

# Primary Health Properties PLC

Interim results for the six months ended 30 June 2022



## Organic rental growth continuing to drive strong property returns in a turbulent market Uplift in NAV per share and dividend fully covered at 103%

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 2022 (the “period”).

### Harry Hyman, Chief Executive of PHP, commented:

“We are encouraged by the firmer tone of rental growth experienced in the period from the ongoing rent reviews and asset management projects successfully completed. Furthermore, with the majority of PHP’s debt either fixed or hedged for a weighted average period of just under eight years the Board remains confident that PHP can continue to deliver further earnings and dividend growth.

“Notwithstanding the outlook for longer-dated interest rates the investment market has remained robust in the first half of the year and we have continued to see further net initial yield compression in both the UK and Ireland.

“NHS initiatives to modernise and invest in the primary care estate support the important role that primary healthcare as a first line of defence must play to re-focus services away from over-burdened hospital settings, and to satisfy increased demand, driven by 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.”

### FINANCIAL AND OPERATIONAL HIGHLIGHTS

Income statement and financial metrics	Six months to 30 June 2022	Six months to 30 June 2021	Change
Net rental income <sup>1</sup>	£71.1m	£67.7m	+5.0%
Adjusted earnings <sup>1,2</sup>	£44.7m	£40.7m	+9.8%
Adjusted earnings per share <sup>1,2</sup>	3.4p	3.1p	+9.7%
IFRS profit for the period	£107.1m	£71.4m	
IFRS earnings per share <sup>2</sup>	8.0p	5.4p	
Total adjusted NTA return <sup>1</sup>	6.3%	5.0%	
<b>Dividends</b>			
Dividend per share <sup>5</sup>	3.25p	3.1p	+4.8%
Dividends paid <sup>5</sup>	£43.3m	£41.1m	+5.4%
Dividend cover <sup>1</sup>	103%	99%	
Balance sheet and operational metrics	30 June 2022	31 December 2021	Change
Adjusted NTA per share <sup>1,3</sup>	120.8p	116.7p	+3.5%
IFRS NTA per share <sup>1,3</sup>	117.6p	112.5p	+4.5%
<b>Property portfolio</b>			
Investment portfolio valuation <sup>4</sup>	£2.912bn	£2.796bn	+1.8%
Net initial yield (“NIY”) <sup>1</sup>	4.57%	4.64%	
Contracted rent roll (annualised) <sup>1,7</sup>	£144.2m	£140.7m	+1.3%
Weighted average unexpired lease term (“WAULT”) <sup>1</sup>	11.4 years	11.6 years	
Occupancy	99.7%	99.7%	
Rent-roll funded by government bodies <sup>1</sup>	89%	90%	
<b>Debt</b>			
Average cost of debt	3.0%	2.9%	
Loan to value ratio (“LTV”) <sup>1</sup>	43.1%	42.9%	
Weighted average debt maturity	7.8 years	8.2 years	
Total undrawn loan facilities and cash <sup>6,8</sup>	£290.6m	£321.2m	

<sup>1</sup> Definitions for net rental income, adjusted earnings, adjusted earnings per share, earnings per share (“EPS”), dividend cover, loan to value (“LTV”), net tangible assets (“NTA”), rent roll, NIY, WAULT, total adjusted NTA return and net asset value (“NAV”) are set out in the Glossary of Terms.

<sup>2</sup> See note 7, earnings per share, to the financial statements.

<sup>3</sup> See note 7, 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.

<sup>4</sup> 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. Includes assets held for sale.

<sup>5</sup> See note 8, dividends, to the financial statements.

<sup>6</sup> After deducting the remaining cost to complete contracted acquisitions, properties under development and asset management projects.

<sup>7</sup> Percentage contracted rent roll increase during the period is based on the annualised uplift achieved from all completed rent reviews and asset management projects.

<sup>8</sup> Pro-forma including asset acquisitions and disposals completed post period end.

## DELIVERING EARNINGS AND DIVIDEND GROWTH

- Adjusted earnings per share increased by 9.7% to 3.4p (30 June 2021: 3.1p)
- Contracted annualised rent roll increased by 2.5% to £144.2 million (31 December 2021: £140.7 million)
- Additional annualised rental income on a like-for-like basis of £1.8 million or 1.3% from rent reviews and asset management projects (H1 2021: £1.3 million or 1.0%; FY 2021: £2.4 million or 1.8%)
- EPRA cost ratio 10.5% (FY 2021: 9.3%), representing the lowest in the UK REIT sector
- Three quarterly dividends totalling 4.875 pence per share distributed or declared in the year-to-date equivalent to 6.5 pence per share on an annualised basis, a 4.8% increase over 2021 (6.2 pence per share) and marking the Company’s 26<sup>th</sup> consecutive year of dividend growth

## DELIVERING NET ASSET VALUE GROWTH

- Adjusted Net Tangible Assets (“NTA”) per share increased by 3.5% to 120.8 pence (31 December 2021: 116.7 pence)
- Property portfolio valued at £2.9 billion at 30 June 2022 (31 December 2021: £2.8 billion) reflecting a net initial yield of 4.57% (31 December 2021: 4.64%)
- Revaluation surplus in the period of £51.2 million (30 June 2021: £66.9 million), representing growth of 1.8% (30 June 2021: 2.6%) with approximately half of the valuation surplus coming from rental growth driven by rent reviews and asset management projects
- Post period end disposal of 13 smaller assets for £27.7 million, sale price was 13% above 31 December 2021 book values and represented 60 bps of yield compression
- Strong pipeline of targeted acquisitions, developments and asset management projects with a value of approximately £187 million in the UK and £98 million (€114 million) in Ireland of which £123 million and £43 million (€50 million) is in legal due diligence in both countries
- Portfolio in Ireland now comprises 20 assets, valued at £228 million (€265 million) (31 December 2021: £213 million / €253 million)
- The portfolio’s metrics continue to reflect the Group’s secure, long-term and predictable income stream with occupancy at 99.7% (31 December 2021: 99.7%) and a WAULT of 11.4 years (31 December 2021: 11.6 years)
- Strong progression of asset management projects with 14 completed in the period and a further 8 currently on-site, investing £14.9 million, creating additional rental income of £0.3 million per annum and extending the weighted average unexpired lease term (WAULT) back to over 20 years

## DELIVERING FINANCIAL MANAGEMENT

- LTV ratio 43.1% (31 December 2021: 42.9%), towards the lower end of the Group’s targeted range of between 40% to 50%
- Including post period end transactions 95% of net debt fixed or hedged for a weighted average period of just under eight years
- Weighted average debt maturity 7.8 years (31 December 2021: 8.2 years)
- Significant liquidity headroom with cash and collateralised undrawn loan facilities totalling £290.6 million (31 December 2021: £321.2 million) after capital commitments and including post-period end transactions
- €75 million private placement loan note issued in the period for a 12-year term at a fixed rate of 1.64% to finance continued expansion in Ireland

## DELIVERING STRONG TOTAL RETURNS

	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
Adjusted NTA return	6.3%	5.0%	8.9%
Income return	2.5%	2.6%	5.2%
Capital return	1.8%	2.6%	4.3%
Total property return <sup>1</sup>	4.3%	5.2%	9.5%

<sup>1</sup> The definition for total property return is set out in the Glossary of Terms.

## DELIVERING RESPONSIBLE BUSINESS AND ESG

- As previously announced, Net Zero Carbon (“NZC”) Framework published with the five key steps the Group is taking to achieve the ambitious target of being NZC by 2030 for all of PHP’s operational, development and asset management activities
- Commenced construction of PHP’s first NZC development in West Sussex
- All developments completed in the period achieved BREEAM rating of Excellent or Very Good and all asset management projects completed met EPC target of B or above
- Published PHP’s Levelling- Up Impact Report, as part of the Purpose Coalition, detailing of the work PHP is doing to level-up both locally and nationally, and its strategy going forward

### Presentation and webcast:

An in-person presentation for analysts will be held on the day at 10am at the offices of Buchanan: 107 Cheapside, London EC2V 6DN. For those who cannot attend in person, the meeting will be accessible via live video webcast and a live conference call facility. Following the presentation, there will be a managed Q&A session.

To access the briefing, please log on or dial in shortly before 10am via the details below:

**Webcast:** <https://stream.brrmedia.co.uk/broadcast/62b982f471203e42c1fbee33>

**UK Toll-free Dial In:** +44 (0)330 165 4012

**Participant PIN code:** 2633375

If you would like to join the briefing, please contact Buchanan via [php@buchanan.uk.com](mailto: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:

Harry Hyman	Richard Howell
Primary Health Properties PLC	Primary Health Properties PLC
T +44 (0) 7973 344768	T +44 (0) 7766 072272
<a href="mailto:harry.hyman@phpgroup.co.uk">harry.hyman@phpgroup.co.uk</a>	<a href="mailto:richard.howell@phpgroup.co.uk">richard.howell@phpgroup.co.uk</a>

David Rydell/Steph Whitmore/Hannah Ratcliff/Verity Parker  
Buchanan  
T +44 (0) 20 7466 5066

## EXECUTIVE REVIEW

PHP is pleased to have continued to deliver a strong and robust operational and financial performance despite the ongoing volatility in the economic outlook because of persistent price inflation resulting in recent and rapid interest rate increases along with the outlook for longer-dated interest rates stemming from global supply issues, BREXIT, COVID-19, higher wage pressures and the on-going war in the Ukraine. The Group's portfolio has continued to demonstrate strong resilience throughout the first half of 2022. The security and longevity of our income are important drivers of our predictable income stream and underpin our progressive dividend policy and we are now in our 26<sup>th</sup> year of continued dividend growth.

We are encouraged by the firmer tone of rental growth experienced in the period from the rent reviews and asset management projects completed, and with the majority of PHP's debt either fixed or hedged for a weighted average period of just under eight years, we remain confident that adjusted earnings growth will not be negatively impacted in future periods.

Notwithstanding the outlook for longer-dated interest rates the investment market has remained robust in the first half of the year and we have continued to see further net initial yield compression in both the UK and Ireland. We have taken advantage of the strong prices in the market to dispose of a portfolio of 13 medical centres, for £27.7 million post period end, which comprise smaller facilities significantly below our average lot size.

The interest rate outlook has also caused us to reconsider a number of pipeline acquisitions and we have selectively acquired just three standing investments for £48.8 million, including one post-period end. We also commenced construction of PHP's first Net Zero Carbon development at Croft, West Sussex with a development value of £6.8 million. We believe that significant yield compression in our sector has probably run its course and therefore it is the improving rental growth outlook that will be the principal driver to maintaining and increasing values in future periods.

