for the year. As a result, there is no material impact on the prior year and therefore no restatement has been made.

Future Accounting Standards

For accounting periods starting after 1 January 2005, all listed companies in the UK have to comply with International Accounting Standards ("IAS").

The Directors are currently assessing the impact this will have on the Group. The extent to which the change to IAS will have on UK Company Law is currently the subject of consultation by the DTI. The Directors will address these proposals in due course.

Finance and Interest Rate Hedging

Bank borrowings increased during the year from £33.4 million to £43.75 million. Including the convertible loan stock of £4 million year end borrowings totalled £47.75 million of which £29 million has been hedged (e.g. swapped from floating rate to fixed rate) as follows:

Convertible-fixed rate of 7.75%	£4.0m
Swaps at average rate before margin of 5.69%	£25.0m
Total hedged debt	£29.0m

The weighted average cost of finance for the fixed element of the debt is 5.98%, before margin on the swaps (2001: 6.02%).

The Group has facilities of £50 million, £10 million is on a 364 day facility basis while the balance of £40 million is a 7 year bullet facility repayable in 2008.

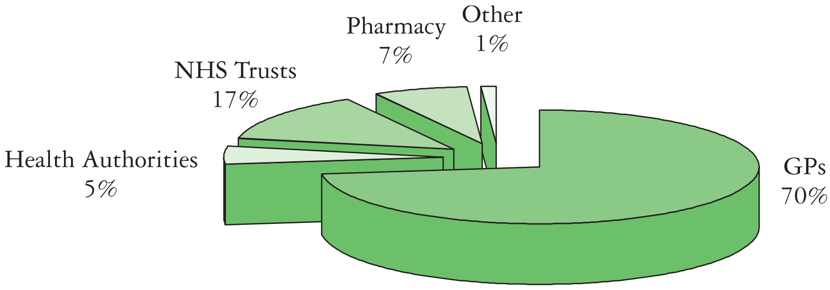
Managing Director's Report continued

Portfolio Characteristics

Users

The pie chart below shows the percentage of our portfolio by rent roll derived from each of our major tenant classes, GPs, NHS Trusts including PCTs, Health Authorities, pharmacy operators and others. Some 99% (2001: 99%) of our rent roll comes directly or indirectly from the NHS and pharmacy operators.

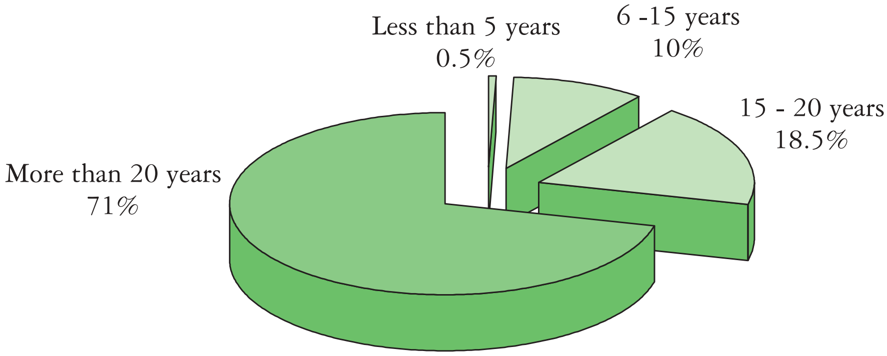
Covenant Analysis by Annual Rent



Length of Leases

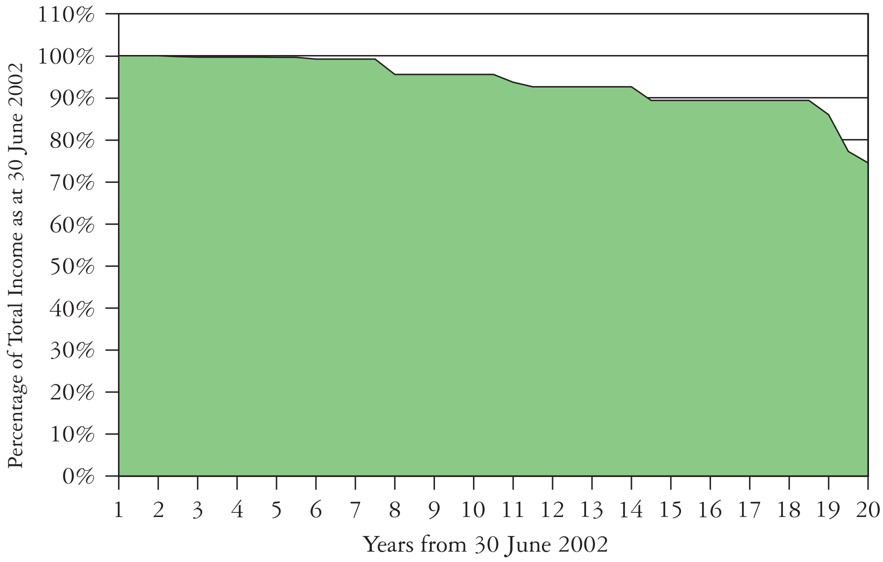
The two diagrams below show the length of lease by lease expiry and percentage of today's passing rent. The pie chart shows that some 89.5% (2001: 91%) of the lease income has more than 15 years unexpired whilst the security of the income diagram shows the contracted cash flow as a percentage of the year end rent roll, ignoring any increase during the subsequent periods. This shows that by year 20 the Group would still be receiving 71% of its current income.

Analysis of Annual Rent by Term Unexpired



Managing Director's Report continued

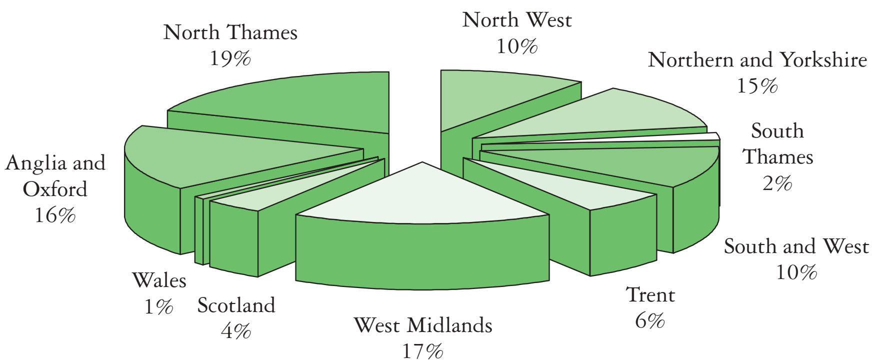
Security of Income by Lease Expiry



Geographical Spread

The pie chart below shows the percentage of the portfolio by rent roll derived from each of the NHS regions.

Annual Rent by Region

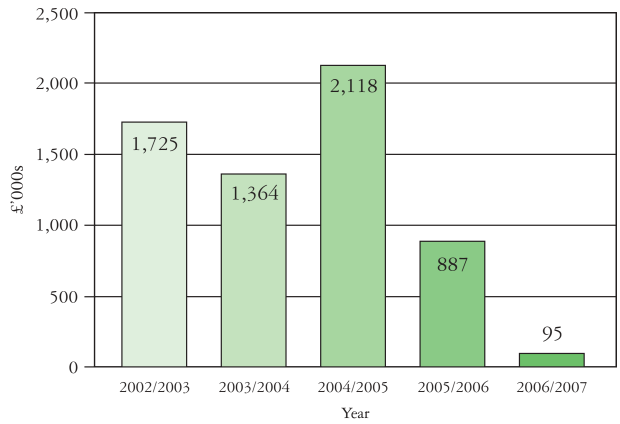


Managing Director's Report continued

Forthcoming Reviews

The graph below shows the annual amount of rent falling due for review in each of the next five years. As at 30 June 2002, rent reviews outstanding which were due in the year 2001/2002, in rental terms, totalled £998,000.

Rent Reviews by Annual Rent



Future Prospects

We are optimistic that the increased resources made available by the Government to the NHS will assist in the modernisation of the Primary Care Estate, and that this will result in an increased flow of deals for PHP. At the same time the areas of the country covered by LIFT should provide exciting prospects for our joint venture, PHS, to invest to its advantage.

In the meantime our existing portfolio continues to perform well and we are working hard to add value from rent reviews and other situations as they arise.

