Primary Health Properties PLC

Interim results for the six months ended 30 June 2021

Successful management internalisation and strong operational performance drive continued earnings growth

Primary Health Properties PLC ("PHP", the "Group" or the "Company"), a leading investor in modern primary health facilities, announces its interim results for the six months ended 30 June 2021.

Harry Hyman, Chief Executive of PHP, commented:

"As lockdowns and restrictions in the UK and Ireland are lifted, the COVID-19 pandemic continues to highlight the need for modern, integrated, local primary healthcare facilities to help in the provision of COVID-19 vaccines for many years to come while addressing the backlog of procedures missed over the last two years.

"NHS initiatives to modernise the primary care estate supports the important role primary healthcare must play to re-focus services away from over-burdened hospital settings, and to satisfy the long-term demographic trends of populations that are growing, ageing and suffering from more instances of chronic illness. We continue to maintain close relationships with our key stakeholders, working closely with the NHS in the UK, HSE in Ireland, and our GP partners in both markets to help them evolve and adapt as the 'new normal' is established.

"Having successfully completed the internalisation of our management structure in the period and with our sector leading metrics and strong pipeline of acquisition and asset management opportunities, we remain well placed to meet these demands.

"The Board looks forward to delivering further earnings and dividend growth and remains confident in PHP's future outlook."

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Income statement metrics	**Six months to 30 June 2021**	Six months to 30 June 2020	Change
Net rental income[1]	**£67.7m**	£64.8m	**+4.5%**
Adjusted earnings[1,2]	**£40.7m**	£36.0m	**+13.1%**
Adjusted earnings per share[1,2]	**3.1p**	3.0p	**+3.3%**
IFRS profit before tax excluding MedicX merger adjustments[1,5]	**£70.4m**	£38.1m	**+84.8%**
IFRS profit for the period	**£71.4m**	£39.5m	
IFRS earnings per share[2]	**5.4p**	3.2p	
Dividends			
Dividend per share[6]	**3.1p**	2.95p	**+5.1%**
Dividends paid[6]	**£41.1m**	£35.9m	**+14.5%**
Dividend cover[1]	**99%**	100%	
Balance sheet and operational metrics	**30 June 2021**	31 December 2020	Change
Adjusted EPRA NTA (NAV) per share[1,3]	**115.4p**	112.9p	**+2.2%**
IFRS NAV per share[1,3]	**110.3p**	107.5p	**+2.6%**
Property portfolio			
Investment portfolio valuation[4]	**£2.655bn**	£2.576bn	**+2.6%**
Net initial yield ("NIY") [1]	**4.70%**	4.81%	
Contracted rent roll (annualised)[1,8]	**£136.1m**	£135.2m	**+0.7%**
Weighted average unexpired lease term ("WAULT")[1]	**11.8 years**	12.1 years	
Occupancy	**99.7%**	99.6%	
Rent-roll funded by government bodies[1]	**90%**	90%	
Debt			
Average cost of debt	**3.4%**	3.5%	
Loan to value ratio ("LTV")[1]	**40.9%**	41.0%	
Weighted average debt maturity	**6.0 years**	6.5 years	
Total undrawn loan facilities and cash[7]	**£335.0m**	£361.5m	

[1] Definitions for net rental income, adjusted earnings, adjusted earnings per share, earnings per share ("EPS"), dividend cover, loan to value ("LTV"), IFRS profit before tax excluding MedicX merger adjustments, net tangible assets ("NTA"), rent roll, NIY, WAULT and net asset value ("NAV") are set out in the Glossary of Terms.

[2] See note 8, earnings per share, to the financial statements.

[3] See note 8, net asset value per share, to the financial statements. Adjusted net tangible assets, EPRA net tangible assets ("NTA"), EPRA net disposal value ("NDV") and EPRA net reinstatement value ("NRV") are considered to be alternative performance measures. The Group has determined that adjusted net tangible assets is the most relevant measure.

[4] Percentage valuation movement during the period based on the difference between opening and closing valuations of properties after allowing for acquisition costs and capital expenditure.

[5] The IFRS profit before tax excluding MedicX merger adjustments is set-out in detail in the summarised results table on page 11.

[6] See note 9, dividends, to the financial statements.

[7] After deducting the remaining cost to complete contracted acquisitions, properties under development and asset management projects.

[8] Percentage contracted rent roll increase during the year is based on the annualised uplift achieved from all completed rent reviews and asset management projects.

DELIVERING EARNINGS AND DIVIDEND GROWTH

- Adjusted earnings per share increased by 3.3% to 3.1p (30 June 2020: 3.0p)
- Additional annualised rental income on a like-for-like basis of £1.3 million or 1.0%, from rent reviews and asset management projects (FY 2020: £2.0 million or 1.6%; FY 2019: £1.9 million or 1.5%)
- Average uplift of 1.5% per annum on rent reviews completed in the period, continuing the positive trend in rental growth (FY 2020: 1.8%; FY 2019: 1.9%)
- Contracted annualised rent roll increased to £136.1 million (31 December 2020: £135.2 million)
- Successfully completed the internalisation of the Group's management structure which is anticipated to result in immediate annual cost savings of approximately £4.0 million, equivalent to 0.3 pence per share
- Four forward funded developments completed in the period with a net development cost of £20.1 million at Mountain Ash, Wales, Llanbradach, Wales, Epsom, Surrey and Eastbourne, East Sussex
- Two quarterly dividends totalling 3.1p per share distributed in the period and third quarterly dividend of 1.55p per share declared, payable on 20 August 2021, equivalent to 6.2p on an annualised basis. This represents a 5.1% increase over the 2020 dividend per share and will mark the Company's 25th consecutive year of dividend growth
- The Company intends to make a further dividend payment in November 2021 and maintain its strategy of paying a progressive dividend, in equal quarterly instalments, covered by underlying earnings in each financial year

DELIVERING NET ASSET VALUE GROWTH

- Adjusted Net Tangible Assets (NTA) per share increased by 2.2% to 115.4 pence (31 December 2020: 112.9 pence)
- Property portfolio at 30 June 2021 valued at £2.655 billion (31 December 2020: £2.576 billion) reflecting a net initial yield of 4.70% (31 December 2020: 4.81%). A revaluation surplus was generated in the period of £66.9 million (30 June 2020: £10.5 million), representing growth of 2.6% (30 June 2020: 0.4%)
- Portfolio in Ireland now comprises 19 assets, valued at £200 million (€234 million), including two forward funded developments currently under construction which, if valued as complete, increases the total asset value to approximately £217 million (€253 million)
- The Group is currently on site with two developments in Ireland with a net development cost of £26.2 million (€30.6 million). All sites in Ireland remain open and construction continues to progress
- Strong pipeline of targeted acquisitions and asset management projects with a value of approximately £195 million, of which £155 million is currently under offer and in legal due diligence; together with additional direct development pipeline of £146 million of which £21 million is at an advance stage
- Progression of asset management projects with 17 either completed or currently on-site, investing £10.8 million, creating additional rental income of £0.3 million per annum and extending the weighted average unexpired lease term (WAULT) back to 21 years
- The Group has a strong pipeline of over 100 incremental asset management projects which have either been approved by the Board or are in advanced negotiations. The pipeline of projects equates to investing approximately £46 million over the next two years generating £1.4 million of additional income and extending the WAULT on those leases back to 22 years
- Only £6.7 million or 4.9% of annualised rent roll expiring in the next three years of which c. 75% is subject to either a planned asset management initiative or terms having been agreed to renew the lease

- The portfolio's metrics continue to reflect the secure, long-term and predictable income stream with occupancy at 99.7% (31 December 2020: 99.6%) and a WAULT of 11.8 years (31 December 2020: 12.1 years)

DELIVERING FINANCIAL MANAGEMENT

- At 30 June 2021 the Group's net debt stood at £1,085.2 million (31 December 2020: £1,055.7 million) and the LTV ratio was 40.9% (31 December 2020: 41.0%), the lower end of the Group's targeted range of between 40% to 50%
- After capital commitments the Group has undrawn loan facilities and cash on deposit totalling £335.0 million (31 December 2020: £361.5 million) providing significant liquidity headroom. Cash on deposit totals £72.5 million
- Significant headroom in LTV and interest cover covenants across the Group's various borrowing facilities
- Low, average marginal cost of debt of 1.7%

DELIVERING ROBUST RENTAL COLLECTION

- Of PHP's contracted rental income, 90% is paid either directly or indirectly by the UK and Irish governments, with the balance mainly coming from pharmacies co-located at our properties
- Rental collections continue to remain robust and as at 26 July 2021 97% had been collected in both the UK and Ireland for the third quarter of 2021 and in-line with collection rates experienced in 2020 and the first half of 2021 which now stand at over 99% for both countries. The balance of rent due for the third quarter of 2021 is expected to be received shortly

DELIVERING STRONG TOTAL RETURNS

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
Increase in Adjusted EPRA NTA plus dividends paid	**5.0%**	3.8%	10.1%
Income return	**2.6%**	2.6%	5.2%
Capital return	**2.6%**	0.5%	2.2%
Total property return[1]	**5.2%**	3.1%	7.4%
MSCI UK Monthly Property Index	**6.2%**	(3.5%)	(0.8%)
(Under)/out performance over MSCI	**(1.0%)**	6.6%	8.2%

[1] The definition for total property return is set out in the Glossary of Terms.

Presentation and webcast:

A virtual briefing for analysts will be held today, 28 July 2021 at 09.30am, via a live video webcast and conference call facility.

To access the briefing, please dial in or log on via the details below shortly before 09.30am. There will be a Q&A session following the presentation, with questions taken via the conference call phone lines and the webcast chat function.

UK Toll Free: 0800 358 9473
UK Toll: 0333 300 0804
International dial in numbers: https://event.sharefile.com/d-s7bae1d9235d495a8
Participant PIN code: 64977382#

Webcast: https://webcasting.brrmedia.co.uk/broadcast/60dee70e1ba1724bfa99e020

If you would like to join the briefing, please contact Buchanan via php@buchanan.uk.com to confirm your place. A recording of the webcast will be made available from c.12.00pm on the PHP website, https://www.phpgroup.co.uk/

For further information contact:

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EXECUTIVE REVIEW

As the lockdown and restrictions in the UK and Ireland start to come to an end the Group's portfolio has demonstrated strong resilience throughout the pandemic. The security and longevity of our income are important drivers of our secure, long term predictable income stream and underpin our progressive dividend policy and we have now entered our 25th year of continued dividend growth.

The first half of 2021 has been characterised by a very competitive investment market with a lack of suitable product and strong pricing. Despite this, the strong investment market together with continued organic rental growth across the portfolio has delivered a valuation uplift of £66.9 million equivalent to 5.0 pence per share helping to deliver a total property return of 5.2% (30 June 2020: 3.1%) in the period.