Including post period end activity, the property portfolio currently stands at just under £2.9 billion across 512 assets, including 20 in Ireland, with a rent roll of £142.8 million.

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 recent global health crisis. Many of our primary care facilities and occupiers will need to deal with the backlog of procedures missed over the last three years and will be required to deliver COVID-19 vaccines for many years to come. 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 particularly in primary care, evolve and deal with the pressures placed on them.

### Overview of results

PHP's Adjusted earnings increased by £4.0 million or 9.8% to £44.7 million (30 June 2021: £40.7 million) in the six months to 30 June 2022, driven by strong organic rental growth from rent reviews and asset management projects together with interest cost savings arising from various refinancing's completed in 2021 and the first half of 2022. Using the weighted average number of shares in issue in the period the Adjusted earnings per share increased to 3.4 pence (30 June 2021: 3.1 pence), an increase of 9.7%.

A revaluation surplus of £51.2 million (30 June 2021: £66.9 million) was generated in the period from the portfolio, equivalent to 3.8 pence per share. Encouragingly, approximately half of the valuation surplus came from rental growth driven by rent reviews and asset management projects completed in the period and the remainder from further net initial yield compression in the UK and Ireland.

The robust performance in the period has delivered a total adjusted NTA return of 6.3% (30 June 2021: 5.0%).

Rent reviews and asset management projects completed in the period added £1.8 million or 1.3% (H1 2021: £1.3 million or 1.0%; FY 2021: £2.4 million or 1.8%) to the contracted rent roll with continued positive momentum on the number of rent reviews being settled.

Rental growth from rent reviews settled in the period resulted in an uplift of £1.5 million per annum or 6.1% which equates to 3.0% per annum continuing the positive trend in rental growth over the last two years

The portfolio's average lot size has increased to £5.5 million and we continue to maintain our strong property metrics, with a long weighted average unexpired lease term ("WAULT") of 11.4 years, high occupancy at 99.7% and 89% of our rent funded directly or indirectly by the UK and Irish governments.

### **Dividends and total shareholder return**

The Company distributed a total of 3.25p per share in the six months to 30 June 2022, equivalent to 6.5 pence on an annualised basis, which represents an increase of 4.8% over the dividend distributed per share in 2021 of 6.2 pence.

A third quarterly interim dividend of 1.625 pence per share was declared on 30 June 2022. The dividend will be paid on 19 August 2022 to shareholders who were on the register at the close of business on 8 July 2022. The dividend will comprise a normal dividend of 0.825 pence and a property income distribution of 0.8 pence per share. The Company intends to maintain its strategy of paying a progressive dividend, which is paid in equal quarterly instalments, and covered by underlying earnings in each financial year. A further interim dividend payment is planned to be made in November 2022, which is expected to comprise a mixture of both property income distribution and normal dividend.

The total value of dividends distributed in the period increased by 5.4% to £43.3 million (30 June 2021: £41.1 million), which were fully covered by Adjusted earnings. Dividends totalling £1.7 million were satisfied through the issuance of shares via the scrip dividend scheme.

The Company's share price started the year at 151.4p per share and closed on 30 June 2022 at 136.3p, a decrease of 10.0%. Including dividends, those shareholders who held the Company's shares throughout the period achieved a Total Shareholder Return of -7.8% (30 June 2021: +2.7%). This compares to the total return delivered by UK real estate equities (FTSE EPRA Nareit UK Index) of -21.2% (30 June 2021: +15.5%) and the wider UK equity sector (FTSE All-Share Index) of -4.8% (30 June 2021: +9.6%) in the period.

### **Environmental, Social and Governance ("ESG")**

PHP has a strong commitment to responsible business and ESG matters are at the forefront of the Board's and our various stakeholders' considerations and the Group has committed to transitioning to net zero carbon ("NZC"). We have commenced construction of PHP's first NZC development in the first half of 2022 and published, at the start of the year, a NZC Framework with the five key steps we are taking to achieve an ambitious target of being NZC by 2030 for all of PHP's operational, development and asset management activities and to help our occupiers achieve NZC by 2040, five years ahead of the NHS's target of becoming the world's first net zero carbon national health system by 2045 for the emissions it can influence and 10 years ahead of the UK and Irish Governments' targets of 2050. Further details on our progress in the year to date and approach to responsible business can be found on pages 15 to 16, the 2021 Annual Report and on our website.

### **Board changes**

Following a review of the composition of the Board in 2021, Ivonne Cantú was appointed as an independent Non-Executive director of the Company with effect from 1 January 2022.

Peter Cole, Non-Executive Director and Chair of the Remuneration Committee, retired from the Board at the

Company's Annual General Meeting ("AGM") in April 2022 and Ivonne Cantú took over as Chair of the Remuneration Committee following the AGM.

The Board is grateful to Peter for his commitment and dedication to the Company and for chairing the Remuneration Committee, particularly during the process of internalising the management function in 2020 and the transition period in 2021.

### **Market update and outlook**

PHP's mission is to support the NHS, HSE and other healthcare providers, by being a leading investor in modern, primary care premises. Never has this been more important as the NHS seeks to work through the backlog of procedures created by the COVID-19 pandemic and the Government delivers its Levelling Up agenda. In the longer term, the ageing demographic of western populations means that health services will also be called upon to address more ongoing, complex, chronic co-morbidities. PHP stands ready to play its part in delivering the real estate infrastructure required to meet this need in the community.

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

In July 2021, the UK 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. This included 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 better outcomes for patients and to further development opportunities in primary care in the medium to long-term.

Despite the recent and rapid interest rate increases we have not seen any change in investor sentiment in our sector and the UK and Irish investment markets for primary healthcare property, with its strong fundamental characteristics and government-backed income, continues to be robust. However, we do not expect any further significant yield compression in the second half of the year as the market digests the outlook for longer-dated interest rates.

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

We look forward to the remainder of 2022 and beyond with confidence in our ability to create further stakeholder value.

**Steven Owen**

**Chairman**

26 July 2022

**Harry Hyman**

**Chief Executive Officer**

## BUSINESS REVIEW

### Investment and pipeline

In the first half of 2022 the primary care investment market has continued to remain robust despite the volatile economic outlook. Consequently, we have selectively invested in just three acquisitions and taken advantage of these market conditions to dispose of a portfolio of 13 smaller assets for £27.7 million post period end.

In April 2022, the Group acquired a large, state-of-the-art diagnostic centre in Chiswick let to HCA Healthcare for £34.5 million and a newly refurbished drug and alcohol rehabilitation facility in Chertsey for £7.0 million. Post period end, the Group acquired another medical centre in Newbury for £7.3 million.

Including standing investments, direct and forward funded developments and asset management projects, we have continued to generate and grow a strong pipeline totalling approximately £187 million in the UK and £98 million (€114 million) in Ireland of which £123 million and £43 million (€50 million) is in legal due diligence in both countries.

Pipeline	Number	UK	Ireland
Investment	6	£60m	£24m (€28m)
Direct development	7	£56m	-
Forward funded development	7	£19m	£74m (€86m)
Total acquisitions	20	£135m	£98m (€114m)
Asset management	50	£52m	-
Total pipeline	70	£187m	£98m (€114m)

Approximately 42% of the pipeline represents opportunities in Ireland which is our preferred area of investment due to the higher net initial yields and larger lot sizes.

### NZC direct developments

Over the course of the first half of 2022 the Group has continued to make good progress with the commencement of construction of the first NZC development at Croft Primary Care Centre, West Sussex with a development value of £6.8 million.

In addition, the Group has a significantly advanced pipeline across seven development projects with an estimated capital value of approximately £56 million (31 December 2021: six projects/£46 million). The Company expects to be on-site with two of these projects by the end of 2022, together with a wider medium-term pipeline at various stages of progress across seven projects with an estimated capital value of approximately £56 million.

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

### Forward funded developments

During the period, the forward funded development at Enniscorthy, County Wexford, Ireland achieved practical completion in March 2022. The scheme at Arklow, County Wicklow, Ireland is now substantially complete and due to achieve practical completion before the end of August 2022 at which stage we will not have any forward funded developments on-site. Both schemes have been built to Nearly Zero Energy Buildings (“nZEB”) standards in Ireland.

## Disposals

In July 2022, the Group exchanged contracts to dispose of a portfolio of 13 smaller medical centres, located across England and Wales, for a price of £27.7 million. The sale price was 13% above 31 December 2021 book values and represented 60bps of yield compression. Completion is expected to take place at the end of July 2022 and the proceeds from the sale will be deployed into our pipeline across the UK and Ireland which we believe can deliver stronger returns.

## Asset management

PHP's sector leading metrics continue to remain good 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 2022, the Group concluded and documented 192 rent reviews in the UK with a combined rental value of £24.4 million resulting in an uplift of £1.5 million per annum or 6.1% which equates to 3.0% per annum. This continues the positive trend in rental growth over the last two years (year ended 31 December 2021: 1.7% per annum with an uplift of £2.0 million; 31 December 2020: 1.8% per annum with an uplift of £1.7 million).

In the period, 1.4% per annum was achieved on 104 open market reviews including 24 reviews where no uplift was achieved. Uplifts of 5.9% per annum were achieved on RPI-based reviews and 3.0% per annum on fixed uplift reviews. In addition, a further 278 open market reviews were agreed in principle, which will add another £1.6 million to the contracted rent roll when concluded and represent an uplift of 1.3% per annum.

69% of our rents are reviewed on an open market basis, typically every three years, and the settlements achieved 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.

Approximately, one-third of indexed linked rent reviews are subject to cap and collars which typically range from 2% to 4% per annum.

At 30 June 2022, the rent at 633 tenancies, representing £85.4 million of passing rent (31 December 2021: 635 tenancies/£84.9 million), 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 completion of historic rent reviews and delivery of new properties into the sector. We continue to see positive momentum in the demand, commencement and delivery for new, purpose-built premises, which are being supported by NHS initiatives to modernise the primary care estate.

In Ireland, we concluded 9 mostly indexed based reviews adding a further £0.1 million (€0.1 million) equivalent to 2.7% per annum to the contracted rent roll.

## Asset Management Projects

We have continued to make good progress in the six months to 30 June 2022 to enhance and extend existing assets within the portfolio with 22 projects either completed or currently on-site. We have also completed a further 12 lease re-gears. The projects require the investment of £14.9 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 20 years as well as improving the ESG performance of the buildings.

