

Primary Health Properties PLC

Preliminary results for the year ended 31 December 2024

29-year track record of dividend growth set to continue as new Government commitment to primary and community care and further progress in Irish markets drive future growth

Primary Health Properties PLC (“PHP”, the “Group” or the “Company”), a leading investor in modern primary health facilities in the UK and Ireland, announces its audited preliminary results for the year ended 31 December 2024.

Mark Davies, Chief Executive Officer (“CEO”) of PHP, commented:

“This is my first year-end since taking over as CEO last year and its pleasing to report a solid set of results that are slightly ahead of market consensus. I am very pleased to report such a positive financial performance, particularly in the second half of the year, with good momentum in rental and earnings growth. Encouragingly, we have also seen positive valuation growth in the second half of the year, the first time since 2021, which has led to stability in our Adjusted NTA per share. The dividend per share has continued to grow by 3% and remains fully covered.

“Now that valuations have stabilised and look set to improve as rental growth accelerates we are seeing more opportunities to acquire earnings accretive acquisitions and this was demonstrated by our acquisition in Ireland of the Laya Healthcare urgent care and diagnostic facility at a yield of 7.1%.

“I have been impressed by the hard work and dedication of my colleagues along with the depth of knowledge and our relationships in both the UK and Irish healthcare markets. This gives us great confidence about the future of our business and that we can continue to deliver strong financial results and sector leading performance, especially with the demographic tailwinds and political support for primary care in both countries.

“We are approaching PHP’s 30-year anniversary with a dedicated determination to continue growing our dividend on a fully covered basis.”

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Income statement metrics	Year to 31 December 2024	Year to 31 December 2023	Annual change
Net rental income ¹	£153.6m	£149.3m	+2.9%
Adjusted earnings ^{1,2}	£92.9m	£90.7m	+2.4%
Adjusted earnings per share ^{1,2}	7.0p	6.8p	+2.9%
IFRS profit after tax for the year	£41.4m	£27.3m	+51.6%
IFRS earnings per share ²	3.1p	2.0p	+55.0%
Dividends			
Dividend per share ⁵	6.9p	6.7p	+3.0%
Dividends paid ⁵	£92.1m	£89.5m	+2.9%
Dividend cover ¹	101%	101%	
Balance sheet and operational metrics	31 December 2024	31 December 2023	Annual change
Adjusted NTA (NAV) per share ^{1,3}	105.0p	108.0p	-2.8%
IFRS NTA per share ^{1,3}	103.0p	106.5p	-3.3%
Property portfolio			
Investment portfolio valuation ⁴	£2.750bn	£2.779bn	-1.4%
Net initial yield (“NIY”) ¹	5.22%	5.05%	+17 bps
Contracted rent roll (annualised) ^{1,7}	£153.9m	£150.8m	+2.1%
Weighted average unexpired lease term (“WAULT”) ¹	9.4 years	10.2 years	-0.8 years
Occupancy ¹	99.1%	99.3%	-20 bps
Rent-roll funded by government bodies ¹	89%	89%	
Debt			

Average cost of debt ¹	3.4%	3.3%	+10 bps
Loan to value ratio ¹	48.1%	47.0%	+110 bps
Weighted average debt maturity – drawn facilities	5.7 years	6.6 years	-0.9 years
Total undrawn loan facilities and cash ⁶	£270.9m	£321.2m	

¹ Items marked with this footnote are alternative performance measures. Refer to the Glossary of Terms for a description of these measures and a reconciliation to the nearest statutory metric where appropriate.

² See note 8, earnings per share, to the financial statements. Per share figures are presented on a basic basis.

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

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

⁵ See note 9, dividends, to the financial statements.

⁶ After deducting the remaining cost to complete contracted acquisitions, properties under development and committed asset management projects.

⁷ Percentage contracted rent roll increase during the year is based on the annualised uplift achieved from all completed rent reviews and asset management projects.

EARNINGS AND DIVIDENDS

- Adjusted earnings per share increased by 2.9% to 7.0p (2023: 6.8p) marginally ahead of analyst consensus
- IFRS earnings per share increased by 55.0% to 3.1p (2023: 2.0p) reflecting non-cashflow losses arising on the valuation of the Group’s property portfolio, convertible bond and interest rate derivatives
- Contracted annualised rent roll increased by 2.1% to £153.9 million (31 December 2023: £150.8 million)
- Additional annualised rental income on a like-for-like basis of £4.0 million or 2.7% from rent reviews and asset management projects (2023: £4.3 million or 3.0%)
- EPRA cost ratio 10.1% (2023: 10.1%), representing one of the lowest in the UK REIT sector
- Quarterly dividends totalling 6.9 pence (2023: 6.7 pence) per share distributed in the year, a 3.0% increase
- First quarterly dividend of 1.775 pence per share declared and paid on 21 February 2025, equivalent to 7.1 pence on an annualised basis and a 2.9% increase over the 2024 dividend per share, marking the start of the Company’s 29th consecutive year of dividend growth
- The Company intends to maintain its strategy of paying a progressive, covered dividend

NET ASSET VALUE AND PORTFOLIO MANAGEMENT

- Adjusted Net Tangible Assets (“NTA”) per share decreased by 2.8% to 105.0 pence (31 December 2023: 108.0 pence)
- IFRS NTA per share decreased by 3.3% to 103.0 pence (31 December 2023: 106.5 pence)
- Property portfolio valued at £2.750 billion at 31 December 2024 (31 December 2023: £2.779 billion) reflecting a net initial yield of 5.22% (31 December 2023: 5.05%)
- Valuations have stabilised in the second half of the year with a surplus of £1.6 million (H1 2024: deficit of £40 million), with yield expansion starting to moderate and the impact of rental growth outweighing yield shift and we expect this trend to continue in 2025.
- Revaluation deficit in the year of £38.4 million (2023: deficit £53.0 million), representing a decline of -1.4% (2023: -1.9%) driven by NIY widening of 17 bps equivalent to around £101 million partially offset by gains of £63 million arising from rental growth and asset management projects
- Improving independent valuer ERV growth outlook which increased by 3.2% in the year (2023: 2.5%)
- The portfolio’s metrics continue to reflect the Group’s secure, long-term and predictable income stream with

occupancy at 99.1% (31 December 2023: 99.3%), 89% (31 December 2023: 89%) of income funded by government bodies and WAULT of 9.4 years (31 December 2023: 10.2 years) increasing to 10.2 years including agreed transactions.

- Pipeline of 13 asset management projects and lease regears planned over next two years, investing £6.7 million, creating additional rental income of £0.4 million per annum and extending the weighted average unexpired lease term (WAULT) back to over 16 years on these projects
- Winner of MSCI's UK Highest 10-Year Risk Adjusted Total Return Award for the third consecutive year in 2023, 2022 and 2021, reflecting PHP's market leading property performance
- As previously announced, opportunistic acquisition of one standing let investment at Basingstoke for £4.5 million and commenced work on the Group's second development at South Kilburn, London for £3.3 million
- Post period end, acquired the Laya Healthcare facility, Cork, Ireland for €22.0 million / £18.2 million delivering an earnings yield of 7.1%. The private medical facility is let to Laya Healthcare, Ireland's second largest provider of private health insurance and clinical services
- At 31 December 2024, the portfolio in Ireland comprises 21 assets, valued at £255 million / €309 million (31 December 2023: £245 million / €282 million). The portfolio in Ireland represents 9% (2023: 9%) of the total portfolio and Ireland continues to represent a core part of PHP's strategy and preferred area of future growth

FINANCIAL MANAGEMENT

- Significant liquidity headroom with cash and collateralised undrawn loan facilities totaling £270.9 million (31 December 2023: £321.2 million) after capital commitments, providing the business with flexibility to execute its strategy and address the repayment of the £150 million convertible bond in July 2025
- Completed the refinancing of £420 million revolving credit facilities mitigating the refinancing risk of debt maturities falling due in 2025 and 2026
- Average cost of debt increased marginally to 3.4% (2023: 3.3%) following completion of new arrangements taking the Group's net debt to 100% fixed or hedged (31 December 2023: 97%)
- LTV ratio 48.1% (31 December 2023: 47.0%) within the Group's targeted range of between 40% to 50%

Presentation and webcast:

An in-person presentation for analysts will be held today, 28 February 2025 at 11.00am (13.00pm SAST) at the offices of Peel Hunt, 100 Liverpool Street, London EC2M 2AT, and for those who cannot attend in person, via a live webcast and conference call facility. Following the presentation there will be a managed questions and answers session.

The presentation will be accessible via live video webcast and a live conference call facility:

Webcast: <https://stream.brrmedia.co.uk/broadcast/677e637c30911f860603a00f>

Telephone: UK-wide: +44 (0) 33 0551 0200

Telephone: South Africa toll free: 0 800 980 512

Password: Quote "PHP FY24" when prompted

If you would like to register your interest in attending the meeting, please contact Burson Buchanan at php@buchanan.uk.com.

A recording of the webcast will be made available from c.1.00pm UK time (3.00pm SAST) on 28 February 2024 on the PHP website, <https://www.phpgroup.co.uk/>.

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Chair's statement

In my first annual report as Chair, I am pleased to report PHP continued to deliver on its 28-year track record of continuous dividend growth underpinned by another year of robust operational and financial performance in 2024. The performance in the year is a testament to the quality of PHP's business model, portfolio, management team and people against the backdrop of a volatile and uncertain interest rate environment which continues to weigh heavily on the real estate sector and the Company's share price.

The Group's operational resilience throughout the year reflects the security and longevity of our income which are important drivers of our predictable income stream and underpin our progressive dividend policy. We have maintained our strong operational property metrics, with high occupancy at 99.1% (31 December 2023: 99.3%), 89% (31 December 2023: 89%) of our rent being securely funded directly or indirectly by the UK and Irish Governments and a long weighted average unexpired lease term ("WAULT") of 9.4 years (31 December 2023: 10.2 years).

The value of the property portfolio remains broadly unchanged and currently stands at just under £2.8 billion (31 December 2023: £2.8 billion) across 516 assets (31 December 2023: 514 assets), including 21 assets in Ireland, with a total rent roll of £153.9 million (31 December 2023: £150.8 million). In the second half of the year, we have seen values start to stabilise with yield expansion starting to moderate and the impact of rental growth outweighing yield shift and we expect this trend to continue in 2025. Notwithstanding the modest fall in values in the year the portfolio's average lot size is £5.3 million (31 December 2023: £5.4 million).

We continue to focus on driving rental growth from both rent reviews and asset management activities which generated an extra £4.0 million (2023: £4.3 million) of annualised rental income during the year which is a critical factor in the Group's business model and underpins both the earnings and dividend outlook.

Importantly, we have continued to see open market value ("OMV") growth improving with reviews completed in 2024 generating an extra £1.4 million (2023: £1.3 million), an uplift of 6.0% (2023: 5.4%) over the previous passing rent equivalent to 1.9% (2023: 1.8%) on an annualised basis. This continues the positive trend in growth seen over the last couple of years. The improving rental growth outlook has also been reflected in the valuation of the portfolio with the independent valuers' assessment of estimated rental values ("ERV") increasing by 3.2% during 2024 (2023: 2.5%).

The significant increase in construction costs, together with historically suppressed levels of open market rental growth in the sector, will be significant pull factors to future growth and we are starting to see positive movement in some locations where the NHS need for investment in new buildings is strongest. We have recently commenced work on PHP's second development at South Kilburn, London, which is an example of an Integrated Care Board ("ICB") and local authority stepping in with a capital contribution where the District Valuer's ("DV") proposals have prevented much needed schemes from progressing. This, along with the use of "top-up" rents and capital contributions, is starting to allow certain schemes to progress viably and we anticipate this will continue to accelerate to help meet the real need for additional and improved capacity.

We welcome the new Labour Government's commitment to the NHS together with its manifesto pledge to reform primary care along with a continuation of the shift of services out of hospitals and into the community. Primary care will face challenges in meeting the new objectives set, with the capacity of existing facilities creating a significant obstacle to implementing the new government's policies aimed at expanding

service delivery within general practice. Further details on the government's proposals will be published in a new 10-Year Health Plan expected later in Spring 2025. Many of our primary care facilities and occupiers will need to deal with future reforms along with addressing the large backlog of procedures that has built up over recent years. We continue to maintain close relationships with our key stakeholders and GP partners to ensure we are best placed to help the NHS and Health Service Executive ("HSE"), Ireland's national health service provider, evolve and deal with the ever-increasing pressures and scrutiny which they continue to face.

