Primary Health Properties PLC

Interim results for the six months ended 30 June 2019

Transformational merger and improving rental growth drive strong performance

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 2019.

Harry Hyman, Managing Director of PHP, commented:
"The first six months of 2019 have been a transformational period in the Company's history following the completion of the all share merger with MedicX in March 2019, bringing together two highly complementary portfolios in the UK and Ireland. The combined business provides a much stronger platform for the future and has already created significant value delivering a 22.7% total shareholder return in the period. We have also delivered the operating synergies of £4.0m per annum outlined at the time the merger was announced in January 2019 as well as further finance cost savings.

We have continued to selectively grow the portfolio, particularly in Ireland, and further strengthened the balance sheet with a new £150m unsecured convertible bond issue which closed on 15 July 2019. PHP's high-quality portfolio and capital base has helped to deliver another period of strong earnings performance and we are on course to deliver our 23rd consecutive year of dividend growth. Continuing improvements to the rental growth outlook and further reductions in the cost of finance will help to maintain our strategy of paying a progressive dividend to our shareholders which is fully covered by earnings."

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Income statement metrics	**Six months to 30 June 2019**	Six months to 30 June 2018	Change
Net rental income[1]	**£53.8m**	£37.4m	**+43.9%**
Adjusted EPRA earnings[2]	**£27.9m**	£17.1m	**+63.2%**
Adjusted EPRA earnings per share[2]	**2.8p**	2.5p	**+12.0%**
IFRS profit before tax excluding MedicX exceptional adjustments[5]	**£41.5m**	£38.7m	
IFRS (loss)/profit for the period (includes £123.9m of non-cash losses)	**(£106.5m)**	£38.7m	
IFRS (loss)/earnings per share[2]	**(10.7p)**	5.7p	
Dividends			
Dividend per share[6]	**2.8p**	2.7p	**+3.7%**
Dividends paid[6]	**£26.7m**	£16.8m	**+58.9%**
Dividend cover[1]	**104%**	102%	
Balance sheet and operational metrics	**30 June 2019**	31 December 2018	Change
Adjusted EPRA NAV per share[1,3]	**105.2p**	105.1p	**+0.1%**
IFRS NAV per share[1,3]	**99.1p**	102.5p	**-3.3%**
EPRA NNNAV per share[3]	**94.5p**	99.2p	**-4.7%**
Property portfolio			
Investment portfolio valuation[4]	**£2.352bn**	£1.503bn	**+0.8%**
Net initial yield ("NIY")	**4.85%**	4.85%	
Contracted rent roll (annualised)[9]	**£125.6m**	£79.4m	**+0.8%**
Weighted average unexpired lease term ("WAULT")	**13.0 years**	13.1 years	
Occupancy	**99.5%**	99.8%	
Rent-roll funded by government bodies	**90%**	91%	
Debt			
Average cost of debt[8]	**3.75%**	3.90%	
Loan to value ratio[1]	**47.9%**	44.8%	
Weighted average debt maturity[8]	**7.6 years**	5.4 years	
Total undrawn loan facilities[7,8]	**£207.7m**	£190.6m	

[1] Definitions for net rental income, earnings per share ("EPS"), dividend cover, loan to value ("LTV") and net asset value ("NAV") are set out in the Glossary of Terms.
[2] See note 7, earnings per share, to the financial statements.
[3] See note 16, net asset value per share, to the financial statements.
[4] Percentage valuation movement during the period based on the difference between opening and closing valuations of properties after allowing for acquisition costs, capital expenditure and the exceptional revaluation loss arising on merger with MedicX.
[5] The IFRS profit before tax excluding MedicX exceptional adjustments is set-out in detail in the summarised results table on page 13.
[6] See note 8, dividends, to the financial statements.
[7] After deducting the remaining cost to complete contracted acquisitions, properties under development and asset management projects.
[8] Including the impact of £150m/2.875% convertible bond issue and repayment of £75m/5.375% retail bond; both completed post period end.
[9] Percentage contracted rent roll increase during the period is based on the annualised uplift achieved from all completed rent reviews and asset management projects.

DELIVERING EARNINGS AND DIVIDEND GROWTH

- Adjusted EPRA earnings per share increased by 12.0% to 2.8p (30 June 2018: 2.5p)
- Completion of all share merger with MedicX contributing £7.6m to Adjusted EPRA earnings in the 3.5 months since completion
- Excluding the impact of the MedicX merger PHP's recurring Adjusted EPRA earnings increased by £3.2m or 18.7% (30 June 2018: £1.7m or 11.0% increase)
- Average uplift of 1.9% per annum on rent reviews agreed in the period, resulting in an uplift in rent of £0.9m p.a. (FY 2018: 1.4% with an uplift of £1.1m)
- Two quarterly dividends totalling 2.8p per share distributed in the period and third quarterly dividend of 1.4p per share declared, payable on 23 August 2019, equivalent to 5.6p on an annualised basis and a 3.7% increase over the 2018 dividend per share and will represent the Company's 23rd consecutive year of dividend growth
- Five income accretive properties selectively acquired in the period for £31.3m, with a large average lot size of £6.3m

DELIVERING FINANCIAL MANAGEMENT

- Average cost of debt has been reduced by 25bp to 3.75% from 4.0% applicable at completion of the merger with MedicX (31 December 2018: 3.9%) including post period end transactions
- Post period end £150m/2.875% unsecured convertible bond issued for a six-year term expiring in July 2025
- Post period end £75m/5.375% retail bond repaid in July 2019

DELIVERING NET ASSET VALUE GROWTH

- Underlying property valuation surplus of £17.7m (30 June 2018: £21.3m), growth of 0.8% (30 June 2018: 1.5%); portfolio's net initial yield unchanged at 4.85% (31 December 2018: 4.85%)
- Rental growth of £1.0m or 0.8% (FY 2018: £1.3m or 1.8%) accounting for the majority of the revaluation surplus created in the period
- Portfolio in Ireland now comprises 15 assets, valued at €174m, and including four forward funded developments currently under construction which if valued as complete increases the value to approximately €204m
- Strong pipeline of targeted acquisitions of approximately £150m of which £70m currently in legal due diligence
- 22 asset management projects either completed, on-site or about to commence investing £4.9m (FY 2018: £4.4m), creating an additional £0.3m p.a. (FY 2018: £0.2m p.a.) of rental income, and strong pipeline of over 60 future projects being progressed
- Only £2.0m or 1.6% of annualised rent roll expiring in the next three years of which £1.2m is subject to either a planned asset management initiative or terms having been agreed to renew the lease

DELIVERING STRONG TOTAL RETURNS

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
Increase in Adjusted EPRA NAV plus dividends paid	**2.8%**	6.2%	9.7%
Income return	**2.7%**	2.7%	5.3%
Capital return	**0.9%**	1.6%	2.7%
Total property return[1]	**3.6%**	4.3%	8.0%
MSCI UK Monthly Property Index	**1.2%**	4.4%	7.3%
Out/(under) performance over MSCI	**2.4%**	(0.1%)	0.7%

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

Presentation and webcast:

A presentation for analysts will be held on 25 July 2019 at 11.00am at the offices of Buchanan, 107 Cheapside, London EC2V 6DN.

The presentation will be accessible via a live conference call:

UK Toll Free: 0800 358 9473
International dial in numbers:
http://events.arkadin.com/ev/docs/NE_W2_TF_Events_International_Access_List.pdf
Participant PIN code: 32034040#

There will be a replay available for 90 days following the presentation:
UK Toll-Free Number: 0800 358 2049
Conference Number: 301292203#

A live webcast of the presentation will also be available via this link.

For further information contact:

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EXECUTIVE REVIEW

The first half of 2019 has been both a transformational and successful period in the Company's history following the completion of the all share merger with MedicX Fund Limited ("MedicX") on 14 March 2019. The merger with MedicX represented a rare opportunity to bring together two highly complementary portfolios in the UK and Ireland. Historically, both businesses have adopted a very similar investment strategy and consequently the two portfolios were ideally placed to be brought together.

The enlarged Group now has a market capitalisation in excess of £1.5 billion and we have seen a significant improvement in share liquidity since the completion of the merger. The property portfolio now stands at over £2.35 billion across 484 assets, including post period end acquisitions.

The merger with MedicX crystallised a number of operating and finance cost saving synergies and we have already delivered a £4.0m p.a. reduction in the enlarged Group's operating costs and post period end a 25bp reduction in the average cost of debt following the successful issue of a new £150m/2.875% unsecured convertible bond and repayment of the £75m/5.375% retail bond in July 2019.

The enlarged Group has continued to invest in and selectively grow the portfolio, particularly in Ireland, investing £31.3m in let standing investments and forward funded developments including post period end acquisitions.

We have increased the dividend paid to shareholders in the period by 3.7% to 2.8 pence per share (30 June 2018: 2.7 pence per share) which is fully covered by increased earnings and represents the Group's 23rd successive year of dividend growth.

Overview of results

Excluding the impact of the MedicX merger PHP's recurring Adjusted EPRA earnings increased by £3.2m or 18.7% to £20.3m in the six months to 30 June 2019 driven by the acquisitions in 2018 and the first half of 2019 and rental growth from our asset management activities. The merger with MedicX contributed a further £7.6m taking the adjusted EPRA earnings for the enlarged Group to £27.9m or a 63.2% increase. Using the weighted average number of shares in issue in the period the Adjusted EPRA earnings per share increased to 2.8p (30 June 2018: 2.5p), an increase of 12.0%.

A revaluation surplus of £17.7m (excluding the exceptional revaluation loss of £138.4m discussed below) was generated in the period from the portfolio including a £3.2m surplus on the MedicX assets held for only three and a half months.

The merger with MedicX created a number of exceptional non-cash adjustments reflecting both the premium in the Company's share price and the resulting premium paid for MedicX net assets at completion. The merger was completed by way of a share for share exchange with the Company issuing 341.0m shares at a price of 129.2p which together with the £14.5m of transaction costs resulted in a total consideration of £455.1m. The fair value of the net assets acquired was £316.7m resulting in an exceptional revaluation loss of £138.4m but it is important to note that the £14.5m of transaction costs were the only cash cost. A further exceptional expense of £10.2m was incurred to terminate the contract with the previous manager of MedicX, Octopus Healthcare Adviser Ltd as indicated at the time of the merger.