PHP continues to work closely with its tenants who are seeking to extend and improve their facilities and has a strong pipeline of over 50 projects which are either Board approved or in advanced negotiations. The pipeline of projects will require the investment of approximately £52 million, generating an additional £1.6 million of rental income and extending the WAULT on those premises back to an average 20 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 2022 was £144.2 million, an increase of £3.5 million or 2.5% in the period (31 December 2021: £140.7 million) driven predominantly by £1.8 million organic rental growth from rent reviews and asset management projects. The acquisition of Chiswick and Chertsey contributed a further £1.7 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 89% 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 2022 was 11.4 years (31 December 2021: 11.6 years). Only £10.2 million or 7.1% of our income expires over the next three years of which c. 50% have agreed terms to renew and another 30% is in advanced discussions to renew their lease. £71.3 million or 49.4% 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	10.2	7.1%
4 – 5 years	11.2	7.7%
5 – 10 years	51.5	35.7%
10 – 15 years	37.0	25.7%
15 – 20 years	19.5	13.5%
> 20 years	14.8	10.3%
Total	144.2	100.0%

### Valuation and returns

At 30 June 2022, the Group's portfolio comprised 524 assets independently valued at £2.912 billion (31 December 2021: £2.796 billion). After allowing for acquisition costs and capital expenditure on developments and asset management projects, the portfolio generated a valuation surplus of £51.2 million or 1.8% (30 June 2021: £66.9 million or 2.6%). Encouragingly, approximately half of the valuation surplus came from rental growth driven by rent reviews and asset management projects completed in the period and the remainder from further net initial yield compression in the UK and Ireland.

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 7 bp in the period to 4.57% (31 December 2021: 4.64%). The true equivalent yield reduced to 4.66% at 30 June 2022, declining from 4.74% at 31 December 2021. The NIY on our portfolio continues to represent a premium over both the 10-year and 15-year UK gilts which traded at 2.22% and 2.56% respectively at 30 June 2022.

In Ireland, we completed the two developments under construction during the period and the portfolio now comprises 20 fully let assets, valued at £228.3 million or €265.2 million (31 December 2021: 20 assets/£213.0 million or €253.4 million). There are currently no developments under construction in Ireland.

The portfolio's average lot size has increased to £5.5 million (31 December 2021: £5.4 million) and 87.4% 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	60	966.6	33.2	16.1
£5m - £10m	140	964.1	33.2	6.9
£3m - £5m	154	611.5	21.0	4.0
£1m - £3m	165	360.8	12.4	2.2
< £1m (including land £1.5m)	5	4.7	0.2	0.6
Total <sup>1</sup>	524	2,907.7	100.0	5.5

<sup>1</sup> Excludes the £4.5m impact of IFRS 16 *Leases* with ground rents recognised as finance leases.

The underlying valuation uplift of £51.2 million, combined with the portfolio's growing income, helped to deliver a total property return of 4.3% in the six months to 30 June 2022 (30 June 2021: 5.2%).

	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
Income return	2.5%	2.6%	5.2%
Capital return	1.8%	2.6%	4.3%
Total return	4.3%	5.2%	9.5%

## FINANCIAL REVIEW

PHP's Adjusted earnings increased by £4.0 million or 9.8% to £44.7 million in the six months to 30 June 2022, compared to 30 June 2021 Adjusted earnings of £40.7 million. The increase in the period reflects six months of interest cost savings which came from a reduction on the Group's average cost of debt arising from various refinancing initiatives completed last year and at the start of 2022, strong organic rental growth from rent reviews and asset management along with investment activity over the last 12 months.

Using the weighted average number of shares in issue in the period the Adjusted earnings per share increased to 3.4p (30 June 2021: 3.1p), an increase of 9.7%.

A revaluation surplus of £51.2 million (30 June 2021: £66.9 million) was generated in the period from the portfolio with approximately 50% driven by rental growth from rent reviews and asset management projects and the remainder from further NIY compression both in the UK and Ireland.

A gain on the fair value of interest rate derivatives and convertible bonds of £10.4 million (30 June 2021 loss: £0.2 million), together with a gain on the amortisation of the fair value adjustment on the MedicX fixed rate debt at acquisition of £1.4 million (30 June 2021 gain: £1.6 million) contributed to the profit before tax as reported under IFRS of £107.7 million (30 June 2021: profit of £72.0 million).

The financial results for the Group are summarised as follows:

### Summarised results

	<b>Six months ended 30 June 2022</b>	Six months ended 30 June 2021	Year ended 31 December 2021
	£m	£m	£m
Net rental income	71.1	67.7	136.7
Administrative expenses	(5.5)	(5.0)	(10.5)
<b>Operating profit before revaluation gain and net financing costs</b>	<b>65.6</b>	62.7	126.2
Net financing costs	(20.9)	(22.0)	(43.0)
<b>Adjusted earnings</b>	<b>44.7</b>	40.7	83.2
Revaluation surplus on property portfolio and profit on sales	51.2	66.9	110.5
Fair value gain/(loss) on interest rate derivatives and convertible bond	10.4	(0.2)	1.6
Amortisation of MedicX debt MtM at acquisition	1.4	1.6	7.9
Termination payment and impairment of goodwill on acquisition of Nexus	-	(35.3)	(35.3)
Nexus acquisition costs	-	(1.7)	(1.7)
Exceptional item – early termination cost on refinancing of Aviva debt	-	-	(24.6)
<b>IFRS profit before tax</b>	<b>107.7</b>	72.0	141.6
Corporation tax	0.1	-	(0.1)
Deferred tax provision	(0.7)	(0.6)	(1.4)
<b>IFRS profit after tax</b>	<b>107.1</b>	71.4	140.1

Net rental income receivable in the six months to 30 June 2022 increased by 5.0% or £3.4 million to £71.1 million (30 June 2021: £67.7 million).

Administration expenses continue to be tightly controlled and the Group's EPRA cost ratio remains the lowest in the sector at 10.5% for the period. The £0.5 million increase in administration costs in the period is primarily due to increased staff costs arising from annual pay increases, additional staff recruited to assist with ESG, developments and property management, increases in employers' national insurance rates and improvements to the pension benefit offered to staff.

<b>EPRA cost ratio</b>	<b>Six months ended 30 June 2022</b>	Six months ended 30 June 2021	Year ended 31 December 2021
	<b>£m</b>	£m	£m
<b>Gross rent less ground rent and service charge income</b>	<b>73.5</b>	69.1	139.6
Direct property expense	5.7	4.0	8.9
Administrative expenses	5.5	5.0	10.5
Less: service charge costs	(3.2)	(2.4)	(5.8)
Less: ground rent	(0.1)	(0.2)	(0.2)
Less: other operating income	(0.2)	(0.2)	(0.4)
<b>EPRA costs (including direct vacancy costs)</b>	<b>7.7</b>	6.2	13.0
<b>EPRA cost ratio</b>	<b>10.5%</b>	9.0%	9.3%
<b>Total expense ratio - administrative expenses as a percentage of gross asset value (annualised)</b>	<b>0.4%</b>	0.4%	0.4%

Despite net debt increasing by £170.1 million since June 2021 because of continued investment, net finance costs in the period decreased by £1.1 million to £20.9 million (30 June 2021: £22.0 million) reflecting the reductions in the average cost of debt achieved in 2021 from various refinancing initiatives completed last year.

### Shareholder value

The Adjusted Net Tangible Assets (NTA), per share increased by 4.1 pence or 3.5% to 120.8 pence (31 December 2021: 116.7 pence per share) during the period with the revaluation surplus of £51.2 million or 3.8 pence per share being the main reason for the increase. Dividends distributed in the period were 103% covered by recurring Adjusted earnings resulting in a further 0.2 pence accretion to NTA.

The adjusted NTA return per share, including dividends distributed, in the six months ended 30 June 2022 was 7.3 pence or 6.3% (30 June 2021: 5.6 pence or 5.0%).

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

<b>Adjusted Net Tangible Asset (NTA) per share</b>	<b>30 June 2022 pence per share</b>	30 June 2021 pence per share	31 December 2021 pence per share
<b>Opening Adjusted NTA per share</b>	<b>116.7</b>	112.9	112.9
Adjusted earnings for the period	3.4	3.1	6.2
Dividends paid	(3.2)	(3.1)	(6.2)
Revaluation of property portfolio	3.8	5.0	8.3
Shares issued	0.1	0.1	0.2
Foreign exchange movements	-	(0.2)	(0.3)
Net impact of Nexus acquisition	-	(2.4)	(2.4)
Net impact of Aviva refinancing	-	-	(1.9)
Interest rate derivative cancellation	-	-	(0.1)
<b>Closing Adjusted NTA per share</b>	<b>120.8</b>	115.4	116.7
Fixed rate debt and swap mark-to-market value	3.2	(6.8)	(4.1)
Convertible bond fair value adjustment	(0.7)	(1.9)	(1.6)
Deferred tax	(0.4)	(0.3)	(0.3)
<b>Closing EPRA NDV per share</b>	<b>122.9</b>	106.4	110.7

## Financing

In February 2022, the Group issued a new €75 million (£64.6 million) secured private placement loan note to MetLife for a 12-year term at a fixed rate of 1.64%. The loan notes have the option to be increased by a further €75 million to €150 million over the next three years at the lender's discretion. The proceeds will be used to finance the Group's continued investment in Ireland.

The Group also renewed its existing revolving credit facility with Santander (£50 million) for an initial three-year term with options to extend by a further year at both the first and second anniversaries of the facility.

As at 30 June 2022, total available loan facilities were £1,553.3 million (31 December 2021: £1,550.5 million) of which £1,285.0 million (31 December 2021: £1,232.9 million) had been drawn. Cash balances of £29.7 million (31 December 2021: £33.4 million) resulted in Group net debt of £1,255.3 million (31 December 2021: £1,199.5 million). Contracted capital commitments at the balance sheet date totalled £27.8 million (31 December 2021: £29.8 million) and the proceeds from the sale of a portfolio of 13 assets post period end for £27.7 million less £7.3 million cost of a medical centre at Newbury, resulted in headroom available to the Group of £290.6 million (31 December 2021: £321.2 million).

Capital commitments comprise investment expenditure of £10.7 million, development expenditure of £5.3 million and asset management projects of £11.8 million.

Debt metrics	30 June 2022	31 December 2021
Average cost of debt – fully drawn	3.0%	2.7%
Average cost of debt – drawn	3.0%	2.9%
Loan to value	43.1%	42.9%
Interest cover	3.4 times	3.2 times
Weighted average debt maturity – drawn facilities	6.8 years	7.3 years
Weighted average debt maturity – all facilities	7.8 years	8.2 years
Total drawn secured debt	£1,135.0m	£1,082.9m
Total drawn unsecured debt	£150.0m	£150.0m
Total undrawn facilities and cash available to the Group <sup>1,2</sup>	£290.6m	£321.2m
Unfettered assets	£161.3m	£104.9m

<sup>1</sup> After deducting capital commitments.

