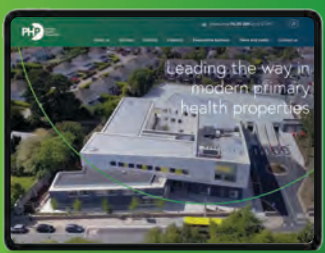
Sustainable income performance

Primary Health Properties PLC
Annual Report 2023

Leading investor in flexible, modern primary healthcare accommodation across the UK and Ireland



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Read more about our Responsible Business Report at **phpgroup.co.uk.**

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Highlights

Net rental income△
£149.3m
+5.5%

2023	£149.3m
2022	£141.5m
2021	£136.7m
2020	£131.2m
2019	£115.7m

Adjusted earnings△
£90.7m
+2.3%

2023	£90.7m
2022	£88.7m
2021	£83.2m
2020	£73.1m
2019	£59.7m

Adjusted earnings per share△
6.8p
+3.0%

2023	6.8p
2022	6.6p
2021	6.2p
2020	5.8p
2019	5.5p

Dividend per share
6.7p
+3.1%

2023	6.7p
2022	6.5p
2021	6.2p
2020	5.9p
2019	5.6p

Total property portfolio
£2.8bn
-1.9%

2023	£2.8bn
2022	£2.8bn
2021	£2.8bn
2020	£2.6bn
2019	£2.4bn

Adjusted NTA per share△
108.0p
-4.1%

2023	108.0p
2022	112.6p
2021	116.7p
2020	112.9p
2019	107.9p

Total NTA return△
1.9%
-20bps

2023	1.9%
2022	2.1%
2021	8.9%
2020	10.1%
2019	8.0%

Total property return△
3.5%
+70bps

2023	3.5%
2022	2.8%
2021	9.5%
2020	7.4%
2019	7.7%

IFRS profit/(loss) after tax
£27.3m
-51.5%

2023	£27.3m
2022	£56.3m
2021	£140.1m
2020	£112.0m
2019	(£71.3m)

IFRS profit/(loss) after tax per share*
2.0p
-52.4%

2023	2.0p
2022	4.2p
2021	10.5p
2020	8.8p
2019	(6.5p)

IFRS NTA per share
106.5p
-4.0%

2023	106.5p
2022	110.9p
2021	112.5p
2020	107.5p
2019	101.0p

Average cost of debt△
3.3%
+10bps

2023	3.3%
2022	3.2%
2021	2.9%
2020	3.5%
2019	3.5%

* The IFRS profit after tax per share as set out in the summarised results table on page 27.

△ Alternative performance measures ("APMs"): Measures with this symbol △ are APMs defined in the Glossary section on pages 190 to 192, and presented throughout this Annual Report. All measures reported on a continuing operations and 52-week comparable basis.

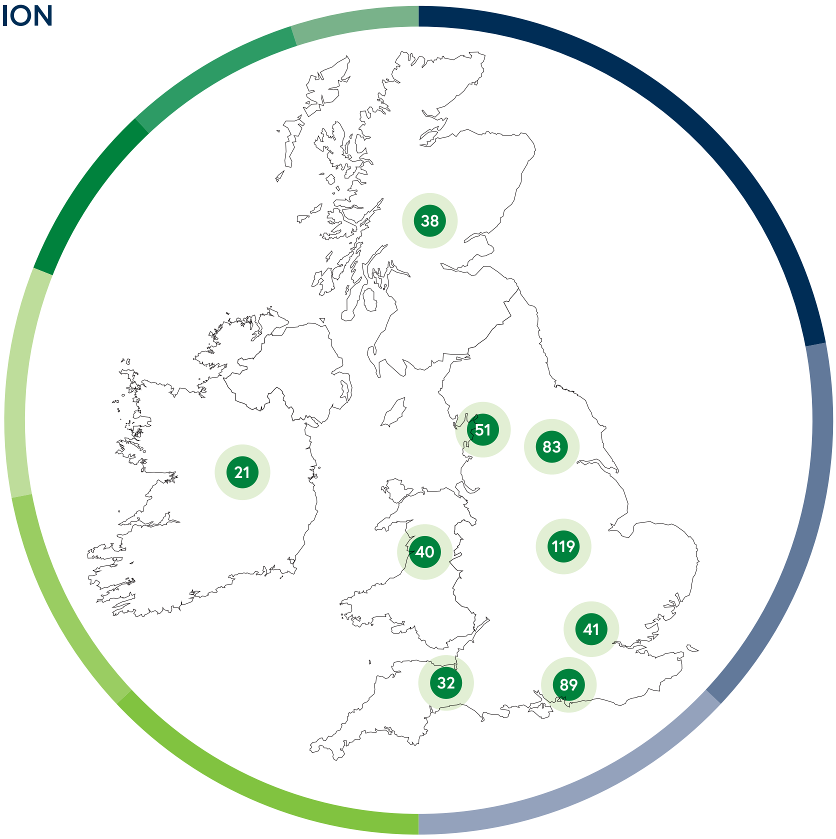
At a glance

Who we are

We invest in flexible, modern properties for local primary healthcare, let on long term leases with a property portfolio of 514 assets in the UK and Ireland valued at £2.8 billion.

GEOGRAPHICAL SPREAD BY VALUATION

Locations	Value	% Value
Midlands and East Anglia	£605m	22%
North East, Yorkshire and Humberside	£406m	15%
North West	£374m	13%
South East	£374m	13%
Republic of Ireland	£245m	9%
London	£231m	9%
Scotland	£207m	7%
Wales	£205m	7%
South West	£129m	5%
	£2,776m	**100%**



Property value

£2.8bn

(2022: £2.8bn)

Property portfolio

514

(2022: 513)

OUR PORTFOLIO IN 2023

Over a five year period we have increased Adjusted Earnings by around 150%, with dividend per share paid out to investors increasing by over 24%.

Contracted rent roll
£150.8m

Adjusted Earnings
£90.7m

Number of properties
514

Number of tenants
1,213

OUR PORTFOLIO IN 2018

Contracted rent roll
£79.4m

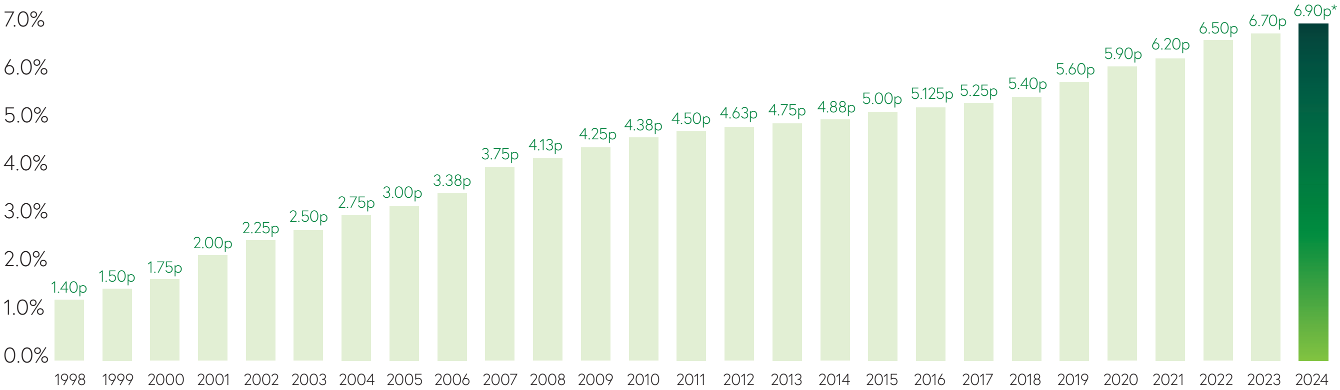
Adjusted Earnings
£36.8m

Number of properties
313

Number of tenants
709

"Having successfully delivered 27 years of consecutive dividend growth for our shareholders, we have firmly established ourselves as a leading investor in flexible, modern primary healthcare accommodation across the UK and Ireland."

ENTERING 28 YEARS OF CONSECUTIVE DIVIDEND GROWTH



* 6.90p is an annualised amount, based on the first quarterly dividend, declared 4 January 2024.

Building on our strengths & maintaining resilience

The majority of our healthcare facilities are GP surgeries, with other properties let to NHS organisations, the HSE in Ireland, pharmacies and dentists.

Like-for-like rental growth

£4.3m

(2022: £3.3m)

Occupancy rate

99.3%

(2022: 99.7%)

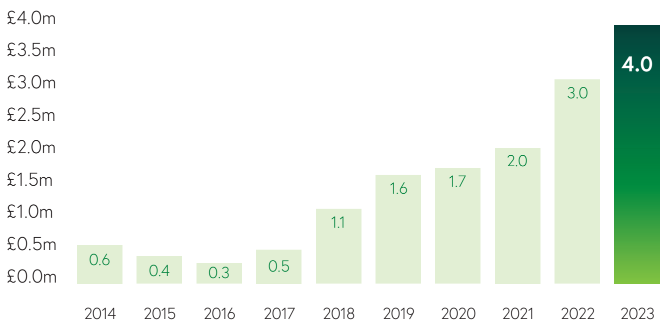
RENTAL GROWTH OUTLOOK

2023 was another record year for rental growth, with rent review completions generating £4.0 million of additional annualised income, an increase of 33% over 2022 with open market generating £1.3 million (1.8% growth) and inflationary and fixed generating £2.7 million (7.1% growth).

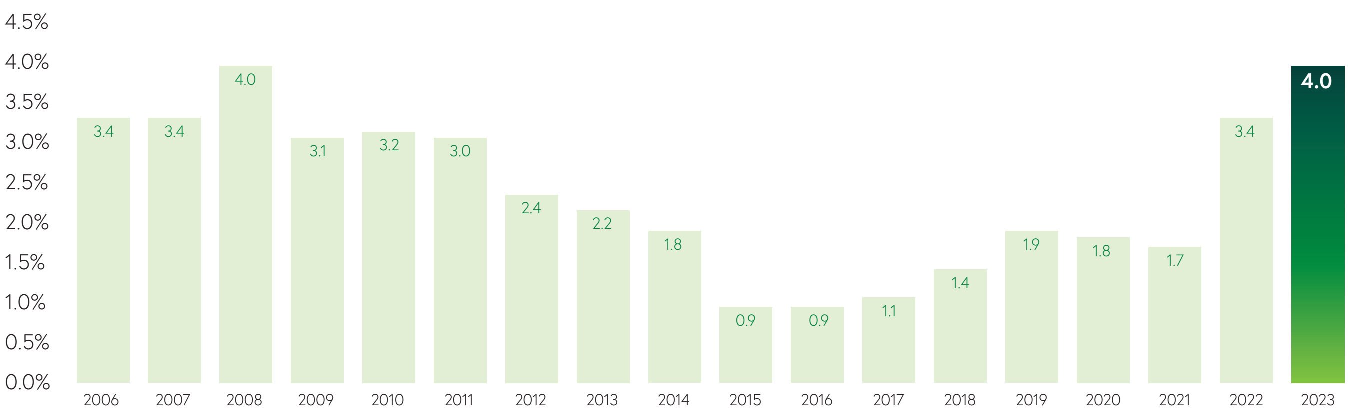
This progress continues the improving outlook seen over the last couple of years but was largely generated from rent reviews arising between 2019-2021, a period when rental growth was muted and not reflecting the higher levels of construction cost and general inflation experienced in recent years.

Asset management projects completed in the year delivered a further £0.3 million of rental growth.

ADDITIONAL INCOME FROM RENT REVIEWS – GROWING MOMENTUM



RENT REVIEW RENTAL GROWTH HISTORY*



* Annualised percentage increase.

KEY FACTORS AFFECTING OUR MARKET

PHP's mission is to support the NHS, the HSE and other healthcare providers, by being a leading investor in modern, primary care premises. The current capacity of existing facilities remains a significant obstacle to implementing government policies aimed at expanding service delivery within general practice, including social prescribing, clinical pharmacists, physiotherapists, mental health, minor operations and other activities. We will continue to actively engage with government bodies, the NHS, the HSE in Ireland and other key stakeholders to help alleviate increased pressures and burdens currently being placed on healthcare networks.

Demographics

The need for additional space is driven by a population that is growing, ageing and suffering from increased chronic illnesses, which is placing a greater burden on healthcare systems in both the UK and Ireland.

Ageing stock

Approximately one-third of the UK's current primary care estate is in need of replacement and upgrade to meet the growing demand.

Evolution of health system

The number of patients waiting for treatment has reached record highs, exacerbating the need for improved and increased primary healthcare infrastructure. Additionally many services in the medium term will progressively move from hospitals to primary care settings, necessitating substantial investment in facilities to accommodate these changes and alleviate the pressure on secondary care in the years to come. PHP stands ready to play its part in delivering and modernising this primary care infrastructure.

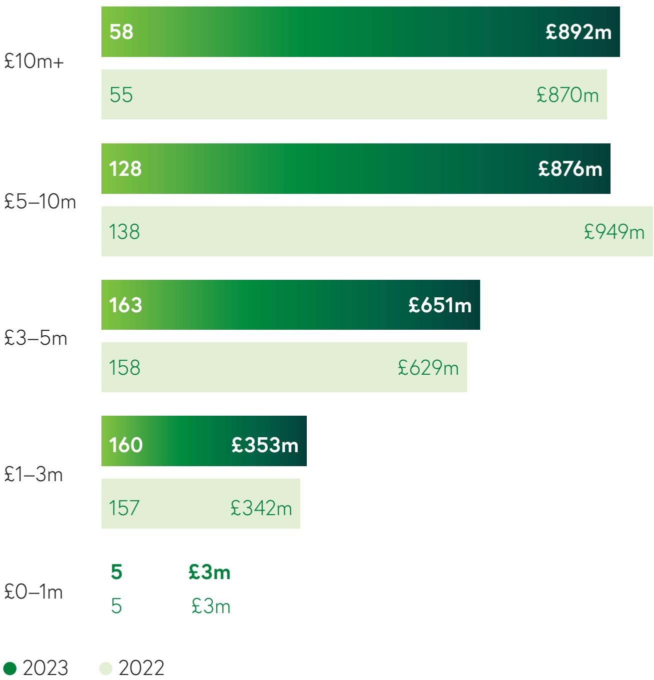
Responsible Business and ESG

PHP's Net Zero Carbon ("NZC") Framework sets out the five key steps the Group is looking to achieve the ambitious target of being NZC by 2030 for all of the Group's operational, development and asset management activities.

Continued improvement in portfolio EPC ratings with 42% and 85% (2022: 35% and 81%) rated A-B and A-C respectively driven by the asset management programme.

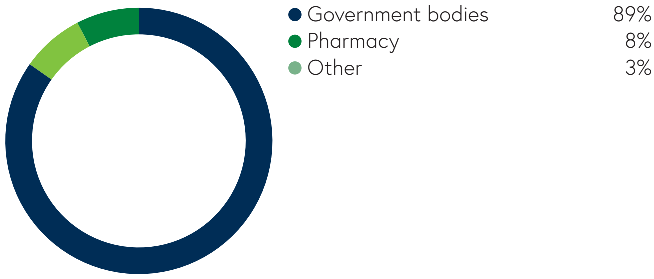
Progress continues on construction of PHP's first NZC development in West Sussex which is expected to achieve practical completion in Q3 2024.

PORTFOLIO DISTRIBUTION BY CAPITAL VALUE ANALYSIS*

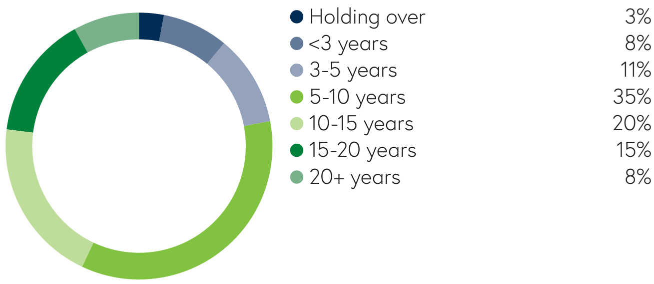


* Excluding land and residential units valued at £1.3 million (2022: £1.3 million).

COVENANT ANALYSIS



ANALYSIS OF LEASES UNEXPIRED – WAULT 10.2 YEARS



Investing in PHP

PHP is a strong business creating progressive* returns for shareholders by investing in healthcare real estate let on long term leases, backed by a secure underlying covenant where the majority of rental income is funded directly or indirectly by a government body.

Rent roll funded by government bodies

89%

(2022: 89%)

LOW RISK, LONG TERM AND NON-CYCLICAL MARKET

- One development opportunity on-site and one further in immediate pipeline in the UK
- Opportunities in Ireland that remain attractively priced
- Majority of rents in both jurisdictions funded by government for long lease terms
- WAULT of 10.2 years (2022: 11.0 years)

Rental growth

+£4.3m or 3.0%

(2022: +£3.3m or 2.4%)

STRONG, HIGH QUALITY AND GROWING CASH FLOW

- Effectively upward-only or indexed rent reviews
- Positive rental growth outlook following a record year in 2023
- Rental growth expected to be beneficiary of the high inflation experienced in recent years
- Continued focus on Ireland where a positive yield gap between acquisition yield and funding costs remains
- Efficient cost structure enhances earnings

EPRA cost ratio

10.7%

(2022: 9.9%)

EFFICIENT FINANCIAL MANAGEMENT

- EPRA cost ratio continues to be one of the lowest in the sector
- The slightly higher EPRA cost ratio reflects an increase in the provision of performance-related pay and the cost of a voluntary redundancy programme completed in the year, together with a one-off benefit in 2022 arising from the historical performance incentive fee. Notwithstanding the increase in costs they continue to be closely controlled and monitored, representing 10.1% if vacancy and Axis costs are excluded

* Progressive is where it is expected to continue to rise each year, as defined in the Glossary section on pages 190 to 192.

PHP's portfolio serves

6.0m patients

or 8.8% of UK population

SECTOR DEMAND FACTORS DICTATE CONTINUED DEVELOPMENT OF HEALTHCARE PREMISES

- Demand from population growth, ageing and suffering from more instances of chronic illness
- Capacity of existing facilities remains a significant obstacle to implementing government policies
- Unwavering political support in the UK and Ireland and promotion of integrated primary care and NHS Long Term Plans to effectively manage patient needs

Dividend per share

6.7p

(2022: 6.5p)

STABLE, INCREASING INCOME RETURNS

- Growing shareholder return through dividend and capital appreciation
- Dividend fully covered by adjusted earnings
- Strong yield characteristics continues supported by Government backed income
- 27 consecutive years of dividend growth

Portfolio EPC ratings A-C

85%

(2022: 81%)

INVESTING IN ESG

- Progress continues on construction of PHP's first NZC development in West Sussex which is expected to achieve practical completion in Q3 2024
- NZC Framework published with the five key steps the Group is taking to achieve the ambitious target of being NZC by 2030 for all of PHP's operational, development and asset management activities
- All operational activities NZC in 2023 and 2022
- Community Impact Fund continues to support social prescribing activities donating £137,000 in the year

Chairman's statement

Focused on growing income from our existing portfolio

"We are encouraged by the organic rental growth achieved in 2023, resulting in another record year with an additional £4.3 million generated from our rent review and asset management activities. The strong rental growth in the year has been reflected in the positive total property return, significantly ahead of the wider property market."

Steven Owen
Chairman

In my final report as Chairman before I retire from the Board at the conclusion of the Company's Annual General Meeting to be held on 24 April 2024 ("2024 AGM"), I am pleased to report PHP continued to deliver another year of robust operational and financial performance despite the ongoing volatility in the economic and interest rate outlook caused by both global and domestic events. The volatile interest rate outlook has continued to weigh heavily on the real estate sector during 2023 and early part of 2024. Against this backdrop, the performance in the year was a testament to the quality of PHP's business model, portfolio, management team and people.

The Group's strong operational resilience throughout the year reflects the security and longevity of our income which are important drivers of our predictable income stream and underpin our progressive dividend policy which is now in its 28th year of continued growth.

We maintain our strong operational property metrics, with a long weighted average unexpired lease term ("WAULT") of 10.2 years (31 December 2022: 11.0 years), high occupancy at 99.3% (31 December 2022: 99.7%) and 89% (31 December 2022: 89%) of our rent being securely funded directly or indirectly by the UK and Irish Governments. Notwithstanding the fall in values in the year the portfolio's average lot size remains at £5.4 million (31 December 2022: £5.4 million).

We have continued to see rental growth improving with rent reviews in 2023 generating an extra £4.0 million (2022: £3.0 million) an uplift of 8.9% (2022: 6.8%) over the previous passing rent equivalent to 4.0% (2022: 3.4%) on an annualised basis.

We are encouraged by the increasingly firmer tone of rental growth and believe PHP in the medium term will be a beneficiary of the recent inflationary environment both through open market and index-linked reviews. In particular, the significant increases in construction costs, together with historically suppressed levels of open market rental growth in the sector, will be significant pull factors to future growth especially as the NHS seeks to deliver new, larger primary care facilities and modernise the existing estate.

The improving outlook on open market value ("OMV") reviews is expected to offset the impact of declining inflation on indexed rent reviews and it should be noted that most of the growth on OMV rent reviews in 2023 came from the period 2019 to 2021 and therefore does not yet reflect the impact of significantly higher construction costs experienced in the last two years. This continues to be a critical focus of the Group's business model and underpins the rental growth outlook.

Adjusted earnings per share growth

+3.0%

Dividend per share growth

+3.1%

Continued selective investment in Ireland

+£25.7m

EPRA cost ratio

10.7%

The value of the property portfolio currently stands at £2.779 billion (31 December 2022: £2.796 billion) across 514 assets (31 December 2022: 513 assets), including 21 in Ireland, with a rent roll of £150.8 million (31 December 2022: £145.3 million). As previously reported, the deteriorating interest rate environment and economic outlook during 2023 caused us to reconsider our acquisition pipeline and pause investment activity until the economic and interest rate outlook becomes clearer. Our prudent strategy means that we currently have just one development on site and consequently very limited exposure to further build cost inflation and development risk.

Many of our primary care facilities and occupiers will need to deal with the backlog of procedures and demand which has built up since the COVID-19 pandemic and the increasing pressures being placed on the healthcare systems in both the UK and Ireland. We continue to maintain close relationships with our key stakeholders and GP partners to ensure we are best placed to help the NHS and Health Service Executive ("HSE"), Ireland's national health service provider, particularly in primary care, evolve and deal with the increased pressures placed on them.

We recognise that the success of the Group depends on our people and I would again like to warmly thank the Board and all of our employees for their continued commitment, dedication and professionalism in ongoing difficult and uncertain times.

Acquisition of Axis Technical Services Limited

In January 2023, the Group successfully completed the acquisition of Axis Technical Services Limited ("Axis"), an Irish property management business, and signed a long-term development pipeline agreement providing access to a strong pipeline of future primary care projects in Ireland.

Axis currently manages a portfolio of 30 properties, including all of PHP's Irish portfolio, and the acquisition gives the Group a permanent presence on the ground, further strengthening its position in the country and relationship with the HSE. The acquired company also provides fit-out, property and facilities management services to the HSE and other businesses located across Ireland.

Following completion of the acquisition of Axis it has continued to perform in line with expectations in 2023 generating a profit before tax of £1.1 million (€1.3 million).

As part of the acquisition, PHP signed a development pipeline agreement with Axis Health Care Assets Limited, a related company, which gives the Group the option to acquire their development pipeline over the next five years from completion. Axis Health Care Assets Limited is one of Ireland's leading developers of primary care properties, having developed five properties over the last five years, all of which have been acquired by PHP, and has a strong pipeline of near-term projects with an estimated gross development value of approximately €50 million with further potential schemes beyond that.

Overview of results

PHP's Adjusted earnings increased by £2.0 million or +2.3% (2022: £5.5 million or +6.6%) to £90.7 million (2022: £88.7 million) in the year, primarily driven by strong organic rental growth from rent reviews and asset management projects, plus income arising from the acquisition of Axis partially offset by higher interest costs on the Group's variable rate debt. Using the weighted average number of shares in issue in the year the adjusted earnings per share increased to 6.8 pence (2022: 6.6 pence), an increase of 3.0% (2022: +6.5%).

A revaluation deficit of £53.0 million (2022: deficit of £61.5 million net of profit on sales) was generated in the year from the portfolio, equivalent to -4.0 pence (2022: -4.6 pence) per share. The valuation deficit was driven by net initial yield ("NIY") widening of 23 bps (2022: 18 bps) in the year, equivalent to a valuation reduction of around £128 million (2022: deficit of £134 million), albeit this was partially offset by gains equivalent to £75 million (2022: gain of £70 million) arising from rental growth and asset management projects.

A combined loss of £11.6 million (2022: gain of £29.7 million) on the fair value of interest rate derivatives and convertible bonds, the amortisation of the fair value adjustment on the MedicX fixed rate debt at acquisition and write-off of costs arising from the acquisition of Axis and listing on the Johannesburg Stock Exchange ("JSE") resulted in a profit before tax as reported under IFRS of £26.1 million (2022: £56.9 million).

Chairman's statement continued

Overview of results continued

The Group's balance sheet remains robust with a loan to value ratio of 47.0% (2022: 45.1%), which is in line with the targeted range of between 40% and 50%, and we have significant liquidity headroom with cash and collateralised undrawn loan facilities, after capital commitments, totalling £321.2 million (2022: £325.9 million). The Group also has significant valuation headroom across the various loan facilities with values needing to fall further by around £1.1 billion or 39% before the loan to value covenants are impacted. This headroom means the Group is well placed to continue to execute on its strategy and adapt to market conditions accordingly.

Dividends

The Company distributed a total of 6.7 pence per share in 2023, an increase of 3.1% over the 2022 dividend of 6.5 pence per share. The total value of dividends distributed in the year increased by 3.2% to £89.5 million (2022: £86.7 million), which were fully covered by adjusted earnings. During 2023, the scrip dividend scheme continued to be suspended in light of the ongoing weakness in the share price and a dividend re-investment plan is being offered in its place.

The first interim dividend of 1.725 pence per share was declared on 4 January 2024, equivalent to 6.9 pence on an annualised basis, which represents an increase of 3.0% over the dividend distributed per share in 2023. The dividend was paid to shareholders on 23 February 2024 who were on the register at the close of business on 12 January 2024. The dividend will be paid by way of a property income distribution of 1.45 pence and normal dividend of 0.275 pence.

The Company intends to maintain its strategy of paying a progressive dividend, paid in equal quarterly instalments, that is covered by adjusted earnings in each financial year. Further dividend payments are planned to be made on a quarterly basis in May, August and November 2024 which are expected to comprise a mixture of both property income distribution and normal dividend.

Total shareholder returns

The Company's share price started the year at 110.8 pence per share and closed on 31 December 2023 at 103.8 pence, a decrease of 6.3%. Including dividends, those shareholders who held the Company's shares throughout the year achieved a Total Shareholder Return of -0.3% (2022: -22.5%).

During the year PHP was announced as the winner of MSCI's Highest 10-Year Risk Adjusted Total Return Award for the UK in 2022 having previously won the award in 2021 and 2017.

Environmental, Social and Governance ("ESG")

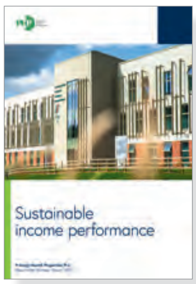
PHP has a strong commitment to responsible business. ESG matters are at the forefront of the Board's and our various stakeholders' considerations and the Group has committed to transitioning to net zero carbon ("NZC"). We commenced construction of PHP's first NZC development which is due to achieve practical completion in the third quarter of 2024 and published, at the start of 2022, a NZC Framework setting out the five key steps we are taking to achieve an ambitious target of being NZC by 2030 for all of PHP's operational, development and asset management activities. The NZC Framework also sets out our ambition to help our occupiers achieve NZC by 2040, five years ahead of the NHS's target of becoming the world's first net zero carbon national health system by 2045 for the emissions it can influence and ten years ahead of the UK and Irish Governments' target of 2050. Further details on our progress in the year, objectives for the future and approach to responsible business can be found on pages 34 to 51 of this Report and on our website.

Board succession and changes

The past year has been a significant one in the Company's history regarding the successful execution of its succession plan and the composition of the Board.

The first step in the plan in 2023 was to recruit a new Chief Executive Officer ("CEO") to succeed Harry Hyman, Founder and CEO who had previously indicated his intention to retire as CEO at the 2024 AGM.

The Company announced on 4 September 2023, after a thorough and extensive search process, the appointment of Mark Davies as CEO with effect from the conclusion of the 2024 AGM. In January 2024, as part of the handover process, he commenced working alongside Harry and the wider team in order to ensure a smooth transition.



Read more about our Responsible Business Report at **phpgroup.co.uk.**

→ **Read more about our culture on page 76.**

→ **Read more about our stakeholders on pages 49 to 51.**

Mark is a highly experienced FTSE 250 Executive having held CEO and Chief Financial Officer ("CFO") roles in listed companies and private equity. He was a Co-founder Director of NewRiver REIT plc ("NewRiver") in 2009 and played an important role in taking NewRiver from IPO into the FTSE 250 index in seven years. He was CFO of NewRiver for over twelve years and, alongside his role as CFO, was also CEO/Executive Chairman of Hawthorn Leisure Limited ("Hawthorn") for five years. Mark stood down from the Board of NewRiver following the successful sale of Hawthorn in July 2021 to private equity at a premium price. Mark has considerable capital markets experience and over the last fourteen years has raised over £3 billion of equity and debt in public and private markets.

The second step in the succession plan was to find a successor to myself as Chairman and on 2 November 2023 the Company announced, after consultation with a number of its major shareholders, the appointment of Harry Hyman as Non-executive Chairman subject to shareholder approval at, and with effect from the conclusion of, the Company's 2024 AGM. I will remain as Chairman until I retire at the conclusion of the 2024 AGM.

The Board believes that Harry's appointment is in the best interests of the Group and its stakeholders, particularly as Harry's knowledge and expertise gained over nearly 30 years in the primary care property sector, which is a niche sub-sector of the real estate market, will continue to be invaluable and highly relevant to the Group's future success. Harry founded PHP in 1996 and has served on the Board as Managing Director/CEO since that time. His track record in the listed real estate sector is outstanding and he has been the key driver in PHP's success since its inception. Further details regarding the selection of Harry as Chair can be found on page 68 of this Report.

The Board considers that the combination of Mark Davies as CEO and Harry Hyman as Chairman, together with Richard Howell as CFO and David Bateman as Chief Investment Officer ("CIO"), makes a formidable, highly respected leadership team that will continue to build on the success of the business. The Board has determined that Harry's term as Chairman will be for a maximum of three years.

The final step in the plan was to recruit an additional Non-Executive Director in order to ensure that the Board consists of a majority of independent Non-executive Directors and therefore be compliant with the Corporate Governance Code from the date of appointment. As a result, Dr Bandhana (Bina) Rawal was appointed as a fourth independent Non-executive Director of the Company with effect from 27 February 2024 and the Board has increased in size from six to seven.

Toby Newman was appointed Company Secretary and Chief Legal Officer on 28 February 2023 following the retirement of Paul Wright.

Secondary Listing

On the 24 October 2023 the Company completed a secondary listing of PHP shares on the JSE. The Board of PHP believes that the secondary listing will contribute to liquidity in the Group's shares as a result of the growing interest in the Company and its increased profile in the South African market, where a number of investors have already shown strong interest in the unique healthcare property investment opportunity. Since listing on the JSE approximately one million shares have been traded to date and we continue to help potential South African investors acquire PHP shares and provide further liquidity on the JSE.

MARKET UPDATE AND OUTLOOK

The primary care market continues to face challenges in meeting the growing demand for healthcare services. The capacity of existing facilities remains a significant obstacle to implementing government policies aimed at expanding service delivery within general practice, including social prescribing, clinical pharmacists, physiotherapists, mental health, minor operations and other activities. The need for additional space is driven by a population that is growing, ageing and suffering from increased chronic illnesses, which is placing a greater burden on healthcare systems in both the UK and Ireland. The extent of the NHS England backlog remains a significant concern, with hospitals struggling to meet objectives for cancer care and routine treatments. The number of patients waiting for treatment has reached record highs, exacerbating the need for improved and increased primary healthcare infrastructure with approximately one-third of the UK's current primary care estate in need of replacement.

There is a growing expectation that many services in the medium term will progressively move from hospitals to primary care settings, necessitating substantial investment in facilities to accommodate these changes and alleviate the pressure on secondary care in the years to come. The UK government's vision for primary care premises, advocating the establishment of hubs or "super hubs", is a step in this direction. The UK government's vision is that these hubs promote collaboration among primary care staff and provide a wider range of services in a single location. Larger GP practices with more staff and facilities are shown to produce better patient outcomes. This is in line with larger purpose-built medical centres typical of PHP's portfolio and our own ongoing engagement with occupiers where many surgeries require more space.

Declining rents in real terms have made investing in the transformation of GP facilities less appealing. Construction costs have risen significantly over the past decade, surpassing the growth in primary care rents, driven by material and labour costs and increasing sustainability requirements, all of which has been compounded by Brexit, the COVID-19 pandemic and the fiscal policy outlook.

Future developments will now need a significant shift of between 20% to 30% in rental values to make them economically viable and we continue to actively engage with both the NHS, Integrated Care Boards ("ICB") and District Valuer ("DV") for higher rent settlements. However, despite these negotiations typically becoming protracted, we are starting to see positive movement in some locations where the NHS need for investments in new buildings is strongest. We are aware of instances where the ICB have stepped in and overruled the DV's proposals when those have prevented much needed schemes from progressing. This along with the use of "top-up" rents and capital contributions is starting to allow certain schemes to progress viably and we anticipate this will accelerate.

PHP's mission is to support the NHS, the HSE and other healthcare providers, by being a leading investor in modern, primary care premises. We will continue to actively engage with government bodies, the NHS, the HSE in Ireland and other key stakeholders to establish, enact (where we can), support and help alleviate increased pressures and burdens currently being placed on healthcare networks.

Chairman's statement continued

Primary health and investment market update

The commercial property market continues to be impacted by economic turbulence but primary care asset values have continued to perform well relative to mainstream commercial property due to recognition of the security of their government backed income, crucial role in providing sustainable healthcare infrastructure and more importantly a stronger rental growth outlook enabling attractive reversion over the course of long leases.

The continued lack of recent transactions in the year has resulted in valuers continuing to place reliance on sentiment to arrive at fair values. Yields adopted by the Group's valuers have moved out by 23bps to 5.05% as at 31 December 2023 (2022: 4.82%) to reflect perceived market sentiment for the sector.

We continue to see that for both the primary care and indeed the wider commercial property markets, the high level of financial market volatility and economic uncertainty has resulted in a 'wait-and-see' attitude amongst investors, which is expected to continue until the UK interest rate outlook moderates and becomes more certain. However, notwithstanding the significant increases and volatility in interest rates seen in 2023, we continue to believe further significant reductions in primary care values are likely to be limited with a stronger rental growth outlook offsetting the impact of any further yield expansion.

Additionally, the market for primary care assets is relatively small with most assets tightly held by the main specialists in the sector and consequently we anticipate most investors will likely hold their existing assets in the current market primarily because of:

- limited supplies of stock;
- very secure, rising income streams with an improving rental growth outlook;
- the main specialists in the sector all having strong balance sheets so there are likely to be limited "forced sales"; and
- a desire from investors to seek a "safe haven" with some shifting from other property sectors.

"In my final report as Chairman before I retire from the Board, I am pleased to report PHP continued to deliver another year of robust operational and financial performance, testament to the quality of PHP's business model, portfolio and team."

Steven Owen
Chairman

PHP Outlook

Growth in the immediate future will continue to be focused on increasing income from our existing portfolio and we are encouraged by the firmer tone of rental growth experienced in 2022 and 2023. As already noted, we believe the favourable dynamics of inflation over the last two years and increased build costs combined with a demand for new primary care facilities and the need to modernise the estate will continue to increase future rental settlements.

We are currently on site with just one development which is due to complete in Q3 2024 and consequently have very limited exposure to higher construction cost pressures and supply chain delays. In our immediate pipeline we have just one development and 23 asset management projects with a total expected cost of £22.6 million and will continue to evaluate these, together with a wider medium-term pipeline at various stages of progress and seek to negotiate rents with the NHS at the level required to deliver an acceptable return.

In the current environment, Ireland continues to be the Group's preferred area of future investment activity and we have ambitions to continue to grow the portfolio there to around 15% of the total (31 December 2023: 9%). The acquisition of Axis, in January 2023, gives the Group a permanent presence in Ireland, an important strategic move as we seek out new investment, development and asset management opportunities and try to strengthen our relationship with the HSE as the leading provider of modern primary care infrastructure in the country.

With an improving rental growth outlook, a strong control on costs resulting in one of the lowest EPRA cost ratios in the sector and the vast majority of PHP's debt either fixed or hedged for a weighted average period of just under seven years, we look forward to 2024 with confidence.

We believe that our activities benefit not only our shareholders but also our wider stakeholders, including occupiers, patients, the NHS and HSE, suppliers, lenders, and the wider communities in both the UK and Ireland.

On a personal level, I would like to place on record how much I have enjoyed working with Harry and the Board, both past and present, over the last ten years. The Company has achieved so much during this time including the merger with MedicX, internalisation of the management structure and is now a key member of the FTSE 250 Index.

I wish the new Board and the Company every success for the future.

Steven Owen
Chairman
27 February 2024

Creating long term sustainable value

OUR KEY STRENGTHS

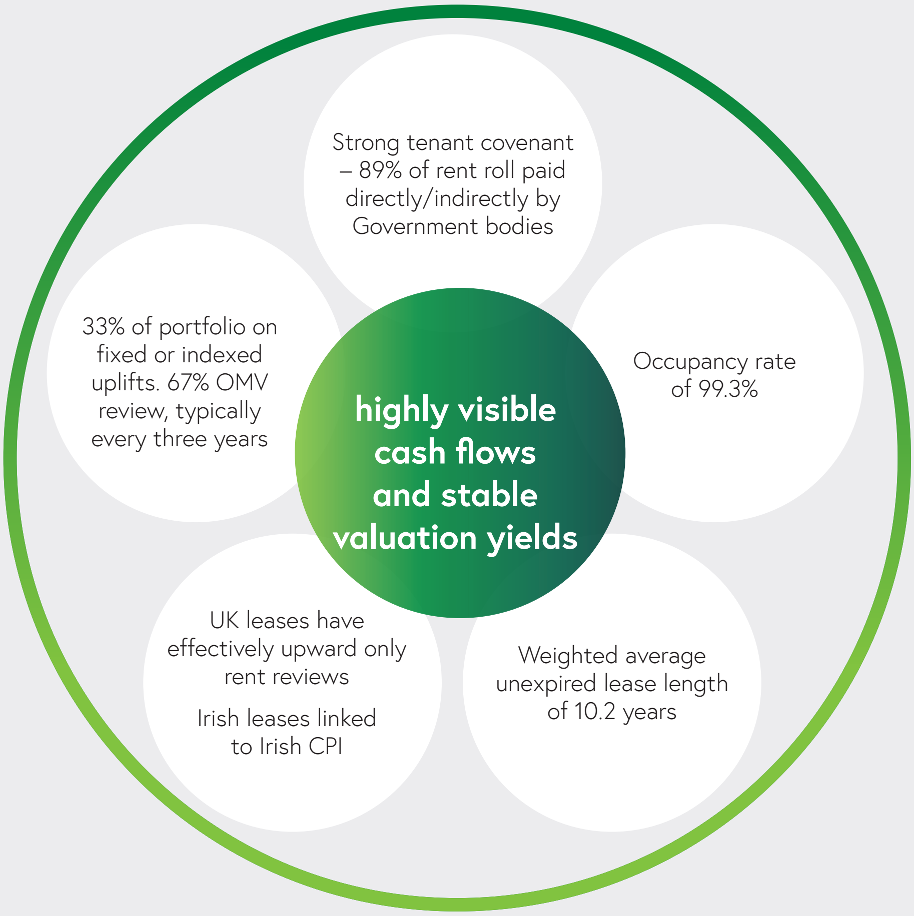
Prudent risk management:
PHP aims to operate in a relatively low risk environment to generate progressive returns to shareholders through investment in the primary healthcare real estate sector, which is less cyclical than other real estate sectors.

Long term focus:
By providing additional space facilitating the provision of additional services or extending the term of underlying leases, PHP can increase and lengthen its income streams and create the opportunity to add capital value.

Experienced and innovative management:
PHP's portfolio is managed by an experienced team within an efficient management structure, where operating costs are tightly controlled.

Appropriate capital structure:
PHP funds its portfolio with a diversified mix of equity and debt, in order to optimise risk-adjusted returns to shareholders.

KEY CHARACTERISTICS OF THE PORTFOLIO



We invest in flexible, modern properties for local primary healthcare. The overall objective of the Group is to create progressive returns to shareholders through a combination of earnings growth and capital appreciation. To achieve this, PHP has invested in healthcare real estate let on long term leases, backed by a secure underlying covenant where the majority of rental income is funded directly or indirectly by a government body.

OUR STRATEGY

1 GROW
The Group looks to selectively grow its property portfolio by funding and acquiring high quality developments, newly developed facilities and investing in already completed, let properties.

2 MANAGE
PHP manages its portfolio effectively and efficiently, managing the risks faced by its business in order to achieve its strategic objectives.

3 FUND
The Group funds its portfolio with a diversified mix of equity and debt on a secured and unsecured basis, in order to optimise risk-adjusted returns to shareholders.

4 DELIVER
Positive yield gap between acquisition and funding with continued improvements in rental growth.

WIDER OUTCOMES

Social impact
PHP aims to provide modern premises located within residential communities to enable better access to an increasing range of services being delivered locally with greater accessibility than from hospitals.

Environmental impact
Environmental impact is an integral consideration in the development, design and construction of new PHP properties. Developing new premises, PHP and its development partners seek to achieve the highest BREEAM standards in the UK or nearly zero energy building ("nZEB") rating in Ireland, as well as highest energy ratings.

Continued improvement in portfolio EPC ratings with 42% and 85% (2022: 35% and 81%) rated A-B and A-C respectively driven by the asset management programme.

Healthcare targets
The modern, flexible premises that PHP provides facilitate the provision of more wide ranging and integrated care services helping to realise the NHS target of 24/7 access to GP services and the HSE's expansion of primary care infrastructure.

Investors
Over the last five years, including the impact of our merger with MedicX in 2019, we have delivered a total NAV return of 32%.

Values
We employ sustainable design to develop, refurbish and upgrade our buildings to modern medical and environmental standards.

NHS/Primary healthcare
Our flexible, modern properties benefit not only our shareholders but also our occupiers, patients, the NHS and HSE, suppliers and the wider communities in both the UK and Ireland.

Patients
PHP's portfolio serves 6.0 million patients, which is expected to further increase as primary healthcare demands increase to assist with overstretched Accident & Emergency (A&E), and with the ageing and growing populations.

Communities
We support initiatives that further the health, wellbeing and education of our local communities.

£137,000 distributed from the Community Impact Fund to charities and groups focused on social prescribing and wellbeing linked to the patients and communities served by PHP's properties.

People
Conducting our business with integrity and investing in human capital, with 58 employees, investing and supporting eleven employees in their professional development studies.

→ **Read more about our stakeholders on pages 49 to 51.**

Our strategy

Delivering our strategic priorities

GROW

The Group looks to selectively grow its property portfolio by funding and acquiring high quality developments, newly developed facilities and investing in already completed, let healthcare real estate.

Activity in 2023

- Selectively acquired one standing asset in the year investing £25.7 million (€29.6 million) within Ireland
- Portfolio stands at 514, including 21 in Ireland
- Total property return in the year of 3.5%, with the income return remaining strong at 5.3% offset by unfavourable movements in valuation as a result of the increased uncertainty and higher interest environment faced

Looking forward

- Sector fundamentals of long leases and government backed income continue to drive demand in the sector
- In the short term, we expect investment activity will continue to be muted and will only take place if accretive to earnings
- The Group has one development in legal due diligence, for £3.3 million within the UK

Link to KPIs A B C D E F G H

Link to Risks 1 2

MANAGE

PHP manages its portfolio effectively and efficiently, managing the risks faced by its business in order to achieve its strategic objectives.

Activity in 2023

- £4.3 million, or 3.0% additional income from rent reviews and asset management projects
- Five new asset management projects legally exchanged during the year, one of which formed part of the eight asset management projects physically completed in the year. A further eight lease regears and four new lettings were delivered, delivering £0.3 million of rental growth and investing £13.1 million
- EPRA cost ratio of 10.7% continues to be one of the lowest in the sector

Looking forward

- Strong pipeline of over 23 advanced asset management projects and lease regears being progressed over the next two years, investing £19.3 million whilst extending the WAULT on these premises back to 20 years
- Continued discussions with occupiers and the NHS to discuss requirements and opportunities as well as continue to negotiate rents in order to deliver an acceptable return

Link to KPIs A D E F

Link to Risks 3 4 5

KPIs

- A Adjusted earnings per share
- B Dividend cover
- C Total property portfolio
- D Total property return
- E Capital invested in asset management projects
- F EPRA cost ratio
- G Loan to value
- H Average cost of debt

→ **Read more about our Key Performance Indicators on pages 20 and 21.**

Risks

- 1 Property pricing and competition
- 2 Financing
- 3 Lease expiry management
- 4 People
- 5 Responsible business
- 6 Debt financing
- 7 Interest rates
- 8 Potential over-reliance on the NHS and HSE
- 9 Foreign exchange risk

→ **Read more about our Risks on pages 60 to 66.**

3

FUND

The Group funds its portfolio with a diversified mix of equity and debt on a secured and unsecured basis, in order to optimise risk-adjusted returns to shareholders.

Activity in 2023

- Exercised options to extend £300 million of revolving credit facilities for an additional one year term out to 2026
- €47.8 million private placement for ten years at an all-in rate of 4.20% completed in December 2023
- Significant liquidity headroom with cash and collateralised undrawn loan facilities totalling £321 million (2022: £326 million) after taking into account capital commitments of £14.6 million

Looking forward

- No refinancing risk in 2024
- The Company completed a secondary listing of PHP shares on the JSE, which the Board believe will contribute to improve the liquidity in the Group's shares

Link to KPIs A B F G H

Link to Risks 6 7

4

DELIVER

Positive yield gap between acquisition and funding remains for selective investments, despite the macroeconomic environment along with continued improvements in rental growth, delivering progressive shareholder returns.

Activity in 2023

- Adjusted earnings per share 6.8 pence increased by 3.0% (2022: 6.6 pence)
- Dividend per share increased by 3.1% to 6.7 pence
- Total Adjusted NTA return of 1.9% (2022: 2.1%)
- Strong organic rental growth from rent reviews and asset management projects, offset the selectively muted investment in the year
- Acquisition of Axis continues to provide a critical strategic advantage in Ireland, the Group's preferred area of future investment activity

Looking forward

- Undrawn loan facilities continue to provide significant firepower to secure new investment opportunities
- 97% of the Group's net debt is fixed or hedged protecting underlying earnings from potential future economic changes

Link to KPIs A B C D E F G H

Link to Risks 8 9

Our strategy in action

Focus on Ireland

In the current environment, Ireland continues to be the Group's preferred area of future investment activity and we have ambitions to continue to grow the portfolio there from 9% to around 15% of the total.

PHP now has 21 investments in Ireland made up of all completed income generating assets. Favourable metrics with a large average lot size of €13.4 million and WAULT of 19.9 years.

In December 2023, the Group completed the acquisition of one of Ireland's first Enhanced Community Care ("ECC") facilities at Ballincollig, near Cork, Ireland, for a total consideration of £25.7 million (€29.6 million). The property is fully let to the HSE on a 25-year lease and benefits from five yearly, compounded annually, Irish CPI indexed rent reviews.

Irish portfolio EPC ratings A-B

81%

Capital deployed in the year

€29.6 million

The acquisition of Axis, in January 2023, continues to provide a critical strategic advantage with a permanent presence in Ireland, an important move as we seek new investment, development and asset management opportunities.

Axis currently manages a portfolio of 30 properties including all of PHP's Irish portfolio. The company also provides fit-out, property and facilities management services to the HSE and other businesses located across Ireland.

AXIS CASE STUDIES

- **Laya Healthcare** €1.7m capital project. Axis managed the design and construction of a Laya Health and Wellness Clinic for its members in Swords, North Dublin. Axis were appointed in advance of the initial site selection and planning process, installing and commissioning specialist diagnostic equipment. For 2024, Axis is working with Laya on three other sites in South Dublin, Limerick and Cork in 2024.
- **Uisce Eireann.** €0.3m capital project. Formerly known as Irish Water the state-owned water utility, Axis in partnership with Conack Construction undertook various project works in Ireland's largest water treatment plant in Leixlip Co. Kildare. Servicing major parts of Dublin, this plant is systematically being upgraded to ensure that it can deliver drinking water for decades to come. Work involved various re-roofing, drainage, electrical and mechanical works.

Our performance is measured against KPIs across each of our four strategic pillars

A

Link to strategy 1 2 3 4

Adjusted earnings per share△

6.8p

+3.0%

2023	6.8p
2022	6.6p
2021	6.2p

Rationale

Adjusted earnings per share is a key measure of the Group's operational performance as it excludes all elements not relevant to the underlying net income performance of the properties.

Performance

Adjusted earnings per share increased in the year reflecting the strong organic rental growth in the period, plus income from the acquisition of Axis partially offset by higher interest costs.

B

Link to strategy 1 3 4

Dividend cover△

101%

-100bps

2023	101%
2022	102%
2021	101%

Rationale

The Group looks to maintain a progressive dividend policy which it aims to cover from its operational performance. Dividend cover looks at the proportion of dividends paid in the year that are funded by Adjusted earnings.

Performance

Dividends paid in 2023 were covered by Adjusted earnings and we intend to maintain a strategy of paying a progressive dividend that is covered by Adjusted earnings in each financial year.

C

Link to strategy 1 4

Total property portfolio

£2.8bn

-1.9%

2023	£2.8bn
2022	£2.8bn
2021	£2.8bn

Rationale

The Group looks to selectively grow its portfolio in order to secure the yield gap between income returns and the cost of funds.

Performance

Selectively acquired one asset in Ireland for £25.7 million (€29.6 million) with Ireland continuing to remain attractive and accretive to earnings in the current environment.

D

Link to strategy 1 2 4

Total property return△

3.5%

+70bps

2023	3.5%
2022	2.8%
2021	9.5%

Rationale

The Group invests in properties that provide the opportunity for increased returns through a combination of rental and capital growth.

Performance

Income return of 5.3% in the year was offset by unfavourable valuation movements that delivered -1.8% capital deficit, delivering a total property return of 3.5%.

Strategy

1 Grow
2 Manage
3 Fund
4 Deliver

→ Read more about our Strategy on pages 16 and 17.

E

Link to strategy 1 2 4

Capital invested in asset management projects

£13.1m

-25%

2023	£13.1m
2022	£17.5m
2021	£15.0m

Rationale

The Board is committed to keeping its assets fit for purpose and developing them to meet the needs of the Group's occupiers.

Performance

The Group exchanged five asset management projects, eight lease regears and four lettings in the year, and is on-site with a further six projects, that maintain the longevity of the use of its properties and generate enhanced income and capital growth. A strong pipeline of 43 projects will continue to achieve this objective.

G

Link to strategy 1 3 4

Loan to value△

47.0%

+190bps

2023	47.0%
2022	45.1%
2021	42.9%

Rationale

The Board seeks to maintain an appropriate balance between the use of external debt facilities and shareholder equity in order to enhance shareholder returns whilst managing the risks associated with debt funding.

Performance

Additional debt to fund acquisitions in the year, along with valuations declining have resulted in the Group's LTV increasing to 47.0%, within the Group's targeted range of between 40% to 50%.

F

Link to strategy 1 2 3 4

EPRA cost ratio△

10.7%

+80bps

2023	10.7%
2022	9.9%
2021	9.3%

Rationale

The EPRA cost ratio is used to provide an indicator of the efficiency of the management of the Group looking at total administrative costs as a proportion of net rental income.

Performance

The slightly higher EPRA cost ratio reflects an increase in the provision of performance-related pay and the cost of a voluntary redundancy programme completed in the year, together with a one-off benefit in 2022 arising from the historical performance incentive fee.

H

Link to strategy 1 3 4

Average cost of debt△

3.3%

+10bps

2023	3.3%
2022	3.2%
2021	2.9%

Rationale

The combination of a range of maturities and tenors of debt is key to the Group achieving the lowest blended cost of debt.

Performance

The Company successfully exercised options to extend the maturities of £300 million of RCFs by one year to 2026. Along with 97% of our debt being either fixed or hedged, this meant our average cost of debt only increased by 10bps in the year not withstanding the significant increases in interest rates in 2023.

△ Alternative performance measures ("APMs"): Measures with this symbol △ are APMs defined in the Glossary section on pages 190 to 192, and presented throughout this Annual Report. All measures reported on a continuing operations and 52-week comparable basis.

Organic rental growth continuing to underpin performance and fully covered dividend maintained at 101%

"The security and longevity of our income, near full occupancy together with another strong year of rental growth are the key drivers of our predictable cash-flows and underpin our progressive dividend policy with 27 years of continued growth."

Harry Hyman
Chief Executive Officer

Investment and pipeline

In 2023 the Group selectively acquired just one asset in Ireland, our preferred area of investment due to higher net initial yields, larger lot sizes and cheaper cost of finance for euro denominated debt with acquisitions and developments only being progressed if accretive to earnings.

In December 2023, the Group completed the acquisition of Ireland's first dedicated Enhanced Community Care facility at Ballincollig, near Cork, Ireland, for a total consideration of £25.7 million (€29.6 million). The property is fully let to the HSE on a 25-year lease and benefits from five yearly, compounded annually, Irish CPI indexed rent reviews. The property is managed by Axis.

We continue to monitor a number of potential standing investments, direct and forward funded developments and asset management projects with an advanced pipeline of opportunities across a number of opportunities in both the UK and Ireland.

However, the immediate pipeline of opportunities in legal due diligence continues to be focused predominantly on PHP's existing portfolio through asset management projects.

Developments

At 31 December 2023, the Group had limited development exposure with just one project on site at Croft Primary Care Centre, West Sussex which is due to achieve practical completion towards the end of Q3 2024 with £5.4 million of expenditure required to complete the project. The development is also being built to NZC standards.

The Group is currently progressing one future development scheme in London where we have managed to work with both the local council and ICB to make the scheme economically viable.

	In legal due diligence		Advanced pipeline	
Pipeline	Number	Estimated cost	Number	Estimated cost
Ireland – forward funded development	—	—	2	£43.3m (c.€50m)
UK – direct development	1	£3.3m	2	£11.5m
UK – asset management	23	£19.3m	20	£16.3m
UK – investment	—	—	—	—
Total pipeline	**24**	**£22.6m**	**24**	**£71.1m**

Selective investment in Ireland

£25.7 million

EPRA cost ratio

10.7%

The Group has currently paused any new direct development activity whilst negotiations with the NHS, ICBs and District Valuers continue to increase rental levels to make schemes economically viable with rental values needing to increase by around 20%-30%.

We currently do not have any forward funded developments on site in Ireland although continue to progress a near-term pipeline with an estimated gross development value of approximately €50m.

PHP expects that all future direct developments will be constructed to NZC standards.

Asset management

PHP's sector-leading metrics remain robust and we continue to focus on delivering 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 regears) which provide an important opportunity to increase income, extend lease terms and avoid obsolescence whilst ensuring that our properties continue to meet the communities' healthcare needs and improve their ESG credentials.

2023 was another record year for organic rental growth from our existing portfolio with income increasing by £4.3 million (2022: £3.3 million) or 3.0% (2022: 2.4%) on a like-for-like basis. The progress continues the improving outlook seen over the last couple of years and it should be noted that most of the increase comes from rent reviews arising in the period 2019 to 2021, a period when rental growth was muted and not reflecting the higher levels of construction cost and general inflation experienced in recent years.

We have also seen the improving rental growth outlook reflected in the valuation of the portfolio with the independent valuers' assessment of estimated rental values ("ERV") increasing by 2.5% in 2023 (2022: 2.2%; 2021: 1.9%).

Rent review performance

In the UK, the Group completed 313 (2022: 318) rent reviews with a combined rental value of £42.4 million (2022: £42.2 million), adding £3.6 million (2022: £2.8 million) and delivering an average uplift of 8.5% (2022: 6.7%) against the previous passing rent.

67% of our rents are reviewed on an open market basis which typically takes place every three years. The balance of the PHP portfolio has either indexed (27%) or fixed uplift (6%) based reviews which also provide an element of certainty to future rental growth within the portfolio. Approximately one-third of indexed linked reviews in the UK are subject to caps and collars which typically range from 6% to 12% over a three-year review cycle.

In Ireland, we concluded 18 (2022: 13) index-based reviews, adding a further £0.4 million/ €0.4 million (2022: £0.2 million/ €0.2 million), an uplift of 15.2% (2022: 9.2%) against the previous passing rent. In Ireland, all reviews are linked to the Irish Consumer Price Index, upwards and downwards, with reviews typically every five years. Leases to the HSE and other government bodies, which comprise 78% of the income in Ireland, have increases and decreases capped and collared at 25% over a five-year review cycle.

The growth from reviews completed in the year, noted above, is summarised below:

Review type	Number	Previous rent (per annum) £m	Rent increase (per annum) £m	% increase total %	% increase annualised %
UK – open market[1]	184	24.2	1.3	5.4	1.8
UK – indexed	114	14.1	2.0	14.2	8.4
UK – fixed	15	4.1	0.3	7.3	2.7
UK – total	313	42.4	3.6	8.5	4.0
Ireland – indexed	18	2.5	0.4	15.2	3.3
Total – all reviews	**331**	**45.0**	**4.0**	**8.9**	**4.0**

1 Includes 49 reviews where no uplift was achieved.

Business review continued

Rent review performance continued

At 31 December 2023, 585 (2022: 656) open market rent reviews representing £84.9 million (2022: £90.2 million) of passing rent, were outstanding out of which 334 (2022: 286) have been triggered to date and are expected to add another £2.2 million (2022: £1.7 million) to the contracted rent roll when concluded and represents an uplift of 4.5% (2022: 4.1%) against the previous passing rent. The balance of the outstanding reviews will be actioned when there is further comparative evidence to support the estimated rental values.

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 completion of historical rent reviews, and the rents set on delivery of new properties into the sector. We continue to see positive momentum in the demand, commencement and delivery for new, purpose-built premises which are being supported by NHS initiatives to modernise the primary care estate albeit previously agreed rental values are having to be renegotiated to make a number of these viable in the current economic environment.

Asset Management Projects

During 2023, we exchanged on five new asset management projects, eight lease regears and four new lettings. These initiatives will increase rental income by £0.3 million investing £5.2 million and extending the leases back to 15 years.

PHP continues to work closely with its occupiers and has a pipeline of 23 similar asset management projects which are currently in legal due diligence and are being progressed to further increase rental income and extend unexpired occupational lease terms. The immediate asset management pipeline will require the investment of approximately £19.3 million, generating an additional £0.8 million of rental income and extending the WAULT on those premises back to an average of 20 years. Additionally, we continue to progress an advanced pipeline of further asset management initiatives across 20 projects.

The Company will continue to invest capital in a range of physical extensions or refurbishments through asset management projects which help avoid obsolescence, including improving energy efficiency, and which are key to maintaining the longevity and security of our income through long term occupier retention, increased rental income and extended occupational lease terms, adding to both earnings and capital values.

Robust portfolio metrics

The portfolio's annualised contracted rent roll at 31 December 2023 was £150.8 million (2022: £145.3 million), an increase of £5.5 million or +3.8% (2022: £4.6 million or +3.3%) in the year driven predominantly by organic rent reviews and asset management projects of £4.3 million (2022: £3.3 million). Acquisitions added a further £1.6 million (2022: £1.1 million, net of disposals) partially offset by £0.4 million loss of income arising mainly from three lease surrenders, several lease expiries and foreign exchange movements on our portfolio in Ireland. The leases surrendered during the year are part of future asset management initiatives and we expect to complete the reletting of the space during 2024.

The security and longevity of our income are important drivers of our predictable cash-flows and underpin our progressive dividend policy.

Security: PHP continues to benefit from secure, long term cash flows with 89% (2022: 89%) of its rent roll funded directly or indirectly by the NHS in the UK or the HSE in Ireland. The portfolio also continues to benefit from an occupancy rate of 99.3% (2022: 99.7%).

Rental collections: These continue to remain robust and as at 26 February 2024 97% had been collected in both the UK and Ireland for the first quarter of 2024. This is in line with collection rates experienced in both 2023 and 2022 which now stand at over 99% for both countries. The balance of rent due for the first quarter of 2024 is expected to be received shortly.

Longevity: The portfolio's WAULT at 31 December 2023 was 10.2 years (31 December 2022: 11.0 years). £17.1 million or 11.3% of our income is currently holding over or expires over the next three years, of which c. 70% is either subject to a planned asset management initiative or terms have been agreed to renew the lease. £64.3 million or 42.7% expires in over ten years. The table below sets out the current lease expiry profile of our income:

Income subject to expiry	£m	%
Holding over	4.1	2.7
<3 years	13.0	8.6
4–5 years	17.0	11.3
5–10 years	52.4	34.7
10–15 years	30.1	20.0
15–20 years	22.5	14.9
>20 years	11.7	7.8
Total	**150.8**	**100.0**

As the 31 December 2023, 45 leases or £4.1 million of income (2022: 17 leases / £0.9 million) was holding over. All these leases are expected to renew but are subject to NHS approval which continues to suffer from delays as ICBs finalise their future estate strategies together with the requirement for new rents to be approved by the DV. We continue to maintain a close relationship with all parties concerned and receive NHS rent reimbursement in a timely manner. If all the currently agreed transactions completed, then the WAULT on the portfolio would increase to 10.6 years (31 December 2023: 10.2 years).

Valuation and returns

At 31 December 2023, the Group's portfolio comprised 514 (31 December 2022: 513) assets independently valued at £2.779 billion (31 December 2022: £2.796 billion). After allowing for acquisition costs and capital expenditure on developments and asset management projects, the portfolio generated a valuation deficit of £53.0 million or -1.9% (2022: deficit of £61.5 million net of profit on sales).

The valuation deficit of £53.0 million in the year was driven primarily by a loss arising from yield expansion of approximately £128 million partially offset by gains of approximately £75 million arising from an improving rental growth outlook and asset management projects.

During the year the Group's portfolio NIY has expanded by 23 bps to 5.05% (31 December 2022: 4.82%) and the reversionary yield increased to 5.4% at 31 December 2023 (31 December 2022: 5.2%)

At 31 December 2023, the portfolio in Ireland comprised 21 standing and fully let properties with no developments currently on site, valued at £244.6 million or €282.2 million (31 December 2022: 20 assets/£230.9 million or €260.8 million). At 31 December 2023, the portfolio in Ireland has been valued at a NIY of 5.4% (31 December 2022: 5.2%).

Despite the fall in values during the year the portfolio's average lot size remained unchanged at £5.4 million (31 December 2022: £5.4 million) and 87.1% of the portfolio is valued at over £3.0 million. The Group only has five assets valued at less than £1.0 million.

	Number of properties	Valuation £m	%	Average lot size £m
>£10m	58	892.1	32.1	15.4
£5m–£10m	128	875.7	31.5	6.8
£3m–£5m	163	650.9	23.5	4.0
£1m–£3m	160	353.0	12.7	2.2
<£1m (including land £1.3m)	5	4.6	0.2	0.7
Total[1]	**514**	**2,776.3**	**100.0**	**5.4**

1 Excludes the £3.0 million impact of IFRS 16 Leases with ground rents recognised as finance leases.

The valuation deficit combined with the portfolio's growing income, resulted in a total property return of +3.5% for the year (2022: +2.8%). The total property return in the year compares with the MSCI UK Monthly Property Index of -0.5% for 2023 (2022: -10.4%).

	Year ended 31 December 2023	Year ended 31 December 2022
Income return	**5.3%**	5.0%
Capital return	**(1.8%)**	(2.2%)
Total return	**3.5%**	2.8%

Harry Hyman
Chief Executive Officer
27 February 2024

Organic rental growth and effective cost management drive earnings to maintain a fully covered dividend

"PHP's adjusted earnings increased by £2.0 million or 2.3% to £90.7 million in 2023 (2022: £88.7 million), reflecting the continued positive organic rental growth together with the contribution from Axis partially offset by increased interest costs."

Richard Howell
Chief Financial Officer

PHP's adjusted earnings increased by £2.0 million or 2.3% to £90.7 million in 2023 (2022: £88.7 million). The increase in the year reflects the continued positive organic rental growth from rent reviews and asset management projects in both 2023 and 2022 together with the contribution from Axis, partially offset by increased interest costs on the Group's variable rate debt and additional administrative costs.

On 20 January 2023, the Group completed the acquisition of Axis which contributed £1.1 million net of overheads, trading in line with expectations during the year.

Using the weighted average number of shares in issue in the year the adjusted earnings per share increased to 6.8 pence (2022: 6.6 pence), an increase of 3.0% (2022: +6.5%).