A loss on the fair value of interest rate derivatives and convertible bonds together with the amortisation of the fair value adjustment on the MedicX fixed rate debt at acquisition of £3.1m (30 June 2018: gain of £0.3m) further contributed to the loss before tax as reported under IFRS of £106.1m (30 June 2018: profit £38.7m).

The Group has continued to selectively grow its portfolio in the period, adding four assets and exchanging contracts to acquire its 15th property in Ireland which completed post period end. We continue to have a strong pipeline of further potential acquisitions both in the UK and Ireland including £70m of properties currently in solicitors' hands and subject to contract.

Rent reviews and asset management projects completed in the period added £1.0m or 0.8% (FY 2018: £1.3m or 1.8%) to the contracted rent roll and the continued positive momentum on rent reviews has seen annualised rental growth improve to 1.9% compared to 1.4% and 1.1% achieved in 2018 and 2017 respectively. Rent reviews and asset management projects accounted for the majority of the revaluation surplus generated in the period.

The portfolio's average lot size continues to grow and is now £4.9m (31 December 2018: £4.8m) and we are maintaining our very strong metrics, with a long weighted average unexpired lease term ("WAULT") of 13.0 years, high occupancy at 99.5% and only 1.6% of our rent due to expire in the next three years.

Dividends

The Company distributed a total of 2.8p per share in the six months to 30 June 2019, an increase of 3.7% over that distributed in the first half of 2018 of 2.7p per share. The total value of dividends distributed in the period increased by 58.9% to £26.7m (30 June 2018: £16.8m) reflecting the additional shares issued on the merger with MedicX and conversion of the remaining convertible bonds which were fully covered by EPRA earnings. Dividends totalling £2.4m were satisfied through the issuance of shares via the scrip dividend scheme.

Quarterly dividends of 1.4p per share were paid in February and May 2019 and the Company is to pay its third quarterly dividend, also of 1.4p per share, on 23 August 2019 to shareholders on the register as at 12 July 2019. The dividend will comprise a Property Income Distribution ("PID") of 0.65p and an ordinary dividend of 0.75p per share. The dividends are equivalent to 5.6p on an annualised basis and represent the Company's 23rd successive year of dividend growth. A further dividend payment is planned to be made in November 2019.

The Company intends to maintain its strategy of paying a progressive dividend that is covered by earnings in each financial year.

The Company's share price started the year at 111.0p per share and closed on 30 June 2019 at 133.4p, an increase of 20.2%. Including dividends, those shareholders who held the Company's shares throughout the period achieved a Total Shareholder Return of 22.7% (30 June 2018: 2.0%).

Market update and outlook

The final outcome and consequences of Brexit for the UK are unlikely to have a direct impact on the primary health centres we invest in, which perform a vital role in the provision of healthcare across the UK and Ireland. Demand for our properties is driven by demographics and in particular populations that are growing, ageing and suffering from more instances of chronic illness.

Despite the continued volatility in the economic and political environment and the prolonged era of low interest rates, there continues to be an unrelenting search for income yield across most sectors. Primary healthcare, with its strong fundamental characteristics and government-backed income, has been a significant beneficiary. The UK market for primary healthcare property investment continues to be highly competitive with strong yields and prices being paid by investors for assets in the sector and we have continued to see yields compress further during 2019 although at a much slower rate than that witnessed in both 2018 and 2017.

Primary healthcare performs a critical function, providing a key part of the NHS's Five-Year Forward View ("FYFV"), operating as most patients' first point of call when unwell. The primary care estate has faced underinvestment over the last decade, with approximately 50% of the 8,000 GP surgeries in England and Wales now considered by medical professionals to be unfit for purpose. Building on the FYFV, the follow-up "Next Steps on the Five-Year Forward View", published in March 2017, reiterated that shift, setting out targets for growth in the primary care workforce, expansion of access to general practice and the need for improved primary care premises.

In January 2018, the Government published a response to the Naylor review, which acknowledged the importance of land and property to the transformation of the health system and how the NHS will be able to supplement public capital with other sources of finance from the private sector. The response also confirmed that the use of private finance has been particularly effective as a source of investment and innovation in primary and community care in the past and will still be used in the future where it represents good value for money. Demand for healthcare is driven by demographics and the NHS is supported on a cross-party basis in the UK.

We welcome the announcements made in 2018 by the Government to increase funding for the NHS and how the £20.5bn budget settlement, announced on its 70th anniversary, will be spent over the next five years. The new NHS Long Term Plan, announced in January 2019, sets out how the NHS plans to improve the quality of patient care and health outcomes. The plan also includes measures to improve out-of-hospital care, supporting primary medical and community health services, and investment in these services will grow faster than the overall NHS budget, worth an extra £4.5bn a year in real terms by 2023/24 with the aim of reducing pressure on emergency hospital services.

In June 2019 the NHS set out plans for Integrated Care Systems in England encouraging organisations to join forces in order to be better able to improve the health of their populations. The plans include the establishment of Primary Care Networks that bring practices together, to work in networks serving 30,000 to 50,000 patients, extending access to GPs and reducing the need for unnecessary hospital admission.

These additional resources and initiatives may in time lead to increased activity in the building of new facilities and the modernisation of existing primary care premises and we look forward to helping deliver the modernisation of the primary care estate by actively pursuing attractive investment opportunities of both existing assets and developments.

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

Following completion of the merger with MedicX the Group is now in a strong position to continue to deliver long term value to shareholders and wider stakeholders and the Board looks forward with confidence to the future.

Board changes

Following completion of the merger with MedicX in March 2019, Helen Mahy joined the Board as Deputy Chairman and Senior Independent Director and Laure Duhot joined the Board as a Non-executive Director and Chairman of the Adviser Engagement Committee. At the same time Nick Wiles and Geraldine Kennell stepped down from the Board in order to maintain an appropriate size and balance between the Company and MedicX directors, post the merger.

The new Board has only been in position for a few months but it has settled in well and made a positive contribution to the future of the Company. We are also very grateful to our colleagues Nick and Geraldine for their commitment and dedication to the Company during their three years of service, and their contribution to and support for the merger with MedicX.

Steven Owen
Chairman

Harry Hyman
Managing Director

24 July 2019

BUSINESS REVIEW

Investment and development activity

The majority of the investment activity in the period came from the merger with MedicX, which brought a highly complementary portfolio of 167 properties valued at £804.3m (excluding the premium and transaction costs) at completion in March 2019. The enlarged Group has also continued to selectively acquire standing investment and forward funded development opportunities acquiring five assets for £31.3m including one that completed post period-end.

Investment pipeline

Contracts for the acquisition of The Meath Primary Healthcare Centre, Dublin, Ireland for £9.8m (€10.9m) were exchanged in March 2019 and completion took place on 19 July 2019. The purchase represents PHP's 15th acquisition in Ireland and will be accounted for in the second half of 2019 because the Group's accounting policy is to recognise acquisitions upon completion.

PHP continues to have a strong active pipeline of potential acquisitions both in the UK and Ireland totalling approximately £150m including £70m in legal due diligence.

Developments

Following the merger with MedicX the enlarged group has eight forward funded developments currently on site with a net development cost of £59.5m:

Asset	Anticipated PC date	Area (Sq. m)	Net development cost	Costs to complete
Ireland				
Mullingar Ph III, County Westmeath	Q3 2019	1,165	£3.2m (€3.6m)	£2.2m (€2.5m)
Bray, County Wicklow	Q4 2019	4,822	£20.1m (€22.4m)	£12.0m (€13.4m)
Athy, County Kildare	Q4 2019	3,486	£11.6m (€12.9m)	£8.1m (€9.0m)
Rialto, Dublin	Q4 2019	3,232	£10.2m (€11.4m)	£4.9m (€5.5m)
UK				
Vale of Neath, Wales	Q3 2019	1,355	£4.8m	£0.7m
Langwith, Derbyshire	Q3 2019	412	£1.8m	£1.7m
Peterborough, Cambridgeshire	Q3 2019	918	£3.5m	£1.0m
Kew, London	Q4 2019	845	£4.3m	£2.1m
Total		16,235	£59.5m	£32.7m

The enlarged Group will continue to adopt a policy of not undertaking any developments on a speculative basis.

Asset management

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

Rent reviews

During the six months to 30 June 2019, the enlarged group concluded and documented 182 rent reviews with a combined rental value of £22.4m resulting in an uplift of £0.9m per annum or 3.9% which equates to 1.9% per annum. This continues the positive trend in rental growth over the last two years (year ended 31 December 2018: 1.4% per annum with an uplift of £1.1m; year ended 31 December 2017: 1.1% per annum with an uplift of £0.5m).

In the period, 0.9% per annum was achieved on 94 open market reviews including 30 reviews where no uplift was achieved. Uplifts of 3.0% per annum were achieved on RPI-based reviews and 3.1% per annum on fixed uplift reviews. In addition, a further 32 open market reviews were agreed in principle, which will add another £0.2m to the contracted rent roll when concluded and represent an uplift of 1.2% per annum.

68% of our rents are reviewed on an open market basis, typically every three years and are impacted by land and construction inflation. Over recent years, there have been significant increases in these costs which is expected to result in further rental growth in the future. The balance of the PHP portfolio has either indexed/RPI (25%) or fixed uplift (7%) based reviews which also provide an element of certainty to future rental growth within the portfolio.

At 30 June 2019, the rent at 197 tenancies, representing £30.8m of passing rent was under negotiation and the large number of outstanding reviews reflects the requirement for all awards to be agreed with the District Valuer. A great deal of evidence to support open market reviews comes from the delivery of new properties into the sector and we have started 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.

Whilst underlying land and construction costs have increased in recent years, the lower number of new schemes approved by the NHS has historically restricted the ability to capture the growth in new rental values.

Asset Management Projects

We have continued to make good progress in the six months to 30 June 2019 to enhance and extend existing assets within the portfolio with eight projects completed, three currently on-site and a further 11 approved and due to commence shortly. The projects require the investment of £4.9m and will generate £0.3m of additional rental income but, just as importantly, will extend the WAULT on those premises back to an average 17 years.

PHP continues to work closely with its tenants and has a strong pipeline of over 60 potential projects and will continue to invest capital in a range of physical extensions or refurbishments.

Asset management projects 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 2019 was £125.6m, an increase of £46.2m or 58.2% in the period (31 December 2018: £79.4m) driven predominantly by the merger with MedicX which contributed £44.4m. The security and longevity of our income are important drivers of our secure, long term predictable income stream and enable our progressive dividend policy.