<sup>2</sup> Pro-forma including sale proceeds from a portfolio of 13 assets sold post period end for £27.7 million less £7.3 million cost of medical centre Newbury.

## Average cost of debt

The Group's average cost of debt rose marginally as at 30 June 2022 to 3.0% (31 December 2021: 2.9%) following the recent and rapid increases in 3-month SONIA interest rates since the start of the year which are used to calculate interest on the unhedged element the Group's revolving credit facilities.

## Interest rate exposure

The analysis of the Group's exposure to interest rate risk in its debt portfolio as at 30 June 2022 is as follows:

	Facilities		Drawn	
	£ million	%	£ million	%
Fixed rate debt <sup>1</sup>	1,078.3	69.4	1,078.3	83.9
Hedged by fixed rate interest rate swaps	100.0	6.4	100.0	7.8
Hedged by fixed to floating rate interest rate swaps	(200.0)	(12.9)	(200.0)	(15.6)
Total fixed rate debt	978.3	62.9	978.3	76.1
Hedged by interest rate caps	200.0	12.9	200.0	15.6
Floating rate debt – unhedged	375.0	24.2	106.7	8.3
<b>Total</b>	<b>1,553.3</b>	<b>100.0</b>	<b>1,285.0</b>	<b>100.0</b>

## **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 2022 there was a gain of £0.9 million (30 June 2021: gain £1.5 million) on the fair value movement of the Group's interest rate derivatives due primarily to increases in interest rates assumed in the forward yield curves used to value the interest rate swaps. The mark-to-market ("MtM") asset value of the swap portfolio is £5.3 million (31 December 2021: asset £4.4 million) equivalent to 0.4 pence per share.

## **Currency exposure**

The Group owns €265.2 million or £228.3 million (31 December 2021: €253.4 million / £213.0 million) of Euro denominated assets in Ireland as at 30 June 2022 and the value of these assets and rental income represented 8% of the Group's total portfolio. In order to hedge the risk associated with exchange rates, the Group has chosen to fund its investment in Irish assets through the use of Euro denominated debt, providing a natural asset to liability hedge, within the overall Group loan to value limits set by the Board. At 30 June 2022 the Group had €196.0 million (31 December 2021: €186.5 million) of drawn euro denominated debt.

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

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

The MtM of the Group's fixed rate debt as at 30 June 2022 was an asset of £37.2 million (31 December 2021: liability £58.9 million) equivalent to 2.8 pence per share (31 December 2021: liability of 4.4 pence). The elimination of the MtM liability and creation of an asset during the period is due primarily to the significant 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.

## **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, in accordance with the dividend protection provisions in the terms of issue, 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 142.29 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 5.1% from 43.1% to 38.0% and result in the issue of 105.4 million new Ordinary Shares.

## **Alternative Performance Measures ("APMs")**

PHP uses Adjusted earnings and Adjusted net tangible assets 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 7 on pages 32 to 36. 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 2021 Annual Report.

## **Related party transactions**

Related party transactions are disclosed in note 16 to the condensed financial statements.

## **Responsible business - continued progress**

PHP aims to operate and manage our business in a way that enables positive social and environmental outcomes, whilst continuing to grow and deliver value to our stakeholders.

We have continued to deliver against our ESG commitments in the first half of 2022 and evolve our strategy, processes and plans to improve our ESG performance. As part of this, we have updated and strengthened our ESG policies, including those focused on equality, diversity and inclusion, business ethics, environmental and social impact and sustainable development and refurbishment. The new policies are available on our website and reflect our continued drive to improve what we do and how we do it.

We have continued to engage with investors and stakeholders on ESG and our decarbonisation plans and have for the third year taken part in the GRESB and have also responded to CDP for the first time which we see as a key benchmark going forward. We have also joined as a member of UK Green Building Council to support our own business and the wider built environment sector to tackle sustainability challenges.

## **Environmental impact**

We continue to make good progress on our net zero carbon framework commitments and are on track to reach our first milestone of net zero operations in 2023. We are also now on site with our first NZC development at Croft Medical Centre, West Sussex and continue to progress a strong pipeline of further NZC schemes.

We continue to modernise existing buildings and improve the environmental credentials of our existing portfolio through the asset management programme and have completed 14 projects in the period, improving EPC ratings to B from C or D. A further eight projects are currently on site and due to complete this year with a long pipeline of additional schemes where we continue to evaluate options for energy efficiency, renewable energy and net zero refurbishments.

As part of establishing the wider carbon impact of the buildings in our portfolio, we have also engaged with tenants and increased the visibility of their energy and carbon performance, increasing this to 70% of the portfolio.

## **Social Impact**

As a leading provider of modern primary care premises, we aim to create a lasting positive social impact, particularly in the health outcomes and wellbeing for the communities into which we invest.

As part of our Community Impact Fund, we have renewed our partnership with UK Community Foundations to target grants for social prescribing in the communities around our buildings. In 2022, we have chosen to target the most deprived regions across the North-West and North-East of England and are currently working with two community foundations in these regions.

PHP has also continued to play a key role in levelling-up the UK, working with the Purpose Coalition, on the development of a set of Levelling-up Goals focused on good health and wellbeing. The first impact report was launched in June 2022 and is available on our website.

## **People**

PHP recognises the importance of the welfare of our employees who work on behalf of the Group and are critical to its success. We have continued to support our employees' personal and professional development, improve the diversity and equal opportunities within the team and promote the highest levels of ethics,

conduct and inclusion.

**Harry Hyman**  
**Chief Executive Officer**

**Richard Howell**  
**Chief Financial Officer**

26 July 2022



## Principal risks and uncertainties

### Risk management overview

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

- investment focuses on the primary 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;
- debt funding is procured from a range of providers, maintaining a spread of maturities and a mix of terms, with interest costs either fixed or hedged across the majority of debt drawn;
- the Board funds its operations to maintain an appropriate mix of debt and equity; and
- the Group has a very small (£0.8m) 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 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 including interest rates and inflation together with 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 2022 Interim Results Announcement, and that the principal risks presented in the 2021 Annual report remain relevant for this period.

#### COVID-19

We continue to reassess the impact of the ongoing global pandemic, COVID-19, which has had no discernible impact on the Group's performance in the current period and prior year as we transitioned out of COVID-19 restrictions across the UK and Ireland. As a result of the above COVID-19 was removed as principal risk in 2021.

#### Increasing risks

The Board has continued to undertake a robust assessment of emerging and increasing risks faced by the Group. In particular, the volatile and deteriorating economic outlook because of persistent price inflation resulting in recent and rapid interest rate increases along with the outlook for longer-dated rates stemming from global supply issues, BREXIT, higher wage pressures and the on-going war in the Ukraine.

Whilst the above risks are already covered in the Principal Risks reported in the 2021 Annual Report the Board believes the risk of increasing longer-dated interest rates may negatively impact property valuations and interest costs in future periods.

## 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 / possible obsolescence of the Group's assets as a result of ESG initiatives or otherwise or deteriorating economic circumstances impact investment values – valuation parameter stress tested to provide for a one-off 10%/£290m fall in December 2022 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 2022, 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 2022 level, 6.5p 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**

### **Conclusion**

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 2022 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 19.

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 2022 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.

### **Basis for Conclusion**

We conducted our review in accordance with International Standard on Review Engagements (UK) 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

As disclosed in note 1, the annual financial statements of the group will be prepared in accordance with United Kingdom adopted international accounting 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".

### **Conclusion relating to Going Concern**

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE (UK), however future events or conditions may cause the entity to cease to continue as a going concern

### **Responsibilities of 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

In preparing the half-yearly financial report, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the review of the financial information**

In reviewing the half-yearly financial report, we are responsible for expressing to the group a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit

procedures, as described in the Basis for Conclusion paragraph of this report.

### **Use of our report**

This report is made solely to the company in accordance with International Standard on Review Engagements (UK) 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

26 July 2022

## Condensed Group Statement of Comprehensive Income

For the six months ended 30 June 2022

	Notes	Six months ended 30 June 2022 £m (unaudited)	Six months ended 30 June 2021 £m (unaudited)	Year ended 31 December 2021 £m (audited)
Rental income	2	76.8	71.7	145.6
Direct property expenses		(5.7)	(4.0)	(8.9)
<b>Net rental income</b>		<b>71.1</b>	67.7	136.7
Administrative expenses	3	(5.5)	(5.0)	(10.5)
Revaluation gain on property portfolio	9	51.2	66.9	110.2
Profit on sale of land		-	-	0.3
Total revaluation gain		51.2	66.9	110.5
<b>Operating profit</b>		<b>116.8</b>	129.6	236.7
Finance income	4	0.5	0.4	0.8
Finance costs	5	(20.0)	(20.8)	(35.9)
Exceptional early loan redemption finance cost	5	-	-	(24.6)
Termination payment and goodwill impairment on acquisition of Nexus		-	(35.3)	(35.3)
Exceptional Nexus acquisition costs		-	(1.7)	(1.7)
Fair value loss on derivative interest rate swaps and amortisation of cash flow hedging reserve	5	(1.4)	(0.7)	(1.8)
Fair value gain on convertible bond	5	11.8	0.5	3.4
<b>Profit before taxation</b>		<b>107.7</b>	72.0	141.6
Taxation charge	6	(0.6)	(0.6)	(1.5)
<b>Profit after taxation for the period/year<sup>1</sup></b>		<b>107.1</b>	71.4	140.1
<b>Other comprehensive income:</b>				
<b>Items that may be reclassified subsequently to profit and loss:</b>				
Fair value gain on interest rate swaps treated as cash flow hedges and amortisation of hedging reserve		2.2	2.2	4.5
Exchange gain/(loss) on translation of foreign balances		1.4	(2.3)	(3.4)
<b>Other comprehensive income/(loss) for the period net of tax<sup>1</sup></b>		<b>3.6</b>	(0.1)	1.1
<b>Total comprehensive income for the period net of tax<sup>1</sup></b>		<b>110.7</b>	71.3	141.2
<b>IFRS earnings per share</b>				
Basic	7	8.0p	5.4p	10.5p
Diluted	7	6.8p	5.1p	9.8p
<b>Adjusted earnings per share<sup>2</sup></b>				
Basic	7	3.4p	3.1p	6.2p
Diluted	7	3.3p	3.0p	6.1p

<sup>1</sup> Wholly attributable to equity shareholders of Primary Health Properties PLC

<sup>2</sup> See Glossary of Terms on pages 48 to 50.