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

Overview of results

PHP's Adjusted earnings increased by £2.2 million or +2.4% (2023: £2.0 million or +2.3%) to £92.9 million (2023: £90.7 million) in the year, primarily driven by organic rental growth from rent reviews and asset management projects, plus increased profit generated by Axis PHP, our Irish property management business, partially offset by higher interest costs on the Group's increased variable rate debt and additional administrative expenses. Using the weighted average number of shares in issue in the year, the adjusted earnings per share increased to 7.0 pence (2023: 6.8 pence), an increase of 2.9% (2023: +3.0%).

A revaluation deficit of £38.4 million (2023: deficit of £53.0 million) was generated in the year from the portfolio, equivalent to -2.9 pence (2023: -4.0 pence) per share. The valuation deficit was driven by net initial yield ("NIY") widening by 17 bps (2023: 23 bps) in the year, equivalent to a valuation reduction of around £101 million (2023: deficit of £128 million), albeit this was partially offset by gains equivalent to £63 million (2023: gain of £75 million) arising from rental growth and asset management projects.

A combined loss of £7.6 million (2023: loss of £11.6 million) on the fair value of interest rate derivatives and convertible bonds, the amortisation of the fair value adjustment on the MedicX fixed rate debt at acquisition, amortisation of the intangible asset which arose on the acquisition of Axis PHP in 2023 and early termination fees on repayment of bond debt resulted in a profit before tax as reported under IFRS of £47.0 million (2023: £26.1 million).

The Group's balance sheet remains robust, with significant liquidity headroom, with cash and collateralised undrawn loan facilities, after capital commitments, totalling £270.9 million (31 December 2023: £321.2 million). The loan to value ratio of 48.1% (31 December 2023: 47.0%) is within the targeted range of between 40% and 50%, with significant valuation headroom across the various loan facilities and with values needing to fall by around £1.0 billion or 37% before the loan to value covenants are impacted.

Dividends

The Company distributed a total of 6.9 pence per share in 2024, an increase of 3.0% over the 2023 dividend of 6.7 pence per share. The total value of dividends distributed in the year increased by 2.9% to £92.1 million (2023: £89.5 million), which were fully covered by adjusted earnings. During 2024, the scrip dividend scheme continued to be suspended as a consequence of the ongoing weakness in the share price and a Dividend Reinvestment Plan continued to be offered in its place.

The first interim dividend of 1.775 pence per share was declared on 2 January 2025, equivalent to 7.1 pence on an annualised basis, which represents an increase of 2.9% over the dividend distributed per share in 2024. The dividend was paid to shareholders on 21 February 2025 who were on the register at the close of business on 10 January 2025. The dividend will be paid by way of a Property Income Distribution of 1.375 pence and an ordinary dividend of 0.4 pence.

The Company intends to maintain its strategy of paying a progressive dividend, paid in equal quarterly instalments, that is covered by adjusted earnings in each financial year. Further dividend payments are planned to be made on a quarterly basis in May, August and November 2025 which are expected to comprise a mixture of both Property Income Distribution and normal dividend.

Board succession and changes

As previously reported, Mark Davies succeeded myself as Chief Executive Officer (“CEO”) with effect from the conclusion of the 2024 Annual General Meeting (“AGM”) on 24 April 2024. At the same time, Steven Owen retired from the Board as Non-executive Chairman and I was appointed, with strong shareholder support at the AGM, as Non-executive Chair.

Following my appointment as Non-executive Chair and in order to ensure that the Board consists of a majority of independent Non-executive Directors and is therefore compliant with the UK Corporate Governance Code 2024, Dr Bandhana (Bina) Rawal was appointed as a fourth independent Non-executive director of the Company with effect from 27 February 2024, increasing the size of the Board to seven. Dr Rawal brings a wealth of experience from senior executive and non-executive roles across healthcare, including in strategy, partnerships, governance and risk management.

The Board is grateful to Steven for his commitment and dedication to the Company since his appointment as a Non-executive Director in 2014 and for subsequently Chairing the Company from 2018 to 2024, a period of transformational growth and change, particularly following the merger with MedicX, the process of internalising the management function and establishing PHP as a key member of the FTSE 250 Index.

Secondary Listing

On 24 October 2023 the Company completed a secondary listing of PHP shares on the Johannesburg Stock Exchange (“JSE”). The Board of PHP believes that the secondary listing will contribute to liquidity in the Group’s shares as a result of the growing interest in the Company and its increased profile in the South African market, where a number of investors have shown strong interest in our unique healthcare property investment opportunity. Since listing on the JSE approximately 14 million shares, across 450 shareholders, have been transferred to the Company’s South Africa register to date and we continue to help potential South African investors acquire PHP shares and provide further liquidity on the JSE with the objective of increasing the number of shares listed there to between 5% and 10% of the Group’s total issued share capital. We are delighted that PHP is now included in a number of key South African indices as of September 2024, including the prominent FTSE/JSE All Share Index and All Property Index, helping to further increase liquidity on this market.

Environmental, Social and Governance (“ESG”)

PHP has a strong commitment to responsible business. ESG matters are at the forefront of the Board’s and our various stakeholders’ considerations and the Group has committed to transitioning to net zero carbon (“NZC”). PHP published, at the start of 2022, a NZC Framework setting out the five key steps we are taking to achieve an ambitious target of being NZC by 2030 for all of PHP’s operational, development and asset management activities.

We continue to make good progress on the delivery of our NZC framework commitments and achieved our first milestone of net zero operations for the last three years, one year ahead of target. Additionally, the Group’s has two NZC developments under construction at Croft, West Sussex, and South Kilburn, London, with both projects due to achieve practical completion in Q2 2025.

We continue to modernise existing buildings and improve the environmental credentials of our portfolio through the asset management programme and have completed six projects in the year, all of which saw an improvement in the EPC ratings to a B. In the year, we also completed PHP’s first net zero asset management project at Long Stratton, Norfolk, where oil fired heating was replaced with air sourced heating, solar PV was installed and the residual carbon incurred was offset. A further ten projects are currently on site or committed with an advanced pipeline of additional schemes where we continue to evaluate options for energy efficiency, renewables and net zero asset management projects.

As at 31 December 2024, 47% of assets have an EPC rating of A or B (31 December 2023: 42%) and 88% at A to C (31 December 2023: 85%).

As part of establishing the wider carbon impact of the buildings and improving our access to energy performance data we have partnered with arbnco, the award-winning Protech company addressing climate change, to increase and move towards 100% energy data coverage across the portfolio, allowing us to proactively engage with and support tenants on improving their energy performance.

As a leading provider of modern primary care premises, we aim to create a lasting positive social impact, particularly on the health outcomes and wellbeing in the communities where we are invested. We believe that our activities benefit not only our shareholders but also our wider stakeholders, including occupiers, patients, the NHS and HSE, suppliers, lenders, and the wider communities in both the UK and Ireland.

Further details on our progress in the year, objectives for the future and approach to responsible business can be found in the 2024 Annual Report and on our website.

Market update and outlook

We welcome the new Labour Government’s continued commitment to the NHS and its manifesto pledge to reform primary care along with three key proposals for change, in particular:

- changes so that more people can get care at home or in their community;
- changes so that the NHS has the workforce of the future, with the technology it need; and
- changes so that there is a focus is on prevention to reduce pressures on the NHS.

Labour's policy includes a continuation of the shift of services out of hospitals and into the community with healthcare delivered close to home and readily available for individuals when they need it. As part of this commitment Labour acknowledges there needs to be a reform of primary care with patients needing new and more varied opportunities to access healthcare, unlocking earlier diagnosis of progressive health conditions and promoting better health outcomes for the population. Amongst the proposals for primary care are:

- improve GP access;
- bring back the family doctor;
- join up community health and social care services;
- open new referral routes;
- further expand the role of community pharmacy;
- free up GP appointments by boosting mental health support; and
- create a Neighbourhood NHS Workforce.

Primary care will continue to face challenges in meeting the above objectives. The growing demand for healthcare services alongside the capacity constraints of existing facilities represent a significant obstacle to successfully implementing the new government's policies aimed at expanding service delivery within general practice and local communities. The need for additional space is compounded by a population that is growing, ageing and suffering from increased chronic illnesses, which is placing a greater burden on healthcare systems in both the UK and Ireland. The extent of the NHS backlog also remains a significant concern, with the number of patients waiting for treatment reaching record highs and hospitals struggling to meet objectives. All these factors make more urgent the need for improved and increased primary healthcare infrastructure with approximately one-third of the UK's current primary care estate in need of modernisation or replacement.

PHP stands ready to support the new Labour Government's ambition of building an NHS fit for the future but declining rents in real terms have made investing in the transformation of GP facilities less appealing. Construction costs have risen significantly over the past decade, surpassing the growth in primary care rents, driven by material and labour costs and increasing sustainability requirements, all of which have been compounded by Brexit, the COVID-19 pandemic and the volatile fiscal policy outlook. We look forward to the publication of the new 10-Year Health Plan expected later in Spring 2025 with further details on the government's proposals especially around community healthcare.

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

Primary health and investment market update

The commercial property market continues to be impacted by economic turbulence and the uncertainty of interest rates continues to weigh on the real estate sector. The UK budget and rising debt levels along with the US election continue to pose ongoing risks and create added uncertainty.

We believe healthcare, and in particular primary care real estate, remains a structurally supported sector and benefits from the demographic tailwinds of a population that is growing, ageing and suffering from increased chronic illnesses, which is placing a greater burden on healthcare systems in both the UK and Ireland, which in turn compounds the need for both fit for purpose and additional space. However, future developments will now need a significant shift of between 20% to 30% in rental values to make them economically viable. We continue to actively engage with the NHS, ICB and DV for higher rent settlements. Despite these negotiations typically becoming protracted, we are starting to see positive movement in some locations where the health system's need for investment in new buildings is strongest such as our recent development at South Kilburn, London.

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

In the first half of 2024, the continued lack of recent transactions in the period resulted in valuers continuing to place reliance primarily on sentiment to arrive at fair values. However, in the second half of the year there has been a small pool of transactional evidence, with a limited number of purchasers in the market, including distressed asset sales, which have enabled valuers to have regard to these comparables with lesser reliance on market sentiment. Yields adopted by the Group's valuers have moved out by 17bps in the year to 5.22% as at 31 December 2024 (31 December 2023: 5.05%).

We believe further significant reductions in primary care values are likely to be limited and we have now reached an inflexion point with a stronger rental growth outlook offsetting the impact of any further yield expansion.

We have also seen significant real estate sector consolidation in the UK over the last few years where poor structures and investment strategies have resulted in material share price discounts to net asset values. As a result, we believe that there are further opportunities for consolidation, with investors increasingly focused on larger, more scalable and efficient cost structures.

PHP Outlook

The Company continues to operate a leading portfolio of primary care assets across the UK and Ireland.

As outlined at its 2024 Capital Markets Day, PHP has built a leading presence in Ireland following the acquisition of Axis, PHP's Irish property management business, in 2023. This market benefits from: long leases directly let to the HSE; larger lot sizes; indexed linked rent reviews; and benefits from cheaper euro denominated interest rates. As a result, it offers a significant opportunity for profitable growth as highlighted by the recent earnings enhancing acquisition of Laya Health Facility in Cork. The Group is strongly positioned to expand its presence in Ireland and continues to monitor and review other Eurozone opportunities and

consider future expansion into new primary care markets that add further value for stakeholders and shareholders alike.

Growth in the immediate future will also continue to focus on increasing income from our existing portfolio and we are encouraged by the firmer tone of rental growth experienced over the last couple of years. We believe the dynamics of inflation in recent years, including significantly increased build costs combined with demand for new primary care facilities and the need to modernise the estate, will continue to drive future rental settlements.

We are currently on site with only two developments with costs to complete of just £2.5 million and consequently have very limited exposure to higher construction cost pressures and supply chain delays. In our immediate pipeline we have one development and 13 asset management projects with a total expected cost of £6.7 million and will continue to evaluate these, together with a wider medium-term pipeline at various stages of progress and seek to negotiate rents with the NHS at the level required to deliver an acceptable return.

Harry Hyman
Non-executive Chair

27 February 2025

BUSINESS REVIEW

Rental growth

PHP's sector-leading metrics remain robust and we continue to focus on delivering organic rental growth 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 properties continue to meet their communities' healthcare needs as the emphasis continues to shift from treatment to prevention, as well as improving their ESG credentials.

In 2024, we have continued to see strong organic rental growth from our existing portfolio with income increasing by £4.0 million or 2.7% (2023 and 2022: £4.3 million or 3.0% and £3.3 million or 2.4% respectively) on a like-for-like basis. The progress continues the improving rental growth outlook seen over the last couple of years and it should be noted that most of the increase comes from rent reviews arising primarily in the periods prior to 2022, a period when rental growth was muted and did not reflect the higher levels of construction cost and general inflation experienced in recent years.

We have also seen the improving rental growth outlook reflected in the valuation of the portfolio with the independent valuers' assessment of estimated rental values ("ERV") increasing by 3.2% in 2024 (2023 and 2022: 2.5% and 2.2% respectively).