Security: PHP continues to benefit from secure, long term cash flows with 90% of its rent roll funded directly or indirectly by the NHS in the UK or HSE in Ireland. The portfolio also benefits from an occupancy rate of 99.5%.

Longevity: The portfolio's WAULT at 30 June 2019 was 13.0 years (31 December 2018: 13.1 years). Only £2.0m or 1.6% of our income expires over the next three years and £84.0m or 66.9% 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	2.0	1.6%
4 – 5 years	7.5	6.0%
5 – 10 years	32.1	25.5%
10 – 15 years	43.9	34.9%
15 – 20 years	23.7	18.9%
> 20 years	16.4	13.1%
Total	125.6	100.0%

Valuation and returns

At 30 June 2019, the portfolio comprised 483 assets independently valued at £2.347bn (31 December 2018: £1.503bn) reflecting the addition of the MedicX portfolio adding 167 high quality assets, fair valued in March 2019 at £804.3m (excluding the premium and acquisition costs). The strong investment market together with our sector leading portfolio metrics and asset management initiatives resulted in a valuation surplus of £17.7m or 0.8%, including a £3.2m surplus on the MedicX portfolio held for only 3.5 months, in the period to 30 June 2019 (six months to 30 June 2018: £21.3m or 1.5%).

We continued to see a 1-2bp contraction in net initial yields ("NIY") in the period but the combination of the MedicX and PHP's portfolios resulted in the blended net initial and true equivalent yields remaining unchanged at 4.85% (31 December 2018: 4.85%) and 4.99% (31 December 2018: 4.99%) respectively. Encouragingly, the improving rental growth environment accounted for the majority of the surplus whilst yield compression accounted for the balance.

At 30 June 2019, the portfolio in Ireland comprised 14 assets, including four assets currently under development, valued at £145.6m or €162.6m (31 December 2018: 8 assets/£83.0m or €92.3m). The costs to complete the developments are £27.2m (€30.4m) and once complete the assets in Ireland will be valued at approximately £173m (€193m). A further asset in Ireland was acquired post period end for £9.8m (€10.9m).

The portfolio's average lot size has grown to £4.9m (31 December 2018: £4.8m) and 83.5% of the portfolio is valued at over £3.0m. We only have eight assets valued at less than £1.0m.

	Number of Properties	Valuation £m	%	Average lot size (£m)
> £10m	43	625.2	26.6	14.5
£5m - £10m	107	739.7	31.5	6.9
£3m - £5m	154	596.7	25.4	3.9
£1m - £3m	171	375.2	16.0	2.2
< £1m (including land £4.1m)	8	10.2	0.5	0.8
Total[1]	483	2,347.0	100.0	4.9

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

The underlying valuation uplift of £17.7m, combined with the portfolio's growing income, helped to deliver a total property return of 3.6% in the six months to 30 June 2019 (30 June 2018: 4.3%) out-performing the MSCI UK Monthly Property Index by 240bps.

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
Income return	2.7%	2.7%	5.3%
Capital return	0.9%	1.6%	2.7%
Total return	3.6%	4.3%	8.0%

FINANCIAL REVIEW

The merger with MedicX together with strong underlying asset management activity in the period and the acquisitions made in 2018 and the first six months of 2019 have enabled us to continue to deliver earnings growth.

The merger with MedicX completed on 14 March 2019 contributing around three and a half months of income to the performance of the Group during the period. The merger was completed by way of an all share exchange, with MedicX shareholders receiving 0.77 shares in PHP for every share held and resulted in 341.0m new shares in the Company being issued.

PHP's share price reacted positively to the merger announcement in January 2019, rising to 129.2p per share at completion, representing a 22.9% (£82.2m) premium to the previously reported EPRA NAV at December 2018 of 105.1p. The share price at completion is used to calculate the fair value of the consideration paid for MedicX and has resulted in the recognition of an exceptional non-cash revaluation loss during the period reflecting the premium paid on completion. It is important to note that the only cash paid to complete the merger were £14.5m of transaction costs and a £10.2m termination fee paid to Octopus Healthcare Adviser Ltd, the previous manager of MedicX.

The table below summarises the consideration paid for MedicX along with the fair values of the net assets acquired and the resulting exceptional revaluation adjustment arising at completion:

	Adjusted EPRA fair value	Debt MtM & deferred tax	IFRS fair value
Consideration paid	£m	£m	£m
341.0m PHP shares issued @ 129.2p	440.6	-	440.6
Transaction costs	14.5	-	14.5
Total consideration paid	455.1	-	455.1
MedicX fair values			
Property portfolio	804.3	-	804.3
Cash	5.8	-	5.8
Debt	(441.5)	(48.0)	(489.5)
Other net current assets/(liabilities)	(1.9)	(2.0)	(3.9)
Net assets acquired	366.7	(50.0)	316.7
Exceptional revaluation loss arising on merger with MedicX	**(88.4)**	**(50.0)**	**(138.4)**

Excluding the impact of the MedicX merger PHP's Adjusted EPRA earnings increased by £3.2m or 18.7% to £20.3m in the six months to 30 June 2019 (30 June 2018: £17.1m). The merger with MedicX contributed a further £7.6m taking adjusted EPRA earnings for the enlarged Group to £27.9m or a 63.2% increase. Using the weighted average number of shares in issue in the period the Adjusted EPRA earnings per share increased to 2.8p (30 June 2018: 2.5p), an increase of 12.0%.

A revaluation surplus of £17.7m was generated in the period from the portfolio including a £3.2m surplus on the MedicX assets held for only three and a half months. As noted above the acquisition of MedicX created an exceptional revaluation loss and exceptional contract termination fee of £138.4m and £10.2m respectively. The exceptional losses have been offset by a £82.2m premium (based on Adjusted EPRA NAV) on the issue of 341.0m shares which were issued on completion but are accounted for as a reserve movement.

A loss on the fair value of interest rate derivatives and convertible bonds together with the amortisation of the fair value adjustment on the MedicX fixed rate debt at acquisition of £3.1m (30 June 2018: gain of £0.3m) contributed to the loss before tax as reported under IFRS of £106.1m (30 June 2018: profit £38.7m).

The financial results for the Group are summarised as follows:

Summarised results

	PHP 6 months to June 2019 £m	MedicX 3.5 months to June 2019 £m	**Six months ended 30 June 2019 £m**	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Net rental income	40.3	13.5	**53.8**	37.4	76.4
Administrative expenses	(4.5)	(0.5)	**(5.0)**	(4.2)	(8.6)
Performance incentive fee ("PIF")	(0.9)	-	**(0.9)**	(0.6)	(1.3)
Operating profit before revaluation gain and net financing costs	34.9	13.0	**47.9**	32.6	66.5
Net financing costs	(14.6)	(5.4)	**(20.0)**	(15.5)	(29.7)
Adjusted EPRA earnings	20.3	7.6	**27.9**	17.1	36.8
Revaluation surplus on property portfolio and profit on sales	14.5	3.2	**17.7**	21.3	36.1
Fair value (loss)/gain on interest rate derivatives and convertible bond	(4.1)	-	**(4.1)**	0.3	1.4
Adjusted IFRS Profit excluding MedicX merger adjustments	**30.7**	**10.8**	**41.5**	**38.7**	**74.3**
Exceptional revaluation loss arising on merger with MedicX	-	(138.4)	**(138.4)**	-	-
Exceptional item - contract termination fee arising on merger with MedicX	-	(10.2)	**(10.2)**	-	-
Amortisation of MedicX debt MtM at acquisition	-	1.0	**1.0**	-	-
IFRS (loss)/profit before tax	**30.7**	**(136.8)**	**(106.1)**	38.7	74.3
Deferred tax provision	(0.4)	-	(0.4)	-	-
IFRS (loss)/profit after tax	**30.3**	**(136.8)**	**(106.5)**	38.7	74.3

Net rental income receivable in the six months to 30 June 2019 increased by 43.9% or £16.4m to £53.8m (30 June 2018: £37.4m). The merger with MedicX contributed £13.5m to net rental income, the majority of the increase, with acquisitions in 2018 and the first six months of 2019 contributing £2.0m and completed rent reviews contributing a further £0.9m.

Operational costs have continued to be managed closely and effectively. Overall administrative costs, excluding the Performance Incentive Fee ("PIF"), have risen by 19.0% to £5.0m (30 June 2018: £4.2m) reflecting the increased size of the Group following the merger with MedicX and additional regulatory costs. The Group's EPRA cost ratio continues to be amongst the lowest in the sector at 12.2% for the period, a decrease over the 14.3% incurred during the 2018 financial year. This reflects the cost saving synergies arising from the merger with MedicX albeit only reflecting three and a half months of savings.

EPRA cost ratio	**Six months ended 30 June 2019 £m**	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Gross rent less ground rent and service charge income	**55.0**	38.0	77.6
Direct property expense	**2.6**	1.5	3.2
Administrative expenses	**5.0**	4.2	8.6
Performance incentive fee (“PIF”)	**0.9**	0.6	1.3
Less: service charge costs	**(1.3)**	(0.7)	(1.7)
Less: ground rent	**(0.1)**	(0.1)	(0.1)
Less: other operating income	**(0.4)**	(0.1)	(0.2)
EPRA costs (including direct vacancy costs)	**6.7**	5.4	11.1
EPRA cost ratio	**12.2%**	14.2%	14.3%
EPRA cost ratio excluding PIF	**10.5%**	12.6%	12.6%
Administrative expenses as a percentage of gross asset value (annualised)	**0.5%**	0.6%	0.6%

Net finance costs in the period increased to £20.0m (30 June 2017: £15.5m) reflecting the debt acquired with the merger with MedicX offset by the reductions in the average cost of debt achieved in 2018 from various refinancing initiatives and conversion of the convertible bond during both 2018 and the first six months of 2019.

Performance incentive fee (“PIF”)

Another period of strong performance in both 2018 and the first half of 2019 is likely to result in a PIF being earned by the Adviser for the year as a whole and consequently a £0.9m provision has been provided in the period (six months ended 30 June 2018: £0.6m; year ended 31 December 2018: £1.3m).

Nexus is entitled to 11.25% of the “total return” above a hurdle rate of 8.0%, based on the change in EPRA Net Asset Value (“NAV”) plus dividends paid less equity raised, net of non-cash adjustments, which is credited to a notional cumulative account. If the hurdle is not achieved a sum equal to 11.25% of the underperformance is deducted from the notional cumulative account.