The above relates wholly to continuing operations.

**Condensed Group Balance Sheet**  
**As at 30 June 2022**

		<b>30 June 2022</b>	30 June 2021	31 December 2021
	<b>Notes</b>	<b>£m (unaudited)</b>	<b>£m (unaudited)</b>	<b>£m (audited)</b>
<b>Non-current assets</b>				
Investment properties	9a	<b>2,887.2</b>	2,655.2	2,795.9
Derivative interest rate swaps	14, 15	<b>13.1</b>	1.3	5.2
Fixed assets		<b>0.5</b>	0.1	0.3
		<b>2,900.8</b>	2,656.6	2,801.4
<b>Current assets</b>				
Trade and other receivables		<b>18.3</b>	14.9	17.6
Cash and cash equivalents	10	<b>29.7</b>	72.5	33.4
Assets held for sale	9b	<b>25.0</b>	-	-
Development work in progress		<b>0.8</b>	-	0.7
		<b>73.8</b>	87.4	51.7
<b>Total assets</b>		<b>2,974.6</b>	2,744.0	2,853.1
<b>Current liabilities</b>				
Deferred rental income		<b>(29.6)</b>	(27.9)	(28.3)
Trade and other payables		<b>(45.5)</b>	(31.1)	(40.0)
Borrowings: term loans and overdraft	11	<b>(2.2)</b>	(73.1)	(2.2)
		<b>(77.3)</b>	(132.1)	(70.5)
<b>Non-current liabilities</b>				
Borrowings: term loans and overdraft	11	<b>(684.1)</b>	(558.8)	(700.2)
Borrowings: bonds	12	<b>(626.7)</b>	(577.8)	(572.8)
Derivative interest rate swaps	14, 15	<b>(7.8)</b>	-	(0.8)
Head lease liabilities	13	<b>(4.5)</b>	(4.5)	(4.5)
Deferred tax liability		<b>(5.3)</b>	(3.9)	(4.4)
		<b>(1,328.4)</b>	(1,145.0)	(1,282.7)
<b>Total liabilities</b>		<b>(1,405.7)</b>	(1,277.1)	(1,353.2)
<b>Net assets</b>		<b>1,568.9</b>	1,466.9	1,499.9
<b>Equity</b>				
Share capital	17	<b>166.8</b>	166.3	166.6
Share premium account		<b>476.3</b>	470.9	474.9
Merger and other reserves	18	<b>414.8</b>	414.6	413.5
Hedging reserve		<b>(13.3)</b>	(17.9)	(15.6)
Retained earnings		<b>524.3</b>	433.0	460.5
<b>Total equity<sup>1</sup></b>		<b>1,568.9</b>	1,466.9	1,499.9
<b>Basic net asset value per share</b>				
IFRS net assets – basic and diluted	7	<b>117.6</b>	110.3	112.5p
Adjusted net tangible assets <sup>2</sup> – basic	7	<b>120.8</b>	115.4	116.7p
Adjusted net tangible assets <sup>2</sup> – diluted	7	<b>122.4</b>	117.5	118.6p

<sup>1</sup> Wholly attributable to equity shareholders of Primary Health Properties PLC.

<sup>2</sup> See Glossary of Terms on pages 48 to 50.

**Condensed Group Cash Flow Statement**  
**For the six months ended 30 June 2022**

		Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
	Notes	£m (unaudited)	£m (unaudited)	£m (audited)
<b>Operating activities</b>				
Profit on ordinary activities after tax		107.1	71.4	140.1
Taxation charge	6	0.6	0.6	1.5
Finance income	4	(0.5)	(0.4)	(0.8)
Finance costs	5	20.0	20.8	35.9
Exceptional early loan redemption finance costs	5	-	-	24.6
Termination payment and goodwill impairment on acquisition of Nexus		-	35.3	35.3
Exceptional Nexus acquisition costs		-	1.7	1.7
Fair value loss on derivatives		1.4	0.7	1.8
Fair value gain on convertible bond		(11.8)	(0.5)	(3.4)
Operating profit before financing costs		116.8	129.6	236.7
<b>Adjustments to reconcile Group operating profit to net cash flows from operating activities:</b>				
Revaluation gain on property portfolio	9	(51.2)	(66.9)	(110.2)
Profit on sale of land and property		-	-	(0.3)
Long term incentive plan (LTIP)		0.1	0.1	0.2
Fixed rent uplift		(0.5)	(0.6)	(1.2)
Tax received/(paid)		0.1	(0.1)	(0.4)
(Increase)/decrease in trade and other receivables		(0.2)	2.8	(0.3)
(Decrease)/increase in trade and other payables		(15.1)	(0.5)	15.9
<b>Cash generated from operations</b>		<b>50.0</b>	<b>64.4</b>	<b>140.4</b>
<b>Net cash flow from operating activities</b>		<b>50.0</b>	<b>64.4</b>	<b>140.4</b>
<b>Investing activities</b>				
Payments to acquire and improve properties and fixed assets		(39.1)	(23.6)	(129.6)
Receipts from disposal of properties		-	-	0.3
Cash paid for acquisition of Nexus, including fees		-	(18.2)	(18.2)
Cash acquired as part of merger		-	-	0.4
Interest received on development loans		0.4	0.3	0.7
<b>Net cash flow used in investing activities</b>		<b>(38.7)</b>	<b>(41.5)</b>	<b>(146.4)</b>
<b>Financing activities</b>				
Costs of share issues		(0.1)	(0.1)	(0.1)
Term bank loan drawdowns		88.9	8.2	335.6
Term bank loan repayments		(103.5)	(3.6)	(252.8)
Proceeds from bond issue		62.9	-	-
Loan arrangement fees		(2.5)	(0.7)	(2.7)
Exceptional early loan redemption finance cost		-	-	(24.6)
Termination of derivative financial instruments		-	-	(1.9)
Non-utilisation fees		(1.1)	(0.9)	(1.8)
Interest paid		(19.1)	(20.0)	(40.9)
Swap interest received		0.9	-	-
Equity dividends paid net of scrip dividend	8	(41.6)	(36.4)	(74.4)
<b>Net cash flow used in financing activities</b>		<b>(15.2)</b>	<b>(53.5)</b>	<b>(63.6)</b>
<b>Increase in cash and cash equivalents</b>		<b>(3.9)</b>	<b>(30.6)</b>	<b>(69.6)</b>
Effect of exchange rate fluctuations on Euro denominated loans and cash equivalents		0.2	(0.5)	(0.6)
Cash and cash equivalents at start of period/year		33.4	103.6	103.6
<b>Cash and cash equivalents at end of period/year</b>	10	<b>29.7</b>	<b>72.5</b>	<b>33.4</b>

**Condensed Group Statement of Changes in Equity**  
**For the six months ended 30 June 2022 (unaudited)**

**Six months ended 30 June 2022 (unaudited)**

	Share capital £m	Share premium £m	Merger & other reserves £m	Hedging reserve £m	Retained earnings £m	Total £m
<b>1 January 2022</b>	166.6	474.9	413.5	(15.6)	460.5	1,499.9
Profit for the period	-	-	-	-	107.1	107.1
<b>Other comprehensive income</b>						
Exchange gain on translation of foreign balances	-	-	1.3	-	-	1.3
Amortisation of hedging reserve	-	-	-	2.3	-	2.3
<b>Total comprehensive income</b>	-	-	1.3	2.3	107.1	110.7
Share issue expenses	-	(0.1)	-	-	-	(0.1)
Shares based awards (LTIP)	-	-	-	-	-	-
Dividends paid	-	-	-	-	(41.6)	(41.6)
Scrip dividend in lieu of cash	0.2	1.5	-	-	(1.7)	-
<b>30 June 2022</b>	<b>166.8</b>	<b>476.3</b>	<b>414.8</b>	<b>(13.3)</b>	<b>524.3</b>	<b>1,568.9</b>

**Six months ended 30 June 2021 (unaudited)**

	Share capital £m	Share premium £m	Merger & other reserves £m	Hedging reserve £m	Retained earnings £m	Total £m
<b>1 January 2021</b>	164.4	466.7	400.8	(20.1)	402.6	1,414.4
Profit for the period	-	-	-	-	71.4	71.4
<b>Other comprehensive income</b>						
Exchange gain on translation of foreign balances	-	-	(2.3)	-	-	(2.3)
Amortisation of hedging reserve	-	-	-	2.2	-	2.2
<b>Total comprehensive income</b>	-	-	(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)	-
<b>30 June 2021</b>	<b>166.3</b>	<b>470.9</b>	<b>414.6</b>	<b>(17.9)</b>	<b>433.0</b>	<b>1,466.9</b>



## Condensed Group Statement of Changes in Equity (continued)

Year ended 31 December 2021 (audited)

	Share capital £m	Share premium £m	Merger & other reserves £m	Hedging reserve £m	Retained earnings £m	Total £m
<b>1 January 2021</b>	164.4	466.7	400.8	(20.1)	402.6	1,414.4
Profit for the period	-	-	-	-	140.1	140.1
<b>Other comprehensive income</b>						
Exchange gain on translation of foreign balances	-	-	(3.4)	-	-	(3.4)
Amortisation of hedging reserve	-	-	-	4.5	-	4.5
<b>Total comprehensive income</b>	-	-	(3.4)	4.5	140.1	141.2
Shares issued on acquisition of Nexus	1.5	-	16.1	-	-	17.6
Shares issued for other acquisitions	0.1	0.9	-	-	-	1.0
Share issue expenses	-	(0.1)	-	-	-	(0.1)
Share-based awards ("LTIP")	-	-	-	-	0.2	0.2
Dividends paid	-	-	-	-	(74.4)	(74.4)
Scrip dividend in lieu of cash	0.6	7.4	-	-	(8.0)	-
<b>31 December 2021</b>	<b>166.6</b>	<b>474.9</b>	<b>413.5</b>	<b>(15.6)</b>	<b>460.5</b>	<b>1,499.9</b>

## **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 2021 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 19 to 20. These condensed consolidated interim financial statements of the Group for the six months ended 30 June 2022 were approved and authorised for issue by the Board on 26 July 2022.

#### **Basis of preparation/statement of compliance**

The condensed consolidated interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with IAS 34 'Interim Financial Reporting'. The annual financial statements of the Group will be prepared in accordance with United Kingdom adopted international accounting standards.

