Primary Health Properties

Primary Health Properties PLC
Interim results
Continued momentum driving shareholder value

Primary Health Properties PLC ("PHP", the "Group" or the "Company"), a leading investor in modern primary health facilities, announces its interim results for the six months ended 30 June 2017.

FINANCIAL HIGHLIGHTS

- EPRA Earnings[1, 4] increased by 22.2% to £15.4m (30 June 2016: £12.6m)
- EPRA Earnings[1, 4] per share increased by 8.3% to 2.6p (30 June 2016: 2.4p)
- Net rental income increased by 8.1% to £34.8m (30 June 2016: £32.2m)
- IFRS profit before tax increased by 73.7% to £44.3m (30 June 2016: £25.5m)
- EPRA Net Asset Value per share[2, 4] increased by 5.5% to 96.1p (31 December 2016: 91.1p)
- IFRS Net Asset Value per share[2] increased by 6.1% to 88.6p (31 December 2016: 83.5p)
- Total dividends of 2.62p per share distributed in the period (30 June 2016: 2.5625p), the 21st successive year of dividend growth
- Third quarterly dividend of 1.31p per share payable on 25 August 2017

OPERATIONAL HIGHLIGHTS

- Surplus on property valuation of £29.9m (30 June 2016: £15.5m), underlying like-for-like growth of 2.4%; portfolio net initial valuation yield of 5.04% (31 December 2016: 5.17%)
- Total portfolio, including development properties, valued at £1.27bn as at 30 June 2017 (31 December 2016: £1.22bn)
- Four properties acquired, including two developments currently on site, in period for £18.6m adding £1.1m to the contracted rent roll
- Three properties acquired post period end for £35.5m increasing the contracted rent roll by a further £1.7m from £69.3m to £71.0m
- Average annualised uplift of 1.6% on rent reviews agreed in the period resulting in an annualised uplift in rent of £0.4m (year ended 31 December 2016: 0.9% with an uplift of £0.3m)

- Portfolio 99.7% let with 13.3 years weighted average unexpired lease term (including commitments) (31 December 2016: 13.7 years)
- Loan to Value reduced to 53.0% (31 December 2016: 53.7%)
- New long-term financing with PHP's first transaction in the private placement market raising £100m, ten year, senior secured notes at 2.83%. The proceeds have been partially applied to refinance the £115m "club" facility with RBS and Santander with a new £50m bilateral facility with RBS
- Following successful refinancing the average loan maturity increased to 5.8 years (31 December 2016: 5.1 years)
- Group's average cost of debt reduced by 39bp to 4.26% (31 December 2016: 4.65%) including the impact of a £20m, 4.76% fixed rate swap cancelled, post period end, for a one-off payment of £6.2m. Total interest savings of £0.8m p.a.

[1] See note 6, earnings per share, to the financial statements.
[2] See note 14, net asset value, to the financial statements.
[3] See note 12, derivative and other financial instruments, to the financial statements.
[4] The Company uses a number of alternative performance measures in this interim statement. See page 17, Business Review.

Harry Hyman, Managing Director of PHP, commented:

"Notwithstanding the uncertainties in the current political and economic landscapes, the demand for modern, purpose built accommodation in primary care is undoubted. The delivery of the NHS Five Year Forward View depends upon many things but investment in primary care is essential for their success. We are committed to investing in growing our portfolio to support the modernisation agenda both in the UK and Ireland.

In addition to growing the portfolio, we will also continue to invest in the improvement of our assets, growing rents and extending lease terms. At a time of continued very low interest rates PHP's robust, low risk business model means we are well placed to deliver on our progressive dividend policy, underpinned by our secure and long term income."

Presentation and webcast:

A presentation for analysts will be held on 27 July 2017 at 10.45am at the offices of CMS, Cannon Place, 78 Cannon Street, London EC4N 6AF. A webcast and conference call facility will also be available via this link.

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Primary Health Properties

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)	Year ended 31 December 2016 (audited)
Investment portfolio	**£1.27bn**	£1.19bn	£1.22bn
Net rental income	**£34.8m**	£32.2m	£66.6m
Weighted average unexpired lease term (WAULT)	**13.3 years**	14.1 years	13.7 years
Contracted rent roll (annualised)	**£69.3m**	£66.9m	£68.0m
EPRA results			
EPRA Earnings	**£15.4m**	£12.6m	£26.8m
EPRA Earnings per share	**2.6p**	2.4p	4.8p
EPRA Net Asset Value	**£575.4m**	£539.9m	£545.0m
EPRA NAV per share	**96.1p**	90.4p	91.1p
EPRA Cost Ratio	**11.9%**	11.5%	11.5%
Dividends			
Dividend per share[1]	**2.62p**	2.5625p	5.125p
Dividend cover	**98%**	110%	100%
Reported results			
IFRS profit for the period	**£44.3m**	£25.5m	£43.7m
Diluted earnings per share	**6.7p**	4.5p	7.3p
Total equity	**£530.6m**	£492.4m	£499.2m
IFRS net asset value per share	**88.6p**	82.5p	83.5p

[1] See note 7, dividends, to the financial statements.

Performance

	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
Total EPRA NAV return	**8.4%**	6.0%	9.7%
Income return	**2.8%**	2.8%	5.6%
Capital return	**2.5%**	1.4%	2.3%
Total property return	**5.3%**	4.2%	7.9%
IPD All Property return[1]	**4.7%**	2.5%	3.6%
Outperformance over IPD	**0.6%**	1.7%	4.3%

[1] IPD Monthly All Property, All Assets index to June 2017.

EXECUTIVE REVIEW

The Group has had an active and successful start to the year. We have made continued progress in growing the portfolio, reaching a milestone of 300 primary health properties. We have maintained earnings growth, strengthened the balance sheet, reduced the cost of debt and continued to deliver value to shareholders with our 21st successive year of dividend growth.

Overview of results

PHP's disciplined approach to investment and asset management has delivered another set of strong results in the first six months of the year with EPRA earnings up 22.2% to £15.4m (30 June 2016: £12.6m) and EPRA earnings per share up 8.3% to 2.6p (30 June 2016: 2.4p). The Group's portfolio was valued at just under £1.27bn which generated a revaluation surplus of £29.9m (30 June 2016: £15.5m) after allowing for costs associated with acquisitions and capital expenditure.

The Group has continued to grow its portfolio in the period, adding four assets, including continued momentum in Ireland with our second acquisition. The acquisitions both in 2016 and in the first half of 2017 have helped to increase our net rental income by 8.1% to £34.8m (30 June 2016: £32.2m). Post period end, a further three assets have been acquired for a total consideration of £35.5m and we have a strong pipeline of potential acquisitions both in the UK and Ireland.

The EPRA earnings, revaluation surplus, a gain on the mark to market valuation of our derivative portfolio of £0.4m and a loss on the convertible bond of £1.4m resulted in an IFRS profit of £44.3m (30 June 2016: £25.5m), an increase of 73.7%.

Continued investor demand for long dated, secure income and limited supply in the sector have resulted in 13bp of yield compression taking the portfolio's net initial yield to 5.04% (31 December 2016: 5.17%). More importantly, strong asset management activity including annualised rental growth of 1.6% achieved on rent reviews, compared to 0.9% achieved in the whole of 2016, and further asset management projects have helped to create additional value. We have invested time and resource to initiate further quality projects that are likely to commence shortly.

Dividends

The Company distributed a total of 2.62p per share in the six months to 30 June 2017, an increase of 2.2% over that distributed in the first half of 2016 of 2.5625p per share.

Dividends of 1.31p per share were distributed in February and May 2017 and the Company is to pay its third quarterly dividend, also of 1.31p per share, on 25 August 2017 to shareholders on the register as at 14 July 2017. The dividend will comprise a PID of 0.76p and an ordinary dividend of 0.55p per share. The dividends are equivalent to 5.25p on an annualised basis and represent the Company's 21st successive year of dividend growth. A further dividend payment is planned to be made in November 2017.

The Company expects the dividends distributed to be fully covered by earnings for the year as a whole and intends to maintain its strategy of paying a progressive dividend that is fully covered by earnings in each financial year.

The Company's share price started the year at 111.5p per share and closed on 30 June 2017 at 113.75p, an increase of 2.0%. Including dividends, those shareholders who held the Company's shares throughout the period achieved a Total Shareholder Return of 4.4% (30 June 2016: 0.5%).

Market update and outlook

Primary healthcare provides a critical function, forming a key part of the NHS's Five Year Forward View ("FYFV"), operating as most patients' first point of call when unwell. Despite the increasing demand, the proportion of the NHS budget for primary healthcare has decreased every year since 2005/06 while patient demand has increased significantly. During the same period, the primary care estate has also faced underinvestment, with approximately 50% of the 8,000 GP surgeries in England & Wales considered by medical professionals to be unfit for purpose.

The FYFV, published in October 2014, emphasised the need to shift more care away from the acute sector towards primary and community settings, meaning the demand for appropriate facilities will grow further. The recent follow-up 'Next Steps on the Five Year Forward View', published in March 2017, reiterated that shift, setting out targets for growth in the primary care workforce, expansion of access to general practice and the need for improved primary care premises.

Towards the end of 2016, Sustainability and Transformation Plans ("STPs") were published for the 44 STP areas in England, including estate plans for primary care premises that are required to deliver these care objectives. STPs comprise a plan of how local services will evolve over the next five years to create long term, sustainable and fundable integrated care systems for an area.

In March 2017, the independent report on NHS Property and Estates by Sir Robert Naylor was published, highlighting the importance of primary care premises and making a number of recommendations. The report highlights the importance of the recently created NHS Property Board in supporting the visions of the FYFV and STPs in helping to create affordable and efficient estates and the importance of the private sector in delivering these objectives.