Rent review performance

The Group completed 341 (2023: 331) rent reviews with a combined rental value of £42.2 million (2023: £42.4 million), adding £3.2 million and delivering an average uplift of 7.7% against the previous passing rent (2023: £3.6 million / 8.5%).

68% of our rents are reviewed on an open market basis, which typically takes place every three years. The balance of the PHP portfolio has either indexed (27%) or fixed uplift (5%) based reviews which also provide an element of certainty to future rental growth within the portfolio. Approximately one-third of index linked reviews in the UK are subject to caps and collars which typically range from 6% to 12% over a three-year review cycle.

In Ireland, we concluded 12 (2023: 18) index-based reviews, adding a further £0.2 million / €0.2 million (2023: £0.4 million / €0.4 million), an uplift of 15.3% (2023: 15.2%) against the previous passing rent. In Ireland, all reviews are linked to the Irish Consumer Price Index, upwards and downwards, with reviews typically every five years. Leases to the HSE and other government bodies, which comprise 79% of the income in Ireland, have increases and decreases capped and collared at 25% over a five-year review cycle.

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

Review type	Number	Previous rent (per annum) £ million	Rent increase (per annum) £ million	% increase total %	% increase annualised %
UK – open market ¹	175	23.7	1.4	6.0	1.9
UK – indexed	142	13.7	1.4	10.4	4.6
UK – fixed	12	3.6	0.2	6.0	2.8
UK – total	329	41.0	3.0	7.4	2.9
Ireland – indexed	12	1.2	0.2	15.3	3.9
Total – all reviews	341	42.2	3.2	7.7	2.9

¹ – includes 35 (2023: 49 reviews) where no uplift was achieved.

At 31 December 2024, 600 (31 December 2023: 585) open market rent reviews representing £88.8 million (31 December 2023: £84.9 million) of passing rent, were outstanding out of which 326 (31 December 2023: 334) have been triggered to date and are expected to add another £2.7 million (31 December 2023: £2.2 million) to the contracted rent roll when concluded and represent an uplift of 5.5% (31 December 2023: 4.5%) against the previous passing rent. The balance of the outstanding reviews will be actioned when there is further comparative evidence to support the estimated rental values.

The large number of outstanding reviews reflect the requirement for all awards to be agreed with the District Valuer. A great deal of evidence to support open market reviews comes from the completion of historical rent reviews and the rents set on delivery of new properties into the sector. NHS initiatives to modernise the primary care estate will result in previously agreed rental values having to be renegotiated to make a number of these projects viable in the current economic environment.

Asset management projects

In the UK, we exchanged on ten (2023: five) new asset management projects, eight (2023: eight) lease re-gears and seven (2023: four) new lettings during 2024. These initiatives will increase rental income by £0.8 million, investing £13.0 million and extending the leases back to 20 years.

In the year, £0.8 million of income was lost to voids following the insolvency of Lloyds pharmacy at five units and lease expiries at a further four units in the UK and the restructure of three and surrender of two pharmacy leases in Ireland where the space is to be relet to the HSE in the future as part of an asset management initiative.

PHP continues to work closely with its occupiers and has a strong pipeline of 13 similar asset management projects which are currently in legal due diligence and are being progressed to further increase rental income and extend unexpired occupational lease terms. The immediate asset management pipeline will require the investment of approximately £6.7 million, generating an additional £0.4 million of rental income and extending the WAULT on those premises back to an average of 16 years. Additionally, we continue to progress an advanced pipeline of further asset management initiatives across 24 projects.

The Company will continue to invest capital in a range of physical extensions or refurbishments through asset management projects which help avoid obsolescence, including improving energy efficiency, and which

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

Robust portfolio metrics

The portfolio’s annualised contracted rent roll at 31 December 2024 was £153.9 million (31 December 2023: £150.8 million), an increase of £3.1 million or +2.1% (2023: £5.5 million / +3.8%) in the year driven by organic growth from rent reviews and asset management projects of £4.0 million (2023: £4.3 million). The acquisition of Basingstoke and the development at South Kilburn, London, added a further £0.5 million of income although these gains were offset by the loss of income arising from foreign exchange movements of £0.6 million on our portfolio in Ireland and UK lease surrenders and voids of £0.8 million.

The security and longevity of our income are important drivers of our secure, long term predictable income stream and enable our progressive dividend policy.

Security: PHP continues to benefit from secure, long term cash flows with 89% (31 December 2023: 89%) of its rent roll funded directly or indirectly by the NHS in the UK or HSE in Ireland. The portfolio also benefits from an occupancy rate of 99.1% (31 December 2023: 99.3%).

Longevity: The portfolio’s WAULT at 31 December 2024 was 9.4 years (31 December 2023: 10.2 years). £23.6 million or 15.4% of our income is currently holding over or expires over the next three years, of which c. 70% have agreed terms or are in advanced discussions to renew their lease. £62.0 million or 40.3% expires in over ten years. The table below sets out the current lease expiry profile of our income:

Income subject to expiry	£ million	%
Holding over	7.8	5.1
< 3 years	15.8	10.3
4 – 5 years	19.3	12.5
5 – 10 years	49.0	31.8
10 – 15 years	30.3	19.7
15 – 20 years	19.1	12.4
> 20 years	12.6	8.2
Total	153.9	100.0

As at 31 December 2024, 69 leases or £7.8 million of income (2023: 45 leases / £4.1 million) were holding over. All these leases are expected to renew but are subject to NHS approval which continues to suffer from delays as ICBs finalise their future estate strategies together with the requirement for new rents to be approved by the DV. We continue to maintain a close relationship with all parties concerned and receive NHS rent reimbursement in a timely manner. If all the currently agreed transactions completed, then the WAULT on the portfolio would increase to 10.2 years (31 December 2023: 10.6 years).

Investment and pipeline

In 2024, the Group selectively completed the opportunistic acquisition of one primary health centre at Basingstoke for a total consideration of £4.5 million. The property is fully let to a GP practice, pharmacy and dentist and benefits from a long WAULT of 17 years and three-yearly open market value rent reviews.

Post period end, the Group acquired the Laya Healthcare facility, Cork, Ireland for €22.0 million / £18.2 million delivering an earnings yield of 7.1%. The private medical facility is let to Laya Healthcare, Ireland’s

second largest provider of private health insurance and clinical services providing a bespoke urgent care and diagnostic facility providing some of the best medical technology available in Ireland, and has been subject to a comprehensive tenant led, €6 million, fit-out to provide a number of services including X-ray, MRI, CT, Ultrasound and Dexa scanning and is open 365 days of the year with patients guaranteed to be seen within one hour. The property also provides space for several health and wellbeing clinics providing access to a number of expert teams and services and also acts as the headquarters for Laya Healthcare in Ireland.

We continue to monitor a number of potential standing investments, direct and forward funded developments and asset management projects with an advanced pipeline across a number of opportunities in both the UK and Ireland. These will only be progressed if accretive to earnings.

The Group's disciplined approach to investment ensures it remains focused on income growth. In 2024, PHP chose not to progress with several potential transactions that were not accretive to earnings. Ireland continues to be the preferred area of investment with attractive returns and a lower cost of finance.

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

Pipeline	In legal due diligence		Advanced pipeline	
	Number	Cost	Number	Cost
UK – asset management	13	£6.7m	24	£23.9m
UK – direct development	1	£4.1m	-	-
Ireland – forward funded development	-	-	3	£62.5m (€75m)
Total pipeline	14	£10.8m	27	£86.4m

Developments

At 31 December 2024, the Group had limited development exposure with two projects on site and £2.5 million of expenditure required to complete them.

- Croft Primary Care Centre, West Sussex, being built to NZC standards and due to complete later in Q2 2025 with £0.9 million of expenditure required to complete the project
- In July 2024 the Group also commenced work on a second development scheme at South Kilburn, London, where we have worked with both the local council and ICB, each contributing £0.5 million, to make the scheme economically viable. The scheme comprises the fit-out of a shell unit, being constructed to NZC standards, for a total cost of £3.3 million net of the £1.0 million capital contribution which equates to a 26% uplift in the rent originally set by the DV. The scheme is expected to achieve practical completion in Q2 2025 with £1.6 million of expenditure remaining.

The Group has currently paused any further direct development activity whilst negotiations with the NHS, ICBs and DVs continue in order to increase rental levels to make schemes economically viable with rental values needing to increase by around 20%-30%. Without these necessary increases in rent primary care development will remain constrained in the UK, however the recent indications from the UK Government, particularly following Lord Darzi's report, suggests there will be an increased allocation for primary care from the NHS budget. The new 10-Year Health Plan is expected to be announced in Spring 2025 which will provide the Group with greater detail and clarity on potential next steps.

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

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

Valuation and returns

In the second half of the year, we have seen values start to stabilise with yield expansion starting to moderate and the impact of rental growth outweighing yield shift. We expect this trend to continue in 2025.

As at 31 December 2024, the Group’s portfolio comprised 516 assets (31 December 2023: 514) independently valued at £2.750 billion (31 December 2023: £2.779 billion). After allowing for acquisition costs and capital expenditure on developments and asset management projects, the portfolio generated a valuation deficit of £38.4 million or -1.4% (2023: deficit of £53.0 million or -1.9%).

During the year the Group’s portfolio NIY has expanded by 17 bps to 5.22% (31 December 2023: 5.05%) and the reversionary yield increased to 5.6% at 31 December 2024 (31 December 2023: 5.4%). The expansion of yields created a deficit of approximately £101 million which has been partially offset by gains of approximately £63 million arising from an improving rental growth outlook and asset management projects.

The movement in the portfolio’s valuation deficit is summarised in the table below:

£ million	H1 2024	H2 2024	FY 2024
NIY expansion	(£73.0) / +13bps	(£28.6) / +4 bps	(£101.6) / +17 bps
Rental growth	£33.0	£30.2	£63.2
Total (deficit) / surplus	(£40.0)	£1.6	(£38.4)

At 31 December 2024, the portfolio in Ireland comprised 21 standing and fully let properties with no developments currently on site, valued at £255.3 million or €308.6 million (31 December 2023: 21 assets/£244.6 million or €282.2 million). The portfolio in Ireland has been valued at a NIY of 5.0% (31 December 2023: 5.4%).

The portfolio’s average lot size fell slightly to £5.3 million (31 December 2023: £5.4 million), reflecting the fall in values in the year, however 88% of the portfolio (31 December 2023: 87%) continues to be valued at over £3.0 million. The Group only has six assets valued at less than £1.0 million.

	Number of properties	Valuation £ million	%	Average lot size (£ million)
> £10m	58	885.9	32.2	15.3
£5m – £10m	124	838.5	30.5	6.8
£3m – £5m	172	681.2	24.8	4.0
£1m – £3m	156	338.7		2.2
< £1m (including land £1.3m)	6	5.8	0.2	0.8
Total¹	516	2,750.1	100.0	5.3

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

The valuation deficit combined with the portfolio's growing income, resulted in a total property return of +4.2% for the year (2023: +3.5%). The total property return in the year compares with the MSCI UK Monthly Property Index of 6.5% for 2024 (2023: -0.5%).

	Year ended 31 December 2024	Year ended 31 December 2023
Income return	5.5%	5.3%
Capital return	(1.3%)	(1.8%)
Total return	4.2%	3.5%

FINANCIAL REVIEW

PHP's adjusted earnings increased by £2.2 million or 2.4% to £92.9 million in 2024 (2023: £90.7 million). The increase in the year reflects the continued positive organic rental growth from rent reviews and asset management projects in both 2024 and 2023 along with increased earnings from PHP Axis' activities in Ireland, partially offset by increased interest costs on the Group's variable rate debt and administrative expenses.

Using the weighted average number of shares in issue in the year the adjusted earnings per share increased to 7.0 pence (2023: 6.8 pence), an increase of 2.9% (2023: +3.0%).