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 2021.

#### **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 / possible obsolescence of the Group's assets as a result of ESG initiatives or otherwise, or deteriorating economic circumstances impacts investment values – valuation parameter stress tested to provide for a one-off 10%/£290m fall in December 2022 valuations.
- 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 2022, 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 2022 level, 6.5p 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 2022 was 43.1% (30 June 2021: 40.9%) and the Group's interest cover for the period under review was 3.4 times (30 June 2021: 3.2), well above the minimum Group banking covenant of 1.3 times (30 June 2021: 1.3).

The COVID-19 pandemic has had no discernible impact on the Group's performance in the current period and prior year, with minimal direct impact on the primary health centres we invest in due to the fact that the business is affected more by demographics than economics. The Board has continued to undertake a robust assessment of emerging and increasing risks faced by the Group. In particular, the volatile and deteriorating economic outlook because of persistent price inflation resulting in recent and rapid interest rate increases along with the outlook for longer-dated rates stemming from global supply issues, BREXIT, higher wage pressures and the on-going war in the Ukraine.

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.

## Notes to the condensed financial statements (continued)

### Accounting policies

The accounting policies adopted are consistent with those of the previous financial year as set out in the Annual Report. There has been a new accounting policy adopted during the period:

### Properties held for sale

Investment property (and disposal groups) classified as held for sale are measured at fair value consistent with other investment properties.

Investment property and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

## 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.

## 3. Administrative expenses

Administrative expenses as a proportion of rental income were 7.2% (30 June 2021: 7.0% excluding exceptional contract termination payment). The Group's EPRA cost ratio has increased to 10.5%, compared to 9.0% for the same period in 2021.

Administrative expenses include staff costs of £3.0m (30 June 2021: £2.5m).

## 4. Finance income

	<b>Six months ended 30 June 2022</b>	Six months ended 30 June 2021	Year ended 31 December 2021
	<b>£m (unaudited)</b>	£m (unaudited)	£m (audited)
<b>Interest income on financial assets</b>			
Bank interest	-	-	-
Development loan interest	0.5	0.4	0.8
	<b>0.5</b>	<b>0.4</b>	<b>0.8</b>

## Notes to the condensed financial statements (continued)

### 5. Finance costs

	<b>Six months ended 30 June 2022</b>	Six months ended 30 June 2021	Year ended 31 December 2021
	<b>£m</b>	£m	£m
	<b>(unaudited)</b>	(unaudited)	(audited)
<b>Interest expense and similar charges on financial liabilities</b>			
<b>(i) Interest</b>			
Bank loan interest	11.2	12.3	24.0
Swap interest	(0.7)	-	(0.3)
Bond interest	8.4	7.6	15.5
Bank facility non utilisation fees	1.0	1.1	1.9
Exceptional early loan redemption finance cost	-	-	24.6
Bank charges and loan arrangement fees	1.5	1.4	2.7
	<b>21.4</b>	22.4	68.4
Amortisation of MedicX debt MtM at acquisition	<b>(1.4)</b>	(1.6)	(7.9)
	<b>20.0</b>	<b>20.8</b>	<b>60.5</b>

	<b>Six months ended 30 June 2022</b>	Six months ended 30 June 2021	Year ended 31 December 2021
	<b>£m</b>	£m	£m
	<b>(unaudited)</b>	(unaudited)	(audited)
<b>(ii) Derivatives</b>			
Net fair value gain on interest rate swaps	0.9	1.5	2.7
Amortisation of cash flow hedging reserve	(2.3)	(2.2)	(4.5)
	<b>(1.4)</b>	<b>(0.7)</b>	<b>(1.8)</b>

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 2021: £nil), (31 December 2021: £nil) is accounted for directly in equity.

An amount of £2.3m (30 June 2021: £2.2m), (31 December 2021: £4.5m) has been amortised from the cash flow hedging reserve in the period.

## Notes to the condensed financial statements (continued)

### 5. Finance costs (continued)

	<b>Six months ended 30 June 2022</b>	Six months ended 30 June 2021	Year ended 31 December 2021
	<b>£m (unaudited)</b>	£m (unaudited)	£m (audited)
<b>(iii) Convertible Bond</b>			
Fair value gain on Convertible Bond	<b>11.8</b>	0.5	3.4
	<b>11.8</b>	0.5	3.4

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 12 for further details about the Convertible Bond.

	<b>Six months ended 30 June 2022</b>	Six months ended 30 June 2021	Year ended 31 December 2021
	<b>£m (unaudited)</b>	£m (unaudited)	£m (audited)
Finance income (Note 4)	<b>0.5</b>	0.4	0.8
Finance costs (Note 5 (i))	<b>(21.4)</b>	(22.4)	(68.4)
	<b>(20.9)</b>	(22.0)	(67.6)
Amortisation of MedicX debt MtM on acquisition	<b>1.4</b>	1.6	7.9
Net finance costs	<b>(19.5)</b>	(20.4)	(59.7)

## Notes to the condensed financial statements (continued)

### 6. 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% (2021: 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 2022.

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.

	<b>Six months ended 30 June 2022</b>	Six months ended 30 June 2021	Year ended 31 December 2021
	<b>£m (unaudited)</b>	£m (unaudited)	£m (audited)
<b>Taxation in the Condensed Group Statement of Comprehensive Income:</b>			
<b>Current tax</b>			
UK corporation tax charge on non-property income	-	-	-
Irish corporation tax credit/(charge)	0.1	-	(0.1)
Deferred tax on Irish activities	(0.7)	(0.6)	(1.4)
Taxation charge in the Condensed Group Statement of Comprehensive Income	<b>(0.6)</b>	<b>(0.6)</b>	<b>(1.5)</b>

## Notes to the condensed financial statements (continued)

### 7. 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 2022 (unaudited)			30 June 2021 (unaudited)		
	IFRS earnings £m	Adjusted earnings £m	EPRA earnings £m	IFRS earnings £m	Adjusted earnings £m	EPRA earnings £m
Profit after taxation	107.1	107.1	107.1	71.4	71.4	71.4
Adjustments to remove:						
Revaluation gain on property portfolio	-	(51.2)	(51.2)	-	(66.9)	(66.9)
Profit on sale of land and property	-	-	-	-	-	-
Fair value movement on derivatives	-	1.4	1.4	-	0.7	0.7
Fair value movement and issue costs on convertible bond	-	(11.8)	(11.8)	-	(0.5)	(0.5)
Taxation charge	-	0.6	0.6	-	0.6	0.6
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	-	(1.4)	-	-	(1.6)	-
Basic earnings	107.1	44.7	46.1	71.4	40.7	13.3
Dilutive effect of convertible bond	(9.6)	2.1	2.1	1.6	2.1	2.1
Diluted earnings	97.5	46.8	48.2	73.0	42.8	15.4

#### Number of shares

	million	million	million	million	million	million
Ordinary Shares	1,333.5	1,333.5	1,333.5	1,328.7	1,328.7	1,328.7
Dilutive effect of convertible bond	105.4	105.4	105.4	103.3	103.3	103.3
Diluted Ordinary Shares	1,438.9	1,438.9	1,438.9	1,432.0	1,432.0	1,432.0

#### Profit per share attributable to shareholders:

	IFRS pence	Adjusted pence	EPRA pence	IFRS pence	Adjusted pence	EPRA pence
Basic	8.0	3.4	3.5	5.4	3.1	1.0
Diluted	6.8	3.3	3.4	5.1	3.0	1.1



## Notes to the condensed financial statements (continued)

### 7. Earnings per share (continued)

#### Earnings per share

	31 December 2021 (audited)		
	IFRS earnings £m	Adjusted earnings £m	EPRA earnings £m
Profit after taxation	140.1	140.1	140.1
Adjustments to remove:			
Revaluation gain on property portfolio	-	(110.2)	(110.2)
Profit on the sale of land	-	(0.3)	(0.3)
Fair value movement on derivatives	-	1.8	1.8
Fair value movement and issue costs on convertible bond	-	(3.4)	(3.4)
Taxation charge	-	1.5	1.5
Termination payment and goodwill impairment on acquisition of Nexus	-	35.3	6.3
Exceptional Nexus acquisition costs	-	1.7	1.7
Early termination fees on bank debt	-	24.6	24.6
MtM write off on early termination of bank debt	-	(4.7)	-
Amortisation of MtM loss on debt acquired	-	(3.2)	-
Basic earnings	140.1	83.2	62.1
Dilutive effect of convertible bond	0.9	4.3	4.3
Diluted earnings	141.0	87.5	66.4

#### Number of shares

	million	million	million
Ordinary Shares	1,330.4	1,330.4	1,330.4
Dilutive effect of convertible bond	105.4	105.4	105.4
Diluted Ordinary Shares	1,435.8	1,435.8	1,435.8

#### Profit per share attributable to shareholders:

	IFRS pence	Adjusted pence	EPRA pence
Basic	10.5	6.2	4.7
Diluted	9.8	6.1	4.6

## Notes to the condensed financial statements (continued)

### 7. Earnings per share (continued)

#### Net assets per share

	30 June 2022 (unaudited)			30 June 2021 (unaudited)		
	IFRS £m	Adjusted £m	EPRA £m	IFRS £m	Adjusted £m	EPRA £m
Net assets attributable to shareholders	1,568.9	1,568.9	1,568.9	1,466.9	1,466.9	1,466.9
Derivative interest rate swaps liability	-	(5.3)	(5.3)	-	(1.3)	(1.3)
Deferred tax	-	5.3	5.3	-	3.9	3.9
Cumulative convertible bond fair value movement	-	9.8	9.8	-	24.5	24.5
MtM on MedicX loans net of amortisation	-	33.0	-	-	40.7	-
Net tangible assets ("NTA")	1,568.9	1,611.7	1,578.7	1,466.9	1,534.7	1,494.0
Real estate transfer taxes			200.6			182.9
Net reinstatement value ("NRV")			1,779.3			1,676.9
Fixed rate debt and swap mark-to-market value			75.5			(49.6)
Deferred tax			(5.3)			(3.9)
Cumulative convertible bond fair value movement			(9.8)			(24.5)
Real estate transfer taxes			(200.6)			(182.9)
Net disposal value ("NDV")			1,639.1			1,416.0

#### Ordinary shares

	million	million	million	million	million	million
Diluted Ordinary Shares	1,334.1	1,334.1	1,334.1	1,330.2	1,330.2	1,330.2

#### Basic net asset value per share<sup>1</sup>

	IFRS pence	Adjusted pence	EPRA pence	IFRS pence	Adjusted pence	EPRA pence
Net tangible assets ("NTA")	117.6	120.8	118.3	110.3	115.4	112.3
Net reinstatement value ("NRV")			133.4			126.1
Net disposal value ("NDV")			122.9			106.4

<sup>1</sup> 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<sup>2</sup>

	IFRS pence	Adjusted pence	EPRA pence	IFRS pence	Adjusted pence	EPRA pence
Net tangible assets ("NTA")	117.6	122.4	120.1	110.3	117.5	114.7
Net reinstatement value ("NRV")			134.0			127.4
Net disposal value ("NDV")			124.3			109.2

<sup>2</sup> 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 142.29 pence (30 June 2021: 145.21 pence) (31 December 2021: 142.29 pence).