Harry Hyman
Managing Director

17 September 2002

Directors and Managers

Directors

Graeme Elliot*, aged 60, Non-Executive Chairman. Appointed February 1996. Mr Elliot was formerly executive vice chairman of Slough Estates PLC prior to which he held senior positions at Rio Tinto PLC. He is a director of a number of public companies.

Harry Hyman, aged 46, Managing Director. Appointed February 1996. Mr Hyman is a Director of Primary Health Solutions Limited. Mr Hyman is the founder and Managing Director of Nexus Structured Finance Limited, the holding company for a group of companies engaged in the provision of independent advice and financial services to organisations operating in the public and private sectors with particular emphasis on health and property, of which Nexus Property Management Services is a subsidiary. Prior to setting up Nexus in 1994, Mr Hyman was finance director of Baltic PLC. He is currently a non-executive director of a number of other companies including Groupe Chez Gerard PLC, Intrinsic Value PLC, General Medical Clinics PLC, BFS Managed Properties Limited and Aberdeen Preferred Income Investment Trust PLC.

Adam Dalgliesh, aged 29, Property Director. Appointed October 1998. Mr Dalgliesh is a Director of Primary Health Solutions Limited. Mr Dalgliesh is a member of the Royal Institution of Chartered Surveyors. He qualified with Lambert Smith Hampton where he was previously employed. He has been responsible for the property management of PHP's portfolio since 1996.

Martin Gilbert*, aged 47, Non-Executive Director. Appointed May 1996. Mr Gilbert is chief executive of Aberdeen Asset Management PLC, whose wholly-owned subsidiary Aberdeen Asset Managers Limited holds 19.55% of the issued share capital of Primary Health Properties PLC, and chairman of the group's operating subsidiaries. He is chairman of FirstGroup PLC and a director of a number of investment trusts and of Lombard International Insurance SA.

William Hemmings, aged 37, alternate to Martin Gilbert. Appointed March 2000. Mr Hemmings is a fund manager with Aberdeen Asset Managers Limited. He specialises in the fields of smaller company and property share investment.

James Hambro, aged 53, Non-Executive Director. Appointed February 1996. Mr Hambro is chairman of J O Hambro Capital Management Group Limited and its subsidiaries including J O Hambro Capital Management Limited, Manager and Company Secretary to North Atlantic Smaller Companies Trust PLC which holds 17.59% of the issued share capital of the Company. He is also chairman of Ashtenne Holdings PLC and a director of Capital Opportunities Trust PLC and Enterprise Capital PLC.

Patrick Pietroni*, aged 59, Non-Executive Director. Appointed February 1996. Professor Pietroni is a Director of Primary Health Solutions Limited. Professor Pietroni was formerly Post Graduate Dean of General Practice at London University, and a former Director of the Centre for Community Care and Primary Health at the University of Westminster and has written widely on a number of medical topics.

Paul Sandford*, aged 35, Non-Executive Director. Appointed March 2001. Mr Sandford is Managing Director and Chairman of High Tor Limited, a privately-held investment company which is operated from Nassau in the Bahamas. High Tor Limited holds 10.77% of the issued share capital of Primary Health Properties PLC.

* member of the Audit Committee and member of the Engagement Committee.

Managers

Nexus Property Management Services Limited ('NPMS') identifies suitable properties and negotiates the terms of purchase of those properties and provides property management services on behalf of the Company. It provides the services of the Managing Director and the Property Director of the Company. The Nexus group of companies offers financial and management consultancy advice to NHS Trusts and other organisations in all aspects of financial and healthcare matters.

J O Hambro Capital Management Limited ('JOHCM') (a wholly owned subsidiary of J O Hambro Capital Management Group Limited) provides administrative and accounting services to the Company and is Company Secretary. The JOHCM Group provides investment management services to a number of listed investment trusts, venture capital trusts, open ended investment companies and other funds. JOHCM is regulated by the Financial Services Authority.

Report of the Directors

Results and Dividends

The profit for the financial year ended 30 June 2002 after taxation amounted to £1,812,000 (2001: £1,424,000). The Directors recommend the declaration of a final dividend of 4.5p per share (2001: 4.25p) and accordingly a resolution will be put to the Annual General Meeting to declare a final dividend in respect of the year ended 30 June 2002 payable on 29 November 2002 to Shareholders on the register at the close of business on 1 November 2002.

Principal Activity

The principal activity of the Company and its subsidiaries is the generation of rental income and capital growth through investment in primary health care property in the United Kingdom.

Review of the Business and Future Activities

The Chairman's Statement on page 4 and the Managing Director's Report on pages 5 to 9 contain a review of the business and an indication of future developments.

Company's Objectives, Policies and Strategies in Respect of Financial Instruments

Treasury Activities and Policies

The Group's treasury operations are co-ordinated and managed in accordance with policies and procedures approved by the Board. They are designed to mitigate the financial risks faced by the Group, which primarily relate to funding, liquidity and interest rate exposure.

The Group's financial instruments comprise convertible loan stock, bank borrowings, interest rate swaps, investments in finance leases, development loans and some cash and other items such as trade debtors and creditors that arise directly from its operations. The Group's policy is not to engage in trades of a speculative nature.

Further details of financial instruments are given in note 13 to the financial statements. The Board reviews and agrees policies for managing each of the above mentioned risks. These are summarised below:

(i) *Interest Rate Risk*

The Group finances its operations through called up share capital, convertible loan stock, retained profits and bank borrowings. The Group then uses interest rate swaps to manage its exposure to interest rate fluctuations. At the year end 61% of the Group's borrowings were at fixed rates after taking account of interest rate swaps (see note 13 of the financial statements).

(ii) *Liquidity Risk*

The Group prepares an annual plan which is approved by the Board which sets out the Group's expected financing requirements for the next 12 months. At the year end the maturity analysis of the Group's facilities was as follows:

	Amount	*Maturity*
Convertible Loan Stock	£4m	2016
Bank borrowings	£40m	2008
Bank borrowings	£10m	364 days

At the year end the convertible loan stock was drawn in full and there was £40,000,000 drawn under the 2008 bank facility and £3,750,000 drawn under the 364 day facility.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group's Policy is to have a majority of borrowings maturing in more than twelve months.

(iii) *Borrowings*

The bank borrowings are secured by a fixed and floating debenture over the assets and income streams of the Company.

Report of the Directors continued

(iv) *Property Risk*

The leases entered into by the Group's tenants are on terms such that the tenant is responsible for fully repairing and insuring the buildings.

(v) *Gearing*

The maximum gearing currently available to the Group permitted under the Articles of Association is 70% of gross assets. Borrowing for this purpose excludes amounts outstanding under the convertible loan stock.

Substantial Shareholdings

At the date of this report the following interests in the Ordinary shares of the Company which exceed 3% of the issued share capital had been notified to the Company:

	No of Shares	% of Issued Share Capital
Aberdeen Asset Managers Limited	3,223,218	19.55
North Atlantic Smaller Companies Investment Trust PLC	2,900,000	17.59
High Tor Limited	1,775,000	10.77
INVESCO English and International Trust PLC	630,000	3.82
Acorn Income Fund	515,000	3.12

Directors

Details of the Directors in office at 30 June 2002 appear on page 10.

In accordance with the Company's Articles of Association, Messrs Hambro, Elliot and Dalgliesh retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Directors' Interests

The interests of the Directors in the share capital of the Company (all of which are beneficial unless otherwise stated) as at 30 June 2002 and 1 July 2001 are set out below:

	2002 Ordinary Shares of 50p	2001 Ordinary Shares of 50p
G A Elliot	**5,000**	5,000
M J Gilbert	**–**	–
W J C Hemmings: (alternate to M J Gilbert)	**–**	–
J D Hambro	**10,000**	10,000
H A Hyman	**28,905**	28,363
H A Hyman (non-beneficial)	**24,561**	1,993
P C Pietroni	**–**	–
P Sandford	**–**	–
A D S Dalgliesh	**5,000**	5,000

Mr Hyman's non-beneficial interest at the date of this report is 29,491 Ordinary shares.

There were no changes in the above interests between 30 June and the date of this report save as disclosed above.