Controls are in place so that the PIF eligible for payment in respect of any year is restricted to the lower of:

- Half of the fee earned in respect of that year, unless it is a shortfall in which case the full amount is applied, together with the notional cumulative account balance (both positive and negative) on the earned but unpaid PIF brought forward from previous years;
- 20% of the property management fee paid to Nexus in the year; and
- £2.0m.

Half of any PIF payable is deferred to the following year in the notional cumulative account, with performance against the hurdle rate calculated each year and any payment subject to the account being in a surplus position.

Furthermore, for the three years from 1 January 2017, the PIF is restricted if it would otherwise cause PHP’s dividend cover to fall below 98%.

A PIF of £1.1m was paid to Nexus in the period in respect of 2018 and at 30 June 2019 the balance on the notional cumulative PIF account was £4.4m (31 December 2018: £6.9m) of which £1.1m (31 December 2018:

£1.3m) has been provided for in the financial statements with the balance conditional on performance in future years and the restrictions noted above. No payment in respect of 2019 will be made until the audited financial results and total returns for the year have been agreed in 2020.

Shareholder value

The Adjusted EPRA NAV per share was broadly unchanged at 105.2p (31 December 2018: 105.1p per share) during the period with the revaluation surplus of £17.7m, 1.6p per share, offsetting the impact of the MedicX merger equivalent to 1.4p per share. Dividends distributed in the period were fully covered by recurring EPRA earnings with no material impact on EPRA NAV.

The total NAV return per share, including dividends distributed, in the six months ended 30 June 2019 was 2.9p or 2.8% (30 June 2018: 6.2p or 6.2%).

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

Adjusted EPRA Net Asset Value per share	**30 June 2019 pence per share**	30 June 2018 pence per share	31 December 2018 pence per share
Opening Adjusted EPRA NAV per share	**105.1**	100.7	100.7
Adjusted EPRA earnings for the period	**2.8**	2.5	5.2
Dividends paid	**(2.8)**	(2.5)	(5.2)
Revaluation of property portfolio	**1.6**	2.9	4.7
Net impact of MedicX merger (see analysis below)	**(1.4)**	-	-
Shares issued	**(0.1)**	0.6	0.4
Interest rate derivative cancellation	**-**	-	(0.7)
Closing Adjusted EPRA NAV per share	**105.2**	104.2	105.1
Fixed rate debt and swap mark-to-market value	**(10.7)**	(7.7)	(5.9)
Closing EPRA NNNAV per share	**94.5**	96.5	99.2

The impact of the merger with MedicX on NAV is summarised in the table below:

MedicX NAV adjustments	Adjusted EPRA fair value £m	Debt MtM & deferred tax £m	Total £m
341.0m PHP shares issued @ 24.1p premium to EPRA NAV (129.2p – 105.1p)	82.2	-	82.2
Premium on MedicX NAV acquired	(73.9)	(50.0)	(123.9)
Exceptional transaction costs	(14.5)	-	(14.5)
Exceptional revaluation loss	(88.4)	(50.0)	(138.4)
Exceptional administration expenses	(10.2)	-	(10.2)
Net impact of MedicX merger	**(16.4)**	**(50.0)**	**(66.4)**
Net impact of MedicX merger (pence per share)	**(1.4p)**	**(4.4p)**	**(5.8p)**

Financing

As at 30 June 2019, total available loan facilities were £1,376.3m (31 December 2018: £879.9m) of which £1,138.0m (31 December 2018: £679.1m) had been drawn. Cash balances of £13.8m (31 December 2018: £5.9m) resulted in Group net debt of £1,124.2m (31 December 2018: £673.2m). Contracted capital commitments at the balance sheet date totalled £42.2m (31 December 2018: £16.1m) and result in headroom available to the Group of £209.9m (31 December 2018: £190.6m).

Capital commitments comprise forward funded development expenditure of £32.7m, acquisitions of £8.4m and asset management projects on site of £1.1m.

In July 2019, the Group issued a new unsecured £150m/2.875% convertible bond and cancelled £73.4m of unrequired loan facilities, of which only £3.4m was drawn, and acquired as part of the merger with MedicX. The net proceeds from the new convertible bonds will also be used to repay the £75m/5.375% retail bond which matures at the end of July 2019.

Debt metrics	**Pro-forma 31 July 2019**[1]	**30 June 2019**	31 December 2018
Average cost of debt	**3.75%**	**4.00%**	3.90%
Loan to Value	**n/a**	**47.9%**	44.8%
Interest cover	**n/a**	**2.7 times**	2.6 times
Weighted average debt maturity	**7.6 years**	**7.0 years**	5.4 years
Total drawn secured debt	**£1,059.6m**	**£1,063.0m**	£580.9m
Total drawn unsecured debt	**£150.0m**	**£75.0m**	£98.2m
Total undrawn facilities available to the Group[2]	**£207.7m**	**£209.9m**	£190.6m
Unfettered assets	**£152.7m**	**£144.9m**	£64.9m

[1] – Includes the impact of £150m/2.875% convertible bond issued 15 July 2019, repayment of £75m/5.375% retail bond due July 2019 and cancellation of £73.4m of unrequired loan facilities completed post period end.
[2] – After deducting capital commitments.

Convertible bonds

The convertible bonds, originally issued in 2014, matured in May 2019, and consequently during the period bonds with a nominal value of £23.1m (year ended 31 December 2018: £40.0m) were, at the holders' option, converted at a conversion price of 96.16p, resulting in 24.0m (year ended 31 December 2018: 41.5m) of new ordinary shares being issued. At maturity, one convertible bond with a nominal value of £0.1m remained outstanding and was repaid with all the other bonds successfully converting to ordinary shares over the term of the bond.

In June 2019, the Group announced the issue of new unsecured convertible bonds with a nominal value of £150m and a coupon of 2.875% per annum. The new bonds were issued post period end on the 15 July 2019 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 will be used to repay the Company's £75m, 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 has been 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 will be subject to adjustment if dividends paid per share exceed 2.8 pence per annum and other certain circumstances.

Average cost of debt

Following the issue of the new £150m 2.875% convertible bond and repayment of the 5.375% £75m retail bond in July 2019, as noted above, the Group's average cost of debt will fall to 3.75%, a 25bp reduction from the 4.0% applicable when we completed the merger with MedicX in March 2019. We continue to look at other opportunities to reduce the Group's average cost of debt and deliver further finance cost saving synergies arising from the merger with MedicX.

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 2019 there was a loss of £3.2m (30 June 2018: gain £3.4m) on the fair value movement of the Group's interest rate derivatives due primarily to reductions in interest rates assumed in the forward yield curves used to value the interest rate swaps. This increased the mark-to-market ("MtM") liability of the swap portfolio to £20.5m (31 December 2018: £17.3m) equivalent to 1.8p per share.

The analysis of the Group's exposure to interest rate risk in its debt portfolio as at 30 June 2019 is as follows:

	Facilities		Drawn	
	£m	%	£m	%
Fixed rate debt	871.9	63.3	871.9	76.6
Hedged by fixed rate interest rate swaps	188.0	13.7	188.0	16.5
Floating rate debt – unhedged	316.4	23.0	78.1	6.9
Total	**1,376.3**	**100.0**	**1,138.0**	**100.0**

The above analysis excludes the impact of £70m forward starting swaps commencing in June and July 2020.

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

The MtM of the enlarged Group's fixed rate debt as at 30 June 2019 was £98.9m (31 December 2018: £28.1m) equivalent to 8.7p per share (31 December 2018: 3.7p). The large increase in the MtM during the period is due primarily to the merger with MedicX, and the fixed rate debt acquired with a fair value adjustment of £48.0m at completion. In addition, reductions in interest rates assumed in the forward yield curves used to value the debt in the period has increased the MtM. The Group has no intention of cancelling and repaying any of its fixed rate loan facilities and the MtM valuation is sensitive to movements in interest rates assumed in forward yield curves.

Alternative Performance Measures ("APMs")

PHP uses Adjusted EPRA earnings, Adjusted EPRA net asset value and IFRS profit before tax excluding MedicX exceptional adjustments as 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 notes 7 and 16 and on page 13. The Company has used EPRA earnings and EPRA net asset values to measure performance and continue to do so. However, in the current period 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. The reasons for the Company's use of these APMs are set out in the 2018 Annual Report.

Related party transactions

Related party transactions are disclosed in note 17 to the condensed financial statements. There have been no material changes in the related party transactions described in the 2018 Annual Report.

Harry Hyman
Managing Director

Richard Howell
Finance Director

24 July 2019

Principal risks and uncertainties

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

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

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

The Board has concluded that there have been no significant changes to the principal risks and uncertainties faced by the Group, nor do they anticipate any significant changes during the remaining six months to 31 December 2019. Full disclosure of risks and uncertainties faced by the Company are set out within the 2018 Annual Report.

Brexit

The external environment remains difficult, and the Board is continuing to monitor the potential risks associated with the UK leaving the European Union ('Brexit'). As exit negotiations are ongoing, the final outcome remains unclear and it is too early to understand fully the impact Brexit will have on our business and our sector. The main impact of Brexit is the potential negative impact on the macro-economic environment, potentially leading to political uncertainty and volatility in interest and exchange rates, but it could also impact our investment and occupier market, our ability to execute our investment strategy and our income sustainability in the long term.