Summarised results

The financial results for the Group are summarised as follows:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Net rental income	**149.3**	141.5
Axis contribution net of overheads	**1.1**	—
Administrative expenses	**(11.6)**	(9.6)
Operating profit before revaluation and net financing costs	**138.8**	131.9
Net financing costs	**(48.1)**	(43.2)
Adjusted earnings	**90.7**	88.7
Revaluation deficit on property portfolio and profit on sales	**(53.0)**	(61.5)
Fair value (loss)/gain on interest rate derivatives and convertible bond	**(13.2)**	26.8
Amortisation of MedicX debt MtM at acquisition	**3.0**	2.9
Axis amortisation of intangible asset	**(0.9)**	—
Axis acquisition and JSE listing costs	**(0.5)**	—
IFRS profit before tax	**26.1**	56.9
Corporation tax	**(0.1)**	0.2
Deferred tax provision	**1.3**	(0.8)
IFRS profit after tax	**27.3**	56.3

Adjusted earnings increased by £2.0 million or 2.3% (2022: £5.5 million / 6.6%) in 2023 to £90.7 million (2022: £88.7 million) and the movement in the year can be summarised as follows:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Year ended 31 December	**88.7**	83.2
Net rental income	**7.8**	4.8
Axis contribution net of overheads	**1.1**	—
Administrative expenses	**(2.0)**	0.9
Net financing costs	**(4.9)**	(0.2)
Year ended 31 December	**90.7**	88.7

Net rental income received in 2023 increased by 5.5% or £7.8 million to £149.3 million (2022: £141.5 million) reflecting £4.6 million of additional income from completed rent reviews and asset management projects including the impact of rent reviews back dated to the original date of review, £2.5 million from the impact of acquisitions, disposals and developments completed in 2023 and 2022 and a £0.7 million reduction in non-recoverable property costs.

Notwithstanding the acquisition of Axis at the start of the year administration expenses continue to be tightly controlled and the Group's EPRA cost ratio remains one of the lowest in the sector at 10.7% (2022: 9.9%).

Financial review continued

Summarised results continued

The £2.0 million increase in administration costs in the year is due mainly to a £1.1 million increase in the provision for performance-related pay and the cost of a voluntary redundancy programme completed in the year, together with the impact of a one-off benefit in 2022 arising from end of the historic performance incentive fee arrangements of £0.6 million.

EPRA cost ratio	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Gross rent less ground rent, service charge and other income	**155.8**	147.0
Direct property expense	**18.2**	12.6
Less: service charge costs recovered	**(13.3)**	(7.0)
Non-recoverable property costs	**4.9**	5.6
Administrative expenses	**11.6**	9.6
Axis overheads and costs	**0.8**	—
Less: ground rent	**(0.2)**	(0.2)
Less: other operating income	**(0.5)**	(0.4)
EPRA costs (including direct vacancy costs)	**16.6**	14.6
EPRA cost ratio	**10.7%**	9.9%
EPRA cost ratio excluding Axis overheads and direct vacancy costs	**10.1%**	9.9%
Total expense ratio (administrative expenses as a percentage of gross asset value)	**0.4%**	0.3%

Net finance costs in the year increased by £4.9 million to £48.1 million (2022: £43.2 million) because of a £45.4 million increase in the Group's net debt during 2023, the impact of increased interest rates on the Group's unhedged debt and the loss of interest receivable on forward funded developments which completed in 2022, now income producing and accounted for as rent.

Shareholder value and total accounting return

The Adjusted Net Tangible Assets ("NTA") per share declined by 4.6 pence or -4.1% to 108.0 pence (31 December 2022: 112.6 pence per share) during the year with the revaluation deficit of £53.0 million or -4.0 pence per share and cost of the Axis acquisition of £7.3 million (€8.2 million) or 0.5 pence per share being the main reason for the decrease.

The total adjusted NTA (NAV) return per share, including dividends distributed, in the year was 2.1 pence or 1.9% (2022: 2.4 pence or 2.1%).

The table below sets out the movements in the Adjusted NTA and EPRA Net Disposal Value ("NDV") per share over the year under review.

Adjusted Net Tangible Assets ("NTA") per share	31 December 2023 pence per share	31 December 2022 pence per share
Opening Adjusted NTA per share	**112.6**	116.7
Adjusted earnings for the year	**6.8**	6.6
Dividends paid	**(6.7)**	(6.5)
Revaluation of property portfolio and profit on sales	**(4.0)**	(4.6)
Axis acquisition cost	**(0.5)**	—
Shares issued	**—**	0.1
Foreign exchange and other movements	**(0.2)**	0.3
Closing Adjusted NTA per share	**108.0**	112.6
Fixed rate debt and derivative mark-to-market value	**8.2**	8.7
Convertible bond fair value adjustment	**(0.4)**	2.1
Deferred tax	**0.1**	(0.1)
Intangible assets	**0.5**	—
Closing EPRA NDV per share	**116.4**	123.3

Financing

In December 2023, the Group added to its existing euro private placement loan notes by issuing a further €47.8 million (£41.4 million) secured on a portfolio of six Irish assets for a ten-year term at a fixed rate of 4.195%. The new loan notes further increase the headroom on the Group's undrawn loan facilities with the proceeds used to repay more expensive variable rate debt drawn on the Group's revolving credit facilities which are available to be redrawn in the future.

During the year the Group also exercised options to extend the maturities by one year to 2026 on a number of its shorter dated revolving credit facilities with Barclays (£100 million), NatWest (£100 million) and HSBC (£100 million).

As at 31 December 2023, total available loan facilities were £1,642.5 million (31 December 2022: £1,607.0 million) of which £1,309.9 million (31 December 2022: £1,290.4 million) had been drawn. Cash balances of £3.2 million (31 December 2022: £29.1 million) resulted in Group net debt of £1,306.7 million (31 December 2022: £1,261.3 million). Contracted capital commitments at the balance sheet date totalled £14.6 million (31 December 2022: £19.8 million) and resulted in headroom available to the Group of £321.2 million (31 December 2022: £325.9 million).

Capital commitments at the year-end comprise costs to complete development and asset management projects on site of £5.4 million and £7.1 million respectively together with the deferred consideration on the acquisition of Axis of £2.1 million (€2.5 million).

The Group's key debt metrics are summarised in the table below:

Debt metrics	31 December 2023	31 December 2022
Average cost of debt – drawn	**3.3%**	3.2%
Average cost of debt – fully drawn	**4.1%**	3.5%
Loan to value	**47.0%**	45.1%
Loan to value – excluding convertible bond	**41.6%**	39.7%
Total net debt fixed or hedged	**97.2%**	93.7%
Net rental income to net interest cover	**3.1 times**	3.3 times
Net debt/EBITDA	**9.4 times**	9.6 times
Weighted average debt maturity – drawn facilities	**6.6 years**	7.3 years
Weighted average debt maturity – all facilities	**5.7 years**	6.4 years
Total drawn secured debt	**£1,159.9m**	£1,140.4m
Total drawn unsecured debt	**£150.0m**	£150.0m
Total undrawn facilities and available to the Group[1]	**£321.2m**	£325.9m
Unfettered assets	**£37.0m**	£86.7m

1 After deducting capital commitments.

Average cost of debt

The Group's average cost of debt has only increased by 10 bps to 3.3% (31 December 2022: 3.2%) notwithstanding the rapid increases in 3-month SONIA and Euribor interest rates experienced during 2023 reflecting the protection from the additional hedging and euro denominated debt issued in the year.

Interest rate exposure

The analysis of the Group's exposure to interest rate risk in its debt portfolio as at 31 December 2023 is as follows:

	Facilities		Net debt drawn	
	£m	%	£m	%
Fixed rate debt	1,117.5	68.0	1,117.5	85.5
Hedged by fixed rate interest rate swaps	100.0	6.1	100.0	7.7
Hedged by fixed to floating rate interest rate swaps	(200.0)	(12.2)	(200.0)	(15.3)
Total fixed rate debt	1,017.5	61.9	1,017.5	77.9
Hedged by interest rate caps	252.0	15.4	252.0	19.3
Floating rate debt – unhedged	373.0	22.7	37.2	2.8
Total	**1,642.5**	**100.0**	**1,306.7**	**100.0**

Financial review continued

Interest rate swap contracts

In April 2023, the Group converted €60.0 million (£52.0 million) of sterling equivalent denominated debt into euros across its various revolving credit facilities to cover a small unhedged euro denominated balance sheet exposure which had arisen primarily because of historic valuation gains and retained earnings arising from our portfolio in Ireland. As part of the transaction the Group took advantage of cheaper euro denominated interest rates and purchased 2.0% caps on €60 million nominal value for a period of 2.5 years for an all-in premium of £1.9 million (€2.2 million). This transaction along with the euro private placement loan notes issued in December 2023 increased the proportion of net debt that is fixed or hedged to 97.2% (31 December 2022: 93.7%).

Accounting standards require PHP to mark its interest rate swaps to market at each balance sheet date. During the year there was a loss of £4.3 million (2022: gain of £2.7 million) on the fair value movement of the Group's interest rate derivatives due primarily to decreases in interest rates assumed in the forward yield curves used to value the interest rate swaps and the impact of the passage of time, offset by €60 million (£52.0 million) caps purchased in the year for £1.9 million (€2.2 million). The net mark-to-market ("MtM") of the swap portfolio is an asset value of £4.7 million (31 December 2022: net MtM asset £7.1 million).

Currency exposure

The Group owns €282.2 million or £244.6 million (31 December 2022: €260.8 million / £230.9 million) of euro denominated assets in Ireland as at 31 December 2023 and the value of these assets and rental income represented 9% (31 December 2022: 8%) of the Group's total portfolio. In order to hedge the risk associated with exchange rates, the Group has chosen to fund its investment in Irish assets through the use of euro denominated debt, providing a natural asset to liability hedge, within the overall Group loan to value limits set by the Board. At 31 December 2023 the Group had €281.0 million (31 December 2022: €196.0 million) of drawn euro denominated debt.

Euro rental receipts are used to first finance euro interest and administrative costs and surpluses are used to fund further portfolio expansion. Given the large Euro to Sterling fluctuations seen in recent years and continued uncertainty in the interest rate market the Group entered a nil-cost FX collar hedge (between €1.1675 and €1.1022: £1) for a two-year period to cover the approximate euro denominated net annual income of €10 million per annum, minimising the downside risk of the euro gaining in value above €1.1675: £1.

Fixed rate debt mark-to-market ("MtM")

The MtM of the Group's fixed rate debt as at 31 December 2023 was an asset of £106.2 million (31 December 2022: asset £141.3 million) equivalent to 7.9 pence per share (31 December 2022: asset of 10.6 pence). The movement in the year is due primarily to the significant increases in interest rates assumed in the forward yield curves used to value the debt at the year-end. The MtM valuation is sensitive to movements in interest rates assumed in forward yield curves.

Convertible bonds

In July 2019, the Group issued for a six-year term, unsecured convertible bonds with a nominal value of £150 million and a fixed coupon of 2.875% per annum. Subject to certain conditions, the bonds are convertible into fully paid Ordinary Shares of the Company and the initial exchange price was set at 153.25 pence per Ordinary Share. The exchange price is subject to adjustment, in accordance with the dividend protection provisions in the terms of issue if dividends paid per share exceed 2.8 pence per annum. In accordance with those provisions the exchange price has been adjusted to 131.72 pence per Ordinary Share as at 31 December 2023.

The conversion of the £150 million convertible bonds into new Ordinary Shares would reduce the Group's loan to value ratio by 5.4% from 47.0% to 41.6% and result in the issue of 113.9 million new Ordinary Shares

Richard Howell
Chief Financial Officer
27 February 2024


Ionad Cúraim Comhtháite an Ghoirt Thiar
Westfield Integrated Care Centre

EPRA performance measures

Providing transparent information

Adjusted earnings per share△

6.8 pence, up 3.0% (2022: 6.6 pence).

Definition

Adjusted earnings is EPRA earnings excluding the MtM adjustments for fixed rate debt acquired with the merger with MedicX in 2019, divided by the weighted average number of shares in issue during the year.

Purpose

A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.

Calculation

See Note 8 to the financial statements.

EPRA earnings per share△

7.0 pence, up 1.4% (2022: 6.9 pence).

Definition

EPRA earnings is the profit after taxation excluding investment and development property revaluations, gains or losses on disposals, changes in the fair value of financial instruments and associated close-out costs and their related taxation and one-off exceptional payments divided by the weighted average number of shares in issue during the year.

Purpose

A measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.

Calculation

See Note 8 to the financial statements.

Adjusted Net Tangible Assets ("NTA") per share△

108.0 pence, down 4.1% (2022: 112.6 pence).

Definition

Adjusted net tangible assets are the EPRA net tangible assets excluding the MtM adjustment of the fixed rate debt, net of amortisation, acquired on the merger with MedicX, divided by the number of shares in issue at the balance sheet date.

Purpose

Makes adjustments to IFRS net assets to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long term investment strategy.

Calculation

See Note 8 to the financial statements.

EPRA NTA per share△

105.8 pence, down 4.0% (2022: 110.2 pence).

Definition

EPRA net tangible assets are the balance sheet net assets, excluding the MtM value of derivative financial instruments and the convertible bond fair value movement, and deferred taxes divided by the number of shares in issue at the balance sheet date.

Purpose

Makes adjustments to IFRS net assets to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long term investment strategy.

Calculation

See Note 8 to the financial statements.

The Company is a member of the European Public Real Estate Association ("EPRA"). EPRA has developed a series of measures that aim to establish best practices in accounting, reporting and corporate governance and to provide transparent and comparable information to investors.

We use EPRA and adjusted measures to illustrate PHP's underlying recurring performance and to enable stakeholders to benchmark the Group against other property investment companies. Set out below is a description of each measure and how PHP performed.

EPRA cost ratio△

10.7%, up 80bps (2022: 9.9%) (including direct vacancy cost).

10.5%, up 60bps (2022: 9.9%) (excluding direct vacancy cost).

Definition

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. The Group has direct vacancy costs of £0.3 million that have been deducted.

Purpose

A key measure to enable meaningful measurement of the changes in a company's operating costs.

Calculation

See page 28, Financial Review.

EPRA vacancy rate△

0.7%, increase of 40bp (2022: 0.3%).

Definition

EPRA vacancy rate is, as a percentage, the Estimated Rental Value ("ERV") of vacant space in the Group's property portfolio divided by ERV of the whole portfolio.

Purpose

A measure of investment property space that is vacant, based on ERV.

Calculation

	2023 £m	2022 £m
ERV of vacant space	**1.1**	0.4
ERV of completed property portfolio	**150.8**	145.3
EPRA vacancy rate	**0.7%**	0.3%

△ Alternative performance measures ("APMs"): Measures with this symbol △ are APMs defined in the Glossary section on pages 190 to 192, and presented throughout this Annual Report. All measures reported on a continuing operations and 52-week comparable basis.

* The Group does not have any rent free periods and therefore the EPRA "Topped-up" NIY is the same as the EPRA net initial yield.

EPRA net initial yield△

5.05%, increase of 23bps (2022: 4.82%).

Definition

Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchaser's costs.

Purpose

A comparable measure for portfolio valuations. This measure should make it easier for investors to judge for themselves how the valuation of the Group's portfolio compares with others.

Calculation

	2023 £m	2022 £m
Investment property (excluding those under construction)	**2,778.4**	2,793.9
Estimated purchaser's costs and capital commitments	**190.2**	198.9
Grossed-up completed property portfolio valuation (B)	**2,968.6**	2,992.8
Annualised passing rental income	**150.8**	145.0
Property outgoings	**(1.0)**	(0.8)
Annualised net rents (A)	**149.8**	144.2
EPRA net initial yield (A/B)*	**5.05%**	4.82%

EPRA LTV△

47.0%, increase of 110bps (2022: 45.9%).

Definition

Net debt at nominal value, including all borrowings and net payables, divided by the fair value of properties and net receivables.

Purpose

A comparable measure to assess gearing.

Calculation

	2023 £m	2022 £m
Net debt (see page 29)	**1,306.7**	1,282.3
Total property value	**2,779.3**	2,796.3
EPRA LTV	**47.0%**	45.9%

Towards net zero

PHP is committed to transitioning to net zero carbon ("NZC") across its operations and property portfolio. Our framework focuses on five key steps to achieve this across our operational, development and asset management activities by 2030 and to help our occupiers achieve NZC by 2040.

HIGHLIGHTS 2023

Development
Net zero project at Croft on site, due to complete in Q3 2024

Investment
Acquired Ballincollig, Ireland, an all electric enhanced community care facility built to nZEB and BER A3

Asset management
First all-electric heat pump project on site and embodied carbon NZC projects are underway

Tenants and operations
Achieved Toitu Carbon Reduce certification and purchased 100% renewable energy

Projects
Solar PV roll-out underway. Targeted EPC reassessments generate significant improvements

NET ZERO CARBON FRAMEWORK

Our net zero targets relate to the emissions from our direct operations, embodied carbon from new build and refurbishment projects and our tenants emissions from their use of our buildings. Purchased goods and services are not yet included in our targets as this is a new source of emissions being measured for PHP. However, we will consider a suitable target over time.

By 2023 – operations net zero

- Reduce emissions from offices, transport and assets where we procure energy for tenants
- We are now procuring 97% renewable energy where PHP controls supplies
- We are offsetting residual emissions using high quality nature based carbon offset projects

By 2025 – all new developments net zero

- Continually reduce energy use intensity of new buildings and ensure they can operate with net zero emissions
- Measure, minimise, benchmark and improve embodied carbon performance for all new developments, setting incrementally more challenging targets for reduction
- Offset residual embodied carbon emissions via high quality projects

By 2030 – net zero asset management and EPC B

- Across the portfolio all properties to have an EPC rating of B or better, where economically feasible
- Achieve reductions in energy use intensity (kWh/m^2) through asset management projects and electrify buildings where feasible, as part of net zero operational assets
- Measure, target reductions and offset residual embodied carbon from our asset management activities
- Collect and communicate energy performance data for all our occupiers and support them to transition to lower energy and carbon operations

By 2035 – 80% carbon reduction of the portfolio

- Continued energy demand reduction through upgrade and refurbishment
- Remove fossil fuel heating systems from all properties
- Increase proportion of renewable energy generation on our sites
- Reduce the carbon intensity of buildings compared to 2021 portfolio baseline

By 2040 – enabling a net zero portfolio

- Help occupiers to lease and operate our buildings with net zero carbon emissions
- Offset any remaining occupier residual carbon from 2040 for all properties where the lease was signed or renewed after 2035
- NZC achieved five years ahead of the NHS's target of 2045 and ten years ahead of the UK and Irish Governments' targets of 2050

Responsible business and ESG review

Premises, Health and People: investing in the health and wellbeing of our communities.

Laure Duhot
Chair of the ESG Committee

Dear shareholder,

I am pleased to present my fourth report as Chair of the PHP Environmental, Social and Governance ("ESG") Committee. The Board agreed to create the Committee as a full Board Committee in October 2020 to drive forward the Group's ESG agenda. These are important topics and it is believed that having a Committee dedicated to considering these matters will give greater impetus to our initiatives in this area, which are described on the following pages of this report.

MEMBERS OF THE ESG COMMITTEE (THE "COMMITTEE") DURING THE YEAR

Member	Number of meetings and attendance
Laure Duhot (Chair)	3 (3)
Ivonne Cantú	3 (3)
Richard Howell	3 (3)
Harry Hyman	3 (3)
Ian Krieger	3 (3)
Steven Owen	2 (3)
Jesse Putzel	3 (3)
David Bateman	3 (3)
David Austin (appointed 5 December 2023)	1 (1)

Bracketed numbers indicate the number of meetings the member was eligible to attend in 2023. The Company Secretary acts as the secretary to the Committee and attends all the meetings.

Despite the challenging economic climate, we have continued to drive forward our ESG agenda, building on the work of previous years. Our first net zero development at Croft, West Sussex, is progressing well and due to complete in Q3 2024. We have made further progress to deliver our Net Zero Carbon Framework, in particular with continued investment into our portfolio via asset management, improving energy and carbon performance, driving rental growth and creating more sustainable healthcare infrastructure for the future.

The ESG Committee has overseen the further development of our work on energy and carbon reduction and I am pleased that in the first half of the year we achieved certification to Toitu Carbon Reduce and ISO 14064, which demonstrates our robust approach to carbon measurement and reduction. As part of this we continue to improve our understanding of the energy performance of the wider portfolio and have entered into partnership with ARBNCO to move towards 100% data coverage and to enable engagement with tenants to help them improve their performance.

Following our extensive work on climate risks and scenario analysis in 2022, we have produced our third TCFD disclosure, which is set out on pages 52 to 58.

PHP's Community Impact Fund is now in its third year and we have continued to work with our partner UK Community Foundations to support social prescribing activities linked to our portfolio and to review the impact these are having. Our third round of grant award was again oversubscribed with high quality applications and a broad spectrum of initiatives proposed. We have also extended our programme to link with our asset management projects, working with tenants to provide support to their chosen local initiatives.

We continue to engage with and support our employees, launching a mentoring scheme and focusing on professional and personal development.

I trust you find this report of the Committee helpful and informative. I would be delighted to receive any feedback or comments you may have on our approach.

Laure Duhot
Chair of the ESG Committee
27 February 2024

Our approach

PHP's approach is based around its core activities of investment, asset and property management, development as well it's corporate activities.

PHP supports and links its strategy to the UN Sustainable Development Goals ("SDGs"), focusing on the most relevant SDGs where it can have a positive impact. Our strategy is based around three core pillars that run through our activities focused on Premises, Health and People and is supported by our ESG policies (available on our website). These are:

OUR APPROACH

Approach	Purpose	Aims	Focus
1. Premises – Built environment			
Investing in and developing sustainable buildings.	To employ sustainable design to develop, refurbish and upgrade our buildings to modern medical and environmental standards.	Building a more resilient portfolio for the long term.	Reducing risk by building purpose-built new developments and making quality acquisitions. Working with occupiers to improve the energy efficiency of our properties and integrate more sustainable features. Having a preference for reusing existing buildings, upgrading them in an energy and resource efficient way, reducing reliance on new resources. Sourcing responsibly and designing for future reuse of assets and materials. All new developments to be NZC by 2025.
		Reducing our carbon footprint.	Working with our stakeholders to improve the energy efficiency of our properties and integrate more sustainable features with a long term ambition of the whole portfolio, including occupiers' operations, being NZC by 2040.
		Policies	*Sustainability; Sustainable Development and Refurbishment; Net Zero Carbon Framework.*
2. Health – Community impact			
Engaging and enhancing the right stakeholders to drive effective decision making.	To support initiatives that further the health, wellbeing and education of our local communities.	Meeting the healthcare needs of communities.	Engaging in effective communications and collaborative practices with our occupiers.
		Creating social value.	Working with partners to enhance wellbeing and inclusivity through initiatives that contribute to the creation of healthy, supportive and thriving communities.
		Policies	*Sustainability.*
3. People – Responsible business			
Conducting our business with integrity and investing in human capital.	To create opportunities and maximise the potential of the stakeholders we work with.	Providing a good place to work.	Ensuring effective investment in the professional development of the Group's employees. Maintaining a culture of empowerment, inclusion, development, openness and teamwork for our people.
		Governing an ethical business.	Being transparent and compliant in all our operations.
		Policies	*Business Ethics; Equality, Diversity and Inclusion; Anti-bribery and Corruption.*

PERFORMANCE AGAINST OUR COMMITMENTS

Commitments and targets	Progress 2023	Focus areas 2024
Delivering BREEAM and nZEB certified buildings. Improving portfolio EPC ratings. Increasing visibility of energy performance across the portfolio. Delivering on our net zero carbon commitments.	Our NZC development at Croft is making good progress and we are due to start our second project at South Kilburn in London. Development and asset management projects all achieved/ are achieving BREEAM Excellent or Very Good in the UK or NZEB and BER A3 in Ireland. The overall portfolio now has 42% A–B ratings and 85% A–C, by value. We have energy data points for 75% of floor area (improved from 60% in 2022). We are now partnering with ARBNCO to get to 100% and improve data quality. We have measured embodied carbon for two NZC asset management trial projects, confirming good performance already and reductions that can be targeted for new projects. We also expanded our carbon measurement to include our supply chain and gained Toitu Carbon Reduce certification for our Scope 1, 2 and 3 emissions. 97% of PHP procured electricity is now from renewable sources and we are moving forward with additional solar roll-out in partnership with Atrato Onsite Energy.	Continue to focus on improving EPC ratings to B and deliver net zero ready refurbished buildings via our asset management programme. Measure embodied carbon from our asset management projects to understand our performance and set targets as part of our NZC commitments. Work with expert partners to carry out net zero audits for buildings to inform our approach and align with the NHS Net Zero Carbon Buildings standard. Roll-out our partnership with ARBNCO to collect 100% of energy data, enabling tenant engagement and performance improvement. Continue to work on wider roll-out of solar to existing buildings where PHP and tenants control energy supplies. Keep under review targets for energy use intensity and embodied carbon and submit our corporate targets for approval by the Science Based Targets initiative.
Investing, via our Community Impact Fund, up to £0.25 million per year in causes which enhance health and deliver social value. Demonstrating the positive impact investment in primary healthcare can generate.	We concluded a third programme of grant giving with a total of £137,000 awarded to organisations delivering innovative social prescribing services for communities surrounding our buildings and other charities and groups. We trialled grant giving as part of asset management projects awarding two grants totalling £20,000 to charitable organisations within the local community and will continue in 2024.	Continue to expand our social prescribing programme focusing on the most deprived communities where PHP has a strong presence and link some funding to asset management projects. Capture the positive social outcomes of our Community Impact Fund and business activities.
Continuing to promote PHP's culture and commitment to high levels of ethics and a workplace culture of inclusion, diversity and equal opportunity. Conducting an independent annual staff survey to inform and monitor continued improvement.	We increased our efforts to guard against modern slavery in our supply chain, engaging with all our supply partners, conducting third-party audits on two sites and evaluating our solar PV supply chain to ensure ethical products are being procured. We conducted a confidential staff survey and fed back to employees on issues raised. General sentiment was positive. We provided enhanced benefits to staff, implemented a mentoring programme and continued to promote volunteering opportunities, with 16% of staff taking up the option, totalling 19 days of volunteering.	Continue to engage our supply chain on ethical labour and sourcing and make use of targeted audits as part of our due diligence process. Roll-out a response protocol to our development and refurbishment projects to better deal with any instances of unethical treatment identified. Continue to support staff with individual training and development plans. Work towards achieving Investors in People accreditation. Continue to survey staff to ascertain levels of employee satisfaction and implement targeted action plan for identified areas for improvement.

Responsible business continued

INTRODUCTION

PHP invests in flexible, modern properties for the delivery of primary healthcare to the communities they are located in. The buildings are let on long term leases where the NHS, the HSE, GPs and other healthcare operators are our principal occupiers. As at 31 December 2023, the Group owned 514 properties valued at £2.8 billion which are located across the UK and Ireland.

Responsible business reflects PHP's strong commitment to ESG matters and addresses the key areas of ESG that are embedded into our investment and development, asset and property management and corporate activities. We are committed to acting responsibly, having a positive impact on our communities, improving our responsible business disclosures, mitigating sustainability risks and capturing environmental opportunities for the benefit of our stakeholders.

We realise the importance of our assets for the local healthcare community, making it easier for our GP, NHS and HSE occupiers to deliver effective services. We are committed to creating great primary care centres by focusing on the future needs of our occupiers and thereby ensuring we are creating long term sustainable buildings.

PHP is committed to helping the NHS achieve its target to become the world's first net zero carbon national health system by 2045 and to deliver against the aims of the NHS Net Zero Carbon Buildings Standard published in February 2023. PHP's Net Zero Carbon Framework sets out our plan to transition the Company's portfolio to net zero by 2040, ahead of the NHS and UK and Irish Governments' net zero target dates. PHP will continue to proactively engage and work with our various healthcare occupiers to help them achieve this also.

This Responsible Business Report sets out our commitment and approach to environmental and social sustainability. It is reviewed annually and approved by the Board and sets the framework for establishing objectives and targets against which we monitor and report publicly on our performance.

BALLINCOLLIG ENHANCED COMMUNITY CARE ("ECC") FACILITY, CORK, IRELAND:

- **BER A3 and nZEB standards**
- **BREEAM Very Good and resource efficient**
- **Net zero in operation ready, with air sourced heating and solar PV**

In 2023 PHP successfully acquired Ireland's first Enhanced Community Care ("ECC") facility at Ballincollig, near Cork, Ireland. This first of its kind facility is a result of the Irish Governments drive to enhance and increase community-based health services and reduce pressure on hospital services in Ireland.

The building will provide a variety of services primarily to support elderly care and those suffering from a variety of chronic diseases including cardio, respiratory and endocrine issues.

To deliver the new facility, an existing, disused commercial office development was re-purposed and redesigned, meaning far fewer new resources and materials were required. The building is designed to nZEB, is all electric with no fossil fuels on site and benefits from 30% of it's energy requirements being met from onsite renewable energy (air source heat pumps and solar PV).

The building is also BREEAM Very Good certified. As part of the development, some significant biodiversity and ecological enhancements have been made, including the creation of a new woodland and biodiversity corridor.

1. Premises – Built environment

RESPONSIBLE INVESTMENT

Key commitments: Minimum EPC rating of C and capable of being improved to a B or better.

Environmental and sustainability performance are integral elements of PHP's approach to the acquisition of existing and funding of new primary healthcare buildings. We use detailed assessments of each location, looking at building efficiency and performance, enhanced service provision for the community and support for wider healthcare infrastructure.

We undertake detailed environmental and building surveys to assess physical environmental risks for each investment, including flooding, to ensure the risk is avoided or appropriate prevention measures are developed (see our TCFD disclosures on pages 52 to 58).

During 2023 we continued applying our net zero and ESG commitments to investment activities, engaging with developers and asset owners to challenge standards and leverage our influence. Our acquisition of Ireland's first Enhanced Community Care facility demonstrates this. The building is ready to operate with net zero emissions and was created from a vacant office building, minimising use of resources to deliver a first of its kind care facility for Ireland.

All acquisitions completed in the year had an EPC of B or better.

RESPONSIBLE DEVELOPMENT

Key commitments: All new developments to be NZC by 2025, BREEAM Excellent and Very Good for fit-outs in the UK, and nearly nZEB and BER A3 in Ireland.

PHP, together with its development partners, is committed to promoting the highest possible standards of environmental and social sustainability when designing and constructing new assets.

Our Sustainable Development and Refurbishment policy outlines our minimum requirements for BREEAM Excellent and a range of environmental issues, including energy and carbon, waste and resources, biodiversity, climate adaptation and health and wellbeing. Our development partners are also required to work to the same standards.

We aim to develop new buildings to be net zero carbon in construction (minimising embodied carbon and offsetting residual emissions) and ready to operate with net zero emissions. All developments aim to be fossil fuel free and we are working towards setting specific energy intensity benchmarks and targets.

Construction of PHP's first NZC development at Croft, West Sussex, is progressing well and is due to reach practical completion in Q3 2024. Embodied carbon is being measured to practical completion with our contractor.

CROFT, WEST SUSSEX CASE STUDY:

- **PHP's first net zero carbon development on site**
- **On-track to achieve BREEAM Excellent**

The development at Croft, West Sussex, represents the future of sustainable primary care in the UK. PHP was appointed to develop the highly sustainable premises to consolidate and expand services locally and cater for an expected significant growth in patient numbers over the next few years.

The premises supports the national and local NHS strategies to move services away from over-stretched hospitals, providing a greater range of primary and community care services.

Currently under construction on brownfield land and due to achieve practical completion in Q3 2024. The premises will be let for 25-years to the local GP partnership and pharmacy, allowing patients and the wider primary care network to access a range of services, including general practice, mental health assessments, occupational and physiotherapy, social prescribing and training for GPs, nurses and paramedics.

The building is targeting an EPC A rating and will be PHP's first net zero carbon development. The building is being delivered in a highly sustainable way, with materials from certified responsible sources, low carbon products, low waste and water and enhanced ecology on site. During construction, PHP has also carried out ethical labour audits and engaged with the main contractor to raise awareness of modern slavery risks.

While the current economic climate has delayed a number of future projects in our pipeline, we are continuing to work on a number of future net zero developments across the UK and Ireland.

Responsible business continued

RESPONSIBLE ASSET AND PROPERTY MANAGEMENT

Key commitments: Improve EPC ratings to B, procure 100% renewable energy, achieve BREEAM Very Good for refurbishments and engage tenants on, and improve, the visibility of energy and carbon performance.

We are committed to creating best-in-class primary care centres, focusing on the future needs of our occupiers and thereby ensuring we are creating sustainable buildings for the long term. We invest in the portfolio of properties to generate enduring occupier and patient appeal, which provides opportunities to improve rental values, the security and longevity of income, and the quality of assets. This is a key route for PHP to deliver energy efficiency improvements and to introduce low or zero carbon measures for our occupiers and their patients.

Asset and property management will play a key role in achieving our NZC target of having a NZC portfolio by 2040, with interim commitments for all properties to have an EPC rating of at least B and NZC asset management by 2030 and an 80% reduction in portfolio emissions by 2035 via targeted improvements to buildings and occupier engagement.

During 2023 we completed eight (2022: ten) asset management refurbishment projects, with all achieving an EPC B rating. This includes three projects where a significant improvement was achieved from D and E. We have a further six (2022: ten) refurbishment projects on site or committed, which include energy efficiency upgrades, installation of roof-mounted solar panels, air source heat pumps and thermal efficiency upgrades. We have continued to use BREEAM for refurbishments but several projects during the year could not be certified due to their scope and size. We agreed 12 (2022: 33) new leases during the year, with all including Green Lease clauses.

In addition, we carried out targeted reassessment of building EPC ratings, to better reflect their current performance. Combined with annual renewals, we now have 42% of properties by value at an EPC rating of B or better (2022: 35%) and 85% at A–C (2022: 81%).

Our first two net zero ready refurbishment projects have progressed during the year:

- Long Stratton in Norfolk is on site and has been designed to move away from gas to an air source heat pump.
- Wakefield Trinity will also make the switch from gas to an air source heat pump and benefit from a significant solar PV array.

We are assessing embodied carbon for both projects, and are tracking this to practical completion. This will provide benchmarks for target setting on future projects.

This work along with net zero audits of buildings in operation will pave the way for future NZC asset management projects as we aim to accelerate progress ahead of our current 2030 commitment.

Working with our occupiers is essential to improving the performance of buildings and during 2023 our property management and facilities management teams engaged with all of our tenants, carrying out over 1,000 (2022: over 1,000) site visits at which issues, including energy and utilities, were discussed. During 2023 we have continued to review ways to improve the performance of the portfolio outside of our asset management programme. This includes 330 facilities management plant and equipment replacements and upgrades, include LED lighting, more efficient heating systems and building management systems. We also supported tenants to make their own building improvements, including energy efficiency upgrades and solar PV installations.

To build on this, we are planning to roll-out larger solar PV installations to sites where PHP procures energy for tenants and following this, where tenants procure their own energy. This approach offers the potential to reduce costs for tenants in the long term as well as reducing carbon emissions. The first two projects are underway to install 190 kWp of solar to two properties in the UK.

WINDERMERE HEALTH CENTRE CASE STUDY:

- **EPC A rating from previous E rating**
- **Removal of all fossil fuels**
- **Improved thermal efficiency**

Windermere Health Centre, which serves 5,000 people locally, was originally built in the late 1970s and became outdated, in need of modernisation and energy efficiency improvements. PHP designed a refurbishment to bring the building up to date and enable our tenants to operate it with net zero carbon emissions.

The thermal efficiency of the building has been significantly improved, with all previously single glazed windows and doors being replaced with high efficiency double glazing, the roof has been fully insulated to modern building regulation levels and there is cavity wall insulation throughout. In addition, the 40-year-old gas heating system has been replaced with air sourced heat pumps and all the lighting upgraded to high efficiency LEDs.

The above has resulted is a significant improvement in the EPC rating which has improved from E to A and seen a 90% reduction in the carbon emissions intensity rating of the building. Following the removal of gas, electricity is the main source of energy for the property and PHP has procured this from 100% renewable sources.

The above initiatives result in significant improvements to the energy efficiency of the building, with the tenants able to operate it with net zero emissions, with improved comfort levels and reduced energy costs.

In addition to the energy and carbon improvements, the entire interior has been updated including new healthy and sustainable Tarkett flooring throughout, new decoration, additional ventilation to comply with latest health guidelines and several improvements to accessibility, including a new compliant reception desk.

FALCON MEDICAL CENTRE CASE STUDY:

- **EPC B rating from previous D rating**
- **Hybrid gas/electric heating system**
- **Enhanced clinical capacity**

The Falcon Medical Centre, Battersea serves over 9,000 patients in and around the Clapham Junction area of London. The purpose-built medical centre was in need of modernisation and energy efficiency improvements.

PHP designed and delivered a refurbishment to modernise and enhance clinical capacity including the creation of a new enhanced treatment suite. To minimise costs, environmental impact, waste and resource use, existing elements were retained and upgraded where possible. The existing gas boiler, installed by the tenants, was new and efficient so was retained. However, several interventions have been made to minimise the future use of gas and enable a transition away from it at a later date.

The existing but unused mechanical ventilation with heat recovery was recommissioned and upgraded and new heat recovery ventilation installed to other areas of the building. High efficiency comfort cooling units with air source heat pumps also installed in larger rooms (waiting area, reception and main administration office) providing a hybrid system for heating and cooling. The existing radiators to all clinical areas were replaced with low surface temperature models with localised controls. All external windows and external doors have been replaced with high efficiency double glazed units, improving the thermal efficiency of the building and the lighting replaced with high efficiency LED, with smart controls.

The result was a new EPC rating of B improved from the previous D, a reduction of 80% in the EPC emissions rate ($kgCO_2/m^2$) and 74% reduction in primary energy use intensity (kWh/m^2).

In addition, all floor finishes were replaced with sustainable and resilient flooring and all parts of the interior redecorated. During construction, the contractor minimised waste and diverted 100% of any waste generated away from landfill to be recycled.

PROGRESS ON ENERGY AND CARBON PERFORMANCE

As outlined above, during 2023 our investment, development, asset and property management activities continued to deliver against targets and to support our net zero carbon commitments.

During 2023 we completed the transition of all building electricity supplies procured by PHP to renewable energy for all but one building. We also continued to offset residual emissions using high quality nature based carbon offset projects.

Our operational Scope 1, 2 and 3 emissions are provided on pages 42 and 43 in our SECR disclosure.

At the start of 2023, we acquired Axis in Ireland and as such its operations now form part of our emissions impact. We are working with the team in Ireland to adopt PHP processes and intend for its operations to form part of our net zero commitments. We have carried out an assessment of its carbon emissions and have included these within PHP's activities.

We have continued to improve our methodology for estimating whole portfolio emissions, and now have data points for 75% of the portfolio by area (2022: 60%). This is not all live data however. To move towards 100% coverage, better data quality and in order to enable engagement with tenants to help improve their performance, we are partnering with ARBNCO. This will provide a direct route to access tenant data and a reporting platform.

As part of our ongoing efforts to improve our approach, during 2023 we successfully became certified to Toitu Carbon Reduce and ISO 14064 for carbon measurement and management. As part of this process, our Scope 1, 2 and 3 emissions for 2022 gained limited assurance. We also enhanced our Scope 3 measurement, carrying out a screening of all 15 Greenhouse Gas Protocol ("GHGP") Scope 3 categories. Further detail is provided on page 43. We will undergo recertification and assurance of 2023 disclosures in March 2024.

Our most significant and consistent source of Scope 3 emissions is downstream leased assets (tenants' use of our buildings), as reported in 2022, where we aim to achieve net zero by 2040. We are now tracking this year-on-year against our outline net zero trajectory.

In addition to our asset management projects, during 2023 we carried out further building-level net zero audits and assessments for two large assets in our portfolio, identifying routes to reduce energy use intensity and electrification of buildings. We will continue to assess buildings in this way to inform our transition plan and trajectory.

Responsible business continued

PROGRESS ON ENERGY AND CARBON PERFORMANCE CONTINUED

SECR disclosures

PHP measures its emissions in line with the GHGP and takes an operational control approach. Emissions are based on verified data currently reviewed by a third party, Inenco, and assured by Achilles via the Toitu Carbon Reduce certification programme (2022 emissions limited assured, 2023 pending limited assurance following audit in March 2024).

Our emissions are calculated using activity data, i.e. metered energy use, with minimal estimates used, e.g. for miles driven by employees. Scope 1 and 2 emissions are normalised by revenue and full-time employees as these relate to our direct operations and by kWh/m² for energy supplied to or procured by tenants. In January 2023, PHP acquired Axis, an Irish property and facilities management business. Consequently we have now included emissions that relate to Axis' operations arising from its one office in Cork, as well as their delivery of services to clients.

PHP's direct operations result in very limited greenhouse gas emissions. The table below shows our operational Scope 1, 2 and 3 emissions. Scope 1 relates to gas used in in our London office, business travel by car and diesel used in vans by Axis. Scope 2 relates to grid electricity used at PHP and Axis offices. Scope 3 relates to partial emissions from downstream leased assets, for properties where PHP supplies energy to occupiers, which they hold operational control over. We view these as "operational Scope 3 emissions".

We have reported Scope 3 emissions from tenant procured energy separately along with purchased goods and services.

A detailed breakdown of portfolio emissions is provided in our EPRA sustainability disclosure which is available on our website. 100% of reported Scope 1, 2 and 3 emissions in the year were based in the UK and Ireland.

Operational Scope 1, 2 and 3 emissions

	2023		2022	
Source	tCO_2e	MWh	tCO_2e	MWh
Scope 1				
Business travel (car)	**62.7**	**283**	55.7	226
Diesel (vans)	**18.8**	**79**	—	—
Gas (offices)	**10.7**	**59**	10.0	54
Scope 2				
Electricity (offices)	**15.7**	**75**	9.9	51
Market based[1]	—	—	*0.9*	—
Total Scope 1 and 2	**107.9**	**496**	75.6	331
Market based[1]	***92.2***	—	*66.6*	—
Operational Scope 3				
Landlord supplied electricity	**1,188**	**5,737**	1,025	5,296
Market based[1]	***35***	—	*243*	
Landlord supplied gas	**1,240**	**6,780**	1,138	6,237
Total operational Scope 3	**2,428**	**12,517**	2,163	11,533
Market based[1]	***1,276***	—	*1,381*	—
Total operational Scope 1, 2 and 3	**2,536**	**13,013**	2,239	11,864
Market based[1]	***1,368***	—	*1,448*	—
Nature based carbon credits purchased	***(1,368)***	—	*(1,448)*	—
Net tCO_2e	—	—	—	—
Intensity metrics				
Scope 1 and 2 tCO_2e per full time employee	**1.3**	—	1.0	—
Scope 1 and 2 tCO_2e per £m revenue	**0.6**	—	0.4	—
Scope 3 kg CO_2/m^2, and kWh/m^2	**14.8**	**76.2**	13.8	73.7
Market based[1]	***7.8***	—	*8.8*	—

1 Market-based reporting reflects the emissions from the electricity being purchased, whereas location based uses national grid average emissions for the reporting year.

PROGRESS ON ENERGY AND CARBON PERFORMANCE CONTINUED

Operational Scope 1, 2 and 3 emissions continued

During 2023 absolute Scope 1 and 2 emissions have increased by 43% and intensity by 20%. This is primarily due to the inclusion of Axis' emissions for the first time. This has added 35 tCO_2e from their office and transport related activities. This includes the use of diesel in a small fleet of company vans. The emission intensity of grid sourced electricity also increased by 7% in 2023.

Like for like business mileage has remained static but we have improved the measurement of emissions from travel by rental cars, better reflecting the lower carbon emissions of vehicles being used. Employees are encouraged to use public transport where possible and during the year employees continued to use the Train Hugger platform, which supports UK reforestation through every journey. Staff continue to take up our electric and hybrid vehicle benefit, with 5 members of staff taking up the option to date.

Our office energy use has remained static, although we have restated gas consumption for 2022 following errors identified by our landlord in London.

We will continue to reduce energy demand from our offices and emissions from transport; however, our wider portfolio is where we aim to focus our attention. As shown in the table above, Scope 3 emissions from landlord supplied energy (down stream leased assets) have increased on an absolute and normalised basis. This is primarily due to the increase in electricity carbon intensity described above.

Electricity and gas consumption have increased by 8% and 9% respectively. We have continued to support tenants to reduce their use of energy and resulting emissions, including through our asset management programme. We expect to see results of these and new initiatives over time.

We have now switched all but one electricity supply to 100% renewable energy, with 97% (2022: 76%) of consumption being from renewable sources. Therefore on a market-based reporting basis, there has been a 8% reduction in absolute and 12% reduction in normalised emissions.

We are offsetting all residual 2023 emissions, including the energy we procure on behalf of our tenants, through purchasing high quality nature based carbon credits from independently certified projects.

Wider Scope 3 emissions

During 2023, we have expanded our measurement of wider Scope 3 emissions, against the 15 categories of the GHGP Scope 3 Standard. As part of our certification to Toitu Carbon Reduce, we have determined the most material categories. Categories 3, 8, 9, 10, 11, 12, 14 and 15 are not relevant for PHP's business. Categories 5, 6 and 7 have been assessed and are deminimus at under 10 tCO_2e. We will continue to track emissions from business travel. Category 4, upstream transportation, is included within the calculation for Category 1, purchased goods and services. Embodied carbon is relevant under Category 2, capital goods. This is being measured for developments and some refurbishments and will be reported when projects are completed (including associated transport emissions).

	2023			2022		
Scope 3 source	**tCO_2e**	**MWh**	**£m**	tCO_2e	MWh	£m
Purchased goods and services	**5,730**	—	**37**	4,413	—	34
Downstream leased assets						
Electricity	**11,284**	**54,492**	—	10,098	52,220	—
Gas	**12,567**	**68,697**	—	14,882	81,527	—
Total wider scope 3	**29,581**	**123,189**	**37**	29,393	133,746	34
Intensity metrics	**$36kgCO_2e/m^2$**	**$151kWh/m^2$**	**$154tCO_2e$/£m**	**$30kgCO_2e/m^2$**	**$163kWh/m^2$**	**$131tCO_2e$/£m**

2. Health – Community impact

SOCIAL – HEALTH AND WELLBEING

PHP seeks to have a positive impact on the health and wellbeing of the communities where its assets are located and has set policies and targets to achieve this through a Community Impact Programme.

PHP is committed to supporting both the NHS and HSE in tackling the major underinvestment in primary care facilities in the UK and Ireland. PHP's aim is to provide modern, purpose-built properties let to the NHS, the HSE, GPs and other healthcare operators, which enable them to provide the highest standards of modern healthcare.

The facilities are predominantly located within residential communities and enable the UK and Irish population to access better health services locally. This is central to the Group's purpose, strategic objectives and business planning processes.

PHP's portfolio serves around 6.0 million patients or 8.8% of the UK population and our portfolio is their first point of contact with the NHS when they start their patient journey.

Our interventions, when we acquire, refurbish or develop new healthcare facilities, have a significant positive social impact, whether through enhancement of experience for people using our facilities, expansion of healthcare provision locally or making healthcare more accessible to those that need it most.

Modern, high quality primary healthcare facilities also help to reduce pressure and costs for the secondary care system. Our active management of the property portfolio seeks to maintain the centres as fit for purpose and enables PHP to identify and manage opportunities and risks associated with the provision of its properties.

Occupier engagement and support

PHP is committed to ensuring that the properties it develops and owns continue to meet its GP, NHS and HSE occupiers' requirements and provide flexibility for future change, update and expansion. Our dedicated teams of asset and property managers look after our occupiers' requirements, with a policy of regular communication and a supportive approach. Our in-house Facilities Management ("FM") Team engages with and supports occupiers, carrying out reactive and planned maintenance to optimise building performance.

Social trends of a growing and ageing population continue to highlight the need for purpose-built primary care premises to provide modern healthcare to the UK and Irish populations. This further reinforces our objectives to continue to invest in existing and new premises for the benefit of all our stakeholders.

It is crucial that we continually update our understanding of what issues matter to our occupiers. To support this, we regularly engage with them and carry out a tenant feedback survey. At the end of 2022 and throughout 2023, we have taken a new approach to gathering tenant feedback, conducting surveys directly as part of site visits. This has been successful, and we have increased the coverage of our survey to 30% of the portfolio (by number of buildings) and significantly improved our Net Promoter Score ("NPS"), from a negative figure in 2021 to a strong positive for 2023. While positive feedback is helpful, where tenants feel more negatively about an issue, it allows us to work with them on solutions, such as engagement by our asset management team to discuss building refurbishment options. A summary of our engagement with and support for tenants is provided below.

Engaging and supporting tenants…

1,200
property visits by PM, FM and AM teams

14,690
help desk jobs processed

94%
of the portfolio inspected by PM and/or FM

100%
portfolio had independent property risk assessments carried out

330
FM plant upgrades and replacements

Feedback from our tenants…

94%
are happy with PHP's level of communication

– 45% +
Net Promoter Score

92%
feel net zero is important or very important

94%
would recommend PHP as a landlord

78%
feel their building meets their needs

SOCIAL – HEALTH AND WELLBEING CONTINUED

Community Impact Fund

PHP has committed up to £250,000 per annum to support social and charitable activities and services linked to the patients and communities of our occupiers, which cannot be readily accessed elsewhere. In total, PHP provided £137,000 during 2023 (2022: £250,000).

Our partnership with UK Community Foundations ("UKCF") has continued to offer grants to charities and community groups focused on social prescribing and community wellbeing that serve our properties. During 2023, we targeted funding to the West Midlands, working with Heart of England Community Foundation. PHP has 40 properties across the region, within communities that have high levels of deprivation and which face a range of social challenges.

The 2023 awards totalled £100,000. Grants have been made to 10 organisations delivering a wide range of support. Projects funded include specific health engagement for ethnic minorities, anxiety management, counselling, fitness for the less mobile, healthy eating for families and reducing loneliness and isolation.

For the first time, we have also trialled grant awards via our asset management projects, engaging with practices whose buildings are at varying stages of refurbishment. As a result, we provided £20,000 to two projects in Brighton which are delivering much needed support through social prescribing and plan to continue to offer grants in this way.

We continue to monitor the positive impact of previous awards. Our experience, and that of our award recipients, continues to demonstrate the important role social prescribing has to play in addressing direct and indirect health impacts.

PHP has also continued to support a number of charities from the Community Impact Fund during the year, including ENO Breathe, The Academy of Real Assets and charity matched funding for employees chosen charities.

Impact during 2023

During 2023 the 2022 grant recipients have been delivering successful initiatives, including counseling, transport, carer support, support for women and ethnic minorities, art and music and combating isolation. The grants, totaling £150K, were distributed to 18 organisations working with County Durham Community Foundation and Lancashire & Merseyside Foundation. Over 1,300 people have benefited and been supported by these initiatives to date, with a wide range of positive personal and health outcomes recorded. The feedback from both recipients and the users of their services, funded by the grants, has been extremely positive and heartwarming.

Volunteering

PHP staff benefit from five paid days per annum for volunteering activities that are personal and meaningful to them, delivering support to local communities and benefiting from the personal development that these activities provide. 10 members of staff have taken up the opportunity to volunteer during 2023 with causes including forest maintenance and support for schools. Momentum is growing and we expect more employees to take up the opportunity going forward.

COPING WITH CANCER NORTH CASE STUDY:

PHP's grant provided funding for a new service, providing one-to-one counseling, coaching, therapies and peer group sessions for cancer patients across Northumberland (linking with five PHP GP practices). The project has helped over 250 people during the year, many sighting impacts such improved resilience and physical health. Prior to the project Coping with Cancer had no contacts in primary care and making this link will have a wider impact in the future. Feedback from people using the service has been very positive. "I enjoyed the sessions. Listening to and talking with the therapist…took focus from my illness. I felt more connected, rather than isolated within my own headspace."

3. People – Responsible business

PEOPLE

PHP recognises the importance of the welfare of the employees who work on behalf of the Group and are critical to its success. Their experience and contribution to the business are essential to the delivery of our business strategy and ESG commitments.

The Group is highly focused with 58 employees at year end (2022: 65 employees), with a further 31 employees in the Axis team, and four Non-executive Directors which allows for a flexible and individual approach. PHP's Board has a strong commitment to maintaining, improving and promoting the highest levels of ethics and conduct and promoting a workplace culture of:

Inclusion and communication	We have a flat management structure with clear responsibilities. We strongly encourage input on decision making from all staff and wide participation in Committee and team meetings. There is strong collaboration across teams which enables good sharing of information and ideas. Regular strategy and performance updates are provided to employees from the Executive Directors and senior management team.
Modern, flexible working practices	We have implemented more flexible working arrangements, covering improved systems to enable home working and a flexible dress code.
Fair remuneration	Employee remuneration is aligned to personal, Company and ESG performance with Long Term Incentive Plans in place that replicate arrangements for Executive Directors. All employees receive a variety of benefits which are noted later in this section.
Diversity and equal opportunity	We promote diversity across knowledge, experience, gender, age and ethnicity with a published Equality, Diversity and Inclusion policy in place. Whilst overall female employee representation is good, we recognised that we needed to specifically promote greater gender diversity in the senior team. Our female Board representation is now 33% (2022: 33%) and, in the year, we continued to support the training and professional development of several female members of the property and finance teams. Recognising the significant diversity imbalance in the real estate sector, we continue to support the promotion of diversity, both internally and externally.
Employee development and training	An appraisal process is undertaken twice a year where career progression, training needs and performance are discussed. We actively encourage training and we continue to monitor our staff training each year focusing on professional, including ESG, and personal development. During 2023 we launched a mentoring programme to provide further support.
Health and safety	Health and safety remains central to the execution of PHP's business strategy and we take our responsibilities very seriously and are committed to continued improvement but have an excellent record. See page 49 for further details on health and safety.
Wellbeing and employee satisfaction	During 2023 we have assessed and designed improvements to our office in Stratford-upon-Avon for delivery in 2024. The results of our 2023 employee survey are shown later in this section and reflect continued high levels of employee satisfaction. Laure Duhot, the Company's designated workforce Non-executive Director, continues to be closely involved in monitoring employee satisfaction.

Laure Duhot is the designated workforce Non-executive Director. In the year she considered the results of the staff survey and held meetings in the London and Stratford-upon-Avon offices, which were open to all employees. The sessions aimed to gather feedback and ideas from different areas of the Company, to discuss how people feel and their experiences of working at PHP, with feedback reported back to the Board, resulting in ad-hoc recommendation or a priority improvement target being adopted.

In light of the ongoing volatile economic and interest rate environment and impact on both PHP and the wider real state sector, resulting in a slowdown in activity, the Company decided to offer a voluntary redundancy programme to all employees with a view to keeping a firm control on the Group's administrative costs. In total five employees took up the option and left the business in the year. Excluding those who left through the voluntary redundancy programme only four further employees left the business in the year reflecting a staff turnover rate of just 6% (2022: 11%).

PEOPLE CONTINUED

Employee satisfaction survey

In October 2023, we undertook PHP's second annual employee engagement survey (managed by an independent third party) to track staff satisfaction. In total, we asked 33 questions, receiving responses anonymously. The survey focused on a number of key areas and in total we had 50 responses across the organisation with engagement from 86% (2022: 96%) of employees.

Overall, the results of the survey showed continued strong positive staff sentiment, including the following points:

- overall employees were satisfied and enjoyed working for PHP;
- employees are strongly aligned with the Company's purpose and feel it's image, policies and processes are that of a high quality organisation;
- employees understood the link between their personal and the Company's objectives and received adequate feedback;
- employees felt there was a friendly and supportive culture with a good working environment; and
- the Company acts as a responsible business contributing to reduce its environmental impact and supporting its local communities.

Some areas for further improvements were also identified:

- while employees felt comfortable they could have an open dialogue with management and be listened to, top-down corporate communication was identified as an area where more could be done to keep staff informed and employees also felt there should be more prior consultation on decisions impacting their work;
- employees identified the need for on-going efforts to promote equality and diversity; and
- employees also felt that continued encouragement of collaborative working between teams would bring further benefits to the company as a whole.

Results of the survey were communicated to staff and identified improvement areas will be a priority objective for the Board and the senior team in the year ahead.

The Company now has a good balance of flexible working while retaining the collaboration benefits of in office working. Overall, we believe there are significant benefits from working collaboratively and we are stronger together, but people are empowered to work from home for two days per week.

Employee benefits

In addition to fair remuneration which is aligned to personal and Company performance, including ESG related targets, and as part of our ongoing commitment to supporting employees and attracting and retaining talent, the Company offers the following benefits to all staff:

- Company pension contributions of 6% of salary;
- private medical insurance, health cash benefit, income protection and critical illness insurance;
- 25 days of annual leave plus an additional day of annual leave for each year of continuous service up to a maximum of five days;
- a green car salary sacrifice benefit to help individuals move to low carbon electric and hybrid personal vehicles;
- life assurance given to all employees at four times salary;
- cycle to work and season ticket loan schemes; and
- all employees are eligible to participate in the PHP Sharesave plan.

Employee development

PHP's human capital is essential to the success of the business and delivery of outstanding services to our occupiers in the healthcare sector. Attracting, retaining and developing employees is therefore a key commitment for the business.

PHP took the first step to achieving Investors in People ("IiP") accreditation by undergoing the diagnostic process and survey in 2022, which had positive results. During 2023 we have taken on the findings and recommendations and used the IiP model to improve our approach towards future accreditation.

The training programme for 2023 has continued to focus on needs identified through the appraisal process. We launched a mentoring programme, working with our training partner Bisarto, which has had positive feedback from employees taking part.

We continued to roll-out sustainability e-learning pathways that covered net zero and embodied carbon, and other range of environmental and social impact issues specific to roles.

PHP also supported funding and facilitation of professional qualifications for five employees. The supportive culture of PHP means those training for qualifications are also mentored and assisted by more experienced colleagues.

PHP continued its membership of the Supply Chain Sustainability School and UK Green Building Council. Through both, staff have access to a range of learning and development resources, including e-learning. Training has been promoted to all employees, on subjects including sustainable development, business ethics, modern slavery, climate change and net zero, social value, circular economy and sustainable procurement.

A total of 460 personal development training hours have been delivered across the Group during 2023 (2022: 620 hours) and the Company invested a total of £60,500 (2022: £73,000) or an average of £1,040 per employee on professional and personal development (2022: £1,200).

All employees received ESG related training during the year, including face-to-face and e-learning modules.

Responsible business continued

PEOPLE CONTINUED

Diversity and equal opportunity

We promote diversity across knowledge, experience, gender, age and ethnicity. During the year, we have updated our Equality, Diversity and Inclusion policy in response to a growing need to work towards diverse representation and in support of the Parker Review. As outlined on pages 95 and 96 in our Nomination Committee report, we have also introduced targets as part of this. Whilst overall female employee representation is good, we recognised that we needed to specifically promote greater gender diversity, particularly in the senior team. Following the appointment of Dr Bandhana (Bina) Rawal, effective from 27 February 2024, we have further increased female and ethnic Board representation to 43% and 28% respectively.

Recognising the significant diversity imbalance in the real estate sector, we continue to support and promote diversity, both internally and externally. All tables presented for the Board include Dr Bina Rawal who was appointed Non-executive Director with effect 27 February 2024.

UK employee gender diversity at 31 December 2023

Number of employees	Male	Female	Total
Board of Directors	4/57%	2/43%	7
Executive Committee	3/100%	—/—	3
Directors	4/100%	—/—	4
Associate Directors	5/42%	7/58%	12
Associates and Senior Surveyors	5/38%	8/62%	13
Other	11/46%	13/54%	24
Total	**32/52%**	**30/48%**	**63**

The Irish employee gender diversity at 31 December 2023 for the Axis team showed 21 of the 28 employees as male, with seven female employees. All four Directors are male.

UK employee ethnicity at 31 December 2023

	2023		
Ethnic origin	No.	%	ONS[1]
White – British, English, Welsh, Irish, Other	**46**	**79%**	82%
Asian – Indian, Pakistani, Other	**3**	**5%**	9%
Black – African, Caribbean, Other	**1**	**2%**	4%
Mixed heritage	**4**	**7%**	3%
Other	**4**	**7%**	2%
Total	**58**	**100%**	100%

1 Office for National Statistics: Census 2021 data for England and Wales published June 2022.

The Irish employee ethnicity at 31 December 2023 for the Axis team showed 26 of the 28 employees identify as white, with two employees from other backgrounds.

Board gender identity or sex as at 31 December 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	4	57%	4	2	50%
Women	3†	43%	—	—	—
Not specified/ prefer not to say	—	—	—	—	—

† Includes Dr Bina Rawal appointed effective 27 February.

Board ethnic background as at 31 December 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	5	71%	100%	2	40%
Mixed/ multiple ethnic groups	—	—	—	—	—
Asian/Asian British	1	14%	—	—	—
Black/ African/ Caribbean/ Black British	—	—	—	—	—
Other ethnic group, including Arab	1	14%	—	—	—
Not specified/ prefer not to say	—	—	—	—	—

The above data is drawn from internal information supplied by our staff. Refer to page 84 for futher details on required Board diversity disclosures and the Diversity Policy.

PEOPLE CONTINUED

UK gender pay gap at 31 December 2023

PHP pays employees equally for doing equivalent jobs across the business and any pay gaps are the result of our employee profile and do not represent pay discrimination. PHP is not required to publish details of gender pay gap; however, we view this as an important metric to ensure equal and fair treatment regardless of gender.

	Gender pay gap			Bonus pay gap		
	Male	Female	Pay gap	Male	Female	Pay gap
Board – NEDs	65%	35%	46%	—	—	—
Board – Executive	100%	—	100%	100%	—	100%
Executive Committee	100%	—	100%	100%	—	100%
Directors	100%	—	100%	100%	—	100%
Associate Directors	49%	51%	(2)%	56%	44%	23%
Associate and Senior Surveyors	49%	51%	(4)%	57%	43%	24%
Other	49%	51%	(4)%	47%	53%	(13)%
Total	**76%**	**24%**	**69%**	**94%**	**6%**	**93%**

The Irish gender pay gap at 31 December 2023 showed 58% weighted to male, 42% to female, and overall pay gap of 43%.

Health and safety

Health and safety remains central to the execution of PHP's business strategy and we take our responsibilities very seriously and are committed to continued improvement but have an excellent record. The Board is responsible for ensuring appropriate health and safety procedures are in place and during 2023 we maintained a regime of inspections utilising both third-party agents, including two risk management solutions providers, and in-house resources to support the portfolio.

Where risks need to be assessed under a specific duty or regulation, we ensure that an assessment is carried out and that all actions are implemented on a priority basis. The key health and safety risk areas PHP faces are:

1. Managed properties – where there are multiple occupiers in the same property, a combination of third-party advisers and internal resources are used to carry out a health and safety assessment and audits relating to the common parts.
2. Asset management projects, developments and forward funded developments – all our partners are required to uphold our high standards. Procedures and processes have been developed to ensure compliance with current legislation and requirements. A Project Monitor is also appointed to oversee, manage and monitor health and safety.
3. Employees are required to uphold our high standards and separate procedures and processes are in place to ensure compliance with current legislation and requirements.

During 2023 there were no reported major accidents nor any health and safety prosecutions or enforcements (2022: no incidents).

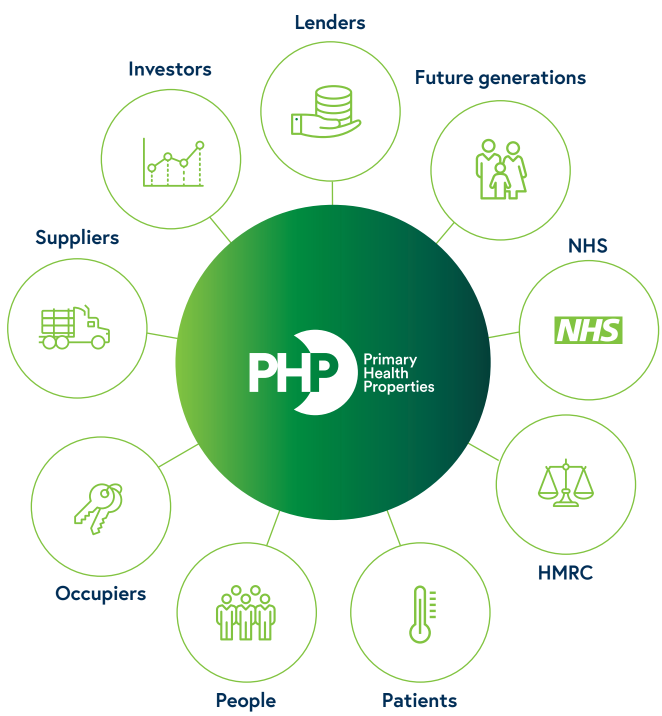
All properties built before 1995 have been surveyed in the year for the presence of reinforced autoclaved aerated concrete ("RAAC") and no evidence of this material was found across the portfolio.

During 2023, twelve property managers completed Institute of Occupational Safety and Health ("IOSH") training, adding to the five who already hold the qualification. Our Board approved Health and Safety policy is available on the Company's website.

OTHER STAKEHOLDERS

While our investment, asset management and development activities focus on the sustainability risks and opportunities that are most material to our business, there are a number of additional issues that are of lower material impact but are of interest to specific stakeholder groups:

- we are transparent and all our policies are available on our website and we expect our principal advisers, suppliers and occupiers to follow them;
- we expect organisations we employ to meet the standards we set ourselves; and
- we engage with stakeholders to ensure we are aware of, and are able to respond to, their expectations.



Responsible business continued

OTHER STAKEHOLDERS CONTINUED

Contractors and suppliers

Delivering developments, asset management projects and property services on time, on budget and in adherence with our high standards is a key priority. Our supply chain is checked (accredited by the SafeContractor scheme) to ensure it is high quality, has a proven track record and applies appropriate standards on areas such as labour, human rights, modern slavery, health and safety and environmental management. During 2023 we have engaged with all our suppliers to make them aware of our ESG policies (available on our website) and in particular have focused on the issue of modern slavery. We also commissioned independent third-party ethical labour audits for two live projects, something we will continue to do in future. Our Modern Slavery Statement is available on our website and no human rights concerns arose within the year.