Report of the Directors continued

The Company has a joint Management Agreement with NPMS for the provision of certain services in relation primarily to the purchase and monitoring of the Company's properties and with JOHCM for the provision of certain administrative, accounting and company secretarial services terminable on two years' written notice, further details of which are set out in note 5 to the financial statements. This Management Agreement was updated and renewed by the Board and a revised Management Agreement was signed on 17 July 2000. Mr Hyman is a director of NPMS and a director and shareholder of Nexus Structured Finance Limited, of which NPMS is a wholly owned subsidiary. Mr Hambro is a director and shareholder of JOHCM. Messrs. Hyman and Hambro are therefore deemed to have an interest in the above contract.

Mr P Sandford is executive chairman of High Tor Limited, which holds 10.77% of the issued share capital of the Company.

Mr M J Gilbert is the Chief Executive of Aberdeen Asset Management PLC and a director of Aberdeen Asset Managers Limited, its wholly owned subsidiary, which holds 19.55% of the issued share capital of the Company.

Pursuant to an Option Agreement between the Company, NPMS and JOHCM dated 14 March 1996, NPMS and JOHCM have been granted options to subscribe for a total of 1.6 million ordinary shares in the Company in the proportion of 960,000 to NPMS and 640,000 to JOHCM, further details of which are set out in note 14 to the financial statements. Messrs Hyman and Hambro are deemed to have an interest in this agreement.

Save as disclosed above, no Director was party to or had an interest in any contract or arrangement with the Company at any time during the year.

Creditor Payment Policy

It is the Group policy to settle suppliers' accounts in accordance with their individual terms of business. As at 30 June 2002 the Company had £1,277,000 of trade creditors representing 56 creditor days (2001: £1,130,000 and 45 days).

Placing

On 25 January 2002, the Company issued 785,000 Ordinary shares of 50p each by way of a placing at 148p per share.

Savings Plan

Shareholders were advised in the Chairman's Statement of the Interim Report for the six months ended 31 December 2001 of the intention to establish an equity savings plan with Capita IRG PLC.

The Company has now made arrangements for a Share Save Plan to be made available to allow investors to purchase the Company's shares. For further details, please see Shareholder Information on page 42.

Explanatory Notes for the Special Business at the Annual General Meeting

Resolution 7 – Renewal of Directors' Authority to Allot Shares

The authority given to the Directors at the last Annual General Meeting to allot shares expires at the conclusion of this year's meeting. Resolution 7 will renew the authority to allot shares of the Company on similar terms as in previous years. If Resolution 7 is passed, the Directors will have the authority to allot shares up to the aggregate nominal amount of £2,747,500 representing one third of the current issued share capital. This authority will expire at the next Annual General Meeting of the Company or, if earlier, 15 months after the passing of this resolution.

The Directors have no present intention of exercising the authority (if renewed) to allot the shares but reserve the right to allot the shares at any time.

Report of the Directors continued

Resolution 8 – Renewal of Directors' Authority for the Disapplication of Pre-emption Rights

The authority given to Directors to disapply pre-emption rights expires at the Annual General Meeting. Resolution 8 will renew the disapplication of pre-emption rights thereby authorising the Directors to allot equity securities up to a maximum aggregate renewal amount of £412,125 representing 824,250 Ordinary shares of 50p each, being equivalent to 5% of the current issued share capital, without first offering such securities to existing shareholders.

Resolution 9 – Renewal of Authority to Purchase Company's Own Shares

The authority for the Company to purchase a maximum of 1,648,500 Ordinary Shares in the market, representing 10% of the issued share capital expires at the forthcoming Annual General Meeting. It was not used during the current year and Resolution 9 on page 41 renews this authority for a further year. The Directors intend to exercise this authority only when, in the light of market conditions prevailing at the time and taking into account investment opportunities, appropriate gearing levels and the overall financial position, they believe that the effect of such purchases will be to increase the underlying value per share having regard to the best interests of shareholders generally. Shares will not be bought at a price of less than 50p each being the nominal value of each share nor more than 5% above the average middle market price of the shares over the preceding five business days nor will they be purchased during periods when the Company would be prohibited from making such purchases. Purchases will be made within guidelines set by the Board and using available reserves. Ordinary Shares purchased will be cancelled and the number of shares in issue reduced accordingly.

Auditors

A Resolution to re-appoint Ernst & Young LLP as the Company's Auditors will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

J O Hambro Capital Management Limited 17 September 2002
Company Secretary

Registered Office:
Ground Floor
Ryder Court
14 Ryder Street
London SW1Y 6QB

Registered in England No. 03033634

Corporate Governance

Statement of Compliance with the Provisions of the Combined Code

Background

The UK Listing Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code (the "Code").

Application of the Principles of the Code

The Board considers the matters set out in the Code to be very important and is committed to maintaining its principles. The Board is accountable to the Company's shareholders for the governance of the Company's affairs and this statement describes how the relevant principles have been applied by the Company.

The Board considers that it has complied with the provisions of Section 1 throughout the year ended 30 June 2002 and thereafter as required by Listing Rule 12.43A, except as disclosed below.

Directors

The Board consists of seven directors, five of whom are non-executive and four of whom are independent of the Company's Managers. Their biographical details are set out on page 10. The four independent directors are considered to be Messrs Elliot, Gilbert, Pietroni and Sandford. The Board is a small board and individual members have a wide range of qualities and expertise to bring to any debate. Their biographies demonstrate a breadth of investment, commercial and professional experience.

The Board normally meets four times a year and at other times as necessary and has a schedule of matters reserved to it. Although Directors have no service contracts, letters of appointment are in place for the independent non-executive directors and for Mr Dalgliesh providing for termination on not less than three months' written notice. The terms of the Management Agreement, details of which are given on page 13, also provide for the appointment of Mr Hambro and Mr Hyman. In accordance with the Articles of Association new Directors stand for reappointment at the first Annual General Meeting following their appointment and one third of Directors are required to retire by rotation. Your Board has considered the need to appoint a senior independent director but believes that this is not necessary as the majority of the Directors including the Chairman, are independent. New Directors are given an Induction Pack containing detailed information regarding the Company.

Board Committees

The Board has established audit and engagement committees with defined terms of reference and duties. The Board as a whole fulfils the functions of the Nominations Committee. The membership of these committees is set out on page 10.

Audit Committee

The Board is supported by an Audit Committee which comprises all of the independent non-executive directors. The Committee meets representatives of the Managers twice a year, who report on the proper conduct of business in accordance with the regulatory environment in which both the Company and the Managers operate. The Company's Auditors also attend the Committee at its request, at least once a year and comment on their work procedures, the quality and effectiveness of the Company's accounting procedures and their findings in relation to the Company's statutory audit. The responsibilities of the Audit Committee include reviews of the effectiveness of the internal control environment, accounting policies, the Auditor's appointment and remuneration. The Audit Committee is authorised to take such independent professional advice (including legal advice) and to secure the attendance of any external advisers with relevant expertise as it considers necessary. The Audit Committee is responsible for the review of the annual report and interim report, the nature and scope of the external audit, their findings, the terms of appointment of the auditors and the provision of any non-audit services. It also meets with representatives of the Managers and receives reports on the quality and effectiveness of the accounting records and the management information maintained on behalf of the Company.

Corporate Governance continued

Engagement Committee

The Engagement Committee comprising the independent non-executive Directors is responsible for the regular review of the terms of the management contract with the Managers. The committee reviews the terms including fees and other remuneration payable to Nexus Property Management Services Limited and J O Hambro Capital Management Limited set out in note 5 of the financial statements on a regular basis. Details of the options granted to the Managers are set out in note 14 to the financial statements on page 36.

Directors' Remuneration

The Board as a whole agree Directors' remuneration and the current fees of £12,500 for Directors and £17,500 for the Chairman were set in April 2002. Directors' fees were last increased in June 1999. Directors' fees are determined by the Board in the light of fees received by Directors of comparable organisations and subject to the limits set by the Company's Articles of Association.

The directors' fees payable to Messrs Hambro, Hyman and Dalgliesh are paid to JOHCM and Nexus respectively.

Shareholder Relations

The Company, through the Managers, has regular contact with its institutional shareholders. The Board supports the principle that the Annual General Meeting be used to communicate with private shareholders and encourages them to attend and participate. The Annual General Meeting is attended by the Chairman who is also Chairman of the Audit Committee. The Notice of General Meeting sets out the business of the meeting. The special business is also explained fully in the Explanatory Notes on pages 13 and 14. Separate resolutions are proposed for each substantive issue.