PHP has continued to actively work with the NHS in the UK, HSE in Ireland, and its GP partners in both markets to help them better utilise the Group's properties for deployment in the ongoing global health crisis. Many of our primary care facilities and occupiers have been and will be required to deliver COVID-19 vaccines for many years to come and to deal with the backlog of procedures missed over the last two years. We continue to maintain close relationships with our key stakeholders and GP partners to ensure we are best placed to help the NHS and HSE, and in particular primary care, evolve and deal with the pressures placed on them as the 'new normal' is established.

The Group now has a market capitalisation of over £2 billion and the property portfolio stands at over £2.6 billion across 514 assets, including 19 in Ireland. Notwithstanding, the competitive investment market, the Group continues to have a strong, active pipeline of potential acquisitions both in the UK and Ireland totalling approximately £195 million, including £155 million under offer, in addition to a wider pipeline of opportunities under negotiation. Additionally, following the acquisition of PHP Primary Care Developments Limited (formerly Nexus Primary Care Developments Limited) ("Nexus Developments") there is a direct development pipeline of £146 million of which £21 million is at an advanced stage.

Rental collections continue to remain robust and as at 26 July 2021 97% had been collected in both the UK and Ireland for the third quarter of 2021 and in-line with collection rates experienced in 2020 and the first half of 2021 which now stand at over 99% for both countries. The balance of rent due for the third quarter of 2021 is expected to be received shortly.

Two quarterly dividends totalling 3.1 pence per share were distributed in the period and a third quarterly dividend of 1.55 pence per share declared, payable on 20 August 2021, equivalent to 6.2 pence on an annualised basis. This represents a 5.1% increase over the 2020 dividend per share and will mark the Company's 25th consecutive year of dividend growth. The Company intends to make a further dividend payment in November 2021 and maintain its strategy of paying a progressive dividend, in equal quarterly instalments, covered by underlying earnings in each financial year.

Acquisition of Nexus and management internalisation

On 5 January 2021, the Group successfully completed the internalisation of its management structure with shareholders representing 99.95% of the votes cast voting in favour of the internalisation which is anticipated to result in immediate annual cost savings of approximately £4.0 million, equivalent to 0.3 pence per share. The Group acquired the entire share capital of PHP Tradeco Holdings Limited and certain subsidiaries ("Nexus"). The assumption of Nexus's existing management and overhead costs has resulted in lower ongoing administrative costs to the Company and the EPRA cost ratio, which was already among the lowest in the sector, has fallen further to 9.0% (FY 2020: 11.9%) in the period.

The management team, systems and procedures acquired with Nexus have now been successfully integrated into the wider Group.

Direct developments

The acquisition of Nexus also enabled PHP to acquire the development expertise of Nexus Developments which at completion had a pipeline of £80 million of direct development opportunities at varying stages of progression.

During the period the Group has continued to make good progress and increase the number of live projects to four with an estimated capital value of approximately £21 million (5 January 2021: two projects/£10 million). The Company expects to be on-site with two of these projects by early Q1 2022. In addition, PHP continues to bring forward a wider medium-term pipeline at various stages of progress across 17 projects with an estimated capital value of approximately £125 million.

Overview of results

PHP's recurring Adjusted earnings increased by £4.7 million or 13.1% to £40.7 million (30 June 2020: £36.0 million) in the six months to 30 June 2021 driven by six months of cost savings arising from the acquisition of Nexus and internalisation of the management structure together with strong organic rental growth from rent reviews and asset management projects. Using the weighted average number of shares in issue in the period the Adjusted earnings per share increased to 3.1 pence (30 June 2020: 3.0 pence), an increase of 3.3%.

A revaluation surplus of £66.9 million (30 June 2020: £10.5 million) was generated in the period from the portfolio, equivalent to 5.0 pence per share. The valuation surplus was driven by net initial yield ("NIY") compression in the UK and rental growth and asset management activity across the portfolio.

The acquisition of Nexus resulted in an exceptional termination payment, goodwill impairment and acquisition costs totalling £37.0 million, equivalent to 2.4 pence per share, being expensed in the period.

Rent reviews and asset management projects completed in the period added £1.3 million or 1.0% (H1 2020: £0.9 million or 0.7%; FY 2020: £2.0 million or 1.6%) to the contracted rent roll with continued positive momentum on the number of rent reviews being settled. Annualised rental growth on reviews completed in the period was 1.5% compared to 1.8% and 1.9% achieved in FY 2020 and FY 2019 respectively.

The portfolio's average lot size has increased to £5.2 million and we continue to maintain our very strong metrics, with a long weighted average unexpired lease term ("WAULT") of 11.8 years, high occupancy at 99.7% and only 4.9% of our rent due to expire in the next three years.

Dividends and total shareholder return

The Company distributed a total of 3.1p per share in the six months to 30 June 2021, an increase of 5.1% over that distributed in the first half of 2020 of 2.95p per share. The total value of dividends distributed in the period increased by 14.5% to £41.1 million (30 June 2020: £35.9 million), which were materially covered by Adjusted earnings. Dividends totalling £4.7 million were satisfied through the issuance of shares via the scrip dividend scheme.

The Company's share price started the year at 152.8p per share and closed on 30 June 2021 at 153.9p, an increase of 0.7%. Including dividends, those shareholders who held the Company's shares throughout the period achieved a Total Shareholder Return of 2.7% (30 June 2020: -0.3%). This compares to the total return delivered by UK real estate equities (FTSE EPRA Nareit UK Index) of 15.5% (FY 2020: -28.5%) and the wider UK equity sector (FTSE All-Share Index) of 9.6% (FY 2020: -17.9%) in the period.

Market update and outlook

As restrictions and the end of lockdown in the UK and Ireland come to an end, we salute the NHS and HSE on the way they have dealt with the COVID-19 pandemic and subsequent vaccination programme. However, the provision of healthcare in the UK and Ireland will now need to be transformed over the coming years as the NHS and HSE respond to the long-term requirements of dealing with the COVID-19 pandemic together with the resultant backlog of non-COVID-19 treatments that have been suspended and now need to be addressed. While remote consulting is here to stay, we do not expect it to have a material impact on future space requirements; although useful for an initial triage, it often results in the need for a subsequent physical appointment or is not suitable for all patients, especially the elderly.

In July 2021, the Government published a draft Health and Social Care Bill setting out a number of reforms in order to implement the commitments of the NHS England Long Term Plan including the introduction of regional Integrated Care Boards and Partnerships tasked with co-ordinating NHS partners with local government services and budgets such as social care and mental health, in a geographic area, for the first time. The idea being that services are then pushed to the most efficient, cost effective part of the system (whether primary care, hospital or care home) for the best patient outcomes. We welcome these reforms and are hopeful they will lead to further development opportunities in primary care in the medium to long-term.

With many services now expected to move away from hospitals and into primary care facilities together with the NHS's ambition of being the world's first carbon net zero healthcare system by 2045; these changes will undoubtedly require substantial investment into other areas, most notably primary care that will be able to take on the non-urgent and periphery procedures and deal with the long-term demographic trends of populations that are growing, ageing and suffering from more instances of chronic illness.

We will continue to actively engage with government bodies, the NHS, HSE in Ireland and other key stakeholders to establish and enact where we can support and help alleviate increased pressures and burdens currently being placed on healthcare networks.

Despite the continued volatility in the economic and political environment and the prolonged era of low interest rates, there continues to be an unrelenting search for secure and reliable income. Primary healthcare, with its strong fundamental characteristics and government-backed income, has been a significant beneficiary. The UK market for primary healthcare property investment continues to be highly competitive with continued yield compression and strong prices being paid by investors for assets in the sector.

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

As the UK and Ireland prepare for the 'new normal' and how this impacts the NHS and HSE respectively and those reliant on them, we are ideally placed to support their needs, with the financial strength, sector expertise and knowledge to enable them to succeed, as well as deliver long term value to shareholders and wider stakeholders. The Board continues to look forward with confidence to the future.

Steven Owen	**Harry Hyman**
Chairman	**Chief Executive**

27 July 2021

BUSINESS REVIEW

Investment and development activity

The first half of 2021 has been characterised by a lack of suitable product, strong pricing and a very competitive market which has resulted in the acquisition of just one standing investment at Shankill Primary Care Centre, Ireland, for €3.8 million in March 2021.

Investment pipeline (excluding direct development)

Notwithstanding the difficult investment market conditions in the first half of 2021, we have continued to generate and grow a strong immediate off-market pipeline of potential acquisitions both in the UK and Ireland totalling approximately £195 million including £155 million in legal due diligence. In addition to the immediate pipeline, we continue to progress a number of other investment and forward funded development opportunities both in the UK and Ireland.

Approximately half of the pipeline represents opportunities in Ireland which is our preferred area of investment due to the higher net initial yields and lower cost of finance. The COVID-19 pandemic has also resulted in vendors withdrawing from sales negotiations, protracted negotiations and due diligence resulting in delays to completing acquisitions in the first half of the year but we expect to complete a number of transactions in the second half of the year.

Direct developments

The acquisition of Nexus in January 2021 also enabled PHP to acquire the development expertise of Nexus Developments which at completion had a pipeline of £80 million of direct development opportunities at varying stages of progression.

Over the course of the first half of 2021 the Group has continued to make good progress and increase the number of live projects to four with an estimated capital value of approximately £21 million (5 January 2021: two projects/£10 million). The Company expects to be on-site with two of these projects by early Q1 2022. In addition, PHP continues to bring forward a wider medium-term pipeline at various stages of progress across 17 projects with an estimated capital value of approximately £125 million.

Forward funded developments

During the period the four UK forward funded developments at Mountain Ash, Wales, Llanbradach, Wales, Epsom, Surrey and Eastbourne, East Sussex were completed on time and budget with a net development cost of £20.1 million.

The Group now has only two forward funded developments currently on site in Ireland with a net development cost of £21.4 million:

Asset	Anticipated PC date	Area (Sq. m)	Net development cost	Costs to complete
Ireland				
Arklow, County Wicklow	Q1 2022	5,333	£15.4m (€18.0m)	£8.6m (€10.0m)
Enniscorthy, County Wexford	Q1 2022	4,633	£10.8m (€12.6m)	£8.2m (€9.6m)
Total		9,966	£26.2m (€30.6m)	£16.8m (€19.6m)

All sites in Ireland remain open and construction continues to progress.

Asset management

PHP's sector leading metrics continue to remain strong 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 re-gears) which provide an important opportunity to increase income, extend lease terms and avoid obsolescence whilst ensuring that our premises meet the communities' healthcare needs and improve the properties ESG credentials.

Rent reviews

During the six months to 30 June 2021, the Group concluded and documented 213 rent reviews with a combined rental value of £26.0 million resulting in an uplift of £1.0 million per annum or 3.8% which equates to 1.5% per annum. This continues the positive trend in rental growth over the last two years (year ended 31 December 2020: 1.8% per annum with an uplift of £1.7 million; year ended 31 December 2019: 1.9% per annum with an uplift of £1.6 million).