We have approximately 1,000 suppliers across the Group ranging from small local businesses to large multi-national companies. We also acknowledge the importance of our suppliers, which are often small businesses and sole traders, especially those involved with the upkeep and maintenance of our assets. We aim to pay all invoices and amounts due promptly and well within stated payment terms in an effort to preserve the cash flows of these small businesses.

Tax

The Group is committed to complying with tax laws in a responsible manner and has open and constructive relationships with the UK and Irish tax authorities. Whilst the Group enjoys REIT status and therefore is not directly assessable for corporation or capital gains tax on property investments, the dividends that the Group pays are assessed for income tax when they reach investors. Moreover, during 2023 the Group has directly paid £31.8 million (2022: £27.7 million) of taxes in the form of VAT, income tax, stamp duty land tax, stamp duty and National Insurance contributions to the UK and Irish Governments. The Company has also published a Tax Strategy which is available on our website.

Investors and lenders

The support of our shareholders, banking partners and lenders is crucial to sustaining our investment in the health infrastructure of the UK and Ireland and we continue to enjoy strong relationships with these partners.

During 2023 we have successfully continued to value existing and potential relationships with our investors with over 210 (2022: 85) meetings during the course of the year. Shareholders and analysts are regularly updated about our performance and are given the opportunity to meet management throughout the year and attend presentations, physical and virtual, and attend site visits to gain a better understanding of our business and strategy.

Governance and business ethics

We conduct our business with integrity and require that our Directors, employees and other businesses engaged by us, including developers, contractors, suppliers and agents, do the same.

We believe that good governance practices are essential to a successful and sustainable business and therefore we ensure that they are integral to us. We are compliant with the provisions of the UK Corporate Governance Code except in two instances where we have not met criteria, and we have explained why on page 68 in our Corporate Governance Statement. We believe in transparency of our business to stakeholders, ensuring we report comprehensively and fairly in our Annual and Interim Reports and engage with our stakeholders throughout the year.

Responsibility for business ethics lies with the PHP Board and Chief Executive Officer and is overseen by the ESG Committee.

We will:

- be honest, open, transparent, helpful and polite;
- obey all relevant laws and regulations;
- be prepared to admit and correct mistakes without delay and facilitate "whistleblowing" by employees and other stakeholders;
- declare any potential conflicts of interest which may compromise our business dealings;
- not give or receive illegal or inappropriate inducements in order to retain or bestow business or financial advantages; and
- at all times promote the ethical conduct of business.

These principles are supported by policies which address anti-bribery and corruption, business ethics, equality, diversity and inclusion, sustainability, sustainable development and refurbishment, whistleblowing, money laundering, prompt payment and management of the supply chain and which are available on our website.

We provide training to staff on these key issues and communicate our policies to key stakeholders and our supply chain and expect them to uphold the same standards in their operations and with their own supply chains.

Anti-corruption and anti-bribery

The Group's policy is to conduct all of its business in an honest and ethical manner. The Group takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all business dealings and relationships wherever it operates and implements and enforces effective systems to counter bribery. There were no reported incidents of non-compliance during 2023 (2022: no incidents).

OTHER STAKEHOLDERS CONTINUED

Enhanced disclosure and benchmarking

We have published our third disclosure against the guidance and requirements of the Task Force on Climate-related Financial Disclosures ("TCFD") which are provided on pages 52 to 58.

GRESB – During 2023, PHP completed its fourth submission to the Global Real Estate Sustainability Benchmark ("GRESB"). We received a sector leader award for development, with a score of 92% (2022: 80%) and a four-star rating. Our standing asset score improved to 72% (2022: 58%), although we remained at a one-star rating. We aim for continual improvement in GRESB and view it as a useful tool. However, circa 30% of the available score is very difficult to achieve for a portfolio like PHP's, made up of a large number of smaller healthcare buildings which are largely tenant controlled.

MSCI – In February 2024, MSCI rated PHP as A, retaining our 2022 rating, which was improved from a previous rating of BB. We will continue to engage with MSCI to ensure our rating best reflects the actions we are taking, although the current methodology restricts us in some areas. For example, a large proportion of our environmental score relies on having a high proportion of BREEAM certified assets, which is not an area that we can influence quickly.

CDP – We responded in full for the first time to the CDP climate questionnaire in 2022, receiving a B rating. Our second submission in 2023 significantly improved our underlying scores, retaining a B rating and achieving A levels of performance for several aspects. We see CDP as a key tool to disclose our performance and approach and to help us improve over time. Our rating of B demonstrates we have a high quality approach to managing climate related risks and being transparent in our disclosures and we believe we will achieve an A rating as we deliver on our strategy in the coming years.

EPRA – PHP disclosures are in line with EPRA Sustainability Best Practices Recommendations ("sBPR"). In 2023 PHP achieved a Gold award and a most improved award in recognition of our enhanced disclosures and performance. Our latest disclosures are available in the standalone version of this Responsible Business Report, on our website.

PHP also received an EPRA Best Practices Recommendations Gold award for the 2022 Annual Report.

Non-financial information statement

Following best practice, the Group has included certain non-financial information within the Strategic Report. This can be found as follows:

The Group's business model is on pages 14 and 15.

Information regarding the following matters, including policies, the due diligence process implemented in pursuance of the policies and the outcomes of those policies, can be found on the following pages:

- environmental matters on pages 34 to 43;
- social matters on pages 44 and 45;
- health and safety matters on page 49;
- respect for human rights on page 50; and
- anti-corruption and anti-bribery matters on page 50.

Responsible business and ESG matters have been identified as a principal risk and further details can be found on page 64.

All key performance indicators of the Group are on pages 20 and 21.

The Business Review section on pages 22 to 25 includes, where appropriate, references to, and additional explanations of, amounts included in the entity's annual accounts.

Laure Duhot
Chair of the ESG Committee
27 February 2024

Task Force on Climate-related Financial Disclosures

PHP TCFD disclosure for 2023 Annual Report and Accounts

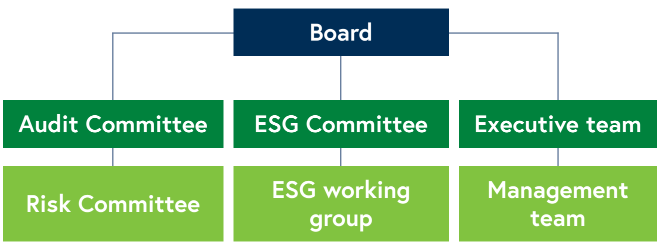
This year, we are making our third disclosure against TCFD guidelines and reporting in line with the TCFD reporting requirements for UK premium listed companies. We have outlined how climate change is incorporated into our governance processes, its impact on our business strategy and planning, our approach to risk management and climate related metrics, targets and commitments we use.

GOVERNANCE

Board oversight

The Board is responsible for the Group's risk management framework, including the consideration of climate related risks and opportunities as part of its wider oversight of responsible business. The Board reviews climate related risks and opportunities within our existing reporting and governance structure (as detailed on page 64) and has established a specific ESG Committee, which is made up of all members of the Board and relevant members of the Executive team to review, plan, approve and act on climate related issues. The Board and ESG Committee's review of key issues typically happens through relevant update papers presented at each meeting from the relevant members of the Executive Committee, through the ESG Committee and the Risk Committee reporting into the Audit Committee.

The Board and members of the Executive team consider climate related issues when setting objectives, in budget setting and through the Board's annual strategic review of the business. The ESG Committee monitors progress against the business' responsible business objectives and key strategic climate related workstreams, including progress towards PHP's NZC commitment (see page 34) at all meetings of the ESG Committee (which meets at least three times a year) and at the annual strategy day, held in October. Climate related issues are also considered by the Board and Executive team in key investment, development, asset and property management decision making.



The ESG Committee oversaw and approved PHP's Net Zero Carbon Framework in 2022 and subsequent plans and actions to deliver against it. The Committee reviews and approves the ESG budget each year, with specific allowances in 2023 and 2024 made for climate related work, including energy performance measurement of the portfolio and delivering net zero (operational and embodied) carbon projects for developments and asset management. The Board regularly reviews and approves acquisitions made by the Group and takes into consideration ESG and climate related commitments, specifically minimum EPC ratings and progress towards net zero carbon ready buildings.

Management team's role

The ESG Committee monitors progress on responsible business matters, including climate risks. Implementation and management of responsible business is delegated to the Executive team, with its members leading the ESG working group; other members consist of the ESG Director along with a representative from each of the investment, development, asset management and property management teams. The ESG working group met five times during 2023, to consider progress against commitments and proposals for improvement. Climate related action points included embodied carbon measurement for asset management projects, EPC improvement, operational energy and carbon assessments of buildings and solar PV roll-out. Outside of these meetings, the Executive team ensures that responsible business and ESG targets are delivered or re-evaluated where not achieved and engages throughout the year regarding progress against planned actions. The Executive and management teams make it clear to relevant employees what is expected and required. Where relevant, specific actions or targets form part of both team and individual personal objectives for each year, for example the improvement of EPC ratings. The Executive team also lead engagement and training across the Group on responsible business and ESG matters, including climate related risks.

The Executive and management teams have specific ESG and climate related performance objectives relevant to their roles and area of the business along with other personal performance objectives which are linked to bonuses to incentivise performance.

STRATEGY

PHP's NZC Framework (see page 34) details the five key steps we are taking to achieve an ambitious target of being NZC by 2030 for all of PHP's operational, development and asset management activities and to help our occupiers achieve NZC by 2040, five years ahead of the NHS's target of becoming the world's first net zero carbon national health system by 2045 and ten years ahead of the UK and Irish Governments' targets of 2050. The Responsible Business Report on pages 34 to 51 provides further detail on our strategy, actions taken and progress made in 2023 and objectives for future years to address climate risks, such as improving EPC ratings within the portfolio.

Climate related risks and opportunities

During the year, PHP reviewed its existing analysis of climate risks and opportunities and identified no major changes from its extensive analysis carried out during 2022. During 2023 we have continued to operate in a turbulent economic and political climate, particularly in relation to the UK climate and health policy landscape causing significant uncertainty, including the UK Government's approach to future EPCs and Minimum Energy Efficiency Standards ("MEES"). Despite this, our overarching view on risk and opportunity and our business strategy in relation to climate change has not changed.

PHP's analysis has been carried out with Willis Towers Watson ("WTW") to assess 28 physical and transition risks and undertake quantitative physical and transition scenario analysis. The analysis included engagement and input from across PHP's operational teams.

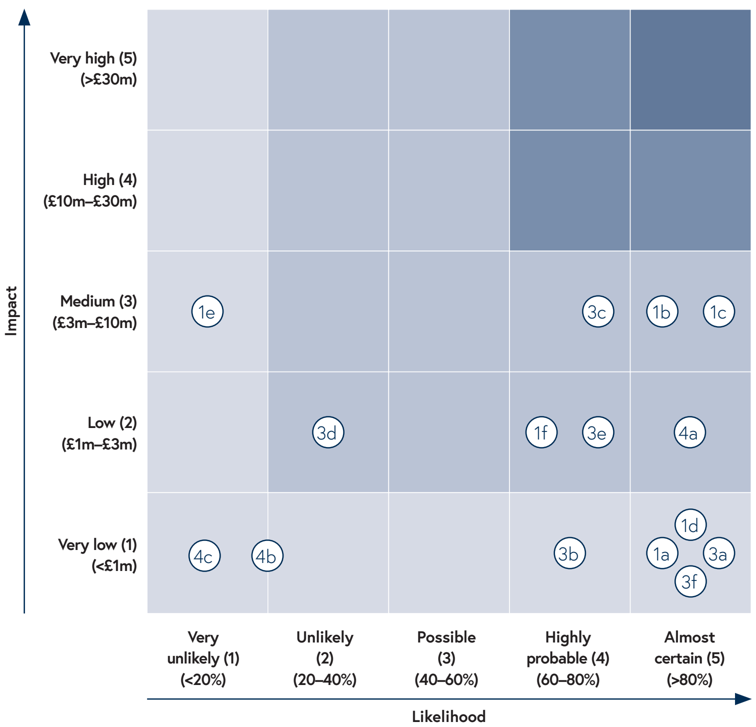
Transition risks and scenario analysis have been assessed over the short (to 2025) and medium (to 2030) term. Physical risks and scenario analysis are assessed over the short, medium and long term (2030–2100). We have not assessed beyond 2030 for transition risks given the high level of uncertainty in determining impacts of transition risks over the longer term.

To assess the potential impact of transition risks, an initial risk screening was carried out, based on PHP's existing identified risks and with input from WTW and in relation to relevant risks for other real estate companies. The impact of transition risks was assessed via workshops with key disciplines within PHP and analysis was carried out by WTW, based on the findings. The potential annualised estimated financial impact associated with risks and opportunities has been quantified where possible and categorised using PHP's risk impact scales, which consider impacts to revenue and/or the balance sheet. Risks are scored 1 (very low) to 5 (very high) with financial impact bands for each level. Risk 2a has not been quantified separately as it is included within the impact of risk 1c.

The current potential climate related risks and opportunities we have identified that could have the most material financial impact are outlined below. We do not, however, believe these impacts are currently material enough to impact our financial statements.

Assessed range of annual impact and likelihood of transition risks

Residual risk on medium term time horizon (2030) under a NZC 2050 1.5°C scenario



Policy

1a. Pricing of GHG emissions (PHP)

1b. Pricing of GHG emissions (tenant)

1c. EPC requirements

1d. Enhanced emissions reporting obligations

1e. Climate change litigation

1f. Increasingly stringent planning requirements

Technology

2a. Substitution of existing technologies with lower emissions options (Included in 1c)

Market

3a. Increased cost of raw materials

3b. Increased cost and availability of electricity (PHP)

3c. Increased cost and availability of electricity (tenant)

3d. Cost of capital

3e. Change in tenant demands

3f. Emissions offsets

Reputation

4a. Investment risk/opportunities

4b. Stakeholder risk/opportunities

4c. Employee risk/opportunities

Task Force on Climate-related Financial Disclosures continued

STRATEGY CONTINUED

Climate related risks and opportunities continued

Category	Risk/opportunity	Time frame	Potential £ impact	Business response/mitigation
Transition risks				
EPC requirements and change in customer demands 1e 3e **Transition risks impacted**	The NHS, and the HSE, accounts for 89% of revenue and is targeting to be NZC by 2045. Costs related to meeting proposed Minimum Energy Efficiency Standards ("MEES") and fines associated with non-compliance.	Medium term	Medium (P&L and BS)	• Commitment to get all properties to a minimum of EPC B by 2030. • Group's asset management programme actively targeting reductions in carbon emissions and improving energy/EPC performance. • Assets are being extended and refurbished with improvements made to the environmental performance including the installation of LED lights, move away from gas heating and integration of renewable energy generation resulting in improved EPC ratings. • The additional costs are reflected in appraisals and typically supported by increased lease terms and increases in rent.
Increasing cost of energy and GHG emissions 1a 1b 3b 3c **Transition risks impacted**	The cost of energy has increased significantly and in the 1.5°C low carbon world scenario GHG emissions pricing will need to be implemented from 2025–2030.	Short–medium term	PHP – low (P&L) Tenants – medium	• PHP procures energy for a limited number of properties in the portfolio and has operational control over none of the buildings' GHG emissions. • Consequently, the risk of energy and GHG pricing from energy consumption is minimal to PHP. To mitigate risk in PHP's value chain, embodied and supply chain carbon are being measured, and actions put in place to minimise and reduce these over time. • Tenants are responsible for their own energy bills and large increases in pricing have a significant impact on them, which could adversely impact the desirability of our assets. • Improving the energy efficiency and reducing the carbon emissions from buildings mitigates these risks, helping tenants to save money in the long term.
Restricted access to capital 3d **Transition risks impacted**	Investors and debt providers only willing to invest in climate resilient businesses.	Medium–long term	Low (P&L)	• PHP has a strong and clearly articulated NZC Framework and strategy developed with clear targets for reduction of direct and indirect emissions and to reach NZC in the future. • Strong stewards of underinvested key social infrastructure assets delivering healthcare and wellbeing to the UK and Irish populations. • Green loan framework developed for several existing and future loan facilities and ongoing engagement with lenders.
Physical risks				
Flood risk (current and future climates)	Losses from assets located in high flood risk zones, primarily the costs of repair and business interruption, reflected in increased insurance costs.	Long term	Low (medium for potential uninsured losses under high emissions scenario) (P&L)	• PHP has flood alleviation and response plans in place, is appropriately insured and assesses these risks for any new developments and acquisitions. • Under current climate conditions, 9 sites have a moderate risk and 15 sites have a very high risk from flood. This equates to under 5% of total asset value. • Our remaining assets have a very low exposure. In a future high emissions climate scenario, the number of sites does not increase, but the potential frequency and severity of floods increase.

STRATEGY CONTINUED

Climate related risks and opportunities continued

Category	Risk/opportunity	Time frame	Potential £ impact	Business response/mitigation
Physical risks continued				
Increased severity and frequency of extreme weather events and windstorms	Increased costs to develop climate-resilient properties and physical damage requiring repair. Costs of business interruption, reflected in increased insurance costs.	Medium term	Low (medium for potential uninsured losses) (P&L)	• All assets in the portfolio are insured for physical damage and loss of rent with cost of insurance predominantly recovered from occupiers. • Mitigation strategies in operation at assets with identified potential risk. • Comprehensive business continuity plan in place and commitment to repeat physical risk impact and scenario analysis periodically.
Heat stress (future climates)	The UK has very low exposure to heat stress today, increasing beyond 2050 under the 4°C scenario. Costs associated with retrofitting buildings to mitigate overheating and tenant discomfort.	Long term	Low (P&L)	• Sensitivity analysis for heat stress has determined that the overall risk is low. • Approximately 10% of PHP's buildings have air conditioning and therefore additional cooling may be necessary in the future. • PHP also monitors instances of overheating and works with tenants to mitigate this.
Opportunities				
Change in tenant demand	The NHS is aiming for net zero and primary healthcare tenants will increasingly covet or insist on low carbon, sustainable buildings.	Short–medium term	Medium (P&L and BS)	• PHP's strategy to improve the performance of buildings via asset management and NZC developments will maximise rental income in the future. • Existing buildings brought up to modern, low carbon standards will be best placed to achieve occupier contentment and lease renewals and attract the highest rents, performing closer to newly built properties.
Substitution of existing technologies	Potential to help tenants reduce their carbon footprint and their energy costs via introduction of new low carbon technology to buildings.	Medium	PHP – low (P&L) Tenants – medium	• Introducing renewable energy as part of lease re-gears will help PHP to secure high quality, long term income from tenants. • Supporting and enabling tenants to make use of on-site renewable energy, in particular solar, can reduce tenant costs. Review of entire portfolio for solar potential and active targeting of installation to suitable properties via different delivery models.

Scenario analysis

In 2022, WTW undertook a physical climate risk assessment of the Company's portfolio on an asset-by-asset basis, assessing exposure to a range of acute and chronic climate risks and a transition risk assessment based on PHP's current corporate strategy and action planning.

For Physical risks, each is assessed against different scenarios and potential impact is scored 1-5 with scoring for each different physical risk based on Munich RE models and projections. For example, flood risk is scored 1-5 where 1 indicates a minimal flood risk and 5 indicates an asset in a known flood zone with a 1 in 100-year return period.

Our Scenario analysis has been based on the Representative Concentration Pathways ("RCP") designed by the IPCC in their Fifth Assessment Report ("AR5"), which are mapped to the latest IPPC AR6 report's Shared Social Economic Pathway ("SSPs") scenarios. The methodology evaluates risks and opportunities for PHP's business under three plausible climate scenarios: a 'low carbon world' 1.5°C scenario (for physical and transition risks), 2-3°C scenario and a 4°C scenario (for physical risks only)[1].

These scenarios have been chosen as the best available at the time of assessment. In particular the 'low carbon world' scenario represents the greatest potential transition risks for PHP and the 'hot house world' scenario the greatest physical risks to PHP's portfolio.

Task Force on Climate-related Financial Disclosures continued

STRATEGY CONTINUED

Scenario analysis continued

In the low carbon world scenario, limiting global warming to 1.5°C will be achieved through stringent climate policies, innovation and demand-led change, where global net zero CO_2 emissions will be reached around 2050. The scenario assumes proactive and sustained action to reduce carbon emissions over the next 30 years to build a low carbon economy. It assumes a carbon price of \$130/tCO_2 by 2030, low growth in material consumption and increasing consumer pressure on businesses to drive sustainability.

The Hot House World Scenario is aligned with RCP 8.5. It envisions that, due to limited government policy and international effort, emissions continue to grow and consequently global warming exceeds 4°C temperature rise by the end of the century. The scenario assumes current policies promoting sustainability are removed, there is no carbon pricing and there is increasing adoption of resource and energy intensive lifestyles around the world. As a result, economies fail to transition to a low carbon world and the physical impacts of climate change become increasingly severe.

There is assumed to be longer and more severe heatwaves and droughts and there is an increase in frequency and severity of flooding and other natural catastrophic events.

We regularly review risks internally and will reassess risks and perform scenario analysis on a periodic basis (currently every three years, reflective of changes to real estate climate models, policy, regulatory, market and technology advances).

1 This is in line with the Intergovernmental Panel On Climate Change ("IPCC") Representative Concentration and Shared Social Economic Pathways ("RCPs" mapped to "SSPs") RCP 2.6 ("SSP1"), RCP4 .5 ("SSP2") and RCP 8.5 ("SSP5") respectively.

Resilience of the business to scenarios

By delivering on the strategy put in place by PHP and commitments and actions outlined in its Net Zero Carbon Framework, and given the low exposure to physical climate risks and relatively low potential financial impact, the business is resilient to the assessed scenarios under current conditions.

Based on our asset specific assessment of physical hazard exposure, our portfolio's exposure to all physical climate impacts is low. Our exposure to material levels of flood risk is limited to 5% of properties (by value). We regularly review flood risks of standing assets, have plans and appropriate levels of insurance in place for them and consider resilience to long term flood risk for any new acquisitions or developments.

In the post 2030 scenarios assessed, only flood and windstorm risk was assessed as somewhat "material" under the 4°C scenario. We view heat stress as a potential risk given the nature of our buildings and the desire to offer optimum comfort levels for our healthcare related buildings. PHP is already addressing instances of overheating in today's climate by working with our tenants and taking remedial action where necessary. When refurbishing buildings we consider overheating through the addition of solar shading, insulation and, where needed, energy efficient cooling.

Through our Net Zero Carbon Framework and commitments and our asset management activities, we have a robust approach to meeting energy efficiency, EPC and carbon performance requirements that are expected as part of the low carbon world 1.5°C scenario. Our strategy also supports PHP's ability to meet or surpass the NHS's net zero commitments. During 2023, we have carried out an analysis of the newly published NHS Net Zero Carbon Building Standard against our current approach and requirements for new build and refurbishment and intend to align our projects where relevant.

Under a high emissions scenario from the 2050s, drought stress and heat stress increase and become a moderate risk which could impact water scarcity and tenant wellbeing; however, in the short term or under a low emissions scenario, these risks are relatively low. We will continue to assess potential risks in due diligence for future acquisitions and to make appropriate adaptations where required.

Impact on business strategy and financial planning

Climate related risks and opportunities impact and inform PHP's business strategy for asset management and refurbishment, property management, development and acquisition of buildings.

The Group's continued focus on flexible, modern primary care properties, which generally have low energy consumption, means the overall carbon footprint of the portfolio is minimised. In addition, the Group's continued investment in asset and property management initiatives, means that its typically slightly older and less energy efficient assets being upgraded, where feasible to the latest energy efficient standards.

We are improving and adapting our assets to be more resilient to climate change through maintenance, energy efficiency upgrades and the provision of renewable energy supplies for the Group's occupiers. Furthermore, whilst development is only a small part of our activities, we are focusing on the energy and carbon performance of our developments including measuring, minimising and offsetting residual embodied carbon impacts. We have commenced construction on the Group's first net zero carbon development and are aiming for all new developments to be net zero by 2025. During 2023 we have financed and implemented a number of actions to deliver our strategy, including bringing forward work towards net zero for asset management, targeted reassessment of buildings' EPC ratings, committing further investment in energy data capture from buildings, funding net zero audits of buildings, extending our carbon measurement to include purchased goods and services, and achieving certification via Toitu Carbon Reduce and ISO 14064.

During our investment process, we review the locational flood risks, the building fabric and the energy efficiency of potential acquisitions and current assets to understand the climate related risks and costs involved in mitigating those risks.

These actions help to future-proof our buildings and allow us to take advantage of opportunities with the NHS, and our other occupiers, as it transitions towards net zero carbon with its multi-year plan to become the world's first NZC national health system by 2045 and with an ambition for an interim 80% reduction by 2036–2039.

By improving occupier contentment, we enhance the desirability and value of our assets together with our reputation with the NHS and GP occupiers.

RISK MANAGEMENT

Approach to identifying and assessing climate risks

PHP assesses climate risks alongside other business risks but also specifically as part of a dedicated climate risk management process. A climate risks and opportunities register is reviewed and updated by the ESG working group and the ESG Committee along with the Risk Committee reporting to the Audit Committee.

The most material (highest scoring) risks are pulled out and action plans put in place, which are reviewed by the Risk and ESG Committees. The longlist of risks is revisited annually to ensure changes, such as to regulation, market or customer demand, have not altered the likelihood or potential impact of the less material risks.

In identifying and assessing the impact of risks, we consider impacts to PHP's direct operations and stakeholders, including our supply chain, partners and tenants. The size and scope of risks are assessed using the internal expertise of our teams supplemented by data relating to impact where available, for example spend data, GHG emissions and energy and any associated future projections. The potential financial impact is estimated and quantified against defined impact scales and value bandings.

To supplement our approach, PHP engages with expert advisers such as WTW, Carbon Trust and MSCI, accessing the latest climate science and transition data sets, to further assess and understand potential risks, quantify potential impacts and consider planned and potential actions to address risks posed by climate change.

Approach to managing climate risks

The Company's overall approach to risk management, including management of climate related risks, is set out on pages 60 to 66.

Strategic risks are recorded in a risk register and are assessed and rated within a defined scoring system. The Risk Committee reports its processes of risk management and rating of identified risks to the Audit Committee. The risk register is reviewed and updated twice annually by members of the Risk Committee, and assesses inherent risks the business faces, as well as the residual risk after specific safeguards, mitigation and/or management actions have been overlaid. The risk register forms an appendix to the report which details risks that have (i) an initial high inherent risk rating, and (ii) higher residual risk ratings. The Audit Committee in turn agrees those risks that will be managed by the Executive and management teams and those where the Board will retain direct ownership and responsibility for managing and monitoring.

The Board has also undertaken a robust assessment of the emerging and principal risks faced by the Group that may threaten its business model, future performance, solvency or liquidity and its ability to meet the overall objective of the Group of delivering progressive returns to shareholders through a combination of earnings growth and capital appreciation. The Group has identified "responsible business" as a principal risk which includes environmental issues but a specific climate change risk is still considered to be emerging within the risk management process.

As a response to these risks, PHP developed and launched the NZC Framework, which reduces the overall inherent risk to a much smaller residual risk, should the framework be implemented successfully over time. Business planning and strategy now take into account the commitments set out in the framework and key decisions are made with these commitments in mind, primarily decisions related to investment, development and asset management activities.

Integration with wider corporate risk management process

Responsible business, including climate change, is one of the principal risks faced by the Group as set out on page 64. Climate related risks and opportunities are identified and assessed as part of our risk management framework and are considered by the Board which recognises that this is an increasingly important area.

The Executive and management teams assist the Board in its assessment and monitoring of operational and financial risks. A Risk Committee is formed of members of the senior management team and chaired by the Chief Financial Officer, who is experienced in the operation and oversight of risk management processes, with independent standing invitees attending throughout the year.

The Audit Committee reviews the Group's systems of risk management and their effectiveness on behalf of the Board.

METRICS AND TARGETS

Details of PHP's target to achieve NZC across operational, development and asset management activities by 2030 and to help our occupiers achieve NZC by 2040 are set out on page 34.

Relevant material energy and carbon metrics include EPC ratings for our standing assets which are tracked and reported below along with revenue from BREEAM certified buildings and rental increase from energy efficient refurbishments. These directly link to our targets to achieve NZC, and minimum EPC and BREEAM ratings, set out in our Responsible Business Report on pages 34 to 51. At present, PHP does not have an internal carbon price. Under the Directors' remuneration, for the 2024 LTIP, an environmental metric linked to improving portfolio EPC ratings has been included with a weighting of 15%. Senior management's annual bonuses also have wider ESG objectives. This is set out in more detail on page 98.

We measure and disclose Scope 1, 2 and 3 emissions on pages 42 and 43 and in our EPRA sustainability disclosures within the Responsible Business Report on our website. Our most material Scope 3 emissions are included, with the exception of capital goods (embodied carbon), which will be reported for projects in the future when they are completed. We also measure and track flood risk across the portfolio based on asset value. These metrics are consistent with cross-industry climate related metrics for GHG emissions, and transition and physical risks and opportunities.

We also report our GRESB benchmark performance score and responded for the second time in 2023 to the CDP climate programme with results set out in our Responsible Business Report. We will review our metrics and targets annually and update for future TCFD disclosures.

Task Force on Climate-related Financial Disclosures continued

METRICS AND TARGETS CONTINUED

Financial category	Climate category	Metric	Unit	2023	2022
Revenues	Products and services	Revenue from BREEAM Very Good and Excellent properties	% revenue	**15%**	15%
	Products and services	Revenue from DEC A–C rated properties	% revenue	**47%**	44%
	Products and services	Rent increase from completed AM projects with energy improvement measures	£k	**211**	289
Assets	Energy source	Portfolio energy data coverage (by m^2)	%	**75%**	60%
	Energy source	Electricity procured by PHP from renewable sources	%	**97%**	76%
	Policy and legal	EPC A	% asset value	**12%**	9%
		EPC B	% asset value	**30%**	26%
		EPC C	% asset value	**43%**	46%
		EPC D	% asset value	**13%**	15%
		EPC E–F	% asset value	**2%**	4%
	Extreme weather	Portfolio value assessed as at material exposure to flood risk	%	**5%**	5%

COMPLIANCE STATEMENT

PHP confirms that:

1. We believe our climate related financial disclosures for the year ended 31 December 2023 are consistent with the Task Force on Climate-related Financial Disclosures ("TCFD") Recommendations and Recommended Disclosures (as defined in Appendix 1 of the Financial Conduct Authority Listing Rules). Concerning 4b (relating to our Scope 3 emissions), we have assessed all 15 categories but only disclose our material emissions, which are from downstream leased assets and purchased goods and services.
2. Our annual disclosures are contained on the previous pages and in the Responsible Business Report on pages 34 to 51, including commentary on data gaps and performance improvement measures. Further details on our policies and approach to responsible business are also available on our website.
3. We believe that the details of these climate related financial disclosures are conveyed in a decision-useful format to the users of this report.

Section 172 statement

COMPANIES ACT 2006 SECTION 172 STATEMENT

How does the Board consider the interests of key stakeholders?

Our responsibility to stakeholders, together with consideration of the long term consequences of our decisions and maintaining high standards of business conduct, is integral to the way the Board operates.

The Board of Directors, both individually and collectively, are required by law under Section 172 of the Companies Act 2006 to act in the way that they consider, in their good faith judgement, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole and in doing so need to take into account a number of factors, including the views of the Group's key stakeholders, and describe in the Annual Report how their interests have been considered in Board discussions and decision making. The Board considers that throughout the year, it has acted in a way and made decisions that would most likely promote the success of the Group for the benefit of its members as a whole, with particular regard to:

Section 172 matter	How the matter is brought into Board decision making	Read more
a) The likely consequences of any decision in the long term	The very nature of our business model means that the Board has to have the long term consequences of its investment decisions in mind. The leases which we grant on primary care medical centres are generally over 20 years in length as these facilities form a key component in the delivery of healthcare in a locality. The practices operating from these premises need modern, flexible premises from which to operate and the security of a long term commitment from the landlord to deliver their crucial front-line health services. We seek to improve and enhance existing premises so they remain fit for purpose, incorporate new technologies and meet the latest environmental standards. We strive to build lasting relationships with our occupiers and build a partnership with them. The Board undertook a comprehensive review and update of the business' long term strategy during the year.	**Our business model (page 14)** **Financial Review (page 26)** **Responsible Business Report (page 34)** **Corporate Governance Statement (page 76)**
b) The interests of the Company's employees	The Group's employees are at the heart of the business and our people strategy focuses on delivering a culture of empowerment, inclusion, development, openness and teamwork. Staff turnover remains low and the small number of staff allows for a flexible and individual approach. Laure Duhot is the Non-executive Director representative for workforce engagement and attended two staff meetings during the year.	**Stakeholders and people (pages 46 and 49)**
c) The need to foster the Company's business relationships with suppliers, customers and others	The relationships with our occupiers, suppliers and key partners are critical to our ability to maintain our high quality, resilient rental income. Strong relationships with occupiers supports retention and we treat our suppliers fairly, ensuring prompt settlement of their invoices.	**Stakeholders (page 49)** **Directors' Report (page 119)** **Corporate Governance Statement (page 76)**
d) The impact of the Company's operations on the community and the environment	We have continued to support our tenants during the year with dedicated property and facilities management services and in adapting their premises to ensure they provide modern, fit-for-purpose and energy efficient healthcare premises. This year we continued our ESG focus to enable the Group's operational, development and asset management activities to transition to NZC by 2030 and help our occupiers achieve NZC by 2040.	**Responsible Business Report (page 34)** **Corporate Governance Statement (page 76)**
e) The desirability of the Company maintaining a reputation for high standards of business conduct	We have a clear purpose to deliver progressive returns for shareholders through creating outstanding spaces for primary healthcare services in our communities. We adhere to the highest standards of good governance and business conduct in interaction with all our stakeholders and seek to comply with all legal and regulatory standards.	**Responsible Business Report (page 34)** **Corporate Governance Statement (page 76)**
f) The need to act fairly as between members of the Company	The Board embraces open dialogue with shareholders and engages with them through a range of channels and has communicated with them on the most important corporate events through the year, including the appointment of a new Chief Executive Officer and Chairman in 2024 and the interim and full year results, to understand their views.	**Stakeholders – investors and lenders (page 50)** **Corporate Governance Statement (page 76)**

Examples of how we have exercised our Section 172 duties in practice are set out in the case studies on pages 39, 40, 41 and 45.

Our risk management processes enable us to be flexible and responsive to the impact of risks on the business

Risk management overview

Effective risk management is a key element of the Board's operational processes. Risk is inherent in any business, and the Board has determined the Group's risk appetite, which is reviewed on an annual basis. Group operations have been structured in order to accept risks within the Group's overall risk appetite, and to oversee the management of these risks to minimise exposure and optimise the returns generated for the accepted risk. The Group aims to operate in a low risk environment, appropriate for its strategic objective of generating progressive returns for shareholders. Key elements of maintaining this low risk approach are:

- investment focuses on the primary healthcare real estate sector which is traditionally much less cyclical than other real estate sectors;
- the majority of the Group's rental income is received directly or indirectly from government bodies in the UK and Ireland;
- the Group benefits from long initial lease terms, largely with upwards-only review terms, providing clear visibility of income;
- the Group has a small (£1.4 million) exposure as a direct developer of real estate, which means that the Group is not exposed to risks that are inherent in property development;
- the Board funds its operations so as to maintain an appropriate mix of debt and equity; and
- debt funding is procured from a range of providers, maintaining a spread of maturities and a mix of terms so as to fix or hedge the majority of interest costs.

The structure of the Group's operations includes rigorous, regular review of risks and how these are mitigated and managed across all areas of the Group's activities. The Group faces a variety of risks that have the potential to impact on its performance, position and longer term viability. These include external factors that may arise from the markets in which the Group operates, government and fiscal policy, general economic conditions and internal risks that arise from how the Group is managed and chooses to structure its operations.

Approach to risk management

Risk is considered at every level of the Group's operations and is reflected in the controls and processes that have been put in place across the Group. The Group's risk management process is underpinned by strong working relationships between the Board and the Management team which enables the prompt assessment and response to risk issues that may be identified at any level of the Group's business.

The Board is responsible for effective risk management across the Group and retains ownership of the significant risks that are faced by the Group. This includes ultimate responsibility for determining and reviewing the nature and extent of the principal risks faced by the Group and assessing the Group's risk management processes and controls. These systems and controls are designed to identify, manage and mitigate risks that the Group faces but will not eliminate such risks and can provide reasonable but not absolute assurance.

The Management team assists the Board in its assessment and monitoring of operational and financial risks and PHP has in place robust systems and procedures to ensure risk management is embedded in its approach to managing the Group's portfolio and operations. PHP has established a Risk Committee that comprises the Chair of the Audit Committee and members of its senior management team and chaired by the Chief Financial Officer, who is experienced in the operation and oversight of risk management processes, along with independent standing invitees attending throughout the year.

The Board has delegated to the Audit Committee the process of reviewing the Group's systems of risk management and their effectiveness. These systems and processes have been in place for the year under review and remained in place up to the date of approval of the Annual Report and Accounts.

PHP has implemented a wide-ranging system of internal controls and operational procedures that are designed to manage risk as effectively as possible, but it is recognised that risk cannot be totally eliminated. Staff employed by PHP are intrinsically involved in the identification and management of risk. Strategic risks are recorded in a risk register and are assessed and rated within a defined scoring system.

The Risk Committee reports its processes of risk management and rating of identified and emerging risks to the Audit Committee. The risk register is reviewed and updated every six months by the Director: Commercial Finance and Financial Reporting assisted by members of the Risk Committee, and

Approach to risk management continued

assesses inherent and emerging risks the business faces, as well as the residual risk after specific safeguards, mitigation and/or management actions have been overlaid.

The risk register forms an appendix to the report which details risks that have (i) an initial high inherent risk rating, and (ii) higher residual risk ratings. The Board retains ultimate responsibility for determining and reviewing the effectiveness of risk management but has delegated the process to the Audit Committee which is assisted by the Risk Committee. The Audit Committee agrees which risks are managed by management in fulfilling its duties which is reviewed by the Risk Committee.

The Board recognises that it has limited ability to control a number of the external risks that the Group faces, such as the macroeconomic environment and government policy, but keeps the possible impact of such risks under review and considers them as part of its decision-making process.

OUR RISK MANAGEMENT STRUCTURE

Structure	Responsibility
BOARD	Sets strategic objectives and considers risk as part of this process. Determines appropriate risk appetite levels.
AUDIT COMMITTEE	Reports to the Board on the effectiveness of risk management processes and controls: • External audit • Risk surveys • Health and safety • Insurance • Need for an internal audit function
RISK COMMITTEE	Reports to and assists the Audit Committee, monitoring and reviewing: • Attitude to and appetite for risk and future risk strategy • Company's systems of internal controls and risk management • How risk is reported internally and externally • Processes for compliance with law, regulators and ethical codes of practice • Prevention of fraud
SENIOR MANAGEMENT	Implements and monitors risk mitigation processes: • Policies and procedures • Risk management and compliance • Key performance indicators • Specialist third-party reviews

Monitoring of identified and emerging risks

In completing this assessment the Board continues to monitor recently identified and emerging risks and their potential impact on the Group. The manner in which we have addressed the challenges of the last few years has demonstrated the resilience of our business model, and our robust risk management approach, to protect our business through periods of uncertainty and adapt to a rapidly changing environment.

Since the release of our 2022 full-year results, global economic uncertainty has remained volatile and uncertain. Within the UK, the main challenges facing the economy have been high inflation and the rapid rise in interest rates that are still widely expected to remain at elevated levels for longer than originally anticipated. The continued wars in Ukraine and the Middle East have also impacted, what was already sensitive, political and macroeconomic environments.

The potential adverse impact of these factors on our business includes reduced demand for our assets impacting property values in the investment market, increased financing costs and our ability to continue to execute our acquisition and development strategy which could impact our rental income and earnings. The Board and key Committees have overseen the Group's response to the impact of these challenges on our business and the wider economic influences throughout the year.

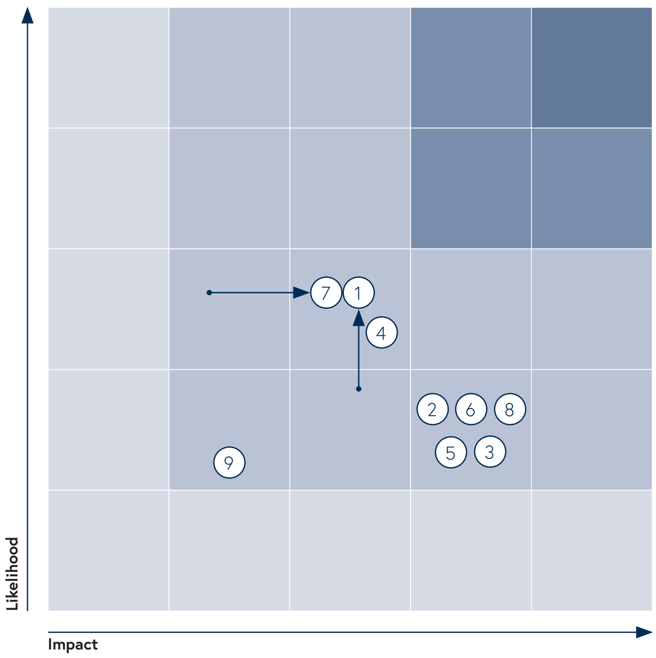
The Board has considered the principal risks and uncertainties as set out in this Annual Report, in light of the challenging macroeconomic environment, and do not consider that the fundamental principal risks and uncertainties facing the Group have changed. However, our current assessment is that the interest rate and property market principal risks have increased. Whilst there is still much uncertainty around the future trajectory of the economy over the coming years, we have set out in our principal risk tables on the following pages, an update on the changes to our principal risks and expected impact on our business of the macroeconomic uncertainty, and the mitigating actions and controls we have in place. The Group's continued ability to be flexible to adjust and respond to these external risks as they evolve will be fundamental to the future performance of our business.

The Board also considered, at its annual strategy day, emerging risks affecting the current primary care delivery model, in particular, the impact of digital technologies.

The Board dealt with the risk of RAAC (Reinforced Autoclaved Aerated Concrete) during the year, reviewing the portfolio, and where necessary surveyed, for its presence. None was identified but we continue to monitor the situation.

The Board continues to consider the impact of Brexit and COVID-19 on the business and again concluded, that these did not constitute a significant risk to the business.

Risk management and principal risks continued



Mapping our key risks and residual risk movement

We use a risk-scoring matrix to ensure we take a consistent approach when assessing their overall impact. Overall, there has been an increase in the likelihood and potential impact of a number of the principal risks over the year, which has been reached considering wider economic uncertainty and other external factors, balanced against PHP's robust business model. The residual risk exposures of the Company's principal risks are shown in the heat map to the left, being the risk after mitigating actions have been taken to reduce the initial inherent risks.

Grow property portfolio

1. Property pricing and competition
2. Financing

Manage effectively and efficiently

3. Lease expiry management
4. People
5. Responsible business

Diversified, long term funding

6. Debt financing
7. Interest rates

Deliver progressive returns

8. Potential over-reliance on the NHS and HSE
9. Foreign exchange risk

→ Indicates risk movement from last year

Grow property portfolio | Manage effectively and efficiently | Diversified, long term funding | Deliver progressive returns

Principal risks and uncertainties

The Board has undertaken a robust assessment of the emerging and principal risks faced by the Group that may threaten its business model, future performance, solvency or liquidity and its ability to meet the overall objective of the Group of delivering progressive returns to shareholders through a combination of earnings growth and capital appreciation. As a result of this assessment there have been no changes to the number of principal risks faced by the business in the year, which are all still deemed appropriate; however, as a result of the current macroeconomic uncertainty, we have amended risk ratings accordingly. These are set out below, presented within the strategic objective that they impact:

Residual risk movement in the year Increased Unchanged Decreased | Low – 0–5 Medium – 6 –14 High – 15–20

GROW PROPERTY PORTFOLIO

1. Property pricing and competition

A C D **KPIs impacted**

The primary care property market continues to be attractive to investors attracted by the secure, government backed income, low void rates and long lease.

The emergence of new purchasers in the sector and the recent slowing in the level of approvals of new centres in the UK may restrict the ability of the Group to secure new investments.

Inherent risk rating

2 4 6 8 10 12 14 16 18 20

High
Likelihood is high and impact of occurrence could be major.

Residual risk rating

2 4 6 8 10 12 14 16 18 20

Medium
The Group's position within the sector and commitment to and understanding of the asset class mean PHP is aware of a high proportion of transactions in the market and potential opportunities coming to market.

Active management of the property portfolio generates regular opportunities to increase income and lease terms and enhance value.

Commentary on risk in the year

In terms of values, the Group has previously benefited from a flight to income as a consequence of the wider economic uncertainty seen in previous years, with demand increasing from investors seeking its long term, secure, government backed cash flows against a backdrop of limited supply.

A revaluation deficit of £53 million was generated in the year, driven by NIY widening of 23 bps in the year.

Increased interest rates, including volatility, in particular, for gilts and bonds, have had a negative impact on the property yields in the sector, despite gilt rates stabilising in Q4. This reduces investor sentiment, competition and attractiveness of PHP's assets and consequently impacted valuations.

Mitigation

The reputation and track record of the Group in the sector mean it is able to source forward funded developments and existing standing investments from developers, investors and owner-occupiers.

As a result, the Group has several formal pipeline agreements and long-standing development relationships that provide an increased opportunity to secure developments that come to market in the UK and Ireland.

Despite the unprecedented market conditions faced, the Group continues to have a strong, identified pipeline of investment opportunities in the UK and Ireland.

Principal risks and uncertainties continued

GROW PROPERTY PORTFOLIO CONTINUED

2. Financing

G H **KPIs impacted**

The Group uses a mix of shareholder equity and external debt to fund its operations. A restriction on the availability of funds would limit the Group's ability to fund investment and development opportunities and implement strategy.

Furthermore, a more general lack of equity or debt available to the sector could reduce demand for healthcare assets and therefore impact values.

Inherent risk rating

2 4 6 8 10 12 14 16 18 20

High
Likelihood is high and impact of occurrence could be major.

Residual risk rating

2 4 6 8 10 12 14 16 18 20

Medium
The Group takes positive action to ensure continued availability of resource, maintains a prudent ratio of debt and equity funding and refinances debt facilities in advance of their maturity.

Commentary on risk in the year

The Company successfully completed one debt financing during the year, tapping the existing euro private placement loan notes by issuing a further €47.8 million.

The credit margin agreed on this new facility remains in line with previous euro denominated facilities, reiterating the confidence in PHP's business model shown by lenders.

The Group's undrawn facilities mean it currently has headroom of £321 million.

All covenants have been met with regard to the Group's debt facilities and these all remain available for their contracted term.

Mitigation

Existing and new debt providers are keen to provide funds to the sector and specifically to the Group, attracted by the strength of its cash flows.

The Board monitors its capital structure and maintains regular contact with existing and potential equity investors and debt funders. Management also closely monitors debt markets to formulate its most appropriate funding structure.

The euro private placement was executed for a ten-year term, further increasing PHP's average debt maturity of drawn facilities to 6.6 years.

MANAGE EFFECTIVELY AND EFFICIENTLY

3. Lease expiry management

E F **KPIs impacted**

The bespoke nature of the Group's assets can lead to limited alternative use. Their continued use as fit-for-purpose medical centres is key to delivering the Group's strategic objectives.

Inherent risk rating

2 4 6 8 10 12 14 16 18 20

Medium
Likelihood of limited alternative use value is moderate but the impact of such values could be serious.

Residual risk rating

2 4 6 8 10 12 14 16 18 20

Medium
Management employs an active asset and property management programme and has a successful track record of securing enhancement projects and securing new long term leases.

Commentary on risk in the year

Lease terms for all property assets will erode and the importance of active management to extend the use of a building remains unchanged.

Mitigation

The asset and property management teams meet with occupiers on a regular basis to discuss the specific property and the tenant's aspirations and needs for its future occupation.

Eight asset management projects physically completed in the year, with a further six projects onsite, enhancing income and extending occupational lease terms.

In addition, there is a strong pipeline of over 43 projects that will be progressed in 2024 and the coming years.

Only 11.3% of the Group's income is currently holding over or expires over the next three years, of which c.70% is either subject to a planned asset management initiative or terms have been agreed to renew the lease.

Risk management and principal risks continued

Principal risks and uncertainties continued

MANAGE EFFECTIVELY AND EFFICIENTLY CONTINUED

4. People

F KPI impacted

The inability to attract, retain and develop our people to ensure we have the appropriate skill base in place in order for us to implement our strategy.

Inherent risk rating

2 4 6 8 10 12 14 16 18 20

Medium
Likelihood and potential impact could be medium.

Residual risk rating

2 4 6 8 10 12 14 16 18 20

Medium
The Remuneration Committee has benchmarked remuneration with the help of remuneration consultants, and reviewed and updated policies to ensure retention and motivation of the Management team.

Commentary on risk in the year

The cost-of-living crisis has remained during the year and expected to continue into 2024 as interest rates remain higher for longer, continuing the risk of losing a highly skilled and specialist staff.

Mitigation

Succession planning is in place for all key positions and will be reviewed regularly by the Nomination Committee.

Remuneration incentives are in place such as bonuses and an LTIP for Executive Directors and senior management to incentivise and motivate the team and are renewed annually and benchmarked to the market.

Notice periods are in place for key employees.

5. Responsible business

D E H KPIs impacted

Risk of non-compliance with Responsible Business practices, including climate mitigation and ethical business consideration, not meeting stakeholders' expectations, leading to possible reduced access to debt and capital markets, weakened stakeholder relationships and reputational damage.

Inherent risk rating

2 4 6 8 10 12 14 16 18 20

High
Likelihood is high and impact of occurrence could be major.

Residual risk rating

2 4 6 8 10 12 14 16 18 20

Medium
The Group is committed to meeting its obligations in line with its Responsible Business Framework and feels it has introduced sufficient mitigants to continue to deliver its objectives.

Commentary on risk in the year

Properties no longer meet occupiers' expected environmental requirements.

Stakeholders including investors and debt providers see ESG as a key issue and want to see a sufficiently developed plan to decarbonise the property portfolio and to operate to the highest standards of business ethics and due diligence.

There is a risk that we may not meet the hurdles sought by stakeholders including equity and debt investors should PHP not focus enough on ESG matters, potentially impacting the funding of the business significantly.

Additionally, political and regulatory changes to corporate governance and disclosure, energy efficiency and net zero carbon requirements are expected to be mandated in the short to medium term. The introduction of Corporate Sustainability Reporting Directive ("CSRD") and International Sustainability Standards Board ("ISSB") in the year is a key example of increasing requirements, although PHP is not legally required to comply at present.

Mitigation

PHP's ESG credentials remain at the forefront of its strategic planning and it has established an ESG Committee to review and drive the Group's ESG agenda forward. During the year PHP has:

- worked with Achilles to provide limited third party assurance of our disclosures and achieved certification to Toitu Carbon Reduce and ISO 14064;
- provided staff training covering individual personal development and ESG;
- commissioned third party audits for development and refurbishment projects to guard against the risks of modern slavery and unethical supply chain standards;
- engaged with external experts to assess and inform our net zero carbon approach for developments and refurbishments;
- set, monitored and reported sustainability targets and hurdles to ensure acquired assets or asset management schemes meet specific ESG criteria, with these same criteria aligned to investors and debt providers;
- implemented Community Impact Fund to support social prescribing activities at the Group's properties;
- achieved EPC rating benchmarks to ensure compliance with the Minimum Energy Efficiency Standard ("MEES") that could otherwise impact the quality and desirability of our assets leading to higher voids, lost income and reduced liquidity; and
- worked with our occupiers to improve the resilience of our assets to climate change as well as with contractors which are required to conform to our sustainable development and refurbishment requirements.

Principal risks and uncertainties continued

DIVERSIFIED, LONG TERM FUNDING

6. Debt financing

G H **KPIs impacted**

Without appropriate confirmed debt facilities, PHP may be unable to meet current and future commitments or repay or refinance debt facilities as they become due.

Inherent risk rating

2 4 6 8 10 12 14 16 18 20

Medium
The likelihood of insufficient facilities is moderate but the impact of such an event would be serious.

Residual risk rating

2 4 6 8 10 12 14 16 18 20

Medium
The Board regularly monitors the facilities available to the Group and looks to refinance in advance of any maturity. The Group is subject to the changing conditions of debt capital markets.

Commentary on risk in the year

Negotiations with lenders have confirmed that the Group enjoys the confidence of the lending markets both in terms of the traditional high street lenders and the bond markets.

The Company successfully completed one debt financing during the year, tapping its existing euro private placement loan notes by issuing a further €47.8 million.

Mitigation

Existing lenders remain keen to finance PHP and new entrants to debt capital markets have increased available resource. Credit margins agreed on the new facility and RCF plus one extensions in the year, remained in line with what has been achieved in previous years, reiterating the confidence in PHP's business model shown by the lending banks.

Management regularly monitors the composition of the Group's debt portfolio to ensure compliance with covenants and continued availability of funds.

Management regularly reports to the Board on current debt positions and provides projections of future covenant compliance to ensure early warning of any possible issues.

7. Interest rates

A B F G H **KPIs impacted**

Adverse movement in underlying interest rates could adversely affect the Group's earnings and cash flows and could impact property valuations.

Inherent risk rating

2 4 6 8 10 12 14 16 18 20

High
The likelihood of volatility in interest rate markets is high and the potential impact if not managed adequately could be major.

Residual risk rating

2 4 6 8 10 12 14 16 18 20

Medium
The Group is currently well protected against the risk of interest rate rises but, due to its continued investment in new properties and the need to maintain available facilities, is increasingly exposed to rising interest rate levels.

Property values are still subject to market conditions which will continue to be impacted by the interest rate environment.

Commentary on risk in the year

Interest rates continued to increase significantly during the year because of the stubbornly high inflation and the uncertain macroeconomic/political environment in the UK.

These elevated interest rates, that are widely forecast to remain at these elevated levels over the coming year, have forced us to critically re-evaluate investment yields on acquisitions and developments. These have the potential to limit the Group's ability to profitably acquire investment and development opportunities and implement it's strategy. This in turn is likely to continue to weigh on property yields and consequently valuations in the future. However, notwithstanding these significant increases and volatility in interest rates seen in 2023, we continue to believe further significant reductions in primary care values are likely to be limited with a stronger rental growth outlook offsetting the impact of any further yield expansion.

Whilst no immediate refinances are required until 2025, any additional drawn debt in 2024 will be subject to variable interest rates, and would increase the current 3%, of unhedged variable debt as at 31 December 2023.

Mitigation

The Group holds the majority of its debt in long term, fixed rate loans and mitigates its exposure to interest rate movements on floating rate facilities through the use of interest rate swaps.

As at the balance sheet date 97% of net debt is fixed or hedged.

MtM valuation on debt and derivative movements do not impact the Group's cash flows and are not included in any covenant test in the Group's debt facilities.

The Group continues to monitor and consider further hedging opportunities in order to manage exposure to rising interest rates.

Risk management and principal risks continued

Principal risks and uncertainties continued

DELIVER PROGRESSIVE RETURNS

8. Potential over-reliance on the NHS and HSE

D C **KPIs impacted**

PHP invests in a niche asset sector where changes in healthcare policy, the funding of primary care, economic conditions and the availability of finance may adversely affect the Group's portfolio valuation and performance.

Inherent risk rating

2 4 6 8 10 12 14 16 18 20

Medium
Likelihood is low but impact of occurrence may be major.

Residual risk rating

2 4 6 8 10 12 14 16 18 20

Medium
Policy risk and general economic conditions are out of the control of the Board, but proactive measures are taken to monitor developments and to consider their possible implications for the Group.

Commentary on risk in the year

The UK and Irish Governments continue to be committed to the development of primary care services and initiatives to develop new models of care increasingly focusing on greater utilisation of primary care.

Despite the UK's economic outlook and the continued backlog of treatments created by the COVID-19 pandemic, staff shortages and recruitment issues that the NHS faces, we expect the demand for health services to continue to grow, driven by demographics. Despite future government funding levels in the UK and Ireland likely being impacted by economic performance and political elections, primary care remains a critical infrastructure with no indications it is an area being considered for cuts.

A fundamental change in government policy could impact how the private sector regards its investment in this asset class and its willingness to further deploy private sector resources to improve the quality of primary care facilities. The NHS, HSE and District Valuer need to acknowledge that higher build costs and inflation will need to be reflected in future rent settlements for new schemes to be economically viable.

Mitigation

The commitment to primary care is a stated objective of both the UK and Irish Governments and on a cross-party basis. Never has the modernisation of the primary care estate been more important in order to reduce the huge backlog of treatments, and to avoid patients being directed to understaffed and over-burdened hospitals.

Management engages directly with government and healthcare providers in both the UK and Ireland to promote the need for continued investment in modern premises.

This continued investment provides attractive long term, secure income streams that characterises the sector, leading to stability of values.

PHP continues to appraise and invest in other adjacent, government funded healthcare related real estate assets.

9. Foreign exchange risk

A B C D **KPIs impacted**

Income and expenditure that will be derived from PHP's investments in Ireland will be denominated in Euros and may be affected unfavourably by fluctuations in currency rates, impacting the Group's earnings and portfolio valuation.

Inherent risk rating

2 4 6 8 10 12 14 16 18 20

Medium
Likelihood of volatility is high but the potential impact at present is low due to the quantum of investment in Ireland, albeit this is increasing.

Residual risk rating

2 4 6 8 10 12 14 16 18 20

Low
PHP has implemented a natural hedging strategy to cover balance sheet exposure and has hedged out the income exposure for the period until July 2024.

Commentary on risk in the year

The Group now has 21 investments in Ireland. Asset values, funding and net income are denominated in Euros.

The wider macroeconomic and political environment across the world continues to cause exchange rate volatility.

Mitigation

The Board has funded and will continue to fund its investments in Ireland with Euros to create a natural hedge between asset values and liabilities in Ireland.

To hedge out the Euro denominated income exposure PHP has a zero cost Euro foreign exchange cap and collar to rates between a range of €1.1675: £1 and €1.1022: £1, to cover net annual income of €10 million per annum, which expires in July 2024.

Management closely monitors the Euro to GBP currency rates with its banks to formulate a formal hedging strategy against Irish net cash flow.

Viability statement

In accordance with the 2018 UK Corporate Governance Code, the Board has assessed the prospects of the Group over the longer term, taking account of the Group's current position, business strategy, principal risks and outlook.

The Board believes the Company has strong long term prospects, being well positioned to address the need for better primary care health centres in the UK and Ireland.

The Directors confirm that, as part of their strategic planning and risk management processes, they have undertaken an assessment of the viability of the Group, considering the current position and the potential impact of the principal risks and prospects over a three-year time horizon. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2026. Although individually the Group's assets may have relatively long unexpired lease terms and will all have a defined asset management strategy, the Board has undertaken its detailed financial review over a three-year period because:

- the Group's financial review and budgetary processes cover a three-year look forward period; and
- occupational leases within the Group's property portfolio typically have a three-yearly rent review pattern and so modelling over this period allows the Group's financial projections to include a full cycle of reversion, arising from open market, fixed and index-linked rent reviews.

The Group's financial review and budgetary processes are based on an integrated model that projects performance, cash flows, position and other key performance indicators including earnings per share, leverage rates, net asset values per share and REIT compliance over the review period. In addition, the forecast model looks at the funding of the Group's activities and its compliance with the financial covenant requirements of its debt facilities. The model uses a number of key parameters in generating its forecasts that reflect the Group's strategy and operating processes and the Board's expectation of market developments in the review period. In undertaking its financial review, these parameters have been flexed to reflect severe, but realistic, scenarios both individually and collectively. Sensitivities applied are derived from the principal risks faced by the Group that could affect solvency or liquidity.

The sensitivities applied are generally the same as used for the 31 December 2022 year end audit which included a 10% decline in valuations, and 15% tenant default rate. We believe these remain realistic reasonable worst-case scenarios, having seen an absolute valuation decline of 1.9% in 2023.

Across our various loan facilities, valuations will need to fall by a further £1.1 billion or 39% before the loan to value covenants are impacted. Acknowledging the further 175bps increase in the Bank of England base rate during 2023, in light of governmental targets to reduce inflation being met in the year, many economists and market consensus is that rates have potentially peaked at 5.25%. We therefore feel the increase in variable interest rates should remain a sensitivity but have reduced the sensitivity from 2% to 1%.

The sensitivities applied are as follows:

- declining attractiveness of the Group's assets or extenuating economic circumstances impact investment values – valuation parameter stress tested to provide for a one-off 10%/£279 million fall in June 2024;
- 15% tenant default rate;
- rental growth assumptions amended to see nil uplifts on open market reviews;
- variable rate interest rates rise by an immediate 1% effective from 1 January 2024; and
- tightly controlled NHS scheme approval restricts investment opportunity – investment quantum flexed to remove non-committed transactions.

We have assessed the impact of these assumptions on the Group's key financial metrics over the assessment period including covenant compliance, profitability, net debt, loan to value ratios and available financial headroom which are as follows:

Key metrics at 31 December 2026	31 December 2023	Viability scenario
Loan to value ratio	**47.0%**	54.2%
Net debt	**£1,307m**	£1,408m
Interest cover ratio	**3.08x**	2.59x
Adjusted net assets	**£1,443m**	£1,164m
Available financial headroom	**£321m**	£228m

All covenants have been monitored throughout the viability period that has been assessed and any breaches were minor and could be remedied with cash or property collateral.

In making its assessment, the Board has made a number of specific assumptions that overlay the financial parameters used in the Group's models. The Board has assumed in addition to the specific impact of new debt facilities, the Group will be able to refinance or replace other debt facilities that mature within the review period in advance of their maturity and on terms similar to those at present. See Note 14 to the financial statements for a profile of the Group's debt maturity.

Harry Hyman
Chief Executive Officer
27 February 2024

Our strong governance framework underpins the way we manage the business

"The quality of our governance framework, which continues to evolve by reference to developing standards, underpins the crucial role which the Board plays in continuing to steward the business in the most effective way."

Steven Owen
Independent Non-executive Chairman

Statement of compliance with the Code

This report sets out the Company's governance structures and practices and explains how the Board discharges its duties and applies the principles and complies with the provisions of the July 2018 UK Corporate Governance Code (the "Code"), issued by the Financial Reporting Council ("FRC") and available at www.frc.org.uk.

The Board has considered the Company's compliance with the provisions of the Code during the year ended 31 December 2023.

The Board confirms that, throughout the year ended 31 December 2023 and to the date of this report, the Company was compliant with all the relevant provisions as set out in the Code, other than: (i) the sixth bullet of Provision 41 as our workforce engagement this year did not cover an explanation of how executive remuneration aligns with wider Company pay policy. This is explained in the Remuneration Committee Report on page 107; and (ii) with effect from 1 January 2023 to the date of this report, Provision 19 relating to the tenure of the Chair. This position is fully explained in the letter from the Chair below (see Board succession section).

DEAR SHAREHOLDER

Introduction

I am pleased to introduce the governance section of this year's Annual Report which gives more detail on the governance structures we have in place and how the Board and its Committees worked on behalf of shareholders and other stakeholders, driving the culture necessary for PHP to achieve its strategic goals.

As stewards of the Company, the Board is responsible to our shareholders, customers, employees and other stakeholders for its long term success. The long term success of the Company in delivering excellent returns for its shareholders, many of whom are also employees, was recognised by PHP being judged the winner of MSCI's Highest Ten-Year Risk Adjusted Total Return Award for the second year in succession in 2022, having previously won the award in 2021 and 2017.

These accolades are down to the sound governance framework we have in place and the excellent work and dedication of our highly experienced team, led by the CEO and founder, Harry Hyman, in delivering high quality, modern medical centres for GPs and other primary care professionals in the UK and Ireland.

Board succession

Having been appointed to the Board in January 2014, I had, at the time of the Company's 2023 AGM, served more than nine years and therefore ceased to be considered independent under the provisions of the Code. After a review by the independent Non-executive Directors, which included consultation with several of the Company's largest shareholders, they concluded that I continued to act independently and that the Company would benefit significantly from me leading the CEO succession process. Accordingly, and with strong support from shareholders, I continued in 2023 as Chair of the Company and the Nomination Committee and as a member of the ESG Committee but ceased to be a member of the Remuneration Committee from 31 December 2022. I will be retiring as planned at the 2024 AGM.

The past year has been a significant one in the Company's history regarding the successful execution of its succession plan and the composition of the Board. The first step in the plan in 2023 was to recruit a CEO to succeed Harry Hyman, Founder and CEO who had previously indicated his intention to retire as CEO at the Company's Annual General Meeting in 2024 ("2024 AGM"). I led a thorough and extensive search process, supported by independent recruitment consultants with no connections with PHP or any of its Directors, to recruit and appoint a new CEO to succeed Harry.

Following that process, the Company was pleased to announce on 4 September 2023 the appointment of Mark Davies as CEO with effect from the conclusion of the 2024 AGM. Mark is a highly experienced FTSE 250 executive who has held CEO and CFO roles in listed companies and private equity. He was a Co-founder Director of NewRiver REIT plc ("NewRiver") in 2009 and played an important role in taking the Company from IPO to the FTSE 250 in seven years. He was CFO of NewRiver for over twelve years and, alongside his role as CFO, was also CEO/Executive Chairman of Hawthorn Leisure Limited ("Hawthorn") for five years. Mark stood down from the board of NewRiver following the successful sale of Hawthorn in July 2021 to private equity at a premium price.

Mark has considerable capital markets experience and over the last 14 years has raised over £3 billion of equity and debt in public and private markets.

Prior to co-founding NewRiver, Mark spent three years as an Executive Director and CFO at Omega Land, a private equity fund, with over £2 billion of London real estate owned by Morgan Stanley Real Estate Funds.

As part of the handover process Mark has, since January, been working alongside Harry, and will do so up to the 2024 AGM, under the terms of a consultancy agreement, and serve as CEO from that point onwards.