The Company Secretary

The Board has direct access to the advice and services of the Company Secretary, J O Hambro Capital Management Limited, which is responsible for ensuring that the Board and Committee procedures are followed and that the applicable regulations are complied with. The Company Secretary is also responsible to the Board for ensuring timely delivery of information and reports.

Independent Professional Advice

There is an agreed procedure for the Board, in the furtherance of their duties, to take independent professional advice at the Company's expense, having first notified the Chairman.

Accountability and Audit

The Board's responsibilities with regard to the financial statements and a statement of Going Concern are set out on page 17. The report of the Independent Auditors is on page 18.

Internal Control

The Combined Code requires the Board to review the effectiveness of internal controls. The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board has reviewed the effectiveness of the system of internal control which has been in operation throughout the year and up to the date of the Annual Report. The Board believes that although robust, the Company's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. Therefore any system can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board believes that the key risks identified and the implementation of an ongoing system to identify, evaluate and manage these risks are based upon and relevant to the Company's business as a property holding company. The ongoing risk assessment process is regularly reviewed and is in accordance with Turnbull guidelines. It includes consideration of the scope and quality of the systems of internal control adopted by the service providers and ensures regular communication of the results of monitoring by third parties to the Board and the incidence of significant control failings or weaknesses that have been identified and the extent to which they have resulted in unforeseen outcomes or contingencies that may have a material impact on the Company's performance or conditions.

Corporate Governance continued

The Company does not have an internal audit function as it uses third party service providers and does not employ any staff nor does the Board consider it appropriate.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. They have therefore adopted the going concern basis in preparing these accounts.

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group 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, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report

to the members of Primary Health Properties PLC

We have audited the Group's financial statements for the year ended 30 June 2002 which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Total Recognised Gains and Losses, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement and the related notes 1 to 25. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities . Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

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 to you 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 the information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal controls cover all risks and controls, or form an opinion on the effectiveness of either the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Objective of the Group, Group Financial Highlights, Six Year Summary of Key Performance Indicators, Chairman's Statement, Managing Director's Report, Information on Directors and Managers, Report of the Directors, Corporate Governance Statement, Notice of Annual General Meeting, Shareholder Information and Corporate Profile. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 Group'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 affairs of the Company and of the Group as at 30 June 2002 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
London

17 September 2002

Consolidated Profit and Loss Account

for the year ended 30 June 2002

	Notes	30 June 2002 £'000	30 June 2001 £'000
Turnover	2	5,550	4,626
Administrative expenses	5	(1,118)	(972)
Operating profit		4,432	3,654
Share of operating loss in joint venture		(3)	–
		4,429	3,654
Interest receivable	4	102	115
Interest payable	3	(2,516)	(2,187)
Profit on ordinary activities before taxation		2,015	1,582
Taxation	6	(203)	(158)
Profit on ordinary activities after taxation		1,812	1,424
Interim dividend of 4.50p per share (2001: 3.75p)		(742)	(589)
Final dividend proposed of 4.50p (2001: 4.25p)		(742)	(667)
		(1,484)	(1,256)
Profit retained for the year		328	168
Net profit after tax and dividends for the year retained by:			
The Company		286	140
Subsidiary undertakings (after declaring dividends of £5,215,000)		45	28
Joint venture		(3)	–
		328	168
Earnings per share – basic	7	11.3p	9.1p
– diluted	7	10.4p	8.7p
Dividends per share (net)		9.0p	8.0p
Increase in net asset value per share – basic	20	28.8p	22.8p
– fully diluted	20	22.4p	17.2p
Total return per share – basic	21	37.8p	30.8p
– fully diluted	21	31.4p	25.2p

All activities are continuing.

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 30 June 2002

	30 June 2002 £'000	30 June 2001 £'000
Profit for the financial year excluding share of loss in joint venture	1,815	1,424
Share of joint venture's loss for the year	(3)	–
Profit for the financial year attributable to members of the Parent Company	1,812	1,424
Unrealised surplus on revaluation of properties	4,469	3,415
Total gains and losses relating to the year	6,281	4,839

All activities are continuing.

Consolidated Balance Sheet

as at 30 June 2002

	Notes	At 30 June 2002 £'000	At 30 June 2001 £'000
Fixed assets			
Tangible assets	8	77,638	61,028
Investments:			
Development loans	8	15	31
Investment in joint venture:	9		
Share of gross assets		50	–
Share of gross liabilities		(3)	–
		47	–
		77,700	61,059
Current assets			
Debtors	10	2,998	539
Net investment in finance leases: amounts falling due in more than one year (amount falling due within one year: 2002: £23,000; 2001: £12,000)		2,568	2,490
Cash at bank		361	338
		5,927	3,367
Creditors: amounts falling due within one year	11	(9,738)	(3,105)
Net current (liabilities)/assets		(3,811)	262
Total assets less current liabilities		73,889	61,321
Creditors: amounts falling due after more than one year			
Bank loans	12	(40,000)	(33,375)
Convertible loan stock 2016	12	(4,000)	(4,000)
		(44,000)	(37,375)
		29,889	23,946
Capital and reserves			
Called up share capital	14	8,243	7,850
Share premium account	15	6,563	5,810
Capital reserve	16	1,618	1,618
Revaluation reserve	17	12,756	8,287
Profit and loss account	18	709	381
Equity shareholders' funds	19	29,889	23,946
Net asset value per share – basic	20	181.31p	152.52p
– fully diluted	20	164.58p	142.20p

These financial statements were approved by the Board of Directors on 17 September 2002 and signed on its behalf by:
G A Elliot, Chairman

Company Balance Sheet

as at 30 June 2002

	Notes	At 30 June 2002 £'000	At 30 June 2001 £'000
Fixed assets			
Investment in subsidiaries	9	65,432	53,513
Investments:			
Development loans	8	15	31
Investment in joint venture	9	50	–
		65,497	53,544
Current assets			
Debtors	10	618	515
Cash at bank		31	139
		649	654
Creditors: amounts falling due within one year	11	(5,270)	(1,379)
Net current liabilities		(4,621)	(725)
Total assets less current liabilities		60,876	52,819
Creditors: amounts falling due after more than one year			
Bank loans	12	(40,000)	(33,375)
Convertible loan stock 2016	12	(4,000)	(4,000)
		(44,000)	(37,375)
		16,876	15,444
Capital and reserves			
Called up share capital	14	8,243	7,850
Share premium account	15	6,563	5,810
Capital reserve	16	1,618	1,618
Profit and loss account	18	452	166
Equity shareholders' funds	19	16,876	15,444

These financial statements were approved by the Board of Directors on 17 September 2002 and signed on its behalf by:

G A Elliot
Chairman

Consolidated Cash Flow Statement

for the year ended 30 June 2002

	Notes	30 June 2002 £'000	30 June 2001 £'000
Net cash inflow from operating activities	22	4,451	3,828
Returns on investments and servicing of finance			
Interest received		20	43
Interest paid		(2,459)	(1,845)
		(2,439)	(1,802)
Taxation			
UK Corporation tax paid		–	(9)
Capital expenditure			
Payments to acquire tangible fixed assets		(12,051)	(8,789)
Acquisitions and disposals			
Payments to acquire share in joint venture		(50)	–
Equity dividends paid		(1,409)	(1,154)
Net cash outflow before financing		(11,498)	(7,926)
Financing			
Ordinary share issue (net of expenses)		1,146	–
Term bank loan 2008		6,625	7,875
Revolving 364 day facility		3,750	–
Net cash inflow from financing		11,521	7,875
Increase/(decrease) in cash		23	(51)

Reconciliation of net cash flow to movement in net debt		2002 £'000	2001 £'000
Increase/(decrease) in cash in the period		23	(51)
Cash inflow from loans		(10,375)	(7,875)
Movement in net debt in the period		(10,352)	(7,926)
Net debt at 1 July	22	(37,037)	(29,111)
Net debt at 30 June	22	(47,389)	(37,037)

Notes to the Financial Statements

1 **(a) Accounting policies**

A summary of the principal accounting policies, which have been applied throughout the year and the preceding year, is set out below.

In preparing the financial statements for the current year, the Group has adopted FRS19 "Deferred Tax". The change in accounting policy for FRS19 is described in the Managing Director's Report.