PHP's specialist sector knowledge as an investor, manager and developer of primary health care properties means we are well placed to assist in the delivery of the these plans. PHP continues to actively engage with both GPs and the NHS in the UK and the Health Service Executive ("HSE") in Ireland to identify and deliver mutually beneficial opportunities with tenants to enlarge, modernise and update the specification of their properties.

The market fundamentals supporting the primary health care sector has translated into continued investor demand and limited supply resulting in further yield compression during the last six months. With a continued lack of new supply in the short to medium term and continued demand we expect yields will continue to compress further. However, PHP will continue to remain disciplined in its approach to investment; maintaining a strict selection criteria and pricing approach to ensure additions are high quality, accretive to net earnings and offer the opportunity for future growth.

Board changes

As previously reported, Richard Howell replaced Phil Holland as Finance Director at the end of March 2017 and has settled in well. Richard joined us from his position as Finance Director, Joint Ventures with LondonMetric Property Plc.

Outlook

We have strengthened our balance sheet and have significant headroom to selectively invest further in both the UK and Ireland. The demand for healthcare is driven by demographics and is supported on a cross party basis. We look forward to helping deliver the modernisation of the primary care estate by actively pursuing attractive investment opportunities of both existing assets and developments.

Alun Jones
Chairman

Harry Hyman
Managing Director

26 July 2017

BUSINESS REVIEW

Investment activity

The UK market for primary health care property investment continues to be very competitive with record yields and prices being paid by investors for assets in the sector. In this environment, PHP has maintained its disciplined approach to investment with the acquisition of four assets for £18.6m in the six months to 30 June 2017 (six months to 30 June 2016: 19 assets for £53.8m; six months to 31 December 2016: five assets for £20.4m).

Asset		Area (Sq. m)	Acquisition price	WAULT (years)	GP patient list and key tenants
Cove Bay, Aberdeen	Investment	983	£4.6m	15.3	12,500
Pitmedden, Aberdeen	Investment	710	£2.6m	13.0	5,300
Carrigaline, County Cork, Ireland	Development	2,900	£6.4m (€7.3m)	25.0	20,000+HSE +pharmacy
Churchdown, Gloucestershire	Development	1,184	£5.0m	20.0	13,500 +pharmacy
Total		5,777	£18.6m	20.0	

The above acquisitions enhanced the quality of our portfolio and added £1.1m to the contracted rent roll at 30 June 2017.

Cove Bay Medical Centre and Pitmedden Medical Centre, two modern, purpose built healthcare facilities located close to Aberdeen were acquired in January 2017 for a total consideration of £7.2m. The properties benefit from long unexpired terms of 15.3 years and 13.0 years respectively.

Carrigaline, County Cork was PHP's second acquisition in Ireland, contracting to provide development funding for the construction of a new primary care centre for a total cost of £6.4m (€7.3m). The centre comprises circa 2,900m^2 and will be fully let for 25 years from completion. Over three quarters of the rent roll is contracted to the Irish Government's HSE with the remainder derived from a group of GPs and a pharmacy operator. The development is on schedule to complete in August 2017.

Churchdown, Gloucestershire was acquired in May 2017 with PHP contracting to provide development funding for the construction of the property for a total cost of £5.0m. The property will comprise an area of 1,184m^2 to be fully let for 20 years from completion to a GP surgery with a patient list of over 13,500, in addition to a pharmacy. The development is currently on site and scheduled to complete in March 2018.

Despite the record yields and resulting high prices being paid by competitors in the market, PHP will continue to remain disciplined in its approach to investment; maintaining a strict selection criteria and pricing approach to ensure additions are high quality, accretive to net earnings and offer the opportunity for future growth. The completed acquisitions increased PHP's portfolio to 300 assets, valued at £1,266m at 30 June 2017, including the two developments currently on site.

Developments

The development at Swindon, acquired in 2016, successfully completed on time and within budget, opening to patients in May 2017. The asset is a purpose built health care centre developed in the town centre of Swindon and comprises 2,454m^2 of space fully let to NHS Property Services Limited for 20 years. The property is occupied by two GP practices serving over 20,000 patients, with an onsite pharmacy. In addition, a number of additional services are being relocated to the centre including same day urgent clinics, dental, podiatry, diabetic, dietician and sexual health services. The property was developed for a net consideration of £10.0m.

As noted above, during the first six months of 2017, a further two forward funded developments were acquired with a net development cost of £11.4m and both are currently on site:

Asset	Anticipated PC date	Area (Sq. m)	Net development cost	Spent to date	Future costs
Carrigaline, County Cork, Ireland	August 2017	2,900	£6.4m (€7.3m)	£3.1m (€3.5m)	£3.3m (€3.8m)
Churchdown, Gloucestershire	March 2018	1,184	£5.0m	£0.8m	£4.2m
Total		4,084	£11.4m	£3.9m	£7.5m

In a competitive investment market, development opportunities present an attractive alternative to acquiring new, long, weighted average unexpired lease term (WAULT), purpose built primary care facilities. PHP will continue to work with experienced development partners, healthcare bodies and professionals to procure assets that meet our strict criteria of pre-let, de-risked and short cycle developments. PHP will not undertake any developments on a speculative basis.

Investment and development pipeline

Since the period end, in July, PHP has acquired three further primary health properties for £35.5m, increasing the Group's contracted rent roll by £1.7m to £71.0m.

Asset		Area (Sq. m)	Acquisition price	WAULT (years)	GP patient list and key tenants
Low Grange, Middlesborough	Investment	5,800	£25.4m	17.3	22,000+NHS +pharmacy +optician
Evenwood, Bishop Auckland	Investment	465	£1.7m	13.0	2,500
Syston Medical Centre, Leicestershire	Investment	2,575	£8.4m	16.1	23,000+NHS +pharmacy
Total		8,840	£35.5m	16.8	

PHP continues to have a strong pipeline of potential acquisitions both in the UK and Ireland.

Asset management

PHP's sector leading metrics continue to remain strong and we remain focused on the organic rental growth that can be derived from our existing assets. This growth arises mainly from rent reviews and asset management projects (extensions, refurbishments and lease re-gears) which provide an important opportunity to increase income, extend lease terms and avoid obsolescence.

Rent reviews

During the six months to 30 June 2017, PHP agreed 107 rent reviews with a combined rental value of £13.0m resulting in an uplift of £0.4m or 3.0% which equates to 1.6% per annum. The rental growth achieved represents a significant increase over the 0.9% achieved in both the first and second halves of 2016.

75% of our rent reviews are on an open market basis, reviewed typically every three years and are impacted by land and construction inflation. Over recent years, there have been significant increases in these costs which will eventually result in further rental growth in the future. The balance of the PHP portfolio has either fixed 6% or RPI 19% based reviews which also provide an element of certainty to future rental growth within the portfolio.

At 30 June 2017, the rent at 208 tenancies, representing £27.7m of passing rent, was under negotiation and the large number of outstanding reviews reflects the requirement for all awards to be agreed with the District Valuer. A great deal of evidence to support open market reviews comes from the delivery of new properties into the sector. Whilst underlying land and construction costs have increased in recent years, the lower number of new schemes approved by the NHS has restricted the ability to capture the growth in new rental values.

However, the demand for new, purpose built premises continues and is now being supported by NHS initiatives to modernise the primary care estate.

Projects

Work has continued to enhance and extend existing assets within the portfolio and a further four projects were committed in the six months to June 2017. The projects require the investment of £1.3m and will generate £34,000 of additional rental income but, just as importantly, will extend the WAULT on those premises back to an average 20 years.

Asset	Total investment (£m)	Additional rental income (£000)	WAULT (years)
Woolston, Southampton	0.6	15	24
Belmont Surgery, Uxbridge	0.3	-	20
Lloyds Pharmacy, Seaton Hirst	0.1	19	8
South Queensferry, Edinburgh	0.3	-	20
Total	1.3	34	20

PHP continues to work closely with its tenants and there are a further seven projects that have been approved by the NHS that are either being documented or currently in the process of obtaining planning permission. PHP will invest a further £3.6m in these projects, once contracted, generating £0.2m of additional rental income and extending the WAULT on these premises back to 19 years. PHP also has a strong pipeline of potential projects and will continue to invest capital in a range of physical extensions or refurbishments.

Asset management projects are key to maintaining the longevity and security of our income through long-term tenant retention, increased rental income and extended occupational lease terms, adding to both earnings and capital values.

PHP has also supported its tenants to develop and submit 23 applications for funding from the NHS Estates and Technology Transformation Fund (“ETTF”) and eight of these projects have received approval. We are working closely with the relevant Clinical Commissioning Groups (“CCG”) to progress these projects further.

Sector leading portfolio metrics

Including development properties as complete, the portfolio’s annualised contracted rent roll at 30 June 2017 was £69.3m, an increase of 1.9% in the period (31 December 2016: £68.0m). The security and longevity of our income are important drivers of our secure, long term predictable income stream and enable our progressive dividend policy.

Security: PHP continues to benefit from secure, long term cash flows with 91% of its rent roll funded directly or indirectly by the NHS in the UK or HSE in Ireland. The portfolio also benefits from an occupancy rate of 99.7%.