The financial results for the Group are summarised as follows:

Summarised results	Year ended	Year ended
	31 December 2024	31 December 2023
	£ million	£ million
Net rental income	153.6	149.3
Axis contribution net of overheads	1.2	1.1
Administrative expenses	(12.1)	(11.6)
Operating profit before revaluation and net financing costs	142.7	138.8
Net financing costs	(49.8)	(48.1)
Adjusted earnings	92.9	90.7
Revaluation deficit on property portfolio	(38.4)	(53.0)
Fair value loss on interest rate derivatives and convertible bond	(7.6)	(13.2)
Amortisation of MedicX debt MtM at acquisition	3.0	3.0
Exceptional item – early termination cost on refinancing variable rate bond	(2.0)	-
Axis amortisation of intangible asset	(0.9)	(0.9)
Axis acquisition and JSE listing costs	-	(0.5)
IFRS profit before tax	47.0	26.1
Corporation tax	-	(0.1)
Deferred tax provision	(5.6)	1.3
IFRS profit after tax	41.4	27.3

Adjusted earnings increased by £2.2 million or 2.4% (2023: £2.0 million / 2.3%) in 2024 to £92.9 million (2023: £90.7 million) and the movement in the year can be summarised as follows:

	Year ended	Year ended
	31 December 2024	31 December 2023
	£ million	£ million
Year ended 31 December	90.7	88.7
Net rental income	4.3	7.8
Axis contribution net of overheads	0.1	1.1
Administrative expenses	(0.5)	(2.0)
Net financing costs	(1.7)	(4.9)
Year ended 31 December	92.9	90.7

Net rental income received in 2024 increased by 2.9% or £4.3 million to £153.6 million (2023: £149.3 million) reflecting £3.2 million of additional income from completed rent reviews and asset management projects and £1.4 million of rent arising from the acquisition of Ballincollig in Ireland in December 2023, offset by a £0.3 million increase in non-recoverable property costs which relates primarily to the write-off of development work in progress for a scheme at Colliers Wood, Merton, of £0.5 million which is no longer progressing partially offset by other savings of £0.2 million.

Administration expenses continue to be tightly controlled and the Group's EPRA cost ratio remains one of the lowest in the sector at 10.1% (2023: 10.1%) excluding PHP Axis and direct vacancy costs. The £0.5 million increase in administration costs in the year is due primarily to the £0.4 million cost of a redundancy programme aimed at reducing staff headcount and future costs by around £1.0 million in 2025, together with the costs arising from annual pay increases and one additional Non-executive Director recruited at the start of the year, offset by a reduction in performance related pay.

EPRA cost ratio	Year ended 31 December 2024 £ million	Year ended 31 December 2023 £ million
Gross rent less ground rent, service charge and other income	160.7	155.8
Direct property expense	26.2	18.2
Less: direct and service charge costs recovered	(21.0)	(13.3)
Non-recoverable property costs	5.2	4.9
Administrative expenses	12.1	11.6
Axis overheads and costs	0.9	0.8
Less: ground rent	(0.2)	(0.2)
Less: other operating income	(0.7)	(0.5)
EPRA costs (including direct vacancy costs)	17.3	16.6
EPRA cost ratio	10.8%	10.7%
EPRA cost ratio excluding Axis overheads and direct vacancy costs	10.1%	10.1%
Total expense ratio (administrative expenses as a percentage of gross asset value)	0.4%	0.4%

Net finance costs in the year increased by £1.7 million to £49.8 million (2023: £48.1 million) because of a £16.5 million increase in the Group's net debt during 2024, the impact of increased interest rates on the Group's unhedged debt and the loss of interest receivable on forward funded developments which completed in H1 2023, now income producing and accounted for as rent.

IFRS profit after tax increased by £14.1 million to £41.4 million (2023: £27.3 million) predominantly driven by the lower valuation deficit of £38.4 million (2023: £53.3 million) generated in the year.

Shareholder value and total accounting return

The Adjusted Net Tangible Assets ("NTA") per share declined by 3.0 pence or -2.8% to 105.0 pence (31 December 2023: 108.0 pence per share) during the year with the revaluation deficit of £38.4 million or -2.9 pence per share being the main reason for the decrease.

The total adjusted NTA ("NAV") return per share, including dividends distributed, in the year was 3.9 pence or 3.6% (2023: 2.1 pence or 1.9%).

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

Adjusted NTA per share	31 December 2024 pence per share	31 December 2023 pence per share
Opening adjusted NTA per share	108.0	112.6
Adjusted earnings for the year	7.0	6.8
Dividends paid	(6.9)	(6.7)
Revaluation of property portfolio	(2.9)	(4.0)
Axis acquisition cost	-	(0.5)
Foreign exchange and other movements	(0.2)	(0.2)
Closing adjusted NTA per share	105.0	108.0
Fixed rate debt and derivative mark-to-market value	9.3	8.1
Convertible bond fair value adjustment	0.1	0.1
Deferred tax	(0.7)	(0.3)
Intangible assets	0.4	0.5
Closing EPRA NDV per share	114.1	116.4

Financing

In the year, the Group has addressed the refinancing risk of the debt maturities falling due in 2025 by refinancing two revolving credit facilities with Barclays and Lloyds totalling £270 million. The new facilities were partially used to repay the £70 million variable rate bonds ahead of maturity in December 2025 and provide the Group with sufficient headroom to repay the £150 million convertible bond which matures in July 2025. Following the completion of these refinancings the next significant refinancings fall due in October 2026. During the year the Group also exercised options to extend the maturities by one year to 2027 and 2026 on its shorter dated revolving credit facilities with HSBC (£100 million) and Santander (£50 million) respectively.

The Group’s balance sheet and financing position remain strong with cash and committed undrawn facilities totalling £270.9 million (31 December 2023: £321.2 million) after contracted capital commitments of £36.3 million (31 December 2023: £14.6 million).

At 31 December 2024, total available loan facilities were £1,630.4 million (31 December 2023: £1,642.5 million) of which £1,326.7 million (31 December 2023: £1,309.9 million) had been drawn. Cash balances of £3.5 million (31 December 2023: £3.2 million) resulted in Group net debt of £1,323.2 million (31 December 2023: £1,306.7 million). Contracted capital commitments at the balance sheet date totalled £36.3 million (31 December 2023: £14.6 million) and comprise the acquisition of Laya Healthcare, Ireland for £19.8 million asset management projects of £14.0 million and development expenditure across two schemes of £2.5 million.

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

Debt metrics	31 December 2024	31 December 2023
Average cost of debt – drawn ¹	3.4%	3.3%
Average cost of debt – fully drawn ¹	4.0%	4.1%
Loan to value	48.1%	47.0%
Loan to value – excluding convertible bond	42.6%	41.6%
Total net debt fixed or hedged ^{1,2}	100.0%	97.2%
Net rental income to net interest cover	3.1 times	3.1 times
Net debt / EBITDA	9.3 times	9.4 times
Weighted average debt maturity – drawn facilities	5.7 years	6.6 years
Weighted average debt maturity – all facilities	4.9 years	5.7 years
Total drawn secured debt	£1,176.7m	£1,159.9m
Total drawn unsecured debt	£150.0m	£150.0m
Total undrawn facilities and available to the Group ²	£270.9m	£321.2m
Unfettered assets	£47.3m	£37.0m

¹– Including the impact of post year end hedging completed

²– Including the impact of capital commitments at the year end.

Average cost of debt

The Group's average cost of debt increased marginally at the year end to 3.4% (31 December 2023: 3.3%) following the completion of new interest rate hedging post year end that was put in place following the expiry of a legacy swap at the end of 2024. The new fixed rate swap arrangements will provide further protection to the Group's earnings over the course of 2025 and 2026.

Assuming the £150 million convertible bond is repaid in July 2025 using the Group's undrawn headroom on existing revolving credit facilities then the average cost of debt is expected to increase by around 20 bps to 3.6%.

Interest rate exposure

The analysis of the Group's exposure to interest rate risk in its debt portfolio as at 31 December 2024 is as follows:

	Facilities		Net debt drawn	
	£ million	%	£ million	%
Fixed rate debt	1,105.4	67.8	1,105.4	83.5
Hedged by fixed rate interest rate swaps ¹	200.0	12.3	200.0	15.1
Hedged by interest rate caps	49.6	3.0	49.6	3.8
Floating rate debt – unhedged	275.4	16.9	(31.8)	(2.4)
Total	1,630.4	100.0	1,323.2	100.0

¹– Including the impact of post year end hedging completed

Interest rate swap contracts

During the year the Group did not enter into any new fixed rate debt or hedging arrangements.

Post year end, in January 2025, the Group fixed, for two years, £200 million of nominal debt at a rate of 3.0% for an all-in premium of £4.5 million. The fixed rate swap will provide further protection to the Group's interest rate exposure especially whilst rates continue to remain elevated and volatile. The fixed rate swap effectively hedges out all of the current net debt drawn along with providing protection for future debt required to meet capital commitments.

Accounting standards require PHP to mark its interest rate swaps to market at each balance sheet date. During the year there was a loss of £4.5 million (2023: loss of £4.3 million) on the fair value movement of the Group's interest rate derivatives due primarily to decreases in interest rates assumed in the forward yield curves used to value the interest rate swaps and the impact of the passage of time. The net mark-to-market ("MtM") of the swap portfolio is an asset value of £0.2 million (31 December 2023: net MtM asset £4.7 million).

Currency exposure

The Group owns €308.6 million or £255.3 million (31 December 2023: €282.2 million / £244.6 million) of euro denominated assets in Ireland as at 31 December 2024 and the value of these assets and rental income represented 9% (31 December 2023: 9%) of the Group's total portfolio. In order to hedge the risk associated with exchange rates, the Group has chosen to fund its investment in Irish assets through the use of euro denominated debt, providing a natural asset to liability hedge, within the overall Group loan to value limits set by the Board. At 31 December 2024 the Group had €274.1million (31 December 2023: €281.0 million) of drawn euro denominated debt.

Euro rental receipts are used to first finance euro interest and administrative costs and surpluses are used to fund further portfolio expansion. Given the large euro to sterling fluctuations seen in recent years and continued uncertainty in the interest rate market, the Group entered, in January 2025, a new FX forward trade hedge (fixed at €1.1459: £1) for a two-year period to cover the approximate euro denominated net annual income of €10 million per annum, minimising the downside risk of the euro remaining above €1.1459: £1.

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

The MtM of the Group's fixed rate debt as at 31 December 2024 was an asset of £125.5 million (31 December 2023: asset £106.2 million) equivalent to 9.4 pence per share (31 December 2023: asset of 7.9 pence) which is not reflected in the NTA reported. The movement in the year is due primarily to the significant increases in interest rates assumed in the forward yield curves used to value the debt at the year end. The MtM valuation is sensitive to movements in interest rates assumed in forward yield curves.

Convertible bonds

In July 2019, the Group issued, for a six-year term, unsecured convertible bonds with a nominal value of £150 million and a fixed coupon of 2.875% per annum. Subject to certain conditions, the bonds are convertible into fully paid Ordinary Shares of the Company and the initial exchange price was set at 153.25 pence per Ordinary Share. The exchange price is subject to adjustment, in accordance with the dividend protection provisions in the terms of issue if dividends paid per share exceed 2.8 pence per annum. In accordance with those provisions the exchange price has been adjusted to 125.64 pence per Ordinary Share as at 31 December 2024.

The conversion of the £150 million convertible bonds into new Ordinary Shares would reduce the Group's loan to value ratio by 5.5% from 48.1% to 42.6% and result in the issue of 119.4 million new Ordinary Shares.

Risk management and principal risks

Flexible and responsive to risks

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

Risk management overview

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

- investment focuses on the primary healthcare real estate sector which is traditionally much less cyclical than other real estate sectors;
- the majority of the Group's rental income is received directly or indirectly from government bodies in the UK and Ireland;
- the Group benefits from long initial lease terms, largely with upwards-only review terms, providing clear visibility of income;
- the Group has a small (£0.9 million) exposure as a direct developer of real estate, which means that the Group is not exposed to risks that are inherent in property development;
- the Board funds its operations so as to maintain an appropriate mix of debt and equity; and
- debt funding is procured from a range of providers, maintaining a spread of maturities and a mix of terms so as to fix or hedge the majority of interest costs.

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

Approach to risk management

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

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

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

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

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

The Risk Committee reports its processes of risk management and rating of identified and emerging risks to the Audit Committee. The risk register is reviewed and updated every six months by the Director of Finance assisted by members of the Risk Committee, and assesses inherent and emerging risks the business faces, as well as the residual risk after specific safeguards, mitigation and/or management actions have been overlaid.

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

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

Our risk management structure

Structure	Responsibility
Board	<p>Sets strategic objectives and considers risk as part of this process.</p> <p>Determines appropriate risk appetite levels.</p>
Audit Committee	<p>Reports to the Board on the effectiveness of risk management processes and controls:</p> <ul style="list-style-type: none"> • External audit • Risk surveys • Health and safety • Insurance • Need for an internal audit function
Risk Committee	<p>Reports to and assists the Audit Committee, monitoring and reviewing:</p> <ul style="list-style-type: none"> • Attitude to and appetite for risk and future risk strategy • Company's systems of internal controls and risk management • How risk is reported internally and externally • Processes for compliance with law, regulators and ethical codes of practice • Prevention of fraud
Senior management	<p>Implements and monitors risk mitigation processes:</p> <ul style="list-style-type: none"> • Policies and procedures • Risk management and compliance • Key performance indicators • Specialist third-party reviews

Monitoring of identified and emerging risks

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

Since the completion of our 2024 financial year, the interest rate market has remained volatile, driven in part by the inauguration of President Trump in the US, rising UK debt levels and the market's lack of confidence in the Labour Government's longer term funding plans. However, despite seeing 10 year gilts reach record highs of 4.9% in January 2025, these rates have abated and at the time of writing are back at 4.6% and there is quiet optimism in the market that there will be several further interest rate cuts during 2025. We welcome the Labour Government's commitment to the NHS together with its manifesto pledge to reform primary care and look forward to the government's proposal in the 10-Year Health Plan due later in 2025.