INDEPENDENT REVIEW REPORT TO PRIMARY HEALTH PROPERTIES PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises the Condensed Group Statement of Comprehensive Income, the Condensed Group Balance Sheet, the Condensed Group Cash Flow Statement, the Condensed Group Statement of Changes in Equity and related notes 1 to 21. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, United Kingdom
24 July 2019

Condensed Group Statement of Comprehensive Income
For the six months ended 30 June 2019

	Notes	**Six months ended 30 June 2019 £m (unaudited)**	Six months ended 30 June 2018 £m (unaudited)	Year ended 31 December 2018 £m (audited)
Rental income	2	**56.4**	38.9	79.6
Direct property expenses		**(2.6)**	(1.5)	(3.2)
Net rental income		**53.8**	37.4	76.4
Administrative expenses	3	**(5.9)**	(4.8)	(9.9)
Exceptional item – contract termination fee		**(10.2)**	-	-
Revaluation gain on property portfolio	9	**17.7**	21.2	36.0
Profit on sale of land		**-**	0.1	0.1
Exceptional revaluation loss arising on merger with MedicX	9	**(138.4)**	-	-
Total revaluation (loss)/gain		**(120.7)**	21.3	36.1
Operating (loss)/profit		**(83.0)**	53.9	102.6
Finance income	4	**0.6**	0.1	0.1
Finance costs	5	**(19.6)**	(15.6)	(29.8)
Fair value (loss)/gain on derivative interest rate swaps and amortisation of cash flow hedging reserve	5	**(2.3)**	0.2	(1.8)
Fair value (loss)/gain on convertible bond	5	**(1.8)**	0.1	3.2
(Loss)/profit before taxation		**(106.1)**	38.7	74.3
Taxation charge	6	**(0.4)**	-	-
(Loss)/profit for the period[1]		**(106.5)**	38.7	74.3
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Fair value (loss)/gain on interest rate swaps treated as cash flow hedges and amortisation of hedging reserve		**(0.9)**	3.2	4.1
Exchange gain on translation of foreign balances		**-**	0.1	-
Other comprehensive income for the period net of tax		**(0.9)**	3.3	4.1
Total comprehensive income for the period net of tax		**(107.4)**	42.0	78.4
(Loss)/earnings per share				
Basic	7	(10.7)p	5.7p	10.5p
Diluted	7	(10.7)p	5.4p	9.8p
EPRA earnings per share (basic and diluted)	7	1.9p	2.5p	5.2p
Adjusted EPRA[2] **earnings per share** (basic and diluted)	7	2.8p	2.5p	5.2p

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

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

The above relates wholly to continuing operations.

Condensed Group Balance Sheet
As at 30 June 2019

	Notes	**30 June 2019 £m (unaudited)**	30 June 2018 £m (unaudited)	31 December 2018 £m (audited)
Non-current assets				
Investment properties	9	**2,351.5**	1,415.2	1,502.9
Derivative interest rate swaps	14,15	**-**	0.7	0.6
		2,351.5	1,415.9	1,503.5
Current assets				
Trade and other receivables		**13.5**	4.5	4.6
Cash and cash equivalents	10	**13.8**	12.1	5.9
		27.3	16.6	10.5
Total assets		**2,378.8**	1,432.5	1,514.0
Current liabilities				
Deferred rental income		**(25.8)**	(15.7)	(16.0)
Trade and other payables		**(30.1)**	(15.6)	(16.1)
Borrowings: term loans and overdraft	11	**(3.9)**	(0.9)	(0.9)
Borrowings: bonds	12	**(75.0)**	(69.0)	(101.5)
		(134.8)	(101.2)	(134.5)
Non-current liabilities				
Borrowings: term loans and overdraft	11	**(751.7)**	(336.1)	(360.5)
Borrowings: bonds	12	**(339.6)**	(242.8)	(213.2)
Head lease liabilities	13	**(4.4)**	-	-
Derivative interest rate swaps	14, 15	**(20.5)**	(21.8)	(17.8)
Deferred tax liability		**(2.4)**	-	-
		(1,118.6)	(600.7)	(591.5)
Total liabilities		**(1,253.4)**	(701.9)	(726.0)
Net assets		**1,125.4**	730.6	788.0
Equity				
Share capital	18	**142.0**	91.6	96.1
Share premium account		**247.9**	185.2	220.6
Merger and other reserves	19	**400.8**	1.6	2.5
Special reserve	20	**98.1**	144.6	124.8
Hedging reserve		**(26.7)**	(26.7)	(25.8)
Retained earnings		**263.3**	334.3	369.8
Total equity[1]		**1,125.4**	730.6	788.0
Net asset value per share				
Basic and diluted	16	**99.1p**	99.8p	102.5p
EPRA net asset value per share	16	**101.1p**	104.2p	105.1p
Adjusted EPRA[2] net asset value per share	16	**105.2p**	104.2p	105.1p

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

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

Condensed Group Cash Flow Statement
For the six months ended 30 June 2019

	Notes	**Six months ended 30 June 2019 £m (unaudited)**	Six months ended 30 June 2018 £m (unaudited)	Year ended 31 December 2018 £m (audited)
Operating activities				
Profit on ordinary activities after tax		**(106.5)**	38.7	74.3
Taxation charge		**0.4**	-	-
Finance income		**(0.6)**	(0.1)	(0.1)
Finance costs		**19.6**	15.6	29.8
Profit on sale of land		**-**	(0.1)	(0.1)
Fair value loss/(gain) on derivatives		**2.3**	(0.2)	1.8
Fair value loss/(gain) on convertible bond		**1.8**	(0.1)	(3.2)
Operating (loss)/profit before financing costs		**(83.0)**	53.8	102.5
Adjustments to reconcile Group operating profit to net cash flows from operating activities:				
Revaluation gain on property portfolio		**(17.7)**	(21.2)	(36.0)
Exceptional revaluation loss arising on merger with MedicX		**138.4**	-	-
Fixed rent uplift		**(1.0)**	(0.8)	(1.6)
(Increase)/decrease in trade and other receivables		**(3.8)**	2.0	2.2
Increase in trade and other payables		**14.6**	0.6	1.4
Cash generated from operations		**47.5**	34.4	68.5
Net cash flow from operating activities		**47.5**	34.4	68.5
Investing activities				
Payments to acquire and improve properties		**(20.0)**	(31.1)	(101.9)
MedicX merger transaction costs		**(14.5)**	-	-
Cash acquired as a part of MedicX merger		**5.8**	-	-
Interest received on development loans		**0.4**	0.1	-
Net cash flow used in investing activities		**(28.3)**	(31.0)	(101.9)
Financing activities				
Proceeds from issue of shares	18	**-**	115.0	115.0
Costs of share issues		**(0.3)**	(3.9)	(4.0)
Term bank loan drawdowns		**113.8**	30.6	123.0
Term bank loan repayments		**(83.2)**	(105.6)	(174.0)
(Repayment of)/proceeds from bond issue		**(0.1)**	-	45.4
Bond issue costs		**-**	-	(0.8)
Termination of derivative financial instruments		**-**	-	(5.0)
Swap interest paid		**(0.5)**	(1.7)	(2.4)
Non-utilisation fees		**(0.9)**	(0.5)	(1.2)
Loan arrangement fees		**(0.4)**	(0.6)	(1.3)
Interest paid		**(16.2)**	(12.5)	(25.2)
Equity dividends paid net of scrip dividend	8	**(24.3)**	(15.8)	(34.7)
Net cash flow (used in)/from financing activities		**(12.1)**	5.0	34.8
Increase in cash and cash equivalents		**7.1**	8.4	1.4
Effect of exchange rate fluctuations on Euro denominated loans and cash equivalents		**0.8**	(0.1)	0.7
Cash and cash equivalents at start of period		**5.9**	3.8	3.8
Cash and cash equivalents at end of period	10	**13.8**	12.1	5.9

Condensed Group Statement of Changes in Equity
For the six months ended 30 June 2019 (unaudited)

Six months ended 30 June 2019 (unaudited)

	Share capital £m	Share premium £m	Merger & other reserves £m	Special reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
1 January 2019	96.1	220.6	2.5	124.8	(25.8)	369.8	788.0
Loss for the period	-	-	-	-	-	(106.5)	(106.5)
Other comprehensive income							
Fair value movement on interest rate swaps	-	-	-	-	(1.2)	-	(1.2)
Amortisation of hedging reserve	-	-	-	-	0.3	-	0.3
Total comprehensive income	-	-	-	-	(0.9)	(106.5)	(107.4)
Shares issued on conversion of convertible bonds	3.0	25.4	-	-	-	-	28.4
Shares issued as part of MedicX merger	42.6	-	398.0	-	-	-	440.6
Share issue expenses	-	(0.2)	-	-	-	-	(0.2)
Dividends paid	-	-	-	(24.3)	-	-	(24.3)
Scrip dividend in lieu of cash	0.3	2.1	-	(2.4)	-	-	-
Exchange gain on translation of foreign balances	-	-	0.3		-	-	0.3
30 June 2019	**142.0**	**247.9**	**400.8**	**98.1**	**(26.7)**	**263.3**	**1,125.4**

Six months ended 30 June 2018 (unaudited)

	Share capital £m	Share premium £m	Other reserve £m	Special reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
1 January 2018	77.5	80.7	1.6	161.4	(29.9)	295.5	586.8
Profit for the period	-	-	-	-	-	38.7	38.7
Other comprehensive income							
Exchange gain on translation of foreign balances	-	-	-	-	-	0.1	0.1
Fair value movement on interest rate swaps	-	-	-	-	2.9	-	2.9
Amortisation of hedging reserve	-	-	-	-	0.3	-	0.3
Total comprehensive income	-	-	-	-	3.2	38.8	42.0
Shares issued as part of capital raise	13.3	101.7	-	-	-	-	115.0
Shares issued on conversion of convertible bonds	0.7	5.8	-	-	-	-	6.5
Share issue expenses	-	(3.9)	-	-	-	-	(3.9)
Dividends paid	-	-	-	(15.8)	-	-	(15.8)
Scrip dividend in lieu of cash	0.1	0.9	-	(1.0)	-	-	-
30 June 2018	**91.6**	**185.2**	**1.6**	**144.6**	**(26.7)**	**334.3**	**730.6**

Condensed Group Statement of Changes in Equity (continued)

Year ended 31 December 2018 (audited)

	Share capital £m	Share premium £m	Other reserve £m	Special Reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
1 January 2018	77.5	80.7	1.6	161.4	(29.9)	295.5	586.8
Profit for the year	-	-	-	-	-	74.3	74.3
Other comprehensive income							
Fair value movement on interest rate swaps	-	-	-	-	2.6	-	2.6
Amortisation of hedging reserve	-	-	-	-	1.5	-	1.5
Total comprehensive income	-	-	-	-	4.1	74.3	78.4
Shares issued on conversion of convertible bonds	5.1	40.5	-	-	-	-	45.6
Shares issued as part of capital raise	13.3	101.7	-	-	-	-	115.0
Share issue expenses	-	(4.0)	-	-	-	-	(4.0)
Dividends paid	-	-	-	(34.7)	-	-	(34.7)
Scrip dividend in lieu of cash	0.2	1.7	-	(1.9)	-	-	-
Exchange gain on translation of foreign balances	-	-	0.9	-	-	-	0.9
31 December 2018	**96.1**	**220.6**	**2.5**	**124.8**	**(25.8)**	**369.8**	**788.0**

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 2018 have been filed with the Registrar of Companies. The Auditor's Report on these financial statements was unqualified and did not contain a statement under Sections 498(2) or 498(3) of the Companies Act 2006.