Adoption of FRS19 has not required any revisions to the financial statements in either the current or prior years.

(b) Basis of preparation

The financial statements are prepared under the historical cost convention modified to include the revaluation of investment properties.

The financial statements are prepared in accordance with applicable accounting standards. The true and fair override provisions of the Companies Act 1985 have been invoked, see investment properties below.

(c) Basis of consolidation

The Group financial statements consolidate the financial statements of Primary Health Properties PLC and its subsidiary undertakings drawn up to 30 June each year. No profit and loss account is presented for Primary Health Properties PLC as permitted by section 230 of the Companies Act 1985.

Entities in which the Group holds an interest on a long-term basis and are jointly controlled by the Group and one or more other venturers under a contractual arrangement are treated as joint ventures. In the Group financial statements, joint ventures are accounted for using the gross equity method.

(d) Investment properties

All the Group's completed 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 year; and

(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 accounts 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.

(e) Properties held for or in the course of development

Properties held for or in the course of development are included in the consolidated balance sheet at cost or, on redevelopment if originally held as an investment property, at the previous valuation together with subsequent costs.

Provision is made, if necessary, to reduce the carrying value of properties held for development and in the course of development to the recoverable amount.

Notes to the Financial Statements

(f) Recognition of income
Rental income is included in these financial statements on a receivable basis.

Interest receivable on short term deposits is accounted for on an accruals basis.

(g) Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on a discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(h) Investment in subsidiaries and joint ventures
The carrying values of investments in subsidiaries and joint ventures are reviewed for impairment in periods if events or changes in circumstances indicated that the carrying value may not be recoverable.

(i) Development loans
The Group has entered into development loan agreements with third parties in respect of certain primary health properties under development. These loans are repayable at the option of the developer at any time. The Group has entered into contracts to purchase the developments when they are completed in accordance with the terms of the contracts. The loans are repayable by the developers in the event that the building work is not completed in accordance with the purchase contract. Interest is charged under the terms detailed in the respective development agreements and taken to the profit and loss account in the year in which it accrues.

(j) Derivative instruments
The Group uses interest rate swaps to adjust interest rate exposures.

The Group criteria for adopting hedge accounting for interest rate swaps are:

(i) the instrument must be related to a liability; and

(ii) it must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa.

Interest differentials are recognised by accruing the net interest payable. Interest rate swaps are not revalued to fair value or shown on the Group balance sheet at the year end. If they are terminated early, the gain/loss is spread over the remaining maturity of the original instrument.

Notes to the Financial Statements

(k) Finance leases

Finance lease income is allocated to accounting periods so as to give a constant rate of return on the net cash investment in the lease. The total net investment in finance leases included in the balance sheet represents total lease payments receivable net of finance lease income relating to future accounting periods.

2 Turnover

Turnover comprises rental income receivable on property investments in the UK, is exclusive of VAT, and rentals on finance leases receivable.

	Year ended 30 June 2002 £'000	Year ended 30 June 2001 £'000
Rental and fee income	**5,297**	4,378
Finance lease income	**253**	248
	5,550	4,626

3 Interest payable

	Year ended 30 June 2002 £'000	Year ended 30 June 2001 £'000
Convertible loan stock interest	**310**	310
Bank term loan interest	**1,937**	1,873
Bank interest	**263**	–
Other	**6**	4
	2,516	2,187

4 Interest receivable

	Year ended 30 June 2002 £'000	Year ended 30 June 2001 £'000
Bank interest	**18**	41
Development loan interest	**84**	74
	102	115

Notes to the Financial Statements

5 Operating profit is stated after charging	Year ended 30 June 2002 £'000	Year ended 30 June 2001 £'000
Management fee (i)	634	529
Directors' fees (ii)	79	75
Property management fees	46	42
Bank non-utilisation fees	26	47
Auditors' remuneration – for audit services	27	25
– for other services	32	26
General expenses	274	228
	1,118	972

(i) JOHCM, a wholly owned subsidiary of J O Hambro Capital Management Group Limited, and NPMS, a subsidiary of Nexus Structured Finance Limited, act as joint Managers to the Company. Management fees are 1% of the first £50 million of the gross assets of the Group and 0.75% thereafter.

The management fee calculated and payable for the period to 30 June was as follows:

	Year ended 30 June 2002 £'000	Year ended 30 June 2001 £'000
J O Hambro Capital Management Limited	290	243
Nexus Property Management Services Limited	344	286
	634	529

J O Hambro Capital Management Limited is also Company Secretary.

As at 30 June 2002, £25,104 of management fees payable to J O Hambro Capital Management Limited was outstanding (2001: £44,237), and £5,808 was payable to Nexus Property Management Services Limited (2001: £nil).

	Year ended 30 June 2002 £'000	Year ended 30 June 2001 £'000
(ii) Directors' fees:		
Total fees	79	75

There were no staff costs.

Notes to the Financial Statements

5 **Operating profit is stated after charging** (continued)

(iii) Remuneration of Directors:

	Year ended 30 June 2002 £	Year ended 30 June 2001 £
Mr G A Elliot (Chairman)	**15,625**	15,000
Mr H A Hyman (Managing Director)	**10,625**	10,000
Mr J D Hambro	**10,625**	10,000
Mr M Gilbert	**10,625**	10,000
Mr P Pietroni	**10,625**	10,000
Mrs E Sandford (resigned 16 March 2001)	**–**	7,100
Mr P Sandford (appointed 16 March 2001)	**10,625**	2,900
Mr A Dalgliesh	**10,625**	10,000

The Directors' fees for Mr H A Hyman and Mr A Dalgliesh were paid to NPMS. Mr Hyman's family interests are the controlling shareholder of NPMS. The Company also paid to NPMS £46,000 (2001: £42,000) property management fees shown on page 27.

The Directors' fees for Mr J D Hambro were paid to JOHCM. Mr J D Hambro is also chairman of J O Hambro Capital Management Group Limited and an indirect shareholder of JOHCM.

Directors' fees were increased with effect from 1 April 2002 to £12,500 for Directors and £17,500 for the Chairman.

6 **Taxation**

	2002 £'000	2001 £'000
(a) Tax on profit on ordinary activities		
The tax charge is made up as follows:		
Current tax		
UK Corporation tax	**203**	158

	2002 £'000	2001 £'000
Deferred tax		
Origination and reversal of timing differences	**605**	475
Increase in discount	**(605)**	(475)
	–	–

Notes to the Financial Statements

6 **Taxation** (continued)

(b) Factors affecting the tax charge for the year

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

	2002 £'000	2001 £'000
Profit on ordinary activities before taxation (excluding share of loss in joint venture)	2,018	1,582
Theoretical tax at UK Corporation tax rate of 30%	605	475
Effects of:		
Disallowed expenses and non-taxable income	203	158
Depreciation in excess of capital allowances	(605)	(475)
Current tax charge for the year	203	158

(c) Factors that may affect future tax charges

No provision has been made for deferred tax on capital gains that would have arisen if the Group's Investment Properties had been sold for their book value at the balance sheet date. The amount unprovided for is approximately £2.8 million (2001: £1.7 million). At present, it is not envisaged that any tax will become payable in the foreseeable future.

	2002 £'000	2001 £'000
(d) Deferred tax		
The Deferred tax position is as follows:		
Accelerated capital allowances	2,176	1,571
Other timing differences	–	–
Undiscounted provision for deferred tax	2,176	1,571
Discount	(2,176)	(1,571)
Discounted provision for deferred tax	–	–

	2002 £'000	2001 £'000
Provision at start of year	–	–
Deferred tax charge	–	–
Prior year adjustment	–	–
Provision at end of year	–	–

Notes to the Financial Statements

7 **Earnings per share**

The calculation of earnings per share is based on the following:

	As at 30 June 2002			As at 30 June 2001		
	Net profit attributable to ordinary shareholders £'000	**Ordinary shares number**	**Per share pence**	Net profit attributable to ordinary shareholders £'000	Ordinary shares number	Per share pence
Basic earnings per share	1,812	16,037,657†	11.3	1,424	15,700,000†	9.1
Option conversion*	–	607,013		–	395,951	
Convertible Loan Stock Conversion**	279	3,478,261		279	3,478,261	
Diluted earnings per share	2,091	20,122,931	10.4	1,703	19,574,212	8.7

† Weighted average number of Ordinary shares in issue during the year.