In the period, 1.0% per annum was achieved on 132 open market reviews including 42 reviews where no uplift was achieved. Uplifts of 2.2% per annum were achieved on RPI-based reviews and 2.7% per annum on fixed uplift reviews. In addition, a further 231 open market reviews were agreed in principle, which will add another £1.2 million to the contracted rent roll when concluded and represent an uplift of 1.2% per annum.

69% of our rents are reviewed on an open market basis, typically every three years and are impacted by land and construction inflation. Over recent years, there have been significant increases in these costs which is expected to result in further rental growth in the future. The balance of the PHP portfolio has either indexed/RPI (25%) or fixed uplift (6%) based reviews which also provide an element of certainty to future rental growth within the portfolio.

At 30 June 2021, the rent at 619 tenancies, representing £83.4 million of passing rent, was under negotiation and the large number of outstanding reviews reflects the requirement for all awards to be agreed with the District Valuer. A great deal of evidence to support open market reviews comes from the delivery of new properties into the sector and 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. We expect the COVID-19 pandemic will increase the future provision of health services and continued re-focusing of services away from over-burdened hospital settings. As technology continues to drive digital consulting and triage in the future, the crisis has highlighted the important role primary healthcare must play and we continue to see more new properties being approved.

Asset Management Projects

We have continued to make good progress in the six months to 30 June 2021 to enhance and extend existing assets within the portfolio with 17 projects either completed or currently on-site. The projects require the investment of £10.8 million and will generate £0.3 million of additional rental income but, just as importantly, will extend the WAULT on those premises back to an average 21 years.

PHP continues to work closely with its tenants and has a strong pipeline of over 100 projects which are either Board approved or in advanced negotiations. The pipeline of projects will require the investment of approximately £46 million, generating an additional £1.4 million of rental income and extending the WAULT on those premises back to an average 22 years.

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

Sector leading portfolio metrics

The portfolio's annualised contracted rent roll at 30 June 2021 was £136.1 million, an increase of £0.9 million or 0.7% in the period (31 December 2020: £135.2 million) driven predominantly by £1.3 million organic rental growth from rent reviews and asset management projects. The acquisition of Shankill, Dublin, Ireland contributed a further £0.2 million offset by foreign exchange movements, since the start of the year, on the Group's Irish portfolio of £0.6 million. The security and longevity of our income are important drivers of our secure, long term predictable income stream and enable our progressive dividend policy.

Security: PHP continues to benefit from secure, long term cash flows with 90% of its rent roll funded directly or indirectly by the NHS in the UK or HSE in Ireland. The portfolio also benefits from an occupancy rate of 99.7%.

Longevity: The portfolio's WAULT at 30 June 2021 was 11.8 years (31 December 2020: 12.1 years). Only £6.7 million or 4.9% of our income expires over the next three years of which c. 75% is either subject to a planned asset management initiative or terms have been agreed to renew the lease. £74.6 million or 54.8% expires in over 10 years. The table below sets out the current lease expiry profile of our income:

Income subject to expiry	£m	%
< 3 years	6.7	4.9%
4 – 5 years	9.2	6.8%
5 – 10 years	45.7	33.6%
10 – 15 years	39.4	28.9%
15 – 20 years	17.3	12.7%
> 20 years	17.8	13.1%
Total	136.1	100.0%

Valuation and returns

At 30 June 2021, the Group's portfolio comprised 514 assets independently valued at £2.655 billion (31 December 2020: £2.576 billion). After allowing for acquisition costs and capital expenditure on forward funded developments and asset management projects, the portfolio generated a valuation surplus of £66.9 million or 2.6% (30 June 2020: £10.5 million or 0.4%). The valuation surplus was driven by net initial yield compression in the UK together with rental growth from rent reviews and asset management projects completed in the period.

The strong fundamentals of our sector, together with a lack of supply, have seen strong demand and competition for primary care assets through both investment and development led opportunities. Consequently, the Group's portfolio NIY has tightened by 11 bp in the period to 4.70% (31 December 2020: 4.81%). The true equivalent yield reduced to 4.81% at 30 June 2021, declining from 4.84% at 31 December 2020. The NIY on our portfolio continues to represent a substantial premium over both the 10-year and 15-year UK gilts which traded at 0.84% and 1.03% respectively at 30 June 2021.

At 30 June 2021, the portfolio in Ireland comprised 19 assets, including two assets currently under development, valued at £200.1 million or €233.5 million (31 December 2020: 18 assets/£197.7 million or €221.1 million). The costs to complete the developments are £16.8 million (€19.6 million) and once complete the assets in Ireland will be valued at approximately £217 million (€253 million).

The portfolio's average lot size has increased to £5.2 million (31 December 2020: £5.0 million) and 85.4% 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	50	748.6	28.2	15.0
£5m - £10m	126	892.4	33.7	7.1
£3m - £5m	157	622.5	23.5	4.0
£1m - £3m	176	382.4	14.4	2.2
< £1m (including land £1.5m)	5	4.8	0.2	0.7
Total[1]	514	2,650.7	100.0	5.2

[1] Excludes the £4.5m impact of IFRS 16 *Leases* with ground rents recognised as finance leases.

The underlying valuation uplift of £66.9 million, combined with the portfolio's growing income, helped to deliver a total property return of 5.2% in the six months to 30 June 2021 (30 June 2020: 3.1%).

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
Income return	2.6%	2.6%	5.2%
Capital return	2.6%	0.5%	2.2%
Total return	5.2%	3.1%	7.4%

FINANCIAL REVIEW

PHP's Adjusted earnings increased by £4.7 million or 13.1% to £40.7 million in the six months to 30 June 2021, compared to 30 June 2020 Adjusted earnings of £36.0 million. The increase in the period reflects six months of cost saving synergies arising from the acquisition of Nexus and internalisation of the management structure at the start of the year, strong organic rental growth from rent reviews and asset management projects together with a reduction in the Group's cost of finance.

Using the weighted average number of shares in issue in the period the Adjusted earnings per share increased to 3.1p (30 June 2020: 3.0p), an increase of 3.3%.

A revaluation surplus of £66.9 million (30 June 2020: £10.5 million) was generated in the period from the portfolio driven predominantly by yield compression in the UK together with rental growth from rent reviews and asset management projects.

The acquisition of Nexus during the period resulted in an exceptional termination payment and impairment of goodwill totalling £35.3 million and represents the fair value of the consideration paid of £34.1 million plus the fair value of the net liabilities acquired of £1.2 million. In addition, acquisition costs totalling £1.7 million have been expensed.

A loss on the fair value of interest rate derivatives and convertible bonds of £0.2 million (30 June 2020 loss: £8.4 million) together with a gain on the amortisation of the fair value adjustment on the MedicX fixed rate debt at acquisition of £1.6 million (30 June 2020 gain: £1.5 million) contributed to the profit before tax as reported under IFRS of £72.0 million (30 June 2020: profit of £39.6 million).

The financial results for the Group are summarised as follows:

Summarised results

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Net rental income	**67.7**	64.8	131.2
Administrative expenses	**(4.3)**	(5.7)	(11.6)
Performance incentive fee ("PIF")	**(0.7)**	(0.8)	(1.6)
Operating profit before revaluation gain and net financing costs	**62.7**	58.3	118.0
Net financing costs	**(22.0)**	(22.3)	(44.9)
Adjusted earnings	**40.7**	36.0	73.1
Revaluation surplus on property portfolio and profit on sales	**66.9**	10.5	51.4
Termination payment and impairment of goodwill on acquisition of Nexus	**(35.3)**	-	-
Nexus acquisition costs	**(1.7)**	-	-
Fair value loss on interest rate derivatives and convertible bond	**(0.2)**	(8.4)	(15.2)
Adjusted profit excluding MedicX merger adjustments	**70.4**	38.1	109.3
Amortisation of MedicX debt MtM at acquisition	**1.6**	1.5	3.1
IFRS profit before tax	**72.0**	39.6	112.4
Corporation tax	**-**	-	(0.1)
Deferred tax provision	**(0.6)**	(0.1)	(0.3)
IFRS profit after tax	**71.4**	39.5	112.0

Net rental income receivable in the six months to 30 June 2021 increased by 4.5% or £2.9 million to £67.7 million (30 June 2020: £64.8 million).

Following the internalisation of the management structure operational costs have continued to be managed closely and effectively. Overall property and administrative costs, excluding service charge costs recoverable, have fallen by £1.5 million or 19.5% to £6.2 million (30 June 2020: £7.7 million). The Group's EPRA cost ratio is now the lowest in the sector at 9.0% for the period, a decrease against the 11.9% incurred during the 2020 financial year reflecting the cost savings of approximately £4.0 million p.a. expected to arise from the internalisation of the management structure.

EPRA cost ratio	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Gross rent less ground rent and service charge income	**69.1**	66.2	134.6
Direct property expense	**4.0**	3.2	7.8
Administrative expenses	**4.3**	5.7	11.6
Performance incentive fee ("PIF")	**0.7**	0.8	1.6
Less: service charge costs	**(2.4)**	(1.7)	(4.3)
Less: ground rent	**(0.2)**	(0.1)	(0.2)
Less: other operating income	**(0.2)**	(0.2)	(0.4)
EPRA costs (including direct vacancy costs)	**6.2**	7.7	16.1
EPRA cost ratio	**9.0%**	11.6%	11.9%
Total expense ratio - administrative expenses as a percentage of gross asset value (annualised)	**0.4%**	0.5%	0.5%

Net finance costs in the period decreased to £22.0 million (30 June 2020: £22.3 million) reflecting a full six-month of savings from various refinancing initiatives completed in 2020.

Performance incentive fee ("PIF")

As part of the internalisation of the Group's management it was agreed that the historic PIF arrangements would carry on for another two years until 31 December 2022. Consequently, another period of strong performance in both 2020 and the first half of 2021 is likely to result in a PIF being payable for the year as a whole and consequently a £0.7 million provision has been provided in the period (six months ended 30 June 2020: £0.8 million; year ended 31 December 2020: £1.6 million).

Shareholder value

The Adjusted Net Tangible Assets (NTA), per share increased by 2.5 pence or 2.2% to 115.4 pence (31 December 2020: 112.9 pence per share) during the period with the revaluation surplus of £66.9 million or 5.0 pence per share being the main reason for the increase although this was partially offset by the £37.0 million cost of the Nexus acquisition and internalisation of the management structure equivalent to 2.4 pence per share. Dividends distributed in the period were materially covered by recurring Adjusted earnings with no material impact on NTA.

The total NAV return per share, including dividends distributed, in the six months ended 30 June 2021 was 5.6 pence or 5.0% (30 June 2020: 4.2 pence or 3.9%).