Mark is currently the Senior Independent Director at Palace Capital PLC, a London-listed REIT.

Following Mark's appointment, the second step in the succession plan was to find a successor to myself as Chairman. As anticipated in the Company's Annual Report 2022, Ian Krieger, our Senior Independent Director, led that process. The Company was pleased on 2 November 2023 to announce the appointment of Harry Hyman as Non-executive Chair subject to shareholder approval at, and with effect from the conclusion of, its 2024 AGM. Harry would cease to be a Group employee and be engaged and remunerated under a customary non-executive letter of appointment from that point.

Harry, who has been pivotal in the success and focus of the Company, has an extensive knowledge of the specialised primary care property sector and its nuances and is well known to many of the senior stakeholders within the NHS. These relationships, as well as being particularly significant in the Group's niche area, will also be especially valuable as the architecture of the public health system continues to evolve following the introduction of integrated care systems and as the NHS continues to navigate both system pressures and the uncertainties which accompany the upcoming general election. This period of evolution for the health system is likely to take some time given the number of key stakeholders involved in a complex landscape where developments are shaped by political change and Mark has expressed his strong desire that Harry remains involved as Chair so the Company can benefit from his unique expertise and wide contact base in that role. The Board is satisfied that Harry is ready to step back from running the Company and will be a very effective Chair to support Mark in his role as CEO.

Accordingly, the Board unanimously believes that Harry's appointment as Chair is in the best interests of the Group and all of its stakeholders, with his knowledge and expertise in the primary care property sector, which is a niche sub-sector of the real estate market, continuing to be invaluable and highly relevant to the Group's future success. The Company is conscious this proposal is exceptional for the purposes of Code Provision 9.

The Company, led by Senior Independent Director Ian Krieger, has accordingly consulted and engaged with a number of the Group's major shareholders (representing approximately 60% of the register) on this proposal and received largely positive feedback from that process.

The Board is mindful that Harry will not, assuming approval of his appointment by shareholders, be considered independent on appointment under the provisions of the Code, given his current role as Chief Executive Officer.

The Board, conscious of best practice and noting shareholder feedback, has determined that Harry's term as Chair will be for a maximum of three years (which allows the Company to benefit from Harry's experience through the extended period of health system evolution referred to above), subject to annual review by an experienced and robust group of independent Non-executive Directors and subject also to annual shareholder re-appointment during that time in the usual way. In accordance with Code requirements, Harry will not sit on the Remuneration or Audit Committees, and the Company will otherwise continue to adhere to corporate governance best practice.

The Board considers that the combination of Mark Davies as CEO and Harry Hyman as Chair, together with Richard Howell as CFO and David Bateman as CIO, makes a formidable, highly respected leadership team that will continue to build on the success of the business.

The final step in the Company's plan was to recruit an additional Non-executive Director in order to ensure that the Board consists of a majority of independent Non-executive Directors and therefore is compliant with the Code from the date of appointment. As a result, the Company was pleased to appoint Dr Bina Rawal as a fourth independent Non-executive Director of the Company with effect from 27 February 2024.

The size of the Board has therefore increased from six to seven and will be compliant with the Code from the date of the above appointment. Whilst, as noted above, he would not be considered independent under the Code, as a major long-term shareholder Mr Hyman's interests are fully aligned with those of shareholders.

Culture and strategy

Strategy and culture need to be aligned for us to achieve our corporate purpose and governance has a key role to play in establishing the culture that we want to create. We aim to be a key partner working in collaboration with the health services in the United Kingdom and Ireland to deliver much needed investment into primary care facilities which have been demonstrated to improve health outcomes and reduce referral rates to over-stretched hospitals.

Chairman's introduction to governance continued

Culture and strategy continued

Accordingly, the Board culture seeks to foster an environment where we conduct our operations with honesty, integrity and respect for the many people, organisations and localities that our business touches. In addition to monitoring and assessing culture with this objective in mind (as further described on page 77), the Board also seeks to maintain an environment which encourages openness, respect, trust and fairness.

Stakeholders and sustainability

The nature of our business, from investing in and developing properties to managing and improving our spaces for the delivery of primary care, means we have a continuous dialogue with a wide group of stakeholders and we consider our environmental and social impacts in all that we do. This approach is central to our purpose and our stakeholders' views are a key consideration when making decisions which may affect them. More detail on the Board's engagement with shareholders, employees and other stakeholders can be found on page 49.

On the social side, 2023 was the third year of our Community Impact Fund in partnership with UK Community Foundations, through which PHP offers grants to charities and community groups that are focused on social prescribing and community wellbeing serving our properties. This year, activity was focused on the Midlands region of England. Several of our team have also taken advantage of PHP's volunteering scheme and taken paid time off work to support a number of charities.

Our ESG Committee continued to drive forward our environmental, social and governance agenda. We provide further details on our initiatives to engage with all our stakeholders on pages 49 to 51 and how we discharge our duties under Section 172 of the Companies Act 2006 on page 59.

Evaluation

The annual Board evaluation process is an important part of our governance process as it provides an opportunity for reflection on aspects of the Board's work that went well and considers areas for further improvement. Details of the evaluation and the main findings of the process are set out on pages 85 and 86. I am pleased that the feedback confirms my view that the Board works effectively, and in a collaborative and open way.

I am pleased to report that, following an evaluation of the performance of the Directors and their other commitments, each of the Directors standing for re-election at the Annual General Meeting on 24 April 2024 have been recommended by the Board for re-election.

AGM

We will be holding our Annual General Meeting on 24 April 2024 and the notice of the meeting, a covering letter from me about the meeting, explanatory notes for the resolutions to be put to the meeting and details of how you vote are set out on pages 175 to 187 of the Annual Report. I hope that you will be able to join us at the meeting. If you are not able to do so, please either use the form of proxy that you should find with the Annual Report or cast your vote electronically as explained on pages 185 and 186.

Looking ahead

I would like to conclude by thanking members of the Board for their continued support and commitment over the past year. It has been a privilege to serve as a Non-executive Director and, for the past six years, as Chairman, during which time PHP has continued to grow to the benefit of its shareholders and stakeholders. I should like to thank the Board and the wider PHP team for their support and commitment over that time, and wish the Company every success for the future – success which I feel confident will be forthcoming given the strength, values and vision of the PHP team.

I hope that you find the remaining pages of this Governance Report informative and useful.

Steven Owen
Chairman
27 February 2024

Board of Directors

The Board provides leadership and direction to the business as a whole, having due regard to the views and interests of its stakeholders and the environment within which it operates.

1 E N S

2 E S

3 E S

4 A E N R

5 A E N R S

6 A E N R

7 E S

8 A E N R

1 Steven Owen

Independent Non-executive Chairman (retiring)

Election to the Board

Steven Owen was elected at the Company's Annual General Meeting in 2014, having been appointed to the Board in January 2014, and following his election to the Board he took up the position as Chairman of the Audit Committee and Senior Independent Director. Steven was appointed Chairman in April 2018 and took over as Chairman of the Nomination Committee.

Career

Steven embarked on his career with KPMG before moving into property with Brixton plc where he became Finance Director and subsequently Deputy Chief Executive. He is currently the Executive Chairman of Palace Capital plc, a UK REIT that owns and manages a diversified portfolio of UK regional commercial property, and was CEO and Founding Partner of Wye Valley Partners LLP, a commercial real estate asset management business.

Skills, competence and experience

Steven combines his financial skills as a Chartered Accountant with extensive experience of investment and development in commercial property in a listed company environment, having spent 24 years at Brixton plc, then a listed FTSE 250 company. Steven is also a Fellow of the Association of Corporate Treasurers.

Other listed directorships

Executive Chairman of Palace Capital plc.

Independent Non-executive

No.

2 Harry Hyman

Chief Executive Officer (Non-executive Chair following AGM, subject to shareholder approval)

Election to the Board

Harry Hyman founded the Company in 1996 and served on the Board as Managing Director from that time and represented the former Adviser to the Company, Nexus Tradeco Limited ("Nexus"), on the Board. On completion of the internalisation on 5 January 2021, Harry was appointed as Chief Executive Officer. As announced on 2 November 2023, subject to shareholder approval Harry will be appointed as Non-executive Chair with effect from the end of the 2024 AGM. The Board believes that Harry's appointment is in the best interests of the Group and all of its stakeholders, particularly as his knowledge and expertise gained over nearly 30 years in the primary care property sector will continue to be invaluable and highly relevant to the Group's future success. The Board has determined that the term will be a maximum of three years.

Career

Harry graduated from Cambridge University and trained as a Chartered Accountant and Corporate Treasurer. He established the Company in 1996 and was the Managing Director of Nexus Tradeco Limited, which until 5 January 2021 was the Adviser to PHP.

He is a Fellow of the Institute of Chartered Accountants in England and Wales, a Fellow of the Association of Corporate Treasurers and a Fellow of the Royal Institute of Chartered Surveyors.

Skills, competence and experience

Harry has extensive experience in investing in the primary healthcare sector, having developed the Company's business from inception over 20 years ago to its current position with an investment portfolio of over £2.7 billion. He also brings entrepreneurial flair to the Board having established a number of successful private companies.

Other listed directorships

Non-executive Chairman of Biopharma Credit plc, an externally managed investment trust which invests in the fast-growing science industry, and is listed on the London Stock Exchange.

3 Richard Howell

Chief Financial Officer

Election to the Board

Richard Howell was appointed to the Board from 31 March 2017, having joined Nexus on 13 March 2017, and following completion of the internalisation of the advisory and management functions previously carried out by Nexus, he was appointed Chief Financial Officer.

Career

Richard is a Chartered Accountant and has over 20 years' experience working with London-listed commercial property companies, gained principally with LondonMetric Property plc and Brixton plc. Richard was part of the senior management team that led the merger of Metric Property Investments plc and London & Stamford Property plc in 2013 to create LondonMetric Property plc. In May 2022 he was appointed as a Non-executive Director at Life Science REIT plc, an AIM-listed, externally managed real estate trust.

Skills, competence and experience

Richard has extensive finance experience, having previously held senior accounting positions within listed property companies operating across the UK. Whilst working for LondonMetric Property plc and Brixton plc, he has been involved in over £5 billion of property transactions.

Other listed directorships

Senior Independent Non-Executive Director and Audit Chair of Life Science REIT plc.

Key to Committee membership (including new appointments)

- A Audit Committee
- E ESG Committee
- N Nomination Committee
- R Remuneration Committee
- S Standing Committee
- ◯ Indicates Chair of Committee

4 Laure Duhot

Independent Non-executive Director

Election to the Board
Laure Duhot was appointed to the Board from 14 March 2019 following completion of the merger with MedicX Fund Limited. She is Chair of the ESG Committee.

Career
Laure started her career in the investment banking sector and has developed a focus on the property sector. She has held senior roles at Lehman Brothers, Macquarie Capital Partners, Sunrise Senior Living Inc., Grainger plc and Lendlease. She is a Non-executive Director of Safestore Holdings plc and (until December 2023) of Orpea S.A., a Paris-listed operator of retirement homes.

Skills, competence and experience
Laure brings over 30 years of senior executive level experience in the investment banking and property sectors, specialising in alternative real estate assets, and has been a Non-executive Director at a number of funds and property companies.

Other listed directorships
Non-executive Director of Safestore Holdings plc and NB Global Monthly Income Fund Limited.

Independent Non-executive
Yes.

5 Ian Krieger

Senior Independent Non-executive Director

Election to the Board
Ian Krieger was elected a Director at the 2018 Annual General Meeting, having been appointed to the Board in February 2018, and is Chairman of the Audit Committee.

Career
Ian is a Chartered Accountant and was a Partner and Vice-Chair at Deloitte until his retirement in 2012. He is currently Senior Independent Non-executive Director and Chairman of the audit committee at Safestore Holdings plc and he is Senior Independent Non-executive Director at Capital & Regional plc, where he is also the Chairman of the audit committee.

Skills, competence and experience
Ian qualified as and practised as a Chartered Accountant and brings a wealth of recent financial experience to the Board as well as his experience as Chairman of the audit committees of two other UK-listed companies in the property sector.

Other listed directorships
Safestore Holdings plc and Capital & Regional plc.

Independent Non-executive
Yes.

6 Ivonne Cantú

Independent Non-executive Director

Election to the Board
Ivonne Cantú was appointed to the Board from 1 January 2022.

Career
Ivonne has significant public company experience having spent over 20 years advising listed businesses. She is currently the Director of Investor Relations, Communications and Sustainability as well as a member of the executive management team and the sustainability committee of Benchmark Holdings Limited, a biotechnology aquaculture company. She is also a Non-executive Director and Chair of the remuneration committee at Creo Medical Group plc and a Trustee of two non-profit charitable organisations, La Vida and Info Latinos and TEH Advisory Board.

Skills, competence and experience
Prior to taking up her position at Benchmark Holdings Limited, Ivonne spent 13 years as a Senior Corporate Finance Adviser at Cenkos Securities plc, and prior to that seven years as an Investment Banker at Merrill Lynch. She has a degree in Engineering from the Universidad Panamericana in Mexico City and an MBA from the Wharton School of Business at the University of Pennsylvania.

Other listed directorships
Creo Medical Group plc.

Independent Non-executive
Yes.

7 Mark Davies

Chief Executive Office (Incoming)

Election to the Board
Mark Davies will succeed Harry Hyman as CEO of the Group at the conclusion of the 2024 AGM.

Career
Mark was a Co-founder Director of NewRiver REIT plc ("NewRiver") in 2009 and played an important role in taking NewRiver from IPO into the FTSE 250 index in seven years. He was CFO of NewRiver for over twelve years and, alongside his role as CFO, was also CEO/Executive Chairman of Hawthorn Leisure Limited ("Hawthorn") for five years. Mark stood down from the Board of NewRiver following the successful sale of Hawthorn in July 2021 to private equity at a premium price.

Skills, competence and experience
Mark has considerable capital markets experience and over the last fourteen years has raised over £3 billion of equity and debt in public and private markets.

Other listed directorships
Senior Independent Director of Palace Capital plc

8 Dr Bandhana (Bina) Rawal

Independent Non-executive Director

Election to the Board
Bina Rawal was appointed to the Board from 27 February 2024.

Career
Bina is a medical professional with 25 years' senior executive experience in healthcare, including with blue chip pharmaceutical companies such as Roche and global research funding charity Wellcome Trust. She is currently Senior Independent Director at Worldwide Healthcare Trust plc, a FTSE 250-listed investment trust specialising in healthcare and life sciences companies where she is board lead for ESG and chairs the nominations committee. She is also a non-executive director of Central London Community Healthcare NHS Trust.

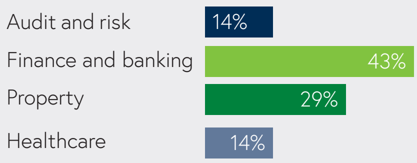
Skills, competence and experience
Bina has a wide breadth of experience spanning patient care, digital and population health, ESG, strategy, partnerships and EDI, alongside extensive networks in UK healthcare through her senior level executive and non-executive roles to date in large, complex organisations within the public, private and not-for-profit sectors.

Other listed directorships
Worldwide Healthcare Trust plc.

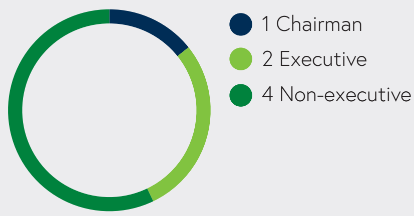
Independent Non-executive
Yes.

Composition of the Board

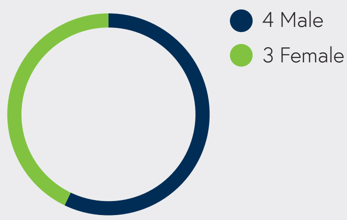
Board skills and experience



Balance of the Board



Gender



Includes Dr Bina Rawal appointed effective 27 February 2024.

Senior leadership team

EXECUTIVE COMMITTEE

The team are listed opposite, along with the dates they joined the business.

Harry Hyman
Chief Executive Officer

Full biography on page 72.

Richard Howell
Chief Financial Officer

Full biography on page 72.

David Bateman
Chief Investment Officer

David was appointed Investment Director in December 2016 and subsequently promoted to the Executive team in 2021. David is responsible for managing the investment team with significant input across investor presentations, strategy and development.

Over the last 20 years David has worked across all property sectors but with an increasing focus on operational-led property and with substantial expertise in sale and leaseback, development-led transactions and investments.

Toby Newman
Company Secretary and Chief Legal Officer

Toby joined PHP at the start of 2023, having, since 2017, been General Counsel and Company Secretary at national independent hospital, gym and healthcare services provider Nuffield Health, where he led a multi-disciplinary team responsible for all legal matters across its businesses. Toby is a solicitor with more than 20 years' experience, gained in private practice in the City specialising in M&A, capital markets and corporate governance, then focusing on the healthcare sector before moving in house.

David Austin
Director: Asset, Property and Facilities Management

David has worked in the PHP business since August 2016 and was appointed to head up the asset management team in 2019 following the merger with the MedicX Fund. David now leads the recently combined asset, property and facilities management teams, driving forward PHP's rolling site investment and management programmes, and was promoted to the Executive Committee during 2023. David is a Chartered Surveyor with over 20 years' post qualified experience with Jones Lang LaSalle, Axa, LandSec and MWB.

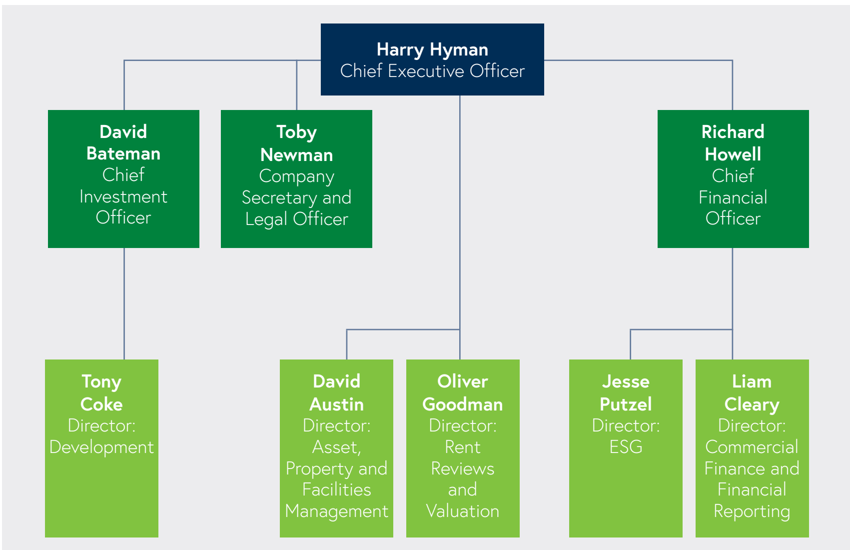
MANAGEMENT TEAM AT PHP

Executive and senior leadership teams

Set out opposite is a chart showing the structure of the Executive and senior leadership teams which managed the day-to-day operations of the business during the year. Further details of the team are set out on page 75.

The Executive team operates under the direction and leadership of the Chief Executive and meets weekly to oversee the day-to-day running of the business and progress in delivering the Board's approved strategic objectives.

The senior leadership team comprises departmental heads from all key business functions with a diverse range of skills and experience. To further enhance efficient, joined-up working, Asset, Property and Facilities Management were brought together during 2023.



SENIOR MANAGEMENT

Oliver Goodman
Director: Rent Reviews and Valuation

Oliver joined following the merger with the MedicX Fund in 2019, and heads up the team responsible across the portfolio for negotiating and securing rent reviews, both when provided for under the terms of the lease and on asset management projects when the lease is re-geared. Oliver is a Chartered Surveyor and he has an in-depth understanding of the process of agreeing rent reviews with District Valuers in accordance with the detailed regulations that govern the reimbursement of rents on GP surgeries.

Jesse Putzel
Director: ESG

Jesse joined PHP in January 2022 and has over 19 years' experience in the environment and sustainability field within the public and private sector. Prior to joining PHP, Jesse was Head of Sustainability at BAM, a large European construction and property services enterprise. At BAM, Jesse spearheaded industry leading initiatives, helping the group to become one of the leading sustainable construction and property services businesses in Europe, and has worked with leading clients to help deliver some of the most sustainable buildings in the UK. Jesse is a member of the Institute for Environmental Management and Assessment, Fellow of the Royal Society of Arts and Cambridge Sustainable Finance course assessor.

Tony Coke
Director: Development

Tony is a Chartered Surveyor with 20 years' experience in primary care development. Tony's teams have delivered some 30 new premises across the South of the UK, with a particular focus on the South East and Greater London. Tony is conversant with all aspects of primary care premises development from the initial project brief right through to achieving practical completion on the premises.

Liam Cleary
Director: Commercial Finance and Financial Reporting

Liam joined following the merger with the MedicX Fund in 2019, and is now responsible for commercial finance and financial reporting. Liam is a Chartered Accountant who has over 14 years' experience working in private and public companies. Before working on the MedicX Fund he worked at both PwC and Deloitte Touche Tohmatsu in the UK and Australia on capital market and merger and acquisition transactions.

Corporate governance statement

PART A: BOARD LEADERSHIP AND COMPANY PURPOSE

Purpose, strategy, values and culture

The Board has determined that the Company's purpose is to support the NHS in the United Kingdom and the HSE in Ireland in tackling the underinvestment in primary care facilities in both countries. We exist to facilitate the NHS, HSE, GPs and our other customers in delivering health services for the communities that they serve. We are proud that our buildings serve a total patient list of over 6.0 million. We also continually invest in our estate through asset management projects designed to improve the quality of the buildings, making them more energy efficient and increasing the number of consulting rooms and other facilities.

As described in more detail on pages 16 to 17 of the Strategic Report, our strategy is built around four pillars: Grow, Manage, Fund and Deliver. Set out in the table below is how the decisions taken by the Board have supported the delivery of this strategy during the year.

How governance supports our strategy

Strategic objective	Board discussions, decisions and actions in the year	Links
Grow	With development muted in a volatile economic environment, the Board scrutinised far fewer acquisition and development proposals than it would ordinarily expect to, approving one standing let investments in Ireland with a gross development value of £25.6 million (€29.6 million). PHP's focus has accordingly been on successfully delivering asset management projects (of which 2023 saw eight projects completed and five legally exchanged, with an aggregate value of £13.1 million), together with rental improvements (with an aggregate of £0.3 million in 2023). The Board also supported an expanded range of training programmes and mentoring opportunities for staff at all levels across the business to support their career development and personal growth.	Page 16
Manage	In the economic conditions referred to above, a major area of focus for PHP has been successfully delivering asset management projects. To enhance the capital value of the portfolio, re-gear leases and improve the energy efficiency of properties, the Board agreed capital expenditure investment of £13.1 million on over eight asset management projects completed and exchanged in the year and interim reallocation of staff from the investment to asset management team to undertake more projects. Proposals to invest in new facilities software systems to improve the maintenance of the portfolio and deliver facilities management services where PHP is required to do under the terms of its leases were approved.	Page 16
Fund	The Board approved exercising the options to extend £300 million of revolving credit facilities for an additional one year term out to 2026, and issuing a further €47.8 million euro private placement loan notes. The Board considered the reports of the ESG Committee after each of its meetings and approved investment required to meet the ESG targets proposed by the ESG Committee to drive forward our sustainability initiatives, details of which are set out in the Responsible Business Report, and decided to continue the activities of the PHP Community Impact Fund as part of PHP's wider ESG initiatives.	Page 17
Deliver	The Board critically reviewed the level of quarterly interim dividends for the year in light of a likely reduction in the level of revaluation reserves and increased income from rent reviews to ensure a fully covered dividend. Following its decision to introduce a Dividend Reinvestment Plan in light of the fall in the premium over net asset value in the Group's share price, the Board continued to make the plan available for shareholders as a means for them to increase their shareholding in a cost-effective manner.	Page 17

At the same time our strategy has delivered strong and secure returns to shareholders which has been recognised by PHP being judged the winner of MSCI's Highest Ten-Year Risk Adjusted Total Return Award for the second year in succession. The Board believes that the Group's portfolio of properties offers long term and sustainable sources of rental income to underpin the steadily growing returns we offer to shareholders.

Culture and values

The Company's purpose is core to every decision taken by the Board. As detailed on pages 76 to 77, the Company has a framework of values and strategic measures that underpin our purpose to ensure that the strategy and culture of the Company are aligned. We recognise that, as guardian of our culture, the Board plays a vital role in defining the way in which we do business and the Board sets the tone for the Company. An appropriate governance structure for decision making, together with promoting an environment of trust, respect and accountability, is fundamental to our culture. This attitude and mindset to do what is right shapes the environment within which the Executive Committee and wider PHP team works and the way PHP behaves towards its stakeholders. Our strong culture supports our strategic priority of partnering with the NHS in the UK and the HSE in Ireland in the modernisation of the primary care estate and promotes employee engagement, retention and productivity. We are genuine and passionate about what we do, working collaboratively and using our expertise to find high-quality solutions for our occupiers and improve the experience of the people who use our buildings.

Our size, being only 58 employees, and the regular interaction of the Executive Committee members and senior leadership team with the wider workforce facilitate the monitoring of culture, which we do in a number of ways, as follows:

- inclusion of culture and value-led questions within our employee surveys as detailed below;
- regular reporting and feedback from the Executive Directors and the designated workforce NED following staff engagement meetings, highlighting what we do well and where improvements can be made;
- regular face-to-face engagement with employees through Board site visits and exposure to the senior management team; and
- monitoring of staff turnover rates, whistleblowing and health and safety incidents.

Going forward, we will continue to remain open minded to efficient, tech-enabled ways of working, which can also assist us as we continue to further drive down our environmental impact.

Leadership

The Board, supported by an expert management team, continues to maximise the competitive advantage of the Company by utilising the team's deep knowledge of the primary care sector to create sustainable value for shareholders. The Company is led by the Board in its entrepreneurial approach and continues to innovate to produce sector-leading healthcare facilities in both the United Kingdom and Ireland.

Our stakeholders and the Board's engagement with them

Our tenants

In working on the development of new facilities, or in planning asset management projects to further improve our existing sites, we engage deeply with the NHS in the UK and the HSE in Ireland, as well as with local GPs and other healthcare professionals at our facilities, to understand their evolving requirements. We are seeking to develop our relationships with NHS integrated care systems in England to understand their key priorities for the improvement of care in their regions and develop an effective partnership with them to deliver their vision for improved primary care provision. We also continue to find new ways to collaborate with NHS partner organisations to continually progress the high compliance standards which are central to PHP's stakeholder offer.

The Board reviewed the results of the tenant survey conducted in November 2023 based on a face-to-face interview format with a sample of the tenant base to better understand the tenant views and ensure that we are engaging with the right individuals to gain feedback on, and continually improve, our property management performance.

Our communities

Our Community Impact Fund, which was launched in partnership with the UK Community Foundations during 2021, was continued again in 2023 with grants being made to charities and community groups focused on delivering social prescribing and community wellbeing in the Midlands region.

Corporate governance statement continued

PART A: BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

Our stakeholders and the Board's engagement with them continued

Our employees

In 2023, following previous employee feedback, PHP:

- launched a PHP mentoring programme to support its existing staff training and development programme. The latter has also continued to evolve, to support members of the team to develop and succeed professionally;
- continued to focus on staff career pathway support and development, including through evolution of our objective and appraisal approach; and
- continued to engage with our teams, including through changes to internal structure.

PHP's annual staff engagement survey took place in September 2023 to gauge the current level of staff satisfaction and seek our people's views on areas where we can do even better. Responses were received from 86% of staff (96% in 2022), with positive feedback on the team culture and ethic, together with suggestions on areas for further improvement, which the management team will take forward.

Following on from the survey, Laure Duhot, as the designated NED to lead and support workforce engagement for the Board, held two face-to-face meetings during November this year with staff in both the London and Stratford-upon-Avon offices. The sessions ranged openly across a wide number of areas, including the feedback from the staff surveys and management communication in a hybrid/flexible working environment. She reported back her detailed feedback from these sessions, on a non-attributable basis, to the Board, which debated proposals to address matters raised in these sessions.

In response to feedback received from the designated workforce NED's meetings and the staff surveys referred to above, the Board, alongside continued evolution of the actions above, will focus on the key action points of the employee satisfaction survey presented on page 47 in order to drive the right behaviours and support the development of employees.

Our investors

Regular communication with investors continues to be a top priority for the Board, which believes that understanding the views of shareholders is an important contributor to the Company's strategic direction and success.

Following appointment of Mark Davies as CEO with effect from April 2024, which was informed by the views of major shareholders, the Senior Independent Director, together with the Chair, also engaged with major shareholders, of whom shareholders contacted represented more than 60% of PHP's register, positively received PHP's Chair succession and Board composition plans. These are further detailed on pages 94 and 95.

Any shareholders wishing to raise any governance issues may contact the Chairman at any time. The Senior Independent Director is also available to respond to shareholder concerns when contact through the normal channels is not appropriate.

We want to create sustainable value for all three types of investors in our business: institutional, private and debt. It is important to us that our investors understand our strategy and equity story, so that they can support the execution of our strategy and our capital recycling.

Institutional investors

Our Executive Directors once again held a series of meetings with institutional investors as part of roadshows following our full year and interim results. The results presentation was conducted in a hybrid format, with live conference call and webcast facilities available, which were well attended.

The Board works with its brokers, Numis and Peel Hunt, to ensure that an appropriate level of communication is facilitated through a series of investor relations activities around the issue of our full year and interim results. The feedback received by the brokers from these meetings is relayed to the Board for its review.

The CEO and CFO undertook an investor roadshow in Benelux, the Nordics and South Africa to visit a number of existing and potential investors in those regions and also participated in a number of regional roadshows arranged by Capital Access in Birmingham.

These meetings are an important method of keeping investors informed of the Company's performance and plans, answering questions they may have and understanding their views. Topics discussed include the development and implementation of strategy, financial and operational performance, ESG matters, the strength of the Company's income, the debt structure and the real estate market in general.

Private investors

Private investors are an important part of our shareholder base for whom we aim to deliver progressive dividend growth and steady capital appreciation. Our private investors are encouraged to give feedback and communicate with the Board via the Company Secretary throughout the year.

The whole Board attended the 2023 Annual General Meeting and was available to answer shareholder questions.

All the resolutions put to the meeting received overwhelming support from investors. The results of the voting at all general meetings are published on our website.

We work closely with our registrars, Equiniti – and, following the secondary listing of the Company's shares on the Johannesburg Stock Exchange, with JSE Investor Services in South Africa – to maintain an efficient share register, make limited paper distributions and to address all queries that we receive from our private shareholders throughout the year.

Debt investors

In December 2023, the Group added to its existing euro private placement loan notes by issuing a further €47.8 million (£41.4 million) secured on a portfolio of six Irish assets for a ten-year term at a fixed rate of 4.195%.

Additionally, during the year the Group also exercised options to extend the maturities by one year to 2026 on a number of its shorter dated revolving credit facilities with Barclays (£100 million), NatWest (£100 million) and HSBC (£100 million).

Regular dialogue is maintained with all our relationship banks, including meetings and/or conference calls.

The Board received detailed feedback from management, PHP's brokers and registrars following shareholder meetings, roadshows and results presentations and noted a generally high level of satisfaction with the performance.

Refer to our Strategic Report and the Responsible business section of the Annual Report for further details on wider stakeholders of the business.

Corporate governance statement continued

PART B: DIVISION OF RESPONSIBILITIES

There is a clear written division of responsibilities between the Chair (who is responsible for the leadership and effectiveness of the Board) and the Chief Executive Officer (who is responsible for the day-to-day operations of the business) and the Senior Independent Director (who is responsible for supporting the Chair on all governance issues).

When running Board meetings, the Chair maintains a collaborative atmosphere and ensures that all Directors have the opportunity to contribute to the debate. The Directors are able to voice their opinions in a calm and respectful environment, allowing coherent discussion. The Chair meets with individual Directors outside formal Board meetings to allow for open, two-way discussion about the effectiveness of the Board, its Committees and its members. The Chair is therefore able to remain mindful of the views of the individual Directors.

Five committees of the Board have been operating throughout the year, the Audit, Remuneration, Nomination, ESG and Standing Committees, to which certain powers have been delegated as set out in their terms of reference which can be viewed on our website at www.phpgroup.co.uk/about-us/corporate-governance. The reports of each of the Audit, Remuneration and ESG Committees are set out in the following pages.

This governance structure, set out on page 81, ensures that the Board is able to focus on strategic proposals, property acquisitions and major transactions and governance matters which affect the long term success of the business.

The Board has delegated authority for the day-to-day management of the business to the Chief Executive Officer, who is supported in discharging these duties by two standing executive committees as shown on page 81.

There is a clear statement of delegated authorities setting out the financial parameters within which the Executive Directors and senior management team may act without reference to the Board, although any proposal could still be taken to the full Board for consideration and approval where this is considered appropriate.

Our governance structure

Board of Directors

Chair: Steven Owen

- The Board sets the Group's strategic aims, ensuring that the necessary resources are available for the Group to meet its objectives, and oversees the execution of the strategy within an acceptable risk management framework

Audit Committee

Chair: Ian Krieger

- Oversees the quality of financial and narrative reporting
- Scrutinises significant judgements made by management
- Provides assurance on internal controls, risk management and audit processes
- Evaluates the performance of the external auditor, with responsibility for audit tender
- Obtains assurance regarding the objectivity of the valuers

Members: Ian Krieger, Ivonne Cantú and Laure Duhot

Remuneration Committee

Chair: Ivonne Cantú

- Determines and implements Remuneration Policy
- Sets remuneration packages and incentives for Executive Directors and senior management team
- Approves annual bonus and LTIP targets and outcomes for the senior management team
- Oversees the operation of the PHP Sharesave plan and approves the grant of options under the plan
- Has oversight of workforce remuneration arrangements and alignment of these with the Group's strategy

Members: Ivonne Cantú, Laure Duhot and Ian Krieger

Nomination Committee

Chair: Steven Owen

- Leads process for Board appointments
- Considers Board composition and succession
- Reviews balance of skills and diversity on the Board
- Oversees the annual Board evaluation process

Members: Steven Owen, Ian Krieger, Ivonne Cantú and Laure Duhot

ESG Committee

Chair: Laure Duhot

- Assists in the development of ESG strategy
- Develops and monitors policies on ESG matters
- Develops and monitors social impact initiatives
- Considers opportunities for environmental initiatives in the portfolio

Members: Laure Duhot, Ivonne Cantú, Steven Owen, Ian Krieger, Harry Hyman, Richard Howell and Jesse Putzel

Standing Committee

Chair: Steven Owen

- Approves dividend announcements and implementation
- Approves the allotment and issue of new shares in connection with the Company's share plans or dividend plans
- Approves other formal matters that require the approval of the Board or a duly authorised committee between scheduled meetings of the Board and acts as the disclosure committee

Members: Steven Owen, Ian Krieger, Harry Hyman and Richard Howell

Other non-Board committees

Executive Committee

- Reviews investment opportunities for consideration by the Board and approves any investment decisions of less than £5 million
- Reviews operational performance of the business and approves proposals for asset management projects involving capital expenditure of less than £2 million
- Undertakes day-to-day management of the PHP portfolio
- Reports to the Board at each meeting through formal reporting from the CEO, CFO, CIO and CLO

Members: Harry Hyman (**Chair**), Richard Howell, David Bateman, David Austin and Toby Newman

Risk Committee

- Reviews strategic and operational risks in achieving delivery of PHP's strategic goals
- Reviews operational risk management processes
- Recommends appropriate risk appetite levels and monitors risk exposure
- Reports to the Audit Committee at each of its meetings

Members: Richard Howell (**Chair**), Ian Krieger, Harry Hyman, David Austin, Liam Cleary and Toby Newman

Corporate governance statement continued

PART B: DIVISION OF RESPONSIBILITIES CONTINUED

How the Board functions

Regular Board and Committee meetings are scheduled throughout the year with five scheduled meetings held in 2023. The Board has a formal schedule of matters specifically reserved for its decisions, which includes (amongst other things) various strategic, financial and operational responsibilities. A summary of the key activities of the Board during the year can be found on page 83.

The Standing Committee has certain matters delegated to it as noted above. In addition, if the Board needs to meet to make a decision on significant investment opportunities or other matters outside the authority of the Executive Directors that arise between scheduled meetings, the Board can do so by unanimous approval by email or meet by video-conference but will only do so in such situations where a detailed investment proposal has been circulated to the Board or the matter discussed at a previous meeting so that all the Directors are fully apprised, have the opportunity to ask questions and are in a position to make a fully informed decision on the matter. There is also regular informal contact between the Executive and Non-executive Directors between scheduled Board meetings.

Care is taken to ensure that information is circulated in good time before Board and Committee meetings and that papers are presented clearly and with the appropriate level of detail to assist the Board in discharging its duties. The Company Secretary assists the Board and Committee Chairs in agreeing the agenda in sufficient time before the relevant meeting to allow input from key stakeholders and senior executives.

Further, the members of the senior management team regularly attend meetings of the Board and have developed a strong understanding of the Board's approach and culture.

Role	Responsibilities
Chair **Steven Owen**	• Leads the Board and ensures it runs effectively • Sets Board culture to promote boardroom debate • Regularly meets with the CEO to stay informed about developments between Board meetings • Monitors progress against strategy and performance • Ensures all stakeholders' views are considered
Senior Independent Director **Ian Krieger**	• Provides a sounding board for the Chair • Leads performance evaluation of the Chair • Is available to respond to shareholders' concerns when contact through the normal channels is not appropriate
Non-executive Directors **Ivonne Cantú** **Laure Duhot**	• Scrutinise and constructively challenge the performance of executive management • Bring independent judgement to investment decisions brought to the Board and approve decisions reserved for the Board as a whole • Contribute to developing strategy and monitor the delivery of the agreed strategy • Contribute a broad range of skills and experience
Chief Executive Officer **Harry Hyman**	• Manages the day-to-day running of the business • Manages dialogue with investors, shareholders and key stakeholders and relays views back to the Board • Helps develop and formulate strategy for the Board and is responsible for its implementation
Chief Financial Officer **Richard Howell**	• Responsible for the preparation of accounts and integrity of financial reporting • Implements decisions on financing and capital structure determined by the Board • Responsible for day-to-day treasury management • Ensures robust accounting systems and internal controls are implemented
Company Secretary and Chief Legal Officer **Toby Newman**	• Advises the Board and is responsible to the Chair on corporate governance matters • Ensures good flow of information to the Board and its Committees • Promotes compliance across the business with statutory and regulatory requirements and Board procedures

Meetings in the year

Details of the attendance of each of the Directors who served during the year are set out below:

Director	Board (total in year – 5)	Audit Committee (total in year – 4)	Nomination Committee (total in year – 4)	ESG Committee (total in year – 3)	Remuneration Committee (total in year – 3)
Steven Owen	5	—	4	2	—
Harry Hyman	5	—	—	—	—
Richard Howell	5	—	—	—	—
Ivonne Cantú	5	4	4	3	3
Laure Duhot	5	4	4	3	3
Ian Krieger	5	4	4	3	3

During the year, the Chair and the other Non-executives met periodically in the absence of the Executive Directors to discuss succession planning.

The table below sets out a summary of the key issues considered by the Board at its meetings during the year.

February

- Strategic planning for the year ahead against the backdrop of economic headwinds
- Critical examination of the year-end property valuations
- Approval of the preliminary announcement of results and the 2022 Annual Report, incorporating the Notice of AGM
- Updates to the terms of reference of the Audit Committee
- Consideration of an updated statement under the Modern Slavery Act

April

- Consideration of the voting at the Annual General Meeting, the reasons for any votes against resolutions and any follow-up actions
- Consideration of strategy in continuing volatile economic conditions, including emphasis on asset management programme and income growth
- Approved proposals to reduce the Group's average cost of debt by c.9bps over the next 2.5 years and increase the proportion of net debt that is fixed or hedged to 97% further to conversion of €60.0 million (£52.9 million) of Sterling equivalent denominated debt into Euros
- Discussed proposal to achieve wider investor exposure by pursuing a secondary listing on the Johannesburg Stock Exchange

July

- Careful consideration of the results of the interim valuation
- Approval of the interim results for release
- Consider acquisition of large community health asset at Ballincollig, Ireland (subsequently approved in August)
- Discussion of progress on ESG plans and commitments including carbon reduction initiatives, community impact partnerships, mentoring and external ratings/benchmarks
- Received an update on regulatory matters, including Code consultation, together with technical questions on proposed JSE secondary listing

October

- Reflected on key themes from strategy discussions
- Considered proposals in relation to the Group's financing arrangements, in particular the convertible bond and euro private placement
- Considered investment opportunity at Birr, Co. Offaly, Ireland
- Approved entry into new euro private placement arrangement
- Approved progression of preparations for convertible bond renewal

December

- Receive and consider updates in connection with 2023 audit process, including internal controls and risk register
- Review and approve budget for 2024
- Discuss and plan for strategic opportunities Approve the Company's updated Equality, Diversity and Inclusion statement, informed by the evolving requirements of the Parker Review

Corporate governance statement continued

PART B: DIVISION OF RESPONSIBILITIES CONTINUED

Strategy meeting

The strategy meeting is held as a separate meeting outside the regular Board schedule and attended by all the Directors and the senior management team. It provides an opportunity for the members of the Board to meet and discuss issues relating to the business with members of the senior management team who do not attend Board meetings on a regular basis.

The 2023 strategy meeting was held near Birmingham. The location of the meeting allowed the Board to visit three of the Group's medical centres: Orsborn House in Handsworth, let to GPs and a local NHS trust which delivers specialist mental health services; Cape Hill Medical Centre in Smethwick, from which GPs deliver a wide range of services to a growing patient list of more than 12,000, with the site also playing host to a pharmacy; and The Lyng Centre for Health & Social Care in West Bromwich, a substantial health and community hub occupied by four GP practices and NHS Property Services, which together offer patients a wide range of services from GP consultations through to adult and child social care. These visits provided an insight into the range of community services delivered from these properties, including in areas of relative deprivation. The visits also gave an opportunity to meet and speak with some of the healthcare workers at these facilities about their requirements for the properties.

These visits reinforced the Board's conclusions about the importance of investment in modern primary care facilities and supported its view that the Group's strategy of focusing on hub primary care centres, with a large lot size, flexible floor plans and the ability to offer a variety of healthcare services, is the correct response to the evolving requirements for the delivery of primary care. The session also provided the Board with a valuable understanding of the challenges facing GPs and other healthcare workers and how innovative practices have continued to develop in response to these.

In preparation for the strategy meeting the Board received a background reading pack that included a strategic overview of the primary care property market, alongside papers considering rent reviews; asset, property and facilities management; funding strategy; investment and development opportunities; development of the Company's business in Ireland, following the acquisition of Axis earlier in 2023; and ESG and sustainability progress and ambitions.

The meeting also received valuable insights from an external speaker with regard to the emerging impact of technology and artificial intelligence on general practice, and their strategic implications for PHP. The meetings themselves and the dinner that followed the strategy day gave the Non-executive Directors an opportunity to meet and discuss issues with the wider senior management team, as well as an opportunity for Mark Davies to spend time with the team.

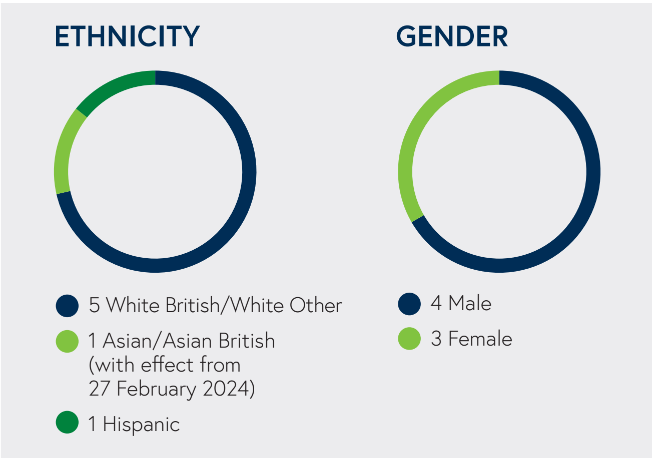
PART C: COMPOSITION, SUCCESSION AND EVALUATION

Board composition

The current Board of Directors of the Company consists of the Chair, three independent Non-executive Directors and two Executive Directors and complies with the Code in that at least half of the Board are independent Non-executive Directors. From January 2023, I was no longer considered independent under the Code. As noted in the Letter from the Chair, Harry Hyman, assuming approval of his appointment as Chairman by shareholders at the 2024 AGM, will also not be independent under the Code and accordingly a fourth Non-executive Director has been appointed such that a majority (four out of seven) of the Board will comprise independent Non-executive Directors. Details of the composition of the Board by gender and ethnicity are set out below.

In 2023:

- 33% of the Board were women, such that the 40% target in the Listing Rules was not met. Given the size of the Board during the year, composition would necessarily be below or above that target. Following appointment of Dr Bina Rawal, in 2024, 43% of the Board are women, meeting the applicable target;
- the target for at least one of the senior board positions specified in the Listing Rules (being chair, chief executive, senior independent director or chief financial officer) being held by a woman was not met. The Company considers that the experience and expertise in these positions best positioned it for success in the year, and at the same time will continue to approach Board recruitment having due regard to its Listing Rules obligations aligned with the best interests of the Company and its stakeholders; and
- the Listing Rules target that at least one individual on a company's board of directors is from an ethnic minority background was met.



Biographical information on each of our Directors can be found on pages 72 and 73, which shows the breadth of strategic and financial management insight brought to our Board and that the Chair, Ms Cantú, Ms Duhot and Mr Krieger are all considered to be independent.

The composition of the Board is fundamental to its success. We continue to have a strong mix of experienced individuals on the Board. The Non-executive Directors are not only able to offer an external perspective on the business, but also constructively challenge the Executive Directors, particularly when developing the Company's strategy.

The Company has increased the Board to seven Directors with Dr Bina Rawal's appointment on 27 February 2024 as a further independent Non-executive Director. We believe that a Board of seven Directors will continue to be of a size that is appropriate for an agile business with a clear and focused strategy, at the same time as delivering on the evolving corporate governance requirements to which the Company is subject. We believe this size of Board will continue to facilitate all members of the Board developing a close understanding of PHP's business and foster open debate.

Board induction and training

The Code provides that all Directors should receive a full, formal and tailored induction on joining the Board. On joining the Board new Directors are provided with an induction programme to enable them to integrate into the Board as quickly as possible and feel able to contribute to business and strategy discussions with enough background knowledge.

A tailored induction programme for Dr Rawal has been put in place by the Company Secretary and Chief Legal Officer. The induction process includes the following elements:

- meetings with the Chairman and other Board members;
- a full supporting pack of relevant materials to give insight into strategy, structure and operations, as well as the Group's governance framework, policies and procedures;
- meeting with the Company's advisers, including with Korn Ferry, PHP's remuneration advisers, to understand the design and implementation of the Group's remuneration policies; and
- meetings with senior members of the management team at Burdett House.

Ahead of his tenure as Chief Executive Officer commencing following the 2024 AGM, Mark Davies has been working at the Company on a two days per week consultancy basis from January 2024. This is intended to provide the insights and understanding of the business to best support a successful transition.

The Directors receive regular updates in their Board papers, facilitating greater awareness and understanding of the Group's business as well as legal and regulatory developments. Whilst the Government in mid-October 2023 withdrew draft new reporting regulations, and the FRC has subsequently published a policy update in relation to its consultation on revisions to the UK Corporate Governance Code (to which the Company responded) indicating it will only be taking forward a small number of the original proposals set out in its consultation (published in January 2024), PHP's preparatory work for these changes is expected to continue to underpin the Company's adherence to best practice governance and assurance practices.

All Directors have access to the advice and services of the Company Secretary and Chief Legal Officer and a procedure is in place for them to take independent professional advice at the Company's expense should this be required.

Board evaluation

As in 2022, in 2023 the Board evaluation was conducted internally by means of an online questionnaire that covered a combination of standard items, such as Board dynamics and relationships, individual participation and contribution, along with more topical matters, such as consideration of stakeholder issues. The Directors were also asked to comment on the performance of the Board Committees.

The results of the 2023 survey were collated by the Company Secretary and Chief Legal Officer and reviewed together with the Chair to consider any themes that had been identified ahead of discussion of these issues by the Directors at the Nomination Committee meeting held in December which also considered next steps and recommendations which are set out below. The Chair will continue his practice of having regular discussions with each of the Non-executive Directors and will base some of these discussions around the feedback and progress against the actions identified below.

The Chair conducted an evaluation of the performance of each of the individual Directors as a separate exercise. Ian Krieger had private meetings with each of the individual Directors to take their feedback on the performance of the Chair.

Overall, the results of the evaluation process reflected well on the Board and the tone set by the Chair and the Chief Executive and that they continue to have a strong, supportive relationship providing clear and effective leadership and focus that are instrumental to the long term success of the Company. The members of the Board and its Committees are seen as being engaged and committed and able to raise challenges openly while the culture remains open, respectful and constructive.

Corporate governance statement continued

PART C: COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

Board evaluation continued

Details of the outcomes of the 2022 evaluation and the 2023 evaluation, as well as the actions taken in response to the 2022 evaluation, are set out below:

2022 evaluation outcomes	Actions in 2023	2023 evaluation outcomes
There was a desire to undertake a review of the internal control processes of management to ensure that these are robust, well-documented and understood ahead of any proposed legislative or regulatory changes.	A significant amount of work has been undertaken during 2023, through Risk and Audit Committees and then the Board, to achieve this objective. Whilst the government has withdrawn or modified approach on various proposals, the work undertaken will add value in supporting the Company's application of a clear and robust risk management and internal control framework.	As the Company continues its journey following internalisation in 2021 and welcomes its new Chief Executive Officer, to continue to develop its strategy and culture and implement its values for the benefit of all its stakeholders.
It was agreed to continue the practice of having a detailed examination of further key areas within the business being brought to the Board for in-depth discussion.	Alongside updates on strategic matters at each of its meetings, the Company also introduced a new format of Board report in 2023, designed to provide in an accessible way the key information the Board requires to support additive, informed and insightful discussion and decision.	In the context of continuing geopolitical and economic volatility, to maintain a strategic view on the further horizon to best support the Company's long term success.
Further work will be undertaken on the implications of potential changes to the NHS and the structure of primary care to ensure that the Group is well-positioned to respond strategically.	The Company has continued to engage with health system partners at various levels to best understand the estates priorities within the new NHS architecture, including Integrated Care Boards, Primary Care Networks, NHS Property Services and at Government level and thus to position PHP as a trusted partner.	To continue to seek and benefit from expert third party insights relating to developments in medical practice, primary care and policy that are relevant to the Company's business and delivery.

The Board intends to review the implementation of these recommendations as part of its evaluation process in 2024 – when it is planning to undertake an external review – and will report on progress in next year's Annual Report.

Ian Krieger, Senior Independent Non-executive Director, led an evaluation of the performance of the Chair with the individual Directors.

Conflicts and commitment

The Board operates a policy to identify and, when appropriate, manage actual or potential conflicts of interest affecting Directors. Directors are required to submit any actual or potential conflicts of interest they may have with the business of the Company to the Board for approval. Any conflicts of interest are recorded and reviewed by the Board at each meeting. Directors have a duty to keep the Board updated about any changes to these conflicts.

The Company Secretary and Chief Legal Officer maintains the register of approved conflicts of interest through this process. In certain circumstances any conflicted Director may be required to absent themselves while such matters are being discussed. No such situations arose in the year.

The Board has delegated to the Nomination Committee the process of formally reviewing conflicts disclosed on an annual basis and the authorisations given (including such conditions as the Board may determine in each case). Any conflicts or potential conflicts are considered by the Board and any authorisations given are recorded in the Board minutes and in the register referred to above.

The letters of appointment for Non-executive Directors set out the time commitment expected to be necessary to perform their duties. All Directors are aware of the need to allocate sufficient time to the Company in order to discharge their responsibilities effectively. Directors must obtain prior approval from the Board when they take on any additional responsibilities or external appointments and it is their responsibility to ensure that such appointments will not prevent them meeting their time commitments.

The Board has delegated to the Nomination Committee the review of the external commitments of the Directors and further detail on how the Nomination Committee has undertaken this work are set out in its report on pages 94 to 96.

The Company provides the Non-executive Directors with appropriate support and facilities for the consideration of the Company's strategy and performance, and dialogue with the Chair is encouraged so that any issues regarding time pressures or conflicting commitments are addressed appropriately.

Information and support

A comprehensive budgeting process is in place, with an annual budget and three-year forecast prepared for consideration and approval by the Board. The Directors are provided with relevant and timely information to monitor financial performance against the budget. Defined authorisation levels regulate capital expenditure. Investment decisions that require Board approval in accordance with the authorisation matrices are governed by defined appraisal criteria, which include anticipated financial returns, the quality of the building and its environmental rating. The Board is also provided with details of the healthcare services to be delivered from the medical centre (including details of the patient numbers and the local healthcare need) and other stakeholder considerations. In this way, the Board monitors that agreed approaches and processes are well understood and adhered to.

The Company Secretary and Chief Legal Officer is responsible for ensuring good and timely information flows within the Board and its Committees and between the senior management and the Non-executive Directors and assists the Board and Committee Chairs in agreeing the agenda in sufficient time before the meeting to allow input from key stakeholders and senior executives.

The Board uses a web-based system which provides ready access to Board papers and materials. Prior to each Board meeting the Directors receive the agenda and supporting papers in good time through this system to ensure that they have all the latest and relevant information in advance of the meeting. After each Board meeting, the Company Secretary and Chief Legal Officer operates a comprehensive follow-up procedure to ensure that actions are completed as agreed by the Board.

PART D: AUDIT, RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for:

- the Company's risk management and internal control systems and for reviewing their effectiveness;
- the ongoing processes for identifying, evaluating and managing the principal risks faced by the Company;
- ensuring that the systems have been in place for the year under review and up to the date of approval of the Annual Report and Accounts; and
- regularly reviewing these systems.

Audit Committee

The Audit Committee is responsible for monitoring the integrity of the financial statements and it's narrative reporting and results announcements of the Company as well as the appointment, remuneration and effectiveness of the external auditor. The detailed Report of the Audit Committee is on pages 88 to 93.

Financial and business reporting

The Board is responsible for preparing the Annual Report and confirms in the Directors' Responsibility Statement set out on page 123 that it believes that the Annual Report, taken as a whole, is fair, balanced and understandable. The process for reaching this decision is outlined in the Report of the Audit Committee. The basis on which the Company creates and preserves value over the long term is described in the Strategic Report.

Risk management

The Risk Committee is tasked with reviewing the Group's risk horizon and preparing a detailed risk register which it presents for consideration by the Audit Committee. The Audit Committee subsequently makes recommendations in respect of the Group's principal and emerging risks, mitigations, risk appetite and key risk indicators to the Board which determines the extent and nature of the risks it is prepared to take in order to achieve the Company's strategic objectives. Further information on the Group's principal risks and risk management processes can be found in the Risk Management and Principal Risks section of the Strategic Report on pages 60 to 66.

During the course of its review for the year ended 31 December 2023, and to the date of this report, the Audit Committee has not identified, nor been advised of, a failing or weakness which it has determined to be significant.

PART E: REMUNERATION

The UK Corporate Governance Code requires that a board should establish a remuneration committee of at least three, or in the case of smaller companies, two, independent non-executive directors. In addition the company chair may also be a member of, but not chair, the committee if he or she was considered independent on appointment as chair.

As Steven Owen had served as a Non-executive Director for over nine years, in accordance with the recommendation of the Code he stood down as a member of the Remuneration Committee with effect from 1 January 2023. Should Harry Hyman's appointment as Chair be approved by shareholders at the 2024 AGM, he would not be independent for the purposes of the Code and accordingly would not be a member of the Remuneration Committee (nor, as Chair, of the Audit Committee).

Audit Committee report

Ian Krieger
Chair of the Audit Committee

MEMBERS OF THE AUDIT COMMITTEE (THE "COMMITTEE")

Member	Number of meetings and attendance while in post
Ian Krieger (Chair)	4 (4)
Ivonne Cantú	4 (4)
Laure Duhot	4 (4)

Bracketed numbers indicate the number of meetings the member was eligible to attend.

Key responsibilities

Financial and narrative reporting

- Monitor the integrity of the financial statements.
- Scrutinise the full and half year financial statements.
- Consider and challenge the key financial judgements.

For further information see page 89

Risk management and internal control

- Oversee the internal control processes.
- Assess the need for an internal audit function.
- Review the risk management framework.
- Ensure risks are carefully identified, assessed and mitigated.

For further information see page 89

External auditor

- Review the performance, independence and effectiveness of the external auditor and audit process, including the quality of the same.

For further information see page 89

Regulatory compliance

- Review the viability statement and going concern basis of preparation of the financial statements.
- Consider whether the Annual Report is "fair, balanced and understandable".
- Monitor compliance with applicable laws and regulations.

For further information see page 89

Dear shareholder,

I am delighted to present my report as Chair of the Audit Committee and over the coming pages you will see how the Committee has discharged its responsibilities during the year.

Composition

Membership of the Committee is restricted solely to independent Non-executive Directors. All the members of the Committee have considerable commercial knowledge and industry experience necessary to fulfil the Committee's duties and responsibilities and receive regular updates on business, regulatory, financial reporting and accounting matters. I am the Committee's designated financial expert for the purposes of the Code.

In addition to the members of the Committee, the following individuals attended by invitation: the Chief Financial Officer and the Director: Commercial Finance and Financial Reporting; the Chief Executive Officer and the Chair; the Company Secretary and Chief Legal Officer; the audit partner and senior managers from the auditor; and representatives from PHP's valuers.

As Chair, in conjunction with the Nomination Committee, I review on an annual basis the composition of the Committee to ensure that it is comprised of members with skills and competences relevant to the primary care real estate sector and recent and relevant financial experience. The members of the Committee also evaluate the performance of the Committee during the year.

Meetings

During the year the Committee met four times: three of these meetings followed our annual programme which is aligned to the Company's financial reporting timetable and agreed at the start of the year. The additional meeting in October related to regulatory developments with respect to corporate governance and reporting, as well as audit planning for 2024. At the December meeting, the Committee reviewed the Company's risk management and internal control processes and considered the year-end audit plan.

Time is allocated for the Committee to meet the external auditor and property valuers independently of management. In addition to formal Committee meetings, I have regular contact and meetings with the Chief Financial Officer. This allows me to gain and maintain a good understanding of key and emerging issues in advance of Committee meetings, facilitating informed and constructive debate.

The Committee is satisfied that it receives sufficient, reliable and timely information and support from management and the Company's external auditor to allow it to fulfil its obligations.

At least once a year, during an Audit Committee meeting, the Committee meets separately with Deloitte without any other member of management being present.

The Committee has formal, agreed terms of reference which are available for viewing on the Company's website at www.phpgroup.co.uk/about-us/corporate-governance.

Our work in 2023

Our remit is unchanged from previous years, primarily to independently oversee and challenge the integrity of the financial reporting processes at PHP, which supports and ensures the accuracy of the financial results. Alongside this, we review the valuation of the Group's portfolio at both the half year and at the year end and require the valuers to attend our meetings so that we can interrogate them on the assumptions and methodologies used in reaching their valuations.

The other important aspect of our work is the Committee's review of the Company's risk management framework and internal control procedures to ensure they remain robust and are implemented effectively. Whilst government proposals to reform financial reporting remain under development, the Committee has overseen work to prepare for likely changes and continues to review the work being undertaken by management in preparation for these anticipated changes.

Regular tasks

The work undertaken this year has included the consideration, review and approval of the following:

Financial and narrative reporting

- reviewing and monitoring the integrity of the financial statements including reviewing significant financial reporting judgements and estimates made by management, to ensure that the quality of the Company's financial reporting is maintained, in the Company's half and full year financial statements;
- reviewing and commenting on the alternative performance measures, not defined under IFRS or "non-GAAP" measures, to ensure these were consistent with how management measures and judges the Company's performance;
- assessing the independence and objectivity of the Group's valuers and gaining assurance around the integrity of the conduct of valuation processes at the year end and at the half year;
- reviewing the process undertaken to ensure that the financial statements are fair, balanced and understandable; and
- ensuring compliance with applicable accounting standards, monitoring developments in accounting regulations as they affect the Group and reviewing the appropriateness of accounting policies and practices in place.

Risk management and internal control

- reviewing the Group's risk register, in particular with regard to the potential impact of climate change and principal and emerging risks including digital technology;
- challenging the effectiveness of the Group's risk management systems and considering the adequacy of the process being undertaken to identify risks and mitigate the exposure of the Group to them;
- considering the adequacy and effectiveness of the Group's internal controls and whether there was a need to establish an internal audit function; and
- ensuring the process followed to support the making of the going concern and viability statements remained robust and was correctly followed.

External audit

- examining the performance of the external auditor, its objectivity, effectiveness and independence, as well as the terms of its engagement and scope of its audit, and agreeing the annual audit plan;
- monitoring the ratio and level of audit to non-audit fees paid to the external auditor and agreeing its remuneration for the year; and
- recommending the re-appointment of Deloitte LLP as external auditor following the tender process described above.

Regulatory compliance

- reviewing the Committee's composition, performance, terms of reference and constitution;
- ensuring appropriate safeguards are in place for the detection of bribery and fraud and reviewing the process by which employees may raise concerns and ensuring that these have been effectively communicated to and understood by the workforce, so that concerns could be raised with me, the Company Secretary or the auditor;
- reviewing the Company's REIT compliance and tax strategy, which may impact the integrity of the financial statements;
- considering the robustness of the Group's assessment of viability over a period of three years, in particular the assumptions underlying the assessment; and
- determining the appropriateness of adopting a going concern basis for the preparation of the financial statements.

Audit Committee report continued

Significant issues considered in relation to the financial statements

During the year, the Committee considered key accounting matters and judgements in respect of the financial statements as detailed below:

Significant issue	Actions taken
Valuation of the property portfolio	
The Group has property assets of £2.8 billion as detailed in the Group Balance Sheet and valuation is central to business performance. Accordingly, the key judgement in the financial statements relates to the valuation of the property portfolio which is driven by the yields and ERVs applied in the valuation process. This is a recurring risk for the Group as it is key to its IFRS profitability, balance sheet portfolio value, net asset value, total property return and employee incentives. It also affects investment decisions. Further, the judgemental nature of the yields and ERVs used in the valuation is compounded by the continued uncertain and volatile global economic environment, high inflation and the rapid rise of interest rates during the year. Combined, these have led to reduced transactional evidence of primary care transactions during the year, which is in contrast with more mainstream property sectors, such as offices.	The portfolio is independently valued by Avison Young and Jones Lang LaSalle in the UK and by CBRE in Ireland (the "Valuers"), in accordance with IAS 40 Investment property. The Committee ensured that there was a robust process in place to satisfy itself that the valuation of the property portfolio, all leading firms in the UK and Irish property markets, by the Valuers was carried out appropriately and independently. Given the significance of the valuation, the Committee met twice with the Valuers to review, challenge, debate and consider the valuation process; understand any particular issues encountered in the valuation; and discuss the processes and methodologies used. The Chair of the Audit Committee also met separately with the Valuers to discuss such matters which allowed the Committee to scrutinise the valuation process and ensure each of the Valuers remained independent, objective and effective. The auditor also meets with the Valuers, and deployed the services of its own in-house property valuation expert to test the assumptions made. It reported to the Audit Committee on its findings. The Committee confirmed that it was satisfied that the valuation was not subject to undue influence and had been carried out fairly, appropriately and in accordance with industry valuation standards, and therefore is suitable for inclusion in the financial statements.
Accounting for significant acquisitions, disposals and transactions	
The accounting treatment of significant property acquisitions, disposals and financing and leasing transactions is a recurring risk for the Group with non-standard accounting entries required, and in some cases management judgement applied.	Whilst transactional activity was more muted during 2023 due to wider economic conditions, the Group made one acquisition during the year. The Committee reviewed management papers on key judgements, by reviewing and challenging management's papers on accounting treatments and judgements. Following a review of the accounting treatment of the significant transactions, in particular the point at which each transaction should be recognised, the Committee was satisfied that all relevant matters had been fully and adequately addressed and that the approach adopted by the Company was appropriate in each case, and in accordance with IFRS. The Committee concluded that the accounting treatment of the acquisition was appropriate.
Financing	
The Group uses a mixture of equity and debt finance to grow its portfolio and has a number of debt finance arrangements and swaps to hedge exposure to interest rate risk. The accounting treatment of these transactions under IFRS 9 is by its nature complex.	During the year, the Group added to its existing euro private placement loan notes by issuing a further €47.8 million (£41.4 million) secured on a portfolio of six Irish assets for a ten-year term at a fixed rate of 4.195%. Additionally, the Group also exercised options to extend the maturities by one year to 2026 on a number of its shorter dated revolving credit facilities with Barclays (£100 million), NatWest (£100 million) and HSBC (£100 million). The Committee considered the finance team's paper on the proposed treatment of these transactions under IFRS 9 and agreed that they had been appropriately accounted for.

Financial and narrative reporting

The integrity of the financial reporting and consolidation processes and the completeness and accuracy of financial information are subject to review by the Audit Committee and the Board. In undertaking its review, the Committee considered:

- the suitability of the accounting policies adopted and whether management had made appropriate estimates and judgements;
- the systems and controls operated by management around the preparation of the accounts;
- the procedures included in these to bring relevant information to the attention of those who prepare the accounts;
- the consistency of the reports; and
- whether they are in accordance with the information provided to the Board during the year.

The Committee reviewed accounting papers prepared by management which provided details on the main financial reporting judgements. The Committee also reviewed reports by the external auditor on the full year and half year results which highlighted any issues with respect to the work undertaken on the year-end audit and half year review.