Longevity: The portfolio's WAULT at 30 June 2017 was 13.3 years (31 December 2016: 13.7 years). Only £0.3m or 0.4% of our income expires over the next three years and £22.2m or 72.3% expires in over 10 years. The table below sets out the current lease expiry profile of our income:

Income subject to expiry	£m	%
< 3 years	0.3	0.4%
4 – 5 years	1.3	1.9%
5 – 10 years	17.6	25.4%
10 – 15 years	27.9	40.3%
15 – 20 years	14.7	21.2%
20+ years	7.5	10.8%
Total	69.3	100.0%

Valuation and returns

Despite the continued political and economic uncertainty, primary healthcare is increasingly being seen as a highly desirable real estate sector as evidenced by the increasing competition for investment opportunities, record yields and prices currently being paid. The primary health sector is underpinned by sound demographic fundamentals and government backed income.

At 30 June 2017, the portfolio comprised 300 assets, including two developments, independently valued at £1.266bn (31 December 2016: £1.220bn). The strong investment market together with our sector leading portfolio metrics and asset management initiatives resulted in a valuation surplus of £29.9m or 2.4%, after allowing for capital expenditure, in the six months to 30 June 2017 (six months to 30 June 2016: £15.5m or 1.3%). The surplus was generated predominantly by a 13bp reduction in the net initial yield (NIY) to 5.04% (31 December 2016: 5.17%) with the true equivalent yield reducing to 5.23% (31 December 2016: 5.38%). The contraction in the NIY accounted for approximately 90% of the surplus whilst rent reviews and asset management projects added a further 10%.

The portfolio was independently valued by Lambert Smith Hampton at 30 June 2017, as follows:

	Number of properties	UK £m	Ireland £m	Total £m
Investments	298	1,255.5	6.2	1,261.7
Developments	2	0.9	3.3	4.2
Total	300	1,256.4	9.5	1,265.9

The valuation uplift, combined with the portfolio's growing income, helped to deliver a total property return of 5.3% in the six months to 30 June 2017 (30 June 2016: 4.2%) out-performing the IPD Monthly All Property, All Asset Index by 60bp.

	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
Income return	2.8%	2.8%	5.6%
Capital return	2.5%	1.4%	2.3%
Total return	5.3%	4.2%	7.9%

Cladding

Following the tragic events at Grenfell Tower, London a detailed review of the Group's entire portfolio has been undertaken and there are no properties that have cladding considered to be a significant safety risk. Nevertheless, we are committed to ensuring that there is no potential safety risk and we have written to tenants reminding them of their health and safety responsibilities especially with regard to fire. The portfolio is insured for full reinstatement, loss of rent and property owner's liability.

FINANCIAL REVIEW

Management's actions both in 2016 and the first six months of 2017 have delivered earnings growth and we have significantly strengthened and diversified our sources of finance.

Recurring EPRA earnings increased by £2.8m or 22.2% to £15.4m in the six months to 30 June 2017 (30 June 2016: £12.6m) which using the weighted average number of shares in issue in the period, equates to EPRA earnings per share of 2.6p (30 June 2016: 2.4p), an increase of 8.3%.

A revaluation surplus of £29.9m less a net loss on the fair value of interest rate derivatives and convertible bond of £1.0m (30 June 2016: loss of £2.6m) contributed to increase the profit as reported under IFRS by 73.7% to £44.3m (30 June 2016: £25.5m).

The financial results for the Group are summarised as follows:

Summarised results

	Six months ended 30 June 2017 £m	Six months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Net rental income	**34.8**	32.2	66.6
Administrative expenses	**(3.9)**	(3.5)	(7.3)
Operating profit before revaluation gain and net financing costs	**30.9**	28.7	59.3
Net financing costs	**(15.5)**	(16.1)	(32.5)
EPRA earnings	**15.4**	12.6	26.8
Net result on property portfolio	**29.9**	15.5	20.7
Fair value gain/(loss) on interest rate derivatives	**0.4**	(4.5)	(2.2)
Fair value (loss)/gain on convertible bond	**(1.4)**	1.9	(1.6)
IFRS profit before tax	**44.3**	25.5	43.7

Net rental income receivable in the six months to 30 June 2017 increased by 8.1% or £2.6m to £34.8m (30 June 2016: £32.2m). Acquisitions in 2016 and the first six months of 2017 contributed £1.8m to this increase, with developments completed in 2016 adding a further £0.5m. Completed rent reviews contributed a further £0.3m.

Operational costs have continued to be managed closely and effectively. Overall administrative costs have risen by 11.4% to £3.9m (30 June 2016: £3.5m) reflecting the increased size of the portfolio and costs related to the Irish portfolio. The Group's EPRA cost ratio continues to be amongst the lowest in the sector at 11.9% for the period, a slight increase over the 11.5% incurred during the 2016 financial year.

EPRA cost ratio	**Six months ended 30 June 2017 £m**	Six months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Gross rent less ground rent	**35.2**	32.4	66.9
Direct property expense	**0.5**	0.4	0.8
Administrative expenses	**3.9**	3.5	7.3
Less: ground rent	**(0.1)**	-	(0.1)
Less: other operating income	**(0.1)**	(0.2)	(0.3)
EPRA costs (including direct vacancy costs)	**4.2**	3.7	7.7
EPRA cost ratio	**11.9%**	11.5%	11.5%

Net finance costs decreased in the period by 3.7% to £15.5m (30 June 2016: £16.1m). This is primarily as a result of application of the proceeds of the equity issue in 2016 less debt drawn to finance acquisitions, but also due to the lower cost of debt secured from both the swap restructuring undertaken in 2016 and the new 2.83% £100m secured bond issued in March 2017. The average cost of debt fell further in the period to 4.39% (six months ended 30 June 2016: 4.49%; year ended 31 December 2016: 4.65%).

Revised advisory agreement terms

In April 2017, revised terms to the Advisory Agreement between PHP and the property adviser, Nexus Tradeco Limited (Nexus) were agreed. The fee payable for the management of PHP's property portfolio has been amended to incorporate additional lower fee increments as PHP continues to add scale. The fee payable for gross assets above £1.5bn, previously 0.3%, has been reduced to 0.275% for gross assets between £1.5bn and £1.75bn and 0.25% for gross assets between £1.75bn and £2.0bn.

In addition, the terms under which Nexus is entitled to a performance incentive fee (PIF) have been amended. Nexus will continue to be entitled to 11.25% of the 'total return' above a hurdle rate of 8.0%, but this will now be based on the change in EPRA net asset value (NAV) plus dividends paid, rather than the change in IFRS NAV plus dividends paid. Changes in IFRS NAV include the impact of changes in the mark to market valuation of the company's derivatives and convertible bonds, which do not reflect the performance of the underlying property portfolio.

New controls on the PIF have been introduced. The PIF in respect of any year is now capped at the lower of 20% of the management fee payable to Nexus in that year or £2.0m. Half of any PIF payment will be deferred to the following year, with performance against the hurdle rate (both positive and negative) carried forward in a notional cumulative account with any future payment subject to the account being in a surplus position. Furthermore, for the three years from 1 January 2017, the payment of any PIF is restricted if it would otherwise cause PHP's dividend cover to fall below 98%. The Nexus team working on PHP's account, other than Harry Hyman, will receive 25% of any PIF paid, to aid staff motivation and retention. No PIF has been paid to Nexus since 2007 and the notional cumulative PIF deficit of £12.1m at the end of 2016, entirely attributable to the aforementioned IFRS mark to market adjustments, has been eliminated.

Shareholder value

The table below sets out the movements in EPRA net asset value per share over the period under review.

EPRA Net Asset Value per share	**30 June 2017 pence per share**	30 June 2016 pence per share	31 December 2016 pence per share
Opening EPRA NAV per share	**91.1**	87.7	87.7
EPRA earnings for the period	**2.6**	2.4	4.8
Dividend paid	**(2.6)**	(2.2)	(4.8)
Net result on property portfolio	**5.0**	2.6	3.5
Share issue	**-**	2.3	2.2
Interest rate derivative rate re-coupon	**-**	(2.4)	(2.3)
Closing EPRA NAV per share	**96.1**	90.4	91.1

The revaluation surplus of £29.9m in the six months to 30 June 2017, equivalent to 5.0p per share is the reason for the increase in EPRA NAV per share. Dividends distributed in the period were materially covered by recurring EPRA earnings with no impact on EPRA net asset value per share.

The 5.0p or 5.5% increase in EPRA NAV per share to 96.1p (31 December 2016: 91.1p per share) together with the dividends distributed in the period resulted in a total NAV return per share of 7.62p per share or 8.4% in the six months ended 30 June 2017 (30 June 2016: 5.625p or 6.0%).

Financing

Gross debt drawn as at 30 June 2017 totalled £678.8m (31 December 2016: £660.8m) and cash balances were £8.1m (31 December 2016: £5.1m) resulting in Group net debt of £670.7m (31 December 2016: £655.7m). The total remaining cost of development work and asset management projects on site at the balance sheet date was £7.5m and £1.3m respectively (31 December 2016: £3.3m), resulting in headroom of £96.5m (31 December 2016: £90.5m) from existing facilities available to the Group.

Debt metrics	**30 June 2017**	31 December 2016
Loan to Value	**53.0%**	53.7%
Interest cover	**2.25 times**	2.05 times
Weighted average debt maturity	**5.8 years**	5.1 years
Total drawn secured debt	**£521.3m**	£503.3m
Total drawn unsecured debt	**£157.5m**	£157.5m
Total undrawn facilities available to the Group[1,2]	**£96.5m**	£90.5m

[1] – After deducting the remaining cost to complete properties under development and asset management projects.
[2] – Excludes option to increase RBS loan facility by a further £50m to a maximum total of £100m.