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

The Board has considered the principal risks and uncertainties as set out in this Annual Report, in light of the challenging macroeconomic environment, and does not consider that the fundamental principal risks and uncertainties facing the Group have changed. Whilst economic uncertainty remains over the coming years, we have set out in our principal risk tables on the following pages, an update on the changes to our principal risks and expected impact on our business of the macroeconomic uncertainty, along with the mitigating actions and controls we have in place. The Group's continued ability to be flexible to adjust and respond to these external risks as they evolve will be fundamental to the future performance of our business.

The Board also considered, at its annual Strategy Day, emerging risks affecting the current primary care delivery model, in particular the impact of artificial intelligence increasing cyber and security threats on our digital technologies.

Mapping our key risks and residual risk movement

We use a risk-scoring matrix to ensure we take a consistent approach when assessing their overall impact. Overall, we do not feel there has been any movement in the types or quantum of risks PHP faces, given that despite volatility in 2024 there remains quiet optimism of further interest rate cuts during 2025, balanced against PHP's robust business model. The residual risk exposures of the Company's principal risks are shown in the heat map below, being the risk after mitigating actions have been taken to reduce the initial inherent risks.

Grow property portfolio

1. Property pricing and competition
2. Financing

Manage effectively and efficiently

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

Diversified, long term funding

6. Debt financing
7. Interest rates

Deliver progressive returns

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

→ Indicates risk movement from last year

Principal risks and uncertainties

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

Residual risk movement in the year

↗ Increased ↔ Unchanged ↘ Decreased Low 0–5 Medium 6–14 High 15–20

<p>Residual risk rating 2 4 6 8 10 12 14 16 18 20 ↑ Medium The Group takes positive action to ensure continued availability of resource, maintains a prudent ratio of debt and equity funding and refinances debt facilities in advance of their maturity.</p>	<p>The Group's undrawn facilities mean it currently has headroom of £271 million. All covenants have been met with regard to the Group's debt facilities and these all remain available for their contracted term.</p>	
<p>Manage effectively and efficiently</p>		
<p>3. Lease expiry management ← → E F KPIs impacted The bespoke nature of the Group's assets can lead to limited alternative use. Their continued use as fit-for-purpose medical centres is key to delivering the Group's strategic objectives.</p>	<p>Commentary on risk in the year Lease terms for all property assets will erode and the importance of active management to extend the use of a building remains unchanged. The amount of income that is currently holding over or is expiring in the next three years has increased from 11% to 15% in the year.</p>	<p>Mitigation The asset and property management teams meet with occupiers on a regular basis to discuss the specific property and the tenants aspirations and needs for its future occupation. Six asset management projects physically completed in the year, with a further ten projects on site, enhancing income and extending occupational lease terms.</p>
<p>Inherent risk rating 2 4 6 8 10 12 14 16 18 20 ↑ Medium Likelihood of limited alternative use value is moderate but the impact of such values could be serious.</p>		<p>In addition, there is a strong pipeline of over 13 projects that will be progressed in 2025 and the coming years. Despite the income holding over or expiring in the next three years increasing, all these leases are expected to renew with 75% of these having agreed terms or are in advanced discussions to renew the lease.</p>
<p>Residual risk rating 2 4 6 8 10 12 14 16 18 20 ↑ Medium Management employs an active asset and property management programme and has a successful track record of securing enhancement projects and securing new long term leases.</p>		<p>The increase is driven by a delay in NHS approval as ICBs finalise their future estate strategies together with the requirement for new rents to be approved by the DV. We continue to maintain a close relationship with all parties concerned and receive NHS rent reimbursement in a timely manner.</p>
<p>4. People ← → F KPI impacted The inability to attract, retain and develop our people to ensure we have the appropriate skill base in place in order for us to implement our strategy.</p>	<p>Commentary on risk in the year Whilst there was a change in senior management during the year with the appointment of a new CEO, the strong culture continued with staff attrition levels remaining low.</p>	<p>Mitigation Succession planning is in place for all key positions and will be reviewed regularly by the Nomination Committee. Remuneration incentives are in place such as bonuses and an LTIP for Executive Directors and senior management to incentivise and motivate the team which are renewed annually and benchmarked to the market.</p>
<p>Inherent risk rating 2 4 6 8 10 12 14 16 18 20 ↑ Medium Likelihood and potential impact could be medium.</p>	<p>Despite the overall real estate market sentiment remaining muted in the year there is quiet optimism as we look towards 2025, with the risk of losing the highly skilled and specialist staff remaining.</p>	<p>Notice periods are in place for key employees.</p>

<p>Residual risk rating 2 4 6 8 10 12 14 16 18 20 ↑ Medium</p> <p>The Remuneration Committee has benchmarked remuneration with the help of remuneration consultants, and reviewed and updated policies to ensure retention and motivation of the management team.</p>		
<p>5. Responsible business ←→ D E H KPIs impacted</p> <p>Risk of non-compliance with responsible business practices, including climate mitigation and ethical business consideration, not meeting stakeholders' expectations, leading to possible reduced access to debt and capital markets, weakened stakeholder relationships and reputational damage.</p>	<p>Commentary on risk in the year</p> <p>Properties no longer meet occupiers' expected environmental requirements.</p> <p>Stakeholders including investors and debt providers see ESG as a key issue and want to see a sufficiently developed plan to decarbonise the property portfolio and to operate to the highest standards of business ethics and due diligence.</p>	<p>Mitigation</p> <p>PHP's ESG credentials remain at the forefront of its strategic planning and it has established an ESG Committee to review and drive the Group's ESG agenda forward. During the year PHP has: worked with Achilles to provide limited third-party assurance of our disclosures and achieved certification to Toitu Carbon Reduce and ISO 14064;</p>
<p>Inherent risk rating 2 4 6 8 10 12 14 16 18 20 ↑ High</p> <p>Likelihood is high and impact of occurrence could be major.</p>	<p>There is a risk that we may not meet the hurdles sought by stakeholders including equity and debt investors should PHP not focus enough on ESG matters, potentially impacting the funding of the business significantly.</p>	<p>provided staff training covering individual personal development and ESG;</p> <p>commissioned third-party audits for development and refurbishment projects to guard against the risks of modern slavery and unethical supply chain standards;</p>
<p>Residual risk rating 2 4 6 8 10 12 14 16 18 20 ↑ Medium</p> <p>The Group is committed to meeting its obligations in line with its Responsible Business Framework and feels it has introduced sufficient mitigants to continue to deliver its objectives.</p>	<p>Additionally, political and regulatory changes to corporate governance and disclosure, energy efficiency and net zero carbon requirements are expected to be mandated in the short to medium term. The recent introduction of the Corporate Sustainability Reporting Directive ("CSRD") and International Sustainability Standards Board ("ISSB"), amongst other policies, is a key example of increasing requirements, although not all are applicable to PHP at present.</p>	<p>engaged with external experts to assess and inform our net zero carbon approach for developments and refurbishments;</p> <p>set, monitored and reported sustainability targets and hurdles to ensure acquired assets or asset management schemes meet specific ESG criteria, with these same criteria aligned to investors and debt providers;</p> <p>achieved EPC rating benchmarks to ensure compliance with the Minimum Energy Efficiency Standard ("MEES") that could otherwise impact the quality and desirability of our assets, leading to higher voids, lost income and reduced liquidity;</p> <p>worked with its occupiers to improve the resilience of its assets to climate change as well as with contractors which are required to conform to PHP's sustainable development and refurbishment requirements; and</p> <p>reported sustainability performance under EPRA sBPR guidelines, reported to external rating benchmarks including GRESB and CDP, and rated by MSCI and ISS ESG Corporate Rating.</p>
<p>Diversified, long term funding</p>		

<p>8. Potential over-reliance on the NHS and HSE ←→ D C KPIs impacted PHP invests in a niche asset sector where changes in healthcare policy, the funding of primary care, economic conditions and the availability of finance may adversely affect the Group's portfolio valuation and performance.</p>	<p>Commentary on risk in the year The UK and Irish governments continue to be committed to the development of primary care services and initiatives to develop new models of care increasingly focusing on greater utilisation of primary care.</p> <p>Despite the UK's economic outlook and the continued backlog of treatments created by the COVID-19 pandemic, staff shortages and recruitment issues that the NHS faces, we expect the demand for health services to continue to grow, driven by demographics. We welcome the new Labour government's commitment to the NHS together with its manifesto pledge to reform primary care along with a continuation of the shift of services out of hospitals and into the community. Further details on the government's proposals will be published in a new 10-Year Health Plan due later in spring 2025.</p> <p>Whilst supported by the government, the NHS, HSE and District Valuer do need to acknowledge that higher build costs and inflation need to be reflected in future rent settlements for new schemes to be economically viable.</p>	<p>Mitigation The commitment to primary care is a stated objective of both the UK and Irish governments. We await the detail of how new Labour's commitment of spending £25 billion on the NHS in future years will materialise into the primary care sector. Never has the modernisation of the primary care estate been more important in order to reduce the huge backlog of treatments and to avoid patients being directed to understaffed and over-burdened hospitals.</p> <p>Management engages directly with government and healthcare providers in both the UK and Ireland to promote the need for continued investment in modern premises.</p> <p>This continued investment provides attractive long term, secure income streams that characterise the sector, leading to stability of values.</p> <p>PHP continues to appraise and invest in other adjacent, government funded healthcare related real estate assets.</p>
<p>Inherent risk rating 2 4 6 8 10 12 14 16 18 20 ↑ Medium Likelihood is low but impact of occurrence may be major.</p>		
<p>Residual risk rating 2 4 6 8 10 12 14 16 18 20 ↑ Medium Policy risk and general economic conditions are out of the control of the Board, but proactive measures are taken to monitor developments and to consider their possible implications for the Group.</p>		
<p>9. Foreign exchange risk ←→ A B C D KPIs impacted Income and expenditure that will be derived from PHP's investments in Ireland will be denominated in euros and may be affected unfavourably by fluctuations in currency rates, impacting the Group's earnings and portfolio valuation.</p>	<p>Commentary on risk in the year The Group now has 21 investments in Ireland. Asset values, funding and net income are denominated in euros.</p> <p>The wider macroeconomic and political environment across the world continues to cause exchange rate volatility.</p>	<p>Mitigation The Board has funded and will continue to fund its investments in Ireland with euros to create a natural hedge between asset values and liabilities in Ireland.</p> <p>To hedge out the euro denominated income exposure post year end in January 2025 PHP entered into a euro foreign exchange forward (fixed at €1.1459:£1) to cover net annual income of €10 million per annum, which expires in January 2027.</p> <p>Management closely monitors the euro to GBP currency rates with its banks to formulate a formal hedging strategy against Irish net cash flow.</p>
<p>Inherent risk rating 2 4 6 8 10 12 14 16 18 20 ↑ Medium Likelihood of volatility is high but the potential impact at present is low due to the quantum of investment in Ireland, albeit this is increasing.</p>		
<p>Residual risk rating 2 4 6 8 10 12 14 16 18 20 ↑ Low PHP has implemented a natural hedging strategy to cover balance sheet exposure and has hedged out the income exposure for the period until January 2027.</p>		

Viability statement

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

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

The Directors confirm that, as part of their strategic planning and risk management processes, they have undertaken an assessment of the viability of the Group, considering the current position and the potential impact of the principal risks and prospects over a three-year time horizon. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2027. Although individually the Group’s assets may have relatively long unexpired lease terms and will all have a defined asset management strategy, the Board has undertaken its detailed financial review over a three-year period because:

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

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

Sensitivities applied are derived from the principal risks faced by the Group that could affect solvency or liquidity.

The sensitivities applied are generally the same as used for the 31 December 2023 year-end financial statements which included a 10% decline in valuations and 15% tenant default rate. We believe these remain realistic, reasonable worst-case scenarios, having seen an absolute valuation decline of 1.4% in 2024.

Across our various loan facilities, valuations will need to fall by a further £1.0 billion or 37% before the loan to value covenants are impacted. During the year, Bank of England base rates have started to fall from their peak of 5.25% to 4.50% at the time of writing, with the trend expecting to continue as inflation is now in line with the target set by the Bank of England. We therefore feel the increase in variable interest rates should remain a sensitivity at 1%.