The Committee paid particular attention to matters it considered important by virtue of their impact on the Group's results and remuneration, and particularly those which involved a high level of complexity, judgement or estimation by management, as noted above.

Developments in accounting regulations and best practice in financial reporting are monitored by the Company and, where appropriate, reflected in the financial statements. The Committee and the Board review the draft consolidated financial statements and the Committee receives reports from management and the auditor on significant judgements, changes in accounting policies, and other relevant matters relating to the consolidated financial statements.

Fair, balanced and understandable assessment

At the request of the Board, the Audit Committee also reviewed the Annual Report to consider whether it is fair, balanced and understandable and provides the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

The Committee was provided with, and commented on, a draft copy of the Annual Report and Financial Statements. In carrying out the process, key considerations included ensuring that there was consistency between the financial results and the narrative provided. The Committee is satisfied that alternative performance measures used, not defined under IFRS, are consistent with how management measures and judges the Group's financial performance.

After reviewing the contents of this year's Annual Report and Financial Statements the Committee has confirmed to the Board that, in its view, the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. In forming this view, the Committee considered the overall review and confirmation process around the Annual Report and Financial Statements, and going concern and viability statements.

Audit Committee report continued

Review of risk management

The Committee is responsible for reviewing the adequacy and effectiveness of the Group's risk management processes and systems of internal controls.

Risk management is taken seriously at PHP. The preparation of a detailed risk register is the responsibility of the Risk Committee, which reports to the Committee at least twice a year on risk matters, following which the principal risks identified are brought to the Board. The Board considers the principal risks identified and whether appropriate action is being taken to remove or reduce their likelihood and impact. This is discussed in detail in the Risk Management section on pages 60 to 66.

The Board as a whole, including the Audit Committee members, considered whether the nature and extent of PHP's risk management framework were satisfactory to achieve the Group's strategic objectives. There is a culture of risk awareness embedded into the decision-making process and robust processes are in place to support the identification and management of risk.

The Group has worked with Willis Towers Watson to develop a separate environmental risk register to seek to identify the main emerging physical and transition risks associated with climate change and the associated governmental policy responses; in particular, increasing legislative requirements pertaining to operational building energy efficiency standards, and the stated ambition of the NHS to achieve a net zero health service for direct emissions by 2040, have been identified as key risks as well as opportunities for the Group. The register was tabled and agreed by the ESG Committee, and subsequently reviewed by the Audit Committee as part of its monitoring of the risk management process of the Group.

Review of internal control processes

The Committee is responsible for reviewing the adequacy and effectiveness of internal control systems (covering all material controls, including financial, operational and compliance controls and risk management systems) on behalf of the Board.

Key features of PHP's internal control systems, which were reviewed and updated following completion of the internalisation transaction, include a comprehensive system of budgeting, financial reporting and business planning, formal documentation procedures and the close involvement of the Executive Committee in all aspects of the day-to-day operations. The Committee has reviewed the adequacy of these systems through various activities including:

- reviewing the effectiveness of the risk management processes;
- reviewing and challenging management's self-assessment of the internal controls framework;
- reviewing the work undertaken by the external auditor in relation to internal controls; and
- reporting of any control or fraud-related whistleblowing issues.

In reviewing the periodic financial reports of the Group, the Committee is reliant on the policies and procedures followed by management to ensure that the records accurately reflect transactions so as to facilitate the production of consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") and other applicable reporting standards.

At the time of reviewing the half-yearly and annual financial reports, the Audit Committee also receives a report from the Chief Financial Officer to assist the Board in assessing the policies and procedures and making the disclosures. No significant deficiencies in internal control have been identified.

We previously welcomed the BEIS corporate governance reforms as a positive change to the regulatory environment. In anticipation of significant changes, we conducted internal readiness assessments and reviewed management plans during the year. Whilst recent changes mean the detail of changes is yet to settle, we are confident that the work already undertaken will support PHP in preparing for and complying with the evolving regulatory framework.

Effectiveness of external auditor and audit process

One of the key responsibilities of the Audit Committee was to assess the effectiveness and quality of the external audit process, making enquiries consistent with, and having regard to, the FRC's *"Audit Committees and the External Audit: Minimum Standard"*. In turn, the effectiveness of the audit process is dependent on appropriate audit risk identification at the start of the audit cycle. Ahead of the commencement of the audit, the Committee received from Deloitte LLP a detailed audit plan, identifying its assessment of these key risks. For the audit of the 31 December 2023 financial statements, the primary risks identified were in relation to the valuation of the property portfolio and subjective areas of ERV's and the application of yields, as well as management over-ride of controls. It is also standard practice for the Audit Committee to meet privately with the external auditor to gauge the effectiveness of its processes. In addition, the Audit Committee seeks feedback from management on the effectiveness of the audit process. The Committee is satisfied that the Company has complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 published by the CMA on 26 September 2014.

Following its review of the effectiveness, independence, objectivity and expertise of the external auditor, the Committee is satisfied with the effectiveness of the external auditor and therefore recommends the re-appointment of Deloitte LLP as external auditor for 2024.

It is the Committee's policy to ensure that there is audit partner rotation every five years to safeguard the external auditor's independence and objectivity. Daryl Winstone led the 2023 audit, his first year as Deloitte LLP lead audit partner for PHP.

Auditor independence

The Group's policy on the use of its external auditor for non-audit services precludes the external auditor from being engaged to perform valuation, tax or accounting services work. More broadly, the policy prohibits the external auditor from performing services where there may be perceived to be a conflict with its role as external auditor or which may compromise its independence or objectivity.

All proposed engagements must be submitted to the Committee for approval prior to engagement and all non-audit fees are reported to the Committee.

The Committee considers the remuneration of the external auditor at least on a semi-annual basis and approves its remuneration. It also keeps under close review the ratio of audit to non-audit fees to ensure that the independence and objectivity of the external auditor are safeguarded.

In 2023, fees for audit services amounted to £0.6 million and the non-audit fees amounted to £0.1 million.

The non-audit fee for 2023 equates to 14% of the average audit fees of the last three years. These relate to half year review work, which the Committee considers appropriate and in the Company's interests in order to provide continuing assurance with respect to its processes, procedures and published information.

The chart below sets out the ratio of audit to non-audit fees for each of the past three years.

	2023	2022	2021
Audit fee	**£624,000**	£603,000	£510,000
Non-audit fee	**£82,000**	£77,000	£100,000

Evaluation of the performance of the Audit Committee

The performance of the Committee was assessed as part of the annual Board evaluation. The overall conclusion was that the Committee remained effective at meeting its objectives.

Internal audit

The Group does not have a separate internal audit function and the Board, at least annually, reviews the requirement for establishing one. Due to the size of the organisation, relatively simple nature of the Group's business and structure and close involvement of the senior management team in day-to-day operations, the Committee did not feel an internal audit function was either appropriate or necessary.

From time to time external advisers are engaged to carry out reviews to supplement existing arrangements and provide further assurance.

The Committee considers that this structure, with external assurance sought for any complex, specialist or high risk matters, is appropriate for the Company at this stage.

I will be delighted to receive any written questions on the work of the Committee. Please submit your questions by email to cosec@phpgroup.co.uk, or by post, marked for my attention at 5th Floor, Burdett House, 15–16 Buckingham Street, London WC2N 6DU.

Ian Krieger
Chair of the Audit Committee
27 February 2024

Nomination Committee report

Steven Owen
Chair of the Nomination Committee

MEMBERS OF THE NOMINATION COMMITTEE (THE "COMMITTEE") DURING THE YEAR

Member	Number of meetings and attendance while in post
Steven Owen (Chair)	4 (4)
Ivonne Cantú	4 (4)
Laure Duhot	4 (4)
Ian Krieger	4 (4)

Bracketed numbers indicate the number of meetings the member was eligible to attend.

Additional attendees invited to attend meetings as appropriate:

Harry Hyman – Chief Executive Officer

Richard Howell – Chief Financial Officer

Toby Newman – Company Secretary and Chief Legal Officer

Key responsibilities

Board composition and succession

For further information see pages 94 and 95

- Reviews and evaluates the size, structure and composition of the Board and its Committees.
- Ensures the Board comprises individuals with the necessary skills, knowledge and experience to be effective in discharging its responsibilities.
- Considers the diversity of the appointments and balance of skills, knowledge and experience of each Director.
- Considers succession planning for the Board and the senior management.

Board appointments

- Leads the process for new appointments to the Board and its Committees.
- Ensures that all new Directors receive an appropriate induction programme and reviews the training requirements of the Board.
- Ensures that all potential conflicts of interest are declared on appointment and that all disclosed potential conflicts of interest are reviewed regularly.

Diversity

For further information see page 95

- Promotes the Company's policy on diversity at Board level and to senior management.

Performance evaluation

For further information see page 96

- Leads the annual Board and Committee evaluation exercise.

Re-appointment of Directors

For further information see page 96

- Reviews the time required from Non-executive Directors and their external commitments.
- Considers the annual election and re-election of Directors to the Board at the Annual General Meeting.

Dear shareholder,

I am pleased to present the Report of the Nomination Committee to shareholders for the year to 31 December 2023.

Last year's Nomination Committee report provided an update on the Committee's activity in relation to succession planning, given Harry Hyman's previously announced intention to step down from his role as Chief Executive Officer at the Annual General Meeting in 2024. The report also noted that, once a suitable candidate had been identified to take over from Harry Hyman, the Committee, under Ian Krieger as Senior Independent Director, would lead a search for my replacement as Chair.

The Committee continues to play a crucial role in supporting PHP's strategy by ensuring the Board and its Committees have an appropriate balance of skills, experience and knowledge, with robust succession plans in place to ensure continuity, promote diversity for Board and senior management positions and implement a robust evaluation process to ensure the Board and Committees are working effectively.

Activities of the Committee during the year

Succession planning – implementation

The Committee engaged an independent search firm to help with both engagements referred to above.

Following a thorough and extensive search process, on 4 September 2023 the Company was delighted to announce the appointment of Mark Davies as Chief Executive Officer with effect from the conclusion of the 2024 AGM.

You can read more about Mark's experience in my introduction to corporate governance on page 69.

As part of the handover process Mark has, since January, been working alongside Harry, and will do so up to the 2024 AGM, under the terms of a consultancy agreement, and serve as CEO from that point onwards.

Mark is currently the Senior Independent Director at Palace Capital plc, a London-listed REIT.

Following the above, the second step in the succession plan was to identify my successor as Chair at the 2024 AGM. Mr Krieger led that process. The Committee's work on Chair succession involved consultation with a number of the Group's major shareholders (representing just under two-thirds of the register).

Following this consultation the Committee determined that, in view of his knowledge and expertise gained over nearly 30 years in the primary care property sector, which will continue to be invaluable and highly relevant to the Group's future success, Harry Hyman's appointment as Non-executive Chair in succession to me would be in the best interests of the Company. An announcement to this effect was made on 2 November 2023.

Harry, who has been pivotal in the success and focus of the Company, has an extensive knowledge of the specialized primary care property sector and its nuances and is well known to many of the senior stakeholders within the NHS. These relationships, as well as being particularly significant in the Group's niche area, will also be especially valuable as the architecture of the public health system continues to evolve following the introduction of integrated care systems and as the NHS continues to navigate both system pressures and the uncertainties which accompany the upcoming general election. This period of evolution for the health system is likely to take some time given the number of key stakeholders involved in a complex landscape where developments are shaped by political change and Mark has expressed his strong desire that Harry remains involved as Chair so the Company can benefit from his unique expertise and wide contact base in that role. The Board is satisfied that Harry is ready to step back from running the Company and will be a very effective Chair to support Mark in his role as CEO.

This appointment is subject to shareholder approval at, and, assuming such approval, will be with effect from the conclusion of, PHP's Annual General Meeting to be held on 24 April 2024 ("2024 AGM"). Harry would cease to be a Group employee and be engaged and remunerated under a customary non-executive letter of appointment from that point.

It is proposed that the term of this appointment would be for a maximum period of three years, subject to: (a) annual review by the Company's experienced and robust group of independent Non-executive Directors; and (b) with the Board's recommendation following such review, re-appointment by shareholders at the Company's Annual General Meeting each year for that period.

As Mr Hyman will not be considered to be independent under the Code, he will not be a member of the Remuneration Committee (nor, as Chair, of the Audit Committee, in accordance with the Code's requirements).

The Board considers that the combination of Mark Davies as CEO and Harry Hyman as Chair, together with Richard Howell as CFO and David Bateman as Chief Investment Officer, makes a formidable, highly respected leadership team that will continue to build on the success of the business.

The final step in the Company's plan was to recruit an additional Non-executive Director in order to ensure that the Board consists of a majority of independent Non-executive Directors and therefore is compliant with the Code from the date of appointment. As a result, the Company was pleased to appoint Dr Bina Rawal as a fourth independent Non-executive Director of the Company with effect from 27 February 2024. The Board has therefore increased in size from six to seven.

The Committee continues to oversee succession plans across the senior management team and has continued to work with the Executive Directors to develop succession plans for every member of the senior management team as a part of the annual appraisal process. This will ensure that the execution of the Company's strategy is not dependent on any one individual and continually improve our processes for identifying and developing our internal talent.

Appointments

It is the responsibility of the Nomination Committee to maintain an appropriate combination of skills and capabilities among our Directors. The Nomination Committee seeks to ensure that all Board appointments are made on merit and measured against objective criteria and with due regard for the benefits of diversity on the Board. The Board is committed to ensuring a broad mix of gender, age, nationality, experience and skills throughout the business.

During 2023, our Board comprised six Directors, two of whom are female and one of whom is from a Hispanic ethnic background.

Assuming Mr Hyman is appointed a Non-executive Chair and with the appointment of Dr Bina Rawal as an additional independent Non-executive Director, following Dr Bina Rawal's appointment the Board will comprise seven Directors, four of whom will be independent and three of whom are female.

Diversity

The Board's policy on equality, diversity and inclusion policy recognises the importance of diversity in the broadest sense and the benefits it brings to the organisation in terms of skills and experience, wider perspectives and fresh ideas. We are committed to the creation of an inclusive culture where our colleagues reflect the diverse communities we serve and where each person can operate in a working environment which promotes a culture of mutual respect and inclusion throughout the organisation. Senior management's annual objectives are linked to the diversity of the business, and how they promote this within their teams.

In setting the tone on diversity, the Board applies PHP's Equality, Diversity and Inclusion policy, whose terms apply to and are applied throughout PHP's governance structure, including by and in relation to every Board Committee. The policy's overarching objectives are:

- to remove barriers to entry and encourage people from diverse backgrounds to join the Company and consider a career in real estate;
- to maintain a working environment where individual differences and the contributions of our people are recognised and valued equally and where direct or indirect discrimination, bullying and harassment are not tolerated;
- to raise awareness of equality, diversity and inclusion among all our people so that they can recognise and take an active role in contributing towards our goals and objectives;
- to ensure that remuneration, benefits, terms and conditions and recruitment and promotion procedures do not discriminate, discourage or create barriers directly or indirectly;

Nomination Committee report continued

Activities of the Committee during the year continued

Diversity continued

- to help all employees through training and other opportunities to develop to their full potential;
- to promote and uphold our commitment to equality, diversity and inclusion amongst our stakeholders;
- to ensure that we review our policies and approach, updating when needed, and that our people know how to raise any thoughts, issues or concerns;
- to effectively measure and report on our progress on diversity and inclusion; and
- to recognise and celebrate the power of diversity, creating a truly inclusive environment where all our people can always be the best they can be and feel treated as equals.

Our policy is kept under review to align with best practice and expressly extends to all appointments across our organisation. Specifically in 2023, the policy was refreshed and updated having regard to the continuing work of the Parker Review.

In addition, the Board continues to support the roll-out of diversity training for employees across the Group. The PHP Equality, Diversity and Inclusion policy is available on the Company's website at www.phpgroup.co.uk/responsible-business/.

Independence

The Nomination Committee has responsibility for ensuring that at appointment each Director is independent and that they have formally declared to the Company any actual or potential conflicts of interest that may exist at the time of their appointment. Annually, the Nomination Committee reviews the formal register of Directors' interests tabled at each meeting of the Board to assess whether any circumstances or relationships exist which could affect the judgement or independence of each of the Non-executive Directors. In addition, the Nomination Committee considered their independence of character and judgement.

During the year, the Nomination Committee formally reviews requests from the Directors for approval of new Board appointments they may wish to take up and also annually reviews each of the Directors' external commitments on both a quantitative and qualitative basis to assess whether these commitments impact negatively on their commitment or performance. Details of the results of this process are set out on page 86 in the Corporate Governance Statement.

Ian Krieger, as Senior Independent Non-executive Director, led the Nomination Committee in considering my appointment as Executive Chairman of Palace Capital PLC, where I had previously, with the Committee's approval as noted in the Annual Report 2022, been serving as Interim Executive Chairman. This was approved having regard to the fact that the evolution of this role did not affect my time commitment to the Company or create any conflicts of interest.

Harry Hyman resigned from his role as the Non-executive Chairman of TMT Acquisition plc on 15 February 2024. It was considered that his role as Non-executive Chairman of BioPharma Credit plc, an externally managed investment trust involving only four scheduled meetings a year, did not affect his time commitment to the Company or his ability to continue to contribute effectively. This assessment continues to apply in Mr Hyman's proposed future role as Chair.

It was also considered that the continued commitments of Ian Krieger as Chairman of the audit committees at Safestore Holdings plc and Capital & Regional plc did not affect his time commitment and brought valuable insight from other listed REITs whose property portfolios did not compete with that of PHP. Ian expects to step down from each of these roles during 2024 as his term of office at each concludes. Ivonne Cantú's other commitments were also not considered to detract from the time commitment expected of her or to create any conflicts of interest.

Acknowledging that Harry Hyman will not be independent under the Code, the Nomination Committee is confident that each of the other Non-executive Directors remains independent and all will be in a position to discharge their duties and responsibilities in the coming year.

Directors standing for election and re-election

With the exception of my retirement, all the Directors will stand for re-election at the 2024 AGM, with two new Directors – Mark Davies and Bina Rawal – also standing for election. Following the annual reviews of individual Directors, it is considered that:

- each Director subject to re-election continues to operate as an effective member of the Board; and
- each Director subject to re-election has the skills, knowledge and experience that enables them to discharge their duties properly and contribute to the effective operation of the Board.

The Board, on the advice of the Committee, recommends the election or re-election of each Director and the skills and experience of each Director are available on pages 72 and 73.

Evaluation

In accordance with its terms of reference, the Nomination Committee's performance was reviewed in the context of the results of the Board annual evaluation, paying particular attention to any issues raised with respect to the composition of the Board, its skills, experience and diversity. The review found that the Committee functions effectively and should continue to develop and refresh its responsibilities.

Details of the evaluation process and its outcomes are set out in more detail on pages 85 and 86.

Steven Owen
Chair of the Nomination Committee
27 February 2024

Remuneration Committee report

Ivonne Cantú
Chair of the Remuneration Committee

MEMBERS OF THE REMUNERATION COMMITTEE (THE "COMMITTEE") DURING THE YEAR

Member	Number of meetings and attendance while in post
Ivonne Cantú (Chair)	3 (3)
Laure Duhot	3 (3)
Ian Krieger	3 (3)

Bracketed numbers indicate the number of meetings the member was eligible to attend.

Additional attendees invited to attend meetings as appropriate:

Harry Hyman – CEO

Steven Owen – Chair

Korn Ferry

Paul Wright/Toby Newman – Company Secretary & Chief Legal Officer

No individual participated in any matters that involved their own remuneration.

Key responsibilities

Policy

- Setting the remuneration policy for the Chair, Executive Directors and senior executives (the "Remuneration Policy") and ensuring it is aligned to the Company's purpose and values and linked to delivery of the Company's long-term strategy.
- Reviewing the continued appropriateness and relevance of the Remuneration Policy.

For further information see page 98

Remuneration

- Within the terms of the approved Remuneration Policy and the Company's remuneration framework:
  - setting the relevant performance objectives and targets for short and long-term incentive pay; and
  - determining the remuneration of the Directors, the Company Secretary and the senior executives.
- Reviewing and considering remuneration across the Group to ensure appropriate alignment between the remuneration of the Directors, senior executives and the Group as a whole.
- Appointing and setting out the terms of reference for any remuneration consultants to advise the Committee.
- Agreeing policy on the recovery by the Directors of expenses incurred in performance of their duties.

For further information see page 99

Reporting

- Preparing the Directors' Remuneration Report and reporting to shareholders on the implementation of the Company's remuneration policy in accordance with relevant statutory and corporate governance requirements.

For further information see page 108

Dear shareholder,

On behalf of the Remuneration Committee (the "Committee"), I am pleased to provide an overview of our work in relation to both Director and wider workforce remuneration for the year ended 31 December 2023.

We were encouraged by the very high level of support (98.81% of votes cast) for the Directors' Remuneration Report at the Annual General Meeting held in April 2023 and I would like to thank all our shareholders for their continued engagement and support on remuneration matters throughout the year.

This report is divided into three parts:

1. this Annual Statement on pages 97 to 99 in which I provide an overview of the work of the Committee during the year and the key decisions which it took in relation to both Executive Director remuneration and wider workforce remuneration for the year ended 31 December 2023;
2. the full text of the proposed Directors' Remuneration Policy (the "Policy") for which approval by shareholders will be sought at the General Meeting on 24th April 2024 set out on pages 100 to 107; and
3. the Annual Report on Remuneration, which provides information on how the Policy adopted at the 2021 General Meeting has been applied during the year and how we intend to apply it for 2024, set out on pages 108 to 118.

The Companies Act 2006 requires the auditor to report to the shareholders on certain parts of the Remuneration Report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the Annual Report on Remuneration that are subject to audit are indicated in the report.

Company performance

As you will have read earlier in this Annual Report, the Company once again delivered increased income, with a twenty-seventh consecutive year of dividend growth. The strong continuous growth of the business was highlighted by the award of MSCI's Highest 10-Year Risk Adjusted Total Return Award.

These excellent outcomes are, to a large extent, the result of the expertise and hard work of the Executive Directors and the senior management team.

Remuneration Committee report continued

The Remuneration Committee's activities during the year

The Committee met three times, in February, July and December.

Aside from the Committee's normal annual programme of work, in 2023 the Committee worked alongside the ESG committee to introduce a new ESG metric in the long-term incentive plan ("LTIP") and, as part of the Board succession plan implemented in the year, determined the remuneration related to the new CEO and Chair appointments.

ESG metrics

The Committee worked alongside the ESG committee and its external adviser in determining what ESG metrics and targets were most suited to support our ESG strategy for inclusion in the long-term incentive plan. In determining the metrics to be included in the LTIP we had in mind the following core principles:

- measures should be aligned with the Company's business strategy;
- targets should be quantitative;
- targets should incentivise a stretch in management's performance;
- performance against targets should be capable of being externally assured/validated; and
- weighting should be meaningful, but not excessive in the context of the other LTIP measures.

We concluded that it is most appropriate to include environmental metrics in the LTIP measured over three years, and that these should have up to 20% weighting in the LTIP. For 2024, being the first year of operation, we plan to include a single metric with a weighting of 15%.

The ESG metric that we believe is best suited for inclusion in the LTIP at this time is the percentage of our property portfolio which is rated A or B for EPC purposes. A core part of our strategy is ensuring that our entire portfolio has an A or B EPC rating (or equivalent in Ireland and Scotland) by 2030 where economically feasible. For the LTIP awards to be granted in 2024, we have set a range of targets for increasing the percentage of our portfolio being rated A or B by the end of 2026. Other ESG objectives will continue to be considered when determining the annual bonus for the Executive Directors and senior executives. These include: executing on the roadmap to Net Zero for our existing portfolio; continuing to improve access to energy data for the portfolio; and ensuring direct developments meet our ESG commitments.

CEO Appointment

As part of the managed Board succession process, the Committee determined the package for our new CEO, Mark Davies, and our company Chair, Harry Hyman, both of whom will take up their roles following this year's AGM.

Mark Davies' remuneration is fully in line with our Policy and there are no awards to be made to replace any incentives lost on joining the Company. He will be paid a salary of £525,000, a 6% pension allowance with an annual bonus opportunity of 150% of his salary and a long-term incentive award of 200% of his salary.

Chair appointment

Harry will be paid an annual fee of £195,600 (being the same fee level paid to Steven Owen in 2024).

Policy Review

The Committee reviewed the operation of the Directors' Remuneration Policy during the period since it was approved by shareholders to operate from January 2021 when the management team was internalised. We considered feedback received from our shareholders, proxy voting agencies and our employees. We concluded that it did not require material change and so we are proposing only fairly minor changes for the next three years. These are set out on page 100.

At the December meeting the Committee agreed I would write to key shareholders to explain the Company's planned approach to renewal of the Directors' Remuneration Policy; inclusion of ESG performance conditions in our LTIP plan; and remuneration arrangements for the new CEO.

The other areas of focus for the Committee in 2023 were:

- approval of the salary increase for the CFO and senior managers alongside the wider workforce salary budget;
- agreeing annual bonus targets for 2023 for the Executive Directors and senior management team;
- review and approval of the 2023 LTIP grant and the associated performance conditions;
- discussion and approval of Executive Director and senior manager remuneration outcomes for 2022;
- consideration and approval of the Directors' Remuneration Report set out in the Annual Report for 2022; and
- a review of pay, pensions and benefits across the workforce to ensure that it continues to be aligned with executive pay and sufficient to retain and attract quality staff. We recognise that it is critical that our employees feel valued and this needs to be reflected in fair pay.

Meetings are generally attended by a representative of Korn Ferry, the remuneration advisers to the Committee. Korn Ferry is a signatory of the Remuneration Consultants' Code of Conduct and has no connection with the Company other than in the provision of advice on remuneration.

Remuneration in 2023

Base salaries

The base salaries for the CEO of £413,438, and for the CFO of £360,000 applied for the whole year.

Annual bonus outcome

Following the ending of the CEO's participation in the legacy PIF incentive plan, the CEO moved to participate in the annual bonus plan alongside the CFO. Targets for the 2023 annual bonus set by the Committee were based as to 70% of the total opportunity on the achievement of financial targets (adjusted earnings and total property return) and 30% on the achievement of personal targets. The rationale for selecting EPRA earnings and Total Property Return (TPR) is that these are the key indicators of value creation for shareholders capturing the income received less expenses, and property valuation changes.

The adjusted earnings outcome for the year was £90.7 million against a threshold target of £88.2 million and maximum of £90.9 million and the total property return in the year was 3.5% against a threshold target of 3.5% and maximum of 6.5%. The Committee assessed that 95% of the personal targets should be paid out for the CEO and 95% for the CFO. Full details of how this assessment was carried out are set out on pages 110 to 112.

In total, the overall bonus pay-outs were 71% of maximum, representing 106% of salary (maximum 150% of salary) of which 30%, net of tax was deferred into PHP shares for the CFO, to be held for a period of three years in accordance with the Policy.

LTIP

The CEO did not participate in the LTIP in 2023. Richard Howell as CFO was awarded a nil-cost option over 414,874 ordinary shares in PHP. In line with the Policy the award has a face value of 125% of salary and will vest after three years subject to achievement of performance targets (Total Accounting Return 50% and EPRA earnings per share 50%). The award is also subject to a two year post-vesting holding period and is subject to claw back in the event of malus.

Full details of the performance conditions attaching to the award can be found on page 103.

The LTIP award granted in 2021 (including to Richard Howell) has partially met the performance targets set at the time of its grant. As a result 7.7% of the award vests. Full details of the performance against the targets are included on page 112.

The Committee did not feel that there were any circumstances that warranted it to exercise discretion over the last twelve months.

Planned activities for 2024

We set out below the activities which the Committee expects to undertake in 2024:

- our normal oversight of the annual remuneration cycle including approving Company-wide salary increases, approving the annual bonus and LTIP targets for 2024 and measuring performance against the bonus targets;
- consideration of the merits for the inclusion of a second ESG element in LTIP awards in 2025;
- review of Executive Director and senior manager salaries;
- review of wider workforce pay policies and practices and feedback from workforce engagement; and
- finalising the wording our Directors' Remuneration Policy and presenting it for approval at the 2024 AGM.

Committee composition

There were no changes in the composition of the Committee during the year.

Conclusion

I trust you find this report helpful and informative and thank you for your support and engagement during the year.

Overall, the Company has performed robustly against challenging market and economic conditions. The Committee believes that the 2023 remuneration outcomes are appropriate and reflective of the business performance and the wider economic and market context, and that the Remuneration Policy operated as intended during the year.

I believe that we have put in place appropriate remuneration structures to reward and retain the Executive Directors and the senior management team. We always welcome feedback and hearing the views of our shareholders, so if you have any questions about this report or remuneration generally at PHP, do please contact me through our Company Secretary at cosec@phpgroup.co.uk.

I look forward to your support for the resolutions to approve the Directors' Remuneration report and the Directors' Remuneration Policy at our forthcoming 2024 AGM.

Ivonne Cantú
Chair of the Remuneration Committee
27 February 2024

Directors' remuneration report

PART 1: THE NEW POLICY

This new Directors' Remuneration Policy ("Policy" or "new Policy") will be put to a binding shareholder vote at the 2024 AGM and, if approved, will be effective immediately thereafter (in place of the current Directors' Remuneration Policy approved at the 2021 AGM ("current Policy") which will continue to apply until such time). It is currently intended that the new Policy will remain in force until the Company's AGM in 2027.

The overall Remuneration Policy of the PHP Group (the "Company") has been developed in compliance with the principles of the 2018 UK Corporate Governance Code, UK institutional investor guidance and the Listing Rules.

There are no significant changes being proposed in 2024 to the Policy approved in 2021, which is proposed to roll over for the next three years, with only minor changes, either of a housekeeping nature (e.g. to remove legacy arrangements such as the PIF) or intended to provide some additional minor flexibility or clarity for the next three years. The PIF has been removed from the Policy as it is a legacy plan.

In determining the proposed new Policy the Committee reviewed the extent to which the current Policy was working in the context of the current business strategy and therefore its alignment with the strategic direction of the Company. It also took into account the alignment to the wider pay policy across the Group, the evolving expectations of our shareholders and stakeholders, the appropriateness from a risk appetite perspective, and feedback from shareholders during the Policy period.

Key principles of the new Policy

The Company is committed to ensuring that its remuneration practices enable the Company to appropriately compensate employees for the services they provide to the Company, attract and retain employees with skills required to effectively manage the operations and growth of the business and motivate employees to perform in the best interests of the Company.

The Company's remuneration principles ensure that:

- the Company offers a suitable package to attract, retain and motivate people with the skills and attributes needed to deliver the Company's business goals, while recognising the unique nature of the organisation and the requirements of its shareholders;
- the Company's policy and practices aim to drive behaviours that support the Company strategy and business objectives; and
- the Company's incentive plans are linked to Company and individual performance to encourage high performance from staff both at an individual and team level.

These policy objectives will be achieved by ensuring remuneration is reflective of applicable market conditions, statutory obligations and the level of accountability (responsibility, objectives, goals) assigned to the provision of incentives to deliver outstanding performance, whilst providing organisational flexibility and operational efficiency.

In addition, the new Policy is tested against six factors listed in the Corporate Governance Code:

- **Clarity** – the new Policy is well understood by the management team and is clearly articulated to shareholders;
- **Simplicity** – the Committee is very mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. Therefore, one of the Committee's objectives is to ensure that the executive remuneration policies and practices are as simple to communicate and operate as possible, while also supporting strategy;
- **Risk** – the new Policy is designed to ensure that inappropriate risk taking is not encouraged and will not be rewarded via: (i) the balanced use of both short and long term incentive plans which employ a blend of financial, non-financial and shareholder return targets; (ii) the significant role played by equity in the incentive plans (together with shareholding guidelines); and (iii) malus/clawback provisions;
- **Predictability** – the incentive plans are subject to individual caps, with the share plans also subject to market standard dilution limits;
- **Proportionality** – there is a clear link between individual awards, delivery of strategy and long term performance. In addition, the significant role played by incentive/"at-risk" pay, together with the structure of the Executive Directors' service contracts, ensures that poor performance is not rewarded; and
- **Alignment to culture** – the executive pay policies are fully aligned to the Company's culture.

PART 1: THE NEW POLICY CONTINUED

Key elements of the new Policy

Pay element and purpose	Operation	Opportunity	Performance metrics, weighting and assessment
Base salary			
Provide a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	Salaries are normally reviewed annually and any changes are normally effective from the beginning of the financial year, although there is no obligation to increase salary. When determining an appropriate level of salary, the Committee considers: • remuneration practices within the Company; • the performance of the individual Executive Director; • the individual Executive Director's experience and responsibilities; • the general performance of the Company; • salaries within the ranges paid by comparable companies used for remuneration benchmarking; and • the economic environment.	Base salaries will be set at an appropriate level within a comparator group(s) of comparable companies and will normally increase at a rate no higher than increases made to the wider employee workforce (save where a higher increase is appropriate to reflect a change in role/responsibilities). Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the average until the target positioning is achieved.	None.
Benefits			
Provide a market competitive level of benefits to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	The Executive Directors may receive benefits which include, but are not limited to, family private health cover, critical illness cover, life assurance cover, income protection and accident/ sickness/business travel insurance (including tax payable if any). The Committee recognises the need to maintain suitable flexibility in the determination of benefits that ensure it is able to support the objective of attracting and retaining key personnel. Accordingly, the Committee would expect to be able to adopt other benefits including (but not limited to) relocation expenses, tax equalisation and support in meeting specific costs incurred by Directors. Any reasonable business related expenses can be reimbursed in accordance with the Company's expenses policy, including the tax thereon if determined to be a taxable benefit. The Executive Directors may also participate in any all-employee share plans operated by the Company.	The maximum will be set at the cost of providing the benefits described.	None.

Directors' remuneration report continued

PART 1: THE NEW POLICY CONTINUED

Key elements of the Policy continued

Pay element and purpose	Operation	Opportunity	Performance metrics, weighting and assessment
Pensions			
Provide appropriate levels of pension benefits to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	The Committee has the ability to provide pension funding in the form of a salary supplement or as an employer contribution to a defined contribution pension plan. Any pension payments would not be considered "salary" when determining the extent of participation in the Company's incentive arrangements.	For existing and any future Executive Directors, the maximum pension contribution/allowance as a percentage of basic salary will be in line with the contribution level provided to the majority of the workforce (currently 6% of salary).	None.
Annual Bonus Plan			
The Annual Bonus Plan provides an incentive to the Executive Directors linked to achievement in delivering goals in a sustainable manner that are closely aligned with the Company's strategy and the creation of value for shareholders.	The Committee will determine the bonus payable after the year end based on performance against targets. Annual bonuses are paid in cash after the end of the financial year to which they relate. However, Executive Directors who participate in the Annual Bonus Plan will be required to defer 30% of the bonus, normally net of tax, into shares which should be held for at least three years. The Committee may award dividend equivalents on deferred shares to the extent they vest. Malus and clawback provisions will apply to the award, up to the date of the bonus determination and for three years thereafter. Bonus payments are not pensionable.	The maximum bonus opportunity is 150% of salary.	Discretionary bonus payouts will be determined on the satisfaction of a range of key financial and personal/strategic objectives set annually by the Committee. No more than 30% of the overall bonus opportunity can be based on performance against personal/strategic targets. The performance targets applied will be disclosed in the relevant annual report, following the end of the performance period. Discretion will apply, enabling the Committee to adjust the bonus outcome upwards or downwards, where the formulaic outcome is, in the view of the Committee, not a fair and accurate reflection of business performance. No more than 25% of the relevant portion of the bonus is payable to delivering a threshold level of performance, and no more than 50% is payable for delivering a target level of performance (where the nature of the performance metric allows such an approach).

PART 1: THE NEW POLICY CONTINUED

Key elements of the Policy continued

Pay element and purpose	Operation	Opportunity	Performance metrics, weighting and assessment
Long Term Incentive Plan ("LTIP")			
Awards are designed to incentivise the Executive Directors to maximise returns to shareholders by successfully delivering the Company's objectives over the long term in a sustainable manner.	Awards can be granted annually to Executive Directors under the LTIP in the form of nil-cost options or conditional awards of shares. These would vest at the end of a three-year period, normally subject to: • the Executive Director's continued employment at the date of vesting; and • satisfaction of the performance conditions. The Committee may award dividend equivalents on awards to the extent that they vest. The net of tax number of shares that vest after the end of the three-year performance period will be subject to an additional two-year holding period, during which the shares cannot be sold (irrespective of whether the individual remains employed). Malus and clawback provisions will apply to the award, up to the date of the LTIP determination and for three years thereafter.	Awards may be made up to 200% of base salary in normal circumstances. No more than 25% of the award will vest for threshold performance. 100% of the award will vest for maximum performance.	Awards vest subject to the achievement of challenging performance conditions set by the Committee prior to each grant. Discretion will apply, enabling the Committee to adjust the outcome upwards or downwards, where the formulaic outcome is, in the view of the Committee, not a fair and accurate reflection of business performance. The performance measures for awards to be granted in 2024 are expected to be: earnings per share (42.5% wieghting), total accounting return (42.5% wieghting) and the improvement in a specified percentage of our properties that are EPC rated A or B (15% weighting). The Committee may change the balance of the measures and/or use different measures for subsequent awards, as appropriate.
All-employee share plan			
To encourage share ownership.	The Company currently operates an all-employee savings related share-option plan. To the extent the Company operates this or any future all-employee share plan, the Executive Directors will be able to participate on the same terms as other employees.	Actual participation in these plans will be disclosed in the relevant Annual Report following the implementation and participation in these plans.	None.
Shareholding requirement			
To support long term commitment to the Company and the alignment of Executive Director interests with those of shareholders.	The Committee has adopted formal shareholding guidelines that will encourage the Executive Directors to build up and then subsequently hold a shareholding equivalent to a multiple of their base salary. Requirements will continue for two years after an Executive Director ceases to be employed.	200% of salary.	None.
Non-executive Directors			
To provide a competitive fee for the performance of NED duties, sufficient to attract high calibre individuals to the role.	Fees are set in conjunction with the duties undertaken. Normally only increased when an individual takes on additional duties or where benchmarking indicated fees require realignment to remain competitive.	Overall fees will not exceed the maximum in the Company's Articles of Association.	None. The NEDs are not entitled to receive any remuneration which is performance related. As a result, there are no performance conditions.

Directors' remuneration report continued

PART 1: THE NEW POLICY CONTINUED

Choice of performance measures

Each year, the Committee will choose the appropriate performance measures and targets to apply to the Annual Bonus Plan and LTIP. The measures will be closely aligned with the Company's strategy and business priorities at the time and will be consistent with a Board-approved level of business risk.

Malus and clawback

Malus and clawback provisions within the Annual Bonus Plan, PIF (a legacy plan) and LTIP apply in the following circumstances:

- material misstatement of results;
- gross misconduct;
- error in calculating the number of shares subject to an award or the amount of cash paid;
- corporate failure; or
- serious reputational damage.

Discretion

The Committee will operate the Annual Bonus Plan, PIF and LTIP according to their respective rules and in accordance with the Listing Rules where relevant. Consistent with market practice, the Committee retains certain discretions in respect of the operation and administration of these arrangements which include, but are not limited to, the following:

- the participants;
- the timing of the grant of an award or payment;
- the size of an award;
- the determination of the extent to which performance measures have been met and the corresponding vesting or payment levels;
- discretion required when dealing with a change of control or restructuring of the Group;
- determination of the treatment of leavers based on the rules of the respective arrangement and the appropriate treatment chosen, including the pro-rating of awards;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends);
- the annual review of performance measures, weighting and targets from year to year; and
- the manner in which share awards can be satisfied (i.e. through the use of new issue, market purchased or treasury shares or by way of a cash payment).

In addition, the Committee retains the ability to adjust the targets and/or set different measures if events or circumstances occur (e.g. a material acquisition and/or divestment of a Group business) which cause it to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose. Any use of the above discretions would be explained in the Annual Report on Remuneration for the relevant year and may, as appropriate, be the subject of consultation with the Company's major shareholders. Furthermore, the Committee has the discretion to amend the new Policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, in the best interests of the Company, and disproportionate to seek or await shareholder approval.

Dilution limits

Market standard dilution limits will apply to the operation of the Company's share plans (e.g. no more than 10% of share capital can be issued in relation to any share plan operated by the Company in any ten-year period, and no more than 5% can be issued in relation to any discretionary share plan (such as the LTIP) in the same ten-year period).

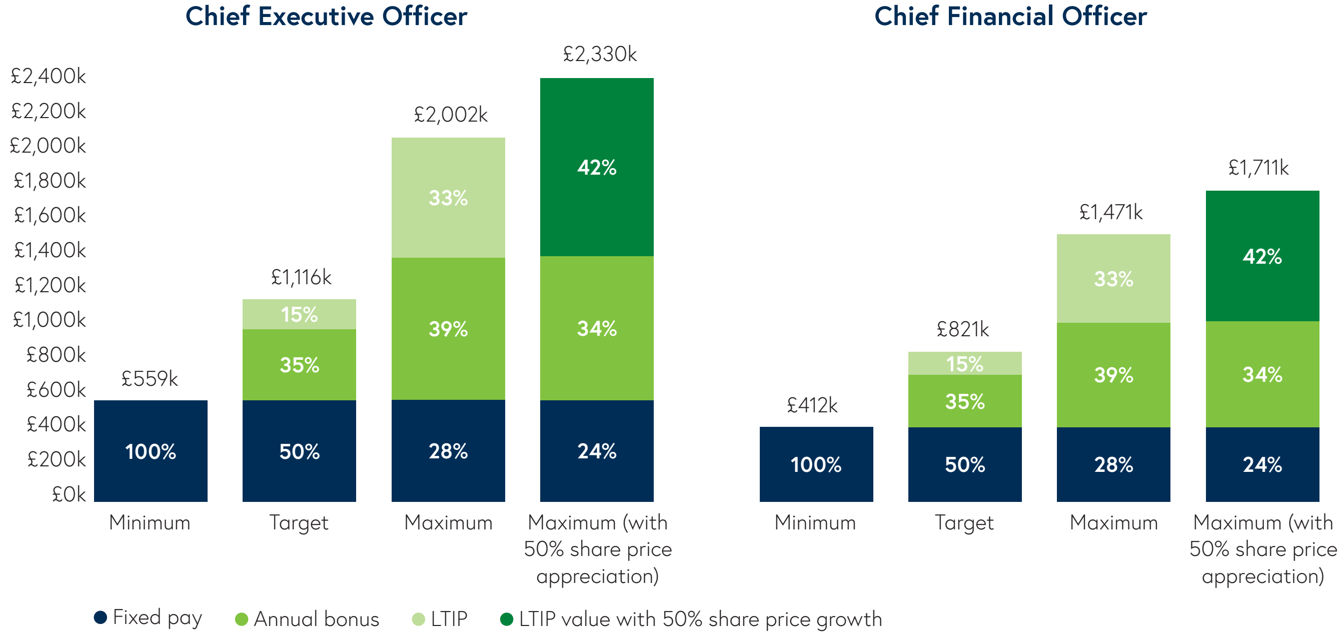
Differences in New Policy for the wider employee population

The Group aims to provide a remuneration package for all employees that is market competitive and operates the same reward and performance philosophy throughout the business. The Group operates variable pay plans primarily focused on mid to senior management level. In some cases, incentive structures and performance conditions apply which are different to those used for Executive Directors in order to ensure the performance targets set can be influenced and controlled by the participant. In addition, the Committee takes into account workforce remuneration and related policies and the alignment of incentives and rewards with culture when setting the policy for Executive Directors' remuneration.

PART 1: THE NEW POLICY CONTINUED

Scenario charts

The chart below illustrates the annual remuneration opportunity provided to the CEO and CFO under the new Policy at different levels of performance for the financial year.



In line with the Companies (Miscellaneous Reporting) Regulations 2018, the maximum scenario illustrates the potential remuneration payable if the share price increased by 50% (i.e. the value of the LTIP award increased by 50% between grant and vesting).

1. **Minimum performance:** comprising the minimum remuneration receivable (i.e. fixed pay only, being base salary, pension allowances and an estimate of other benefits based on those received in 2023).
2. **On-target performance:** comprising fixed pay or annual bonus of 50% of the maximum opportunity, being 150% of salary and LTIP awards vesting at the threshold level of 25% of salary. The illustration is made using the maximum remuneration that can be achieved.
3. **Maximum performance** (excluding and including share price growth): comprising fixed pay and annual bonus of 100% of the maximum and 100% vesting of LTIP awards. The maximum performance scenario also illustrates potential payout under the LTIP with a 50% share price growth.

The illustrations do not take into account the value of dividends payable on LTIP awards.

Recruitment policy

The Company's strategy is to attract and retain a talented and diverse workforce.

The Company's approach is that the remuneration of any newly recruited Executive Directors will be assessed in line with the same principles as apply to the existing Executive Directors.

The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure the preferred candidate and will have regard to guidelines and shareholder sentiment regarding enhanced short term or long term incentive payments made on recruitment and the appropriateness of any performance measures associated with an award. Subject to the paragraph below, the incentive awards that can be received in any one year will not exceed the maximum individual limits as set out in the new Policy.

The Committee's policy is not to provide sign-on compensation. In addition, the Committee's policy is not to provide buyouts as a matter of course. However, should the Committee determine that the individual circumstances of recruitment justified the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of a Director's previous employment will be estimated. This will take into account, among other things, the performance conditions attached to the vesting of these incentives, the timing of vesting, the likelihood of vesting and the nature of the awards (cash or equity). The Committee may then grant a buyout of a value that takes account of the value of the lapsed award, where possible, under the Company's incentive plans. To the extent that it is not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, the Committee may, in exceptional circumstances, consider it appropriate to grant an award under a different structure to facilitate a buyout of outstanding awards held by an individual on recruitment.

Directors' remuneration report continued

PART 1: THE NEW POLICY CONTINUED

Recruitment policy continued

Where an existing employee is promoted to the Board, or was previously remunerated by a company that subsequently becomes a Group company, the policy set out above would apply from the date of promotion or that company becoming part of the Group but there would be no retrospective application of the policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package would be honoured and form part of the ongoing remuneration of the person concerned. These would be disclosed to shareholders in the Annual Report on Remuneration for the relevant financial year.

The Company's approach is that the remuneration of any newly recruited Non-executive Director will be assessed in line with the same principles as apply to the existing Non-executive Directors.

The Company will not pay any introductory fee or incentive to any person to encourage them to become a Director but may pay fees to search and selection consultants in connection with the appointment of any Non-executive Director.

Service agreements and letters of appointment

Executive Directors

Harry Hyman's service contract has a twelve-month mutual notice period. Richard Howell's contract has a six-month mutual notice period. The Company's policy is for Executive Directors to have service agreements with no fixed term, but which may be terminated by the Company for breach by the Executive or with no more than twelve months' notice from the Company to the Executive and twelve months' notice from the Executive to the Company.

If notice is served by either party, the Executive Director can continue to receive base salary, contractual benefits and pension for the duration of their notice period during which time the Company may require the individual to continue to fulfil their current duties or may assign a period of garden leave. Service contracts do not contain liquidated damages clauses.

The Company may elect to make a payment in lieu of notice equivalent in value to a maximum of twelve months' base salary and contractual benefits including pension contribution but excluding variable pay, payable in equal monthly instalments. Alternatively, the Committee retains the discretion to make payments in lieu of notice as a lump sum.

In the event of termination for cause (e.g. gross misconduct) neither notice nor payment in lieu of notice will be given and the Executive Director will cease to perform their services immediately.

In addition, and consistent with market practice, the Company may pay a contribution towards the Executive Director's legal fees for entering into a statutory agreement, may pay a contribution towards fees for outplacement services as part of a negotiated settlement, or may make a payment to compromise claims the Executive Director may have. There is no provision for additional compensation on termination following a change of control. Payment may also be made in respect of accrued benefits, including untaken holiday.

The contracts of the Executive Directors and the appointment letters of the Non-executive Directors will be available for inspection at the 2024 AGM and, at registered office during business hours from the date of the notice convening the meeting.

Incentive awards – treatment on cessation

Remuneration element	Treatment on exit
Salary, benefits and pension	Salary, benefits and pension will be paid over the notice period. The Company has discretion to make a lump sum payment on termination equal to the salary, value of contractual benefits and value of Company pension contributions payable during the notice period. In all cases the Company will seek to mitigate any payments due.
Annual Bonus Plan	Good leaver reason (reasons outlined below) – normally pro-rated to time and performance for year of cessation, and payable at the year end. Deferred shares delivered in full at normal vesting date. Other reason – no bonus payable for year of cessation and unless they are already owned by the Director, deferred shares normally lapse.
LTIP	Good leaver reason – normally pro-rated to time and performance in respect of each subsisting LTIP award, with awards vesting at the original date. The Company will have the discretion to allow awards to vest early in exceptional circumstances. Other reason – lapse of any unvested LTIP awards. Vested LTIP awards will be retained by Executive Directors. The Committee has the following elements of discretion: • to treat a leaver as a "good leaver". It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case to do so; • whether to measure performance over the original performance period or at the date of cessation; and • the Committee's policy is generally to pro-rate awards from the date of grant to the date of cessation. The Committee has the discretion to adopt a different approach to pro-rating and the timing of vesting where it is felt appropriate and there is an appropriate business case to do so.

PART 1: THE NEW POLICY CONTINUED

Service agreements and letters of appointment continued

Incentive awards – treatment on cessation continued

A good leaver reason may include cessation in the following circumstances:

- death;
- ill health;
- injury or disability; or
- at the discretion of the Committee.

Incentive awards – treatment on a change in control

The Committee's normal policy on the vesting of incentives on a change of control is summarised below:

Name of incentive plan	Change of control	Discretion
Annual Bonus Plan	Pro-rated to time and performance to the date of the change of control and paid at that time. Deferred shares released at the change of control.	The Committee has discretion to continue the operation of the Plan to the end of the bonus year (subject to the agreement of the acquiring company).
LTIP	The number of shares subject to subsisting LTIP awards vesting on a change of control will be pro-rated to time and performance.	The Committee retains absolute discretion regarding the proportion vesting, taking into account time and performance. There is a presumption that the Committee will pro-rate for time, although it may adopt a different approach if it considers appropriate.

Non-executive Directors

The Non-executive Directors each have specific letters of appointment, rather than service contracts. Non-executive Directors are appointed for an initial term of three years and, under normal circumstances, would be expected to serve for additional three-year terms, up to a maximum of nine years, subject to satisfactory performance, which is reviewed annually by the Nomination Committee. The Board shall have discretion to extend a term beyond nine years in order to retain specialist skills and experience which are hard to replace and provided always that the individual is considered to remain independent. The Company requires that all Directors are re-elected at each Annual General Meeting.

In the event of loss of office, Non-executive Directors do not have any entitlement of payment upon a loss of office over and above payment for any notice period and any fees or expenses due to them but unpaid at the time of termination.

There is no provision for the recovery of sums paid to a Non-executive Director or the withholding of the payment of any sum due to a Non-executive Director.

External appointments

The Board recognises the benefit which the Company can obtain if Executive Directors serve as non-executive directors of other companies. Subject to review in each case, the Board's general policy is that an Executive Director can accept one non-executive directorship of another listed company (but not the chairmanship) and can retain the fees in respect of such appointment.

Such appointments require Board approval and the time commitment the appointment will require is taken into consideration.

Statement of employment conditions elsewhere in the Company

The Committee considers pay and employment conditions across the Company when reviewing the remuneration of the Executive Directors and other senior employees. In particular, the Committee considers the range of base pay increases across the Group as well as wider workforce remuneration and related policies. The new Policy for the Executive Directors is designed with regard to the policy for the workforce as a whole. The Committee is kept updated through the year on general employment conditions and it approves the budget for annual salary increases. The Company did not consult with employees in formulating the new Policy.

Consideration of stakeholders' views

The Company is committed to engagement with shareholders and will seek major shareholders' views in advance of making significant changes to its New Policy and how it is implemented. The Chair of the Committee will attend the Annual General Meeting to hear the views of shareholders on the new Policy and to answer any questions in relation to remuneration.

As disclosed on page 68 no formal consultation with the workforce on Executive pay was undertaken in the year as contemplated by Provision 41 of the Code. That said, we are confident that Executive remuneration is aligned with the wider Company pay policy, and – having regard to prior engagement, the Company's small number of staff, low level of staff turnover and continuity of approach as regards Executive pay since the previous consultation – that the workforce continues to be appropriately appraised on these matters.

Directors' remuneration report continued

PART 2: ANNUAL REPORT ON REMUNERATION

On the following pages we set out the Annual Report on Remuneration for the year ending 31 December 2023 which provides details of how the Policy was applied during the year and the remuneration received by each of the Directors. It also sets out how we intend to operate the Policy for 2024.

This part of the report has been prepared in accordance with the Companies Act, various companies regulations, and relevant sections of the Listing Rules. The Annual Report on Remuneration will be put to an advisory shareholder vote at the 2024 AGM.

Implementation of the Policy for 2024

How the new Policy (which is broadly similar to the current Policy) will operate in 2024 is set out below:

Summary of Policy	Implementation in the year to 31 December 2024
Base salary	
An Executive Director's basic salary is set on appointment and reviewed annually with changes normally taking effect from the beginning of the year or when there is a change in position or responsibility.	The salary for our new CEO will be £525,000 from the date of the AGM and the salary of the current CEO and the CFO were increased by 8% to £445,000 and £387,000 respectively, slightly below the average rate of increase for our workforce across the Group with effect from 1 January 2024.
Pension	
Pension funding as an employer contribution to a defined contribution pension plan or as a salary supplement. Any pension payments are not be considered 'salary' when determining the extent of participation in the Company's incentive arrangements.	An employer pension contribution or cash allowance of 6% of pensionable salary, in line all other employees of the Group, will be provided for the CFO and new CEO. Our current CEO does not receive a pension benefit.
Benefits	
The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy.	In line with the Policy, each Executive Director receives: • life insurance. In addition, in line with the rest of the workforce, the CFO and new CEO receive private health cover, income protection cover and critical illness cover.
Annual bonus	
Annual bonuses are paid in cash shortly after the end of the financial year to which they relate. However, Executive Directors who participate in the Annual Bonus Plan are required to defer 30% of the bonus net of tax into shares which should be held for at least three years. Dividend equivalents will be added on deferred shares.	The maximum opportunity under the bonus plan is 150% of salary for the CFO and the new CEO. Harry Hyman will also participate in the annual bonus plan in 2024 up to the date he leaves. The bonus will operate as follows: (i) Financial measures: 70% of opportunity, split equally between (a) EPRA earnings as adjusted by the Committee to ensure consistency with the basis on which the targets are set; and (b) Total Property Return. (ii) Strategy and personal measures: 30% of opportunity split between key goals of the business for the year ahead, which included ESG goals that will be cascaded through the Company. Full disclosure of the targets set and performance achieved will be made in next year's report as due to the nature of the business these targets are felt to be commercially sensitive at the current time.

PART 2: ANNUAL REPORT ON REMUNERATION CONTINUED

Long term incentive plan

Awards are to be granted annually under the LTIP in the form of nil cost options or conditional awards of shares. These awards will vest at the end of a three-year period, normally subject to continued employment at the date of vesting and achieving the performance conditions.

Dividend equivalents will be added to awards to the extent that they vest.

The net of tax number of shares that vest after the end of the three-year performance period will be subject to an additional two-year holding period, during which the shares cannot be sold (irrespective of whether the individual remains employed).

Richard Howell and our new CEO will be granted an LTIP award of shares with a value at grant of 125% and 160% of their salaries respectively.

Harry Hyman will not be granted an LTIP award in 2024.

Other senior executives will also be granted LTIP awards.

The structure and performance conditions of the awards will be changed to include an Environmental metric with a weighting of 15%. This metric will be a calculation of the percentage of the property portolio at 31 December 2026 that has at least a B EPC rating. LTIP Awards will vest as follows calculating the growth from the 2023 base level to the level for 2026.

Performance measure	Weighting	Threshold vesting (25%)	Stretch vesting (100%)
Total Accounting Return	42.5%	4% pa CAGR	8% pa CAGR
EPRA earnings Per Share	42.5%	3% pa CAGR	8% pa CAGR
% of portfolio with at least a B rating	15%	46%	50%

Awards vest on a straight line basis for performance between the Threshold and Stretch targets and lapse if the Threshold is not achieved. The Committee will have a discretion to change the formulaic outcome of (both downwards and upwards) if it is out of line with the underlying performance of the Company.

Shareholding requirement

Executive Directors are required to build up and hold a shareholding equivalent to a percentage of base salary.

The requirements continue for two years after an Executive Director ceases to be employed.

The shareholding requirement remains 200% of base salary.

Non-executive Directors

To provide a competitive fee for the performance of NED duties, sufficient to attract high calibre individuals to the role.

The fees payable to the NEDs have been increased with effect from 1 January 2024 by 8% to the following levels:

Base fee £65,200, SID fee £11,300, Committee Chair fee £11,300. The Chair's fee has also been increased with effect from 1 January 2024 by 7.5% to £195,600.

Wider workforce pay

The performance of the Company during the year would not have been possible without a skilled and motivated workforce. We recognise that it is critical for our colleagues to feel valued as well as to be paid fairly. To this end we undertook a formal review of pay and benefits across the Company at the end of the year and have agreed to implement a number of significant improvements in the overall benefits package, as well as increasing basic salary across the workforce.

Following the merger with the MedicX Fund a number of former employees of the manager of the fund, transferred to Nexus which was the property adviser to PHP, with a more generous benefits package than that available to the Nexus employees at that time and both groups of employees transferred to PHP following internalisation. Following a review of the benefits package available to staff, it was decided to harmonise these with effect from the start of 2023, so that all staff have access to private healthcare, critical illness cover and income protection, as well as death-in-service life cover.

In addition to the changes noted above, during the year we launched a salary sacrifice electric car plan operated by Octopus under which employees could enter into a lease for an electric car with the monthly lease payments being taken from salary before payment to them, thereby allowing them to enjoy a saving on national insurance contributions.

Our CEO pay ratio can be seen on page 116.

Widespread share ownership is an objective of the Committee as it rewards our colleagues for the successful execution of our strategy across several years and aligns their interests more closely with our shareholders. We were pleased to be able to again to offer nil-cost options to our UK colleagues under our PHP Sharesave plan in April, which we expect to offer annually.

Directors' remuneration report continued

PART 2: ANNUAL REPORT ON REMUNERATION CONTINUED

Executive Directors

Single total figure of remuneration (audited information)

The following tables detail all elements of remuneration receivable by the Executive Directors in respect of the year ended 31 December 2023 and show the comparative figures for the year ended 31 December 2022 in a separate table below:

	Salary 2023 £000	Benefits[2] 2023 £000	Pension[3] 2023 £000	Total Fixed 2023 £000	Annual bonus 2023 £000	LTIP[4] 2023 £000	SAYE[5] 2023 £000	Total variable 2023 £000	Total 2023 £000
Harry Hyman	**413**	**4**	**—**	**417**	**437**	**—**	**—**	**437**	**854**
Richard Howell[1]	**360**	**2**	**22**	**384**	**381**	**24**	**—**	**405**	**789**

1. The CFO earned an annual bonus of (£380,700); the annual bonus is set by the Committee, is discretionary, of which 30% (net of tax) is deferred into Ordinary Shares which have to be held for three years and are subject to malus and clawback.
2. The CEO and CFO both receive life cover, private health cover, income protection cover and critical illness cover in line with the remainder of the workforce.
3. The CFO receives a pension allowance of 6% of his full salary, the same employer contribution as other members of the PHP pension plan. The CEO does not receive a pension.
4. The long-term incentive value for 2023 reflects the outturn for the 2021 LTIP scheme that vests in March 2024 at 7.7%. The vesting share price has been estimated at 96.04 pence, based on the three-month average share price ended 31 December 2023. A total of 24,778 shares were awarded to CFO, and nil to the CEO who did not participate in the LTIP scheme. None of the 2021 LTIP scheme was attributable to share price appreciation.
5. The CEO and CFO were each granted an option to acquire up to 22,233 Ordinary Shares in the Company at a price of 80.96 pence per share under the PHP Sharesave plan.

	Salary 2022 £000	Benefits[3] 2022 £000	Pension[4] 2022 £000	Total Fixed 2022 £000	Annual bonus 2022 £000	LTIP[5] 2022 £000	SAYE[6] 2022 £000	Total variable 2022 £000	Total 2021 £000
Harry Hyman[1]	263	—	—	263	—	—	—	—	263
Richard Howell[2]	336	—	10	346	260	—	—	260	606

Notes:

1. The CEO is not paid a pension and he did not participate in the Annual Bonus Plan for 2022 as under the provisions of his PHP service contract he is entitled to up to 40% of the PIF payable under the advisory agreement. Following the approval of the accounts, the Committee determined that as PHP's Group EPRA net asset value for the year (plus dividends paid, less equity raised, net of non-cash and other necessary adjustments) had not exceeded the hurdle rate of 8%, and so no PIF payment is due to the CEO in respect of 2022
2 The CFO earned an annual bonus of (£260,400); the annual bonus is set by the Committee and is discretionary, of which 30% (net of tax) is deferred into Ordinary Shares which have to be held for three years and are subject to malus and clawback.
3 The CEO and CFO both receive life cover. From 1 January 2023, they also receive private health cover, income protection cover and critical illness cover in line with the remainder of the workforce.
4 During the year the CFO received an employer pension contribution subject to a limit of £10,000 per annum. Following a review of remuneration and benefits across the workforce, it was agreed to remove the cap of £10,000 on employer pension contributions effective from 1 January 2023. The CFO receives the same employer contribution as other members of the PHP pension plan.
5 No LTIP's vested in the year as the three-year performance period has not finished.
6 Neither the CEO nor CFO applied for or were granted options to acquire Ordinary Shares in PHP under the Sharesave plan in 2022.

2023 annual bonus outcome

The bonus scheme for the CEO and CFO in 2023 were based on a mixture of financial targets and personal targets. The maximum potential bonus awards were 150% of salary. The table below includes details of the specific targets and the extent that they were met.

Metric	Weight	Threshold	Maximum	Outcome	Bonus achieved
Financial targets					
Adjusted earnings	35%	£88.2m	£90.9m	£90.7m	95%
Total property return	35%	3.5%	6.5%	3.5%	25%
Personal targets					
Individual targets	30%	See below	See below	See below	See below

PART 2: ANNUAL REPORT ON REMUNERATION CONTINUED

2023 annual bonus outcome continued

Personal objectives (30% of total bonus)

The personal objectives were set based on Richard Howell's individual areas of responsibility and the main objectives are set out below:

Objective	Achievement	Committee assessment
Maintenance of an efficient capital structure and control on costs	During the year the CFO secured a €47.8million ten year private placement loan note at a fixed rate of 4.195%, whilst exercising £300 million of RCF's to 2026. Additional hedging was put in place, retaining the group's position of 97% of net debt as fixed or hedged. The Group's EPRA cost ratio remains one of the lowest in the sector at 10.7%, or 10.1% if Axis and direct vacancy costs are stripped out.	The Committee assessed that the performance of the CFO had been very strong in this area. 90%
Delivering an enhanced risk management framework	The CFO helped ready the Group for the Corporate Governance changes for internal controls. Despite this regulation being amended again and postponed further, the Group will benefit from improvements made both operationally and in the external audit process.	The CFO refined the Group's risk management framework during the year and positions PHP well in future periods. 100%
Deliver a plan showing the pathway to deliver our sustainability targets	Significant investment continues to be made to improve the carbon and energy efficiency of our estate through asset management projects and initiatives developed to assist occupiers to reduce their energy consumption, with two NZC asset management pilot schemes commenced. The Group improved its number of properties rated with an EPC of A-B from 35% to 42% in the year.	The Committee noted the work undertaken on several initiatives and the good progress made during the year and concluded that this objective had been significantly met. 90%
Deliver an effective investor relations strategy to position the Company as the leading investor in Primary Healthcare	The CFO oversaw the implementation of our investor relations strategy that included successfully holding over 210 meetings with our investors and potential investors during the course of the year.	The Committee considered that the delivery of the investor and analysts meetings and roadshows were a key strategic benefit for PHP in maintaining investor confidence in the stock during a turbulent period for the sector in general. 100%
Through personal leadership, develop strong teams working collaboratively across the organisation	The CFO has continued to organise and lead regular all-employee virtual meetings to include staff at both the London and Stratford-upon Avon offices that foster a collaborative work culture. The CFO continued to improve staff training initiatives and staff survey during the year. The CFO also helped with the transition of the new CEO and introductions to key investors.	The Committee considered that the CFO has demonstrated strong leadership both within the finance team, where the team ethic is strong and staff turnover remains very low, as well as across the workforce as whole. 95%

Directors' remuneration report continued

PART 2: ANNUAL REPORT ON REMUNERATION CONTINUED

2023 annual bonus outcome continued

The Committee assessed Richard's performance against his personal targets after the year end and agreed that a bonus of 71% was payable in respect of this aspect of the annual bonus plan, in the light of his performance against these objectives. In reaching this conclusion the Committee determined that Richard had performed strongly during the year and had succeeded in meeting many of the targets set for him.

In total, the bonus payable to the CFO in the light of his performance against both the financial targets and personal objectives was equivalent to 71% of the maximum payable. This resulted in a bonus award of £380,700 of which, in line with the Policy, £60,531 representing 30% of the award, after tax, will be deferred into shares to be held for three years. The deferred shares are not subject to any further conditions.

In the light of the financial performance of the Company in the year in an increasingly challenging economic environment, the Committee is satisfied that the bonus pay-out is appropriate given that stakeholder experience. Specifically, the Committee took account of the following factors:

- The Company achieved a strong set of financial results with substantial year-on-year growth in EPRA earnings and in EPRA earnings per share despite a challenging environment for the property sector.
- The Company paid £89.5m in dividends for 2023 to shareholders. The full year dividend for the year ended 31 December 2023, which was over 100% covered, increased by 3.1% from 6.5 pence to 6.7 pence.
- The Company maintained a strong control over costs, continuing to have one of the lowest EPRA cost ratio in the sector.