New long-term financing

In March 2017, a new, senior, secured ten year £100m bond was issued at a fixed coupon of 2.83%. The issuance represented PHP's first transaction in the private placement market and demonstrated its ability to source funding from a broad range of alternative providers at attractive rates.

The proceeds of the issue have been partially applied to refinance PHP's £115m club facility with The Royal Bank of Scotland plc ("RBS") and Santander Corporate Banking. The club facility, which was due to mature in August 2017, was replaced by a new £50m bilateral term loan with RBS. The new RBS facility is for an initial four year term and PHP retains an option to both extend the term by a further year and increase the loan facility to a maximum total of £100m with the agreement of RBS.

These debt transactions extended the average weighted maturity of PHP’s debt facilities to 5.8 years (31 December 2016: 5.1 years).

Interest rate swap contracts

Accounting standards require PHP to mark its interest rate swaps to market at each balance sheet date. During the six months to 30 June 2017 there was a gain of £2.4m (30 June 2016: loss £3.1m) on the fair value movement of the Group’s interest rate derivatives due primarily to increases in interest rates assumed in the forward yield curves used to value the interest rate swaps. This reduced the mark-to-market (“MtM”) liability of the swap portfolio to £30.9m (31 December 2016: £33.3m).

The analysis of the Group’s exposure interest rate risk in its debt portfolio as at 30 June 2017 is as follows:

	Facilities		Drawn	
	£m	%	£m	%
Fixed rate debt	494.1	63.0	494.1	72.8
Hedged by fixed rate interest rate swaps	178.0	22.7	178.0	26.2
Floating rate debt – unhedged	112.0	14.3	6.7	1.0
Total	**784.1**	**100.0**	**678.8**	**100.0**

Post period end, a 4.76% fixed rate swap with a nominal value of £20m, effective until July 2027, was cancelled for a one-off payment of £6.2m equivalent to 1p per share on an EPRA net asset value basis. The cancellation results in total interest savings of £0.8m p.a. and reduces the Group’s average cost of debt by 13bp to 4.26% (30 June 2017: 4.39%). The MtM of the cancelled derivative was reflected in the financial statements as at 30 June 2017.

Alternative Performance Measures ("APMs")

PHP uses EPRA earnings and EPRA net assets as APMs which are widely used by public real estate companies to highlight the underlying and recurring performance of the property portfolio. The APMs are in addition to the statutory measures from the condensed financial statements. The measures are defined and reconciled to amounts presented in the financial statements within this interim statement. The APMs used by the Company are consistent with those used in the 2016 Annual Report and the reasons for the Company's use of these APMs are set out therein.

Related party transactions

Related party transactions are disclosed in note 15 to the condensed financial statements. There have been no material changes in the related party transactions described in the 2016 Annual Report other than those noted above under **r**evised advisory agreement terms.

Harry Hyman
Managing Director

Richard Howell
Finance Director

26 July 2017

Principal risks and uncertainties

Effective risk management is a key element of the Board's operational processes. The Group faces a variety of risks, both within its business and external factors that have the potential to impact on its performance, position and longer-term viability.

The principal risks and uncertainties include:

- The Group's investment in a niche asset sector, where changes in healthcare policy may adversely affect the portfolio;
- the bespoke nature of the Group's assets could lead to limited alternative use; and
- currency risk in respect of the Group's assets in Ireland, where investments are denominated in Euros and may be unfavourably affected by currency fluctuations.

Operations are structured to allow the Group to operate in a low risk environment and in order to minimise the Group's residual exposure to risks that it may face, but also to ensure that risks that are accepted are appropriate to the returns they may generate and within the overall risk appetite of the Board. The Board regularly conducts a rigorous review of risks and how these are mitigated and managed across all areas of the Group's activities.

The Board has concluded that there have been no significant changes to the principal risks and uncertainties faced by the Group, nor do they anticipate any significant changes during the remaining six months to 31 December 2017. Full disclosure of risks and uncertainties faced by the Company are set out within the 2016 Annual Report.

INDEPENDENT REVIEW REPORT TO PRIMARY HEALTH PROPERTIES PLC

We have been engaged by the company to review the condensed set of financial statements in the interim financial report for the six months ended 30 June 2017 which comprises the Condensed Group Statement of Comprehensive Income, the Condensed Group Balance Sheet, the Condensed Group Statement of Changes in Equity, the Condensed Group Cash Flow Statement and related notes 1 to 18. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Statutory Auditor

London, United Kingdom

26 July 2017

Condensed Group Statement of Comprehensive Income

For the six months ended 30 June 2017

		Notes	**Six months ended 30 June 2017 £m (unaudited)**	Six months ended 30 June 2016 £m (unaudited)	Year ended 31 December 2016 £m (audited)
Rental income			**35.3**	32.6	67.4
Direct property expense			**(0.5)**	(0.4)	(0.8)
Net rental income			**34.8**	32.2	66.6
Administrative expenses		2	**(3.9)**	(3.5)	(7.3)
Net result on property portfolio			**29.9**	15.5	20.7
Operating profit			**60.8**	44.2	80.0
Finance income		3	**0.3**	0.3	0.5
Finance costs		4	**(15.8)**	(16.4)	(33.0)
Fair value gain / (loss) on derivative interest rate swaps and amortisation of cash flow hedging reserve		4	**0.4**	(4.5)	(2.2)
Fair value (loss) / gain on convertible bond		4	**(1.4)**	1.9	(1.6)
Profit before taxation			**44.3**	25.5	43.7
Taxation charge		5	**-**	-	-
Profit for the period[1]			**44.3**	25.5	43.7
Other comprehensive income / (loss):					
Items that may be reclassified subsequently to profit and loss:					
Fair value gain / (loss) on interest rate swaps treated as cash flow hedges			**2.0**	(13.1)	(10.4)
Other comprehensive income / (loss) for the period net of tax			**2.0**	(13.1)	(10.4)
Total comprehensive income for the period net of tax			**46.3**	12.4	33.3
Earnings per share	– basic	6	7.4p	4.9p	7.8p
	– diluted	6	6.7p	4.5p	7.3p
EPRA earnings per share	– basic	6	2.6p	2.4p	4.8p
	– diluted	6	2.5p	2.4p	4.7p

[1] Wholly attributable to equity shareholders of Primary Health Properties PLC.

The above relates wholly to continuing operations.

Primary Health Properties

Condensed Group Balance Sheet
As at 30 June 2017

	Notes	**30 June 2017 £m (unaudited)**	30 June 2016 £m (unaudited)	31 December 2016 £m (audited)
Non-current assets				
Investment properties	8	**1,265.9**	1,187.0	1,220.2
Derivative interest rate swaps	12	**0.2**	-	-
		1,266.1	1,187.0	1,220.2
Current assets				
Trade and other receivables		**4.3**	4.0	3.3
Cash and cash equivalents	9	**8.1**	6.1	5.1
		12.4	10.1	8.4
Total assets		**1,278.5**	1,197.1	1,228.6
Current liabilities				
Derivative interest rate swaps	12, 13	**(4.1)**	(4.4)	(3.8)
Corporation tax payable		**-**	-	-
Deferred rental income		**(14.6)**	(14.0)	(14.1)
Trade and other payables		**(14.8)**	(14.0)	(13.6)
Borrowings: term loans and overdraft	10	**(0.8)**	(0.8)	(0.8)
		(34.3)	(33.2)	(32.3)
Non-current liabilities				
Borrowings: term loans and overdraft	10	**(348.0)**	(402.8)	(429.4)
Borrowings: bonds	11	**(338.6)**	(234.7)	(238.2)
Derivative interest rate swaps	12, 13	**(27.0)**	(34.0)	(29.5)
		(713.6)	(671.5)	(697.1)
Total liabilities		**(747.9)**	(704.7)	(729.4)
Net assets		**530.6**	492.4	499.2
Equity				
Share capital	16	**74.9**	74.6	74.8
Share premium account		**59.8**	58.2	59.1
Capital reserve		**1.6**	1.6	1.6
Special reserve	17	**177.1**	208.2	192.8
Hedging reserve		**(30.7)**	(35.5)	(32.7)
Retained earnings		**247.9**	185.3	203.6
Total equity(1)		**530.6**	492.4	499.2
Net asset value per share				
Basic and diluted	14	**88.6**	82.5p	83.5p
EPRA net asset value per share	14	**96.1**	90.4p	91.1p

[1] Wholly attributable to equity shareholders of Primary Health Properties PLC.