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

Adjusted Net Tangible Asset (NTA) per share	**30 June 2021 pence per share**	30 June 2020 pence per share	31 December 2020 pence per share
Opening Adjusted NTA per share	**112.9**	107.9	107.9
Adjusted earnings for the period	**3.1**	3.0	5.8
Dividends paid	**(3.1)**	(2.9)	(5.9)
Revaluation of property portfolio	**5.0**	0.9	3.9
Net impact of Nexus acquisition	**(2.4)**	-	-
Shares issued	**0.1**	0.2	2.7
Foreign exchange movements	**(0.2)**	-	-
Interest rate derivative cancellation	**-**	-	(1.5)
Closing Adjusted NTA per share	**115.4**	109.1	112.9
Fixed rate debt and swap mark-to-market value	**(6.8)**	(12.7)	(9.9)
Convertible bond fair value adjustment	**(1.9)**	(1.9)	(1.9)
Deferred tax	**(0.3)**	(0.3)	(0.3)
Closing EPRA NDV per share	**106.4**	94.2	100.8

Financing

As at 30 June 2021, total available loan facilities were £1,449.1 million (31 December 2020: £1,456.8 million) of which £1,157.7 million (31 December 2020: £1,159.3 million) had been drawn. Cash balances of £72.5 million (31 December 2020: £103.6 million) resulted in Group net debt of £1,085.2 million (31 December 2020: £1,055.7 million). Contracted capital commitments at the balance sheet date totalled £28.9 million (31 December 2020: £39.6 million) and result in headroom available to the Group of £335.0 million (31 December 2020: £361.5 million).

Capital commitments comprise forward funded development expenditure of £18.3 million and asset management projects on site of £10.6 million.

Debt metrics	**30 June 2021**	31 December 2020
Average cost of debt – fully drawn	**3.1%**	3.1%
Average cost of debt – drawn	**3.4%**	3.5%
Loan to value	**40.9%**	41.0%
Interest cover	**3.2 times**	2.9 times
Weighted average debt maturity – drawn facilities	**7.0 years**	7.6 years
Weighted average debt maturity – all facilities	**6.0 years**	6.5 years
Total drawn secured debt	**£1,007.7m**	£1,009.3m
Total drawn unsecured debt	**£150.0m**	£150.0m
Total undrawn facilities and cash available to the Group[1]	**£335.0m**	£361.5m
Unfettered assets	**£110.5m**	£88.4m

[1] After deducting capital commitments.

Average cost of debt

The Group's marginal cost of debt on its revolving credit facilities is now just 1.7%. As the Group's undrawn loan facilities are drawn, following the deployment of the cash proceeds from the equity raise in July 2020, the Group's average cost of drawn debt will continue to fall from the current 3.4% to 3.1%, assuming fully drawn. We continue to look at other opportunities to reduce the Group's average cost of debt and deliver further finance cost-saving synergies.

Convertible bonds

In July 2019, the Group issued for a six-year term new unsecured convertible bonds with a nominal value of £150 million and a coupon of 2.875% per annum. Subject to certain conditions, the new bonds will be 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 will be subject to adjustment if dividends paid per share exceed 2.8 pence per annum and in accordance with the dividend protection provisions the conversion price has been adjusted to 145.21 pence per Ordinary Share.

The conversion of the £150 million convertible bonds into new Ordinary Shares would reduce the Group's loan to value ratio by 5.7% from 40.9% to 35.2% and result in the issue of 103.3 million new Ordinary Shares.

Interest rate and currency exposure

The analysis of the Group's exposure to interest rate risk in its debt portfolio as at 30 June 2021 is as follows:

	Facilities		Drawn	
	£m	%	£m	%
Fixed rate debt	993.5	68.6	993.5	85.8
Hedged by fixed rate interest rate swaps	188.0	13.0	188.0	16.2
Floating rate debt – unhedged	267.6	18.4	(23.8)	(2.0)
Total	**1,449.1**	**100.0**	**1,157.7**	**100.0**

The Group's drawn loan facilities are 100% fixed.

The Group now owns €233.5 million or £200.1 million (31 December 2020: €221.1 million/£197.7 million) of Euro denominated assets in Ireland as at 30 June 2021 and the value of these assets and rental income represented just 7.5% 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.

Euro rental receipts are used to first finance Euro interest and administrative costs and surpluses are used to fund further portfolio expansion.

Interest rate swap contracts

Accounting standards require PHP to mark its interest rate swaps to market at each balance sheet date. During the six months to 30 June 2021 there was a gain of £1.4 million (30 June 2020: loss £6.4 million) on the fair value movement of the Group's interest rate derivatives due primarily to reductions in interest rates assumed in the forward yield curves used to value the interest rate swaps. The mark-to-market ("MtM") asset value of the swap portfolio is £1.3 million (31 December 2020 liability: £0.1 million) equivalent to 0.1 pence per share.

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

The MtM of the Group's fixed rate debt as at 30 June 2021 was £91.2 million (31 December 2020: £130.3 million) equivalent to 6.9 pence per share (31 December 2020: 9.9 pence). The large reduction in the MtM during the period is due primarily to increases in interest rates assumed in the forward yield curves used to value the debt in the period. The MtM valuation is sensitive to movements in interest rates assumed in forward yield curves.

Alternative Performance Measures ("APMs")

PHP uses Adjusted earnings, Adjusted net tangible assets and Adjusted profit excluding MedicX merger adjustments amongst other APMs to highlight the recurring performance of the property portfolio and business. The APMs are in addition to the statutory measures from the condensed financial statements. The measures are defined and reconciled to amounts presented in the financial statements within this interim statement at note 8 on pages 31 to 35. The Company has used EPRA earnings and EPRA net tangible assets to measure performance and will continue to do so. However, these APMs have also been adjusted to remove the impact of the adjustments arising from the MtM on fixed debt acquired on completion of the merger with MedicX in 2019. The reasons for the Company's use of these APMs are set out in the Glossary and 2020 Annual Report.

Related party transactions

Related party transactions are disclosed in note 17 to the condensed financial statements. On 5 January 2021 the Group completed the acquisition of Nexus and internalised the management arrangements and consequently no further amounts are payable in relation to related party transactions described in the 2020 Annual Report.

Harry Hyman	**Richard Howell**
Chief Executive	**Chief Financial Officer**
27 July 2021	

Principal risks and uncertainties

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 ensure that these risks are managed to minimise exposure and ensure that appropriate returns are 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 health 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 very small (£0.3m) exposure as a direct developer of real estate, which means that the Group is not materially 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 its 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.

Principal risks and changes in risk factors

The Board has concluded that there should be no further principal risks to be presented in the 2021 Interim Results Announcements. Despite the impact to the business remaining low, with strong rent collection seen in FY2020 and in the six-month period of 2021, the risks of a prolonged, severe economic downturn from COVID-19 still exist. It has therefore been concluded that COVID-19 should continue as a principal risk factor.

COVID-19

The outbreak of COVID-19 during the last financial year had had far reaching consequences across the UK and Ireland. The Company however remained resilient and relatively unaffected; properties held being regarded as critical infrastructure in the response to the outbreak.

The Directors have again assessed the impact of the current uncertainty around COVID-19 on all major aspects of the business, focussing specifically on operations and cash flows of the Group. The event has been considered and a bad debt provision of £0.3m has been provided in the financial statements in respect of annualised rents totalling £1.1m currently on some form of rent payment concession and reflected in the balance sheet as at 30 June 2021. We continue to carefully monitor the impact on property valuations and the recoverability of our debtor balances.

Going concern analysis

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, 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 and are as follows:

- Declining attractiveness of the Group's assets or extenuating economic circumstances impacts investment values – valuation parameter stress tested to provide for a one-off 10%/£269m fall in December 2021 valuation.
- We have applied a 15% tenant default rate. In addition, rental growth assumptions have been amended to see nil uplifts on open market reviews.
- Variable rate interest rates rise by an immediate 2% effective from 1 July 2021, impacting the variable interest debt in the portfolio
- Tightly controlled NHS scheme approval restricts investment opportunity – investment quantum flexed to remove non-committed transactions.
- Impact on shareholder returns of all of the above occurrences – projected dividend payments held at expected 2021 level, 6.2p per share.

A number of specific assumptions have been made that overlay the financial parameters used in the Group's models. It has been assumed that 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.

Further details on going concern are set out in note 1 to the Financial Statements.

INDEPENDENT REVIEW REPORT TO PRIMARY HEALTH PROPERTIES PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the Condensed Group Statement of Comprehensive Income, the Condensed Group Balance Sheet, the Condensed Group Statement of Changes in Equity, the Condensed Group Cash Flow Statement and related notes 1 to 21. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the group will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

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

Deloitte LLP

Statutory Auditor

London, United Kingdom

27 July 2021

Condensed Group Statement of Comprehensive Income

For the six months ended 30 June 2021

	Notes	**Six months ended 30 June 2021 £m (unaudited)**	Six months ended 30 June 2020 £m (unaudited)	Year ended 31 December 2020 £m (audited)
Rental income	2	**71.7**	68.0	139.0
Direct property expenses		**(4.0)**	(3.2)	(7.8)
Net rental income		**67.7**	64.8	131.2
Administrative expenses	3	**(5.0)**	(6.5)	(13.2)
Revaluation gain on property portfolio	10	**66.9**	10.5	51.3
Profit on sale of land		**-**	-	0.1
Total revaluation gain		**66.9**	10.5	51.4
Operating profit		**129.6**	68.8	169.4
Finance income	4	**0.4**	0.8	1.2
Finance costs	5	**(20.8)**	(21.6)	(43.0)
Termination payment and goodwill impairment on acquisition of Nexus	6	**(35.3)**	-	-
Exceptional Nexus acquisition costs	6	**(1.7)**	-	-
Fair value loss on derivative interest rate swaps and amortisation of cash flow hedging reserve	5	**(0.7)**	(8.1)	(12.9)
Fair value gain/(loss) on convertible bond	5	**0.5**	(0.3)	(2.3)
Profit before taxation		**72.0**	39.6	112.4
Taxation charge	7	**(0.6)**	(0.1)	(0.4)
Profit after taxation for the period/year[1]		**71.4**	39.5	112.0
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Fair value gain on interest rate swaps treated as cash flow hedges and amortisation of hedging reserve		**2.2**	1.7	4.0
Exchange (loss)/gain on translation of foreign balances		**(2.3)**	3.0	2.2
Other comprehensive (loss)/income for the period net of tax[1]		**(0.1)**	4.7	6.2
Total comprehensive income for the period net of tax[1]		**71.3**	44.2	118.2
IFRS earnings per share				
Basic	8	5.4p	3.2p	8.8p
Diluted	8	5.1p	3.2p	8.7p
Adjusted earnings per share[2]				
Basic	8	3.1p	3.0p	5.8p
Diluted	8	3.0p	2.9p	5.7p

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

[2] See Glossary of Terms on pages 48-50.