* Excess of the total number of potential shares on option exercise over the number that could be issued at fair value as calculated in accordance with Financial Reporting Standard No. 14: Earnings per share.

** Excess of the total number of potential shares on conversion of the convertible loan stock over the number that could be issued at fair value as calculated in accordance with Financial Reporting Standard No. 14: Earnings per share.

8 **Tangible fixed assets and development loans**

	As at 30 June 2002			
Group	**Property in the course of development £'000**	**Investment properties £'000**	**Total £'000**	**Group and Company Development loans £'000**
Freehold properties				
Cost or valuation at 1 July 2001	1,798	59,230	61,028	31
Additions at cost	9,179	2,862	12,041	84
Transfer	(10,271)	10,371	100	(100)
Revaluation for the year	–	4,469	4,469	–
As at 30 June 2002	706	76,932	77,638	15

Properties have been independently valued at open market value by Lambert Smith Hampton, chartered surveyors and valuers, as at the balance sheet date in accordance with SSAP 19.

The historical cost of properties held by investment subsidiaries including property in the course of development was £64.88 million (2001: £52.74 million).

Notes to the Financial Statements

9	**Investments**	**2002**	2001
		£'000	£'000
	Group		
	Joint venture:		
	Balance at the beginning of year	–	–
	Additions	50	–
	Share of loss retained by joint venture	(3)	–
	Balance at end of year	47	–

	Investment in subsidiaries			**Joint**
	Shares	**Loans**	**Total**	**venture**
Company	**£'000**	**£'000**	**£'000**	**£'000**
At 1 July 2001	187	53,326	53,513	–
Additions	–	–	–	50
Loans to subsidiary during the year	–	11,919	11,919	–
At 30 June 2002	**187**	**65,245**	**65,432**	**50**

The principal subsidiaries of the Company are stated below:

Subsidiary	*Principal activity*	*Proportion of voting rights and shares held*
Primary Health Investment Properties Limited	Property investment	100%
Primary Health Investment Properties (No. 2) Limited	Property investment	100%
Primary Health Investment Properties (No. 3) Limited	Property investment	100%

All of the principal subsidiaries are directly held.

The Company has a number of non-operating subsidiary companies which hold the legal title to the investment properties held by the group. A full list of subsidiaries will accompany the Annual Return filed at Companies House.

Joint venture

Primary Health Properties PLC own 50% of the issued Ordinary share capital of Primary Health Solutions Limited, a company incorporated on 29 November 2001 for the purpose of developing properties for sale and leaseback and to tender for contracts under the Government's LIFT (Local Improvement Finance Trust) initiative. The remaining 50% of the issued Ordinary share capital is owned by Brackley Investments Limited.

Notes to the Financial Statements

10 Debtors

	2002		2001	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Trade debtors	214	–	151	–
VAT recoverable	337	560	242	440
Prepayments	156	58	146	75
Cash held at solicitors	2,291	–	–	–
	2,998	618	539	515

11 Creditors: amounts falling due within one year

	2002		2001	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Rents received in advance	1,226	–	1,059	–
Other creditors and accruals	1,277	778	1,130	712
Revolving 364 day bank loan	3,750	3,750	–	–
Taxation	452	–	249	–
Proposed dividend	742	742	667	667
Property completion payable	2,291	–	–	–
	9,738	5,270	3,105	1,379

12 Creditors: amounts falling due after more than one year

The seven year term loan repayable in 2008 is secured by an unlimited guarantee from each subsidiary and a first fixed charge over the ownership of each property. Interest is payable on the loan at a fixed percentage rate above LIBOR, this has fluctuated in the year between 6.09% and 4.54%. However, the Company has taken out interest rate swaps to manage its exposure to interest rate fluctuations. These are set out in note 13.

The Convertible Loan Stock 2016 was issued in units of £250,000. The loan stock units are redeemable at par on 31 March 2016, unless previously converted at the option of the holder. The loan stock is convertible into Ordinary shares of 50p each at the rate of one 50p Ordinary share for every unit of £1.15 in nominal value of the stock tendered for conversion. In the event of the winding up of the Company Loan Stock held by the stockholder will become immediately repayable at par, together with accrued interest. Interest is payable at the rate of 7.75% half yearly on 31 March and 30 September each year.

Notes to the Financial Statements

13 **Derivatives and other financial instruments**

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments in creating and changing the risks of the Group in its activities can be found in the Report of the Directors on pages 11 and 12. All of the Group's financial instruments are Sterling denominated. The disclosures below exclude short term debtors and creditors.

Interest rate risk profile of financial liabilities	**Total £'000**	**Floating rate £'000**	**Fixed rate £'000**	**Non-interest bearing £'000**
As at 30 June 2002	**47,750**	**18,750**	**29,000**	**–**
As at 30 June 2001	37,375	10,375	27,000	–

The fixed rate profile above consists of:

	Fixed interest rate per annum %	**maturity**
£4 million Convertible Loan Stock	7.75	March 2016
£10 million interest rate swap*	5.78	September 2004
£5 million interest rate swap*	5.39	April 2006
£5 million interest rate swap*	5.875	July 2006
£5 million interest rate swap*	5.64	March 2007

*In addition to the fixed rate a variable margin, currently 0.8112% per annum, is charged.

	Fixed rate	
	Weighted average interest rate %	**Weighted average period for which rate is fixed years**
As at 30 June 2002	**6.68**	**4.81**
As at 30 June 2001	6.71	5.76

Notes to the Financial Statements

13 **Derivatives and other financial instruments** (continued)

Interest rate profile of financial assets

The interest rate profile of the financial assets of the Group as at 30 June was as follows:

		Financial assets		
	Total	Fixed rate	Floating rate	Non-interest bearing
	£'000	£'000	£'000	£'000
As at 30 June 2002	**2,944**	**2,568**	**376**	**–**
As at 30 June 2001	2,859	2,490	369	–

Floating rate financial assets comprise cash at bank on which interest is earned at monthly rates, and development loans on which interest is charged between 1.1% and 1.75% above Bank of England base rate. Fixed rate financial assets comprise finance leases. The weighted average interest on the fixed rate financial assets are 11.30% (2001: 11.26%), of which the aggregate rentals on assets to the value of £2,424,000 increase at a minimum of 2.5% per annum until maturity. The weighted average period for financial assets on which fixed rate interest is paid is 29 years (2001: 31 years).

Fixed rate financial assets in the sum of £2,474,000 (2001: £2,424,000) mature in more than five years. The floating rate financial assets mature in less than one year.

Maturity of financial liabilities	**2002**	2001
	£'000	£'000
The maturity profile of the Group's financial liabilities at 30 June was as follows:		
In one year or less, or on demand	**3,750**	–
In more than one year, but not more that two	**–**	–
In more than two years, but no more than five	**–**	–
In more than five years	**44,000**	37,375
	47,750	37,375

Borrowing facilities

The Group has various borrowing facilities available to it. The undrawn committed facilities available at 30 June in respect of which all conditions precedent had been met at that date are as follows:

	2002	2001
	£'000	£'000
Expiring in one year or less	**6,250**	10,000
Expiring in more than one year but not more than two years	**–**	–
Expiring in more than two years	**–**	6,625
	6,250	16,625

Notes to the Financial Statements

13 **Derivatives and other financial instruments** (continued)

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of book values and fair values of all the Group's financial assets and financial liabilities:

	Book value 2002 £'000	**Fair value 2002 £'000**	Book value 2001 £'000	Fair value 2001 £'000
Primary financial instruments:				
Long term borrowings	**(43,750)**	**(43,750)**	(33,375)	(33,375)
Convertible loan stock	**(4,000)**	**(6,261)**	(4,000)	(5,183)
Long term debtors	**2,568**	**5,092**	2,490	3,000
Cash	**361**	**361**	338	338
Development loans	**15**	**15**	31	31
Derivative financial instruments held to manage the interest rate profile:				
Interest rate swap	**–**	**(314)**	–	(211)

Market values have been used to determine the fair value of interest rate swaps. The fair value of the convertible loan stock is based on the mid-market Ordinary share value of £1.80 (2001: £1.49) at the year end. The fair value of the net investment in finance leases has been determined by the Directors.