Condensed Group Cash Flow Statement

For the six months ended 30 June 2017

	Notes	**Six months ended 30 June 2017 £m (unaudited)**	Six months ended 30 June 2016 £m (unaudited)	Year ended 31 December 2016 £m (audited)
Operating activities				
Profit on ordinary activities before tax		**44.3**	25.4	43.7
Finance income		**(0.3)**	(0.3)	(0.5)
Finance costs		**15.8**	16.5	33.0
Fair value (gain) / loss on derivatives		**(0.4)**	4.5	2.2
Fair value loss / (gain) on convertible bond		**1.4**	(1.9)	1.6
Operating profit before financing costs		**60.8**	44.2	80.0
Adjustments to reconcile Group operating profit to net cash flows from operating activities:				
Net result on property portfolio		**(29.9)**	(15.5)	(20.7)
Fixed rent uplift		**(0.6)**	(0.8)	(1.5)
(Increase) / decrease in trade and other receivables		**(0.9)**	0.1	0.6
Increase / (decrease) in trade and other payables		**1.2**	(0.8)	(1.6)
Cash generated from operations		**30.6**	27.2	56.8
Net cash flow from operating activities		**30.6**	27.2	56.8
Investing activities				
Payments to acquire and develop investment properties		**(15.2)**	(70.1)	(97.4)
Interest received on development loans		**0.3**	0.2	0.7
Net cash flow used in investing activities		**(14.9)**	(69.9)	(96.7)
Financing activities				
Gross proceeds of share issue		**-**	150.0	150.0
Costs of share issue		**-**	(4.8)	(4.8)
Term bank loan drawdowns		**58.5**	31.6	68.5
Term bank loan repayments		**(140.6)**	(89.5)	(100.3)
Proceeds of Bond issue		**100.0**	-	-
Bond issue costs		**(1.0)**	-	-
Termination of derivative financial instruments		**-**	(14.5)	(14.5)
Swap interest paid		**(1.7)**	(2.1)	(5.0)
Non-utilisation fees		**(0.4)**	(0.5)	(0.9)
Loan arrangement fees		**(1.3)**	(0.7)	(0.9)
Interest paid		**(11.3)**	(13.1)	(25.3)
Equity dividends paid (net of scrip dividend)	7	**(14.9)**	(10.5)	(24.7)
Net cash flow (used in) / from financing activities		**(12.7)**	45.9	42.1
Increase in cash and cash equivalents for the period		**3.0**	3.2	2.2
Cash and cash equivalents at start of period		**5.1**	2.9	2.9
Cash and cash equivalents at end of period	9	**8.1**	6.1	5.1

[1] Acquisition of Cove Bay and Pitmedden Property.

Condensed Group Statement of Changes in Equity

For the six months ended 30 June 2017 (unaudited)

	Share capital £m	Share premium £m	Capital reserve £m	Special reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
Six months ended 30 June 2017 (unaudited)							
1 January 2017	74.8	59.1	1.6	192.8	(32.7)	203.6	499.2
Profit for the period	-	-	-	-	-	44.3	44.3
Other comprehensive income:							
Fair value movement on interest rate swaps	-	-	-	-	2.0	-	2.0
Total comprehensive income	-	-	-	-	2.0	44.3	46.3
Dividends paid	-	-	-	(14.9)	-	-	(14.9)
Scrip dividend in lieu of cash	0.1	0.7	-	(0.8)	-	-	-
30 June 2017	**74.9**	**59.8**	**1.6**	**177.1**	**(30.7)**	**247.9**	**530.6**
Six months ended 30 June 2016 (unaudited)							
1 January 2016	55.8	57.4	1.6	93.0	(22.4)	159.9	345.3
Profit for the period	-	-	-	-	-	25.4	25.4
Other comprehensive income:							
Fair value movement on interest rate swaps	-	-	-	-	(14.7)	-	(14.7)
Amortisation of hedging reserve	-	-	-	-	1.6	-	1.6
Total comprehensive income	-	-	-	-	(13.1)	25.4	12.3
Shares issued as part of capital raise	18.7			131.3	-	-	150.0
Share issue expenses	-	-	-	(4.7)	-	-	(4.7)
Dividends paid	-	-	-	(10.5)	-	-	(10.5)
Scrip dividend in lieu of cash	0.1	0.8	-	(0.9)	-	-	-
30 June 2016	74.6	58.2	1.6	208.2	(35.5)	185.3	492.4

Condensed Group Statement of Changes in Equity (continued)

	Share capital £m	Share premium £m	Capital reserve £m	Special Reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
Year ended 31 December 2016 (audited)							
1 January 2016	55.8	57.4	1.6	93.0	(22.4)	159.9	345.3
Profit for the year	-	-	-	-	-	43.7	43.7
Other comprehensive income:							
Fair value movement on interest rate swaps	-	-	-	-	(11.9)	-	(11.9)
Amortisation of cash flow hedging reserve	-	-	-	-	1.6	-	1.6
Total comprehensive income	-	-	-	-	(10.3)	43.7	33.4
Shares issued	18.7	-	-	131.3	-	-	150.0
Share issue expenses	-	(0.1)	-	(4.7)	-	-	(4.8)
Dividends paid	-	-	-	(24.7)	-	-	(24.7)
Scrip dividend in lieu of cash	0.3	1.8	-	(2.1)	-	-	-
31 December 2016	**74.8**	**59.1**	**1.6**	**192.8**	**(32.7)**	**203.6**	**499.2**

Notes to the condensed financial statements

1. Accounting policies

General information

The financial information set out in this report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2016 have been filed with the Registrar of Companies. The Auditor's Report on these financial statements was unqualified and did not contain a statement under Sections 498(2) or 498(3) of the Companies Act 2006.

The condensed consolidated interim financial statements of the Group are unaudited but have been formally reviewed by the auditor and its report to the Company is included on pages 19-20. These condensed consolidated interim financial statements of the Group for the six months ended 30 June 2017 were approved and authorised for issue by the Board on 26 July 2017.

Basis of preparation/Statement of compliance

The condensed consolidated interim financial statements for the six months ended 30 June 2017 have been prepared in accordance with IAS 34 'Interim Financial Reporting' and reflect consistent accounting policies as set out in the Group's financial statements at 31 December 2016 which were prepared in accordance with IFRS as adopted by the European Union.
The condensed consolidated interim financial statements do not include all the information and disclosures required in the statutory financial statements and should be read in conjunction with the Group's financial statements as at 31 December 2016.

Convention

The condensed interim financial statements are presented in Sterling, rounded to the nearest million.

Segmental reporting

The Directors are of the opinion that the Group currently has one operating and reportable segment, being the acquisition and development of property in the United Kingdom and Ireland leased principally to GPs, Government and Healthcare organisations and other associated healthcare users.

Going concern

The Group's property portfolio is let on long leases to tenants with strong covenants and the business is substantially cash generative. The Group's loan to-value ratio is currently 53.0% and the Group's interest cover for the period under review was 2.25 times, well above the minimum Group banking covenant of 1.30 times. Taking these and others factors into account, the Directors are therefore satisfied that the Group has sufficient resources to continue in operation for a period of not less than twelve months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

Accounting policies

The accounting policies adopted are consistent with those of the previous financial year as set out in the Annual Report. Amendments to IFRSs effective for the financial year ending 31 December 2017 are not expected to have a material impact on the Group.

2. Administrative expenses

Administrative expenses as a proportion of rental income were 11.0% (30 June 2016: 10.7%). The Group's EPRA cost ratio has increased to 11.9%, compared to 11.5% for the same period in 2016.

No performance incentive fee is payable to the Adviser for the period ended 30 June 2017 (six months to 30 June 2016: £nil; year ended 31 December 2016: £nil).

3. Finance income

	Six months ended 30 June 2017 £m (unaudited)	Six months ended 30 June 2016 £m (unaudited)	Year ended 31 December 2016 £m (audited)
Interest income on financial assets			
Development loan interest	0.3	0.3	0.5
	0.3	0.3	0.5

4. Finance costs

	Six months ended 30 June 2017 £m (unaudited)	Six months ended 30 June 2016 £m (unaudited)	Year ended 31 December 2016 £m (audited)
Interest expense and similar charges on financial liabilities			
(i) Interest			
Bank loan interest	7.2	8.1	15.6
Swap interest	1.7	2.1	5.1
Bond interest	5.5	4.8	9.6
Bank facility non utilisation fees	0.5	0.5	0.9
Bank charges and loan arrangement fees	0.9	0.9	1.8
	15.8	16.4	33.0

	Six months ended 30 June 2017 £m (unaudited)	Six months ended 30 June 2016 £m (unaudited)	Year ended 31 December 2016 £m (audited)
(ii) Derivatives			
Net fair value gain /(loss) on interest rate swaps	0.4	(2.9)	(0.6)
Amortisation of cash flow hedging reserve	-	(1.6)	(1.6)
	0.4	(4.5)	(2.2)

The fair value gain on derivatives recognised in the Condensed Group Statement of Comprehensive Income has arisen from the interest rate swaps for which hedge accounting does not apply. A fair value loss on derivatives which meet the hedge effectiveness criteria under IAS 39 of £2.0m[1] (30 June 2016: gain of £14.7m), (31 Dec 2016: £11.9m) is accounted for directly in equity.

There has been no amortisation from the cash flow hedging reserve in the period (30 June 2016: £1.6m), (31 Dec 2016: £1.6m). The early termination of an effective swap contract in July 2015 was fully amortised at 2 July 2016, the original maturity date.

	Six months ended 30 June 2017 £m (unaudited)	Six months ended 30 June 2016 £m (unaudited)	Year ended 31 December 2016 £m (audited)
(iii) Convertible Bond			
Fair value (loss) / gain on Convertible Bond	(1.4)	1.9	(1.6)

The fair value movement in the Convertible Bond is recognised in the Group Statement of Comprehensive Income within profit before taxation but is excluded from the calculation of EPRA earnings and EPRA NAV. Refer to note 11 for further details about the Convertible Bond.