The above relates wholly to continuing operations.

Condensed Group Balance Sheet
As at 30 June 2021

	Notes	**30 June 2021 £m (unaudited)**	30 June 2020 £m (unaudited)	31 December 2020 £m (audited)
Non-current assets				
Investment properties	10	**2,655.2**	2,514.3	2,576.1
Derivative interest rate swaps	15, 16	**1.3**	-	-
Fixed assets		**0.1**	-	-
		2,656.6	2,514.3	2,576.1
Current assets				
Trade and other receivables		**14.9**	14.4	17.4
Cash and cash equivalents	11	**72.5**	64.0	103.6
		87.4	78.4	121.0
Total assets		**2,744.0**	2,592.7	2,697.1
Current liabilities				
Deferred rental income		**(27.9)**	(26.2)	(27.0)
Trade and other payables		**(31.1)**	(32.7)	(34.7)
Borrowings: term loans and overdraft	12	**(73.1)**	(91.3)	(6.4)
		(132.1)	(150.2)	(68.1)
Non-current liabilities				
Borrowings: term loans and overdraft	12	**(558.8)**	(594.0)	(623.6)
Borrowings: bonds	13	**(577.8)**	(582.4)	(582.9)
Derivative interest rate swaps	15, 16	**-**	(19.3)	(0.1)
Head lease liabilities	14	**(4.5)**	(4.5)	(4.5)
Deferred tax liability		**(3.9)**	(3.3)	(3.5)
		(1,145.0)	(1,203.5)	(1,214.6)
Total liabilities		**(1,277.1)**	(1,353.7)	(1,282.7)
Net assets		**1,466.9**	1,239.0	1,414.4
Equity				
Share capital	18	**166.3**	152.2	164.4
Share premium account		**470.9**	340.1	466.7
Merger and other reserves	19	**414.6**	401.6	400.8
Special reserve	20	**-**	29.5	-
Hedging reserve		**(17.9)**	(22.4)	(20.1)
Retained earnings		**433.0**	338.0	402.6
Total equity[1]		**1,466.9**	1,239.0	1,414.4
Basic net asset value per share				
IFRS net assets – basic and diluted	8	**110.3**	101.8p	107.5p
Adjusted net tangible assets[2] – basic	8	**115.4**	109.1p	112.9p
Adjusted net tangible assets[2] – diluted	8	**117.5**	112.2p	115.4p

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

[2] See Glossary of Terms on pages 48-50.

Condensed Group Cash Flow Statement
For the six months ended 30 June 2021

	Notes	**Six months ended 30 June 2021 £m (unaudited)**	Six months ended 30 June 2020 £m (unaudited)	Year ended 31 December 2020 £m (audited)
Operating activities				
Profit on ordinary activities after tax		**71.4**	39.5	112.0
Taxation charge	**7**	**0.6**	0.1	0.4
Finance income	**4**	**(0.4)**	(1.5)	(1.9)
Finance costs	**5**	**20.8**	22.3	43.7
Termination payment and goodwill impairment on acquisition of Nexus	**6**	**35.3**	-	-
Exceptional Nexus acquisition costs	**6**	**1.7**	-	-
Fair value loss on derivatives		**0.7**	8.1	12.9
Fair value loss on convertible bond		**(0.5)**	0.3	2.3
Operating profit before financing costs		**129.6**	68.8	169.4
Adjustments to reconcile Group operating profit to net cash flows from operating activities:				
Revaluation gain on property portfolio	**10**	**(66.9)**	(10.5)	(51.3)
Profit on sale of land and property		**-**	-	(0.1)
Long term incentive plan (LTIP)		**0.1**	-	-
Effect of exchange rate fluctuations on operations		**-**	-	(0.3)
Fixed rent uplift		**(0.6)**	(0.8)	(1.5)
Tax paid		**(0.1)**	-	(0.2)
Decrease/(Increase) in trade and other receivables		**2.8**	0.3	(1.3)
Increase/(decrease) in trade and other payables		**(0.5)**	1.4	4.2
Cash generated from operations		**64.4**	59.2	118.9
Net cash flow from operating activities		**64.4**	59.2	118.9
Investing activities				
Payments to acquire and improve properties and fixed assets		**(23.6)**	(79.6)	(102.9)
Receipts from disposal of properties		**-**	-	0.1
Cash paid for acquisition of Nexus, including fees	**6**	**(18.2)**	-	-
Interest received on development loans		**0.3**	1.8	1.9
Net cash flow used in investing activities		**(41.5)**	(77.8)	(100.9)
Financing activities				
Proceeds from issue of shares	18	**-**	-	140.0
Costs of share issues		**(0.1)**	(0.1)	(3.2)
Term bank loan drawdowns		**8.2**	11.8	17.8
Term bank loan repayments		**(3.6)**	(17.1)	(76.2)
Loan arrangement fees		**(0.7)**	(0.1)	(2.0)
Termination of derivative financial instruments		**-**	-	(21.8)
Swap interest paid		**-**	-	(0.1)
Non-utilisation fees		**(0.9)**	(0.8)	(1.9)
Interest paid		**(20.0)**	(21.2)	(42.0)
Bank interest received		**-**	0.3	0.4
Equity dividends paid net of scrip dividend	9	**(36.4)**	(33.7)	(69.1)
Net cash flow used in financing activities		**(53.5)**	(60.9)	(58.1)
Increase in cash and cash equivalents		**(30.6)**	(79.5)	(40.1)
Effect of exchange rate fluctuations on Euro denominated loans and cash equivalents		**(0.5)**	0.4	0.6
Cash and cash equivalents at start of period/year		**103.6**	143.1	143.1
Cash and cash equivalents at end of period/year	11	**72.5**	64.0	103.6

Condensed Group Statement of Changes in Equity
For the six months ended 30 June 2021 (unaudited)

Six months ended 30 June 2021 (unaudited)

	Share capital £m	Share premium £m	Merger & other reserves £m	Special reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
1 January 2021	164.4	466.7	400.8	-	(20.1)	402.6	1,414.4
Profit for the period	-	-	-	-	-	71.4	71.4
Other comprehensive income							
Exchange gain on translation of foreign balances	-	-	(2.3)	-	-	-	(2.3)
Amortisation of hedging reserve	-	-	-	-	2.2	-	2.2
Total comprehensive income	-	-	(2.3)	-	2.2	71.4	71.3
Shares issued on acquisition of Nexus	1.5	-	16.1	-	-	-	17.6
Share issue expenses	-	(0.1)	-	-	-	-	(0.1)
Shares based awards (LTIP)	-	-	-	-	-	0.1	0.1
Dividends paid	-	-	-	-	-	(36.4)	(36.4)
Scrip dividend in lieu of cash	0.4	4.3	-	-	-	(4.7)	-
30 June 2021	**166.3**	**470.9**	**414.6**	**-**	**(17.9)**	**433.0**	**1,466.9**

Six months ended 30 June 2020 (unaudited)

	Share capital £m	Share premium £m	Merger & other reserves £m	Special reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
1 January 2020	152.0	338.1	398.6	65.4	(24.1)	298.5	1,228.5
Profit for the period	-	-	-	-	-	39.5	39.5
Other comprehensive income							
Exchange gain on translation of foreign balances	-	-	3.0	-	-	-	3.0
Amortisation of hedging reserve	-	-	-	-	1.7	-	1.7
Total comprehensive income	-	-	3.0	-	1.7	39.5	44.2
Share issue expenses	-	-	-	-	-	-	-
Dividends paid	-	-	-	(33.7)	-	-	(33.7)
Scrip dividend in lieu of cash	0.2	2.0	-	(2.2)	-	-	-
30 June 2020	**152.2**	**340.1**	**401.6**	**29.5**	**(22.4)**	**338.0**	**1,239.0**

Condensed Group Statement of Changes in Equity (continued)

Year ended 31 December 2020 (audited)

	Share capital £m	Share premium £m	Merger & other reserves £m	Special reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
1 January 2020	152.0	338.1	398.6	65.4	(24.1)	298.5	1,228.5
Profit for the period	-	-	-	-	-	112.0	112.0
Other comprehensive income							
Exchange gain on translation of foreign balances	-	-	2.2	-	-	-	2.2
Amortisation of hedging reserve	-	-	-	-	4.0	-	4.0
Total comprehensive income	-	-	2.2	-	4.0	112.0	118.2
Shares issued as part of capital raise	12.1	127.9	-	-	-	-	140.0
Share issue expenses	-	(3.2)	-	-	-	-	(3.2)
Dividends paid	-	-	-	(61.2)	-	(7.9)	(69.1)
Scrip dividend in lieu of cash	0.3	3.9	-	(4.2)	-	-	-
31 December 2020	**164.4**	**466.7**	**400.8**	**-**	**(20.1)**	**402.6**	**1,414.4**

Notes to the condensed financial statements

1. Accounting policies

General information

The financial information set out in this report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2020 have been filed with the Registrar of Companies. The Auditor's Report on these condensed consolidated interim financial statements was unqualified and did not contain a statement under Sections 498(2) or 498(3) of the Companies Act 2006.

The condensed consolidated interim financial statements of the Group are unaudited but have been formally reviewed by the auditor and its report to the Company is included on pages 18-19. These condensed consolidated interim financial statements of the Group for the six months ended 30 June 2021 were approved and authorised for issue by the Board on 27 July 2021.

Basis of preparation/statement of compliance

The condensed consolidated interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with IAS 34 'Interim Financial Reporting' and which were prepared in accordance with IFRS as adopted by the European Union (see Accounting policies section below).

The condensed consolidated interim financial statements do not include all the information and disclosures required in the statutory financial statements and should be read in conjunction with the Group's financial statements as at 31 December 2020.

Convention

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

Segmental reporting

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

Going concern

The directors are required to assess the Group's ability to continue as a going concern for a period of at least the next 12 months. In assessing the appropriateness of the going concern basis used in preparing the interim report, the directors have performed a review of the Group's financial performance and position, continued access to borrowing facilities and the ability to continue to operate the Group's facilities within its financial covenants, as well the Group's budgetary model.

Notes to the condensed financial statements (continued)

Going concern (continued)

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, 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 and are as follows:

- Declining attractiveness of the Group's assets or extenuating economic circumstances impacts investment values – valuation parameter stress tested to provide for a one-off 10%/£269m fall in December 2021 valuation.
- We have applied a 15% tenant default rate. In addition, rental growth assumptions have been amended to see nil uplifts on open market reviews.
- Variable rate interest rates rise by an immediate 2% effective from 1 July 2021, impacting the variable interest debt in the portfolio
- Tightly controlled NHS scheme approval restricts investment opportunity – investment quantum flexed to remove non-committed transactions.
- Impact on shareholder returns of all of the above occurrences – projected dividend payments held at expected 2021 level, 6.2p per share.