The sensitivities applied are as follows:

- declining attractiveness of the Group’s assets or extenuating economic circumstances impact investment values – valuation parameter stress tested to provide for a one-off 10%/£278 million fall in June 2025;
- 15% tenant default rate;
- rental growth assumptions amended to see nil uplifts on open market reviews;
- variable rate interest rates rise by an immediate 1% effective from 1 January 2025; and
- tightly controlled NHS scheme approval restricts investment opportunity – investment quantum flexed to remove non-committed transactions.

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

Key metrics at 31 December 2027	31 December 2024	Viability scenario
Loan to value ratio	48.1%	55.0%
Net debt	£1,323m	£1,442m
Interest cover ratio	3.1x	2.3x
Adjusted net assets	£1,403m	£1,156m
Available financial headroom	£271m	£156m

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

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

Mark Davies
Chief Executive Officer
27 February 2025

Directors' responsibility statement

Statement of Directors' responsibilities in respect of the Group and Company financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with United Kingdom-adopted International Accounting Standards. The financial statements also comply with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). The Directors have chosen to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that the Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 27 February 2025 and is signed on its behalf by:

Harry Hyman
Non-executive Chair
 27 February 2025

Group statement of comprehensive income for the year ended 31 December 2024

	Notes	2024 £m	2023 £m
Rental and related income		181.7	169.8
Direct property expenses		(26.0)	(18.8)
Net rental and related income	3	155.7	151.0
Administrative expenses		(13.0)	(12.3)
Amortisation of intangible assets		(0.9)	(0.9)
Axis acquisition costs and JSE listing fees		—	(0.5)
Total administrative expenses	4	(13.9)	(13.7)
Revaluation deficit on property portfolio	10	(38.4)	(53.0)
Operating profit	4	103.4	84.3
Finance income	5	—	0.2
Finance costs	6a	(46.8)	(45.2)
Early termination on bonds		(2.0)	—
Fair value loss on derivative interest rate swaps and amortisation of hedging reserve	6b	(7.0)	(8.4)
Fair value loss on convertible bond	6c	(0.6)	(4.8)
Profit before taxation		47.0	26.1
Taxation (charge)/credit	7	(5.6)	1.2
Profit after taxation¹		41.4	27.3
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss			
Amortisation of hedging reserve	21	2.5	4.1
Exchange loss on translation of foreign balances		(0.1)	(0.3)
Other comprehensive income net of tax¹		2.4	3.8
Total comprehensive income net of tax¹		43.8	31.1
IFRS earnings per share			
Basic	8	3.1p	2.0p
Diluted	8	3.1p	2.0p
Adjusted earnings per share²			
Basic	8	7.0p	6.8p
Diluted	8	6.7p	6.6p

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

2 See Glossary of terms on pages 166 to 168.

The above relates wholly to continuing operations.

Group balance sheet

at 31 December 2024

	Notes	2024 £m	2023 £m
Non-current assets			
Investment properties	10	2,750.1	2,779.3
Derivative interest rate swaps	16	—	0.9
Intangible assets		5.3	6.2
Property, plant and equipment		0.6	0.5
		2,756.0	2,786.9
Current assets			
Properties held for sale	10	3.0	—
Trade and other receivables	11	27.7	24.9
Cash and cash equivalents	12	3.5	3.2
Derivative interest rate swaps	16	0.2	10.5
Developments work in progress		0.9	1.4
		35.3	40.0
Total assets		2,791.3	2,826.9
Current liabilities			
Deferred rental income		(31.4)	(30.4)
Trade and other payables	13	(30.6)	(31.7)
Borrowings: term loans and overdraft	14a	(3.4)	(2.4)
Borrowings: bonds	14b	(148.3)	—
Derivative interest rate swaps	16	—	(6.7)
		(213.7)	(71.2)
Non-current liabilities			
Borrowings: term loans and overdraft	14a	(757.2)	(664.5)
Borrowings: bonds	14b	(429.3)	(656.4)
Head lease liabilities	15	(3.0)	(3.0)
Trade and other payables	13	(3.1)	(4.1)
Deferred tax liability		(9.0)	(3.8)
		(1,201.6)	(1,331.8)
Total liabilities		(1,415.3)	(1,403.0)
Net assets		1,376.0	1,423.9
Equity			
Share capital	18	167.1	167.1
Share premium account	19	479.4	479.4
Merger and other reserves	20	415.2	415.3
Hedging reserve	21	(4.5)	(7.0)
Retained earnings	22	318.8	369.1
Total equity¹		1,376.0	1,423.9
Net asset value per share			
IFRS net assets – basic and diluted	8	103.0p	106.5p
Adjusted net tangible assets ² – basic	8	105.0p	108.0p
Adjusted net tangible assets ² – diluted	8	106.7p	109.8p

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

2 See Glossary of terms on pages 166 to 168.

These financial statements were approved by the Board of Directors on 27 February 2025 and signed on its behalf by:

Richard Howell
Chief Financial Officer

Registered in England Number: 3033634

Group cash flow statement

for the year ended 31 December 2024

	Notes	2024 £m	2023 £m
Operating activities			
Profit on ordinary activities after tax		41.4	27.3
Adjustments to reconcile to operating profit before financing costs:			
Taxation charge/(credit)	7	5.6	(1.2)
Finance income	5	—	(0.2)
Finance costs including early termination fees	6a	48.8	45.2
Fair value loss on derivative interest rate swaps and amortisation of hedging reserve	6b	7.0	8.4
Fair value loss on convertible bond	6c	0.6	4.8
Operating profit before financing costs		103.4	84.3
Adjustments to reconcile Group operating profit before financing costs to net cash flows from operating activities:			
Revaluation deficit on property portfolio	10	38.4	53.0
Axis acquisition costs and JSE listings fees		—	0.5
Amortisation of intangible assets		0.9	0.9
Fixed rent uplift		(0.4)	(0.7)
Tax (paid)		(0.1)	(0.3)
Increase in trade and other receivables		(3.4)	(7.1)
(Decrease)/increase in trade and other payables		(3.6)	3.0
Net cash flow from operating activities		135.2	133.6
Investing activities			
Payments to acquire and improve investment properties and fixed assets		(20.6)	(39.5)
Cash paid for acquisition of Axis		—	(5.1)
Net cash flow used in investing activities		(20.6)	(44.6)
Financing activities			
Term bank loan drawdowns	14	306.6	282.4
Term bank loan repayments	14	(278.9)	(300.0)
Proceeds from bond issues	14	—	41.2
Loan/bond arrangement and early termination fees		(3.8)	(1.8)
Purchase of derivative financial instruments		—	(1.9)
Net interest paid and similar charges		(46.1)	(45.3)
Equity dividends paid	9	(92.1)	(89.5)
Net cash flow from financing activities		(114.3)	(114.9)
Decrease in cash and cash equivalents for the year		0.3	(25.9)
Cash and cash equivalents at start of year		3.2	29.1
Cash and cash equivalents at end of year	12	3.5	3.2

Group statement of changes in equity

for the year ended 31 December 2024

	Share capital £m	Share premium £m	Merger and other reserves £m	Hedging reserve £m	Retained earnings £m	Total £m
1 January 2024	167.1	479.4	415.3	(7.0)	369.1	1,423.9
Profit for the year	—	—	—	—	41.4	41.4
Other comprehensive income						
Amortisation of hedging reserve	—	—	—	2.5	—	2.5
Exchange loss on translation of foreign balances	—	—	(0.1)	—	—	(0.1)
Total comprehensive income	—	—	(0.1)	2.5	41.4	43.8
Share-based awards (“LTIP”)	—	—	—	—	0.4	0.4
Dividends paid	—	—	—	—	(92.1)	(92.1)
31 December 2024	167.1	479.4	415.2	(4.5)	318.8	1,376.0

	Share capital £m	Share premium £m	Merger and other reserves £m	Hedging reserve £m	Retained earnings £m	Total £m
1 January 2023	167.1	479.4	416.7	(11.1)	430.1	1,482.2
Profit for the year	—	—	—	—	27.3	27.3
Other comprehensive income						
Amortisation of hedging reserve	—	—	—	4.1	—	4.1
Exchange (loss)/gain on translation of foreign balances	—	—	(1.4)	—	1.1	(0.3)
Total comprehensive income	—	—	(1.4)	4.1	28.4	31.1
Share-based awards (“LTIP”)	—	—	—	—	0.1	0.1
Dividends paid	—	—	—	—	(89.5)	(89.5)
31 December 2023	167.1	479.4	415.3	(7.0)	369.1	1,423.9

Notes to the financial statements

1. Corporate information

The Group’s financial statements for the year ended 31 December 2024 were approved by the Board of Directors on 27 February 2025 and the Group Balance Sheet was signed on the Board’s behalf by the Chief Financial Officer, Richard Howell. Primary Health Properties PLC is a public limited company incorporated in England and Wales and domiciled in the United Kingdom, limited by shares. The Company’s Ordinary Shares are admitted to the Official List of the UK Listing Authority, a division of the Financial Conduct Authority, and traded on the London Stock Exchange.

2. Accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and with International Financial Reporting Standards (“IFRS”) as issued by the IASB. The Group’s financial statements have been prepared on the historical cost basis, except for investment properties, including investment properties under construction and land, the convertible bond and derivative financial instruments that have been measured at fair value. The Group’s financial statements are prepared on the going concern basis and presented in sterling rounded to the nearest million. These results for the year ending 31 December 2024 have been extracted from the audited accounts which have not yet been delivered to the Registrar of Companies. The financial statements set out in this announcement do not constitute statutory accounts for the year ending 31 December 2024 or 31 December 2023. The financial information for the year ending 31 December 2024 is derived from the statutory accounts for that year. The report of the auditors on the statutory accounts for the year ending 31 December 2024 was unqualified and did not contain a statement under Section 498 of the Companies Act 2006.

Statement of compliance

The consolidated financial statements for the Group have been prepared in accordance with United Kingdom-adopted International Accounting Standards and applied in accordance with the Companies Act 2006.

2.2 Standards adopted during the year

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRSs effective for the Group as of 1 January 2024.

Amendments to IAS 1 Non-current liabilities with covenants

On 31 October 2022, the IASB issued Non-current liabilities with covenants (Amendments to IAS 1) to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. Under the amendments to the standard, the classification of certain liabilities as current or non-current may change and companies may need to provide new disclosures for liabilities subject to covenants.

Amendments to IFRS 16 Lease liability in a sale and leaseback

On 22 September 2022, the IASB issued Lease liability in a sale and leaseback (Amendments to IFRS 16) with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

None of the above have had a significant effect on the consolidated financial statements of the Group.

2.3 Summary of significant accounting policies

Basis of consolidation

The Group’s financial statements consolidate the financial statements of Primary Health Properties PLC and its wholly owned subsidiary undertakings. Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtained control, and continue to be consolidated until the date that such control ceases. Control is exercised if and only if an investor has all the following: power over an investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor’s returns. The financial statements of the subsidiary undertakings are prepared for the

accounting reference period ending 31 December each year using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from them, are eliminated on consolidation.

The individual financial statements of Primary Health Properties PLC and each of its subsidiary undertakings will be prepared under FRS 101. The use of IFRSs at Group level does not affect the distributable reserves available to the Group.

Segmental reporting

The Directors are of the opinion that the Group is engaged in a single segment of business, being investment property in the United Kingdom and Ireland leased principally to GPs, government healthcare organisations and other associated healthcare users.

Foreign currency transactions

Each Group company presents its individual financial statements in its functional currency. The functional currency of all UK subsidiaries (with the exception of PHP Euro Private Placement Limited and MXF Properties Ireland Limited which operate in euros) is sterling and the functional currency of Primary Health Properties ICAV and Axis Real Estate Group, our Irish domiciled subsidiaries, is the euro.

Transactions in currencies other than an individual entity's functional currency ("foreign currencies") are recognised at the applicable exchange rate ruling on the transaction date. Exchange differences resulting from settling these transactions, or from retranslating monetary assets and liabilities denominated in foreign currencies, are included in the Group Statement of Comprehensive Income.

Foreign operations

In preparing the Group's consolidated financial statements, the assets and liabilities of foreign entities are translated into sterling at exchange rates prevailing on the balance sheet date. The income, expenses and cash flows of a foreign entity are translated at the average exchange rate for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used.

The exchange rates used to translate foreign currency amounts in 2024 are as follows:

- Group Balance Sheet: £1 = €1.209 (2023: €1.15355).
- Group Statement of Comprehensive Income: £1 = €1.18153 (2023: €1.15977).

Investment properties and investment properties under construction

The Group's investment properties are held for long term investment. Investment properties and those under construction are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties and investment properties under construction are stated at fair value based on market data and a professional valuation made as of each reporting date. The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect future benefits from this future expenditure.