	Six months ended 30 June 2017 £m (unaudited)	Six months ended 30 June 2016 £m (unaudited)	Year ended 31 December 2016 £m (audited)
Finance income (Note 3)	(0.3)	(0.3)	(0.5)
Finance costs (Note 4 (i))	15.8	16.4	33.0
Net finance costs	15.5	16.1	32.5

5. Taxation

	Six months ended 30 June 2017 £m (unaudited)	Six months ended 30 June 2016 £m (unaudited)	Year ended 31 December 2016 £m (audited)
Taxation in the Condensed Group Statement of Comprehensive Income:			
Current tax			
UK corporation tax charge on non-property income	-	-	-
Taxation credit in the Condensed Group Statement of Comprehensive Income	-	-	-

6. Earnings per share

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

	Net profit attributable to Ordinary Shareholders £m	Ordinary Shares (number - millions)[1]	Per share (pence)
Six months ended 30 June 2017 (unaudited)			
Basic and diluted earnings			
Basic earnings	**44.3**	**598.5**	**7.4**
Dilutive effect of Convertible Bond	**1.8**	**84.6**	
Diluted earnings	**46.1**	**683.1**	**6.7**
EPRA basic and diluted earnings			
Basic earnings	**44.3**		
Adjustments to remove:			
Net result on property (Note 8)	**(29.9)**		
Fair value movement on derivatives	**(0.4)**		
Fair value movement on Convertible Bond	**1.4**		
EPRA basic earnings per share	**15.4**	**598.5**	**2.6**
Dilutive effect of Convertible Bond	**1.8**	**84.6**	
EPRA diluted earnings per share	**17.2**	**683.1**	**2.5**
Six months ended 30 June 2016 (unaudited)			
Basic and diluted earnings			
Basic earnings	25.5	521.8	4.9
Dilutive effect of Convertible Bond	1.7	84.6	
Diluted earnings	27.2	606.4	4.5
EPRA basic and diluted earnings			
Basic and diluted earnings	25.5		
Adjustments to remove:			
Net result on property	(15.5)		
Fair value movement on derivatives	4.5		
Fair value movement on Convertible Bond	(1.9)		
EPRA basic earnings per share	12.6	521.8	2.4
Dilutive effect of Convertible Bond	1.7	84.6	
EPRA diluted earnings per share	14.3	606.4	2.4

[1] Weighted average number of shares in issue during the period

	Net profit attributable to Ordinary Shareholders £m	Ordinary Shares (number - millions)[1]	Per share (pence)
Year ended 31 December 2016 (audited)			
Basic and diluted earnings			
Basic earnings	43.7	560.0	7.8
Dilutive effect of Convertible Bond	3.5	84.6	
Diluted earnings	47.2	644.6	7.3
EPRA basic and diluted earnings			
Basic and diluted earnings	43.7		
Adjustments to remove:			
Net result on property	(20.7)		
Fair value movement on derivatives	2.2		
Fair value movement on Convertible Bond	1.6		
EPRA basic earnings per share	26.8	560.0	4.8
Dilutive effect of Convertible Bond	3.5	84.6	
EPRA diluted earnings per share	30.3	644.6	4.7

On 20 May 2014, the Group issued £82.5m of unsecured Convertible Bonds (refer to note 11 for further details). In accordance with IAS 33 'Earnings per share' the Company is required to assess and disclose the dilutive impact of the contingently issuable shares within the Convertible Bond. The impact is not recognised where it is anti-dilutive.

The dilutive impact to basic EPS of Convertible Bonds is represented by the accrued bond coupon which has been included in the results of each period. The number of dilutive shares is calculated as if the contingently issuable shares within the Convertible Bond had been in issue for the period from issuance of the bonds to the end of each reporting period.

7. Dividends

	Six months ended 30 June 2017 £m (unaudited)	Six months ended 30 June 2016 £m (unaudited)	Year ended 31 December 2016 £m (audited)
Quarterly interim dividend paid 24 February 2017	7.7	-	-
Scrip dividend in lieu of quarterly cash dividend 24 February 2017	0.1	-	-
Quarterly interim dividend paid 26 May 2017	7.2	-	-
Scrip dividend in lieu of quarterly cash dividend 26 May 2017	0.7	-	-
Quarterly interim dividend paid 26 February 2016	-	5.4	5.4
Scrip dividend in lieu of quarterly cash dividend 26 February 2016	-	0.3	0.4
Quarterly interim dividend paid 27 May 2016	-	5.1	5.1
Scrip dividend in lieu of quarterly cash dividend 27 May 2016	-	0.6	0.6
Quarterly interim dividend paid 26 August 2016	-	-	6.8
Scrip dividend in lieu of quarterly cash dividend 26 August 2016	-	-	0.8
Quarterly interim dividend paid 25 November 2016	-	-	7.4
Scrip dividend in lieu of quarterly cash dividend 25 November 2016	-	-	0.3
Total dividends distributed	15.7	11.4	26.8
Per share	2.62p	2.5625p	5.125p

The Company will pay a third interim dividend of 1.31 pence per Ordinary Share for the year ending 31 December 2017, payable on 25 August 2017, to shareholders on the register as at 14 July 2017. This dividend will comprise a Property Income Distribution (“PID”) of 0.76p and ordinary dividend of 0.55p per share.

8. Investment properties and investment properties under construction

Investment properties have been independently valued at fair value by Lambert Smith Hampton, Chartered Surveyors and Valuers, as at 30 June 2017 in accordance with IAS 40: Investment Property.
The revaluation surplus for the six months ended 30 June 2017 amounted to £29.9m (30 June 2016: £15.5m; 31 December 2016: £20.7m).

Property additions, including acquisitions, for the six months ended 30 June 2017 amounted to £15.2m (30 June 2016: £70.1m; 31 December 2016: £97.4m). There were no property disposals in the six months ended 30 June 2017 (30 June 2016: £nil; 31 December 2016: £nil).

	Investment properties freehold[1] £m (unaudited)	Investment long leasehold £m (unaudited)	Investment properties under construction £m (unaudited)	Total £m (unaudited)
As at 1 January 2017	987.1	225.7	7.4	1,220.2
Property additions	7.9	-	7.3	15.2
Impact of lease incentive adjustment	0.2	0.4	-	0.6
Transfer from properties in the course of development	-	10.8	(10.8)	-
	995.2	236.9	3.9	1,236.0
Revaluations for the period	24.0	5.6	0.3	29.9
As at 30 June 2017	**1,019.2**	**242.5**	**4.2**	**1,265.9**

[1] Includes development land held at £0.9m (31 December 2016: £0.5m)

The valuations have been prepared in accordance with the RICS Valuation – Professional Standards 2014 on the basis of fair value. Fair value represents the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. There has been no change in the valuation technique in the period. The total fees earned by Lambert Smith Hampton from the Company represent less than 5% of their total UK revenues. Lambert Smith Hampton have continuously been the signatory of valuations for the Company since 1996.

Capital commitments have been entered into amounting to £8.8m (30 June 2016: £11.2m; 31 December 2016: £3.3m) which have not been provided for in the financial statements.

9. Cash and cash equivalents

	30 June 2017 £m (unaudited)	31 December 2016 £m (audited)
Cash held at bank	8.1	4.9
Restricted cash	-	0.2
	8.1	5.1

10. Bank and other borrowings reconciliation

The table indicates amounts drawn and undrawn from each individual facility:

	Facility		Amounts drawn		Undrawn	
	30 June 2017 £m	31 December 2016 £m	**30 June 2017 £m**	31 December 2016 £m	**30 June 2017 £m**	31 December 2016 £m
Current						
Overdraft facility[1]	**5.0**	5.0	**-**	-	**5.0**	5.0
Fixed rate term loan[2]	**0.8**	0.8	**0.8**	0.8	**-**	-
	5.8	5.8	**0.8**	0.8	**5.0**	5.0
Non-current						
Term loan to August 2017[3]	**-**	115.0	**-**	115.0	**-**	-
Term loan to March 2021[4]	**50.0**	-	**50.0**	-	**-**	-
Fixed rate term loan[2]	**22.8**	23.1	**22.8**	23.1	**-**	-
Fixed rate term to December 2022[5]	**25.0**	25.0	**25.0**	25.0	**-**	-
Term to July 2020[6]	**50.0**	50.0	**9.7**	6.4	**40.3**	43.6
Fixed rate term to November 2018[7]	**75.0**	75.0	**75.0**	75.0	**-**	-
Term to August 2019[8]	**115.0**	115.0	**55.0**	75.0	**60.0**	40.0
Fixed rate term to August 2024[9]	**50.0**	50.0	**50.0**	50.0	**-**	-
Fixed rate term to August 2029[9]	**63.0**	63.0	**63.0**	63.0	**-**	-
	450.8	516.1	**350.5**	432.5	**100.3**	83.6
Total	**456.6**	521.9	**351.3**	433.3	**105.3**	88.6

Providers:

1 The Royal Bank of Scotland PLC.

2 Aviva facility repayable in tranches to 31 January 2032.

3 The Royal Bank of Scotland plc ("RBS") and Abbey National Treasury Services plc (branded Santander from January 2010) ("The Club facility").

4 The Royal Bank of Scotland plc ("RBS").

5 Aviva GPFC facility.

6 HSBC Bank facility.

7 Aviva facility.

8 Barclays Bank facility.

9 Aviva facility.

At 30 June 2017, total facilities of £784.1m (31 December 2016: £749.4m) were available to the Group. This included a £75m Unsecured Retail Bond, a £70m Secured Bond, a £82.5m Convertible Bond, a £100m Secured Bond, and a £5m overdraft facility. Of these facilities, as at 30 June 2017, £678.8m was drawn (31 December 2016: £660.8m).

On 21 March 2017, a new £100m Secured Bond was issued for a 10-year term at a fixed coupon of 2.83%. £65m of the proceeds have been used to refinance the RBS/Santander Club facility solely with RBS, reducing the available facility from £115m to £50m. The remaining £35m was used to pay down the Barclays / AIB revolving facility and remains available for PHP to draw when needed.

Costs associated with the arrangement of the facilities, including legal advice and loan arrangement fees, are amortised over the life of the related facility.