The Group's property portfolio is let on long leases to tenants with strong covenants and the business is substantially cash generative. The Group's loan to-value ratio at 30 June 2021 was 40.9% and the Group's interest cover for the period under review was 3.2 times, well above the minimum Group banking covenant of 1.3 times.

The COVID-19 pandemic has not had a direct impact on the primary health centres we invest in because of the sector we invest in, as well as the fact the business is affected more by demographics than economics.

Taking these and others factors into account, the Directors are satisfied that the Group has sufficient resources to continue in operation for a period of not less than twelve months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

Accounting policies

The accounting policies adopted are consistent with those of the previous financial year as set out in the Annual Report.

2. Rental and related income

Revenue comprises rental income receivable on property investments in the UK and Ireland, which is exclusive of VAT. Revenue is derived from one reportable operating segment.

Notes to the condensed financial statements (continued)

3. Administrative expenses

Administrative expenses as a proportion of rental income were 7.0% (30 June 2020: 9.5% excluding exceptional contract termination payment). The Group's EPRA cost ratio has decreased to 9.0%, compared to 11.6% for the same period in 2020.

Administrative expenses include staff costs of £2.5m (30 June 2020: £NIL).

Details of the Performance Incentive Fee ("PIF") payable to senior management for the period ended 30 June 2021 are contained in the Financial Review on pages 11-15.

4. Finance income

	Six months ended 30 June 2021 £m (unaudited)	Six months ended 30 June 2020 £m (unaudited)	Year ended 31 December 2020 £m (audited)
Interest income on financial assets			
Bank interest	-	0.3	0.4
Development loan interest	0.4	0.5	0.8
	0.4	**0.8**	1.2

5. Finance costs

	Six months ended 30 June 2021 £m (unaudited)	Six months ended 30 June 2020 £m (unaudited)	Year ended 31 December 2020 £m (audited)
Interest expense and similar charges on financial liabilities			
(i) Interest			
Bank loan interest	12.3	12.1	26.1
Swap interest	-	0.2	0.1
Bond interest	7.6	9.3	16.0
Bank facility non utilisation fees	1.1	0.9	1.9
Bank charges and loan arrangement fees	1.4	1.3	2.7
	22.4	**23.8**	**46.8**
Interest capitalised	**-**	**(0.7)**	**(0.7)**
	22.4	**23.1**	46.1
Amortisation of MedicX debt MtM at acquisition	**(1.6)**	**(1.5)**	(3.1)
	20.8	**21.6**	**43.0**

5. Finance costs (continued)

	Six months ended 30 June 2021 £m (unaudited)	Six months ended 30 June 2020 £m (unaudited)	Year ended 31 December 2020 £m (audited)
(ii) Derivatives			
Net fair value gain/(loss) on interest rate swaps	1.5	(5.9)	(8.5)
Amortisation of cash flow hedging reserve	(2.2)	(2.2)	(4.4)
	(0.7)	**(8.1)**	**(12.9)**

The fair value loss on derivatives recognised in the Condensed Group Statement of Comprehensive Income has arisen from the interest rate swaps for which hedge accounting does not apply. A fair value loss on derivatives which meet the hedge effectiveness criteria under IFRS 9 of £NIL (30 June 2020: £NIL), (31 December 2020: loss of £0.4m) is accounted for directly in equity.

An amount of £2.2m (30 June 2020: £2.2m), (31 December 2020: £4.4m) has been amortised from the cash flow hedging reserve in the period.

	Six months ended 30 June 2021 £m (unaudited)	Six months ended 30 June 2020 £m (unaudited)	Year ended 31 December 2020 £m (audited)
(iii) Convertible Bond			
Fair value gain/(loss) on Convertible Bond	**0.5**	(0.3)	(2.3)
	0.5	(0.3)	(2.3)

The fair value movement in the convertible bonds 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). Refer to note 13 for further details about the Convertible Bond.

	Six months ended 30 June 2021 £m (unaudited)	Six months ended 30 June 2020 £m (unaudited)	Year ended 31 December 2020 £m (audited)
Finance income (Note 4)	**0.4**	0.8	1.2
Finance costs (Note 5 (i))	**(22.4)**	(23.1)	(46.8)
	(22.0)	(22.3)	(45.6)
Interest capitalised	**-**	-	0.7
	(22.0)	(22.3)	(44.9)
Amortisation of MedicX debt MtM on acquisition	**1.6**	1.5	3.1
Net finance costs	**(20.4)**	(20.8)	(41.8)

Notes to the condensed financial statements (continued)

6. Business combination

On 5 January 2021 the Group's management function was internalised by acquiring PHP Tradeco Holdings Limited (formerly Nexus Tradeco Holdings Limited) which is the holding company of its longstanding external property adviser PHP Tradeco Limited (formerly Nexus Tradeco Limited) and certain subsidiaries, including the primary care development business ("Nexus"). Primary Health Properties PLC acquired the entire issued ordinary share capital of PHP Tradeco Holdings Limited at a total cost of £34.1 million, including a termination payment of £29.0m.

The total cost was met by £16.5m payment in cash, and £17.6m satisfied by the issue of 11,485,080 new ordinary shares of 12.5 pence each in the share capital of PHP at a price on completion of 152.8 pence per share.

The acquisition of PHP Tradeco Holdings Limited, for a total fair value of consideration of £5.1m resulted in the transfer of certain assets and liabilities and the fair value of the net liabilities acquired was £1.2m resulting in a goodwill on acquisition of £6.3m.

The goodwill on acquisition of £6.3 million has been immediately impaired and together with the termination payment, £35.3 million has been recognised as an expense in the half year. Acquisition costs of £1.7 million have been recognised as an exceptional acquisition expense.

	Book value £m	Adjustments to fair value £m	Total fair value £m
Cash consideration	16.5	-	16.5
Equity instruments	17.6	-	17.6
Total cost	**34.1**	**-**	**34.1**
Less: Termination payment	-	-	(29.0)
Fair value of consideration paid	**-**	**-**	**5.1**
Fair value of net assets acquired			
Tangible fixed assets	0.1	-	0.1
Cash and cash equivalents	0.4	-	0.4
Trade and other debtors	1.2	-	1.2
Total assets	**1.7**	**-**	**1.7**
Trade creditors and other creditors	(1.4)	(1.1)	(2.5)
Amounts due to HMRC	(0.4)	-	(0.4)
Total liabilities	**(1.8)**	**(1.1)**	**(2.9)**
Fair value of net assets acquired	**(0.1)**	**(1.1)**	**(1.2)**
Termination payment and goodwill arising on acquisition			**35.3**

Notes to the condensed financial statements (continued)

7. 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 19% (2020: 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 30 June 2021.

The Group's activities in Ireland are conducted via Irish companies or 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 ICAV does not pay any Irish Corporation Tax on its trading or capital profits but a 20% withholding tax is paid on distributions to owners.

	Six months ended 30 June 2021 £m (unaudited)	Six months ended 30 June 2020 £m (unaudited)	Year ended 31 December 2020 £m (audited)
Taxation in the Condensed Group Statement of Comprehensive Income:			
Current tax			
UK corporation tax charge on non-property income	-	-	-
Irish corporation tax charge	-	-	(0.1)
Deferred tax on Irish activities	(0.6)	(0.1)	(0.3)
Taxation charge in the Condensed Group Statement of Comprehensive Income	**(0.6)**	**(0.1)**	**(0.4)**

Notes to the condensed financial statements (continued)

8. Earnings per share

Performance measures

In the tables below, we present earnings per share and net assets per share calculated in accordance with IFRS, 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

	30 June 2021 (unaudited)			30 June 2020 (unaudited)		
	IFRS earnings £m	Adjusted earnings £m	EPRA earnings £m	IFRS earnings £m	Adjusted earnings £m	EPRA earnings £m
Profit after taxation	71.4	71.4	71.4	39.5	39.5	39.5
Adjustments to remove:						
Revaluation gain on property portfolio	-	(66.9)	(66.9)	-	(10.5)	(10.5)
Profit on sale of land and property	-	-	-			
Fair value movement on derivatives	-	0.7	0.7	-	8.1	8.1
Fair value movement and issue costs on convertible bond	-	(0.5)	(0.5)	-	0.3	0.3
Taxation charge	-	0.6	0.6	-	0.1	0.1
Termination payment and goodwill impairment on acquisition of Nexus	-	35.3	6.3	-	-	-
Exceptional Nexus acquisition costs	-	1.7	1.7	-	-	-
Amortisation of MtM loss on debt acquired	-	(1.6)	-	-	(1.5)	-
Basic earnings	71.4	40.7	13.3	39.5	36.0	37.5
Dilutive effect of convertible bond	1.6	2.1	2.1	2.1	2.1	2.1
Diluted earnings	73.0	42.8	15.4	41.6	38.1	39.6

Number of shares

	million	million	million	million	million	million
Ordinary Shares	1,328.7	1,328.7	1,328.7	1,217.1	1,217.1	1,217.1
Dilutive effect of convertible bond	103.3	103.3	103.3	100.4	100.4	100.4
Diluted Ordinary Shares	1,432.0	1,432.0	1,432.0	1,317.5	1,317.5	1,317.5

Profit per share attributable to shareholders:

	IFRS pence	Adjusted pence	EPRA pence	IFRS pence	Adjusted pence	EPRA pence
Basic	5.4	3.1	1.0	3.2	3.0	3.1
Diluted	5.1	3.0	1.1	3.2	2.9	3.0

Notes to the condensed financial statements (continued)

8. Earnings per share (continued)

Earnings per share

	31 December 2020 (audited)		
	IFRS earnings £m	Adjusted earnings £m	EPRA earnings £m
Profit after taxation	112.0	112.0	112.0
Adjustments to remove:			
Revaluation gain on property portfolio	-	(51.3)	(51.3)
Profit on the sale of land	-	(0.1)	(0.1)
Fair value movement on derivatives	-	12.9	12.9
Fair value movement and issue costs on convertible bond	-	2.3	2.3
Taxation charge	-	0.4	0.4
Amortisation of MtM loss on debt acquired	-	(3.1)	-
Basic earnings	112.0	73.1	76.2
Dilutive effect of convertible bond	6.6	4.3	4.3
Diluted earnings	118.6	77.4	80.5

Number of shares

	million	million	million
Ordinary Shares	1,266.4	1,266.4	1,266.4
Dilutive effect of convertible bond	102.0	102.0	102.0
Diluted Ordinary Shares	1,368.4	1,368.4	1,368.4

Profit per share attributable to shareholders:

	IFRS pence	Adjusted pence	EPRA pence
Basic	8.8	5.8	6.0
Diluted	8.7	5.7	5.9

Notes to the condensed financial statements (continued)