The condensed consolidated interim financial statements of the Group are unaudited but have been formally reviewed by the auditor and its report to the Company is included on pages 20-21. These condensed consolidated interim financial statements of the Group for the six months ended 30 June 2019 were approved and authorised for issue by the Board on 24 July 2019.

Basis of preparation/Statement of compliance

The condensed consolidated interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with IAS 34 'Interim Financial Reporting' and, except for the adoption of IFRS 16 *Leases*, reflect consistent accounting policies as set out in the Group's financial statements at 31 December 2018 which were prepared in accordance with IFRS as adopted by the European Union (see Accounting policies section below).

The condensed consolidated interim financial statements do not include all the information and disclosures required in the statutory financial statements and should be read in conjunction with the Group's financial statements as at 31 December 2018.

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.

Notes to the condensed financial statements (continued)

1. Accounting policies (continued)

Going concern

The Group's property portfolio is let on long leases to tenants with strong covenants and the business is substantially cash generative. The Group's loan to-value ratio at 30 June 2019 was 47.9% and the Group's interest cover for the period under review was 2.7 times, well above the minimum Group banking covenant of 1.3 times. In July 2019, the Group issued a new unsecured £150m/2.875% convertible bond and cancelled £73.4m of unrequired loan facilities, of which only £3.4m was drawn, and acquired as part of the merger with MedicX. The net proceeds from the new convertible bonds will also be used to repay the £75m/5.375% retail bond which matures at the end of July 2019. Taking these and others factors into account, the Directors are therefore satisfied that the Group has sufficient resources to continue in operation for a period of not less than twelve months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

Accounting policies

The accounting policies adopted are consistent with those of the previous financial year as set out in the Annual Report with the exception of the standard noted below:

IFRS 16 *Leases* establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The standard specifies how entities reporting in accordance with IFRSs will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. IFRS 16's approach to lessor accounting is substantially unchanged from its predecessor, IAS 17 *Leases*. The standard is effective for annual periods beginning on or after 1 January 2019. As IFRS 16 does not significantly impact lessors, the impact on the Group is not material. For long leasehold properties where PHP is the lessee, the impact has been to recognise a £4.5m head lease liability and an equal and opposite right of use asset which is included in non-current assets. The Group has not restated comparatives.

MedicX merger

The Group has considered the merger with MedicX during the period as an asset purchase rather than a business combination. The key judgements related to the consideration of whether processes had been acquired by the Group. The limited nature of the processes acquired resulted in the transaction being treated as an asset acquisition. The fair value of the consideration for the assets and liabilities acquired was judged to be represented by the issuance to the shareholders of MedicX Fund Limited of 341.0m Ordinary Shares in the Company at a price of 129.2 pence per share (the fair value at the date of completion). For more information on the acquisition refer to pages 12-15 of the Financial Review.

Notes to the condensed financial statements (continued)

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 10.5% (30 June 2018: 12.6%). The Group's EPRA cost ratio has decreased to 12.2%, compared to 14.2% for the same period in 2018.

Details of the Performance Incentive Fee ("PIF") payable to the Adviser for the period ended 30 June 2019 are contained in the Financial Review on pages 12-18 and in note 17.

4. Finance income

	Six months ended 30 June 2019 £m (unaudited)	Six months ended 30 June 2018 £m (unaudited)	Year ended 31 December 2018 £m (audited)
Interest income on financial assets			
Development loan interest	0.6	0.1	0.1
	0.6	0.1	0.1

5. Finance costs

	Six months ended 30 June 2019 £m (unaudited)	Six months ended 30 June 2018 £m (unaudited)	Year ended 31 December 2018 £m (audited)
Interest expense and similar charges on financial liabilities			
(i) Interest			
Bank loan interest	12.8	6.9	13.8
Amortisation of MedicX debt MtM at acquisition	(1.0)	-	-
Swap interest	0.7	1.6	1.9
Bond interest	5.0	5.6	11.0
Bank facility non utilisation fees	1.0	0.6	1.3
Bank charges and loan arrangement fees	1.1	0.9	1.8
	19.6	**15.6**	29.8

Notes to the condensed financial statements (continued)

5. Finance costs (continued)

	Six months ended 30 June 2019 £m (unaudited)	Six months ended 30 June 2018 £m (unaudited)	Year ended 31 December 2018 £m (audited)
(ii) Derivatives			
Net fair value (loss)/gain on interest rate swaps	(2.1)	0.5	(0.3)
Amortisation of cash flow hedging reserve	(0.2)	(0.3)	(1.5)
	(2.3)	**0.2**	(1.8)

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 IAS 39 of £1.2m (30 June 2018: gain of £2.9m), (31 December 2018: gain of £2.6m) is accounted for directly in equity.

An amount of £0.2m (30 June 2018: £0.3m), (31 December 2018: £1.5m) has been amortised from the cash flow hedging reserve in the period.

	Six months ended 30 June 2019 £m (unaudited)	Six months ended 30 June 2018 £m (unaudited)	Year ended 31 December 2018 £m (audited)
(iii) Convertible Bond			
Fair value (loss)/gain on Convertible Bond	**(1.8)**	0.1	3.2

The fair value movement in the Convertible Bond is recognised in the Group Statement of Comprehensive Income within profit before taxation but is excluded from the calculation of basic and adjusted EPRA earnings and basic and adjusted EPRA NAV. Refer to note 12 for further details about the Convertible Bond.

	Six months ended 30 June 2019 £m (unaudited)	Six months ended 30 June 2018 £m (unaudited)	Year ended 31 December 2018 £m (audited)
Finance income (Note 4)	(0.6)	(0.1)	(0.1)
Finance costs (Note 5 (i))	19.6	15.6	29.8
Net finance costs	**19.0**	**15.5**	29.7

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% (2018: 19%).

Acquired companies are effectively converted to UK-REIT status from the date on which they become a member of the Group. The merger with MedicX has not impacted the Group's REIT status.

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 2019.

The Group's activities in Ireland are conducted via Irish companies or an Irish Collective Asset Vehicle ("ICAV"). The Irish companies pay Irish Corporation Tax on trading activities and deferred tax is calculated on the increase in capital values. The ICAV does not pay any Irish Corporation Tax on its trading or capital profits but a 20% withholding tax is paid on distributions to owners.

	Six months ended 30 June 2019 £m (unaudited)	Six months ended 30 June 2018 £m (unaudited)	Year ended 31 December 2018 £m (audited)
Taxation in the Condensed Group Statement of Comprehensive Income:			
Current tax			
UK corporation tax charge on non-property income	-	-	-
Irish corporation tax charge	-	-	-
Deferred tax on Irish activities	0.4	-	-
Taxation charge in the Condensed Group Statement of Comprehensive Income	**0.4**	-	-

Notes to the condensed financial statements (continued)

7. Earnings per share

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

	Net profit attributable to Ordinary Shareholders £m	Ordinary Shares (number - millions)[1]	Per share (pence)
Six months ended 30 June 2019 (unaudited)			
Earnings per share	**(106.5)**	**993.7**	**(10.7)**
EPRA and Adjusted EPRA earnings			
Basic and diluted earnings	**(106.5)**		
Adjustments to remove:			
Revaluation gain on property portfolio (Note 9)	**(17.7)**		
Exceptional revaluation loss arising on acquisition of MedicX	**138.4**		
Fair value movement on derivatives	**2.3**		
Fair value movement on Convertible Bond	**1.8**		
Taxation charge	**0.4**		
Basic and diluted EPRA earnings per share	**18.7**	**993.7**	**1.9**
Exceptional item – contract termination fee	**10.2**		
Amortisation of MtM loss on debt acquired	**(1.0)**		
Basic and diluted adjusted EPRA earnings per share	**27.9**	**993.7**	**2.8**

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

	Net profit attributable to Ordinary Shareholders £m	Ordinary Shares (number - millions)[1]	Per share (pence)
Six months ended 30 June 2018 (unaudited)			
Basic and diluted earnings			
Basic earnings	38.7	676.8	5.7
Dilutive effect of Convertible Bond	1.1	59.3	
Diluted earnings	39.8	736.1	5.4
EPRA basic and diluted earnings			
Basic and diluted earnings	38.7		
Adjustments to remove:			
Profit on sale of land	(0.1)		
Revaluation gain on property portfolio	(21.2)		
Fair value movement on derivatives	(0.2)		
Fair value movement on Convertible Bond	(0.1)		
EPRA basic earnings per share	17.1	676.8	2.5
Dilutive effect of Convertible Bond	1.2	59.3	
EPRA diluted earnings per share	18.3	736.1	2.5

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

Notes to the condensed financial statements (continued)

7. Earnings per share (continued)

	Net profit attributable to Ordinary Shareholders £m	Ordinary Shares (number - millions)[1]	Per share (pence)
Year ended 31 December 2018 (audited)			
Basic and diluted earnings			
Basic earnings	74.3	708.6	10.5
Dilutive effect of Convertible Bond	(2.2)	24.1	
Diluted earnings	72.1	732.7	9.8
EPRA basic and diluted earnings			
Basic and diluted earnings	74.3		
Adjustments to remove:			
Revaluation gain on property portfolio	(36.0)		
Profit on sale of land	(0.1)		
Fair value movement on derivatives	1.8		
Fair value movement on Convertible Bond	(3.2)		
EPRA basic earnings per share	36.8	708.6	5.2
Dilutive effect of Convertible Bond	1.0	24.1	
EPRA diluted earnings per share	37.8	732.7	5.2

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

On 20 May 2014, the Group issued £82.5m of unsecured Convertible Bonds (refer to note 12 for further details). In accordance with IAS 33 'Earnings per share' the Company is required to assess and disclose the dilutive impact of the contingently issuable shares within the Convertible Bond. The impact is not recognised where it is anti-dilutive.

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

The bonds were fully converted or repaid during the period and consequently, there were no dilutive effects of the Convertible Bond in the 6 months to 30 June 2019.