Any amounts unamortised as at the period end are offset against amounts drawn on the facilities as shown in the table below:

	30 June 2017 £m (unaudited)	31 December 2016 £m (audited)
Term loans drawn: due within one year	**0.8**	0.8
Term loans drawn: due in greater than one year	**350.5**	432.5
Total term loans drawn	**351.3**	433.3
Less: unamortised borrowing costs	**(2.5)**	(3.1)
Total term loans per the Condensed Group Balance Sheet	**348.8**	430.2

The Group has been in compliance with all the financial covenants of the above facilities applicable through the period.

11. Borrowings: Bonds

	30 June 2017 £m (unaudited)	31 December 2016 £m (audited)
Secured		
Secured Bond December 2025	**70.0**	70.0
Secured Bond March 2027	**100.0**	-
Unsecured		
Retail Bond July 2019	**75.0**	75.0
Convertible Bond May 2019 at fair value	**96.4**	95.0
Less: unamortised issue costs	**(2.8)**	(1.8)
	338.6	238.2

Secured Bonds

On 18 December 2013, PHP successfully listed the floating rate guaranteed secured bonds issued on 4 November 2013 (the “Secured Bonds”) on the London Stock Exchange. The Secured Bonds have a nominal value of £70m and mature on or about 30 December 2025. £60m was paid up on the issue of the Secured Bonds with the remaining £10m being received on 30 June 2014 following the completion of the construction of four further secured assets. The Secured Bonds incur interest on the paid-up amount at an annualised rate of 220 basis points above six month LIBOR, payable semi-annually in arrears.

On 21 March 2017, a new £100m Secured Bond was issued for a 10-year term at a fixed coupon of 2.83% that matures on 21 March 2027. Interest is paid semi-annually in arrears.

Retail Bond

On 23 July 2012, PHP announced that it had become the first UK REIT to issue a Retail Bond following the issue of a £75m, unsecured, seven-year bond, to retail investors with an annual interest rate of 5.375% paid semi-annually in arrears. The Retail Bond issue costs are being amortised on a straight line basis over seven years.

Convertible Bond

On 20 May 2014, PHP Finance (Jersey) Limited (the “Issuer”), a wholly owned subsidiary of the Group, issued £82.5m of 4.25% Convertible Bonds due 2019 (the “Bonds”) at par. The Company has guaranteed the due and punctual performance by the Issuer of all of its obligations (including payments) in respect of the Bonds.

Subject to certain conditions, the Bonds are convertible into preference shares of the Issuer which will be automatically and mandatorily exchangeable into fully paid Ordinary Shares of the Company (the “Shares”). The initial conversion price was set at 390 pence per Share (the “Exchange Price”) which has subsequently been revised to 97.5 pence following the Company’s four-for-one Share sub-division undertaken in November 2015. Under the terms of the Bonds, the Company will have the right to settle any conversion rights entirely in Shares, in cash or with a combination of Shares and cash.

The bondholders had the right to convert the Bonds up until 20 May 2017 only where the Parity Value (as defined in the Bond’s terms) was greater than the Exchange Price.

After 20 May 2017, the Bonds may be redeemed at par at the Company’s option subject to the Parity Value equalling or exceeding £130,000, for Bonds with a nominal value of £100,000. If not previously converted, redeemed or purchased and cancelled, the Bonds will be redeemed at par on the maturity date.

Primary Health Properties

Convertible Bond

	30 June 2017 £m	31 December 2016 £m
Opening balance – fair value	**95.0**	93.4
Fair value movement in Convertible Bond	**1.4**	1.6
Closing balance – fair value	**96.4**	95.0

The fair value of the Convertible Bond at 30 June 2017 and 31 December 2016 was established by obtaining quoted market prices. The fair value movement is recognised in the Group Statement of Comprehensive Income within profit before taxation and is excluded from the calculation of EPRA earnings and EPRA NAV.

12. Derivatives and other financial instruments

It is Group policy to maintain the proportion of floating rate interest exposure at between 20% and 40% of total debt. The Group uses interest rate swaps to mitigate its remaining exposure to interest-rate risk in line with this policy. The fair value of these contracts is recorded in the balance sheet and is determined by discounting future cash flows at the prevailing market rates at the balance sheet date.

The table below sets out the movements in the value of the Group's interest rate swaps during the period:

	Effective interest rate swaps £m	Ineffective interest rate swaps £m	Total £m
Assets			
As at 1 January 2017	-	-	-
Fair value movement in the period	-	0.2	0.2
As at 30 June 2017	-	0.2	0.2
Liabilities			
As at 1 January 2017	(33.3)	-	(33.3)
Fair value movement in the period	2.2	-	2.2
As at 30 June 2017	(31.1)	-	(31.1)
Total – derivative financial instruments			
As at 1 January 2017	(33.3)	-	(33.3)
Fair value movement in the period	2.2	0.2	2.4
As at 30 June 2017	**(31.1)**	**0.2**	**(30.9)**

On 4 July 2017, a 4.76% fixed rate interest swap for notional amount of £20m was terminated. The termination cost totalled £6.2m and will be accounted for in the second half of 2017.

13. Financial risk management

Set out below is a comparison by class of the carrying amount and fair values of the Group's financial instruments that are carried in the financial statements.

	Book value 30 June 2017 £m	**Fair value 30 June 2017 £m**	Book value 31 December 2016 £m	Fair value 31 December 2016 £m
Financial assets				
Trade and other receivables	**4.3**	**4.3**	2.0	2.0
Effective interest rate swaps	**0.2**	**0.2**	-	-
Cash and short-term deposits	**8.1**	**8.1**	5.1	5.1
Financial liabilities				
Interest-bearing loans and borrowings	**(674.0)**	**(724.3)**	(660.8)	(708.5)
Effective interest rate swaps	**(30.7)**	**(30.7)**	(32.7)	(32.7)
Ineffective interest rate swaps	**(0.4)**	**(0.4)**	(0.6)	(0.6)
Trade and other payables	**(15.5)**	**(15.5)**	(13.1)	(13.1)

The fair value of the financial assets and liabilities is included as an estimate of the amount at which the instruments could be transferred in a current transaction between willing parties, other than a forced sale. The following methods and assumptions were used to estimate fair values:

- The fair values of the Group's cash and cash equivalents and trade payables and receivables are not materially different from those at which they are carried in the financial statements due to the short term nature of these instruments.
- The fair value of floating rate borrowings is estimated by discounting future cash flows using rates currently available for instruments with similar terms and remaining maturities. The fair value approximates their carrying values, gross of unamortised transaction costs.
- The fair values of the derivative interest rate swap contracts are estimated by discounting expected future cash flows using market interest rates and yield curves over the remaining term of the instrument.

The Group held the following financial instruments at fair value at 30 June 2017. The Group has no financial instruments with fair values that are determined by reference to significant unobservable inputs, i.e. those that would be classified as level 3 in the fair value hierarchy, nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

Fair value measurements at 30 June 2017 are as follows:

Recurring fair value measurements	**Level 1[1] £m**	**Level 2[2] £m**	**Level 3[3] £m**	**Total £m**
Financial assets				
Derivative interest rate swaps	**-**	**0.2**	**-**	**0.2**
Financial liabilities				
Derivative interest rate swaps	**-**	**(31.1)**	**-**	**(31.1)**
Convertible bond	**(96.4)**	**-**	**-**	**(96.4)**

Fair value measurements at 31 December 2016 were as follows:

Recurring fair value measurements	Level 1[1] £m	Level 2[2] £m	Level 3[3] £m	Total £m
Financial assets				
Derivative interest rate swaps	-	-	-	-
Financial liabilities				
Derivative interest rate swaps	-	(33.3)	-	(33.3)
Convertible Bond	(95.0)	-	-	(95.0)

[1] Valuation is based on unadjusted quoted prices in active markets for identical financial assets and liabilities
[2] Valuation is based on inputs (other than quoted prices included in Level 1) that are observable for the financial asset or liability, either directly (i.e. as unquoted prices) or indirectly (i.e. derived from prices)
[3] Valuation is based on inputs that are not based on observable market data

The interest rate swaps whose fair values include the use of level 2 inputs are valued by discounting expected future cash flows using market interest rates and yield curves over the remaining term of the instrument. The following inputs are used in arriving at the valuation:

- Interest rates;
- Yield curves;
- Swaption volatility;
- Observable credit spreads;
- Credit default swap curve; and
- Observable market data.

14. Net asset value calculations

Net asset values have been calculated as follows:

	30 June 2017 £m (unaudited)	30 June 2016 £m (unaudited)	31 December 2016 £m (audited)
Net assets			
Basic net assets	**530.6**	492.4	499.2
Derivative interest rate swaps liability (net)	**30.9**	38.4	33.3
Cumulative Convertible Bond fair value movement	**13.9**	9.1	12.5
EPRA net asset value	**575.4**	539.9	545.0

	Number of shares millions	Number of shares millions	Number of shares millions
Ordinary Shares:			
Issued share capital	**598.9**	597.2	598. 2
Net asset value per share			
Basic net asset value per share	**88.6p**	82.5p	83.5p
EPRA net asset value per share	**96.1p**	90.4p	91.1p

EPRA NAV is calculated as balance sheet net assets including the valuation result on investment properties but excluding fair value adjustments for debt and related derivatives.

As detailed in note 6, the Company is required to assess the dilutive impact of the unsecured Convertible Bond on its net asset value per share, but only report any impact if it is dilutive. With an initial conversion price of 97.5 pence (390 pence upon issue, restated to reflect the Company's four-for-one share sub-division undertaken in November 2015), the unsecured Convertible Bond issued by the Group on 20 May 2014 is non-dilutive to all measures of net asset value per share.