On this basis, the Committee felt comfortable that the formulaic bonus outcome reflected the individual Executive Director and Company performance and, as a result, the Committee determined that no overriding discretion will be applied to the bonus outcome. Accordingly, the Committee is comfortable that an overall bonus pay-out of 71% of maximum is reasonable.

LTIP vesting in 2024

The 2021 LTIP awards will vest in March 2024, subject to Total Accounting Return and EPRA earnings per share targets.

Richard Howell was granted a nil-cost option over 266,904 ordinary shares in PHP (the "Award") which was subject to the following Performance Targets over a three-year period to 31 December 2023:

Performance measure	Weighting	Threshold vesting (10%)	Stretch vesting (100%)
Total Accounting Return	50%	5% per annum CAGR	10% per annum CAGR
EPRA earnings per share	50%	5% per annum CAGR	10% per annum CAGR

The Award vests on a straight-line basis for performance between the applicable threshold and stretch targets.

Performance achieved and the level of vesting of the Award are as follows:

Performance measure	Performance achieved	Level of vesting
Total Accounting Return	0% per annum CAGR	0% of the whole award
EPRA earnings per share	5.3% per annum CAGR	7.7% of the whole award
Total		**7.7% of the award**

The Committee is comfortable that the current Policy operated as intended and that the overall 2023 remuneration paid to Executive Directors was appropriate.

Share scheme interests awarded during the year

Only Richard Howell participated in the LTIP during the year.

Richard Howell was granted a nil-cost option over 414,874 ordinary shares in PHP (the "Award"). In line with the Policy the Award has a face value of 125% of salary (calculated on the basis of a share price of £1.08 being the average closing price in the three dealing days prior to the date of grant) and will vest over three years subject to achievement of performance targets (Total Accounting Return 50% and EPRA earnings per share 50%).

The Award is subject to the following Performance Targets over a three year period to 31 December 2025:

Performance measure	Weighting	Threshold vesting (25%)	Stretch vesting (100%)
Total Accounting Return	50%	4% per annum CAGR	8% per annum CAGR
EPRA earnings per share	50%	3% per annum CAGR	8% per annum CAGR

PART 2: ANNUAL REPORT ON REMUNERATION CONTINUED

The Award vests on a straight-line basis for performance between the applicable threshold and stretch targets and lapses to the extent the applicable threshold is not achieved. Any fractional result shall be rounded to the nearest whole number of shares.

50% of the Award is subject to the Total Accounting Return performance measure (i.e change in EPRA Net Tangible Assets per share plus dividends per share paid). 50% of the Award is subject to the EPRA earnings per share performance measure.

The rationale for selecting EPRA EPS and Total Accounting Return (NAV per share growth plus dividends) is that these are also key indicators of value creation for shareholders out of which the dividends are paid, and the share values are driven. TAR provides continuity with the way the legacy PIF calculated value creation and reflects the impact of gearing as experienced by shareholders. Targets for these measures are proposed in the table below. They are absolute, rather than relative because there is not felt to be a suitably large list of peer companies against which to make comparison. The inclusion of Total Shareholder Return was considered by the Committee but, potential volatility that is outside of management control and a very small peer group made the use of absolute and relative targets difficult to justify.

The Committee will determine whether and the extent to which the Performance Targets have been met, in accordance with the Rules of the Plan.

Harry Hyman and Richard Howell also participate in the PHP Sharesave plan. Both Harry Hyman and Richard Howell entered into a savings contract to save £500 per month (the maximum sum permitted under the plan rules) and hold options granted in 2023 to acquire 22,223 ordinary shares of 12.5 pence at a price of 80.96 pence per share.

The Company may fund its share incentives through a combination of new issue and/or market purchase shares. The Company monitors the level of share grants and the impact of these on the continuing requirements for shares. In accordance with guidelines set out the Investment Association the Company can issue a maximum of 10% of its issued share capital in a rolling 10-year period to employees under all its share plans, with an inner limit of 5% apply to discretionary plans.

Non-executive

Single total figure of remuneration (audited information)

	Fees		Taxable benefits		Total	
	2023 £000	2022 £000	**2023 £000**	2022 £000	**2023 £000**	2022 £000
Steven Owen (Chair)	**182**	173	—	—	**182**	173
Ian Krieger	**82**	73	—	—	**82**	73
Ivonne Cantú	**71**	65	—	—	**71**	65
Laure Duhot	**71**	63	—	—	**71**	63

The Committee agreed to increase the fee paid to the Chairman by 7.5% with effect from 1 January 2024 at its meeting in December 2023 and the Board agreed to increase the fees payable to the remaining Non-executive Directors for 2024 by the same amount.

Executive Directors: contracts

Name	Date of appointment	Date of service agreement or letter of appointment
Harry Hyman	5 February 1996	5 January 2021
Richard Howell	1 April 2017	1 April 2017

Mr Hyman entered into a contract of employment with the Company on 5 January 2021 and Mr Howell entered into a revised contract of employment with PHP Tradeco Limited on 15 April 2021 to reflect the terms of the Policy. Mr Hyman's contract was for an initial fixed period of twelve months and can be terminated by either party on giving twelve months notice. Mr Hyman has informed the Company of his intention to retire as CEO with effect from the annual general meeting in 2024.

Mr Howell's service contract is a rolling contract that can be terminated by either party on giving six months' notice.

Directors' remuneration report continued

PART 2: ANNUAL REPORT ON REMUNERATION CONTINUED

Appointment of new CEO

The salary for the new CEO will be £525,000 from the date of the AGM, who will also receive an employer pension contribution of 6% of pensionable salary and will participate in the private medical plan and receive life insurance cover, income protection and critical illness cover under Group policies. The maximum opportunity under the bonus plan will be 150% of salary and he will receive a long term incentive award of up to 160% of salary.

Non-executive Directors: contracts

Name	Date of appointment	Date of service agreement or letter of appointment	Length of appointment Years
Steven Owen	1 January 2014	9 December 2013	10
Ivonne Cantú	1 January 2022	14 December 2021	2
Laure Duhot	14 March 2019	14 March 2019	4
Ian Krieger	15 February 2018	15 February 2018	5

The Non-executive Directors each have specific letters of appointment, rather than service contracts. Non-executive Directors are appointed for an initial term of three years and, under normal circumstances, would be expected to serve for additional three-year terms, up to a maximum of nine years, subject to satisfactory performance, which is reviewed annually by the Nomination Committee. The Board shall have discretion to extend a term beyond nine years in order to retain specialist skills and experience which are hard to replace and provided always that the individual is considered to remain independent.

The appointment of the Chair and any Non-executive Directors may be terminated immediately if they are not re-appointed by shareholders or if they are removed by the Board under the Company's articles of association or if they resign and not offer themselves for re-election. In addition, appointments may be terminated by either the individual or the Company giving three months' written notice of termination.

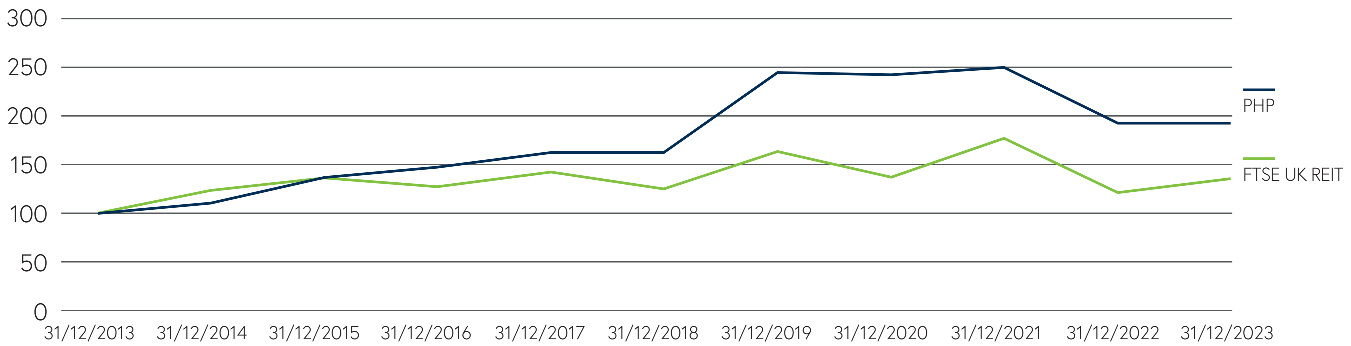
In accordance with the Code, the Company requires that all Directors are re-elected at each Annual General Meeting.

The Company's performance

The following graph compares the total shareholder return of the Company's Ordinary Shares relative to a return on a hypothetical holding over the same period in the FTSE All-Share Real Estate Investment Trust Index. This Index has been chosen by the Board as the Company is a constituent member of that index. Total shareholder return is the measure of returns provided by a company to shareholders reflecting share price movements and assuming reinvestment of dividends.

For the year ended 31 December 2023, the highest and lowest mid-market prices of the Company's Ordinary Shares were 117.00 pence and 85.50 pence respectively.

Total Shareholder Return Performance %



PART 2: ANNUAL REPORT ON REMUNERATION CONTINUED

CEO Pay

This table shows how pay for the role of the CEO has changed in the last four years. This table will be expanded over future periods until a 10 year history has been provided. Prior to 2020 the Group was externally managed.

Year	**2023 £000**	2022 £000	2021 £000	2020 £000
Incumbent	**Harry Hyman**	Harry Hyman	Harry Hyman	Harry Hyman
Single figure of remuneration	**854**	263	836	574
% of max bonus earned*	**71%**	n/a	n/a	n/a
% of max LTIP awards vesting*	**n/a**	n/a	n/a	n/a

* Mr Hyman did not participate in the LTIP scheme in any period, nor the annual bonus plan in 2021 and 2022. He received £nil, £nil, £589k and £524k in 2023, 2022, 2021 and 2020 under the PIF.

Remuneration adviser

The Remuneration Committee's appointed adviser is Korn Ferry who provide advice on Directors' remuneration and governance. Korn Ferry has no other connection with the Company and is a signatory to the voluntary code of conduct of the Remuneration Consultants Group in relation to executive remuneration consulting. The Committee is satisfied that its advice is independent and objective. The fees paid for its services calculated on a time and materials basis during the calendar year were £72,003.

Relative importance of spend on pay

The following table shows the total remuneration paid to Directors and total management fees paid compared to the dividends paid to shareholders:

	2023 £	2022 £	Difference
Directors' fees	**1,587,184**	2,236,417	-29%
Pay overall (including Executive Directors)	**7,249,565**	6,136,166	18%
Dividends	**89,545,084**	86,722,491	3%

Note: The items listed in the table are as required by the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 Section 20. The figures for this measure are as shown in Note 4 to the financial statements.

Statement of Directors' shareholding and share interests (audited)

The interests of each person who served as a Director at any time during the financial year in the share capital of the Company (all of which are beneficial unless otherwise stated) and any interests of a person connected with such persons (within the meaning of Section 96B(2) of the Financial Services and Markets Act 2000) are shown below:

Director	Number of shares owned beneficially	Number of shares owned by connected persons	% of salary held	Total interest subject to conditions (LTIP nil-cost awards)	Total interests subject to continued service condition only	Outstanding Sharesave options	**Total interests as at 31 December 2023**
Harry Hyman	12,036,674	12,381,736	5,690%	n/a	n/a	22,233	**24,440,643**
Richard Howell	431,483	nil	115%	995,523	nil	22,233	**1,449,239**
Steven Owen	124,358	70,923	n/a	n/a	n/a	n/a	**195,281**
Ian Krieger	101,481	nil	n/a	n/a	n/a	n/a	**101,481**
Laure Duhot	nil	23,169	n/a	n/a	n/a	n/a	**23,169**
Ivonne Cantú	25,000	nil	n/a	n/a	n/a	n/a	**25,000**

PART 2: ANNUAL REPORT ON REMUNERATION CONTINUED

Shareholding guidelines

In accordance with the Policy, in order to ensure that the Executive Directors' interests are aligned with those of shareholders, the shareholding guidelines (as a percentage of salary) for the Executive Directors is 200%. In addition, the Executive Directors are required to retain shares equal the level of this guideline (or if they have not reached the guideline, the shares that count at that point in time) for the two years following their departure.

The guideline shareholdings for the year ended 31 December 2023 are shown below:

Executive Director	Requirement	Guideline holding	Qualifying holding	% of salary held
Harry Hyman	200%	796,605	24,418,410	over 200%
Richard Howell	200%	693,642	431,483	120%

The shareholding definition includes shares beneficially owned by the Executive Directors and their connected persons, shares subject to a holding period, but net of tax if not yet exercised (e.g. shares which have vested but are subject to a sale restriction and vested but not exercised (net of tax)).

To the extent that there is a shortfall against the Minimum Holding at any time during an Executive Director's employment, he/she will be required to retain 50% of deferred bonus and LTIP shares (net of taxes and exercise costs) until such time as the guideline is satisfied.

The shareholding guidelines will continue to apply for two years post cessation of employment, however any shares beneficially owned by the Executive Director and persons connected with him, will not be subject to this restriction.

CEO pay ratio

Although PHP does not have more than 250 employees, and is thus not formally required to publish the ratio of CEO's pay to the wider UK workforce, we have decided to include this figure as good practice.

Our CEO to colleagues pay ratio is set out in the table below:

Financial Year	Method Used	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2023	**Option A**	**11.5:1**	**6.8:1**	**4.4:1**
2022	Option A	3.8:1	2.2:1	1.4:1

The Company has chosen to use Option A as the method for calculating the CEO pay ratio. This method had been selected because PHP has a small number of employees, and this method is considered to be the most up to date and statistically accurate method of calculation. It is also recommended by the UK government and the Investment Association. The CEO pay ratio increased from 2022 to 2023 as a result of the CEO base pay increasing in the period by 57%, higher than the average rate of increase for our workforce of 7%, reflecting an increased time commitment and a 5% inflationary salary increase (below the average workforce increase). Additionally for the 2023 period, the CEO's bonus was 71% of his base pay, compared to 34% for the wider workforce. The CEO was not paid a bonus in 2022. The company believes that the median pay ratio is consistent with the pay, reward and progression policies for the company's UK employees taken as a whole.

	2023			
	CEO	**25th**	**50th**	**75th**
Basic salary	**413,438**	**50,000**	**80,000**	**105,000**
Benefits	**4,539**	**1,438**	**1,762**	**2,757**
Pension	**—**	**3,000**	**4,800**	**7,680**
Bonus Plan	**437,210**	**20,000**	**39,375**	**79,341**
Total Pay	**855,187**	**74,438**	**125,937**	**194,778**

PART 2: ANNUAL REPORT ON REMUNERATION CONTINUED

CEO pay for 2023 has been calculated for the period 1 January 2023 to 31 December 2023 based on the single figure remuneration.

The calculation for the pay of employees at the different levels has been calculated as at 31 December 2023. Where relevant, full-time equivalent pay was calculated by applying a proportionate increase to the pay and benefits of any part-time employees.

For the purpose of the calculations, the following elements of pay were included in the total pay figure for the employee at each quartile in the year to 31 December 2023:

- annual basic salary;
- bonus earned in the year;
- employer pension contributions
- Sharesave; and
- life cover.

Percentage change in remuneration of the Board of Directors

The table below shows the percentage change in remuneration of the executive and non-executive directors against PHP employees as a whole.

	% change 2022 to 2023			% change 2021 to 2022			% change 2020 to 2021		
	Base salary/fees	**Benefits**	**Bonus**	Base salary/fees	Benefits	Bonus	Base salary/fees	Benefits	Bonus
Harry Hyman	**57%**	**175%**	**0%**	6%	0%	(100)%	400%	0%	12%
Richard Howell	**7%**	**116%**	**46%**	5%	309%	(43)%	7%	0%	(24)%
Steven Owen[1]	**5%**	**n/a**	**n/a**	5%	n/a	n/a	32%	n/a	n/a
Ian Krieger[1]	**12%**	**n/a**	**n/a**	4%	n/a	n/a	11%	n/a	n/a
Ivonne Cantú[1]	**9%**	**n/a**	**n/a**	n/a	n/a	n/a	n/a	n/a	n/a
Laure Duhot[1]	**13%**	**n/a**	**n/a**	5%	n/a	n/a	9%	n/a	n/a
PHP employees	**10%**	**18%**	**7%**	7%	135%	(2)%	n/a	n/a	n/a

1 The Non-executive Directors receive no benefits and do not participate in the annual bonus scheme.

Directors' remuneration report continued

PART 2: ANNUAL REPORT ON REMUNERATION CONTINUED

Statement of shareholder voting

At the 2023 AGM, shareholder voting on the Directors' Remuneration Report was as follows:

	Number of votes	% of votes cast
Votes cast in favour	830,500,907	98.81
Votes cast against	10,004,747	1.19
Total votes cast	**840,505,654**	**—**

A General Meeting was held on 4 January 2021, at which a composite resolution (inter-alia) to approve the internalisation and the adoption of the Policy was proposed and which shareholder voting was as follows:

	Number of votes	% of votes cast
Votes cast in favour	759,002,089	99.95
Votes cast against	416,356	0.05
Total votes cast	781,849,853	—

Payments to past Directors or for loss of office

There have been no payments made to past Directors and no payments made for loss of office in the year.

Approval

The Directors' Remuneration Report has been approved by the Board of Directors.

Signed on behalf of the Board of Directors

Ivonne Cantú
Chair of the Remuneration Committee
27 February 2024

Directors' report

The Directors present their Annual Report and Accounts, together with the financial statements and the Auditor's Report, for the year ended 31 December 2023 to shareholders.

Company status

Primary Health Properties PLC is a public limited liability company incorporated under the laws of England and Wales and is the holding company of the Group, which has no branches. It has a premium listing on the London Stock Exchange Main Market for listed securities (LON:PHP) and is a constituent of the FTSE 250 Index, as well as a secondary listing on the Johannesburg Stock Exchange (JSE: PHP).

Principal activity

The principal activity of the Group remains investment in primary healthcare property in the United Kingdom and Ireland.

The purpose of the Annual Report is to provide information to the members of the Company, as a body, that is a fair, balanced and understandable assessment of the Group's performance, business model and strategy. A detailed review of the Group's business and performance during the year, the principal risks and uncertainties facing the Group, its approach to responsible business, an indication of future likely developments in the Company and details of important events since the year ended 31 December 2023 are contained in the Group's Strategic Report on pages 1 to 67 and should be read as part of this report.

The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. The Annual Report contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report. Nothing in this Annual Report should be construed as a profit forecast.

Tax status

The Group became a Real Estate Investment Trust ("UK REIT") on 1 January 2007. It is the opinion of the Directors that the Group has conducted its affairs so as to be able to continue as a UK REIT.

Directors

The names and biographical information for the current Directors can be found on pages 72 and 73. Details of the Directors who served during the year and the interests of the Directors and their connected persons in the Company's Ordinary Shares can be found in the Directors' Remuneration Report on page 115.

The Company's Articles require that Directors should submit themselves for election at the first Annual General Meeting following their appointment and thereafter for re-election at least every three years. The Company has, however, adopted the requirements of the UK Corporate Governance Code (the "Code") in requiring the annual re-election of all Directors.

A proposal to re-elect such Directors is to be included within the Notice calling the 2024 AGM. The Chair confirms to shareholders that, following formal performance evaluation, all the Directors standing for re-election continue to be effective and their contribution is valuable and they demonstrate full commitment to and independence in their roles.

Appointment and removal of Directors

Unless and until otherwise determined by the Company by ordinary resolution, the number of Directors (other than any alternate Directors) shall not be less than two and there shall be no maximum number of Directors.

Dividends

The results for the year are shown in the Group Statement of Comprehensive Income on page 133.

The Company has paid four interim dividends each of 1.675 pence per Ordinary Share of 12.5 pence ("Ordinary Shares") for the year, totalling 6.7 pence per share, each of which has been paid as to 1.34 pence by way of Property Income Distribution ("PID") and the remainder, being 0.335 pence, as an ordinary dividend.

Powers of Directors

Subject to the provisions of the Companies Act 2006 (the "Act"), the memorandum and Articles of Association (the "Articles") of the Company and to any directions given by special resolution, the business of the Company shall be managed by the Board, which may exercise all the powers of the Company.

Appointment of Directors

Subject to the Articles, and without prejudice to the power of the Company to appoint any person to be a Director, the Board has power at any time to appoint any person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board, but the total number of Directors shall not exceed any maximum number fixed in accordance with the Articles.

Any Director so appointed shall hold office only until the next Annual General Meeting of the Company following such appointment and shall then be eligible for election.

Retirement of Directors

Under the Articles at each Annual General Meeting any Director who shall have been a Director at each of the two preceding Annual General Meetings is required to stand for re-election as a Director. However, the Company has adopted the requirements of the Code in requiring the annual re-election of all Directors.

Removal of Directors

In addition to any powers of removal conferred by the Companies Act, the Company may by special resolution remove any Director before the expiration of their period of office and may (subject to the Articles) by ordinary resolution appoint another person to act in their place.

Directors' report continued

Indemnities

The Company has procured directors' and officers' liability insurance in respect of itself, the Directors and the directors of its subsidiaries. These indemnities are qualifying third-party indemnity provisions as defined by Section 234 of the Act.

The Company has agreed to indemnify each Director against any liability incurred in relation to acts or omissions arising in the ordinary course of their duties. The indemnity only applies to the extent permitted by law. A copy of the deed of indemnity is available for inspection at PHP's registered office and will be available at the 2024 AGM. No indemnity was provided and no payments were made pursuant to these provisions during the year.

Substantial interests

As at 31 January 2024, the Company had been notified under the Disclosure Rules or was otherwise aware of the following shareholders who were directly or indirectly interested in 3% or more of the voting rights in the Company's issued share capital:

Name	Shares	%
BlackRock	112,978,980	8.45
Hargreaves Lansdown	77,019,127	5.76
Vanguard Group	69,895,514	5.23
SLegal & General Investment Management	67,095,993	5.02
SSGA	63,930,076	4.78
Investec Wealth & Investment	61,130,648	4.57
Interactive Investor	41,407,522	3.10

Share capital

At the date of this report, the Company has one class of share in issue, being 1,336,493,786 million Ordinary Shares of 12.5 pence each, each carrying the right to one vote at general meetings of the Company and to participate in any dividends declared in accordance with the Articles. There are no Ordinary Shares held in treasury. No person has any special rights of control over the Company's share capital.

At the 2023 AGM shareholders authorised the Company to make market purchases of Ordinary Shares representing up to 10% of its issued share capital at the time to allot equity securities (as defined by the Act) for cash. The Company did not purchase or acquire any of its Ordinary Shares during the year, nor did any nominee or third party with the Company's assistance acquire any shares on behalf of the Company, save that VG Corporate Trustee Limited (the "Trustee"), which administers the Primary Health Properties PLC Employee Benefit Trust (the "Trust"), made, on the Trust's behalf, market purchases (the "Market Purchases") of 567,000 Ordinary Shares of 12.5 pence each in the Company (the "Shares") at a price of £0.970. The Market Purchases were funded by the Company by way of a loan. The Shares will be held in the Trust as unallocated to employees and PDMRs and will be used to meet future obligations arising under the Company's share schemes and share plans, including share awards made to PDMRs of the Company. The authority to make market purchases referred to above will expire at the 2024 AGM and it is proposed to seek renewal of this authority at the 2024 AGM.

At the Annual General Meeting in 2023, the Directors were granted authority: (i) to allot shares up to a maximum amount of £55,687,241, representing approximately one-third of the Company's issued Ordinary Share capital; and (ii) to allot shares up to a maximum nominal value of £16,706,172 (representing approximately 10% of the Company's issued share capital) without having to first offer those shares to existing shareholders ((ii) being referred to below as the "Authority").

The Directors were also granted authority to allot further shares up to a maximum nominal value of £16,706,172 (representing approximately 10% of the Company's issued share capital) without having to first offer those shares to existing shareholders, where such authority is used in connection with the financing (or refinancing, if the authority is to be used within six months after the original transaction) of an acquisition or specified capital investment (the "Additional Authority").

In relation both to the Authority and the Additional Authority, the Directors were also granted authority to allot shares up to a nominal amount of 20% of any allotment pursuant to the Authority and for the purposes of a "follow-on offer" as defined in paragraph 3 of Section 2B of the Pre-Emption Group's Statement of Principles (November 2022), or a maximum of 2% of the Company's issued share capital in each case.

The Directors made no use of these powers during the year.

Rights attaching to shares under the Articles

The Company's Articles do not contain any specific restrictions on the size of a shareholder's holding.

Voting rights

Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the Articles, on a show of hands every member who is present in person or by proxy and entitled to vote has one vote and on a poll every member who is present in person or by proxy and entitled to vote has one vote for every share of which he is the holder.

Restrictions on voting

There are no restrictions on exercising voting rights save in situations where the Company is legally entitled to impose such restrictions, such as if having been served with a notice under Section 793 of the Act, a shareholder fails to disclose details of any past or present beneficial interest. The Company is not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities or voting rights.

Transfer

There are no restrictions on the transfer of Ordinary Shares, other than certain restrictions imposed by laws and regulations which restrict Directors and persons closely associated with them from dealing in the Company's securities without prior approval under the Company's share dealing code.

The rights and obligations attaching to the Ordinary Shares, in addition to those conferred by law, are set out in the Articles.

Amendment of the Company's Articles

Any amendments to the Company's Articles may be made by special resolution. There were no amendments made to the Articles in the year.

Change of control

Under the Group's financing agreements, including the terms of the £150 million 2.875% convertible bonds due 2025, repayment or termination of the outstanding amounts on a change of control may be required by the lenders or bondholders. There are no agreements between the Company and the Directors providing compensation for loss of office or employment or otherwise that occurs specifically because of a change of control.

The Company's share plans contain provisions that, as a result of a change of control, options and awards may vest or become exercisable, in accordance with the rules of the plans.

Suppliers

The Group has not signed up to any specific supplier payment code. It is PHP's policy to comply with the terms of payment agreed with its suppliers. Where specific payment terms are not agreed, the Group endeavours to adhere to the supplier's standard payment terms and aims to settle supplier accounts promptly in accordance with their individual terms of business. The number of creditor days outstanding as at 31 December 2023 was eight days (2022: ten days; 2021: ten days).

Annual General Meeting

The Annual General Meeting of PHP ("AGM") will be held on 24 April 2024 at 10.30 a.m. The notice convening the AGM and explanatory notes for the resolutions sought will be sent to shareholders not less than 21 clear days before the date of the meeting.

Full details will be set out in the notice of AGM, but may need to be altered at short notice, in which case the Company will update shareholders, as necessary, via a Regulatory Information Service and the Company's website at www.phpgroup.co.uk. Shareholders are advised to check the Company's website for updates.

Auditor

Deloitte LLP has expressed its willingness to continue in office as auditor and a resolution to re-appoint it will be put to shareholders at the AGM.

Employees

As at 31 December 2023, the Group had 58 employees.

Employees are encouraged to maximise their individual contribution to the Group. In addition to competitive remuneration packages, they participate in an annual bonus scheme which links personal contribution to the goals of the business.

In addition, all employees are eligible to participate in the PHP Sharesave plan 2021 that was approved by shareholders at the 2021 AGM and 43% of staff took up the offer to participate in the plan in 2023. Employees are provided regularly with information regarding the business and other matters of concern to them at bi-weekly video-conference calls. In addition, all staff are eligible to participate in a defined contribution pension scheme. The views of employees are taken into account when making decisions that might affect their interests. The Company encourages openness and transparency, with staff having regular access to the senior management and being given the opportunity to express views and opinions.

Further details of how the Directors engage with employees can be found on pages 46 to 49 and in the Corporate Governance section on page 78.

The Group is committed to the promotion of equal opportunities, supported by its Equality, Diversity and Inclusion Policy which is informed by and aligned to the Listing Rules. The policy reflects both current legislation and best practice. It highlights the Group's obligations to race, gender, socio-economic and disability equality.

Full and fair consideration is given to applications for employment from disabled persons and appropriate training and career development are provided.

Donations

The Group does not make any political donations. Details of the charitable donations made in the year are set out on pages 44 and 45 in the Responsible Business section.

Share service

The Shareholder Information section on page 188 provides details of the share services available.

Financial instruments

The Group's financial risk management objectives and policies are discussed in Note 17.

Post balance sheet events

Details of events occurring since the year end are given in Note 25 on page 164.

Going concern

The Group's business activities together with the factors likely to affect its future development, performance and position, along with the financial position of the Group, its cash flows, liquidity position and borrowing facilities, are set out in the Strategic Report.

The Group's property portfolio is 99.3% occupied with over 89% of its income funded directly or indirectly from government sources and the average WAULT across the Group's portfolio is 10.2 years.

As at 31 December 2023, the Group had £321 million of headroom on its debt facilities, after commitments to fund on properties under construction through the course of 2023 with a further £3 million of cash. The weighted Group average unexpired loan term was 6.6 years.

The Group's consolidated loan to value ratio, including drawn, unsecured debt, is 47.0% with all banking covenants being met during the year and subsequent to the year end. In summary, at a Group level values would need to fall by 57% and Group income by approximately 39% before the LTV ratio and income covenants across the Group are at risk of being breached.

The Directors believe that the Group is well placed to manage its business risks successfully. Having reviewed the Group's business activities, financial development, performance and position including its cash flows, liquidity position, borrowing facilities and covenant cover, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence and meet its liabilities as they fall due for a period of at least twelve months from the date of this report. For this reason, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Directors' report continued

Regulatory disclosures

Additional information which is incorporated into this report by reference, including information required in accordance with the Companies Act 2006, Listing Rule 9.8.4 and the Disclosure and Transparency Rules ("DTRs"), can be found on the following pages:

Review of business and future developments	
Strategic Report	See pages 1 to 67
Principal risks	
Risk Management section of the Strategic Report	See pages 60 to 66
Viability statement	See page 67
Directors' details	
Directors' biographies	See pages 72 and 73
Directors' share interests	
Remuneration Committee Report	See page 115
Section 172 statement	
Responsible Business section of the Strategic Report	See page 59
Greenhouse gas emissions	
Responsible Business section of the Strategic Report	See pages 34 to 51
Financial instruments	
Note 16	See pages 156 and 157
Financial risk management policies	
Risk Management section of the Strategic Report	See pages 60 to 66
Related party transactions	
Note 24	See page 164
Subsequent events	
Note 25	See page 164

All other sub-sections of LR9 .8.4 are not applicable. Information that fulfils the requirements of LR 9.8.6(5) and 9.8.6(6) can be found in the Corporate Governance Statement on pages 76 to 87 and is incorporated into this Directors' Report by reference.

Directors' statement as to disclosure of information to auditor

The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 72 and 73. Having made enquiries of fellow Directors and of the Company's auditor, each of the Directors confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

The Directors' Report was approved by the Board on 27 February 2024.

By order of the Board

Toby Newman
Company Secretary
Primary Health Properties PLC
Registered office: 5th Floor, Burdett House, 15–16 Buckingham Street, London WC2N 6DU
Registered in England Number: 3033634

Directors' responsibility statement

Statement of Directors' responsibilities in respect of the Group and Company financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and UK-adopted International Accounting Standards ("IFRS"). The Directors have also elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 Reduced disclosure framework. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that the Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 27 February 2024 and is signed on its behalf by:

Steven Owen
Chair
27 February 2024

Independent auditor's report

to the members of Primary Health Properties PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. Opinion

In our opinion:

- the financial statements of Primary Health Properties PLC (the "Company") and its subsidiaries (the "Group") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Group statement of comprehensive income;
- the Group and Company balance sheets;
- the Group and Company statements of changes in equity;
- the Group cash flow statement;
- the related notes 1 to 26 to the Group financial statements; and
- the related notes 1 to 18 to the Company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Company for the year are disclosed in note 4 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • Estimation of property yields and rental values applied in the valuation of investment property.
Materiality	The materiality that we used for the Group financial statements was £28.5m which was determined on the basis of 2% of net assets. Further to net assets, we considered EPRA Earnings to be a critical financial performance measure for the group and we applied a lower threshold of 5% (£4.7 million) for items affecting EPRA Earnings.
Scoping	Our scope has remained consistent with the prior year. We performed full scope audit procedures across the entire Group. Audit work to respond to the risks of material misstatement was performed directly by the Group audit engagement team.
Significant changes in our approach	There were no significant changes in our approach in the current year.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS CONTINUED

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and Company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of relevant controls over management's process for evaluating the Group and Company's ability to continue as a going concern, including the identification and evaluation of the financial impact of relevant business risks and the method, model and assumptions applied by management in assessing going concern;
- obtaining an understanding of the financing facilities available to the Group and the Company, including maturity dates, interest costs and financial covenants such as loan to value and interest cover ratios;
- testing the mathematical accuracy of management's going concern model, including the recalculation of current and forecast covenant compliance, together with the impact of the sensitivities applied;
- performing a retrospective review of management's historical forecasting accuracy;
- challenging the key assumptions applied in management's going concern model, including forecast valuation movements, rental income cash flows and capital expenditure with reference to market data and other external information;
- challenging the appropriateness of the sensitivity analysis, including the 'additional stress-testing' performed by management with reference to the forecasts, historical performance and other external data;
- assessing the level of headroom in the forecasts with reference to both liquidity and financial covenants such as loan to value and interest cover ratios;
- assessing whether any additional facts or information have become available since the date management made their assessment; and
- evaluating the appropriateness of management's going concern disclosures.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group and Company has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report continued

to the members of Primary Health Properties PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS CONTINUED

5. Key audit matters continued

5.1. Estimation of property yields and rental values applied in the valuation of investment property

Key audit matter description	The Group owns and manages a portfolio of primary healthcare properties that are carried at fair value in the financial statements. The portfolio is valued at £2,779.3 million as at 31 December 2023 (2022: £2,796.3 million). The Group uses professionally qualified external valuers to fair value the Group's portfolio at six-monthly intervals. The valuers are engaged by the Directors and perform their work in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation – Professional Standards. The portfolio is valued by the investment method of valuation, however with development properties a deduction is made for all costs necessary to complete the development. In determining the value of a property, the valuers consider property specific factors, most notably the Weighted Average Unexpired Lease Term ("WAULT"), together with the age and specification of the asset. These factors, in combination with prevailing market yields, comparable transactional evidence and market sentiment are then considered in determining property specific assumptions for yields and rental values. The estimation of property yields and rental values is inherently subjective and a small change in these assumptions can materially impact the valuation of the property portfolio. We therefore consider these assumptions to constitute a key audit matter. Furthermore, given the high level of estimation involved, we have determined that there is potential for fraud through possible manipulation of these inputs and therefore the valuation. Whilst the primary healthcare market has demonstrated resilience and the Group's portfolio is regarded as critical infrastructure, there continues to be a limited volume of transactions and therefore less transactional evidence as well as increasing uncertainty caused by macro-economic conditions such as high interest rates, increasing the risk associated with these assumptions and therefore the valuation of the property portfolio. Please see the accounting policy in note 2.3 and investment property related disclosures including sensitivity of significant unobservable inputs in note 10 to the financial statements. The consideration of this risk by the Audit Committee is described at page 90.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS CONTINUED

5. Key audit matters continued

5.1. Estimation of property yields and rental values applied in the valuation of investment property continued

How the scope of our audit responded to the key audit matter	We carried out the following audit procedures to address the risk associated with this key audit matter: • We obtained an understanding of relevant controls established by management to ensure correct information is provided to the external valuers, and to oversee and review the work performed by the external valuers. • We assessed the competence, capabilities and objectivity of the external valuers and read their terms of engagement to determine whether there were any matters that might affect their objectivity or may have imposed scope limitations on their work. • We assessed the external valuation reports for all properties and evaluated whether the valuation approach is consistent with the RICS guidelines and therefore suitable for use in determining the fair value recorded within the Group's balance sheet. • With the assistance of our real estate specialists, we challenged the external valuers of the portfolio. We discussed and challenged the valuation process and assumptions adopted with a principal focus on the yields and rental values adopted. We compared these to publicly available information, including average yields quoted by competitors, external evidence and (where applicable) comparable property transactions. • To challenge the rental values, we tested the accuracy of rent reviews completed in 2023 and compared management's forecast rent reviews to the rental values adopted by the external valuers. • We tested the integrity of the data provided to the external valuers. This included tracing a sample of information provided to the external valuers to underlying lease agreements. • We selected a sample of properties where the yields applied in the valuation were outside our expectations, and challenged the explanations provided with reference to transactional evidence or other relevant information. We involved our real estate specialists to obtain an overall understanding of the primary healthcare property markets in the UK and Ireland and to support our challenge of the work of the Group's external valuers. • We assessed the appropriateness of the disclosures included in the Financial Statements and considered whether the disclosures in relation to the key estimates are reasonable.
Key observations	We concluded that the assumptions applied in relation to yields and rental values in arriving at the fair value of the Group's property portfolio were appropriate.

Independent auditor's report continued

to the members of Primary Health Properties PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS CONTINUED

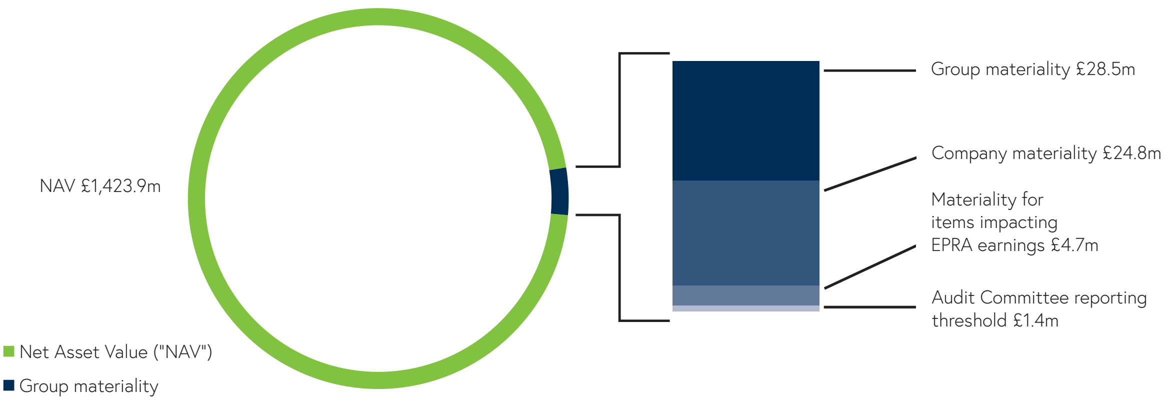
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£28.5 million (2022: £29 million) and a lower materiality of £4.7 million (2022: £4.4 million) for balances impacting EPRA earnings.	Materiality for the Company has been determined as £24.8 million (2022: £26.9 million).
Basis for determining materiality	2% of net assets (2022: 2% of net assets). The lower materiality used for balances impacting EPRA earnings was determined using 5% (2022: 5%) of EPRA Earnings.	2% of net assets (2022: 2% of net assets).
Rationale for the benchmark applied	The overall level of materiality was determined using net assets because this is the primary focus of investors in listed real estate businesses. In addition to net assets, we considered EPRA Earnings to be a critical financial performance measure for the Group and we applied a lower threshold of £4.7 million (2022: £4.4 million) for EPRA Earnings items.	The overall level of materiality was determined using net assets as this is determined to be the most stable base for setting materiality.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2022: 70%) of Group materiality.	70% (2022: 70%) of Company materiality.
Basis and rationale for determining performance materiality	We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. In determining performance materiality, we considered factors including: • our risk assessment; • our assessment of the Group's overall control environment; and • our past experience of the audit, which has indicated a low number of uncorrected misstatements identified in prior periods.	

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS CONTINUED

6. Our application of materiality continued

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.4 million (2022: £1.4 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, including the financial reporting process, and assessing the risks of material misstatement at a Group level. The Group is audited by one audit team, led by the Senior Statutory Auditor. The audit is performed centrally as the books and records for each entity within the Group are maintained at the registered office.

We also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement within the aggregated financial information.

7.2. Our consideration of the control environment

We have obtained an understanding of the processes and controls operated in relation to certain key business cycles including the property valuations, revenue, cash, payroll, financial reporting and expenditure processes.

Whilst we have tested the relevant controls within the investment properties, revenue, cash, payroll and expenditure business cycles, we did not place reliance on them. We note the Audit Committee's discussion of the control environment in their report on page 92.

7.3. Our consideration of climate-related risks

The Group continues to develop its assessment of the potential impacts of climate change. Management have assessed and quantified the potential risks of climate change and planned potential actions to address the risks posed by climate change. Management have identified a target of net zero carbon emissions by 2030 for all of Group's operational, development and asset management activities and to help the Group's occupiers achieve a target of net zero carbon emissions by 2040, five years ahead of the NHS's target of becoming the world's first net zero carbon national health system by 2045 and ten years ahead of the UK and Irish Governments' target of 2050.

As a part of our audit procedures, we held discussions with management to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's financial statements. With the assistance of our climate-change specialists, we assessed the Group's climate related financial disclosures against the requirements of the Task Force on Climate-related Financial Disclosures ("TCFD") Recommendations.

We also reviewed management's risk assessment of the potential impact of climate change on the Group's account balances and classes of transaction and did not identify any reasonably possible risks of material misstatement on the financial statements. With the involvement of our climate change specialists, we read the disclosures included within the Strategic Report to consider whether they are materially consistent with the financial statements and our knowledge obtained during the audit.

8. Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report continued

to the members of Primary Health Properties PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS CONTINUED

9. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, those charged with governance and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team and relevant internal specialists, including real estate specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the area of the estimation of property yields and rental values applied in the valuation of investment property. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, REIT legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud continued

11.2. Audit response to risks identified

As a result of performing the above, we identified the estimation of property yields and rental values applied in the valuation of investment property as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 121;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 67;
- the Directors' statement on fair, balanced and understandable set out on page 91;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 62 to 66;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 92; and
- the section describing the work of the Audit Committee set out pages 88 to 93.

Independent auditor's report continued
to the members of Primary Health Properties PLC

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS CONTINUED

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were re-appointed by the Board on 18 October 2022 to audit the financial statements for the year ending 31 December 2023 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is eleven years, covering the years ending 31 December 2013 to 31 December 2023.

15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.15R – DTR 4.1.18R, these financial statements form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

Daryl Winstone, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP,
Statutory Auditor
London,
United Kingdom
27 February 2024

Group statement of comprehensive income
for the year ended 31 December 2023

	Notes	2023 £m	2022 £m
Rental and related income		**169.8**	154.1
Direct property expenses		**(18.8)**	(12.6)
Net rental and related income	3	**151.0**	141.5
Administrative expenses		**(12.3)**	(9.6)
Amortisation of intangible assets		**(0.9)**	—
Axis acquisition costs and JSE listing fees		**(0.5)**	—
Total administrative expenses	4	**(13.7)**	(9.6)
Revaluation deficit on property portfolio	10	**(53.0)**	(64.4)
Profit on sale of land and property	10	**—**	2.9
Total revaluation deficit		**(53.0)**	(61.5)
Operating profit	4	**84.3**	70.4
Finance income	5	**0.2**	0.9
Finance costs	6a	**(45.2)**	(41.2)
Fair value loss on derivative interest rate swaps and amortisation of hedging reserve	6b	**(8.4)**	(1.9)
Fair value (loss)/gain on convertible bond	6c	**(4.8)**	28.7
Profit before taxation		**26.1**	56.9
Taxation credit/(charge)	7	**1.2**	(0.6)
Profit after taxation[1]		**27.3**	56.3
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss			
Amortisation of hedging reserve	21	**4.1**	4.5
Exchange (loss)/gain on translation of foreign balances		**(0.3)**	3.2
Other comprehensive income net of tax[1]		**3.8**	7.7
Total comprehensive income net of tax[1]		**31.1**	64.0
IFRS earnings per share			
Basic	8	**2.0p**	4.2p
Diluted	8	**2.0p**	2.2p
Adjusted earnings per share[2]			
Basic	8	**6.8p**	6.6p
Diluted	8	**6.6p**	6.4p

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

2 See Glossary of Terms on pages 190 to 192.

The above relates wholly to continuing operations.

Group balance sheet
at 31 December 2023

	Notes	2023 £m	2022 £m
Non-current assets			
Investment properties	10	**2,779.3**	2,796.3
Derivative interest rate swaps	16	**0.9**	19.6
Intangible assets		**6.2**	—
Property, plant and equipment		**0.5**	0.4
		2,786.9	2,816.3
Current assets			
Trade and other receivables	11	**24.9**	17.8
Cash and cash equivalents	12	**3.2**	29.1
Derivative interest rate swaps	16	**10.5**	—
Developments work in progress		**1.4**	1.3
		40.0	48.2
Total assets		**2,826.9**	2,864.5
Current liabilities			
Deferred rental income		**(30.4)**	(29.2)
Trade and other payables	13	**(31.7)**	(32.6)
Borrowings: term loans and overdraft	14a	**(2.4)**	(2.3)
Derivative interest rate swaps	16	**(6.7)**	—
		(71.2)	(64.1)
Non-current liabilities			
Borrowings: term loans and overdraft	14a	**(664.5)**	(682.5)
Borrowings: bonds	14b	**(656.4)**	(614.6)
Derivative interest rate swaps	16	—	(12.5)
Head lease liabilities	15	**(3.0)**	(3.2)
Trade and other payables	13	**(4.1)**	—
Deferred tax liability		**(3.8)**	(5.4)
		(1,331.8)	(1,318.2)
Total liabilities		**(1,403.0)**	(1,382.3)
Net assets		**1,423.9**	1,482.2
Equity			
Share capital	18	**167.1**	167.1
Share premium account	19	**479.4**	479.4
Merger and other reserves	20	**415.3**	416.7
Hedging reserve	21	**(7.0)**	(11.1)
Retained earnings	22	**369.1**	430.1
Total equity[1]		**1,423.9**	1,482.2
Net asset value per share			
IFRS net assets – basic and diluted	8	**106.5p**	110.9p
Adjusted net tangible assets[2] – basic	8	**108.0p**	112.6p
Adjusted net tangible assets[2] – diluted	8	**109.8p**	114.5p

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

2 See Glossary of Terms on pages 190 to 192.

These financial statements were approved by the Board of Directors on 27 February 2024 and signed on its behalf by:

Richard Howell
Chief Financial Officer

Registered in England Number: 3033634

Group cash flow statement
for the year ended 31 December 2023

	Notes	2023 £m	2022 £m
Operating activities			
Profit on ordinary activities after tax		**27.3**	56.3
Adjustments to reconcile to operating profit before financing costs:			
Taxation (credit)/charge	7	**(1.2)**	0.6
Finance income	5	**(0.2)**	(0.9)
Finance costs	6a	**45.2**	41.2
Fair value loss on derivative interest rate swaps and amortisation of hedging reserve	6b	**8.4**	1.9
Fair value loss/(gain) on convertible bond	6c	**4.8**	(28.7)
Operating profit before financing costs		**84.3**	70.4
Adjustments to reconcile Group operating profit before financing costs to net cash flows from operating activities:			
Revaluation loss on property portfolio	10	**53.0**	64.4
Profit on sale of land and property	10	**—**	(2.9)
Axis acquisition costs and JSE listings fees		**0.5**	—
Amortisation of intangible assets		**0.9**	—
Fixed rent uplift		**(0.7)**	(0.9)
Tax paid/(received)		**(0.3)**	0.2
(Increase)/decrease in trade and other receivables		**(7.1)**	(0.7)
Increase/(decrease) in trade and other payables		**3.0**	(12.9)
Net cash flow from operating activities		**133.6**	117.6
Investing activities			
Payments to acquire and improve investment properties		**(39.5)**	(74.8)
Receipts from disposal of properties		**—**	27.5
Cash paid for acquisition of Axis		**(5.1)**	—
Interest received on development loans		**—**	1.5
Net cash flow used in investing activities		**(44.6)**	(45.8)
Financing activities			
Cost of share issues		**—**	(0.1)
Term bank loan drawdowns	14	**282.4**	161.6
Term bank loan repayments	14	**(300.0)**	(175.7)
Proceeds from bond issues	14	**41.2**	62.9
Loan arrangement fees		**(1.8)**	(3.5)
Purchase of derivative financial instruments		**(1.9)**	—
Swap interest received		**3.9**	1.4
Non-utilisation fees		**(2.2)**	(2.0)
Interest paid		**(47.0)**	(39.8)
Equity dividends paid net of scrip dividend	9	**(89.5)**	(81.6)
Net cash flow from financing activities		**(114.9)**	(76.8)
Decrease in cash and cash equivalents for the year		**(25.9)**	(5.0)
Effect of exchange rate fluctuations on Euro-denominated cash and cash equivalents		**—**	0.7
Cash and cash equivalents at start of year		**29.1**	33.4
Cash and cash equivalents at end of year	12	**3.2**	29.1

Group statement of changes in equity

for the year ended 31 December 2023

	Share capital £m	Share premium £m	Merger and other reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
1 January 2023	167.1	479.4	416.7	(11.1)	430.1	1,482.2
Profit for the year	—	—	—	—	27.3	27.3
Other comprehensive income						
Amortisation of hedging reserve	—	—	—	4.1	—	4.1
Exchange (loss)/gain on translation of foreign balances	—	—	(1.4)	—	1.1	(0.3)
Total comprehensive income	—	—	(1.4)	4.1	28.4	31.1
Share-based awards ("LTIP")	—	—	—	—	0.1	0.1
Dividends paid	—	—	—	—	(89.5)	(89.5)
Scrip dividend in lieu of cash	—	—	—	—	—	—
31 December 2023	**167.1**	**479.4**	**415.3**	**(7.0)**	**369.1**	**1,423.9**

	Share capital £m	Share premium £m	Merger and other reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
1 January 2022	166.6	474.9	413.5	(15.6)	460.5	1,499.9
Profit for the year	—	—	—	—	56.3	56.3
Other comprehensive income						
Amortisation of hedging reserve	—	—	—	4.5	—	4.5
Exchange gain on translation of foreign balances	—	—	3.2	—	—	3.2
Total comprehensive income	—	—	3.2	4.5	56.3	64.0
Share issue expenses	—	(0.1)	—	—	—	(0.1)
Share-based awards ("LTIP")	—	—	—	—	—	—
Dividends paid	—	—	—	—	(81.6)	(81.6)
Scrip dividend in lieu of cash	0.5	4.6	—	—	(5.1)	—
31 December 2022	167.1	479.4	416.7	(11.1)	430.1	1,482.2

Notes to the financial statements

1. Corporate information

The Group's financial statements for the year ended 31 December 2023 were approved by the Board of Directors on 27 February 2024 and the Group Balance Sheet was signed on the Board's behalf by the Chairman, Steven Owen. Primary Health Properties PLC is a public limited company incorporated in England and Wales and domiciled in the United Kingdom, limited by shares. The Company's Ordinary Shares are admitted to the Official List of the UK Listing Authority, a division of the Financial Conduct Authority, and traded on the London Stock Exchange.

2. Accounting policies

2.1 Basis of preparation

The Group's financial statements have been prepared on the historical cost basis, except for investment properties, including investment properties under construction and land, the convertible bond and derivative financial instruments that have been measured at fair value. The Group's financial statements are prepared on the going concern basis (see page 121 for further details) and presented in Sterling rounded to the nearest million.

Statement of compliance

The consolidated financial statements for the Group have been prepared in accordance with United Kingdom adopted International Accounting Standards and applied in accordance with the Companies Act 2006.

2.2 Standards adopted during the year

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRSs effective for the Group as of 1 January 2023.

Amendments to IAS 1 Classification of liabilities as current or non-current

On 23 January 2020, the IASB issued Amendments to IAS 1 Classification of liabilities as current providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

Amendments to IAS 12 Deferred tax related to assets and liabilities arising from a single transaction

On 7 May 2021, the IASB issued amendments to IAS 12 Deferred Tax related to assets and liabilities arising from a single transaction clarifying how companies account for deferred tax on transactions such as leases.

Amendments to IAS 8 Definition of accounting estimates

On 12 February 2021, the IASB issued amendments to IAS 8 Definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates.

None of the above have a significant effect on the consolidated financial statements of the Group.

2.3 Summary of significant accounting policies

Basis of consolidation

The Group's financial statements consolidate the financial statements of Primary Health Properties PLC and its wholly owned subsidiary undertakings. Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtained control, and continue to be consolidated until the date that such control ceases. Control is exercised if and only if an investor has all the following: power over an investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. The financial statements of the subsidiary undertakings are prepared for the accounting reference period ending 31 December each year using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from them, are eliminated on consolidation.

The individual financial statements of Primary Health Properties PLC and each of its subsidiary undertakings will be prepared under FRS 101. The use of IFRSs at Group level does not affect the distributable reserves available to the Group.

Segmental reporting

The Directors are of the opinion that the Group is engaged in a single segment of business, being investment property in the United Kingdom and Ireland leased principally to GPs, government healthcare organisations and other associated healthcare users.

Foreign currency transactions

Each Group company presents its individual financial statements in its functional currency. The functional currency of all UK subsidiaries (with the exception of PHP Euro Private Placement Limited and MXF Properties Ireland Limited which are Euro) is Sterling and the functional currency of Primary Health Properties ICAV and Axis Real Estate Group their Irish domiciled subsidiaries is Euro.

Transactions in currencies other than an individual entity's functional currency (foreign currencies) are recognised at the applicable exchange rate ruling on the transaction date. Exchange differences resulting from settling these transactions, or from retranslating monetary assets and liabilities denominated in foreign currencies, are included in the Group Statement of Comprehensive Income.

Notes to the financial statements continued

2. Accounting policies continued

2.3 Summary of significant accounting policies continued

Foreign operations

In preparing the Group's consolidated financial statements, the assets and liabilities of foreign entities are translated into Sterling at exchange rates prevailing on the balance sheet date. The income, expenses and cash flows of a foreign entity are translated at the average exchange rate for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used.

The exchange rates used to translate foreign currency amounts in 2023 are as follows:

- Group Balance Sheet: £1 = €1.15355 (2022: €1.1295).
- Group Statement of Comprehensive Income: £1 = €1.15977 (2022: €1.1490).

Investment properties and investment properties under construction

The Group's investment properties are held for long term investment. Investment properties and those under construction are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties and investment properties under construction are stated at fair value based on market data and a professional valuation made as of each reporting date. The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect future benefits from this future expenditure.

Gains or losses arising from changes in the fair value of investment properties and investment properties under construction are included in the Group Statement of Comprehensive Income in the year in which they arise.

Investment properties are recognised on acquisition upon completion of contract, which is when control of the asset passes to the Group. Investment properties cease to be recognised when control of the property passes to the purchaser, which is upon completion of the sales contract. Any gains and losses arising are recognised in the Group Statement of Comprehensive Income in the year of disposal.

All costs associated with the purchase and construction of investment properties under construction are capitalised including attributable interest and staff costs. Interest is calculated on the expenditure by reference to the average rate of interest on the Group's borrowings. When properties under construction are completed, the capitalisation of costs ceases and they are reclassified as investment properties.

The Group may enter into a forward funding agreement with third-party developers in respect of certain properties under development. In accordance with these agreements, the Group will make monthly stage payments to the developer based on certified works on site at that time. Interest is charged to the developer on all stage payments made during the construction period and on the cost of the land acquired by the Group at the outset of the development and taken to the Group Statement of Comprehensive Income in the year in which it accrues.

Property acquisitions and business combinations

Where a property is acquired through the acquisition of corporate interests, the Board considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

Where properties are acquired through the purchase of a corporate entity but the transaction does not meet the definition of a business combination under IFRS 3, the purchase is treated as an asset acquisition. Where the acquisition is considered a business combination, the excess of the consideration transferred over the fair value of assets and liabilities acquired is held as goodwill, initially recognised at cost with subsequent impairment assessments completed at least annually. Where the initial calculation of goodwill arising is negative, this is recognised immediately in the income statement. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values on the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. Where any excess of the purchase price of business combinations over the fair value of the assets, liabilities and contingent liabilities is acquired, goodwill is recognised. This is recognised as an asset and is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement.

Gains on sale of properties

Gains on sale of properties are recognised on the completion of the contract, and are calculated by reference to the carrying value at the end of the previous reporting period, adjusted for subsequent capital expenditure and sale costs.

Net rental income

Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease term. An adjustment to rental income is recognised from the rent review date of each lease in relation to unsettled rent reviews. Such adjustments are accrued at 100% (2022: 100%) of the additional rental income that is expected to result from the review. For leases which contain fixed or minimum deemed uplifts, the rental income is recognised on a straight line basis over the lease term. Incentives for lessees to enter into lease agreements are spread evenly over the lease terms, even if the payments are not made on such a basis. Rental income is measured at the fair value of the consideration receivable, excluding discounts, rebates, VAT and other sales taxes or duty. Net rental income is the rental income receivable in the period after payment of direct property costs.

2. Accounting policies continued

2.3 Summary of significant accounting policies continued

Interest income

Interest income is recognised as interest accrues, using the effective interest method (that is, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Financial instruments under IFRS 9

Trade receivables

Trade receivables are recognised at their transaction price and carried at amortised cost as the Group's business model is to collect the contractual cash flows due from tenants which are solely the payment of principal and interest. A loss allowance is made based on the expected credit loss model which reflects the Group's historical credit loss experience over the past three years but also reflects the lifetime expected credit loss.

Cash and cash equivalents

Cash and cash equivalents are defined as cash and short term deposits, with an original maturity of three months or less, measured at amortised cost.

Trade and other payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost inclusive of any VAT that may be applicable.

Bank loans and borrowings

All loans and borrowings are initially measured at fair value less directly attributable transaction costs. After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method.

The interest due within the next twelve months is accrued at the end of the year and presented as a current liability within trade and other payables.

Borrowing costs

Borrowing costs that are separately identifiable and directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs the Group incurs in connection with the borrowing of funds.

Convertible bond

The convertible bond is designated as "at fair value through profit or loss" and so is presented on the Group Balance Sheet at fair value with all gains and losses, including the write-off of issuance costs, recognised in the Group Statement of Comprehensive Income. The fair value of the convertible bond is assessed in accordance with level 1 valuation techniques as set out within "Fair value measurements" within these accounting policies. The interest charge in respect of the coupon rate on the bond has been recognised within the underlying component of net financing costs on an accruals basis. Refer to Note 14b for further details. The amount of the change in fair value of the financial liability designated at fair value through profit or loss that is attributable to changes in credit risk will be recognised in other comprehensive income.

De-recognition of financial assets and liabilities

Financial assets

A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognised where:

- the rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset; or
- the cash flows are significantly modified.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Notes to the financial statements continued

2. Accounting policies continued

2.3 Summary of significant accounting policies continued

De-recognition of financial assets and liabilities continued

Financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

When the exchange or modification of an existing financial liability is not accounted for as an extinguishment, any costs or fees incurred adjust the liability's carrying amount and are amortised over the modified liability's remaining term and any difference in the carrying amount after modification is recognised as a modification gain or loss.

Hedge accounting

At the inception of a transaction the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at inception and on an ongoing basis.

For cash flow hedging, the Group monitors the hedging instrument to check it continues to meet the criteria of IAS 39, having applied the practical expedient on transition, for being described as "highly effective" in offsetting changes in the fair values or cash flows of hedged items.

For net investment hedge relationships, the Group monitors the hedging instrument to check it continues to meet the criteria of IAS 39 for being described as "highly effective".

Derivative financial instruments (the "derivatives")

The Group uses interest rate swaps to help manage its interest rate risk.

All interest rate derivatives are initially recognised at fair value at the date the derivative is entered into and are subsequently remeasured at fair value. The fair values of the Group's interest rate swaps are calculated by Chatham (formally JCRA), an independent specialist which provides treasury management services to the Group.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as an effective hedging instrument:

- Where a derivative is designated as a hedge of the variability of a highly probable forecast transaction, such as an interest payment, the element of the gain or loss on the derivative that is an "effective" hedge is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in the cash flow hedging reserve are reclassified into the Group Statement of Comprehensive Income in the same period or periods during which the asset acquired or liability assumed affects the Group Statement of Comprehensive Income, i.e. when interest income or expense is recognised.
- The gain or loss on derivatives that do not meet the strict criteria for being "effective" and so do not qualify for hedge accounting and the non-qualifying element of derivatives that do qualify for hedge accounting are recognised in the Group Statement of Comprehensive Income immediately. The treatment does not alter the fact that the derivatives are economic hedges of the underlying transaction.

For swaps that have been cancelled which previously qualified for hedge accounting, the remaining value within the cash flow hedging reserve at the date of cancellation is recycled to the Group Statement of Comprehensive Income on a straight line basis from the date of cancellation to the original swap expiry date where the hedged transaction is still expected to occur. If the swaps have been cancelled and the hedged transaction is no longer expected to occur, the amount accumulated in the hedging reserve is reclassified to profit and loss immediately.

Tax

Taxation on the profit or loss for the period not exempt under UK REIT regulations comprises current and deferred tax. Taxation is recognised in the Group Statement of Comprehensive Income except to the extent that it relates to items recognised as direct movements in equity, in which case it is also recognised as a direct movement in equity.

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

Fair value measurements

The Group measures certain financial instruments such as derivatives, the Group's convertible bond and non-financial assets such as investment property, at fair value at the end of each reporting period. Also, fair values of financial instruments measured at amortised cost are disclosed in the financial statements.

2. Accounting policies continued

2.3 Summary of significant accounting policies continued

Fair value measurements continued

Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group must be able to access the principal or the most advantageous market at the measurement date.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques at three levels that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

Leases – Group as a lessor

The vast majority of the Group's properties are leased out under operating leases and are included within investment properties. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term.

Where the Group transfers substantially all the risks and benefits of ownership of the asset, the arrangement is classified as a finance lease and a receivable is recognised for the initial direct costs of the lease and the present value of the minimum lease payments. Finance income is recognised in the Group Statement of Comprehensive Income so as to achieve a constant rate of return on the remaining net investment in the lease. Interest income on finance leases is restricted to the amount of interest actually received.

Employee costs

Defined contribution pension plans

Obligations for contributions to defined contribution pension plans are charged to the income statement as incurred.

Share-based employee remuneration

The fair value of equity-settled share-based payments to employees is determined with reference to the fair value of the equity instruments at the date of grant and is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares or options that will eventually vest. The fair value of awards is equal to the market value at grant date.

Capitalised salaries

Certain internal staff and associated costs directly attributable to the management of major projects are capitalised. Internal staff costs are capitalised from the start of the project until the date of practical completion.

Properties held for sale

Investment property (and disposal groups) classified as held for sale are measured at fair value consistent with other investment properties.

Investment property and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Capitalised costs

A capitalised cost is an expense added to the cost basis of a fixed asset on the balance sheet. Capitalised costs are incurred when purchasing fixed assets following the matching principle of accounting to record expenses in the same period as related revenues or useful life of an asset. The historical costs are recorded on the balance sheet and depreciated over the useful life of an asset.

Notes to the financial statements continued

2. Accounting policies continued

2.3 Summary of significant accounting policies continued

Intangible assets

Contract-based intangible assets comprise the value of customer contracts arising on business combinations. Intangible assets arising on business combinations are initially recognised at fair value. Intangible assets arising on business combinations are amortised on a straight line basis to the income statement over their expected useful lives, and are carried at depreciated historical cost.

2.4 Significant accounting estimates and judgements

The preparation of the Group financial statements requires management to make a number of estimates and judgements that affect the reported amounts of assets and liabilities and may differ from future actual results. The estimates and judgements that are considered most critical and that have a significant inherent risk of causing a material adjustment to the carrying amounts of assets and liabilities are:

a) Estimates

Fair value of investment properties

Investment properties include: (i) completed investment properties; and (ii) investment properties under construction. Completed investment properties comprise real estate held by the Group or leased by the Group under a finance lease in order to earn rental income or for capital appreciation, or both. Investment properties under construction are not material and therefore there is no estimation uncertainty.

The fair market value of a property is deemed by the independent property valuer appointed by the Group to be the estimated amount for which a property should exchange, on the date of valuation, in an arm's length transaction. Properties have been valued on an individual basis, assuming that they will be sold individually over time. Allowances are made to reflect the purchaser's costs of professional fees and stamp duty and tax.

In accordance with RICS Appraisal and Valuation Standards, factors taken into account are current market conditions, annual rentals, state of repair, ground stability, contamination issues and fire and health and safety legislation. Refer to Note 10 of the financial statements which includes further information on the fair value assumptions and sensitivities.

In determining the fair value of investment properties under construction the valuer is required to consider the significant risks which are relevant to the development process including, but not limited to, construction and letting risks. The valuer takes into account any pre-lets and whether construction risk remains with the respective developer or contractor.

Fair value of derivatives

In accordance with IFRS 9, the Group values its derivative financial instruments at fair value. Fair value is estimated by Chatham (formerly JCRA) on behalf of the Group, using a number of assumptions based upon market rates and discounted future cash flows. The derivative financial instruments have been valued by reference to the mid-price of the yield curve prevailing on 31 December 2023. Fair value represents the net present value of the difference between the cash flows produced by the contracted rate and the valuation rate. Refer to Note 16 of the financial statements.

b) Judgements

In the process of applying the Group's accounting policies. which are described above, the Directors do not consider there to be significant judgements applied with regard to the policies adopted.

2.5 Standards issued but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases have not yet been adopted by the UK:

- amendments to IAS 1 Non-current liabilities with covenants;
- amendments to IFRS 16 Lease liability in a sale and leaseback;
- amendments to IAS 21 Lack of exchangeability; and
- annual improvements to IFRS standards 2018–2020.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2024, but are not yet applicable to the Group and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

3. Rental and related income

Revenue comprises rental income receivable on property investments in the UK and Ireland, which is exclusive of VAT, plus facilities and properties management income. Revenue is derived from one reportable operating segment, with £136.0 million and £14.8 million of rent roll derived from the UK and Ireland respectively. Details of the lease income are given below.