Notes to the condensed financial statements (continued)

8. Dividends

	Six months ended 30 June 2019 £m (unaudited)	Six months ended 30 June 2018 £m (unaudited)	Year ended 31 December 2018 £m (audited)
Quarterly interim dividend paid 22 February 2019	9.9	-	-
Scrip dividend in lieu of quarterly cash dividend 22 February 2019	0.9	-	-
Quarterly interim dividend paid 24 May 2019	14.4	-	-
Scrip dividend in lieu of quarterly cash dividend 24 May 2019	1.5	-	-
Quarterly interim dividend paid 23 February 2018	-	8.1	8.1
Scrip dividend in lieu of quarterly cash dividend 23 February 2018	-	0.3	0.3
Quarterly interim dividend paid 25 May 2018	-	7.7	7.7
Scrip dividend in lieu of quarterly cash dividend 25 May 2018	-	0.7	0.7
Quarterly interim dividend paid 24 August 2018	-	-	9.6
Scrip dividend in lieu of quarterly cash dividend 24 August 2018	-	-	0.3
Quarterly interim dividend paid 23 November 2018	-	-	9.3
Scrip dividend in lieu of quarterly cash dividend 23 November 2018	-	-	0.6
Total dividends distributed	**26.7**	16.8	36.6
Per share	**2.8p**	2.7p	5.4p

The Company will pay a third interim dividend of 1.4 pence per Ordinary Share for the year ending 31 December 2019, payable on 23 August 2019. This dividend will comprise a Property Income Distribution ("PID") of 0.65p and ordinary dividend of 0.75p per share.

Notes to the condensed financial statements (continued)

9. Investment properties and investment properties under construction

	Investment properties freehold[1] £m	Investment long leasehold £m	Investment properties under construction £m	Total £m
As at 1 January 2019 (audited)	1,212.5	284.4	6.0	1,502.9
Acquisition of MedicX portfolio				
Consideration (including transaction costs)	728.3	197.2	17.2	942.7
Less: exceptional revaluation loss arising on acquisition	(107.0)	(28.9)	(2.5)	(138.4)
Fair value of MedicX portfolio acquired	621.3	168.3	14.7	804.3
Property additions	6.5	-	12.8	19.3
Adoption of IFRS 16 – ground rents recognised as finance leases	-	4.5	-	4.5
Impact of lease incentive adjustment	(1.4)	2.1	-	0.7
Foreign exchange movements	1.8	-	0.3	2.1
	1,840.7	459.3	33.8	2,333.8
Revaluations for the period	15.0	2.5	0.2	17.7
As at 30 June 2019 (unaudited)	**1,855.7**	**461.8**	**34.0**	**2,351.5**

[1] Includes development land held at £4.1m (31 December 2018: £1.0m)

	Total £m
Fair value per LSH UK valuation report	1,441.3
Fair value of JLL UK valuation	760.1
Fair value of LSH Ireland valuation	92.5
Fair value of Cushman & Wakefield Ireland valuation	53.1
	2,347.0
Ground rents recognised as finance leases	4.5
Fair value 30 June 2019 (unaudited)	**2,351.5**

In line with the Company's accounting policies, the Group has treated the merger with MedicX during the period as an asset purchase rather than a business combination because it was judged to be an acquisition of assets rather than a business and no processes or workforce were acquired by the Group. Included in additions for the period, are £804.3m of property assets in respect of the MedicX merger which was settled through issuance to the shareholders of MedicX Fund Limited of 341.0m Ordinary Shares in the Company at a price of 129.2 pence per share. For more information on the acquisition refer to pages 12-15 of the Financial Review.

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

The investment properties have been independently valued at fair value by Lambert Smith Hampton, Jones Lang LaSalle and Cushman and Wakefield Chartered Surveyors and Valuers, as at the balance sheet date in accordance with accounting standards. The valuers have confirmed that they have valued the properties in accordance with the Practice Statements in the RICS 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 99.5% let (31 December 2018: 99.8%). The valuations reflected a 4.85% net initial yield (31 December 2018: 4.85%). 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.

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 £28.4m (31 December 2018: £16.0m) 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 £1.1m (30 June 2018: £6.4m; 31 December 2018: £nil) 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 2019 and 31 December 2018. There were no transfers between levels during the period or during 2018. 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).

Notes to the condensed financial statements (continued)

10. Cash and cash equivalents

	30 June 2019 £m (unaudited)	31 December 2018 £m (audited)
Cash held at bank	**13.8**	5.9

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 2019 £m	31 December 2018 £m	**30 June 2019 £m**	31 December 2018 £m	**30 June 2019 £m**	31 December 2018 £m
Current							
RBS Overdraft	**Jun 2020**	**5.0**	5.0	**-**	-	**5.0**	5.0
Aviva HIL loan	**Jan 2032**	**0.9**	0.9	**0.9**	0.9	**-**	-
Aviva loan[1]	**Sep 2033**	**2.0**	-	**2.0**	-	**-**	-
Aviva loan[1]	**Jun 2040**	**0.6**	-	**0.6**	-	**-**	-
Santander loan[1]	**Jul 2021**	**0.4**	-	**0.4**	-	**-**	-
		8.9	5.9	**3.9**	0.9	**5.0**	5.0
Non-current							
Aviva HIL loan	**Jan 2032**	**20.9**	21.4	**20.9**	21.4	**-**	-
Aviva loan	**Dec 2022**	**25.0**	25.0	**25.0**	25.0	**-**	-
Aviva loan	**Nov 2028**	**75.0**	75.0	**75.0**	75.0	**-**	-
Aviva loan	**Aug 2024**	**50.0**	50.0	**50.0**	50.0	**-**	-
Aviva loan	**Aug 2029**	**63.0**	63.0	**63.0**	63.0	**-**	-
Barclays/AIB loan	**Jan 2021**	**115.0**	115.0	**55.0**	55.0	**60.0**	60.0
HSBC loan	**Jul 2020**	**50.0**	50.0	**-**	-	**50.0**	50.0
HSBC standby loan	**Oct 2020**	**50.0**	-	**-**	-	**50.0**	-
Lloyds loan	**Dec 2020**	**30.0**	30.0	**30.0**	-	**-**	30.0
RBS loan	**Mar 2021**	**100.0**	100.0	**76.0**	65.9	**24.0**	34.1
Santander loan	**Jul 2021**	**30.6**	30.6	**8.3**	8.9	**22.3**	21.7
Aviva loan[1]	**Sep 2033**	**230.4**	-	**230.4**	-	**-**	-
Aviva loan[1]	**Sep 2028**	**30.8**	-	**30.8**	-	**-**	-
Aviva loan[1]	**Jun 2040**	**25.1**	-	**25.1**	-	**-**	-
Bank of Ireland[1]	**Sep 2024**	**30.4**	-	**23.5**	-	**6.9**	-
RBS loan[1]	**Jul 2019**	**20.0**	-	**-**	-	**20.0**	-
Santander loan[1]	**Jul 2021**	**3.0**	-	**3.0**	-	**-**	-
		949.2	560.0	**716.0**	364.2	**233.2**	195.8
Total		**958.1**	565.9	**719.9**	365.1	**238.2**	200.8
MtM on MedicX loans[2]				**48.0**			
Amortisation of MtM on loans acquired in the period				**(1.0)**			
Total				**766.9**			

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

[2] Difference between book value and fair value of loans acquired as part of the MedicX merger.

Notes to the condensed financial statements (continued)

11. Borrowings: term loans and overdrafts (continued)

At 30 June 2019, total facilities of £1,376.3m (31 December 2018: £879.9m) were available to the Group. This included term loan facilities and the bonds in note 12. Of these facilities, as at 30 June 2019, £1,138.0m was drawn (31 December 2018: £679.1m).

On 23 January 2019, a new £50m facility was successfully completed with HSBC. The new loan can draw in Sterling, and has a variable interest rate of LIBOR plus 175bps. The new loan expires in October 2020.

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

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

	30 June 2019 £m (unaudited)	31 December 2018 £m (audited)
Term loans drawn: due within one year	**3.9**	0.9
Term loans drawn: due in greater than one year	**716.0**	364.2
Total term loans drawn	**719.9**	365.1
Plus: MtM on loans added in the period net of amortisation	**47.0**	-
Less: unamortised borrowing costs	**(11.3)**	(3.7)
Total term loans per the Condensed Group Balance Sheet	**755.6**	361.4

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

12. Borrowings: Bonds

	30 June 2019 £m (unaudited)	31 December 2018 £m (audited)
Secured		
Secured Bond December 2025	**70.0**	70.0
Secured Bond March 2027	**100.0**	100.0
€51m Secured Bond (Euro private placement)	**45.7**	45.8
Ignis loan note December 2028	**50.0**	-
Standard Life loan note September 2028	**77.5**	-
Unsecured		
Retail Bond July 2019	**75.0**	75.0
Convertible Bond May 2019 at fair value	**-**	26.6
Less: unamortised issue costs	**(3.6)**	(2.7)
	414.6	314.7

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.

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.

Retail Bond

On 23 July 2012, PHP announced that it had become the first UK REIT to issue a Retail Bond following the issue of a £75m, unsecured, seven-year bond, to retail investors with an annual interest rate of 5.375% paid semi-annually in arrears. The Retail Bond issue costs are being amortised using the effective interest rate method. The Retail Bond matures on 31 July 2019.

Convertible Bond

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

Subject to certain conditions, the Bonds were convertible into preference shares of the Issuer which were automatically and mandatorily exchangeable into fully paid Ordinary Shares of the Company (the "Shares"). The initial conversion price was set at 390 pence per Share (the "Exchange Price") which was subsequently revised to 97.5 pence following the Company's four-for-one Share sub-division undertaken in November 2015 and to 96.16p in October 2018. Under the terms of the Bonds, the Company had the right to settle any conversion rights entirely in Shares, in cash or with a combination of Shares and cash.

During the period, 24m new Ordinary Shares of 12.5 pence were issued on the conversion of £23.1m nominal of convertible bonds. Following the conversion of the Bonds and repayment of the remaining liability of £0.1m there were £NIL (31 December 2018: £23.2m) nominal of convertible bonds outstanding.

Notes to the condensed financial statements (continued)

12. Borrowings: Bonds (continued)

Convertible Bond

	30 June 2019 £m	31 December 2018 £m
Opening balance – fair value	**26.6**	75.5
Bond conversions	**(28.3)**	(45.7)
Bond repaid	**(0.1)**	-
Cumulative fair value movement in Convertible Bond	**1.8**	(3.2)
Closing balance – fair value	**-**	26.6

The fair value of the Convertible Bond at 31 December 2018 was established by obtaining quoted market prices. The fair value movement is recognised in the Group Statement of Comprehensive Income within profit before taxation and is excluded from the calculation of EPRA earnings and EPRA NAV.