8. Earnings per share (continued)

Net assets per share

	30 June 2021 (unaudited)			30 June 2020 (unaudited)		
	IFRS £m	Adjusted £m	EPRA £m	IFRS £m	Adjusted £m	EPRA £m
Net assets attributable to shareholders	1,466.9	1,466.9	1,466.9	1,239.0	1,239.0	1,239.0
Derivative interest rate swaps liability		(1.3)	(1.3)		19.3	19.3
Deferred tax		3.9	3.9		3.3	3.3
Cumulative convertible bond fair value movement		24.5	24.5		23.0	23.0
MtM on MedicX loans net of amortisation		40.7	-		43.9	-
Net tangible assets ("NTA")		1,534.7	1,494.0		1,328.5	1,284.6
Real estate transfer taxes			182.9			168.9
Net reinstatement value ("NRV")			1,676.9			1,453.5
Fixed rate debt and swap mark-to-market value			(49.6)			(111.3)
Deferred tax			(3.9)			(3.3)
Cumulative convertible bond fair value movement			(24.5)			(23.0)
Real estate transfer taxes			(182.9)			(168.9)
Net disposal value ("NDV")			1,416.0			1,147.0

Ordinary shares

	million	million	million	million	million	million
Diluted Ordinary Shares	1,330.2	1,330.2	1,330.2	1,217.7	1,217.7	1,217.7

Basic net asset value per share[1]

	IFRS pence	Adjusted pence	EPRA pence	IFRS pence	Adjusted pence	EPRA pence
Net tangible assets ("NTA")	110.3	115.4	112.3	101.8	109.1	105.5
Net reinstatement value ("NRV")			126.1			119.4
Net disposal value ("NDV")			106.4			94.2

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]

	IFRS pence	Adjusted pence	EPRA pence	IFRS pence	Adjusted pence	EPRA pence
Net tangible assets ("NTA")	110.3	117.5	114.7	101.8	112.2	108.8
Net reinstatement value ("NRV")			127.4			121.7
Net disposal value ("NDV")			109.2			100.1

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 145.21 pence (30 June 2020: 149.39 pence) (31 December 2020: 147.10 pence).

Notes to the condensed financial statements (continued)

8. Earnings per share (continued)

Net assets per share

	31 December 2020 (audited)		
	IFRS £m	Adjusted £m	EPRA £m
Net assets attributable to shareholders	1,414.4	1,414.4	1,414.4
Derivative interest rate swaps liability		0.1	0.1
Deferred tax		3.5	3.5
Cumulative convertible bond fair value movement		25.0	25.0
MtM on MedicX loans net of amortisation		42.3	-
Net tangible assets ("NTA")		1,485.3	1,443.0
Real estate transfer taxes			174.7
Net reinstatement value ("NRV")			1,617.7
Fixed rate debt and swap mark-to-market value			(88.0)
Deferred tax			(3.5)
Cumulative convertible bond fair value movement			(25.0)
Real estate transfer taxes			(174.7)
Net disposal value ("NDV")			1,326.5

Ordinary shares

	million	million	million
Diluted Ordinary Shares	1,315.6	1,315.6	1,315.6

Basic net asset value per share[1]

	IFRS pence	Adjusted pence	EPRA pence
Net tangible assets ("NTA")	107.5	112.9	109.7
Net reinstatement value ("NRV")			123.0
Net disposal value ("NDV")			100.8

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]

	IFRS pence	Adjusted pence	EPRA pence
Net tangible assets ("NTA")	107.5	115.4	112.4
Net reinstatement value ("NRV")			124.7
Net disposal value ("NDV")			104.2

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 145.21 pence (30 June 2020: 149.39 pence) (31 December 2020: 147.10 pence).

Notes to the condensed financial statements (continued)

8. Earnings per share (continued)

Conversion of the convertible bond would result in the issue of 103.3 million (31 December 2020: 102.0 million) new Ordinary Shares. The IFRS net asset value and EPRA NDV would increase by £174.4 million (31 December 2020: £175.0 million) and the EPRA NTA, Adjusted NTA and EPRA NRV would increase by £150.0 million (31 December 2020: £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.

9. Dividends

	Six months ended 30 June 2021 £m (unaudited)	Six months ended 30 June 2020 £m (unaudited)	Year ended 31 December 2020 £m (audited)
Quarterly interim dividend paid 26 February 2021	**18.6**	-	-
Scrip dividend in lieu of quarterly cash dividend 26 February 2021	**1.9**	-	-
Quarterly interim dividend paid 21 May 2021	**17.8**	-	-
Scrip dividend in lieu of quarterly cash dividend 21 May 2021	**2.8**	-	-
Quarterly interim dividend paid 22 February 2020	**-**	16.9	-
Scrip dividend in lieu of quarterly cash dividend 22 February 2020	**-**	1.0	-
Quarterly interim dividend paid 24 May 2020	**-**	16.8	-
Scrip dividend in lieu of quarterly cash dividend 24 May 2020	**-**	1.2	-
Quarterly interim dividend paid 21 February 2020	-	-	16.9
Scrip dividend in lieu of quarterly cash dividend 21 February 2020	-	-	1.0
Quarterly interim dividend paid 22 May 2020	-	-	16.9
Scrip dividend in lieu of quarterly cash dividend 22 May 2020	-	-	1.1
Quarterly interim dividend paid 21 August 2020	-	-	16.4
Scrip dividend in lieu of quarterly cash dividend 21 August 2020	-	-	1.5
Quarterly interim dividend paid 20 November 2020	-	-	18.9
Scrip dividend in lieu of quarterly cash dividend 20 November 2020	-	-	0.6
Total dividends distributed	**41.1**	**35.9**	**73.3**
Per share	**3.1p**	**2.95p**	**5.9p**

The Company will pay a third interim dividend of 1.55 pence per Ordinary Share for the year ending 31 December 2021, payable on 20 August 2021. This dividend will comprise wholly of a Property Income Distribution ("PID") of 1.55 pence and no ordinary dividend.

Notes to the condensed financial statements (continued)

10. Investment properties and investment properties under construction

	Investment properties freehold[1] £m	Investment long leasehold £m	Investment properties under construction £m	Total £m
As at 1 January 2021 (audited)	2,061.3	491.4	23.4	2,576.1
Property additions	6.1	0.8	13.0	19.9
Transfer from properties in the course of development	14.1	-	(14.1)	-
Impact of lease incentive adjustment	0.8	0.2	(0.4)	0.6
Foreign exchange movements	(6.4)	(1.6)	(0.3)	(8.3)
Revaluations for the period	46.6	19.1	1.2	66.9
As at 30 June 2021 (unaudited)	**2,122.5**	**509.9**	**22.8**	**2,655.2**

[1] Includes development land held at £0.9m (31 December 2020: £0.9m)

	Total £m
Fair value per LSH UK valuation	1,308.6
Fair value of JLL UK valuation	1,142.0
Fair value of CBRE Ireland valuation	200.1
	2,650.7
Ground rents recognized as finance leases	4.5
Fair value 30 June 2021 (unaudited)	**2,655.2**

The investment properties have been independently valued at fair value by Lambert Smith Hampton ("LSH"), Jones Lang LaSalle ("JLL") and CBRE Chartered Surveyors and Valuers ("CBRE"), 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 Valuation Global Standards 2017 ("Red Book"). There were no changes to the valuation techniques during the period. 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 COVID-19 pandemic has led to a heightened degree of uncertainty surrounding the valuation of certain property sub-sectors. In the UK and Ireland, the valuers have not included any material uncertainty clauses in their valuation reports.

The properties are 99.7% let (31 December 2020: 99.6%). The valuations reflected a 4.70% net initial yield (31 December 2020: 4.81%). 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 valuer.

Notes to the condensed financial statements (continued)

10. Investment properties and investment properties under construction (continued)

In accordance with IAS 40, investment properties under construction have also been valued at fair value by the independent valuers. In determining the fair value, the valuer is 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 valuer has 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 £18.3m (31 December 2020: £32.1m) 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 £10.7m (30 June 2020: £8.4m; 31 December 2020: £7.5m) which have not been provided for in the financial statements.

Right-of-use-assets

In accordance with IFRS 16 *Leases*, the Group has recognised a £4.5m head lease liability and an equal and opposite ground rents recognised as finance leases 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 30 June 2021 and 31 December 2020. There were no transfers between levels during the period or during 2020. 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 (observable inputs either directly, i.e. as prices, or indirectly, i.e. derived from prices).

11. Cash and cash equivalents

	30 June 2021 £m (unaudited)	31 December 2020 £m (audited)
Cash held at bank	**72.5**	103.6

Notes to the condensed financial statements (continued)

12. Borrowings: term loans and overdrafts

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

	Expiry date	Facility		Amounts drawn		Undrawn	
		30 June 2021 £m	31 December 2020 £m	**30 June 2021 £m**	31 December 2020 £m	**30 June 2021 £m**	31 December 2020 £m
Current							
RBS Overdraft	**Jun 2021**	**5.0**	5.0	**-**	-	**5.0**	5.0
RBS loan	**Mar 2022**	**100.0**	-	**66.6**	-	**33.4**	-
Santander	**Jul 2021**	**30.6**	30.6	**-**	-	**30.6**	30.6
Aviva HIL loan	**Jan 2032**	**1.0**	1.0	**1.0**	1.0	**-**	-
Aviva loan[1]	**Sep 2033**	**2.1**	2.0	**2.1**	2.0	**-**	-
Aviva loan[1]	**Jun 2040**	**0.7**	0.7	**0.7**	0.7	**-**	-
Aviva loan	**Aug 2029**	**2.7**	2.7	**2.7**	2.7	**-**	-
		142.1	42.0	**73.1**	6.4	**69.0**	35.6
Non-current							
Aviva HIL loan	**Jan 2032**	**18.9**	19.4	**18.9**	19.4	**-**	-
Aviva loan	**Dec 2022**	**25.0**	25.0	**25.0**	25.0	**-**	-
Aviva loan	**Nov 2028**	**75.0**	75.0	**75.0**	75.0	**-**	-
Aviva loan	**Aug 2024**	**50.0**	50.0	**50.0**	50.0	**-**	-
Aviva loan	**Aug 2029**	**56.0**	57.3	**56.0**	57.3	**-**	-
Barclays loan	**Dec 2023**	**100.0**	100.0	**-**	-	**100.0**	100.0
HSBC loan	**Nov 2022**	**100.0**	100.0	**-**	-	**100.0**	100.0
Lloyds loan	**Oct 2023**	**50.0**	50.0	**27.6**	28.8	**22.4**	21.2
RBS loan	**Mar 2022**	**-**	100.0	**--**	59.4	**-**	40.7
Santander loan	**Jul 2021**	**-**	-	**-**	-	**-**	-
Aviva loan[1]	**Sep 2033**	**226.3**	227.4	**226.3**	227.4	**-**	-
Aviva loan[1]	**Sep 2028**	**30.8**	30.8	**30.8**	30.8	**-**	-
Aviva loan[1]	**Jun 2040**	**23.8**	24.1	**23.8**	24.1	**-**	-
		755.8	859.0	**533.4**	597.2	**222.4**	261.9
Total		**897.9**	**901.0**	**606.5**	**603.6**	**291.4**	**297.5**

[1] Acquired as part of the merger with MedicX.