Notes to the Financial Statements

13 **Derivatives and other financial instruments** (continued)

Hedging strategy

The Group's policy is to hedge interest rate risk exposure at an appropriate level.

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses on financial instruments used for hedging are as follows:

	Gains £'000	Losses £'000	Total £'000
Gains and losses unrecognised as at 30 June 2002	–	(314)	(314)
Of which:			
Gains and losses expected to be recognised in the profit and loss account in 2003	–	(370)	(370)
Gains and losses included in the profit and loss account that arose in previous years	–	(263)	(263)
Gains and losses unrecognised as at 30 June 2001	–	(211)	(211)
Of which:			
Gains and losses expected to be recognised in the profit and loss account in 2002	–	(97)	(97)
Gains and losses included in the profit and loss account that arose in previous years	33	(9)	24

14 **Called up share capital**

	2002 Number '000	2002 £'000	2001 Number '000	2001 £'000
Authorised:				
Ordinary shares of 50p each	**40,000**	**20,000**	40,000	20,000
Issued and fully paid at 50p each	**16,485**	**8,243**	15,700	7,850

On 25 January 2002, the Company issued 785,000 Ordinary shares of 50p each for a consideration of 148p per share. Pursuant to an option agreement dated 14 March 1996, NPMS and JOHCM have been granted options to subscribe for a total of 1.6 million shares in the Company in the proportion of 960,000 shares to NPMS and 640,000 shares to JOHCM at a subscription price of £1 per share. These options are exercisable at any time after publication of the audited accounts of the Company for the financial year ended 30 June in the year immediately preceding the proposed date of exercise provided that, on the basis of those accounts, the net asset value per share (adding back all gross dividends paid on each share) has increased since the date of admission of securities to the official list at a rate in excess of the equivalent compound growth rate of 10%, and subject to the Managers remaining advisors at the date of exercise. As at 30 June 2002 these conditions have been met.

Notes to the Financial Statements

15 **Share premium account**

	2002		2001	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Balance at beginning of year	**5,810**	**5,810**	5,810	5,810
Premium on issue of 50p Ordinary shares	**769**	**769**	–	–
Issue expenses	**(16)**	**(16)**	–	–
Balance at end of year	**6,563**	**6,563**	5,810	5,810

16 **Capital reserve**

	2002		2001	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Balance at beginning and end of year	**1,618**	**1,618**	1,618	1,618

17 **Revaluation reserve**

	2002	2001
	£'000	£'000
Balance at beginning of year	**8,287**	4,872
Uplift in valuation during the year	**4,469**	3,415
Balance at end of year	**12,756**	8,287

18 **Profit and loss account**

	2002		2001	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Balance at beginning of year	**381**	**166**	213	26
Retained profit for the year	**331**	**286**	168	140
Share of operating loss in joint venture	**(3)**	**–**	–	–
Balance at end of year	**709**	**452**	381	166

19 **Reconciliation of shareholders' funds**

	2002		2001	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Opening shareholders' funds	**23,946**	**15,444**	20,363	15,304
Increase in revaluation reserve	**4,469**	**–**	3,415	–
Profit for the year	**1,815**	**1,770**	1,424	1,396
Share of operating loss in joint venture	**(3)**	**–**	–	–
Dividends paid and proposed	**(1,484)**	**(1,484)**	(1,256)	(1,256)
Gross proceeds from issue of Ordinary shares	**1,162**	**1,162**	–	–
Expenses on issue of Ordinary shares	**(16)**	**(16)**	–	–
Closing shareholders' funds	**29,889**	**16,876**	23,946	15,444

Notes to the Financial Statements

20 Net asset value per share

	2002 pence	2001 pence
Ordinary share – basic	**181.31**	152.52
– fully diluted	**164.58**	142.20

The basic net asset value per Ordinary share is based on net assets attributable to Ordinary shareholders of £29,889,000 (2001: £23,946,000) and on 16,485,000 (2001: 15,700,000) shares, being the number of shares in issue at the year end.

Fully diluted net asset value per share is calculated as follows:

	2002 £'000	2001 £'000
Net assets:		
Per Consolidated Balance Sheet	**29,889**	23,946
Add – Loan Stock conversion	**4,000**	4,000
– Receipts from the exercise of options	**1,600**	1,600
	35,489	29,546

	2002 '000	2001 '000
Ordinary shares:		
Issued share capital	**16,485**	15,700
Add – Loan Stock conversion into shares	**3,478**	3,478
– New shares issued on exercise of options	**1,600**	1,600
	21,563	20,778

Calculations assume that the dilution takes place on the respective balance sheet dates.

21 Total return per share

The total return per share is calculated as the increase in net asset value per share (see note 20) plus the dividend per share.

The fully diluted total return per share is based on the fully diluted increase in net asset value per share (see note 20) and the dividend per share.

Calculations assume that the dilution takes place at the respective balance sheet dates.

Notes to the Financial Statements

22 **Notes to the statement of cash flow**

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2002 £'000	2001 £'000
Operating profit	4,432	3,654
(Increase)/decrease in operating debtors and prepayments	(168)	28
Increase in operating creditors and accruals	187	146
Net cash inflow from operating activities	4,451	3,828

(b) Analysis of net debt

	2002		
	Opening £'000	**Cashflow** £'000	**Closing** £'000
Cash at bank	338	23	361
Bank loans	(33,375)	(10,375)	(43,750)
Convertible loan stock	(4,000)	–	(4,000)
	(37,037)	(10,352)	(47,389)

23 **Capital commitments**

Primary Health Investment Properties Limited, a wholly owned subsidiary of the Company, has entered into separate development agreements with third parties for the purchase of primary health developments; these agreements are conditional on the completion of certain building development work at a consideration of approximately £3.5 million plus VAT (2001: £9.2 million plus VAT). In addition, the Group has a maximum commitment to the joint venture of £2.5 million.

24 **Contingent liabilities**

The Company has guaranteed the performance of its subsidiaries in respect of development agreements totalling £4.1 million (2001: £11.0 million).

25 **Related party transactions**

Details of related party transactions are provided in the Report of the Directors on page 13 and in note 5 on pages 27 and 28.

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of Primary Health Properties PLC will be held on Thursday 21 November 2002 at 2.30pm in the Board Room, Ground Floor, Ryder Court, 14 Ryder Street, London SW1Y 6QB for the following purposes:

As Ordinary Business

1. To receive and adopt the Report of the Directors and the audited financial statements for the year ended 30 June 2002;

2. To declare a final dividend of 4.5p per share;

3. To re-elect Mr J D Hambro as a Director of the Company;

4. To re-elect Mr G A Elliot as a Director of the Company;

5. To re-elect Mr A D S Dalgliesh as a Director of the Company;

6. To re-appoint Ernst & Young LLP as Auditors and authorise the Directors to fix their remuneration.

As Special Business

To consider and, if thought fit, pass the following resolutions which will be proposed as Special Resolutions, with the exception of Resolution 7 which will be proposed as an Ordinary Resolution.

7. THAT the Directors be generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (as defined in Section 80 of the Companies Act 1985 ("the Act")) up to an aggregate nominal amount of £2,747,500 provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the date of the passing of this resolution, except that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred by this resolution had not expired and that this authority shall be in substitution for all previous authorities conferred upon the Directors pursuant to Section 80 of the Act but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities.

8. THAT, subject to and conditional upon the passing of resolution number 7 set out in the notice of the meeting, the Directors be empowered, pursuant to Section 95 of the Act, to allot equity securities (as defined in Section 94 of the Act) for cash as if Section 89 of the Act did not apply to any such allotment provided that this power shall be limited to:

   (a) the allotment of equity securities in connection with a rights issue or other pro rata offer in favour of holders of ordinary shares where the equity securities respectively attributable to the interests of all the Ordinary shareholders are proportionate (as nearly as may be) to the respective number of equity securities held by them subject in each case to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body; and

   (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £412,125.

   and shall expire at the conclusion of the Annual General Meeting of the Company after the date of the passing of this resolution except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.