13. Head lease liabilities

The Company has adopted IFRS 16 *Leases* from 1 January 2019 but comparatives have not been restated. 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 32 years and perpetuity and fixed rentals.

	30 June 2019 £m	31 December 2018 £m
Due within one year	**0.1**	-
Due after one year	**4.4**	-
Closing balance – fair value	**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:

	Effective interest rate swaps £m	Ineffective interest rate swaps £m	Total £m
Assets			
As at 1 January 2019	-	0.6	0.6
Fair value movement in the period	-	(0.6)	(0.6)
As at 30 June 2019	-	-	-
Liabilities			
As at 1 January 2019	(6.2)	(11.6)	(17.8)
Fair value movement in the period	(1.2)	(1.5)	(2.7)
As at 30 June 2019	(7.4)	(13.1)	(20.5)
Total – derivative financial instruments			
As at 1 January 2019	(6.2)	(11.0)	(17.2)
Fair value movement in the period	(1.2)	(2.1)	(3.3)
As at 30 June 2019	**(7.4)**	**(13.1)**	**(20.5)**

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.

	Book value 30 June 2019 £m	**Fair value 30 June 2019 £m**	Book value 31 December 2018 £m	Fair value 31 December 2018 £m
Financial assets				
Trade and other receivables	**13.5**	**13.5**	4.3	4.3
Ineffective interest rate swaps	**-**	**-**	0.6	0.6
Cash and short-term deposits	**13.8**	**13.8**	5.9	5.9
Financial liabilities				
Interest-bearing loans and borrowings	**(1,165.0)**	**(1,263.9)**	(679.1)	(707.2)
Effective interest rate swaps	**(7.4)**	**(7.4)**	(6.2)	(6.2)
Ineffective interest rate swaps	**(13.1)**	**(13.1)**	(11.6)	(11.6)
Trade and other payables	**(30.1)**	**(30.1)**	(16.1)	(16.1)

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

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

The Group held the following financial instruments at fair value at 30 June 2019. 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 2019 are as follows:

Recurring fair value measurements	**Level 1[1]** **£m**	**Level 2[2]** **£m**	**Level 3[3]** **£m**	**Total** **£m**
Financial assets				
Derivative interest rate swaps	**-**	**-**	**-**	**-**
Financial liabilities				
Derivative interest rate swaps	**-**	**(20.5)**	**-**	**(20.5)**
Convertible Bond	-	**-**	**-**	-
Fixed rate debt	-	**(970.8)**	**-**	**(970.8)**

Fair value measurements at 31 December 2018 were as follows:

Recurring fair value measurements	Level 1[1] £m	Level 2[2] £m	Level 3[3] £m	Total £m
Financial assets				
Derivative interest rate swaps	-	0.6	-	0.6
Financial liabilities				
Derivative interest rate swaps	-	(17.8)	-	(17.8)
Convertible Bond	(26.6)	-	-	(26.6)
Fixed rate debt	-	(480.8)	-	(480.8)

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

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

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

Notes to the condensed financial statements (continued)

16. Net asset value per share

Net asset values have been calculated as follows:

	30 June 2019 £m (unaudited)	30 June 2018 £m (unaudited)	31 December 2018 £m (audited)
Net assets			
Basic net assets	**1,125.4**	730.6	788.0
Derivative interest rate swaps liability (net)	**20.5**	21.1	17.2
Deferred tax	**2.4**	-	-
Cumulative Convertible Bond fair value movement	**-**	11.2	3.4
EPRA net asset value	**1,148.3**	762.9	808.6
MtM on MedicX loans net of amortisation	**47.0**	-	-
Adjusted EPRA net asset value	**1,195.3**	762.9	808.6
Fixed rate debt and swap mark-to-market value	**(119.4)**	(56.3)	(45.3)
Deferred tax	**(2.4)**	-	-
EPRA NNNAV	**1,073.5**	706.6	763.3

	Number of shares Millions	Number of shares Millions	Number of shares Millions
Ordinary Shares:			
Issued share capital	**1,136.2**	732.4	769.1
Net asset value per share			
Basic net asset value per share	**99.1 p**	99.8p	102.5p
EPRA net asset value per share	**101.1 p**	104.2p	105.1p
Adjusted EPRA net asset value per share	**105.2 p**	104.2p	105.1p
EPRA NNNAV per share	**94.5p**	96.5p	99.2p

17. Related party transactions

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

	Six months ended 30 June 2019 £m (unaudited)	Six months ended 30 June 2018 £m (unaudited)	Year ended 31 December 2018 £m (audited)
Nexus TradeCo Limited	**4.8**	3.3	6.6

Notes to the condensed financial statements (continued)

17. Related party transactions (continued)

As at 30 June 2019, outstanding advisory fees payable to Nexus totalled £0.7m (30 June 2018: £0.5m).

Further fees paid to Nexus in accordance with the Advisory Agreement for the period to 30 June 2019 of £0.2m (30 June 2018: £0.1m) in respect of capital projects were capitalised in the period.

Service charge management fees paid to Nexus in the period, in connection with the Group's properties, totalled £0.1m (30 June 2018: £0.2m).

Nexus is entitled to a PIF equivalent to 11.25% of the "total return" above a hurdle rate of 8.0%, based on the change in EPRA Net Asset Value ("NAV") plus dividends paid less equity raised which is credited to a notional cumulative account. If the hurdle is not achieved a sum equal to 11.25% of the underperformance is deducted from the notional cumulative account.

A PIF of £1.1m was paid to Nexus in the period in respect of 2018. A provision of £0.9m has been provided in the period (six months ended 30 June 2018: £0.6m; year ended 31 December 2018: £1.3m). No payment in respect of 2019 will be made until the audited financial results and total returns for the year have been agreed in 2020.

18. Share capital

	30 June 2019 £m (unaudited)	30 June 2018 £m (unaudited)	31 December 2018 £m (audited)
Issued and fully paid Ordinary Shares at 12.5p each	**142.0**	91.6	96.1

At beginning of year	**96.1**	77.5	77.5
Scrip issues in lieu of cash dividends	**0.3**	0.1	0.2
Shares issued on bond conversions in the period	**3.0**	0.7	5.1
Shares issued on acquisition of MedicX Fund Limited	**42.6**	-	-
Shares issued 19 April 2018	**-**	13.3	13.3
	142.0	91.6	96.1

On 14 March 2019, the Company issued 341,045,427 new Ordinary Shares at a price of 129.2p in consideration for the acquisition of the entire issued share capital of MedicX Fund Limited. The premium on the shares issued for the MedicX merger was transferred to the merger reserve (see note 19).

19. Merger and other reserves

	30 June 2019 £m (unaudited)	30 June 2018 £m (unaudited)	31 December 2018 £m (audited)
At beginning of year	**2.5**	1.6	1.6
Premium on shares issued for MedicX merger	**398.0**	-	-
Exchange gain on translation of foreign balances	**0.3**	-	0.9
	400.8	1.6	2.5

Notes to the condensed financial statements (continued)

20. Special reserve

	30 June 2019 £m (unaudited)	30 June 2018 £m (unaudited)	31 December 2018 £m (audited)
At beginning of year	**124.8**	161.4	161.4
Dividends paid	**(24.3)**	(15.8)	(34.7)
Scrip issues in lieu of cash dividends	**(2.4)**	(1.0)	(1.9)
	98.1	144.6	124.8

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

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

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

21. Subsequent events

In June 2019, the Group announced the issue of new unsecured convertible bonds with a nominal value of £150m and a coupon of 2.875% per annum. The new bonds were issued post period end on the 15 July 2019 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 will be used to repay the Company's £75m, 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 has been 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 will be subject to adjustment if dividends paid per share exceed 2.8 pence per annum and other certain circumstances.

On 19 July 2019, the Group acquired a primary care centre in Meath, Dublin, Ireland, for a total consideration of £9.8m (€10.9m).

On 19 July 2019, the Group's £3.4m Santander loan facility was repaid and cancelled.

On 10 July 2019, the Group cancelled its £50m HSBC standby loan facility.

On 12 July the Group cancelled the £20m RBS loan facility.

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 as adopted by the European Union and that the operating and financial review herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 of the Disclosure and Transparency rules of the United Kingdom's Financial Services Authority namely:

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

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

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

By order of the Board

Steven Owen
Chairman
24 July 2019

Glossary of terms

Adjusted EPRA earnings is EPRA earnings excluding the exceptional contract termination fee and amortisation of MtM adjustments for fixed rate debt acquired on the merger with MedicX.

Adjusted EPRA NAV is EPRA NAV excluding MtM adjustment of the fixed rate debt, net of amortisation, acquired on the merger with MedicX.

Adviser is Nexus Tradeco Limited.

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

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

Company and/or **Parent** is Primary Health Properties PLC ("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 Adjusted EPRA earnings.

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

European Public Real Estate Association ("EPRA") is a real estate industry body, which has issued Best 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 and 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 the MtM value of derivative financial instruments, deferred tax and the convertible bond fair value movement.

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

EPRA NNNAV is Adjusted EPRA NAV including the MtM value of fixed rate debt and derivatives.

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

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

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

Gross rental income is the gross accounting rent receivable.

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

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 MedicX Fund Limited ("MedicX") and its subsidiaries.

MSCI (IPD) provides performance analysis for most types of real estate and produces an independent benchmark of property returns.

MSCI (IPD) Healthcare is the UK Annual Healthcare Property Index.

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

Net asset value ("NAV") is the value of the Group's assets minus the value of its liabilities.

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

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

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

Parity value is calculated based on dividing the convertible bond value by the Exchange Price.

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

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

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

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

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

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

RICS is the Royal Institution of Chartered Surveyors.

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

Special reserve is a distributable reserve.

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

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

	£m
Net rental income	53.8
Revaluation surplus	17.7
	71.5
Opening property assets	1,502.9
Weighted additions in the period	490.9
	1,993.8
Total property return	**3.6%**

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

	Adjusted EPRA NAV (pence per share)
At 31 December 2018	105.10
At 30 June 2019	105.20
Increase/(decrease)	**0.10**
Add: Dividends paid	
22/02/2019 Q1 interim	1.40
24/05/2019 Q2 interim	1.40
Total shareholder return	**2.90**

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.