At 30 June 2021, total facilities of £1,449.1m (31 December 2020: £1,456.8m) were available to the Group. This included term loan facilities and the bonds in note 13. Of these facilities, as at 30 June 2021, £1,157.7m was drawn (31 December 2020: £1,159.3m).

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

12. Borrowings: term loans and overdrafts (continued)

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

	30 June 2021 £m (unaudited)	31 December 2020 £m (audited)
Term loans drawn: due within one year	**6.5**	6.4
Term loans drawn: due in greater than one year	**600.0**	597.2
Total term loans drawn	**606.5**	603.6
Plus: MtM on loans net of amortisation	**35.3**	36.6
Less: unamortised borrowing costs	**(9.9)**	(10.2)
Total term loans per the Condensed Group Balance Sheet	**631.9**	630.0

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

13. Borrowings: Bonds

	30 June 2021 £m (unaudited)	31 December 2020 £m (audited)
Unsecured		
Convertible bond July 2025 at fair value	174.4	175.0
Less: unamortised costs	-	-
Total unsecured bonds	**174.4**	175.0
Secured		
Secured Bond December 2025	70.0	70.0
Secured Bond March 2027	100.0	100.0
€51m Secured Bond (Euro private placement) December 2028/30	43.7	45.6
€70 million secured bond (Euro private placement) September 2031	60.0	62.6
Ignis loan note December 2028	50.0	50.0
Standard Life loan note September 2028	77.5	77.5
Less: unamortised issue costs	(3.3)	(3.6)
Plus: MtM on loans net of amortization	5.5	5.8
Total secured bonds	**403.4**	407.9
Total bonds	**577.8**	582.9

Notes to the condensed financial statements (continued)

13. Borrowings: Bonds (continued)

Secured Bonds

On 18 December 2013, PHP successfully listed the floating rate guaranteed secured bonds issued on 4 November 2013 (the "Secured Bonds") on the London Stock Exchange. The Secured Bonds have a nominal value of £70m and mature on or about 30 December 2025. The Secured Bonds incur interest on the paid-up amount at an annualised rate of 220 basis points above six-month LIBOR, payable semi-annually in arrears.

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

On 20 December 2018, senior secured notes for a total of €51 million (£43.7 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 million 2.46% senior notes due December 2028.
- €11 million 2.633% senior notes due December 2030.

On 16 September 2019, new senior secured notes for a total of €70 million (£60.0 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.

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 incurs a fixed coupon of 3.99% payable semi-annually in arrears and matures on 1 December 2028.

The Standard Life loan note matures on 30 September 2028 and is split into two tranches, £50m and £27.5m 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 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 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 was adjusted to 145.21 pence as at 30 June 2021.

Notes to the condensed financial statements (continued)

13. Borrowings: Bonds (continued)

Convertible Bond

	30 June 2021 (unaudited) £m	31 December 2020 (audited) £m
Opening balance – fair value	**175.0**	172.7
Cumulative fair value movement in Convertible Bond	**(0.6)**	2.3
Closing balance – fair value	**174.4**	175.0

The fair value of the Convertible Bond at 30 June 2021 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).

14. 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.

	30 June 2021 (unaudited) £m	31 December 2020 (audited) £m
Due within one year	**0.1**	0.1
Due after one year	**4.4**	4.4
Closing balance – fair value	**4.5**	4.5

Notes to the condensed financial statements (continued)

15. Derivatives and other financial instruments

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

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

	Interest rate swaps not hedge accounted for £m	Total £m
Assets		
As at 1 January 2021 (audited)	-	-
Fair value movement in the period	1.3	1.3
As at 30 June 2021 (unaudited)	1.3	1.3
Liabilities		
As at 1 January 2021 (audited)	(0.1)	(0.1)
Fair value movement in the period	0.1	0.1
As at 30 June 2021 (unaudited)	-	-
Total – derivative financial instruments		
As at 1 January 2021 (audited)	(0.1)	(0.1)
Fair value movement in the period	1.4	1.4
As at 30 June 2021 (unaudited)	1.3	1.3

Notes to the condensed financial statements (continued)

16. Financial risk management

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

	Book value 30 June 2021 (unaudited) £m	**Fair value 30 June 2021 (unaudited) £m**	Book value 31 December 2020 (audited) £m	Fair value 31 December 2020 (audited) £m
Financial assets				
Trade and other receivables	**14.9**	**14.9**	17.4	17.4
Effective interest rate swaps	**-**	**-**	-	-
Ineffective interest rate swaps	**1.3**	**1.3**	-	-
Cash and short-term deposits	**72.5**	**72.5**	103.6	103.6
Financial liabilities				
Interest-bearing loans and borrowings	**(1,157.7)**	**(1,209.7)**	(1,159.3)	(1,212.8)
Effective interest rate swaps	**-**	**-**	-	-
Ineffective interest rate swaps (net)	**-**	**-**	(0.1)	(0.1)
Trade and other payables	**(31.1)**	**(31.1)**	(34.7)	(34.7)

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

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

The Group held the following financial instruments at fair value at 30 June 2021. The Group has no financial instruments with fair values that are determined by reference to significant unobservable inputs, i.e. those that would be classified as level 3 in the fair value hierarchy, nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

Notes to the condensed financial statements (continued)

16. Financial risk management (continued)

Fair value measurements at 30 June 2021 are as follows:

Recurring fair value measurements	**Level 1[1] £m**	**Level 2[2] £m**	**Level 3[3] £m**	**Total £m**
Financial assets				
Derivative interest rate swaps	**-**	**1.3**	**-**	**1.3**
Financial liabilities				
Derivative interest rate swaps	**-**	**-**	**-**	**-**
Convertible Bond	**(174.4)**	**-**	**-**	**(174.4)**
Fixed rate debt	**-**	**(935.2)**	**-**	**(935.2)**

Fair value measurements at 31 December 2020 were as follows:

Recurring fair value measurements	Level 1[1] £m	Level 2[2] £m	Level 3[3] £m	Total £m
Financial assets				
Derivative interest rate swaps	-	-	-	-
Financial liabilities				
Derivative interest rate swaps	-	(0.1)	-	(0.1)
Convertible Bond	(175.0)	-	-	(175.0)
Fixed rate debt	-	(981.5)	-	(981.5)

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

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

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

Notes to the condensed financial statements (continued)

17. Related party transactions

On 5 January 2021 the Group completed the acquisition of Nexus and internalised the management arrangements and consequently no further amounts are payable in relation to related party transactions described in the 2020 Annual Report. The fees payable to Nexus in prior periods, included in administrative expenses, are as follows:

	Six months ended 30 June 2021 £m (unaudited)	Six months ended 30 June 2020 £m (unaudited)	Year ended 31 December 2020 £m (audited)
Nexus	**0.1**	5.6	9.1

As at 30 June 2021, outstanding advisory fees payable to Nexus totalled £NIL (30 June 2020: £0.7m).

Further fees paid to Nexus in accordance with the Advisory Agreement for the period to 30 June 2021 of £NIL (30 June 2020: £0.1m) in respect of capital projects were capitalised in the period.

Service charge management fees paid to Nexus Ltd in the period, in connection with the Group's properties, totalled £NIL (30 June 2020: £0.2m).

Refer to Note 6 for further information on the Nexus acquisition.

18. Share capital

	30 June 2021 £m (unaudited)	30 June 2020 £m (unaudited)	31 December 2020 £m (audited)
Issued and fully paid Ordinary Shares at 12.5p each	**166.3**	152.2	164.4

At beginning of year	**164.4**	152.0	152.0
Scrip issues in lieu of cash dividends	**0.4**	0.2	0.3
Shares issued 5 January 2021	**1.5**	-	-
Shares issued 9 July 2020	**-**	-	12.1
	166.3	152.2	164.4

19. Merger and other reserves

	30 June 2021 £m (unaudited)	30 June 2020 £m (unaudited)	31 December 2020 £m (audited)
At beginning of year	**400.8**	398.6	398.6
Premium on shares issued for Nexus acquisition	**16.1**	-	-
Exchange gain on translation of foreign balances	**(2.3)**	3.0	2.2
	414.6	401.6	400.8

20. Special reserve

	30 June 2021 £m (unaudited)	30 June 2020 £m (unaudited)	31 December 2020 £m (audited)
At beginning of year	**-**	65.4	65.4
Dividends paid	**-**	(33.7)	(61.2)
Scrip issues in lieu of cash dividends	**-**	(2.2)	(4.2)
	-	29.5	-

The special reserve has arisen on previous issues of the Company's shares. It represents the share premium on the issue of the shares, net of expenses, from issues effected by way of a cash box mechanism.

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

As the special reserve is a distributable reserve, the dividends declared in previous periods were distributed from this reserve.

21. Subsequent events

There have been no significant events affecting the Company since the period ended 30 June 2021.

Notes to the condensed financial statements (continued)

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

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

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

By order of the Board

Steven Owen
Chairman
27 July 2021

Glossary of terms

Adjusted earnings is EPRA earnings excluding the exceptional contract termination payment 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.

Adviser is Nexus.

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.

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").

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 EPRA earnings.

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

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.

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 16.

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 16.

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 16.

EPRA net tangible assets ("NTA") (which has replaced the former EPRA net asset value alternative performance measure) are 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 16.

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 16.

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 valuer's opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

Gross rental income is the gross accounting rent receivable.

Group is Primary Health Properties PLC ("PHP") and its subsidiaries.

Glossary of terms (continued)

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

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

IFRS or **Basic net asset value per share ("IFRS NAV")** are 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.

JCRA is J.C. Rathbone Associates Limited (now part of Chatham).

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

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

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 ("MedicX") 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 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 rental income is the rental income receivable in the period after payment of direct property costs. Net rental income is quoted on an accounting basis.
NHSPS is NHS Property Services Limited, the company wholly owned and funded by the Department of Health, which, as of 1 April 2013, has taken on all property obligations formerly borne by Primary Care Trusts.

Parity value is calculated based on dividing the convertible bond value by the exchange price.

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

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

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

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

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

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

RICS is the Royal Institution of Chartered Surveyors.

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

Special reserve is a distributable reserve.

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

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

	£m
Net rental income	67.7
Revaluation surplus and profit on sales	66.9
	134.6
Opening property assets	2,576.1
Weighted additions in the period	11.3
	2,587.4
Total property return	**5.2%**

Glossary of terms (continued)

Total NAV 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.

	NAV
At 31 December 2020	112.9
At 30 June 2021	115.4
Increase / (decrease)	**2.5**
Add: Dividends paid	
22/02/2021 Q1 interim	1.55
21/05/2021 Q2 interim	1.55
Total shareholder return	**5.6**

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.