Group as a lessor

a) The future minimum lease payments under non-cancellable operating leases receivable by the Group are as follows:

	Less than one year £m	One to two years £m	Two to three years £m	Three to four years £m	Four to five years £m	More than five years £m	Total £m
2023	**145.0**	**139.9**	**135.4**	**128.0**	**120.7**	**862.8**	**1,531.8**
2022	142.9	138.1	133.9	129.6	122.7	910.2	1,577.4

b) The rental income earned on operating leases is recognised on a straight line basis over the lease term.

The Group leases medical centres to GPs, NHS organisations, the HSE in Ireland and other healthcare users, typically on long term occupational leases which provide for regular reviews of rent on an effectively upwards-only basis.

4. Group operating profit

Operating profit is stated after charging administrative expense of £12.3 million, amortisation of intangible assets of £0.9 million, Axis acquisition costs of £0.3 million and one off set up costs associated with the JSE listing of £0.2 million (31 December 2022: £9.6 million). Administrative expenses as a proportion of rental and related income were 7.2% (31 December 2022: 6.5%). The Group's EPRA cost ratio has increased to 10.7%, compared to 9.9% for the same period in 2022.

Administrative expenses include staff costs of £7.1 million (31 December 2022: £5.4 million).

In the year PHP acquired Axis, an Irish property management business. In the period Axis contributed £5.7 million of related income and incurred direct property expenses of £3.9 million, contributing £1.8 million of net related income. After the deduction of £0.7 million administrative expenses Axis generated an operating profit of £1.1 million.

Group operating profit is stated after charging:

	2023 £m	2022 £m
Administrative expenses including:		
Advisory fees (Note 4a)	—	0.1
Staff costs (Note 4b)	**7.5**	5.4
Performance Incentive Fees (Note 4c)	—	—
Directors' fees	**0.4**	0.4
Audit fees		
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	**0.5**	0.5
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries	**0.1**	0.1
Total audit fees	**0.6**	0.6
Total audit and assurance services	**0.6**	0.6
Non-audit fees		
Fees payable to the Company's auditor and its associates for the interim review	**0.1**	0.1
Advisory services	—	—
Total non-audit fees	**0.1**	0.1
Total fees	**0.7**	0.7

Please refer to page 93 of the Audit Committee Report for analysis of non-audit fees.

Notes to the financial statements continued

4. Group operating profit continued

a) Advisory fees

The Group shares certain operational services with Nexus. Amounts paid during the year in relation to these shared services totalled £nil million (2022: £nil).

b) Staff costs

	2023 £m	2022 £m
Wages and salaries	**7.9**	6.0
Less staff costs capitalised in respect of development and asset management projects	**(1.5)**	(1.4)
Social security costs	**0.7**	0.6
Pension costs	**0.3**	0.2
Equity-settled share-based payments	**0.1**	—
	7.5	5.4

In addition to the above, there were £0.9 million of direct salaries recognised within property costs for Axis employees. The Group operates a defined contribution pension scheme for all employees. The Group contribution to the scheme during the year was £0.3 million (2022: £0.2 million), which represents the total expense recognised through the income statement. As at 31 December 2023, there were no contributions (2022: £nil) due in respect of the reporting period that had not been paid over to the plan.

The average monthly number of Group employees during the year was 62 which included 60 full time and 2 part time employees (2022: 67 which included 64 full time and 3 part time), and as at 31 December 2023 was 58 (2022: 65). In addition to this, the average employees in the Axis team during the year was 27, with 28 employees as at 31 December 2023.

The Executive Directors and Non-executive Directors are the key management personnel. Full disclosure of Directors' emoluments, as required by the Companies Act 2006, can be found in the Remuneration Report on pages 100 to 118.

The Group's equity-settled share-based payments comprise the following:

Scheme	Fair value measure
Long Term Incentive Plan ("LTIP")	Face value at grant date
Save As You Earn ("SAYE")	Face value at grant date

The Group expenses an estimate of how many shares are likely to vest based on the market price at the date of grant, taking account of expected performance against the relevant performance targets and service periods, which are discussed in further detail in the Remuneration Report.

c) Performance Incentive Fee ("PIF")

Information about the PIF is provided in the Corporate Governance section in the Annual Report.

The internalisation of management in 2021 resulted in the unwinding of the PIF, with 2022 being the last year of its operation. The necessary hurdle rate was not met in 2022, with no payment due and no balance on the notional cumulative PIF account.

5. Finance income

	2023 £m	2022 £m
Interest income on financial assets		
Development loan interest	**0.2**	0.9
	0.2	0.9

6. Finance costs

	2023 £m	2022 £m
Interest expense and similar charges on financial liabilities		
a) Interest		
Bank loan interest	**27.4**	23.0
Swap interest	**(4.6)**	(1.4)
Bond interest	**20.0**	17.5
Bank facility non-utilisation fees	**2.2**	2.0
Bank charges and loan arrangement fees	**3.3**	3.0
	48.3	44.1
Interest capitalised	**(0.1)**	—
	48.2	44.1
Amortisation of MedicX debt MtM on acquisition	**(3.0)**	(2.9)
	45.2	41.2

	2023 £m	2022 £m
b) Derivatives		
Net fair value loss/(gain) on interest rate swaps	**4.3**	(2.6)
Amortisation of cash flow hedging reserve	**4.1**	4.5
	8.4	1.9

The fair value movement on derivatives recognised in the Group Statement of Comprehensive Income has arisen from the interest rate swaps for which hedge accounting does not apply. There was no fair value gain or loss accounted for directly in equity on derivatives which do meet the hedge effectiveness criteria under IAS 39 (2022: £nil). An amount of £4.1 million (2022: £4.5 million) has been amortised from the cash flow hedging reserve in the year resulting from early termination of effective swap contracts (see Note 21).

	2023 £m	2022 £m
c) Convertible bond		
Fair value loss/(gain) on existing convertible bond	**4.8**	(28.7)
	4.8	(28.7)

The fair value movement in the convertible bond is recognised in the Group Statement of Comprehensive Income within profit before taxation and is excluded from the calculation of EPRA earnings and EPRA NTA. Refer to Note 14 for further details about the convertible bonds.

	2023 £m	2022 £m
Net finance costs		
Finance income (Note 5)	**0.2**	0.9
Finance costs (as per above)	**(48.3)**	(44.1)
	(48.1)	(43.2)
Interest capitalised	**0.1**	—
	(48.0)	(43.2)
Amortisation of MedicX debt MtM on acquisition	**3.0**	2.9
	(45.0)	(40.3)

Notes to the financial statements continued

7. Taxation

a) Taxation charge in the Group Statement of Comprehensive Income

The taxation charge is made up as follows:

	2023 £m	2022 £m
Current tax		
UK corporation tax	—	—
Irish corporation tax	0.1	(0.2)
Deferred tax on Irish activities	(1.3)	0.8
Total tax (credit)/charge	(1.2)	0.6

The UK corporation tax rate of 25% (2022: 19%) and the Irish corporation tax rate of 19% (2022: 19%) have been applied in the measurement of the Group's UK and Ireland related activities tax liability at 31 December 2023. The UK corporation tax rate was increased to 25% effective 1 April 2023 and has been pro rated for the purposes of the UK corporation tax rate applied in the year.

b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than (2022: lower than) the standard rate of corporation tax in the UK. The differences are explained below:

	2023 £m	2022 £m
Profit on ordinary activities before taxation	26.1	56.9
Theoretical tax at UK corporation tax rate of 23.5% (2022: 19%)	6.1	10.8
REIT exempt income	(16.5)	(11.2)
Transfer pricing adjustment	8.5	7.1
Fair value loss/(gain) on convertible bond	0.5	(5.4)
Non-taxable items	0.8	—
Losses brought forward utilised	0.1	(0.6)
Difference in Irish tax rates	(0.7)	(0.1)
Taxation (credit)/charge (Note 7a)	(1.2)	0.6

The UK REIT rules exempt the profits of the Group's property rental business from corporation tax.

c) Basis of taxation

The Group elected to be treated as a UK REIT with effect from 1 January 2007. The UK REIT rules exempt the profits of the Group's property rental business from corporation tax. Gains on properties are also exempt from tax, provided they are not held for trading or sold in the three years post completion of development. The Group will otherwise be subject to corporation tax at 25% (2022: 19%).

Acquired companies are effectively converted to UK REIT status from the date on which they become a member of the Group.

As a UK REIT, the Company is required to pay Property Income Distributions ("PIDs") equal to at least 90% of the Group's rental profit calculated by reference to tax rules rather than accounting standards.

To remain as a UK REIT there are a number of conditions to be met in respect of the principal company of the Group, the Group's qualifying activities and the balance of its business. The Group remains compliant as at 31 December 2023.

The Group's activities in Ireland are conducted via Irish companies, a Guernsey company and an Irish Collective Asset Vehicle ("ICAV"). The Irish companies pay Irish corporation tax on trading activities and deferred tax is calculated on the increase in capital values. The Guernsey company pays tax on its net rental income. The ICAV does not pay any Irish corporation tax on its profits but a 20% withholding tax is paid on distributions to owners.

8. Earnings per share

Performance measures

In the tables below, we present earnings per share and net assets per share calculated in accordance with IFRSs, together with our own adjusted measure and certain measures defined by the European Public Real Estate Association ("EPRA"), which have been included to assist comparison between European property companies. Two of the Group's key financial performance measures are adjusted earnings per share and adjusted net tangible assets per share.

Adjusted earnings, which is a tax adjusted measure of revenue profit, is the basis for the calculation of adjusted earnings per share. We believe adjusted earnings and adjusted earnings per share provide further insight into the results of the Group's operational performance to stakeholders as they focus on the net rental income performance of the business and exclude capital and other items which can vary significantly from year-to-year.

Earnings per share

	2023			2022		
	IFRS earnings £m	**Adjusted earnings £m**	**EPRA earnings £m**	IFRS earnings £m	Adjusted earnings £m	EPRA earnings £m
Profit after taxation	**27.3**	**27.3**	**27.3**	56.3	56.3	56.3
Adjustments to remove:						
Revaluation deficit on property portfolio	**—**	**53.0**	**53.0**	—	64.4	64.4
Profit on sale of land and property	**—**	**—**	**—**	—	(2.9)	(2.9)
Fair value movement on derivatives	**—**	**8.4**	**8.4**	—	1.9	1.9
Fair value movement and issue costs on convertible bond	**—**	**4.8**	**4.8**	—	(28.7)	(28.7)
Taxation charge/(credit)	**—**	**(1.2)**	**(1.2)**	—	0.6	0.6
JSE listing fees	**—**	**0.2**	**0.2**	—	—	—
Amortisation of intangible assets	**—**	**0.9**	**0.9**	—	—	—
Axis acquisition costs	**—**	**0.3**	**0.3**	—	—	—
Amortisation of MtM loss on debt acquired	**—**	**(3.0)**	**—**	—	(2.9)	—
Basic earnings	**27.3**	**90.7**	**93.7**	56.3	88.7	91.6
Dilutive effect of convertible bond	**—**	**4.3**	**4.3**	(24.3)	4.3	4.3
Diluted earnings	**27.3**	**95.0**	**98.0**	32.0	93.0	95.9

Number of shares

	2023 weighted average			2022 weighted average		
	million	**million**	**million**	million	million	million
Ordinary Shares	**1,336.5**	**1,336.5**	**1,336.5**	1,334.8	1,334.8	1,334.8
Dilutive effect of convertible bond	**—**	**113.9**	**113.9**	108.9	108.9	108.9
Diluted Ordinary Shares	**1,336.5**	**1,450.4**	**1,450.4**	1,443.7	1,443.7	1,443.7

Profit/(loss) per share attributable to shareholders:

	2023			2022		
	IFRS pence	**Adjusted pence**	**EPRA pence**	IFRS pence	Adjusted pence	EPRA pence
Basic	**2.0**	**6.8**	**7.0**	4.2	6.6	6.9
Diluted	**2.0**	**6.6**	**6.8**	2.2	6.4	6.6

In the year ended 31 December 2023 the effect of the convertible bond has been excluded from the diluted profit and weighted average diluted number of shares when calculating IFRS diluted profit per share because they are anti-dilutive.

Notes to the financial statements continued

8. Earnings per share continued

Net assets per share

	31 December 2023			31 December 2022		
	IFRS pence	Adjusted pence	EPRA pence	IFRS pence	Adjusted pence	EPRA pence
Net assets attributable to shareholders	**1,423.9**	**1,423.9**	**1,423.9**	1,482.2	1,482.2	1,482.2
Derivative interest rate swaps liability	**—**	**(4.7)**	**(4.7)**	—	(7.1)	(7.1)
Deferred tax	**—**	**3.8**	**3.8**	—	5.4	5.4
Intangible assets	**—**	**(6.2)**	**(6.2)**	—	—	—
Cumulative convertible bond fair value movement	**—**	**(2.3)**	**(2.3)**	—	(7.1)	(7.1)
MtM on MedicX debt net of amortisation	**—**	**28.5**	**—**	—	31.4	—
Net tangible assets ("NTA")	**1,423.9**	**1,443.0**	**1,414.5**	1,482.2	1,504.8	1,473.4
Intangible assets	**—**	**—**	**6.2**	—	—	—
Real estate transfer taxes	**—**	**—**	**184.4**	—	—	189.1
Net reinstatement value ("NRV")	**1,423.9**	**1,443.0**	**1,605.1**	—	—	1,662.5
Fixed rate debt and swap MtM value	**—**	**—**	**137.0**	—	—	172.7
Deferred tax	**—**	**—**	**(3.8)**	—	—	(5.4)
Cumulative convertible bond fair value movement	**—**	**—**	**2.3**	—	—	7.1
Real estate transfer taxes	**—**	**—**	**(184.4)**	—	—	(189.1)
Net disposal value ("NDV")	**1,423.9**	**1,443.0**	**1,556.2**	1,482.2	1,504.8	1,647.8

Ordinary Shares

	31 December 2023			31 December 2022		
	million	million	million	million	million	million
Issued share capital	**1,336.5**	**1,336.5**	**1,336.5**	1,336.5	1,336.5	1,336.5

Basic net asset value per share[1]

	31 December 2023			31 December 2022		
	IFRS pence	Adjusted pence	EPRA pence	IFRS pence	Adjusted pence	EPRA pence
Net tangible assets ("NTA")	**106.5**	**108.0**	**105.8**	110.9	112.6	110.2
Net reinstatement value ("NRV")	**—**	**—**	**120.1**	—	—	124.4
Net disposal value ("NDV")	**—**	**—**	**116.4**	—	—	123.3

1 The above are calculated on a "basic" basis without the adjustment for the impact of the convertible bond which is shown in the diluted basis table below.

Diluted net asset value per share[2]

	31 December 2023			31 December 2022		
	IFRS pence	Adjusted pence	EPRA pence	IFRS pence	Adjusted pence	EPRA pence
Net tangible assets ("NTA")	**108.5**	**109.8**	**105.8**	112.9	114.5	112.3
Net reinstatement value ("NRV")	**—**	**—**	**120.1**	—	—	125.4
Net disposal value ("NDV")	**—**	**—**	**116.4**	—	—	124.4

2 The Company assesses the dilutive impact of the unsecured convertible bond, issued by the Group on 15 July 2019, on its net asset value per share with a current exchange price of 131.72 pence (31 December 2022: 137.69 pence).

Conversion of the convertible bond would result in the issue of 113.9 million (31 December 2022: 108.9 million) new Ordinary Shares. The IFRS net asset value and EPRA NDV would increase by £147.7 million (31 December 2022: £142.9 million) and the EPRA NTA, adjusted NTA and EPRA NRV would increase by £150.0 million (31 December 2022: £150.0 million). The resulting diluted net asset values per share are anti-dilutive to all measures and are set out in the table above.

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.

8. Earnings per share continued

Headline earnings per share

The JSE listing conditions require the calculation of headline earnings (calculated in accordance with Circular 1/2021 – Headline Earnings as issued by the South African Institute of Chartered Accountants) and disclosure of a detailed reconciliation of headline earnings to the earnings numbers used in the calculation of basic earnings per share in accordance with the requirements of IAS 33 Earnings per share. Disclosure of headline earnings is not a requirement of IFRS.

Reconciliation of profit for the period to headline earnings	2023 £m	2022 £m
Basic earnings	**27.3**	56.3
Adjustments to calculate headline earnings:		
JSE listing fees & Axis acquisition costs	**0.5**	—
Amortisation of intangible assets	**0.9**	—
Revaluation deficit	**53.0**	64.4
Profit on sale on properties	**—**	(2.9)
Deferred tax on Irish activities	**(1.3)**	0.8
Headline earnings	**80.4**	118.6
Corporation tax	**0.1**	(0.2)
Fair value gain on derivative financial instruments and convertible bond	**13.2**	(26.8)
Non-recurring items	**(3.0)**	(2.9)
Adjusted earnings	**90.7**	88.7
Diluted basic earnings	**36.4**	32.0
Diluted headline earnings	**89.5**	94.3
Basic earnings per share	**2.0**	4.2
Headline earnings per share	**6.0**	8.9
Adjusted earnings per share	**6.8**	6.6
Diluted basic earnings per share	**2.0**	2.2
Diluted headline earnings per share	**6.2**	6.5
Number of shares	**1,336.5**	1,336.5
Weighted average number of Ordinary Shares for headline, basic and adjusted earnings per share	**1,336.5**	1,334.8
Weighted average number of Ordinary Shares for diluted basic and headline earnings per share	**1,450.4**	1,443.7

9. Dividends

Amounts recognised as distributions to equity holders in the year:

	2023 £m	2022 £m
Quarterly interim dividend paid 23 February 2023	**22.4**	—
Quarterly interim dividend paid 19 May 2023	**22.4**	—
Quarterly interim dividend paid 18 August 2023	**22.3**	—
Quarterly interim dividend paid 24 November 2023	**22.4**	—
Quarterly interim dividend paid 25 February 2022	**—**	21.0
Scrip dividend in lieu of quarterly cash dividend paid 25 February 2022	**—**	0.6
Quarterly interim dividend paid 20 May 2022	**—**	20.6
Scrip dividend in lieu of quarterly cash dividend paid 20 May 2022	**—**	1.1
Quarterly interim dividend paid 19 August 2022	**—**	18.1
Scrip dividend in lieu of quarterly cash dividend paid 19 August 2022	**—**	3.4
Quarterly interim dividend paid 25 November 2022	**—**	21.9
Total dividends distributed in the year	**89.5**	86.7
Per share	**6.7p**	6.5p

On 3 January 2024, the Board declared an interim dividend of 1.725 pence per Ordinary Share with regard to the year ended 31 December 2023, payable on 22 February 2024. This dividend will comprise wholly of an ordinary dividend of 0.275 pence and Property Income Distribution ("PID") of 1.45 pence.

Notes to the financial statements continued

10. Investment properties and investment properties under construction

Properties have been independently valued at fair value by Avison Young (UK) Limited, Jones Lang LaSalle and CBRE Chartered Surveyors and Valuers, as at the balance sheet date in accordance with accounting standards. The valuers have confirmed that they have valued the properties in accordance with the Practice Statements in the RICS Appraisal and Valuation Standards 2022 (the "Red Book"). There were no changes to the valuation techniques during the year. The valuers are appropriately qualified and have sufficient market knowledge and relevant experience of the location and category of investment property and have had full regard to market evidence when determining the values.

The properties are 99.3% let (2022: 99.7%). The valuations reflected a 5.05% (2022: 4.82%) net initial yield and a 5.06% (2022: 4.89%) true equivalent yield. Where properties have outstanding rent reviews, an estimate is made of the likely rent on review in line with market expectations and the knowledge of the valuers.

In accordance with IAS 40, investment properties under construction have also been valued at fair value by the valuers. In determining the fair value, the valuers are required to value development property as if complete, deduct the costs remaining to be paid to complete the development and consider the significant risks which are relevant to the development process including, but not limited to, construction and letting risks and the impact they may have on fair value. In the case of the Group's portfolio under construction, where the sites are pre-let and construction risk remains with the builder/developer, the valuers have deemed that the residual risk to the Group is minimal. As required by the Red Book, the valuers have deducted the outstanding cost to the Group through to the completion of construction of £5.4 million (2022: £2.8 million) in arriving at the fair value to be included in the financial statements.

In addition to the above, capital commitments have been entered into amounting to £7.1 million (2022: £9.9 million) which have not been provided for in the financial statements.

A fair value decrease of £4.2 million (2022: increase of £0.6 million) in respect of investment property under construction has been recognised in the Group Statement of Comprehensive Income, as part of the overall total net valuation loss on the property portfolio in the year of £53.0 million (2022: £64.4 million loss).

Of the £2,776.3 million (2022: £2,793.1 million) valuation, £2,531.7 million (91%) (2022: £2,562.2 million) relates to investment properties in the UK and £244.6 million (9%) (2022: £230.9 million) relates to investment properties in Ireland.

In line with accounting policies, the Group assessed whether the acquisitions during the year were asset purchases or business combinations.

	Investment properties – freehold[1] £m	Investment properties – long leasehold £m	Investment properties – under construction £m	Total £m
As at 1 January 2023	2,214.5	577.3	4.5	2,796.3
Property additions	10.3	28.3	1.4	40.0
Reclassification of freehold and leasehold and land	2.1	(1.4)	(0.7)	—
Transfer from properties under construction	—	—	—	—
Impact of lease incentive adjustment	0.4	0.5	—	0.9
Foreign exchange movements	(3.8)	(0.9)	—	(4.7)
Lease ground rent adjustment	—	(0.2)	—	(0.2)
	2223.5	603.6	5.2	2,832.3
Revaluations for the year	(28.4)	(20.4)	(4.2)	(53.0)
As at 31 December 2023	**2,195.1**	**583.2**	**1.0**	**2,779.3**
As at 1 January 2022	2,208.4	568.3	19.2	2,795.9
Property additions	66.8	0.7	10.6	78.1
Property disposals	(23.4)	(1.2)	—	(24.6)
Reclassification of freehold and leasehold	(27.5)	27.5	—	—
Transfer from properties under construction	0.8	0.3	—	1.1
Impact of lease incentive adjustment	26.4	—	(26.4)	—
Foreign exchange movements	8.9	2.1	0.5	11.5
Lease ground rent adjustment	(1.3)	—	—	(1.3)
	2,259.1	597.7	3.9	2,860.7
Revaluations for the year	(44.6)	(20.4)	0.6	(64.4)
As at 31 December 2022	2,214.5	577.3	4.5	2,796.3

1 Includes development land held at £0.7 million (31 December 2022: £0.7 million).

10. Investment properties and investment properties under construction continued

Bank borrowings, bonds and interest rate swaps are secured on investment properties with a value of £2,739.3 million (2022: £2,706.5 million).

Right of use assets

In accordance with IFRS 16 Leases, the Group has recognised a £3.0 million head lease liability and an equal and opposite finance lease asset which is included in non-current assets.

Fair value hierarchy

All of the Group's properties are level 3, as defined by IFRS 13, in the fair value hierarchy as at 31 December 2023 and 31 December 2022. There were no transfers between levels during the year or during 2022. Level 3 inputs used in valuing the properties are those which are unobservable, as opposed to level 1 (inputs from quoted prices) and level 2 (non-quoted observable inputs either directly (i.e. as prices) or indirectly (i.e. derived from prices)).

Valuation techniques used to derive level 3 fair values

The valuations have been prepared on the basis of fair market value ("FMV") which is defined in the RICS Valuation Standards as:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Valuation techniques

Under the market comparable approach, a property's fair value is estimated based on comparable transactions on an arm's length basis, using certain unobservable inputs. These inputs are detailed below.

Unobservable input: estimated rental value ("ERV")

The rent at which space could be let in the market conditions prevailing at the date of valuation. ERV is also used in determining expected rental uplift on outstanding rent reviews.

	2023	2022
ERV – range of the portfolio	**£27,500–£1,515,482 per annum**	£26,500–£1,515,482 per annum

Unobservable input: equivalent yield

The equivalent yield is defined as the internal rate of return of the cash flow from the property, assuming a rise to ERV at the next review date, but with no further rental growth.

	2023	2022
True equivalent yield – range of the portfolio	**2.77%–16.10%**	2.52%–17.50%

Unobservable input: physical condition of the property

The properties are physically inspected by the valuers on a three-year rotating basis.

Unobservable input: net initial yield

The NIY is the annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchaser's costs.

Unobservable input: rental growth

The estimated average increase in rent based on both market estimations and contractual situations.

Sensitivity of measurement of significant unobservable inputs

During 2023 the Group experienced an 23bps increase in the portfolio net initial yield, reducing investment property by £128 million (4.6% reduction), before reflecting gains as a result of rental growth and asset management projects. We have therefore applied the following sensitivities:

- A decrease in the estimated annual rent will decrease the fair value. A 5% decrease/increase in annual rent would result in an approximately £139 million decrease/increase in the investment property valuation.
- A decrease in the equivalent yield will increase the fair value. A 25bps shift of equivalent yield would have an approximately £145 million impact on the investment property valuation, either an increase or decrease.
- A deterioration in the physical condition of the property will decrease the fair value.
- An increase in the net initial yield will decrease fair value. A further 25bps shift in the net initial yield would have an approximately £131 million impact on the investment property valuation, either an increase or decrease.
- An increase in the rental growth will increase the fair value.

Notes to the financial statements continued

11. Trade and other receivables

	2023 £m	2022 £m
Trade receivables (net of loss allowance)	**16.3**	11.6
Prepayments and accrued income	**7.9**	6.0
Other debtors	**0.7**	0.2
	24.9	17.8

The expected credit losses are estimated using a provision matrix by reference to past experience and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor on the recoverability, general economic conditions of the industry and an assessment of both the current and the forecast direction of conditions at the reporting date. Payment default is where PHP assesses there could be a probable failure of a tenant making a contractual payment of rent. The Group has therefore not recognised a significant loss allowance because historical experience has indicated that the risk profile of trade receivables is deemed low, and any loss allowance would therefore be insignificant.

The Group's principal customers are invoiced and pay quarterly in advance, usually on English, Scottish and Gale quarter days. There is no significant concentration of credit risk with respect to trade receivables, as the Group has a large number of tenants.

12. Cash and cash equivalents

	2023 £m	2022 £m
Cash held at bank	**3.2**	29.1
	3.2	29.1

Bank interest is earned at floating rates depending upon the bank deposit rate. Short term deposits may be made for varying periods of between one day and three months, dependent on available cash and forthcoming cash requirements of the Group. These deposits earn interest at various short term deposit rates.

13. Trade and other payables

	2023 £m	2022 £m
Non-current liabilities		
Other payables	**4.1**	—
	4.1	—
Current liabilities		
Trade payables	**2.5**	3.3
Bank and bond loan interest accrual	**6.5**	6.8
Other payables	**8.6**	9.1
VAT	**6.7**	5.9
Accruals	**7.4**	7.5
	31.7	32.6

14. Borrowings

a) Term loans and overdrafts

The table indicates amounts drawn and undrawn from each individual facility as at 31 December:

		Facility		Amounts drawn		Undrawn	
	Expiry date	**2023 £m**	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Current							
RBS overdraft	Jun 2024	**5.0**	5.0	**—**	—	**5.0**	5.0
Aviva MXF loan	Sep 2033	**2.4**	2.3	**2.4**	2.3	**—**	—
		7.4	7.3	**2.4**	2.3	**5.0**	5.0
Non-current							
Aviva loan	Oct 2036	**200.0**	200.0	**200.0**	200.0	**—**	—
Aviva loan	Nov 2028	**75.0**	75.0	**75.0**	75.0	**—**	—
Barclays loan	Sep 2026	**100.0**	100.0	**—**	—	**100.0**	100.0
HSBC loan	Dec 2026	**100.0**	100.0	**64.4**	25.5	**35.6**	74.5
Lloyds loan	Oct 2025	**100.0**	100.0	**1.8**	32.5	**98.2**	67.5
NatWest loan	Oct 2026	**100.0**	100.0	**31.8**	41.8	**68.2**	58.2
Santander loan	Jan 2025	**50.0**	50.0	**24.4**	38.6	**25.6**	11.4
Aviva MXF loan	Sep 2033	**220.5**	222.9	**220.5**	222.9	**—**	—
Aviva MXF loan	Sep 2028	**30.8**	30.8	**30.8**	30.8	**—**	—
		976.3	978.7	**648.7**	667.1	**327.6**	311.6
Total		**983.7**	986.0	**651.1**	669.4	**332.6**	316.6

At 31 December 2023, total facilities of £1,642.5 million (2022: £1,607.0 million) were available to the Group. This included a £70.0 million secured bond, a £100.0 million secured bond, a £150.0 million nominal value convertible bond, £44.2 million, £60.7 million, £65.0 million and £41.4 million Euro-denominated bonds, a £50.0 million Ignis loan note, a £77.5 million Standard Life loan note and a £5.0 million overdraft facility. Of these facilities, as at 31 December 2023, £1,309.9 million was drawn (2022: £1,290.4 million).

Costs associated with the arrangement and extension of the facilities, including legal advice and loan arrangement fees, are amortised using the effective interest rate.

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

	2023 £m	2022 £m
Term loans drawn: due within one year	**2.4**	2.3
Term loans drawn: due in greater than one year	**648.7**	667.1
Total terms loans drawn	**651.1**	669.4
Plus: MtM on loans net of amortisation	**24.9**	27.1
Less: unamortised borrowing costs	**(9.1)**	(11.7)
Total term loans per the Group Balance Sheet	**666.9**	684.8

The Group has been in compliance with all of the financial covenants of the above facilities as applicable through the year. Further details are shown in Note 17e.

The Group has entered into interest rate swaps to manage its exposure to interest rate fluctuations. These are set out in Note 16.

Notes to the financial statements continued

14. Borrowings continued

b) Bonds

	2023 £m	2022 £m
Unsecured:		
Convertible bond July 2025 at fair value	**147.7**	142.9
Less: unamortised costs	**—**	—
Total unsecured bonds	**147.7**	142.9
Secured:		
Secured bond December 2025	**70.0**	70.0
Secured bond March 2027	**100.0**	100.0
€51 million secured bond (Euro private placement) December 2028–30	**44.2**	45.1
€70 million secured bond (Euro private placement) September 2031	**60.7**	62.0
€75 million secured bond (Euro private placement) February 2034	**65.0**	66.4
€47.8 million secured bond (Euro private placement) December 2033	**41.4**	—
Ignis loan note December 2028	**50.0**	50.0
Standard Life loan note September 2028	**77.5**	77.5
Less: unamortised bond issue costs	**(3.6)**	(3.6)
Plus: MtM on loans net of amortisation	**3.5**	4.3
Total secured bonds	**508.7**	471.7
Total bonds	**656.4**	614.6

There were no bond conversions during the year (2022: £nil).

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 £70.0 million and mature on 30 December 2025. The Secured Bonds incur interest at an annualised rate of 220bps plus a credit spread adjustment of 28bps above six-month SONIA, payable semi-annually in arrears.

On 21 March 2017, a £100.0 million Secured Bond was issued for a ten-year term at a fixed coupon of 2.83% that matures on 21 March 2027. Interest is paid semi-annually in arrears.

On 20 December 2018, senior secured notes for a total of €51.0 million (£44.2 million) were issued at a blended fixed rate of 2.4793% and a weighted average maturity of 10.4 years. Interest is paid semi-annually in arrears. The notes represent PHP's first Euro-denominated transaction in the private placement market. The secured notes were placed with UK and Irish institutional investors in two tranches:

- €40.0 million 2.46% senior notes due December 2028; and
- €11.0 million 2.633% senior notes due December 2030.

On 16 September 2019, new senior secured notes for a total of €70.0 million (£60.7 million) were issued at a fixed rate of 1.509% and a maturity of twelve years. Interest is paid semi-annually in arrears. The secured notes are guaranteed by the Company and were placed with UK and Irish institutional investors.

On 11 February 2022, the Group issued a new €75.0 million (£65.0 million) secured private placement loan note to MetLife for a twelve-year term at a fixed rate of 1.64%. The loan notes have the option to be increased by a further €75 million to €150 million over the next three years at MetLife's discretion.

On 19 December 2023, new senior secured notes for a total of €47.8 million (£41.4 million) were issued at a fixed rate of 4.195% and a maturity of ten-years. Interest is paid semi-annually in arrears. The secured notes are guaranteed by the Company and were placed with UK and Canadian institutional investors.

14. Borrowings continued

b) Bonds continued

Ignis and Standard Life loan notes

On 14 March 2019, the loan notes were added to the portfolio as a part of the MedicX acquisition. The Ignis loan note of £50.0 million incurs a fixed coupon of 3.99% payable semi-annually in arrears and matures on 7 December 2028.

The Standard Life loan note matures on 30 September 2028 and is split into two tranches, £50.0 million and £27.5 million at fixed coupon rates of 3.84% and 3.00% respectively. Interest is payable semi-annually in arrears.

Convertible bond

On 15 July 2019, PHP Finance (Jersey No. 2) Limited (the "Issuer"), a wholly owned subsidiary of the Group, issued £150.0 million of 2.875% convertible bonds (the "Bonds") for a six-year term and if not previously converted, redeemed or purchased and cancelled, the Bonds will be redeemed at par on maturity in July 2025. The net proceeds were partially used to repay the Company's £75.0 million 5.375% senior unsecured retail bonds at maturity and otherwise for general corporate purposes.

Subject to certain conditions, the Bonds will be convertible into fully paid Ordinary Shares of the Company and the initial exchange price was set at 153.25 pence, a premium of 15% above the volume weighted average price of the Company's shares on 18 June 2019, being 133.26 pence. Under the terms of the Bonds, the Company will have the right to elect to settle exercise of any conversion rights entirely in shares or cash, or with a combination of shares and cash. The exchange price is subject to adjustment if dividends paid per share exceed 2.8 pence per annum and other certain circumstances and consequently the exchange price has been adjusted to 131.72 pence as at 31 December 2023 (2022: 137.69 pence).

	2023 £m	2022 £m
Opening balance – fair value	**142.9**	171.6
Issued in the year	**—**	—
Fair value movement in convertible bond	**4.8**	(28.7)
Closing balance – fair value	**147.7**	142.9

The fair value of the Bonds at 31 December 2023 and 31 December 2022 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 NTA (replacing EPRA NAV).

c) Total borrowings

	2023 £m	2022 £m
Current liabilities:		
Term loans and overdrafts	**2.4**	2.3
Bonds	**—**	—
Total current liabilities	**2.4**	2.3
Non-current liabilities:		
Term loans	**648.7**	667.1
MtM on loans net of amortisation	**24.9**	27.1
Less: unamortised loan issue costs	**(9.1)**	(11.7)
Total non-current liabilities	**664.5**	682.5
Bonds	**658.8**	621.0
MtM on bonds net of amortisation	**3.5**	4.3
MtM on convertible bond	**(2.3)**	(7.1)
Less: unamortised bond issue costs	**(3.6)**	(3.6)
Total non-current bonds	**656.4**	614.6
Total borrowings	**1,323.3**	1,299.4

Notes to the financial statements continued

14. Borrowings continued

c) Total borrowings continued

	2023 £m	2022 £m
Balance as at 1 January	**1,299.1**	1,277.1
Changes from financing activities		
Proceeds from bond issues	**41.2**	62.9
Term bank loan drawdowns	**282.4**	161.6
New facilities drawn	**323.6**	224.5
Repayments of mortgage principal	**(2.3)**	(2.2)
Repayments of term bank loans	**(297.7)**	(173.5)
Repayments of term loan borrowings	**(300.0)**	(175.7)
Loan and bond interest paid	**(47.0)**	(39.8)
Swap interest received/(paid)	**3.9**	1.4
Purchase of derivative financial instrument	**(1.9)**	—
Loan arrangement fees	**(1.8)**	(3.5)
	(46.8)	(41.9)
Total changes from financing cash flows	**(23.2)**	6.9
Other non-cash changes		
Loan and bond interest expense	**47.4**	40.5
Swap interest (income)/expense	**(4.6)**	(1.4)
Fair value movement on derivatives interest rate swaps	**4.3**	(2.6)
Fair value movement on Convertible Bond	**4.8**	(28.7)
MtM on loans net of amortisation	**(3.0)**	(3.0)
Amortisation of loan issue costs	**4.4**	1.8
Exchange gain on translation of foreign balances	**(4.1)**	8.5
Total other changes	**49.2**	15.1
Balance as at 31 December	**1,325.1**	1,299.1

15. Head lease liabilities

The Group holds certain long leasehold properties which are classified as investment properties. The head leases are accounted for as finance leases. These leases typically have lease terms between 25 years and perpetuity and fixed rentals.

	2023 £m	2022 £m
Due within one year	**0.1**	0.1
Due after one year	**2.9**	3.1
Closing balance – fair value	**3.0**	3.2

16. 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 facilities. 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.

	2023 £m	2022 £m
Fair value of interest rate swaps not qualifying as cash flow hedges under IAS 39:		
Current assets	**10.5**	—
Non-current assets	**0.9**	19.6
Current liabilities	**(6.7)**	—
Non-current liabilities	**—**	(12.5)
Total fair value of interest rate swaps	**4.7**	7.1

16. Derivatives and other financial instruments continued

Changes in the fair value of the contracts that do not meet the strict IAS 39 criteria to be designated as effective hedging instruments are taken to the Group Statement of Comprehensive Income. For contracts that meet the IAS 39 criteria and are designated as "effective" cash flow hedges, the change in fair value of the contract is recognised in the Group Statement of

Changes in Equity through the cash flow hedging reserve. The result recognised in the Group Statement of Comprehensive Income relates to the amortisation of the cash flow hedging reserve of £4.1 million (2022: £4.5 million).

Interest rate swaps and caps with a contract value of £152.0 million (2022: £100.0 million) were in effect at 31 December 2023. Details of all floating to fixed rate interest rate swap contracts held are as follows:

Contract value	Product	Start date	Maturity	Fixed interest per annum %
2023				
€20.0 million (£17.3 million)	**Euro cap**	**April 2023**	**October 2025**	**2.0000**
€20.0 million (£17.3 million)	**Euro cap**	**April 2023**	**October 2025**	**2.0000**
€20.0 million (£17.4 million)	**Euro cap**	**April 2023**	**October 2025**	**2.0000**
£100.0 million	**Swap**	**October 2021**	**November 2024**	**0.0699**
£(66.0) million	**Reverse swap**	**October 2021**	**November 2024**	**2.5200**
£66.0 million	**Cap**	**October 2021**	**November 2024**	**1.2500**
£(67.0) million	**Reverse swap**	**October 2021**	**November 2024**	**2.5200**
£67.0 million	**Cap**	**October 2021**	**November 2024**	**1.2500**
£(67.0) million	**Reverse swap**	**October 2021**	**November 2024**	**2.5200**
£67.0 million	**Cap**	**October 2021**	**November 2024**	**1.2500**
£152.0 million				
2022				
£100.0 million	Swap	October 2021	November 2024	0.0699
£(66.0) million	Reverse swap	October 2021	November 2024	2.5200
£66.0 million	Cap	October 2021	November 2024	1.2500
£(67.0) million	Reverse swap	October 2021	November 2024	2.5200
£67.0 million	Cap	October 2021	November 2024	1.2500
£(67.0) million	Reverse swap	October 2021	November 2024	2.5200
£67.0 million	Cap	October 2021	November 2024	1.2500
£100.0 million				

On 28 October 2021 the HSBC £100.0 million variable leg of the LIBOR swap was converted to SONIA. The term and fixed rate were unchanged at November 2024 expiry and 0.0699%.

On 27 October 2021 three new swap agreements were entered into totalling £200.0 million. All are effective until 29 November 2024 and receive a fixed rate of 2.52%, with variable rates payable. These included a £66.0 million swap agreement with HSBC paying a variable of SONIA + 1.6275%, a £67.0 million swap agreement with Barclays paying a variable of SONIA + 1.575% and a £67.0 million swap agreement with NatWest paying a variable of SONIA + 1.5849%. A one-off payment of £1.8 million across all three new swap agreements was made to cap SONIA at 1.25% for the length of the agreement, equivalent to 0.1 pence per share on an adjusted net tangible asset value basis.

On 18 April 2023, the Group converted €60.0 million (£51.6 million) of Sterling equivalent denominated debt into Euros across its various revolving credit facilities. The Group purchased 2.0% caps on €60 million nominal value for a period of 2.5 years until October 2025 for an all-in premium of €2.2 million (£1.9 million).

17. Financial risk management

In pursuing its investment objectives, the Group is exposed to a variety of risks that could impact net assets or distributable profits.

The Group's principal financial liabilities, other than interest rate swaps, are loans and borrowings hedged by these swaps. The main purpose of the Group's loans and borrowings is to finance the acquisition and development of the Group's property portfolio. The Group has trade and other receivables, trade and other payables and cash and short term deposits that arise directly from its operations.

A review of the Group's objectives, policies and processes for managing and monitoring risk is set out in the Strategic Report. This Note provides further detail on financial risk management and includes quantitative information on specific financial risks.

Notes to the financial statements continued

17. Financial risk management continued

Financial risk factors

a) Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating rates as the Group, generally, does not hold significant cash balances, with short term borrowings being used when required. To manage its interest rate risk, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon principal amount. Note 16 provides details of interest swap contracts in effect at the year end.

Interest rate exposure

The analysis of the Group's exposure to interest rate risk in its debt portfolio as at 31 December 2023 is as follows:

	Facilities		Net debt drawn	
	£m	%	£m	%
Fixed rate debt	1,117.5	68.0	1,117.5	85.5
Hedged by fixed rate interest rate swaps	100.0	6.1	100.0	7.7
Hedged by fixed to floating rate interest rate swaps	(200.0)	(12.2)	(200.0)	(15.3)
Total fixed rate debt	1,017.5	61.9	1,017.5	77.9
Hedged by interest rate caps	252.0	15.4	252.0	19.3
Floating rate debt – unhedged	373.0	22.7	37.2	2.8
Total	**1,642.5**	**100.0**	**1,306.7**	**100.0**

The sensitivity analysis below shows the impact on profit before tax and equity of reasonably possible movements in interest rates with all other variables held constant. It should be noted that the impact of movement in the interest rate variable is not necessarily linear.

The fair value is arrived at with reference to the difference between the contracted rate of a swap and the market rate for the remaining duration at the time the valuation is performed. As market rates increase and this difference reduces, the associated fair value also decreases.

		Impact on income statement £m	Total impact on equity £m
2023			
Sterling Overnight Index Average Rate	Increase of 50 basis points	**(1.0)**	**(1.0)**
Sterling Overnight Index Average Rate	Decrease of 50 basis points	**1.0**	**1.0**
2022			
Sterling Overnight Index Average Rate	Increase of 50 basis points	(2.0)	(2.0)
Sterling Overnight Index Average Rate	Decrease of 50 basis points	2.0	2.0

b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under financial instruments or customer contracts, leading to a financial loss. The Group is exposed to credit risk from its principal financial assets, cash and cash equivalents, and trade and other receivables (see Notes 11 and 12).

Trade receivables

Trade receivables, primarily tenant rentals, are recognised and carried at amortised cost and presented in the balance sheet net of loss allowances and are monitored on a case-by-case basis. Impairment losses are recognised through the expected credit loss model. Credit risk is primarily managed by requiring tenants to pay rentals in advance.

The Group has policies in place to ensure that rental contracts are entered into only with lessees with an appropriate credit history.

Banks and financial institutions

One of the principal credit risks of the Group arises from financial derivative instruments and deposits with banks and financial institutions. The Board of Directors believes that the credit risk on short term deposits and interest rate swaps is limited because the counterparties are banks, which are committed lenders to the Group, with reputable credit ratings assigned by international credit rating agencies.

17. Financial risk management continued

Financial risk factors continued

c) Liquidity risk

The liquidity risk is that the Group will encounter difficulty in meeting obligations associated with its financial liabilities as the majority of the Group's assets are property investments and are therefore not readily realisable. The Group's objective is to maintain a mixture of available cash and committed bank facilities that is designed to ensure that the Group has sufficient available funds for its operations and to fund its committed capital expenditure. This is achieved by continuous monitoring of forecast and actual cash flows.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments including interest.

	On demand £m	Less than three months £m	Three to twelve months £m	One to five years £m	More than five years £m	Total £m
2023						
Interest-bearing loans and borrowings	**—**	**12.7**	**38.6**	**848.9**	**688.3**	**1,588.5**
Interest rate swaps (net)	**—**	**(0.8)**	**(2.2)**	**(0.8)**	**—**	**(3.8)**
Trade and other payables	**2.0**	**18.6**	**4.5**	**1.4**	**2.6**	**29.1**
	2.0	**30.5**	**40.9**	**849.5**	**690.9**	**1,613.8**
2022						
Interest-bearing loans and borrowings	—	11.3	34.4	500.0	1,037.9	1,583.6
Interest rate swaps (net)	—	(0.2)	(0.6)	(0.8)	—	(1.6)
Trade and other payables	2.7	16.4	3.5	1.8	2.1	26.5
	2.7	27.5	37.3	501.0	1,040.0	1,608.5

The Group's borrowings have financial covenants which, if breached, could result in the borrowings becoming repayable immediately. Details of the covenants are given under (e) Capital risk management and are disclosed to the facility providers on a quarterly basis. There have been no breaches during the year (2022: none).

d) Market risk

Market risk is the risk that fair values of financial instruments will fluctuate because of changes in market prices. The Board of Directors has identified two elements of market risk that principally affect the Group – interest rate risk and price risk.

Interest rate risk

Interest rate risk is outlined above. The Board assesses the exposure to other price risks when making each investment decision and monitors the overall level of market risk on the investment portfolio on an ongoing basis through a discounted cash flow analysis. Details of this analysis can be found in the Strategic Report in the Annual Report.

Price risk

The Group is exposed to price risk in respect of property price risk including property rentals risk. Refer to Note 2.3. The Group has no significant exposure to price risk in respect of financial instruments other than the convertible bond and interest rate derivatives (see also Note 16), as it does not hold any equity securities or commodities.

Notes to the financial statements continued

17. Financial risk management continued
Financial risk factors continued
d) Market risk continued
Fair values

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 2023 £m	Fair value 2023 £m	Book value 2022 £m	Fair value 2022 £m
Financial assets				
Trade and other receivables	**18.4**	**18.4**	12.6	12.6
Ineffective interest rate swaps	**11.4**	**11.4**	19.6	19.6
Cash and short term deposits	**3.2**	**3.2**	29.1	29.1
Financial liabilities				
Interest-bearing loans and borrowings	**(1,323.3)**	**(1,203.8)**	(1,299.4)	(1,149.1)
Ineffective interest rate swaps	**(6.7)**	**(6.7)**	(12.5)	(12.5)
Trade and other payables	**(27.8)**	**(27.8)**	(24.9)	(24.9)

The fair value of the financial assets and liabilities is included as an estimate of the amount at which the instruments could be exchanged 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 value of fixed rate debt is estimated using the mid yield to maturity on the reporting date. The valuations are on a clean basis, which excludes accrued interest from the previous settlement date to the reporting date; and
- 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.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels are defined as follows:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Fair value measurements at 31 December 2023 were as follows:

Recurring fair value measurements	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Derivative interest rate swaps	**—**	**11.4**	**—**	**11.4**
Financial liabilities				
Derivative interest rate swaps	**—**	**(6.7)**	**—**	**(6.7)**
Convertible bond	**(147.7)**	**—**	**—**	**(147.7)**
Fixed rate debt	**—**	**(1,011.4)**	**—**	**(1,011.4)**

17. Financial risk management continued

Financial risk factors continued

d) Market risk continued

Fair value hierarchy continued

Fair value measurements at 31 December 2022 were as follows:

Recurring fair value measurements	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Derivative interest rate swaps	—	19.6	—	19.6
Financial liabilities				
Derivative interest rate swaps	—	(12.5)	—	(12.5)
Convertible bond	(142.9)	—	—	(142.9)
Fixed rate debt	—	(797.8)	—	(797.8)

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.

e) Capital risk management

The primary objectives of the Group's capital management are to ensure that it remains a going concern, operates within its quantitative banking covenants and meets the criteria so as to continue to qualify for UK REIT status.

The capital structure of the Group consists of shareholders' equity and net borrowings. The type and maturity of the Group's borrowings are analysed further in Notes 14 and 16 and the Group's equity is analysed into its various components in the Group Statement of Changes in Equity. The Board monitors and reviews the Group's capital so as to promote the long term success of the business, to facilitate expansion and to maintain sustainable returns for shareholders.

Under several of its debt facilities, the Group is subject to a covenant whereby consolidated Group rental income must exceed Group borrowing costs by the ratio 1.3:1 (2022: 1.3:1). No debt facility has a Group loan to value covenant.

Facility-level covenants also operate with regard to specific pools of property assets provided to lenders to secure individual loan facilities. These range as follows:

- interest cover[1]: 1.15 to 2.25 (2022: 1.15 to 2.25); and
- loan to value[1]: 55% to 75% (2022: 55% to 75%).

UK REIT compliance tests include loan to property value and gearing tests. The Group must satisfy these tests in order to continue trading as a UK REIT. This is also an internal requirement imposed by the Articles of Association.

During the year the Group has complied with all of the requirements set out above.

1 See Glossary of Terms.

Notes to the financial statements continued

17. Financial risk management continued

Financial risk factors continued

e) Capital risk management continued

Group loan to value ratio	2023 £m	2022 £m
Fair value of completed investment properties	**2,775.3**	2,788.6
Fair value of development properties	**1.0**	4.5
Ground rent recognised as finance leases	**3.0**	3.2
	2,779.3	2,796.3
Interest-bearing loans and borrowings (with convertible bond at nominal value)	**1,309.9**	1,290.4
Less cash held	**(3.2)**	(29.1)
Nominal amount of interest-bearing loans and borrowings	**1,306.7**	1,261.3
Group loan to value ratio	**47.0%**	45.1%

18. Share capital

Ordinary Shares issued, authorised and fully paid at 12.5 pence each

	2023		2022	
	Number – million	£m	Number – million	£m
Balance at 1 January	**1,336.5**	**167.1**	1,332.9	166.6
Scrip issues in lieu of cash dividends	**—**	**—**	3.6	0.5
Share issues	**—**	**—**	—	—
Share issues on other acquisitions	**—**	**—**	—	—
Balance at 31 December	**1,336.5**	**167.1**	1,336.5	167.1

19. Share premium

	2023 £m	2022 £m
Balance at 1 January	**479.4**	474.9
Scrip issues in lieu of cash dividends	**—**	4.6
Share issues on other acquisitions	**—**	—
Share issue expense	**—**	(0.1)
Balance at 31 December	**479.4**	479.4

20. Merger and other reserves

The merger and other reserves are made up of the capital reserve which is held to finance any proposed repurchases of Ordinary Shares, following approval of the High Court in 1998, the foreign exchange translation reserve and the premium on shares issued for the MedicX Fund Limited merger and the Nexus merger.

	2023 £m	2022 £m
Capital reserve		
Balance at 1 January and 31 December	**1.6**	1.6
Foreign exchange translation reserve		
Balance at 1 January	**1.0**	(2.2)
Exchange differences on translation of foreign balances	**(1.4)**	3.2
Balance at 31 December	**(0.4)**	1.0
Merger reserve		
Balance at 1 January and 31 December	**414.1**	414.1
Balance of merger and other reserves at 31 December	**415.3**	416.7

21. Hedging reserve

Information on the Group's hedging policy and interest rate swaps is provided in Note 16.

The transfer to the Group Statement of Comprehensive Income can be analysed as follows:

	2023 £m	2022 £m
Balance at 1 January	**(11.1)**	(15.6)
Amortisation of cash flow hedging reserve	**4.1**	4.5
Balance at 31 December	**(7.0)**	(11.1)

The balance within the cash flow hedge reserve relating to cancelled swaps will be amortised through the Group Statement of Comprehensive Income over the remainder of the original contract period (see Note 6b).

22. Retained earnings

	2023 £m	2022 £m
Balance at 1 January	**430.1**	460.5
Retained profit for the year	**27.3**	56.3
Dividends paid	**(89.5)**	(81.6)
Scrip dividend in lieu of cash	**—**	(5.1)
Exchange differences on translation of foreign balances	**1.1**	—
Share-based awards ("LTIP")	**0.1**	—
Balance at 31 December	**369.1**	430.1

23. Capital commitments

As at 31 December 2023, the Group has entered into forward funding development agreements with third parties for the development of primary healthcare properties in the UK and Ireland. The Group has acquired the land and advances funds to the developers as the construction progresses. Total consideration of £5.4 million (2022: £2.8 million) remains to be funded with regard to these properties.

As at 31 December 2023, the Group has capital commitments totalling £7.1 million (2022: £9.9 million), being the cost to complete asset management projects on site, together with deferred consideration on the acquisition of Axis of £2.1 million (€2.5 million).

Notes to the financial statements continued

24. Related party transactions

Harry Hyman, Chief Executive Officer, is a Director and the ultimate beneficial owner of a number of Nexus entities and is considered to be a related party. Following the acquisition of certain Nexus entities on the internalisation of management structure on 5 January 2021, the Group has continued to share certain operational services with a Nexus entity, Nexus Central Management Services Limited. Harry Hyman is a current Director and ultimate controlling party of Nexus Central Management Services Limited.

Amounts paid during the period in relation to shared services totalled £nil million (31 December 2022: £0.1 million).

As at 31 December 2023, outstanding fees payable to Nexus totalled £nil (31 December 2022: £nil).

25. Subsequent events

There have been no significant events affecting the Group since the period ended 31 December 2023.

26. Audit exemptions taken for subsidiaries

The following subsidiaries are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of Section 479A of the Act.

Name	Companies House registration number
PHP Epsom Limited	12004850
GP Property One Limited	10801028
PHP SPV Limited	12256431
PHP Primary Properties (Haymarket) Limited	08304612
MXF Properties Bridlington Limited	07763871
PHP Tradeco Holdings Limited	09642987
PHP Health Solutions Limited	06949900
PHP Tradeco Limited	07685933
PHP Property Management Services Limited	02877191
PHP Primary Care Developments Limited	11862233
PHP Croft Limited	13938144
PHP (Spilsby) Limited	13735391

Company balance sheet
at 31 December 2023

	Notes	2023 £m	2022 £m
Non-current assets			
Investment in subsidiaries	8	**866.3**	870.9
Property, plant and equipment		**0.4**	0.4
Trade and other receivables	9	**813.4**	844.9
		1,680.1	1,716.2
Current assets			
Trade and other receivables	9	**0.6**	0.1
Cash and cash equivalents	10	**0.3**	11.2
		0.9	11.3
Total assets		**1,681.0**	1,727.5
Current liabilities			
Trade and other payables	11	**(286.5)**	(229.5)
Borrowings: bonds	12	**—**	—
		(286.5)	(229.5)
Non-current liabilities			
Borrowings: bonds	12	**(153.4)**	(150.2)
		(153.4)	(150.2)
Total liabilities		**(439.9)**	(379.7)
Net assets		**1,241.1**	1,347.8
Equity			
Share capital	14	**167.1**	167.1
Share premium		**479.4**	479.4
Merger and other reserves		**415.6**	415.6
Retained earnings	15	**179.0**	285.7
Total equity		**1,241.1**	1,347.8

In accordance with the exemption allowed by Section 408(3) of the Companies Act 2006, the Company has not presented its own income statement or statement of comprehensive income.

The Company's loss for the year was £15.6 million (2022: profit of £72.1 million).

These financial statements were approved by the Board of Directors on 27 February 2024 and signed on its behalf by:

Richard Howell
Chief Financial Officer

Registered in England Number: 3033634

Company statement of changes in equity
for the year ended 31 December 2023

	Share capital £m	Share premium £m	Merger and other reserves £m	Retained earnings £m	Total equity £m
1 January 2023	167.1	479.4	415.6	285.7	1,347.8
Loss attributable to equity holders	—	—	—	(15.6)	(15.6)
Exchange loss on translation of foreign balances	—	—	—	(1.7)	(1.7)
Total comprehensive income	—	—	—	(17.3)	(17.3)
Share issue expenses	—	—	—	—	—
Share-based awards ("LTIP")	—	—	—	0.1	0.1
Dividends paid	—	—	—	(89.5)	(89.5)
Scrip dividend in lieu of cash	—	—	—	—	—
31 December 2023	**167.1**	**479.4**	**415.6**	**179.0**	**1,241.1**

	Share capital £m	Share premium £m	Merger and other reserves £m	Retained earnings £m	Total equity £m
1 January 2022	166.6	474.9	416.1	300.3	1,357.9
Profit attributable to equity holders	—	—	—	72.1	72.1
Exchange loss on translation of foreign balances	—	—	(0.5)	—	(0.5)
Total comprehensive income	—	—	(0.5)	72.1	71.6
Share issue expenses	—	(0.1)	—	—	(0.1)
Share-based awards ("LTIP")	—	—	—	—	—
Dividends paid	—	—	—	(81.6)	(81.6)
Scrip dividend in lieu of cash	0.5	4.6	—	(5.1)	—
31 December 2022	167.1	479.4	415.6	285.7	1,347.8

Notes to the Company financial statements

1. Accounting policies

The Company is a public limited company incorporated in England and Wales in accordance with the Companies Act 2006, limited by shares. These financial statements are presented in Sterling because that is the currency of the primary economic environment in which the Company operates.

Basis of accounting/statement of compliance

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 ("FRS 100") issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 Reduced disclosure framework as issued by the Financial Reporting Council.

As permitted by FRS 101, exemptions from applying the following requirements have been adopted:

- IFRS 7 Financial instruments: disclosures;
- IFRS 13 Fair value measurement, paragraphs 91 to 99;
- IAS 1 Presentation of financial statements, paragraphs 10(d), 10(f), 38 to 40, 76, 79(d) and 134 to 136;
- IAS 7 Statement of cash flows;
- IAS 24 Related party disclosures, paragraphs 17 and 18A; and
- IAS 36 Impairment of assets, paragraphs 130(f)(ii), 130(f)(iii), 134(d) to (f) and 135(c) to (e).

The Company has also taken advantage of the exemption from the requirements in IAS 24 Related party disclosures to disclose related party transactions entered into between two or more members of the Group where those party to the transaction are wholly owned by a member of the Group.

The financial statements have been prepared under the historical cost convention.

Statement of comprehensive income

The Company has taken advantage of the exemption in the Companies Act from presenting a Company Statement of Comprehensive Income together with related notes.

Cash flow statement

The Directors have taken advantage of the exemption in FRS 101 from including a cash flow statement in the financial statements on the grounds that a Consolidated Cash Flow Statement is presented in the Group financial statements of PHP.

Income

Revenue is recognised in the financial statements as follows:

Interest income: Revenue is recognised as interest accrues using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividends: Dividend income is recognised in the period in which it received Board approval and, hence, when the Company's right to the payment is established.

Investment in subsidiaries

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Investments in subsidiary undertakings are stated at cost in the Company's Statement of Financial Position less impairment. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Taxation

Taxation on the profit or loss for the period not exempt under UK REIT regulations comprises current and deferred tax. Taxation is recognised in the Group Statement of Comprehensive Income except to the extent that it relates to items recognised as direct movements in equity, in which case it is also recognised as a direct movement in equity.

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

Employee costs

The fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares or options that will eventually vest. The fair value of awards is equal to the market value at grant date.

Notes to the Company financial statements continued

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. No revisions were recognised in the period. There are no critical accounting judgements or key sources of estimation uncertainty in the Company's accounts.

3. Foreign currencies

The functional and presentation currency of the Company is Sterling. Transactions in currencies other than Sterling are recognised at the applicable exchange rate ruling on the transaction date. Exchange differences resulting from settling these transactions, or from retranslating monetary assets and liabilities denominated in foreign currencies, are included in the Group Statement of Comprehensive Income.

4. Revenue

The Company operates under one business segment and one geographical segment, being the holding company of subsidiaries that invest in primary healthcare property within the United Kingdom and the Republic of Ireland.

5. Staff costs

	2023 £m	2022 £m
Wages and salaries, pension and bonus	**2.8**	1.8
Social security costs	**0.1**	(0.1)
Equity-settled share-based payments	**0.2**	—
	3.1	1.7

The Company operates a defined contribution pension scheme for all employees. The Company contribution to the scheme during the year was £nil (2022: £nil), which represents the total expense recognised through the income statement. As at 31 December 2023, there were no contributions (2022: £nil) due in respect of the reporting period that had not been paid over to the plan.

The average monthly number of Company employees was two (2022: two).

The Executive Directors and Non-executive Directors are the key management personnel. Full disclosure of Directors' emoluments, as required by the Companies Act 2006, can be found in the Remuneration Report on pages 100 to 118.

The Company's equity-settled share-based payments comprise the following:

Scheme	**Fair value measure**
Long Term Incentive Plan ("LTIP")	Face value at grant date
Save As You Earn ("SAYE")	Face value at grant date

The Company expenses an estimate of how many shares are likely to vest based on the market price at the date of grant, taking account of expected performance against the relevant performance targets and service periods, which are discussed in further detail in the Remuneration Report.

6. Taxation

a) Taxation (credit)/charge in the Group Statement of Comprehensive Income

The taxation charge is made up as follows:

	2023 £m	2022 £m
Deferred tax (credit)/charge	**(0.6)**	0.7

The Company holds an investment in an Irish Collective Asset Vehicle ("ICAV"). The ICAV does not pay any Irish corporation tax on its profits but a 20% withholding tax is paid on distributions to owners.

6. Taxation continued

b) Factors affecting the tax (credit)/charge for the year

The tax assessed for the year is higher than (2022: lower than) the standard rate of corporation tax in the UK. The differences are explained below:

	2023 £m	2022 £m
(Loss)/profit on ordinary activities before taxation	**(16.2)**	72.8
Theoretical tax at UK corporation tax rate of 23.5% (2022: 19%)	**(3.8)**	13.8
REIT exempt income	**—**	(0.3)
Transfer pricing adjustments	**0.7**	1.9
Fair value loss on convertible bond	**0.5**	(3.3)
Non-taxable items	**1.3**	(12.0)
Impact of taxes in the Republic of Ireland	**(0.6)**	0.7
Loss relief	**1.3**	(0.1)
Taxation (credit)/charge (Note 6a)	**(0.6)**	0.7

7. Dividends

Amounts recognised as distributions to equity holders in the year:

	2023 £m	2022 £m
Quarterly interim dividend paid 23 February 2023	**22.4**	—
Quarterly interim dividend paid 19 May 2023	**22.4**	—
Quarterly interim dividend paid 18 August 2023	**22.3**	—
Quarterly interim dividend paid 24 November 2023	**22.4**	—
Quarterly interim dividend paid 25 February 2022	**—**	21.0
Scrip dividend in lieu of quarterly cash dividend paid 25 February 2022	**—**	0.6
Quarterly interim dividend paid 20 May 2022	**—**	20.6
Scrip dividend in lieu of quarterly cash dividend paid 20 May 2022	**—**	1.1
Quarterly interim dividend paid 19 August 2022	**—**	18.1
Scrip dividend in lieu of quarterly cash dividend paid 19 August 2022	**—**	3.4
Quarterly interim dividend paid 19 November 2022	**—**	21.9
Total dividends distributed in the year	**89.5**	86.7
Per share	**6.7p**	6.5p

Notes to the Company financial statements continued

8. Investment in subsidiaries

	£m
As at 1 January 2023	870.9
Acquisition of Axis Real Estate Group Limited	7.7
Liquidation of PHP Liverpool Holding Company Limited	(2.1)
Liquidation of PHP Chiswick Limited	(9.9)
Liquidation of PHP Cardiff Limited	(2.2)
ICAV Recapitalisation	2.1
Impairment of subsidiary undertakings	(0.2)
As at 31 December 2023	**866.3**
As at 1 January 2022	857.2
Acquisition of PHP Chiswick Limited	9.9
Acquisition of PHP (Croft) Limited	—
Acquisition of PHP (Spilsby) Limited	—
Liquidation of Primary Health Investment Properties (No. 8) Limited	—
Acquisition of additional shares in PHP ICAV Limited	4.6
Impairment of subsidiary undertakings	(0.8)
As at 31 December 2022	870.9

All subsidiaries of the Company are 100% owned and listed below. All are incorporated in the UK and their registered office is Burdett House, 15–16 Buckingham Street, London WC2N 6DU, except as noted.