Gains or losses arising from changes in the fair value of investment properties and investment properties under construction are included in the Group Statement of Comprehensive Income in the year in which they arise.

Investment properties are recognised on acquisition upon completion of contract, which is when control of the asset passes to the Group. Investment properties cease to be recognised when control of the property passes to the purchaser, which is upon completion of the sales contract. Any gains and losses arising are recognised in the Group Statement of Comprehensive Income in the year of disposal.

All costs associated with the purchase and construction of investment properties under construction are capitalised including attributable interest and staff costs. Interest is calculated on the expenditure by reference to the average rate of interest on the Group's borrowings. When properties under construction are completed, the capitalisation of costs ceases and they are reclassified as investment properties.

The Group may enter into a forward funding agreement with third-party developers in respect of certain properties under development. In accordance with these agreements, the Group will make monthly stage payments to the developer based on certified works on site at that time. Interest is charged to the developer on all stage payments made during the construction period and on the cost of the land acquired by the Group at the outset of the development and taken to the Group Statement of Comprehensive Income in the year in which it accrues.

Property acquisitions and business combinations

Where a property is acquired through the acquisition of corporate interests, the Board considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

Where properties are acquired through the purchase of a corporate entity but the transaction does not meet the definition of a business combination under IFRS 3, the purchase is treated as an asset acquisition. Where the acquisition is considered a business combination, the excess of the consideration transferred over the fair value of assets and liabilities acquired is held as goodwill, initially recognised at cost with subsequent impairment assessments completed at least annually. Where the initial calculation of goodwill arising is negative, this is recognised immediately in the Group Statement of Comprehensive Income. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values on the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. Where any excess of the purchase price of business combinations over the fair value of the assets, liabilities and contingent liabilities is acquired, goodwill is recognised. This is recognised as an asset and is reviewed for impairment at least annually. Any impairment is recognised immediately in the Group Statement of Comprehensive Income.

Gains on sale of properties

Gains on sale of properties are recognised on the completion of the contract, and are calculated by reference to the carrying value at the end of the previous reporting period, adjusted for subsequent capital expenditure and sale costs.

Net rental income

Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease term. An adjustment to rental income is recognised from the rent review date of each lease in relation to unsettled rent reviews. Such adjustments are accrued at 100% (2023: 100%) of the additional rental income that is expected to result from the review. For leases which contain fixed or minimum deemed uplifts, the rental income is recognised on a straight line basis over the lease term. Incentives for lessees to enter into lease agreements are spread evenly over the lease terms, even if the payments are not made on such a basis. Rental income is measured at the fair value of the consideration receivable, excluding discounts, rebates, VAT and other sales taxes or duty. Net rental income is the rental income receivable in the period after payment of direct property costs.

Interest income

Interest income is recognised as interest accrues, using the effective interest method (that is, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Financial instruments under IFRS 9

Trade receivables

Trade receivables are recognised at their transaction price and carried at amortised cost as the Group's business model is to collect the contractual cash flows due from tenants which are solely the payment of principal and interest. A loss allowance is made based on the expected credit loss model which reflects the Group's historical credit loss experience over the past three years but also reflects the lifetime expected credit loss.

Cash and cash equivalents

Cash and cash equivalents are defined as cash and short term deposits, with an original maturity of three months or less, measured at amortised cost.

Trade and other payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost inclusive of any VAT that may be applicable.

Bank loans and borrowings

All loans and borrowings are initially measured at fair value less directly attributable transaction costs. After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method.

The interest due and unpaid is accrued at the end of the year and presented as a current liability within trade and other payables.

Borrowing costs

Borrowing costs that are separately identifiable and directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs the Group incurs in connection with the borrowing of funds.

Convertible bond

The convertible bond is designated as "at fair value through profit or loss" and so is presented on the Group Balance Sheet at fair value with all gains and losses, including the write-off of issuance costs, recognised in the Group Statement of Comprehensive Income. The fair value of the convertible bond is assessed in accordance with level 1 valuation techniques as set out within "Fair value measurements" within these accounting policies. The interest charge in respect of the coupon rate on the bond has been recognised within the underlying component of net financing costs on an accruals basis. Refer to Note 14b for further details. The amount of the change in fair value of the financial liability designated at fair value through profit or loss that is attributable to changes in credit risk will be recognised in other comprehensive income.

De-recognition of financial assets and liabilities

Financial assets

A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognised where:

- the rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset; or
- the cash flows are significantly modified.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

When the exchange or modification of an existing financial liability is not accounted for as an extinguishment, any costs or fees incurred adjust the liability's carrying amount and are amortised over the modified liability's remaining term and any difference in the carrying amount after modification is recognised as a modification gain or loss.

Hedge accounting

At the inception of a transaction the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at inception and on an ongoing basis.

For cash flow hedging, the Group monitors the hedging instrument to check it continues to meet the criteria of IAS 39, having applied the practical expedient on transition, for being described as "highly effective" in offsetting changes in the fair values or cash flows of hedged items.

For net investment hedge relationships, the Group monitors the hedging instrument to check it continues to meet the criteria of IAS 39 for being described as "highly effective".

Derivative financial instruments (the "derivatives")

The Group uses interest rate swaps to help manage its interest rate risk.

All interest rate derivatives are initially recognised at fair value at the date the derivative is entered into and are subsequently remeasured at fair value. The fair values of the Group's interest rate swaps are calculated by Chatham (formally JCRA), an independent specialist which provides treasury management services to the Group.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as an effective hedging instrument:

- Where a derivative is designated as a hedge of the variability of a highly probable forecast transaction, such as an interest payment, the element of the gain or loss on the derivative that is an "effective" hedge is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in the cash flow hedging reserve are reclassified into the Group Statement of Comprehensive Income in the same period or periods during which the asset acquired or liability assumed affects the Group Statement of Comprehensive Income, i.e. when interest income or expense is recognised.
- The gain or loss on derivatives that do not meet the strict criteria for being "effective" and so do not qualify for hedge accounting and the non-qualifying element of derivatives that do qualify for hedge accounting are recognised in the Group Statement of Comprehensive Income immediately. The treatment does not alter the fact that the derivatives are economic hedges of the underlying transaction.

For swaps that have been cancelled which previously qualified for hedge accounting, the remaining value within the cash flow hedging reserve at the date of cancellation is recycled to the Group Statement of Comprehensive Income on a straight line basis from the date of cancellation to the original swap expiry date where the hedged transaction is still expected to occur. If the swaps have been cancelled and the hedged transaction is no longer expected to occur, the amount accumulated in the hedging reserve is reclassified to profit and loss immediately.

Tax

Taxation on the profit or loss for the period not exempt under UK REIT regulations comprises current and deferred tax. Taxation is recognised in the Group Statement of Comprehensive Income except to the extent that it relates to items recognised as direct movements in equity, in which case it is also recognised as a direct movement in equity.

Current tax is the expected tax payable on any non-REIT taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Fair value measurements

The Group measures certain financial instruments, such as derivatives, the Group's convertible bond and non-financial assets such as investment property, at fair value at the end of each reporting period. Also, fair values of financial instruments measured at amortised cost are disclosed in the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group must be able to access the principal or the most advantageous market at the measurement date.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques at three levels that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

Leases – Group as a lessor

The vast majority of the Group's properties are leased out under operating leases and are included within investment properties. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term.

Where the Group transfers substantially all the risks and benefits of ownership of the asset, the arrangement is classified as a finance lease and a receivable is recognised for the initial direct costs of the lease and the present value of the minimum lease payments. Finance income is recognised in the Group Statement of Comprehensive Income so as to achieve a constant rate of return on the remaining net investment in the lease. Interest income on finance leases is restricted to the amount of interest actually received.

Employee costs

Defined contribution pension plans

Obligations for contributions to defined contribution pension plans are charged to the Group Statement of Comprehensive Income as incurred.

Share-based employee remuneration

The fair value of equity-settled share-based payments to employees is determined with reference to the fair value of the equity instruments at the date of grant and is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares or options that will eventually vest. The fair value of awards is equal to the market value at grant date.

Capitalised salaries

Certain internal staff and associated costs directly attributable to the management of major projects are capitalised. Internal staff costs are capitalised from the start of the project until the date of practical completion.

Properties held for sale

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

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

Capitalised costs

A capitalised cost is an expense added to the cost basis of a fixed asset on the balance sheet. Capitalised costs are incurred when purchasing fixed assets following the matching principle of accounting to record expenses in the same period as related revenues or useful life of an asset. The historical costs are recorded on the balance sheet and depreciated over the useful life of an asset.

Intangible assets

Contract-based intangible assets comprise the value of customer contracts arising on business combinations. Intangible assets arising on business combinations are initially recognised at fair value. Intangible assets arising on business combinations are amortised on a straight line basis to the Group Statement of Comprehensive Income over their expected useful lives, and are carried at amortised historical cost.

2.4 Significant accounting estimates and judgements

The preparation of the Group financial statements requires management to make a number of estimates and judgements that affect the reported amounts of assets and liabilities and may differ from future actual results. The estimates and judgements that are considered most critical and that have a significant inherent risk of causing a material adjustment to the carrying amounts of assets and liabilities are:

a) Estimates

Fair value of investment properties

Investment properties include: (i) completed investment properties; and (ii) investment properties under construction. Completed investment properties comprise real estate held by the Group or leased by the Group under a finance lease in order to earn rental income or for capital appreciation, or both. Investment properties under construction are not material and therefore there is no estimation uncertainty.

The fair market value of a property is deemed by the independent property valuer appointed by the Group to be the estimated amount for which a property should exchange, on the date of valuation, in an arm's length transaction. Properties have been valued on an individual basis, assuming that they will be sold individually over time. Allowances are made to reflect the purchaser's costs of professional fees and stamp duty and tax.

In accordance with RICS Appraisal and Valuation Standards, factors taken into account are current market conditions, annual rentals, state of repair, ground stability, contamination issues and fire and health and safety legislation. Refer to Note 10 of the financial statements which includes further information on the fair value assumptions and sensitivities.

Fair value of derivatives

In accordance with IFRS 9, the Group values its derivative financial instruments at fair value. Fair value is estimated by Chatham on behalf of the Group, using a number of assumptions based upon market rates and discounted future cash flows. The derivative financial instruments have been valued by reference to the mid price of the yield curve prevailing on 31 December 2024. Fair value represents the net present value of the difference between the cash flows produced by the contracted rate and the valuation rate. Refer to Note 16 of the financial statements.

b) Judgements

In the process of applying the Group’s accounting policies, which are described above, the Directors do not consider there to be significant judgements applied with regard to the policies adopted.

2.5 Standards issued but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases have not yet been adopted by the UK:

- amendments to IAS 21 Lack of exchangeability;
- amendments to SASB standards;
- amendments to the classification and measurement of financial instruments (amendments to IFRS 9 and IFRS 7); and
- amendments to IFRS 18 Presentation and disclosures in financial statements.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2025, but are not yet applicable to the Group and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

3. Rental and related income

Revenue comprises rental income receivable on property investments in the UK and Ireland, which is exclusive of VAT, plus facilities and properties management income. Revenue is derived from one reportable operating segment, with £139.8 million and £14.1 million of contracted rent roll derived from the UK and Ireland respectively. Details of the lease income are given below.

Group as a lessor

a) The future minimum lease payments under non-cancellable operating leases receivable by the Group are as follows:

	Less than one year £m	One to two years £m	Two to three years £m	Three to four years £m	Four to five years £m	More than five years £m	Total £m
2024	146.3	139.0	131.3	123.8	113.6	773.2	1,427.2
2023	145.0	139.9	135.4	128.0	120.7	862.8	1,531.8

b) The rental income earned on operating leases is recognised on a straight line basis over the lease term.

The Group leases medical centres to GPs, NHS organisations, the HSE in Ireland and other healthcare users, typically on long term occupational leases which provide for regular reviews of rent on an effectively upwards-only basis.

4. Group operating profit

Operating profit is stated after charging administrative expense of £13.0 million (31 December 2023: £12.3 million) and amortisation of intangible assets of £0.9 million (31 December 2023: £0.9 million). Administrative expenses as a proportion of rental and related income were 7.2% (31 December 2023: 7.2%). The Group’s EPRA cost ratio has increased to 10.8%, compared to 10.7% for the same period in 2023.

Administrative expenses include staff costs of £7.9 million (31 December 2023: £7.5 million).

In 2023 PHP acquired Axis, an Irish property management business. In the period Axis contributed £11.3 million (2023: £5.7 million) of related income and incurred direct property expenses of £9.2 million (2023: £3.9 million), contributing £2.1 million (2023: £1.8 million) of net related income. After the deduction of £0.9 million (2023: £0.7 million) of administrative expenses Axis generated an operating profit of £1.2 million (2023: £1.1 million).