15. Related party transactions

The fees calculated and payable for the period to the Adviser, included in administrative expenses, were as follows:

	Six months ended 30 June 2017 £m (unaudited)	Six months ended 30 June 2016 £m (unaudited)	Year ended 31 December 2016 £m (audited)
Nexus TradeCo Limited	**3.0**	2.8	5.8

As at 30 June 2017, outstanding advisory fees payable to Nexus totalled £0.5m (31 December 2016: £0.5m).

Further fees paid to Nexus in accordance with the Advisory Agreement for the period to 30 June 2017 of £0.1m (31 December 2016: £0.1m) in respect of capital projects were capitalised in the period.

16. Called up share capital

	30 June 2017 £m (unaudited)	30 June 2016 £m (unaudited)	31 December 2016 £m (audited)
Issued and fully paid Ordinary Shares at 12.5p each	**74.9**	74.6	74.8

At beginning of year	**74.8**	55.8	55.8
Scrip issues in lieu of cash dividends	**0.1**	0.1	0.3
Shares issued in the period	**-**	18.7	18.7
	74.9	74.6	74.8

On 13 April 2016, a general meeting of the Company approved the issue of 150,000,000 new Ordinary Shares at a price of 100 pence each. The shares were admitted to trading on the Main Market of the London Stock Exchange on 14 April 2016.

17. Special reserve

	30 June 2017 £m (unaudited)	30 June 2016 £m (unaudited)	31 December 2016 £m (audited)
At beginning of year	**192.8**	93.0	93.0
Share issue: 14 April 2016	**-**	131.3	131.3
Dividends paid	**(14.9)**	(10.5)	(24.7)
Scrip issues in lieu of cash dividends	**(0.8)**	(0.9)	(2.1)
Share issue expenses	**-**	(4.7)	(4.7)
	177.1	208.2	192.8

The special reserve has arisen on previous issues of the Company's shares. It represents the share premium on the issue of the shares, net of expenses, from issues effected by way of a cash box mechanism. The issue of shares on 14 April 2016, referred to in note 16, was effected by way of a cash box.

A cash box raising is a mechanism for structuring a capital raising whereby the cash proceeds from investors are invested in a subsidiary company of the parent instead of the parent itself. Use of a cash box mechanism has enabled the share premium arising from the issue of shares to be deemed to be a distributable reserve and has therefore been shown as a special reserve in these financial statements. Any issue costs are also deducted from the special reserve.

As the special reserve is a distributable reserve, the dividends declared in the period have been distributed from this reserve.

18. Subsequent events

On 4 July 2017, a 4.76% fixed rate interest swap for notional amount of £20m was terminated. The termination cost totalled £6.2m equivalent to 1p per share on an EPRA net asset value basis. The MtM of the cancelled derivative was reflected in the financial statements as at 30 June 2017.

On 21 July 2017, the Group exchanged and completed contracts to acquire a Primary Health Care Centre in Syston, Leicestershire for a consideration of £8.4m.

On 25 July 2017, the Group exchanged contracts to acquire Ettrick Health Limited, which owns two Primary Healthcare Centres located in Middlesborough and Bishop Auckland for a gross consideration of £27.1m.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that to the best of their knowledge this condensed set of interim financial statements has been prepared in accordance with IAS 34 as adopted by the European Union and that the operating and financial review herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 of the Disclosure and Transparency rules of the United Kingdom's Financial Services Authority namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related party transactions in the first six months and any material changes in the related party transactions described in the last Annual Report.

Shareholder information is as disclosed in the Annual Report and is also available on the PHP website, www.phpgroup.co.uk.

By order of the Board

Alun Jones
Chairman
26 July 2017

Glossary of terms

Adviser is Nexus Tradeco Limited.

Building Research Establishment Environmental Assessment Method ("BREEAM") assesses the sustainability of buildings against a range of criteria.

Clinical Commissioning Groups ("CCGs") are the groups of GPs and other healthcare professionals that are responsible for designing local health services in England with effect from 1 April 2013.

Company and/or **Parent** is Primary Health Properties PLC.

Direct property costs comprise ground rents payable under head leases, void costs, other direct irrecoverable property expenses, rent review fees and valuation fees.

District Valuer ("DV") is the District Valuer Service being the commercial arm of the Valuation Office Agency ("VOA"). It provides professional property advice across the public sector and in respect of primary healthcare represents NHS bodies on matters of valuation, rent reviews and initial rents on new developments.

Dividend cover is the number of times the total dividend paid in the period (in cash or shares under the Scrip Dividend Scheme) is covered by EPRA earnings.

Earnings per Ordinary Share from continuing operations ("EPS") is the profit attributable to equity holders of the Parent divided by the weighted average number of shares in issue during the period.

European Public Real Estate Association ("EPRA") is a real estate industry body, which has issued Best Practices Recommendations in order to provide consistency and transparency in real estate reporting across Europe.

EPRA Cost Ratio is the ratio of net overheads and operating expenses against gross rental income (with both amounts excluding ground rents payable). Net overheads and operating expenses relate to all administrative and operating expenses, net of any service fees, recharges or other income specifically intended to cover overhead and property expenses.

EPRA Earnings is the profit after taxation excluding investment and development property revaluations and gains/losses on disposals, changes in the fair value of financial instruments and associated close-out costs and their related taxation.

EPRA Net Asset Value ("EPRA NAV") is the balance sheet net assets excluding own shares held and Mark to Market value of derivative financial instruments and fair value adjustments on the convertible bond.

EPRA Vacancy Rate is, as a percentage, the ERV of vacant space in the Group's property portfolio divided by the ERV of the whole portfolio.

Equivalent yield (true and nominal) is a weighted average of the Net initial yield and Reversionary yield and represents the return a property will produce based upon the timing of the income received. The true equivalent yield assumes rents are received quarterly in advance. The nominal equivalent assumes rents are received annually in arrears.

Estimated rental value ("ERV") is the external valuer's opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

Exchange Price is 116% of the share price at the date of issue.

Gross rental income is the gross accounting rent receivable.

Group is Primary Health Properties PLC and its subsidiaries.

HSE or the Health Service Executive is the executive agency of the Irish government responsible for health and social services for people living in Ireland.

IFRS is International Financial Reporting Standards as adopted by the European Union.

Interest cover is the number of times net interest payable is covered by net rental income.

Interest rate swap is a contract to exchange fixed payments for floating payments linked to an interest rate, and is generally used to manage exposure to fluctuations in interest rates.

IPD is the Investment Property Databank Limited which provides performance analysis for most types of real estate and produces an independent benchmark of property returns.

IPD Healthcare is the Investment Property Databank's UK Annual Healthcare Property Index.

IPD Total Return is calculated as the change in capital value, less any capital expenditure incurred, plus net income, expressed as a percentage of capital employed over the period, as calculated by IPD.

London Interbank Offered Rate ("LIBOR") is the interest rate charged by one bank to another for lending money.

Loan to Value ("LTV") is the ratio of net debt to the total value of property assets.

Mark to Market ("MtM") is the difference between the book value of an asset or liability and its market value.

Net initial yield is the annualised rents generated by an asset, after the deduction of an estimate of annual recurring irrecoverable property outgoings, expressed as a percentage of the asset valuation (after notional purchaser's costs).

Net rental income is the rental income receivable in the period after payment of direct property costs. Net rental income is quoted on an accounting basis.

NHSPS is NHS Property Services Limited and the company wholly owned and funded by the Department of Health, which, as of 1 April 2013, has taken on all property obligations formerly borne by Primary Care Trusts.

Parity Value is calculated based on dividing the Convertible Bond value by the Exchange Price.

Property Income Distribution ("PID") is the required distribution of income as dividends under the REIT regime. It is calculated as 90% of exempted net income.

Real Estate Investment Trust ("REIT") is a listed property company which qualifies for and has elected into a tax regime, which exempts qualifying UK profits, arising from property rental income and gains on investment property disposals, from corporation tax, but which has a number of specific requirements.

Rent reviews take place at intervals agreed in the lease and their purpose is usually to adjust the rent to the current market level at the review date.

Rent roll is the passing rent being the total of all the contracted rents reserved under the leases.

Reversionary yield is the anticipated yield which the initial yield will rise to once the rent reaches the ERV and when the property is fully let. It is calculated by dividing the ERV by the valuation.

Retail Price Index ("RPI") is the official measure of the general level of inflation as reflected in the retail price of a basket of goods and services such as energy, food, petrol, housing, household goods, travelling fare, etc. RPI is commonly computed on a monthly and annual basis.

RICS is the Royal Institution of Chartered Surveyors.

RPI linked leases are those leases which have rent reviews which are linked to changes in the RPI.

Special reserve is a distributable reserve.

Total expense ratio ("TER") is calculated as total administrative costs for the year divided by the average total asset value during the year.

Total property return is the overall return generated by properties on a debt-free basis. It is calculated as the net rental income generated by the portfolio plus the change in market values, divided by opening property assets plus capital expenditure, less disposals.

Total NAV return is calculated as the movement in EPRA net assets for the period plus the dividends paid, divided by opening EPRA net assets.

Total Shareholder Return is calculated as the movement in the share price for the period plus the dividends paid, divided by the opening share price.

Weighted average facility maturity is calculated by multiplying each tranche of Group debt by the remaining period to its maturity and dividing the result by total Group debt in issue at the year end.

Weighted average unexpired lease term ("WAULT") is the average lease term remaining to first break, or expiry, across the portfolio weighted by contracted rental income.

Yield on cost is the estimated annual rent of a completed development divided by the total cost of development including site value and finance costs expressed as a percentage return.

Yield shift is a movement (usually expressed in basis points) in the yield of a property asset, or like-for-like portfolio over a given period. Yield compression is a commonly used term for a reduction in yields.