Notice of Annual General Meeting

9. THAT the Company be generally and unconditionally authorised, in accordance with Section 166 of the Act, to make market purchases (within the meaning of Section 163 of the Act) of Ordinary shares of 50p each in the capital of the Company ("Ordinary Shares") on such terms and in such manner as the Directors may from time to time determine provided that:

   (a) the maximum number of Ordinary Shares authorised to be purchased is 1,648,500;

   (b) the minimum price which may be paid for an Ordinary Share is 50p (the nominal value) (exclusive of expenses (if any) payable by the Company);

   (c) the maximum price which may be paid for an Ordinary Share is an amount equal to 105% of the average of the middle market quotations for an Ordinary Share derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is purchased (exclusive of expenses (if any) payable by the Company); and

   (d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company except that the Company may before such expiry make a contract to purchase its own shares which will or may be completed or executed wholly or partly after such expiry.

By order of the Board

J O Hambro Capital Management Limited
Company Secretary
17 September 2002

Registered Office:

Ground Floor
Ryder Court
14 Ryder Street
London SW1Y 6QB

Registered in England No. 03033634

Notes

1. Any member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his or her place. A proxy need not be a member of the Company. A form of proxy is enclosed.

2. To be valid, completed forms must be received at the offices of the Company's registrars, Capita IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time fixed for the meeting. Deposit of the form of proxy will not prevent a member from attending the meeting and voting in person.

3. The following documents are available for inspection at the registered office of the Company during normal business hours on each weekday (public holidays excluded) and at the place of the Annual General Meeting for 15 minutes prior to and during the meeting:

   (a) the register of Directors' interests in shares of the Company;

   (b) there are no service contracts.

4. The Company specifies, pursuant to Regulations 41 of the Uncertificated Securities Regulations 2001, that only those shareholders registered in the register of members of the Company as at 6pm on 19 November 2002 shall be entitled to attend or vote at the General Meeting in respect of the number of shares registered in their respective names at that time. Changes to entries on the register after that time will be disregarded in determining the right of any person to attend or vote at the meeting.

5. By attending the meeting, members agree to receive any communications that may be made at such meeting.

Shareholder Information

Financial Calendar

Financial year end	30 June
Preliminary Results	September
Annual Report	September
Annual General Meeting	November
Dividend payment	November
Interim end	31 December
Interim figures announced	March
Interim Dividend payment	May

Final Dividend calendar

Record date	1 November 2002
Ex-dividend date	30 October 2002
Payment date	29 November 2002

The Company's Annual General Meeting will be held on 21 November 2002 commencing at 2.30pm in the Board Room of the offices of the Registered office and Company Secretary, J O Hambro Capital Management Limited.

Share Save Plan

Shareholders were advised in the Chairman's Statement of the Interim Report for the six months ended 31 December 2001 of the intention to establish an equity saving plan with Capita IRG PLC.

The Company has now made arrangements for a Share Save Plan to be made available to allow investors to purchase the Company's shares. The Primary Health Properties Share Save Plan is operated by Capita IRG Trustees Limited and is designed to allow lump sum and regular savings to facilitate the purchase of the Company's shares.

For details of the plan please contact:

Capita IRG Trustees Limited
ITSS Department
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

or alternatively telephone 0870 162 3100.

Capita IRG Trustees Limited is authorised and regulated by the FSA.

As with all stock market investments, the price of shares can go down as well as up and on sale investors may not get back the full amount they invested.

A copy of the brochure for the Share Save Plan is posted with this copy of the Annual Report.

Shareholder Information

Share Price
The Company's mid market share price is quoted daily in the Financial Times appearing under "Real Estate".

Share Dealing
Investors wishing to purchase more Ordinary Shares or dispose of all or part of their holding may do so through a stockbroker. Many banks also offer this service.

The Company's registrars are Capita IRG PLC. In the event of any queries regarding your holding of shares, please contact the registrars on 020 8639 2000, e-mail address: ssd@capita-irg.com.

Changes of name or address must be notified to the registrars in writing at:

Capita IRG PLC
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

General Information About the Company
General information about the Company can be seen on the PHP web site at www.nexusgroup.co.uk. Alternatively you may contact Harry Hyman or Adam Dalgliesh on 01483 306912.

Corporate Profile

Directors
G A Elliot (Chairman)
H A Hyman (Managing Director)
A D S Dalgliesh (Property Director)
M J Gilbert (W J C Hemmings: *alternate*)
J D Hambro
Professor P C Pietroni
P Sandford

Joint Managers
Nexus Property Management Services Limited
Alexandra House
Alexandra Terrace
Guildford GU1 3DA
01483 306192

J O Hambro Capital Management Limited
Ground Floor
Ryder Court
14 Ryder Street
London SW1Y 6QB
020 7747 5678

Registrars
Capita IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

Joint Stockbrokers
KBC Peel Hunt plc
62 Threadneedle Street
London EC2R 8HP

Numis Securities Limited
Cheapside House
138 Cheapside
London EC2V 6LH

Solicitors
Nabarro Nathanson
Lacon House
Theobald's Road
London WC1X 8RW

Auditors
Ernst & Young LLP
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

Company Secretary and Registered Office
J O Hambro Capital Management Limited
Ground Floor
Ryder Court
14 Ryder Street
London SW1Y 6QB
020 7747 5682
Fax: 020 7747 5611

Bankers
The Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR

Modern Accommodation for the delivery of primary healthcare services

Falkland Surgery, Newbury, Berkshire
Completion of New Development Purchase for 8 GP Practice and Pharmacy

Sina Health Centre, Willenhall, West Midlands
Completion of New Development Purchase for 4 GP Practice, Community Services and Pharmacy

Faringdon Medical Centre, Faringdon, Oxfordshire
Completion of New Development Purchase for 2 GP Practices, and Community Services

Scotswood House, Newcastle-upon-Tyne, Tyne and Wear
Completion of an Investment Purchase, accommodating North East Ambulance NHS Trust

Victoria House Surgery, Bicester, Oxfordshire
Completion of New Development Purchase for 5 GP Practice, Physiotherapist and Pharmacy

Arthurstone Medical Centre, Dundee, Tayside
Completion of New Development Purchase for 2 GP Practices and Community Services

PRIMARY HEALTH PROPERTIES PLC
for further information contact:-
Harry Hyman or Adam Dalgliesh at PHP
01483 306912 or visit the PHP Website
www.nexusgroup.co.uk

Form of Proxy

I/We, the undersigned, being (a) member(s) of the above Company,

Name(s) in full . . . .
(BLOCK LETTERS PLEASE)

hereby appoint the Chairman of the Meeting

or . . . . see note 3)
as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 21 November 2002 and at any adjournment thereof, in the following manner:

	FOR*	AGAINST*	
1.			The resolution to receive and adopt the Report of the Directors and the audited Financial Statements for the year ended 30 June 2002.
2.			The resolution to declare a final dividend of 4.5p per share.
3.			The resolution to re-elect Mr J D Hambro as a Director of the Company.
4.			The resolution to re-elect Mr G A Elliot as a Director of the Company.
5.			The resolution to re-elect Mr A D S Dalgliesh as a Director of the Company.
6.			The resolution to re-appoint Ernst & Young LLP as Auditors and authorise the Directors to fix their remuneration.
7.			The Ordinary Resolution authorising the Company to allot equity securities.
8.			The Special Resolution to disapply pre-emption rights when issuing equity securities.
9.			The Special Resolution authorising the Company to make market purchases of Ordinary shares.

* Please indicate by marking 'X' in the appropriate space how you wish your vote to be cast. Unless so indicated the proxy will vote or abstain as he/she thinks fit.

As WITNESS my/our hand(s) this . . . . day of . . . . 2002.

Signature . . . .

NOTES:

1. If this form is returned without any indication as to how the person appointed proxy shall vote, the Chairman will exercise his discretion as to how he votes or whether he abstains from voting.
2. This form of proxy, duly signed, and any power of attorney under which it is executed, must be deposited at the offices of the Company's Registrars not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.
3. A member may appoint a proxy of his own choice by deleting the reference to the Chairman and inserting the name of his proxy in the space provided. A proxy need not be a member of the Company but must attend the meeting in person to represent the member.
4. A corporation should complete this form under its common seal or under the hand of a duly authorised officer or attorney.
5. In the case of joint holders, this form may be signed by any one of the holders, but the names of all of them should be stated.

Third fold and tuck in

BUSINESS REPLY SERVICE
Licence No. MB 122

1

First
fold

CAPITA IRG plc (Proxies)
PO BOX 25
BECKENHAM
KENT
BR3 4BR

Second fold