## Notes to the condensed financial statements (continued)

### 7. Earnings per share (continued)

#### Net assets per share

	31 December 2021 (audited)		
	IFRS £m	Adjusted £m	EPRA £m
Net assets attributable to shareholders	1,499.9	1,499.9	1,499.9
Derivative interest rate swaps liability	-	(4.4)	(4.4)
Deferred tax	-	4.4	4.4
Cumulative convertible bond fair value movement	-	21.6	21.6
MtM on MedicX loans net of amortisation	-	34.4	-
Net tangible assets ("NTA")	1,499.9	1,555.9	1521.5
Real estate transfer taxes			189.0
Net reinstatement value ("NRV")			1,710.5
Fixed rate debt and swap mark-to-market value			(20.1)
Deferred tax			(4.4)
Cumulative convertible bond fair value movement			(21.6)
Real estate transfer taxes			(189.0)
Net disposal value ("NDV")			1,475.4

#### Ordinary shares

	million	million	million
Diluted Ordinary Shares	1,332.9	1,332.9	1,332.9

#### Basic net asset value per share<sup>1</sup>

	IFRS pence	Adjusted pence	EPRA pence
Net tangible assets ("NTA")	112.5	116.7	114.1
Net reinstatement value ("NRV")			128.3
Net disposal value ("NDV")			110.7

<sup>1</sup> 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<sup>2</sup>

	IFRS pence	Adjusted pence	EPRA pence
Net tangible assets ("NTA")	112.5	118.6	116.2
Net reinstatement value ("NRV")			129.4
Net disposal value ("NDV")			113.0

<sup>2</sup> 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 142.29 pence (30 June 2021: 145.21 pence) (31 December 2021: 142.29 pence).

## Notes to the condensed financial statements (continued)

### 7. Earnings per share (continued)

Conversion of the convertible bond would result in the issue of 105.4 million (31 December 2021: 105.4 million) new Ordinary Shares. The IFRS net asset value and EPRA NDV would increase by £159.8 million (31 December 2021: £171.6 million) and the EPRA NTA, Adjusted NTA and EPRA NRV would increase by £150.0 million (31 December 2021: £150.0 million). The resulting diluted net asset values per share are anti-dilutive to all measures and therefore basic IFRS net assets value per share are presented above.

### 8. Dividends

	<b>Six months ended 30 June 2022</b>	Six months ended 30 June 2021	Year ended 31 December 2021
	<b>£m (unaudited)</b>	£m (unaudited)	£m (audited)
Quarterly interim dividend paid 25 February 2022	<b>21.0</b>	-	-
Scrip dividend in lieu of quarterly cash dividend 25 February 2022	<b>0.6</b>	-	-
Quarterly interim dividend paid 20 May 2022	<b>20.6</b>	-	-
Scrip dividend in lieu of quarterly cash dividend 20 May 2022	<b>1.1</b>	-	-
Quarterly interim dividend paid 26 February 2021	-	18.7	-
Scrip dividend in lieu of quarterly cash dividend 26 February 2021	-	1.8	-
Quarterly interim dividend paid 21 May 2021	-	17.7	-
Scrip dividend in lieu of quarterly cash dividend 21 May 2021	-	2.9	-
Quarterly interim dividend paid 26 February 2021	-	-	18.7
Scrip dividend in lieu of quarterly cash dividend 26 February 2021	-	-	1.8
Quarterly interim dividend paid 21 May 2021	-	-	17.7
Scrip dividend in lieu of quarterly cash dividend 21 May 2021	-	-	2.9
Quarterly interim dividend paid 20 August 2021	-	-	18.3
Scrip dividend in lieu of quarterly cash dividend 20 August 2021	-	-	2.4
Quarterly interim dividend paid 26 November 2021	-	-	19.7
Scrip dividend in lieu of quarterly cash dividend 26 November 2021	-	-	0.9
<b>Total dividends distributed</b>	<b>43.3</b>	<b>41.1</b>	<b>82.4</b>
<b>Per share</b>	<b>3.2p</b>	<b>3.1p</b>	<b>6.2p</b>

The Company will pay a third interim dividend of 1.625 pence per Ordinary Share for the year ending 31 December 2022, payable on 19 August 2022. The dividend will comprise a Property Income Distribution ("PID") of 0.8 pence per share and an ordinary dividend of 0.825 pence per share. The Company will be offering a scrip alternative with this dividend.

## Notes to the condensed financial statements (continued)

### 9. Investment properties, investment properties under construction and assets held for sale

#### a) Investment properties and investment properties under construction

	Investment properties freehold <sup>1</sup> £m	Investment long leasehold £m	Investment properties under construction £m	Total £m
<b>As at 1 January 2022 (audited)</b>	2,208.4	568.3	19.2	2,795.9
Reclassification of freehold & leasehold	(27.5)	27.5	-	-
Property additions	48.6	0.6	10.1	59.3
Assets held for sale (9b)	(23.8)	(1.2)	-	(25.0)
Impact of lease incentive adjustment	0.3	0.2	-	0.5
Foreign exchange movements	3.9	0.7	0.7	5.3
Revaluations for the period	37.6	13.2	0.4	51.2
<b>As at 30 June 2022 (unaudited)</b>	<b>2,247.5</b>	<b>609.3</b>	<b>30.4</b>	<b>2,887.2</b>

<sup>1</sup> Includes development land held at £0.9m (31 December 2021: £0.9m)

	Total £m
Fair value per LSH UK valuation	1,259.8
Fair value of JLL UK valuation	1,419.6
Fair value of CBRE Ireland valuation	228.3
	2,907.7
Assets held for sale	(25.0)
Ground rents recognized as finance leases	4.5
<b>Fair value 30 June 2022 (unaudited)</b>	<b>2,887.2</b>

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 properties are 99.7% let (31 December 2021: 99.7%). The valuations reflected a 4.57% net initial yield (31 December 2021: 4.64%). 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)

### 9. 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 £5.3m (31 December 2021: £9.0m) 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 £11.8m (30 June 2021: £10.7m; 31 December 2021: £10.0m) 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 2022 and 31 December 2021. There were no transfers between levels during the period or during 2021. 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).

#### **b) Assets held for sale**

	<b>30 June 2022</b>	31 December 2021
	<b>£m</b>	£m
	<b>(unaudited)</b>	(audited)
Assets held for sale	<b>25.0</b>	-

Post period end the Group exchanged contracts to sell a portfolio of 13 smaller medical centres, located across England and Wales, for a price of £27.7 million. The completion of the sale is anticipated to take place on 28 July 2022. As at 30 June 2022, these 13 assets are being held for sale.

### 10. Cash and cash equivalents

	<b>30 June 2022</b>	31 December 2021
	<b>£m</b>	£m
	<b>(unaudited)</b>	(audited)
Cash held at bank	<b>29.7</b>	33.4

## Notes to the condensed financial statements (continued)

### 11. Borrowings: term loans and overdrafts

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

	Expiry date	Facility		Amounts drawn		Undrawn	
		30 June 2022 £m	31 December 2021 £m	30 June 2022 £m	31 December 2021 £m	30 June 2022 £m	31 December 2021 £m
<b>Current</b>							
RBS Overdraft	Jun 2023	5.0	5.0	-	-	5.0	5.0
Aviva loan <sup>1</sup>	Sep 2033	2.2	2.2	2.2	2.2	-	-
		<b>7.2</b>	<b>7.2</b>	<b>2.2</b>	<b>2.2</b>	<b>5.0</b>	<b>5.0</b>
<b>Non-current</b>							
Aviva AV Lending	Oct 2036	200.0	200.0	200.0	200.0	-	-
Aviva loan	Nov 2028	75.0	75.0	75.0	75.0	-	-
Barclays loan	Dec 2023	100.0	100.0	-	-	100.0	100.0
HSBC loan	Nov 2024	100.0	100.0	25.5	25.5	74.5	74.5
Lloyds loan	Dec 2024	50.0	50.0	32.5	38.7	17.5	11.3
NatWest loan	Oct 2024	100.0	100.0	39.0	86.3	61.0	13.7
Santander loan	Jan 2025	50.0	-	39.7	-	10.3	-
Aviva loan <sup>1</sup>	Sep 2033	224.1	225.2	224.1	225.2	-	-
Aviva loan <sup>1</sup>	Sep 2028	30.8	30.8	30.8	30.8	-	-
		<b>929.9</b>	<b>881.0</b>	<b>666.6</b>	<b>681.5</b>	<b>263.3</b>	<b>199.5</b>
<b>Total</b>		<b>937.1</b>	<b>888.2</b>	<b>668.8</b>	<b>683.7</b>	<b>268.3</b>	<b>204.5</b>

<sup>1</sup>Acquired as part of the merger with MedicX.

At 30 June 2022, total facilities of £1,553.3m (31 December 2021: £1,437.4m) were available to the Group. This included term loan facilities and the bonds in note 12. Of these facilities, as at 30 June 2022, £1,285.0m was drawn (31 December 2021: £1,232.9m).

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

On 6 January 2022, the Group refinanced a £50.0 million revolving credit facility with Santander. The facility can be drawn in Sterling and Euros and has an interest rate of 1.65% plus SONIA or EURIBOR.