Subsidiaries held directly by the Company

Name	Principal activity	Name	Principal activity
Primary Health Investment Properties Limited	Property investment/ financing company	PHP Bond Finance PLC	Issuer of bonds
Primary Health Investment Properties (No. 2) Limited	Property investment	PHP Medical Investments Limited	Property investment/ financing company
Primary Health Investment Properties (No. 3) Limited	Property investment	PHP SB Limited	Investment holding/ issuer of bonds
PHP Healthcare (Holdings) Limited	Investment holding	PHIP (Milton Keynes) Limited	Dormant
Primary Health Investment Properties (No. 4) Limited	Investment holding/ financing company	Primary Health Properties ICAV[2]	Property investment/ investment holding
PHIP (5) Limited	Property investment/ financing company	Carden Medical Investments Limited[4]	Property investment
PHP Finance (Jersey No. 2) Limited[1]	Issuer of bonds	Chelmsley Associates Limited	Property investment
PHP Euro Private Placement ML Ltd	Property investment/ financing company	PHP STL Limited	Investment holding/ financing company
PHP SPV Limited	Property investment	PHP Euro Private Placement Limited	Issuer of bonds
MXF Fund Limited[5]	Investment holding	PHP (Spilsby) Limited	Property investment
PHP Epsom Limited	Property investment	PHP Primary Properties (Haymarket) Limited	Property investment
PHP Development Holdings Limited	Property investment	PHP Tradeco Holdings Limited	Investment holding
Axis Real Estate Group Limited[6]	Investment holding	PHP Health Solutions Limited	Property investment
PHP Croft Limited	Property investment	MXF Properties Bridlington Limited	Property investment
PHP Finance (Jersey No. 3) Limited[1]	Issuer of bonds	PHPI Navan Road Limited[3]	Dormant

8. Investment in subsidiaries continued

Subsidiaries held indirectly by the Company

Name	Principal activity	Name	Principal activity
PHP (Bingham) Limited	Property investment	PHP Investments No. 2 Limited	Property investment
Anchor Meadow Limited	Property investment	Leighton Health Limited	Property investment
PHP AV Lending Limited	Financing company	PHP Healthcare Investments Limited	Property investment
PHP Investments No. 1 Limited	Property investment	PHP St. Johns Limited	Property investment
PHP (Project Finance) Limited	Property investment	PHP Clinics Limited	Property investment
PatientFirst Partnerships Limited	Property investment	PHIP (Stourbridge) Limited	Property investment
PHP Glen Spean Limited	Property investment	Gracemount Medical Centre Limited[4]	Property investment
PHP Empire Holdings Limited	Property investment	PHP AssetCo (2011) Limited	Property investment
Health Investments Limited	Property investment	PHP Primary Properties Limited	Property investment
PHP Medical Properties Limited	Property investment/ investment holding	Crestdown Limited	Property investment
PatientFirst (Hinckley) Limited	Property investment	Primary Health Investment Properties (No. 6) Limited	Property investment
PatientFirst (Burnley) Limited	Property investment	GP Property Limited[5]	Investment holding
PHP Investments (2011) Limited	Property investment	MXF Properties OM Limited	Property investment
PHIP (Chester) Limited	Property investment	GPG No. 5 Limited	Property investment
MXF Properties I Limited[5]	Property investment	GP Property One Limited	Property investment
MXF Properties III Limited	Property investment	MXF Properties II Limited	Property investment
MXF Properties V Limited[5]	Property investment/ investment holding	MXF Properties IV Limited	Property investment
MXF Properties VII Limited[5]	Property investment/ investment holding	MXF Properties VI Limited[5]	Property investment/ issuer of bonds
Primary Medical Property Investments Limited	Property investment	MXF Properties VIII Limited[5]	Property investment/ issuer of bonds
MXF Properties Ireland Limited[5]	Property investment	MXF GPG Holdings Limited[5]	Property investment
MXF Properties IX Limited	Investment holding/ financing company	MXF (Fakenham) Limited	Property investment
PHP Property Management Services Limited	Operations management	PHP Tradeco Limited	Operations management
Axis Technical Services Limited[6]	Property and facility management	PHP Primary Care Developments Limited	Property investment

1 Subsidiary company registered in Jersey. Registered office: 3rd Floor, 44 Esplanade, St Helier, Jersey JE4 9WG.

2 An Irish Collective Asset-management Vehicle established in Ireland.

3 Subsidiary company registered in Ireland. Registered office: Riverside 1, Sir John Rogerson's Quay, Dublin 2, Ireland.

4 Subsidiary company registered in Scotland. Registered office: 4th Floor, 20 Castle Terrace, Edinburgh, Scotland EH1 2EN.

5 Subsidiary company registered in Guernsey. Registered office: Oak House, Hirzel Street, St Peter Port, Guernsey GY1 1NP.

6 Subsidiary company registered in Ireland. Registered office: 12 Eastgate Way, Little Island. Co. Cork.

100% of all voting rights and Ordinary Shares are held directly or indirectly by the Company.

Notes to the Company financial statements continued

9. Trade and other receivables

	2023 £m	2022 £m
Non-current		
Amounts due from Group undertakings	**813.4**	844.9
Current		
Amounts due from Group undertakings	**—**	—
Other receivables	**0.6**	0.1
	814.0	845.0

Based on the IFRS 9 expected credit loss model, £12.8 million (2022: £4.5 million) impairment provision was recognised on amounts due from Group undertakings. Expected credit loss is measured on a 12 month basis.

Amounts due from Group undertakings are unsecured, interest free and repayable on demand.

10. Cash at bank and in hand

	2023 £m	2022 £m
Cash at bank and in hand	**0.3**	11.2

11. Trade and other payables

	2023 £m	2022 £m
Current		
Amounts owed to Group undertakings	**276.4**	221.9
Trade and other payables	**10.1**	7.6
	286.5	229.5

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

12. Borrowings

	2023 £m	2022 £m
Intra-group loan with PHP Finance (Jersey No. 2) Limited (Note 13)	**148.5**	147.5
Option to convert (Note 13)	**4.9**	2.7
	153.4	150.2

13. Intra-group loan with PHP Finance (Jersey No. 2) Limited

On 15 July 2019, PHP Finance (Jersey No. 2) Limited (the "Issuer"), a wholly owned subsidiary of the Group, issued £150.0 million of 2.875% convertible bonds (the "Bonds") for a six-year term and if not previously converted, redeemed or purchased and cancelled, the Bonds will be redeemed at par on maturity in July 2025. The proceeds have been loaned to the Company and the Company has unconditionally and irrevocably guaranteed the due and punctual performance by the Issuer of all of its obligations (including payments) in respect of the Bonds.

Subject to their terms, the Bonds are/were convertible into preference shares of the Issuer which are/were automatically transferred to the Company in exchange for Ordinary Shares in the Company or, at the Company's election, any combination of Ordinary Shares and cash.

The intra-group loan between the Issuer and the Company arising from the transfer of the loan proceeds was initially recognised at fair value, net of capitalised issue costs, and is accounted for using the amortised cost method.

In addition to the intra-group loan, the Company has effectively entered into a derivative contract due to its guarantee of the obligations of the Issuer in respect of the Bonds and the commitment to provide shares or a combination of shares and cash on conversion of the Bonds. This derivative contract is included within the balance sheet as a liability carried at fair value through profit and loss.

See Note 14 in the Group financial statements for further details about the convertible bond.

14. Share capital

Issued and fully paid at 12.5 pence each

	2023		2022	
	Number – million	**£m**	Number – million	£m
As at 1 January	**1,336.5**	**167.1**	1,332.9	166.6
Scrip issues in lieu of cash dividends	**—**	**—**	3.6	0.5
Share issues for other acquisitions	**—**	**—**	—	—
As at 31 December	**1,336.5**	**167.1**	1,336.5	167.1

15. Retained earnings

	2023 £m	2022 £m
As at 1 January	**285.7**	300.3
(Loss)/profit for the year	**(15.6)**	72.1
Dividends paid	**(89.5)**	(81.6)
Scrip issues in lieu of cash dividends	**—**	(5.1)
Exchange differences on transaltion of foreign balances	**(1.7)**	—
Long Term Incentive Plan	**0.1**	—
As at 31 December	**179.0**	285.7

16. Contingent liabilities

The Company has guaranteed the performance of its subsidiaries in respect of development agreements totalling £nil (2022: £nil). The Company is guarantor to several of its subsidiaries debt facilities totaling £1.1 billion.

17. Related party transactions

Details of related party transactions are provided in the Directors' Report, the Directors' Remuneration Report and Note 24 to the Group financial statements on page 164. The Directors are listed in the Board of Directors section.

The Company has also taken advantage of the exemption from the requirements in IAS 24 Related party disclosures to disclose related party transactions entered into between two or more members of the Group where those party to the transaction are wholly owned by a member of the Group.

18. Subsequent events

There have been no significant events affecting the Company since the period ended 31 December 2023.

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Notice of Annual General Meeting 2024

Wednesday, 24 April 2024 at 10:30 a.m. (UK time)/12:30 p.m. (South Africa time).

To be held at the offices of CMS Cameron McKenna Nabarro Olswang LLP at Cannon Place, 78 Cannon Street, London EC4N 6AF.

THIS DOCUMENT AND THE ENCLOSED FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the contents of this document or about what action you should take, you should seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your Ordinary Shares, please forward this document, together with the accompanying documents (but not the accompanying personalised Form of Proxy), as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the Ordinary Shares.

Whether or not you propose to attend the Annual General Meeting, please complete and submit a Form of Proxy in accordance with the instructions printed on the enclosed form.

The Form of Proxy must be received by the Registrar, Equiniti, by no later than 10:30 a.m. (UK time)/12:30 p.m. (South Africa time) on 22 April 2024.

Primary Health Properties PLC
(incorporated and registered in England and Wales under number 03033634)

A map showing the location of the venue and how to get there is set out opposite.

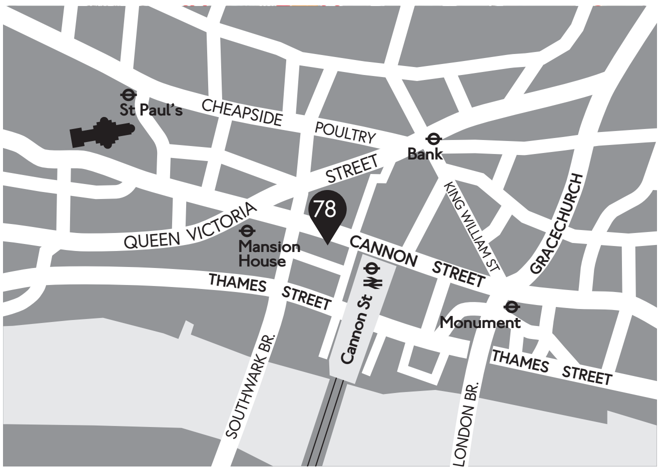
Venue

The offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF.

Travel information

Underground and rail
By train: Cannon Street station is serviced by the Southeastern train line.

By London Underground (tube)/Docklands Light Railway ("**DLR**"): It is approximately a three-minute walk from Bank Station underground (tube) station on the Central, Waterloo & City and Northern lines. Bank is also a DLR station. It is above Cannon Street underground (tube) station on the Circle and District lines.



Notice of Annual General Meeting 2024 continued

LETTER FROM THE CHAIRMAN

To all shareholders

13 March 2024

Notice of Annual General Meeting

Dear shareholder,

I am pleased to invite you to our 2024 Annual General Meeting ("AGM"), which will be held on Wednesday, 24 April at 10:30 a.m. (UK time)/12:30 p.m. (South Africa time) as a hybrid meeting, with shareholders invited to join physically at the offices of CMS Cameron McKenna Nabarro Olswang LLP at Cannon Place, 78 Cannon Street, London EC4N 6AF or listen remotely via secure telephone line (please see further below).

The formal Notice of AGM, which sets out the resolutions to be proposed, can be found on pages 177 to 179 of our 2023 Annual Report. An explanation of the resolutions can be found on pages 180 to 184. A copy of our 2023 Annual Report, which includes the Notice of AGM, can also be found on our website (www.phpgroup.co.uk).

Your vote and participation in the AGM are important to us. We strongly encourage you to vote on all resolutions either electronically, in advance of the meeting, or by appointing the Chairman as your proxy. If you cast your vote by proxy in advance, this will not prevent you from voting on the day.

Actions to be taken in respect of the AGM

There is a secure telephone line so that shareholders can listen to the AGM and also ask any questions relating to the business of the meeting. Please note you will not be able to vote by telephone. If you would like to attend the meeting by telephone, please contact the Company Secretary at cosec@phpgroup.co.uk. Requests must be received by no later than 10:30 a.m. (UK time)/12:30 p.m. (South Africa time) on Monday, 22 April 2024.

The telephone line will open shortly before 10:30 a.m. (UK time)/12:30 p.m. (South Africa time) on the day of the meeting. In addition to your secure dial-in details, you will need your Shareholder Reference Number, which can be found on your Form of Proxy/Voting Instruction Form, Dividend Confirmation Statement or Share Certificate in order to access the meeting.

Unfortunately, there will not be a facility to vote by telephone. We recommend that shareholders who would like to vote appoint the Chair of the meeting as their proxy and register a voting instruction using their Form of Proxy/Voting Instruction Form ahead of the meeting. Details about how to vote are included in the documents sent to you.

If you are unable to attend the AGM (whether in person or remotely) and vote (in person) on the day, the ways to vote are as follows:

1. Register your vote electronically by logging into the Equiniti Limited (**"Equiniti"**) website, www.sharevote.co.uk. If you have already registered with Equiniti's online portfolio service, Shareview, you can submit your proxy by logging on to your portfolio at **www.shareview.co.uk** and following the instructions. Please note that votes submitted electronically in this manner should be submitted by no later than 10:30 a.m. (UK time)/12:30 p.m. (South Africa time) on 22 April 2024.
2. Appoint a proxy to vote on your behalf. Fill in the proxy form enclosed with this document ("Form of Proxy") and return it to Equiniti as detailed in Note 4 on page 185, appoint your proxy electronically as detailed in Note 4 on page 185, or if you are a CREST member, appoint your proxy through the CREST proxy appointment service as detailed in Note 5 on page 185. Shareholders who wish to appoint a proxy are recommended to appoint the Chairman of the meeting as their proxy.
3. If you are an institutional investor, you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by Equiniti. For further information regarding Proxymity, please go to **www.proxymity.io**. Before you can appoint a proxy via this process, you will need to have agreed to Proxymity's terms and conditions. It is important that you read these carefully, as you will be bound by them and they will govern the electronic appointment of your proxy.

Proxy appointments should be completed as soon as possible and must be received by 10:30 a.m. (UK time)/12:30 p.m. (South Africa time) on 22 April 2024, whether this is via Proxymity or otherwise.

Voting electronically or the completion and return of the Form of Proxy will not prevent you from attending and voting at the AGM, or any adjournment of the AGM, in person, should you wish to do so. As all our resolutions at the AGM will be taken on a poll vote, so as to accurately record all votes made either at the meeting or via proxy, shareholders attending the meeting will be asked to vote their shares by poll. Full guidance will be given on the day. The results of the AGM will be notified to the London and Johannesburg Stock Exchanges and posted on our website as soon as possible after the AGM.

Recommendation

The Directors consider that the resolutions are in the best interests of the Company and are most likely to promote the success of the Company for the benefit of shareholders as a whole. Accordingly, the Directors unanimously recommend that you vote in favour of all the resolutions, as they intend to do so in respect of their own beneficial holdings, which, as at 12 March 2024 (being the last practicable date prior to publication of this document), amount in aggregate to 25,194,824 Ordinary Shares, representing approximately 1.89 per cent of the Ordinary Shares of the Company currently in issue.

On behalf of the Board, I thank you for your continued support.

Yours sincerely,

Steven Owen
Chairman

NOTICE OF ANNUAL GENERAL MEETING

PRIMARY HEALTH PROPERTIES PLC

(incorporated and registered in England and Wales with registered number 03033634)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Primary Health Properties PLC (the **"Company"**) will be held at the offices of CMS Cameron McKenna Nabarro Olswang LLP at Cannon Place, 78 Cannon Street, London EC4N 6AF, on 24 April 2024 at 10:30 a.m. (UK time)/12:30 p.m. (South Africa time) (the **"AGM"**). Shareholders will be asked to consider and, if thought fit, pass the resolutions as set out below (the **"Resolutions"**). Resolutions 16 to 19 (inclusive) will be proposed as special resolutions. All other Resolutions will be proposed as ordinary resolutions. Voting on the Resolutions will be by way of a poll.

Ordinary Resolutions

Resolution 1: Annual Report and Accounts

To receive the Company's Annual Report and Accounts of the Directors of the Company (**"Directors"**) and of the auditors to the Company for the financial year ended 31 December 2023.

Resolution 2: Directors' remuneration policy

To approve the Directors' remuneration policy, as set out on pages 100 to 107 of the Directors' remuneration report contained in the Company's Annual Report and Accounts for the financial year ended 31 December 2023.

Resolution 3: Directors' remuneration report

To approve the Directors' remuneration report (excluding the Directors' remuneration policy) as contained in the Company's Annual Report and Accounts for the financial year ended 31 December 2023.

Resolution 4: Dividend policy

To approve the Company's dividend policy, as set out in the explanatory notes that accompany this Notice of AGM.

Resolution 5: Re-appointment of the auditors

To re-appoint Deloitte LLP as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which accounts are laid before the Company.

Resolution 6: Auditors' remuneration

To authorise the Audit Committee of the Company, for and on behalf of the Directors, to determine the remuneration of the auditors.

Resolution 7: Re-election of Harry Hyman

To re-elect Harry Hyman as a Director of the Company.

Resolution 8: Re-election of Richard Howell

To re-elect Richard Howell as a Director of the Company.

Resolution 9: Re-election of Laure Duhot

To re-elect Laure Duhot as a Director of the Company.

Resolution 10: Re-election of Ian Krieger

To re-elect Ian Krieger as a Director of the Company.

Resolution 11: Re-election of Ivonne Cantú

To re-elect Ivonne Cantú as a Director of the Company.

Resolution 12: Election of Mark Davies

To elect Mark Davies as a Director of the Company.

Resolution 13: Election of Dr Bandhana (Bina) Rawal

To elect Dr Bandhana (Bina) Rawal as a Director of the Company.

Resolution 14: Political expenditure or donations

To authorise the Company and all companies that are its subsidiaries at any time during the period for which this Resolution 14 has effect for the purposes of Sections 366 and 367 of the Companies Act 2006 (**"2006 Act"**) to:

(A) make political donations to political parties or independent election candidates (as such terms are defined in the 2006 Act), not exceeding £40,000 in aggregate;

(B) make political donations to political organisations other than political parties (as such terms are defined in the 2006 Act), not exceeding £40,000 in aggregate; and

(C) incur political expenditure (as such term is defined in the 2006 Act), not exceeding £40,000 in aggregate,

during the period beginning with the date of the passing of this Resolution 14 and ending with the conclusion of the next annual general meeting of the Company (or, if earlier, on the date which is 15 months after the date of the AGM) provided that the maximum amounts referred to in (A), (B) and (C) may comprise one or more sums in different currencies which shall be converted at such rate as the board of Directors of the Company ("Board") may in its absolute discretion determine to be appropriate.

Notice of Annual General Meeting 2024 continued

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Ordinary Resolutions continued

Resolution 15: Authority to allot shares

That the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the 2006 Act, in substitution for all existing authorities:

(A) to exercise all the powers of the Company to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (together **"Relevant Securities"**) up to an aggregate nominal amount of £55,687,241; and

(B) to exercise all the powers of the Company to allot equity securities (as defined in Section 560(1) of the 2006 Act) up to an additional aggregate nominal amount of £55,687,241 provided that this authority may only be used in connection with a rights issue in favour of holders of ordinary shares of 12.5 pence each in the capital of the Company (**"Ordinary Shares"**) and other persons entitled to participate therein, where the equity securities respectively attributable to the interests of all those persons at such record dates as the Directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities, subject 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 or stock exchange by virtue of shares being represented by depositary receipts or any other matter whatsoever,

PROVIDED that such authorities shall expire (unless renewed, varied or revoked by the Company in a general meeting) at the conclusion of the next annual general meeting of the Company after the passing of this Resolution 15 or, if earlier, on the date which is 15 months after the date of the AGM, but in each case, prior to its expiry, the Company may make offers and enter into agreements which would, or might, require Relevant Securities or equity securities as the case may be to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot Relevant Securities or equity securities (and sell treasury shares) in pursuance of any such offer or agreement as if the authority in question had not expired.

Special Resolutions

Resolution 16: Disapplication of pre-emption rights

That, subject to the passing of Resolution 15, the Directors be and are hereby authorised, pursuant to Sections 570 and 573 of the 2006 Act, to allot equity securities (as defined in Section 560(1) of the 2006 Act) for cash under the authority given by Resolution 15 and/or to sell Ordinary Shares held by the Company as treasury shares for cash as if Section 561 of the 2006 Act did not apply to any such allotment or sale, provided that this power shall be limited to:

(A) the allotment of equity securities and/or sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities made (but in the case of the authority conferred by Resolution 15(B), by way of a rights issue only) to holders of Ordinary Shares at such record dates as the Directors may determine in proportion (as nearly as may be practicable) to their existing holdings and to holders of other equity securities as required by the rights of those securities or, if the Directors otherwise consider necessary, as permitted by the rights of those securities, and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter;

(B) the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (A) above) up to an aggregate nominal amount of £16,706,172; and

(C) the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (A) or paragraph (B) above) up to a nominal amount equal to 20 per cent of any allotment of equity securities or sale of treasury shares from time to time under paragraph (B) above, such authority to be used only for the purposes of making a follow-on offer which the Board determines to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

and shall expire at the conclusion of the next annual general meeting of the Company after the passing of this Resolution 16 or, if earlier, on the date which is 15 months after the date of the AGM but in each case, prior to its expiry, the Company may make offers and enter into agreements which would, or might, require Relevant Securities or equity securities as the case may be to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) in pursuance of any such offer or agreement as if the authority in question had not expired.

NOTICE OF ANNUAL GENERAL MEETING
CONTINUED

Special Resolutions continued

Resolution 17: Further disapplication

That subject to the passing of Resolution 15, the Directors be and are hereby authorised, in addition to any authority granted under Resolution 16, to allot equity securities (as defined in Section 560(1) of the 2006 Act) for cash under the authority given by Resolution 15 and/or to sell Ordinary Shares held by the Company as treasury shares for cash as if Section 561 of the 2006 Act did not apply to any such allotment or sale, provided that this power shall be limited to:

(A) the allotment of equity securities or sale of treasury shares up to an aggregate nominal amount of £16,706,172 and used only for the purposes of financing (or refinancing, if the authority is to be used within twelve months after the original transaction) a transaction which the Board determines to be either an acquisition or a specified capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice; and

(B) the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (A) above) up to a nominal amount equal to 20 per cent of any allotment of equity securities or sale of treasury shares from time to time under paragraph (A) above, such authority to be used only for the purposes of making a follow-on offer which the Board determines to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

and shall expire at the conclusion of the next annual general meeting of the Company after the passing of this Resolution 17 or, if earlier, on the date which is 15 months after the date of the AGM but in each case, prior to its expiry, the Company may make offers and enter into agreements which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) in pursuance of any such offer or agreement as if the authority in question had not expired.

Resolution 18: Notice of general meetings

That the Company is authorised to call any general meeting of the Company, other than an annual general meeting, on not less than 14 clear days' notice during the period beginning on the date of the passing of this Resolution 18 and ending on the conclusion of the next annual general meeting of the Company.

Resolution 19: Purchase of own shares

That the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 693(4) of the 2006 Act) of Ordinary Shares on such terms and in such manner as the Directors may from time to time determine, provided that:

(a) the maximum aggregate number of Ordinary Shares that may be purchased is 133,649,378 (representing approximately 10 per cent of the issued Ordinary Share capital of the Company as at the latest practicable date prior to publication of this document):

(b) the minimum price (excluding expenses payable by the Company) which may be paid for each Ordinary Share is 12.5 pence;

(c) the maximum price (excluding expenses payable by the Company) which may be paid for each Ordinary Share is the higher of: i) an amount equal to 105 per cent of the average of the middle market quotations for an Ordinary Share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately prior to the day the purchase is made; and ii) an amount equal to the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share as derived from the London Stock Exchange Trading System; and

(d) this authority shall expire at the conclusion of the Company's next annual general meeting after the passing of this Resolution 19 or, if earlier, on the date which is 15 months after the date of the AGM, save that the Company may, before the expiry of this authority, enter into a contract to purchase Ordinary Shares which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of Ordinary Shares in pursuance of any such contract.

By order of the Board

Toby Newman
Company Secretary
13 March 2024

Primary Health Properties PLC
Registered office: 5th Floor, Burdett House, 15-16 Buckingham Street, London WC2N 6DU

Registered in England & Wales No: 03033634

Important notes regarding your general right to appoint a proxy and voting can be found on pages 185 and 187.

Notice of Annual General Meeting 2024 continued

EXPLANATORY NOTES TO THE RESOLUTIONS

These notes are intended to explain the business to be transacted at the AGM to be held at 10:30 a.m. (UK time)/12:30 p.m. (South Africa time) on 24 April 2024 at the offices of CMS Cameron McKenna Nabarro Olswang LLP at Cannon Place, 78 Cannon Street, London EC4N 6AF (the **"AGM"**). Resolutions 16 to 19 (inclusive) are proposed as special resolutions. This means that for each of those Resolutions to be passed, at least three-quarters of the votes cast must be in favour of the Resolution. All other Resolutions are proposed as ordinary resolutions, so that for each of those Resolutions to be passed, more than half of the votes cast must be in favour of the Resolution.

Accounts (Resolution 1)

By company law the Directors must present to the AGM the Annual Report 2023 for adoption. The Board will welcome any questions and discussion on the Annual Report 2023 at the AGM.

Directors' remuneration policy (Resolution 2)

Resolution 2 seeks shareholders' approval for the Directors' remuneration policy, as set out in the Directors' remuneration report on pages 100 to 107. The Directors' remuneration policy sets out the Company's forward-looking policy on Directors' remuneration (including the approach on exit payments for Directors) and is subject to a binding shareholder vote by ordinary resolution, as required by law. The Company is required to put the Directors' remuneration policy to a binding vote of the shareholders: (i) at least once every three years; or (ii) on a more frequent basis if changes to it are proposed. As (i) the policy was last approved by shareholders at the general meeting on 4 January 2021 and (ii) minor changes are proposed, either of a housekeeping nature or intended to provide some additional minor flexibility or clarity for the next three years, it is proposed to seek approval for the policy, details of which are set out on pages 100 to 107 in the Annual Report 2023. Resolution 2 is proposed as an ordinary resolution. If the Directors' remuneration policy is approved, it will become effective from the close of the AGM, following which all payments by the Company to Directors and any former Directors will be made in accordance with it, unless a payment has been approved by a resolution of the shareholders at a general meeting. If the Company wishes to amend the Directors' remuneration policy, it will first need to obtain the approval of shareholders for that revised policy, before it can implement any payments pursuant to an amended Directors' remuneration policy. If the Directors' remuneration policy is not approved by shareholders, the Company will seek shareholder approval for a revised policy as soon as practicable thereafter.

Directors' remuneration report (Resolution 3)

Resolution 3 seeks shareholders' approval for the Directors' remuneration report as contained on pages 100 to 118 of the Annual Report 2023, which gives details of Directors' remuneration paid for the year ended 31 December 2023 in accordance with the remuneration policy approved by shareholders in 2021. The auditors have audited those parts of the Directors' remuneration report that are required to be audited.

This Resolution is proposed as an ordinary resolution. The vote is advisory in nature, which means that the Directors' entitlement to remuneration is not conditional on it.

Dividend policy (Resolution 4)

Resolution 4 is proposed to seek shareholders' approval of the Company's dividend policy. Despite the continuing uncertainty and volatility in the economic environment, we have continued to deliver a strong and robust operational and financial performance over the course of 2023. This has allowed the Company to continue to pay an increasing level of dividend to its shareholders over the last 27 years.

The Company's policy is to make all of its dividend payments (currently four per annum) as interim dividends. This enables the fourth dividend payment to be made approximately two months earlier than would be the case if that dividend were categorised as a 'final dividend' and therefore have to await shareholder approval at the Annual General Meeting. This arrangement is made in the interests of shareholders, enabling them to benefit from the earlier receipt of the fourth dividend. As we believe it is important for shareholders to have an opportunity to consider this policy annually, and in accordance with the principles of good corporate governance, a resolution to approve the Company's dividend policy is included as Resolution 4 in the accompanying Notice of AGM.

Re-appointment and remuneration of auditors (Resolutions 5 and 6)

Resolution 5 proposes to re-appoint Deloitte LLP as auditors of the Company to hold office from the conclusion of the AGM until the conclusion of the next general meeting of the Company at which accounts are laid.

Resolution 6 proposes to authorise the Audit Committee, for and on behalf of the Directors, to determine the remuneration of the auditors.

Election and re-election of Directors (Resolutions 7 to 13)

In accordance with the recommendations of the UK Corporate Governance Code, all the Directors have resolved that they will offer themselves for re-election by shareholders at the AGM.

Separate Resolutions are being proposed to elect or re-elect each of the Directors standing for election. Resolutions 7 to 13 are being proposed as ordinary resolutions.

Re-election of Harry Hyman (Resolution 7)

Outgoing Chief Executive Officer: Founder of the Company and Director since 1996, proposed for re-election as a Non-executive Director, as further explained in the Annual Report 2023 at page 69.

Biography

Details of Harry's background and experience are set out on page 72 of the Annual Report 2023.

Other external relationships

Harry is the Non-Executive Chairman of Biopharma Credit PLC, an externally managed investment trust.

EXPLANATORY NOTES TO THE RESOLUTIONS CONTINUED

Re-election of Harry Hyman (Resolution 7) continued

Contribution and reasons for re-election

Harry has extensive experience in investing in the primary healthcare sector, and the value of his contribution to the Company is demonstrated by his having developed the Company's business from inception 25 years ago to its current position in the FTSE 250, with an investment portfolio of over £2.5 billion. Harry brings to the Board a unique combination of experience in the primary healthcare sector, a background in finance and entrepreneurial flair having established a number of successful private companies. The Board believes that Harry Hyman's appointment as Non-executive Chair is in the best interests of the Group and all of its stakeholders, particularly as Harry's knowledge and expertise gained over nearly 30 years in the primary care property sector will continue to be invaluable and highly relevant to the Group's future success. The Board has determined that the term will be a maximum of three years, subject to: (a) annual review by the Company's experienced and robust group of independent Non-executive Directors; and (b) with the Board's recommendation following such review, re-appointment by shareholders at the Company's Annual General Meeting each year for that period.

Independent No

Re-election of Richard Howell (Resolution 8)

Chief Financial Officer: Appointed as a Director from 1 April 2017.

Biography

Details of Richard's background and experience are set out on page 72 of the Annual Report 2023.

Other external relationships

Non-Executive Director of Life Science REIT plc.

Contribution and reasons for re-election

Richard has been Chief Financial Officer during a time of significant change for the Company's corporate group and has played a key role in effectively managing the Company's corporate group's capital raising activities from both financial institutions and the public markets. Richard's extensive finance experience and deep understanding of the markets in which the Company operates, having previously held senior accounting positions within listed property companies operating across the UK, mean he continues to contribute greatly to the long-term success of the Company's corporate group.

Independent No

Re-election of Laure Duhot (Resolution 9)

Non-executive Director: Appointed as a Director on 14 March 2019.

Biography

Details of Laure's background and experience are set out on page 73 of the Annual Report 2023.

Other external relationships

Non-executive Director at Safestore Holdings plc and NB Global Monthly Income Fund Limited.

Contribution and reasons for re-election

Laure brings over 30 years of property and finance experience to the Board, including insights from her international property investment experience. Laure has specialised in investment in alternative real estate assets and was a Non-Executive Director at MedicX Limited. Laure makes an effective and valuable contribution to the Board, including as Chair of the ESG Committee. Laure has demonstrated commitment, including devoting an appropriate amount of time, to the role.

Independent Yes

Re-election of Ian Krieger (Resolution 10)

Senior Independent Non-executive Director: Appointed as a Director on 15 February 2017.

Biography

Details of Ian's background and experience are set out on page 73 of the Annual Report 2023.

Other external relationships

Senior Independent Non-executive Director and Chairman of the Audit Committee at Safestore Holdings plc.

Non-Executive Director and Chairman of the Audit Committee at Capital & Regional plc.

Contribution and reasons for re-election

Ian brings to the Board a wealth of specialised financial and accounting skills and expertise from his experience in the audit profession and in chairing the Audit Committees of two other listed companies in the property sector. His extensive financial expertise, coupled with his insight and governance experience on other listed companies, makes him ideally placed to serve as Chairman of the Audit Committee. Ian makes an effective and valuable contribution to the Board, including through his role of Chairman of the Audit Committee, and demonstrates a high degree of commitment, including devoting an appropriate amount of time, to the role.

Independent Yes

Re-election of Ivonne Cantú (Resolution 11)

Independent Non-executive Director: Appointed as a Director on 1 January 2022.

Biography

Details of Ivonne's background and experience are set out on page 73 of the Annual Report 2023.

Other external relationships

Creo Medical Group plc.

Contribution and reasons for election

Ivonne has significant public company and corporate finance experience, having spent over 20 years advising listed businesses. She is currently the Director of Investor Relations, Communications and Sustainability as well as a Member of the Executive Management Team and the Sustainability Committee of Benchmark Holdings Limited, a biotechnology aquaculture company. She is also a Non-executive Director and Chair of the Remuneration Committee at Creo Medical Group plc.

Independent Yes

Notice of Annual General Meeting 2024 continued

EXPLANATORY NOTES TO THE RESOLUTIONS CONTINUED

Election of Mark Davies (Resolution 12)

Chief Executive Officer with effect from the conclusion of the Company's 2024 Annual General Meeting.

Biography

Details of Mark's background and experience are set out on page 73 of the Annual Report 2023.

Other external relationships

Non-Executive Director of Palace Capital plc.

Contribution and reasons for re-election.

Mark Davies is a highly experienced FTSE 250 Executive, having held CEO and CFO roles in listed companies and private equity. He was a Co-founder Director of NewRiver REIT plc (**"NewRiver"**) in 2009 and played an important role in taking the company from IPO to the FTSE 250 in seven years. He was CFO of NewRiver for over twelve years and, alongside his role as CFO, was also CEO/Executive Chairman of Hawthorn Leisure Limited ("Hawthorn") for five years. Mark stood down from the Board of NewRiver following the successful sale of Hawthorn in July 2021 to private equity at a premium price.

Mark has considerable capital markets experience and over the last 14 years has raised over £3 billion of equity and debt in public and private markets.

Independent No

Election of Dr Bandhana (Bina) Rawal (Resolution 13)

Independent Non-executive Director: Appointed as a Director on 27 February 2024.

Biography

Details of Dr Bandhana (Bina) Rawal's background and experience are set out on page 73 of the Annual Report 2023.

Other external relationships

Senior Independent Director at Worldwide Healthcare Trust plc.

Contribution and reasons for election

Bina brings a wealth of experience spanning patient care, digital and population health, ESG, strategy, partnerships and EDI, alongside extensive networks in UK healthcare through her senior level executive and non-executive roles to date in large, complex organisations within the public, private and not-for-profit sectors.

Independent Yes

Political donations and expenditure (Resolution 14)

Under the 2006 Act, political donations made by a company and its subsidiaries to political parties, to other political organisations or to an independent election candidate, or political expenditure incurred by a company of more than £5,000 in any 12-month period, is prohibited unless they have been authorised in advance to make donations by the company's shareholders.

It is the policy of the Company not to make donations to political parties, other political organisations or independent election candidates and the Directors have no intention of changing that policy.

However, as a result of the wide definition of political organisations under the 2006 Act, normal expenditure (such as expenditure on organisations concerned with matters of public policy, law reform and representation of the business community) and business activities (such as communicating with the Government and political parties at local, national and European level) might be construed as political expenditure or as a donation to a political party or other political organisation and therefore fall within the restrictions of the 2006 Act.

Consequently, the Directors have concluded that, in common with many other listed companies, it would be prudent to seek authority from shareholders to allow them to make political donations and incur political expenditure (up to £40,000 in the specified period) to ensure that the Group does not inadvertently breach the Companies Act 2006. Any political donation made or political expenditure incurred which is in excess of £200 will be disclosed in the Company's Annual Report and Accounts for next year, as required by the 2006 Act. Resolution 14 will not be used to make political donations within the normal meaning of that expression.

Directors' authority to allot securities (Resolution 15)

Further to the Articles of Association of the Company (the "Articles") and the provisions of the 2006 Act, the Directors may only allot Ordinary Shares or grant rights over Ordinary Shares if authorised to do so by the shareholders.

Accordingly, the authority in Resolution 15, paragraph (A) will allow the Directors to allot shares or grant rights to subscribe for, or convert any security into, shares in the Company, up to a maximum nominal amount of £55,687,241, representing approximately one-third of the Company's issued Ordinary Share capital calculated as at 12 March 2024 (being the latest practicable date prior to publication of this document). The authority in Resolution 15, paragraph (B) will allow the Directors, only in connection with a pre-emptive rights issue, to allot shares or grant rights to subscribe for, or convert any securities into, shares in the Company, up to a maximum nominal amount of £55,687,241 in addition to the nominal amount of any shares allotted or rights granted to subscribe for, or to convert any security into, shares under paragraph (A), together representing approximately two-thirds of the Company's issued Ordinary Share capital calculated as at 12 March 2024 (being the latest practicable date prior to publication of this document). This is in line with corporate governance guidelines.

This authority will last until the conclusion of the next annual general meeting of the Company or, if earlier, on the date which is 15 months after the date of the AGM. The Directors intend to renew this authority annually at each annual general meeting of the Company. The Directors have no present intention of exercising this authority other than pursuant to legally binding obligations to do so, or, if applicable, on conversion of the 2.875 per cent Guaranteed Convertible Bonds due 2025 (the **"Convertible Bonds"**) issued by the Company's subsidiary PHP Finance (Jersey No. 2) Limited. However, it is considered prudent to maintain the flexibility that this authority provides.

As at 12 March 2024 (being the latest practicable date prior to the publication of this document), the Company held no Ordinary Shares in treasury and there were £150,000,000 Convertible Bonds outstanding, which at the current exercise price would require the issue of 113,877,923 Ordinary Shares if all the outstanding Convertible Bonds exercised the right to convert.

EXPLANATORY NOTES TO THE RESOLUTIONS CONTINUED

Directors' authority to dis-apply pre-emption rights (Resolutions 16 and 17)

Under the 2006 Act, when new shares are proposed to be issued for cash, other than in connection with a company share option plan, they must first be offered to existing shareholders pro-rata to their percentage holdings at such time, unless shareholders have waived this right either generally or in respect of a particular issue. The Directors consider it desirable to have the maximum flexibility permitted by corporate governance guidelines to respond to market developments and to enable allotments to take place to finance business opportunities without making a pre-emptive offer to existing shareholders. The purpose of Resolution 16, therefore, is to enable shareholders to waive their pre-emption rights and allow the Directors to allot shares for cash without such shares being first offered to existing shareholders.

The Statement of Principles, as revised by the Pre-emption Group in November 2022, allows non-pre-emptive issues capped at ten per cent for an unrestricted purpose, and at ten per cent for use only in connection with an acquisition or specified capital investment. In addition, the Statement of Principles allows companies to seek a further disapplication of up to two per cent in each case for the purposes of a "follow-on offer", as defined in paragraph 3 of Section 2B of the Statement of Principles. In summary, this constitutes an offer announced at the same time as, or as soon as reasonably practicable after, the non-pre-emptive placing, of shares not exceeding 20 per cent of those issued in the non-pre-emptive placing, made only to existing shareholders as at a record date prior to announcement of the non-pre-emptive placing (excluding any shareholder allocated shares in that placing), entitling them to subscribe for shares up to a monetary cap of £30,000 per ultimate beneficial owner, at a price which is equal to, or less than, the offer price in the non-pre-emptive placing. This is designed to facilitate participation by retail investors in secondary issuances.

Accordingly, Resolution 16 will, if passed by special resolution, give the Directors authority to allot shares pursuant to the authority granted in Resolution 15 for cash on a non-pre-emptive basis. This authority will permit the Directors to allot shares for cash: (A) in connection with a rights issue or any other pre-emptive offer concerning equity securities; or (B) otherwise than in connection with a rights issue or any other pre-emptive offer for shares in the Company up to a maximum nominal value of £16,706,172, representing approximately 10 per cent of the Company's issued Ordinary Share capital as at 12 March 2024 (being the latest practicable date prior to the publication of this document).

Resolution 16(C) will, if passed by special resolution, also give the Directors authority to allot shares (or sell treasury shares) pursuant to the authority granted in Resolution 15 for cash on a non-pre-emptive basis. This disapplication will permit the Directors to allot shares, or sell treasury shares, for cash otherwise than in connection with a rights issue or any other pre-emptive offer for shares in the Company up to a maximum nominal value representing approximately 20 per cent of any allotment of equity securities (or sale of treasury shares) made from time to time pursuant to the authority granted in Resolution 16(B) to be used only for a follow-on offer which the Board determines to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group.

For the purposes of Resolution 16, the nominal amount of any securities shall be taken to be, in the case of rights to subscribe for or convert any securities into shares of the Company, the nominal amount of such shares which may be allotted pursuant to such rights.

Resolution 17 additionally authorises the Directors to allot new shares (or sell treasury shares) for cash, without the shares being offered first to existing shareholders, in connection with the financing (or refinancing, if the authority is to be used within twelve months after the original transaction) of an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding twelve-month period and is disclosed in the announcement of the allotment. The authority under Resolution 17 is limited to a nominal value of £16,706,172, representing approximately ten per cent of the Company's issued Ordinary Share capital as at 12 March 2024 (being the latest practicable date prior to the publication of this document).

Resolution 17(B) also will, if passed by special resolution, give the Directors authority to allot shares (or sell treasury shares) pursuant to the authority granted in Resolution 15 for cash on a non-pre-emptive basis, provided that such allotment or sale is up to a maximum nominal value representing approximately 20 per cent of any allotment of equity securities (or sale of treasury shares) made from time to time pursuant to the authority granted in Resolution 17(A) to be used only for a follow-on offer which the Board determines to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group.

The Board intends to adhere to the provisions in the Pre-Emption Group's Statement of Principles, as updated in November 2022, and will seek to limit the discount applied to any non-pre-emptive issue to five per cent, including expenses. Notwithstanding the above, the Directors consider it desirable and believe it appropriate to have the maximum flexibility permitted by corporate governance guidelines to enable non-pre-emptive allotments to take place to finance business opportunities.

The provisions of Resolutions 16 and 17 comply with the Share Capital Management Guidelines issued by the Investment Association in July 2016 and the disapplication of pre-emption rights Resolutions follow the resolution templates issued by the Pre-Emption Group in November 2022.

If Resolutions 16 and 17 are passed, the authorities will expire at the conclusion of the next annual general meeting of the Company or, if earlier, on the date which is 15 months after the date of the AGM. The Directors intend to renew this authority annually at each AGM of the Company. The Directors have no immediate plans to make use of this authority, other than in connection with the issue of Ordinary Shares, if applicable, on conversion of the Convertible Bonds.

Notice of Annual General Meeting 2024 continued

EXPLANATORY NOTES TO THE RESOLUTIONS CONTINUED

Directors' authority to dis-apply pre-emption rights (Resolutions 16 and 17) continued

As at 12 March 2024 (being the latest practicable date prior to the publication of this document), the Company did not hold any treasury shares. If the Company were to create treasury shares, for example through the market purchase of its own shares, the subsequent sale of any treasury shares would be counted as equivalent to the issue of new shares for the purpose of the limitations on the issue of new shares included in Resolution 19.

Notice of general meetings, other than annual general meetings (Resolution 18)

Under the 2006 Act, the minimum notice period for publicly listed company general meetings is 21 clear days, but with an ability for companies to reduce this period to 14 clear days (other than for annual general meetings) provided that certain conditions are met.

The minimum notice period for general meetings of listed companies is 21 days. Companies may reduce this period to 14 days (other than for annual general meetings) provided that two conditions are met: (i) the company offers a facility for shareholders to vote by electronic means (which is met if the company offers a facility, accessible to all shareholders, to appoint a proxy by means of a website); and (ii) there is an annual resolution of shareholders approving the reduction of the minimum notice period from 21 days to 14 days.

The Board is therefore proposing, in common with many other listed companies, Resolution 18 as a special resolution to approve 14 days as the minimum period of notice for all general meetings other than annual general meetings. The approval will be effective until the Company's next annual general meeting, when it is intended that the approval be renewed. The Board will consider on a case-by-case basis whether the use of the flexibility offered by the shorter notice period is merited. The shorter notice period will be used in accordance with all relevant corporate governance guidelines applicable at the time. In particular, it will only be used where flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole.

Purchase of own shares (Resolution 19)

Resolution 19 seeks authority for the Company to make market purchases of its own Ordinary Shares as permitted by the 2006 Act and is proposed as a special resolution. If passed, the Resolution gives authority for the Company to purchase up to 133,288,819 of its Ordinary Shares, representing approximately 10 per cent of the Company's issued Ordinary Share capital as at 12 March 2024 (being the latest practicable date prior to the publication of this document).

This authority is commonly sought by listed companies and the Board considers it prudent to obtain the flexibility this Resolution provides. In considering whether to use this authority, the Board will take into account factors including the financial resources of the Company, the Company's share price and future funding opportunities. It will be exercised only if the Board believes that to do so would result in an increase in earnings per share and would be in the best interests of shareholders generally and that the purchase can be expected to result in an increase in earnings per Ordinary Share.

The Directors have no present intention of exercising the authority granted by Resolution 19.

The Resolution specifies the minimum and maximum prices which may be paid for any Ordinary Shares purchased under this authority. The authority will expire at the conclusion of the next annual general meeting of the Company or, if earlier, on the date which is 15 months after the date of the AGM.

The Company may either cancel any Ordinary Shares it purchases under this authority or transfer them into treasury (and subsequently sell or transfer them out of treasury or cancel them). No dividends are paid on shares in treasury and no voting rights attach to treasury shares. If the Ordinary Shares that the Company buys back under this authority are held in treasury, this would give the Company the ability to re-issue treasury shares quickly and cost-effectively, providing the Company with additional flexibility in the management of its capital.

As at 12 March 2024 (being the latest practicable date prior to the publication of this document), save for the £150,000,000 Convertible Bonds outstanding, there are no warrants or options to subscribe for Ordinary Shares that are outstanding.

GUIDANCE NOTES FOR THE AGM AND ON APPOINTMENT OF PROXIES

1. General:

A copy of this Notice of AGM and other information regarding the AGM, required by Section 311A of the 2006 Act (including a copy of the Annual Report 2023 posted to shareholders with this notice), are available from the Company's website at www.phpgroup.co.uk. Shareholders who have not elected to receive these documents in printed form may obtain copies by writing to the Company Secretary at the Company's registered office. Shareholders who wish to receive the printed Annual Report and Accounts for future years should visit the website of the Company's registrar, Equiniti Limited, at www.shareview.co.uk

2. Entitlement to vote:

Under the Articles, the holders of Ordinary Shares are entitled to attend the AGM and to speak and vote at the AGM. Duly appointed proxies are entitled also to attend, speak and vote at the AGM.

Only those holders of Ordinary Shares registered in the register of members of the Company as at 6:30 p.m. (UK time)/8:30 p.m. (South Africa time) on Monday 22 April 2024 (or, if the AGM is adjourned, 6:30 p.m. (UK time)/8:30 p.m. (South Africa time) on the day that is 48 hours before any adjourned meeting) (excluding any part of any day that is not a working day) shall be entitled to attend (either in person, remotely or by proxy) and vote (in person) at the AGM, or any adjourned meeting, in respect of the number of shares registered in their names at that time. Any changes to the register of members after the relevant deadline shall be disregarded in determining the right of any person to attend and vote at the AGM or an adjourned meeting.

3. Entitlement to appoint proxies:

Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the AGM. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. If a proxy is submitted without indicating how the proxy should vote on any Resolution, the proxy will exercise his or her discretion as to whether and, if so, how to vote. To appoint more than one proxy you may photocopy the Form of Proxy. A proxy need not be a shareholder of the Company.

The Form of Proxy which may be used to make such appointment and give proxy instructions accompanies this Notice of AGM. If you do not have a Form of Proxy and believe that you should have one, or if you require additional forms, please contact Equiniti Limited on +44(0) 371 384 2030.

The return of a completed Form of Proxy, or other such instrument or any CREST Proxy Instruction (as described in Note 5 below), will not prevent a shareholder attending the AGM and voting.

In the case of joint shareholders, the signature of only one of the joint holders is required on the Form of Proxy but the vote of the first named on the register of members will be accepted to the exclusion of the other joint holders.

4. Validity of proxies:

To be valid a Form of Proxy or other instrument appointing a proxy must be received by one of the following methods:

a. by posting the reply-paid proxy or otherwise by post (in which case postage will be payable) to Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA;

b. in the case of CREST members, by utilising the CREST electronic proxy appointment services in accordance with the procedures set out in paragraph 5 below; or

c. as an alternative to completing and returning the printed Form of Proxy, you may submit your proxy electronically by accessing the Sharevote website provided by Equiniti Limited. Shareholders may submit an electronic proxy online, using the reference numbers printed on the Form of Proxy, at www.sharevote.co.uk, where details of the voting procedures are shown.

IMPORTANT: in any case, the Form of Proxy must be received by or lodged with the Company by 10:30 a.m. (UK time)/12:30 p.m. (South Africa time) on Monday 22 April 2024 (or, if the AGM is adjourned, not later than 48 hours before the time fixed for the adjourned meeting) (excluding any part of any day that is not a working day).

5. Electronic proxy appointment:

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available via www.euroclear.com). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & International Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number RA19) not later than 10:30 a.m. (UK time)/12:30 p.m. (South Africa time) on Monday 22 April 2024 (or, if the AGM is adjourned, not later than 48 hours before the time fixed for the adjourned meeting) (excluding any part of any day that is not a working day). For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

Notice of Annual General Meeting 2024 continued

GUIDANCE NOTES FOR THE AGM AND ON APPOINTMENT OF PROXIES CONTINUED

5. Electronic proxy appointment: continued

CREST members and, where applicable, their CREST sponsors, or voting service provider(s) should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the CREST Regulations.

If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by Equiniti Limited. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by not later than 10:30 a.m. (UK time)/12:30 p.m. (South Africa time) on Monday 22 April 2024 (or, if the AGM is adjourned, not later than 48 hours before the time fixed for the adjourned meeting) in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

6. Corporate representatives:

Any corporation which is a member may by resolution of its directors or other governing body authorise one or more person(s) to act as its representative who may exercise, on its behalf, all its powers as a member, provided that they do not do so in relation to the same shares. A certified copy of any such resolution must be deposited at the registered office of the Company not less than 48 hours before the time appointed for the AGM to be valid (excluding any part of any day that is not a working day).

7. Nominated persons:

Any person to whom this document is sent who is a person nominated under Section 146 of the 2006 Act to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

The statement of the rights of shareholders in relation to the appointment of proxies at Notes 2, 3, 4, and 5 above does not apply to Nominated Persons. The rights described in those paragraphs can only be exercised by shareholders of the Company. If you have been nominated to receive general shareholder communications directly from the Company, it is important to remember that your main contact in terms of your investment remains the registered shareholder or custodian or broker who administers the investment on your behalf. Therefore, any changes or queries relating to your personal details and holding (including any administration) must continue to be directed to your existing contact at your investment manager or custodian. The Company cannot guarantee to deal with matters that are directed to them in error. The only exception to this is where the Company, in exercising one of its powers under the 2006 Act, writes to you directly for a response.

8. Electronic communication:

Please note that the Company takes all reasonable precautions to ensure no viruses are present in any electronic communication it sends out but the Company cannot accept responsibility for loss or damage arising from the opening or use of any email or attachments from the Company and recommends that the shareholders subject all messages to virus checking procedures prior to use. Any electronic communication received by the Company, including the lodgement of an electronic Form of Proxy, that is found to contain any virus, will not be accepted.

GUIDANCE NOTES FOR THE AGM AND ON APPOINTMENT OF PROXIES CONTINUED

9. Voting and voting rights:

As at 5:00 p.m. on 12 March 2024 (being the latest business day prior to the publication of this document), the Company's issued share capital consists of 1,336,493,786 Ordinary Shares, carrying one vote each. Therefore, the total number of voting rights in the Company as at 5:00 p.m. on 12 March 2024 is 1,336,493,786. The website referred to in Note 1 will include information on the number of Ordinary Shares and voting rights.

Voting on the Resolutions will be conducted by way of a poll rather than on a show of hands, as this is considered by the Board to reflect the views of shareholders more accurately. As soon as practicable following the AGM, the results of voting at the AGM and the numbers of proxy votes cast for and against and the number of votes actively withheld in respect of each Resolution will be announced via a Regulatory Information Service and also placed on the Company's website referred to in Note 1 above.

10. Right to ask questions:

Any shareholder attending the AGM has the right to ask questions. The secure telephone line will enable shareholders who attend the AGM remotely to ask questions during the meeting. Further details on how to ask a question via the phone line will be made available to shareholders who contact the Company Secretary at cosec@phpgroup.co.uk to request individual secure dial in details.

The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if:

- to do so would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information; or
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

11. Audit concerns:

Under Section 527 of the 2006 Act a shareholder or shareholders meeting the threshold requirements set out in that Section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or (ii) any circumstance connected with auditors of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the 2006 Act. The Company cannot require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under Section 527 of the 2006 Act, it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the 2006 Act to publish on a website.

The request may be in hard copy form or in electronic form (stating your name and address and in the case of an electronic communication stating Annual General Meeting in the subject line of the e-mail); either setting out the statement in full or, if supporting a statement sent by another shareholder, clearly identifying the statement which is being supported; must be authenticated by the person or persons making it; and be received by the Company at least one week before the AGM.

12. Communication with the Company:

You may not use any electronic address provided either in this Notice of AGM or any related documents (including the Form of Proxy accompanying this document) to communicate with the Company for any purposes other than those expressly stated. All communication with the Company in relation to the AGM should be by writing to Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA or to the Company Secretary at the registered office of the Company set out at the foot of the Notice of AGM.

13. Inspection of documents:

The following documents, which are available for inspection at an agreed time during normal business hours at the registered office of the Company on any weekday (Saturdays, Sundays and public holidays excluded), will also be available for inspection at the place of the AGM from 9:30 a.m. on the day of the AGM until the end of the meeting:

i. copies of the service contracts of the Executive Directors under which they are employed by the Company and the letters of appointment (and other related documents) of the Non-Executive Directors; and

ii. the Articles of Association of the Company.

Shareholder information

Corporate calendar 2024

Annual General Meeting	24 April 2024
Announcement of half year results	24 July 2024

Dividends

The Company intends to make quarterly dividend payments to shareholders in February, May, August and November. The first quarterly dividend in 2024 (for which the record date was 3 January 2024) was paid on 22 February 2024.

Further distributions are expected to be paid in May, August and November 2024.

Distributions from the Company may comprise PIDs (see below), ordinary cash dividends or a combination of the two. PIDs have been paid by the Group since 1 January 2007.

Payment of dividends

If you would like your dividend/interest paid directly into your bank or building society account, you should write to the registrar including details of your nominated account. Although this will enable your dividend/interest to be paid directly into your account, your tax voucher will be sent to your registered address.

Dividend Re-Investment Plan ("DRIP")

The Company offers a DRIP, provided by Equiniti Financial Services Limited, enabling shareholders to use their cash dividend to buy further Ordinary Shares. For information on how to apply for the DRIP, as well as its terms and conditions, please visit www.shareview.co.uk.

Scrip dividend scheme

The optional scrip dividend scheme previously offered to shareholders has been suspended.

Investment account

The Company has made arrangements for Equiniti Financial Services Limited to provide an investment account to allow lump sum and regular savings to facilitate the purchase of the Company's Ordinary Shares. Details and the forms required for this service can be accessed from the Company's website or alternatively at: www.shareview.co.uk/dealing.

For details of the service please contact Equiniti on +44 (0) 371 384 2030.

Equiniti Financial Services Limited is authorised and regulated by the Financial Conduct Authority. 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.

Taxation status

The REIT Regulations require an REIT to distribute at least 90% of its exempt rental income (as calculated for tax purposes) as a PID.

PIDs are paid out under deduction of withholding tax at the basic rate, currently 20%. Certain classes of shareholders, including UK companies, charities, local authorities and UK pension schemes, may receive PIDs without deduction of withholding tax, if a valid claim is lodged with the Company by a qualifying shareholder. Shareholders who wish to apply for a tax exemption form should contact the registrar.

The above is a general guide only and shareholders who have any doubt about their tax position should consult their own appropriate independent professional adviser.

Registrar

The Company's registrar is Equiniti. In the event of any queries regarding your holding of shares, please contact the registrar free of charge on +44 (0) 371 384 2030 (lines are open 8.30 a.m. to 5.30 p.m. Monday to Friday), or in writing to: Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

Changes of name or address must be notified to the registrar in writing.

Equiniti Shareview dealing services

A quick and easy share dealing service is available to either sell or buy PHP shares. To deal online or by telephone all you need is your shareholder reference number, full postcode and date of birth. Your shareholder reference number can be found on your latest dividend statement. For further information on this service, or to buy and sell shares, please contact Equiniti customer services on +44 (0) 371 384 2030 (8.30 a.m. to 5.30 p.m. Monday to Friday) or access www.shareview.co.uk/dealing.

Forward-looking statements

This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward looking in nature and are subject to risks and uncertainties. Actual future results may differ materially from those expressed in or implied by these statements. Many of these risks and uncertainties relate to factors that are beyond PHP's ability to control or estimate precisely, such as future market conditions, the behaviour of other market participants, the actions of governmental regulators and other risk factors such as the Company's ability to continue to obtain financing to meet its liquidity needs, and changes in the political, social and regulatory framework in which the Company operates or in economic or technological trends or conditions, including inflation and consumer confidence, on a global, regional or national basis. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. PHP does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document.

Information contained in this document relating to the Company should not be relied upon as a guide to future performance.

Advisers and bankers

Stockbrokers

Numis Securities Limited
45 Gresham Street
London EC2V 7BF

Peel Hunt LLP
7th Floor
100 Liverpool Street
London EC2M 2AT

JP Morgan Cazenove
25 Bank Street
London EC3M 7AU

Solicitors

CMS Cameron McKenna Nabarro Olswang LLP
Cannon Place
78 Cannon Street
London EC4N 6AF

Shepherd and Wedderburn LLP
1 Exchange Crescent
Conference Square
Edinburgh, Lothian EH3 8UL

Gowling WLG (UK) LLP
4 More London Riverside
London SE1 2AU

TLT LLP
20 Gresham Street
London EC2V 7JE

McCann FitzGerald
Riverside One
Sir John Rogerson's Quay
Dublin 2

Pinsent Masons
30 Crown Place
Earl Street
London EC24 4ES

Eversheds Sutherland
One Earlsfort Centre
Earlsfort Terrace
Saint Kevin's
Dublin 2

Auditor

Deloitte LLP
1 New Street Square
London EC4A 3HQ

Bankers

Allied Irish Bank PLC
St Helens
1 Undershaft
London EC3A 8AB

Aviva Public Private Finance Limited
St Helens
1 Undershaft
London EC3P 3DQ

Barclays Bank PLC
1 Churchill Place
London E14 5HP

HSBC Bank PLC
8 Canada Square
London E14 5HQ

Lloyds Bank PLC
25 Gresham Street
London EC2V 7HN

Santander UK PLC
2 Triton Square
Regent's Place
London NW1 3AN

The Royal Bank of Scotland PLC
250 Bishopsgate
London EC2M 4AA

Building and environmental consultant

Simpson Hilder Associates Limited
67a High Street, Lyndhurst
Hampshire SO43 7BE

Property valuers

Avison Young (UK) Limited
65 Gresham Street
London EC2V 7NQ

Jones Lang LaSalle Limited
30 Warwick Street
London W1B 5NH

CBRE
Connaught House
Number One Burlington Road
Dublin 4

Financial risk management consultant

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Glossary of terms

Adjusted earnings is EPRA earnings excluding the contract termination fee and amortisation of MtM adjustments for fixed rate debt acquired on the merger with MedicX.

Adjusted earnings per share is adjusted earnings divided by the weighted average number of shares in issue during the year.

Adjusted net tangible assets ("adjusted NTA") (which has replaced the former adjusted EPRA net asset value alternative performance measure) is EPRA net tangible asset value excluding the MtM adjustment of the fixed rate debt, net of amortisation, acquired on the merger with MedicX. The objective of the adjusted NTA measure is to highlight the value of net assets on a long term basis and excludes assets and liabilities that are not expected to crystallise in normal circumstances and continues to be used as a measure to determine the PIF payment.

Adjusted NTA per share is adjusted NTA divided by the number of shares in issue at the balance sheet date.

Annualised rental income on a like-for-like basis is the contracted rent on a per annum basis assuming a consistent number of properties between each year.

Average cost of debt is the total interest cost of drawn debt and swaps, divided by the amount of drawn debt.

Axis is Axis Technical Services 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 ("PHP").

CSRD is Corporate Sustainability Reporting Directive.

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 dividend payable (on an annual basis) is covered by adjusted 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 year.

EBITDA is operating profit excluding amortisation of intangibles, Axis acquisition costs and investment property revaluations.

EPC is an Energy Performance Certificate.

European Public Real Estate Association ("EPRA") is a real estate industry body, which has issued Best Practice 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, gains/losses on disposals, changes in the fair value of financial instruments and associated close-out costs and their related taxation and amortisation of non-monetary items such as intangible assets.

EPRA earnings per share is EPRA earnings divided by the weighted average number of shares in issue during the year.

EPRA net assets ("EPRA NAV") is the balance sheet net assets excluding own shares held, the MtM value of derivative financial instruments and the convertible bond fair value movement and intangible assets.

EPRA NAV per share is the balance sheet net assets excluding own shares held, the MtM value of derivative financial instruments and the convertible bond fair value movement and intangible assets, divided by the number of shares in issue at the balance sheet date.

EPRA NNNAV is adjusted EPRA NAV including the MtM value of fixed rate debt and derivatives.

EPRA net reinstatement value ("EPRA NRV") is the balance sheet net assets including real estate transfer taxes but excluding the MtM value of derivative financial instruments, deferred tax and the convertible bond fair value movement. The aim of the metric is to reflect the value that would be required to recreate the Company through the investment markets based on its current capital and financing structure. Refer to Note 8.

EPRA NRV per share is the EPRA net reinstatement value divided by the number of shares in issue at the balance sheet date. Refer to Note 8.

EPRA net disposal value ("EPRA NDV") (replacing EPRA NNNAV) is adjusted EPRA NRV including deferred tax and the MtM value of fixed rate debt and derivatives. The aim of the metric is to reflect the value that would be realised under a disposal scenario. Refer to Note 8.

EPRA net tangible assets ("NTA") (which has replaced the former EPRA net asset value alternative performance measure) is the balance sheet net assets but excluding the MtM value of derivative financial instruments, deferred tax and the convertible bond fair value movement. The aim of the metric is to reflect the fair value of the assets and liabilities of the Group that it intends to hold and does not intend in the long run to sell. Refer to Note 8.

EPRA NTA per share is the EPRA net tangible assets divided by the number of shares in issue at the balance sheet date. Refer to Note 8.

EPRA vacancy rate is, as a percentage, the ERV of vacant space in the Group's property portfolio divided by 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 valuers' 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.

Gross rental income is the gross accounting rent receivable.

Group is Primary Health Properties PLC ("PHP") and its subsidiaries.

Headline earnings is the profit after taxation excluding investment and development property revaluations, gains/losses on disposals and their related taxation.

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.

IASs are International Accounting Standards as adopted by the United Kingdom.

IFRSs are International Financial Reporting Standards as adopted by the United Kingdom.

IFRS or **basic net asset value per share ("IFRS NAV")** is the balance sheet net assets, excluding own shares held, divided by the number of shares in issue at the balance sheet date.

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.

JSE is Johannesburg Stock Exchange, the largest stock exchange in Africa.

Like for like compares prior year to current year excluding acquisitions, disposals and developments.

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 properties.

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

MedicX is MXF Fund Limited and its subsidiaries.

MSCI (IPD) provides performance analysis for most types of real estate and produces an independent benchmark of property returns.

MSCI (IPD) Healthcare is the UK Annual Healthcare Property Index.

MSCI (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 MSCI (IPD).

Net asset value ("NAV") is the value of the Group's assets minus the value of its liabilities.

Net debt is total drawn debt, less cash and cash equivalents

Net initial yield ("NIY") 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 purchasers' costs).

Net related income is the related income after the payment of direct property costs, which include service charge payments.

Net rental and related income is the sum of net rental income and net related income.

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.

Net zero carbon refers to the point at which a process, activity or system, etc. produces net zero carbon emissions, through emissions reduction, use of low or zero carbon energy and removal or offsetting of residual emissions. In the context of buildings and activities associated with the construction, refurbishment, maintenance and operation of buildings, PHP refers to the UK Green Building Council's "Net zero carbon, a framework definition".

NHSPS is NHS Property Services Limited, 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.

Occupancy is the level of units occupied, after deducting the ERV vacancy rate.

Parity value is calculated based on dividing the convertible bond value by the exchange price.

Progressive returns is where it is expected to continue to rise each year.

Progressive dividends is where it is expected to continue to rise each year on a per share basis.

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.

Related income is the property and service charge income generated from the Axis business.

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.

Glossary of terms continued

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.

Sterling Overnight Interbank Average Rate ("SONIA") is the effective overnight interest rate paid by banks for unsecured transactions in the British Sterling market.

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 additions.

	£m
Net rental and related income (A)	151.1
Revaluation deficit and profit on sales (B)	(53.0)
Total return (C)	98.1
Opening property assets	2,796.3
Weighted additions in the period	36.0
Total weighted average closing property assets (D)	2,832.3
Income return (A/D)	5.3%
Property return (B/D)	(1.8)%
Total property return (C/D)	3.5%

Total adjusted NTA return is calculated as the movement in adjusted net tangible asset value for the period plus the dividends paid, divided by opening EPRA net tangible asset value.

	Adjusted NTA per share
At 31 December 2022	112.6p
At 31 December 2023	**108.0p**
Increase/(decrease)	**(4.6)p**
Add: dividends paid	
Q1 interim	1.675p
Q2 interim	1.675p
Q3 interim	1.675p
Q4 interim	1.675p
Total	**2.1p**
Total adjusted NTA return	**1.9%**

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.

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Primary Health Properties PLC's commitment to environmental issues is reflected in this Annual Report, which has been printed on UPM Finesse Silk, an FSC® certified material. This document was printed by Opal X using its environmental print technology, which minimises the impact of printing on the environment, with 99% of dry waste diverted from landfill. Both the printer and the paper mill are registered to ISO 14001.

Produced by
designportfolio

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3033634