## Notes to the condensed financial statements (continued)

### 11. 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:

	<b>30 June 2022 £m (unaudited)</b>	31 December 2021 £m (audited)
Term loans drawn: due within one year	2.2	2.2
Term loans drawn: due in greater than one year	666.6	681.5
Total term loans drawn	668.8	683.7
Plus: MtM on loans net of amortisation	28.2	29.3
Less: unamortised borrowing costs	(10.7)	(10.6)
<b>Total term loans per the Condensed Group Balance Sheet</b>	<b>686.3</b>	<b>702.4</b>

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

### 12. Borrowings: Bonds

	<b>30 June 2022 £m (unaudited)</b>	31 December 2021 £m (audited)
<b><i>Unsecured</i></b>		
Convertible bond July 2025 at fair value	159.8	171.6
Total unsecured bonds	159.8	171.6
<b><i>Secured</i></b>		
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	43.9	42.9
€70 million secured bond (Euro private placement) September 2031	60.2	58.8
€75 million secured bond (Euro private placement) February 2034	64.6	-
Ignis loan note December 2028	50.0	50.0
Standard Life loan note September 2028	77.5	77.5
Less: unamortised issue costs	(4.0)	(3.1)
Plus: MtM on loans net of amortization	4.7	5.1
Total secured bonds	466.9	401.2
Total bonds	<b>626.7</b>	<b>572.8</b>



## Notes to the condensed financial statements (continued)

### 12. 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 (£43.9 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 (£60.3 million) were issued at a fixed rate of 1.509% and a maturity of twelve years. Interest is paid semi-annually in arrears. The secured notes are guaranteed by the Company and were placed with UK and Irish institutional investors.

On 11 February 2022, the Group issued a new €75.0 million (£64.6 million) secured private placement loan note to MetLife for a 12-year term at a fixed rate of 1.64%. The loan notes have the option to be increased by a further €75 million to €150 million over the next three years at the MetLife's discretion.

#### **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 142.29 pence as at 30 June 2022.

## Notes to the condensed financial statements (continued)

### 12. Borrowings: Bonds (continued)

#### Convertible Bond

	<b>30 June 2022 (unaudited) £m</b>	31 December 2021 (audited) £m
Opening balance – fair value	<b>171.6</b>	175.0
Cumulative fair value movement in Convertible Bond	<b>(11.8)</b>	(3.4)
<b>Closing balance – fair value</b>	<b>159.8</b>	171.6

The fair value of the Convertible Bond at 30 June 2022 was established by obtaining quoted market prices. The fair value movement is recognised in the Group Statement of Comprehensive Income within profit before taxation and is excluded from the calculation of EPRA earnings and EPRA NTA (replacing EPRA NAV).

### 13. 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.

	<b>30 June 2022 (unaudited) £m</b>	31 December 2021 (audited) £m
Due within one year	<b>0.1</b>	0.1
Due after one year	<b>4.4</b>	4.4
<b>Closing balance – fair value</b>	<b>4.5</b>	4.5

## Notes to the condensed financial statements (continued)

### 14. 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
<b>Assets</b>	
As at 1 January 2022 (audited)	5.2
Fair value movement in the period	7.9
As at 30 June 2022 (unaudited)	13.1
<b>Liabilities</b>	
As at 1 January 2022 (audited)	(0.8)
Fair value movement in the period	(7.0)
As at 30 June 2022 (unaudited)	(7.8)
<b>Total – derivative financial instruments</b>	
As at 1 January 2022 (audited)	4.4
Fair value movement in the period	0.9
<b>As at 30 June 2022 (unaudited)</b>	<b>5.3</b>

## Notes to the condensed financial statements (continued)

### 15. 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.

	<b>Book value</b> <b>30 June 2022</b> <b>(unaudited)</b> <b>£m</b>	<b>Fair value</b> <b>30 June 2022</b> <b>(unaudited)</b> <b>£m</b>	Book value 31 December 2021 (audited) £m	Fair value 31 December 2021 (audited) £m
<b>Financial assets</b>				
Trade and other receivables	<b>18.3</b>	<b>18.3</b>	17.6	17.6
Effective interest rate swaps	-	-	-	-
Ineffective interest rate swaps	<b>13.1</b>	<b>13.1</b>	5.2	5.2
Cash and short-term deposits	<b>29.7</b>	<b>29.7</b>	33.4	33.4
<b>Financial liabilities</b>				
Interest-bearing loans and borrowings	<b>(1,285.0)</b>	<b>(1,257.6)</b>	(1,232.9)	(1,275.1)
Effective interest rate swaps	-	-	-	-
Ineffective interest rate swaps (net)	<b>(7.8)</b>	<b>(7.8)</b>	(0.8)	(0.8)
Trade and other payables	<b>(45.5)</b>	<b>(45.5)</b>	(40.0)	(40.0)

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 2022. 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)

### 15. Financial risk management (continued)

Fair value measurements at 30 June 2022 are as follows:

Recurring fair value measurements	Level 1 <sup>1</sup> £m	Level 2 <sup>2</sup> £m	Level 3 <sup>3</sup> £m	Total £m
<b>Financial assets</b>				
Derivative interest rate swaps	-	13.1	-	13.1
<b>Financial liabilities</b>				
Derivative interest rate swaps	-	(7.8)	-	(7.8)
Convertible Bond	(159.8)	-	-	(159.8)
Fixed rate debt	-	(1,078.3)	-	(1,078.3)

Fair value measurements at 31 December 2021 were as follows:

Recurring fair value measurements	Level 1 <sup>1</sup> £m	Level 2 <sup>2</sup> £m	Level 3 <sup>3</sup> £m	Total £m
<b>Financial assets</b>				
Derivative interest rate swaps	-	5.2	-	5.2
<b>Financial liabilities</b>				
Derivative interest rate swaps	-	(0.8)	-	(0.8)
Convertible Bond	(171.6)	-	-	(171.6)
Fixed rate debt	-	(921.3)	-	(921.3)

<sup>1</sup> Valuation is based on unadjusted quoted prices in active markets for identical financial assets and liabilities

<sup>2</sup> 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)

<sup>3</sup> 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)

### 16. Related party transactions

Harry Hyman, Chief Executive Officer, is a Director and the ultimate beneficial owner of a number of Nexus entities and is considered to be a related party. Following the acquisition of certain Nexus entities on the internalisation of management structure on 5 January 2021, the Group has continued to share certain operational services with Nexus.

Amounts paid during the period in relation to shared services totalled £35,100 (30 June 2021: net payment £19,263; 31 December 2021: net receipt £35,637). Amounts paid in relation to prior periods include an element of advisory fees up to the date of internalisation.

As at 30 June 2022, outstanding fees payable to Nexus totalled £nil (31 December 2021: £nil; 30 June 2021: £nil).

### 17. Share capital

	<b>30 June 2022</b>	30 June 2021	31 December 2021
	<b>£m</b>	£m	£m
	<b>(unaudited)</b>	(unaudited)	(audited)
Issued and fully paid Ordinary Shares at 12.5p each	<b>166.8</b>	166.3	166.6
At beginning of year	<b>166.6</b>	164.4	164.4
Scrip issues in lieu of cash dividends	<b>0.2</b>	0.4	0.7
Shares issued 5 January 2021 and on other acquisitions	-	1.5	1.5
	<b>166.8</b>	166.3	166.6

### 18. Merger and other reserves

	<b>30 June 2022</b>	30 June 2021	31 December 2021
	<b>£m</b>	£m	£m
	<b>(unaudited)</b>	(unaudited)	(audited)
At beginning of year	<b>413.5</b>	400.8	400.8
Premium on shares issued for Nexus acquisition	-	16.1	16.1
Exchange gain on translation of foreign balances	<b>1.3</b>	(2.3)	(3.4)
	<b>414.8</b>	414.6	413.5

### 19. Subsequent events

On 6 July 2022, the Group exchanged contracts to sell a portfolio of 13 assets for £27.7 million which is expected to complete at the end of July 2022.

On 22 July 2022, the Group acquired the Strawberry Hill Medical Centre, Newbury for £7.25 million.

## 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 United Kingdom 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](http://www.phpgroup.co.uk).

By order of the Board

**Steven Owen**

**Chairman**

26 July 2022

## 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.

**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.

**EPC** is an Energy Performance certificate.

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

**EPRA cost ratio** is the ratio of net overheads and operating expenses against gross rental income (with both amounts excluding ground rents payable). Net overheads and

operating expenses relate to all administrative and operating expenses, net of any service fees, recharges or other income specifically intended to cover overhead and property expenses.

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

**EPRA net assets (“EPRA NAV”)** are the balance sheet net assets excluding own shares held, the MtM value of derivative financial instruments and the convertible bond fair value movement

**EPRA NAV per share** is the balance sheet net assets excluding own shares held, the MtM value of derivative financial instruments and the convertible bond fair value movement, divided by the number of shares in issue at the balance sheet date.

**EPRA NNAV** is adjusted EPRA NAV including the MtM value of fixed rate debt and derivatives.

**EPRA net reinstatement value (“EPRA NRV”)** is the balance sheet net assets including real estate transfer taxes but excluding the MtM value of derivative financial instruments, deferred tax and the convertible bond fair value movement. The aim of the metric is to reflect the value that would be required to recreate the Company through the investment markets based on its current capital and financing structure. Refer to Note 7.

**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 7.

**EPRA net disposal value “EPRA NDV”** (replacing EPRA NNAV) is 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 7.

**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 7.

**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 7.

**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.



## Glossary of terms (continued)

**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 yield 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.

**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.

**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 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.

**Net zero carbon** refers to the point at which a process, activity, system etc. produces net zero carbon emissions, through emissions reduction, use of low or zero carbon energy and removal or offsetting of residual emissions. In the context of buildings and activities associated with the construction, refurbishment, maintenance and operation of buildings, PHP refers to the UK Green Building Council "Net zero carbon, a framework definition" (<https://www.ukgbc.org/ukgbc-work/net-zero-carbon-buildings-a-framework-definition/>). This sets out the key requirements for buildings to achieve 'net zero carbon - construction' and 'net zero carbon - operational energy'.

**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.

**Progressive returns / dividend** is where it is expected to continue to rise each year.

**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.

**Sterling Overnight Interbank Average Rate ("SONIA")** is the effective overnight interest rate paid by banks for unsecured transactions in the British Sterling market.

## Glossary of terms (continued)

**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	71.1
Revaluation surplus and profit on sales	51.2
	<hr/>
	122.3
Opening property assets	2,791.4
Weighted additions in the period	29.8
	<hr/>
	2,821.2
<b>Total property return</b>	<b>4.3%</b>

**Total adjusted NTA return** is calculated as the movement in adjusted net tangible asset value for the period plus the dividends paid, divided by opening adjusted net tangible asset value.

At 31 December 2021	116.7p
At 30 June 2022	120.8p
	<hr/>
<b>Increase / (decrease)</b>	<b>4.1p</b>
Add: Dividends paid	
25/02/2022 Q1 interim	1.625p
20/05/2022 Q2 interim	1.625p
	<hr/>
<b>Total return</b>	<b>7.35p</b>
<b>Total adjusted NTA return</b>	<b>6.3%</b>

**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.