Group operating profit is stated after charging:

	2024 £m	2023 £m
Administrative expenses including:		
Staff costs (Note 4a)	7.9	7.5
Directors’ fees	0.5	0.4

Primary Health Properties PLC

Preliminary results for the year ended 31 December 2024

	2024 £m	2023 £m
Audit fees		
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	0.5	0.5
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries	0.1	0.1
Total audit fees	0.6	0.6
Total audit and assurance services	0.6	0.6
Non-audit fees		
Fees payable to the Company's auditor and its associates for the interim review	0.1	0.1
Advisory services	—	—
Total non-audit fees	0.1	0.1
Total fees	0.7	0.7

Please refer to page 80 of the Annual Report for analysis of non-audit fees.

a) Staff costs

	2024 £m	2023 £m
Wages and salaries	8.0	7.9
Less staff costs capitalised in respect of development and asset management projects	(1.7)	(1.5)
Social security costs	0.7	0.7
Pension costs	0.3	0.3
Equity-settled share-based payments	0.6	0.1
	7.9	7.5

In addition to the above, there were £0.9 million (31 December 2023: £0.9 million) of direct salaries recognised within property costs for Axis employees. The Group operates a defined contribution pension scheme for all employees. The Group contribution to the scheme during the year was £0.3 million (2023: £0.3 million), which represents the total expense recognised through the Group Statement of Comprehensive Income. As at 31 December 2024, there were no contributions (2023: £nil) due in respect of the reporting period that had not been paid over to the plan.

The average monthly number of Group employees during the year was 60 which included 55 full-time and five part-time employees (2023: 62 which included 60 full time and two part time), and as at 31 December 2024 was 60 (2023: 58). In addition to this, the average number of employees in the Axis team during the year was 28 (2023: 27), with 27 (2023: 28) employees as at 31 December 2024.

The Executive Directors and Non-executive Directors are the key management personnel. Full disclosure of Directors' emoluments, as required by the Companies Act 2006, can be found in the Annual Report on pages 87 to 107.

The Group's equity-settled share-based payments comprise the following:

Scheme	Fair value measure
Long Term Incentive Plan ("LTIP")	Face value at grant date
Save As You Earn ("SAYE")	Face value at grant date

The Group expenses an estimate of how many shares are likely to vest based on the market price at the date of grant, taking account of expected performance against the relevant performance targets and service periods, which are discussed in further detail in the Remuneration Report.

5. Finance income

	2024 £m	2023 £m
Interest income on financial assets		
Development loan interest	—	0.2
	—	0.2

6. Finance costs

	2024 £m	2023 £m
Interest expense and similar charges on financial liabilities		
a) Interest		
Bank loan interest	29.5	27.4
Swap interest	(5.0)	(4.6)
Bond interest	20.5	20.0
Bank facility non-utilisation fees	2.2	2.2
Bank charges and loan arrangement fees	3.2	3.3
	50.4	48.3
Interest capitalised	(0.6)	(0.1)
	49.8	48.2
Amortisation of MedicX debt MtM on acquisition	(3.0)	(3.0)
	46.8	45.2

	2024 £m	2023 £m
b) Derivatives		
Net fair value loss on interest rate swaps	4.5	4.3
Amortisation of cash flow hedging reserve	2.5	4.1
	7.0	8.4

The fair value movement on derivatives recognised in the Group Statement of Comprehensive Income has arisen from the interest rate swaps for which hedge accounting does not apply.

	2024 £m	2023 £m
c) Convertible bond		
Fair value loss on existing convertible bond	0.6	4.8
	0.6	4.8

The fair value movement in the convertible bond is recognised in the Group Statement of Comprehensive Income within profit before taxation and is excluded from the calculation of EPRA earnings and EPRA NTA. Refer to Note 14 for further details about the convertible bonds.

	2024 £m	2023 £m
Net finance costs		
Finance income (Note 5)	—	0.2
Finance costs (as per above)	(50.4)	(48.3)
	(50.4)	(48.1)
Interest capitalised	0.6	0.1
	(49.8)	(48.0)
Amortisation of MedicX debt MtM on acquisition	3.0	3.0
	(46.8)	(45.0)

7. Taxation

a) Taxation charge in the Group Statement of Comprehensive Income

The taxation charge is made up as follows:

	2024 £m	2023 £m
Current tax		
UK corporation tax	—	—
Irish corporation tax	—	0.1
Deferred tax on Irish activities	5.6	(1.3)
Total tax charge/(credit)	5.6	(1.2)

The UK corporation tax rate of 25% (2023: 25%) and the Irish corporation tax rate of 19% (2023: 19%) have been applied in the measurement of the Group's UK and Ireland related activities tax liability at 31 December 2024.

b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than (2023: lower than) the standard rate of corporation tax in the UK. The differences are explained below:

	2024 £m	2023 £m
Profit on ordinary activities before taxation	47.0	26.1
Standard tax at UK corporation tax rate of 25% (2023: 23.5%)	11.8	6.1
REIT exempt income	(17.1)	(16.5)
Transfer pricing adjustment	9.0	8.5
Fair value loss on convertible bond	0.1	0.5
Non-taxable items	0.2	0.8
Losses brought forward utilised	0.9	0.1
Difference in Irish tax rates	0.7	(0.7)
Taxation charge/(credit) (Note 7a)	5.6	(1.2)

The UK REIT rules exempt the profits of the Group's property rental business from corporation tax.

c) Basis of taxation

The Group elected to be treated as a UK REIT with effect from 1 January 2007. The UK REIT rules exempt the profits of the Group's property rental business from corporation tax. Gains on properties are also exempt from tax, provided they are not held for trading or sold in the three years post completion of development. The corporation tax rate for the Group as at 31 December 2024 was 25% (2023: 25%). The effective rate during the year was 25% (2023: 23.5%) as the rate for the whole year remained at 25% (2023: 23.5% – January to April 19%, 1 April 25%).

Acquired companies are effectively converted to UK REIT status from the date on which they become a member of the Group.

As a UK REIT, the Company is required to pay Property Income Distributions ("PIDs") equal to at least 90% of the Group's rental profit calculated by reference to tax rules rather than accounting standards.

To remain as a UK REIT there are a number of conditions to be met in respect of the principal company of the Group, the Group's qualifying activities and the balance of its business. The Group remains compliant as at 31 December 2024.

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

8. Earnings per share

Performance measures

In the tables below, we present earnings per share and net assets per share calculated in accordance with IFRSs, together with our own adjusted measure and certain measures defined by the European Public Real Estate Association ("EPRA"), which have been included to assist comparison between European property companies. Two of the Group's key financial performance measures are adjusted earnings per share and adjusted net tangible assets per share.

Adjusted earnings, which is a tax adjusted measure of revenue profit, is the basis for the calculation of adjusted earnings per share. We believe adjusted earnings and adjusted earnings per share provide further insight into the results of the Group's operational performance to stakeholders as they focus on the net rental income performance of the business and exclude capital and other items which can vary significantly from year to year.

Earnings per share

	2024			2023		
	IFRS earnings £m	Adjusted earnings £m	EPRA earnings £m	IFRS earnings £m	Adjusted earnings £m	EPRA earnings £m
Profit after taxation	41.4	41.4	41.4	27.3	27.3	27.3
Adjustments to remove:						
Revaluation deficit on property portfolio	—	38.4	38.4	—	53.0	53.0
Fair value movement on derivatives	—	7.0	7.0	—	8.4	8.4
Fair value movement and issue costs on convertible bond	—	0.6	0.6	—	4.8	4.8
Taxation charge/(credit)	—	5.6	5.6	—	(1.2)	(1.2)
JSE listing fees	—	—	—	—	0.2	0.2
Amortisation of intangible assets	—	0.9	0.9	—	0.9	0.9
Axis acquisition costs	—	—	—	—	0.3	0.3
Early termination fees on bonds	—	2.0	2.0	—	—	—
Amortisation of MtM loss on debt acquired	—	(3.0)	—	—	(3.0)	—
Basic earnings	41.4	92.9	95.9	27.3	90.7	93.7
Dilutive effect of convertible bond	—	4.3	4.3	—	4.3	4.3
Diluted earnings	41.4	97.2	100.2	27.3	95.0	98.0

Number of shares

	2024 weighted average			2023 weighted average		
	million	million	million	million	million	million
Ordinary Shares	1,336.5	1,336.5	1,336.5	1,336.5	1,336.5	1,336.5
Dilutive effect of convertible bond	—	119.4	119.4	—	113.9	113.9
Diluted Ordinary Shares	1,336.5	1,455.9	1,455.9	1,336.5	1,450.4	1,450.4

Profit/(loss) per share attributable to shareholders:

	2024			2023		
	IFRS pence	Adjusted pence	EPRA pence	IFRS pence	Adjusted pence	EPRA pence
Basic	3.1	7.0	7.2	2.0	6.8	7.0
Diluted	3.1	6.7	6.9	2.0	6.6	6.8

In the years ended 31 December 2024 and 31 December 2023 the effect of the convertible bond has been excluded from the diluted profit and weighted average diluted number of shares when calculating IFRS diluted profit per share because they are anti-dilutive.

Net assets per share

	31 December 2024			31 December 2023		
	IFRS pence	Adjusted pence	EPRA pence	IFRS pence	Adjusted pence	EPRA pence
Net assets attributable to shareholders	1,376.0	1,376.0	1,376.0	1,423.9	1,423.9	1,423.9
Derivative interest rate swaps liability	—	(0.2)	(0.2)	—	(4.7)	(4.7)
Deferred tax	—	9.0	9.0	—	3.8	3.8
Intangible assets	—	(5.3)	(5.3)	—	(6.2)	(6.2)
Cumulative convertible bond fair value movement	—	(1.7)	(1.7)	—	(2.3)	(2.3)
MtM on MedicX debt net of amortisation	—	25.4	—	—	28.5	—
Net tangible assets (“NTA”)	1,376.0	1,403.2	1,377.8	1,423.9	1,443.0	1,414.5
Intangible assets	—	—	5.3	—	—	6.2
Real estate transfer taxes	—	—	181.4	—	—	184.4
Net reinstatement value (“NRV”)	1,376.0	1,403.2	1,564.5	1,423.9	1,443.0	1,605.1
Fixed rate debt and swap MtM value	—	—	149.3	—	—	137.0
Deferred tax	—	—	(9.0)	—	—	(3.8)
Cumulative convertible bond fair value movement	—	—	1.7	—	—	2.3
Real estate transfer taxes	—	—	(181.4)	—	—	(184.4)
Net disposal value (“NDV”)	1,376.0	1,403.2	1,525.1	1,423.9	1,443.0	1,556.2

Ordinary Shares

	31 December 2024			31 December 2023		
	million	million	million	million	million	million
Issued share capital	1,336.5	1,336.5	1,336.5	1,336.5	1,336.5	1,336.5

Basic net asset value per share¹

	31 December 2024			31 December 2023		
	IFRS pence	Adjusted pence	EPRA pence	IFRS pence	Adjusted pence	EPRA pence
Net tangible assets (“NTA”)	103.0	105.0	103.1	106.5	108.0	105.8
Net reinstatement value (“NRV”)	—	—	117.1	—	—	120.1
Net disposal value (“NDV”)	—	—	114.1	—	—	116.4

¹ The above are calculated on a “basic” basis without the adjustment for the impact of the convertible bond which is shown in the diluted basis table below.

Diluted net asset value per share²

	31 December 2024			31 December 2023		
	IFRS pence	Adjusted pence	EPRA pence	IFRS pence	Adjusted pence	EPRA pence
Net tangible assets ("NTA")	104.8	106.7	103.1	108.5	109.8	105.8
Net reinstatement value ("NRV")	—	—	117.1	—	—	120.1
Net disposal value ("NDV")	—	—	114.1	—	—	116.4

² The Company assesses the dilutive impact of the unsecured convertible bond, issued by the Group on 15 July 2019, on its net asset value per share with a current exchange price of 125.64 pence (31 December 2023: 131.72 pence). This effect is anti-dilutive, with both basic and diluted IFRS NTA presented as equal on the balance sheet.

Conversion of the convertible bond would result in the issue of 119.4 million (31 December 2023: 113.9 million) new Ordinary Shares. The IFRS net asset value and EPRA NDV would increase by £148.3 million (31 December 2023: £147.7 million) and the EPRA NTA, adjusted NTA and EPRA NRV would increase by £150.0 million (31 December 2023: £150.0 million). The resulting diluted net asset values per share are anti-dilutive to all measures and are set out in the table above.

In accordance with IAS 33 Earnings per share the Company is required to assess and disclose the dilutive impact of the contingently issuable shares within the convertible bond. The impact is not recognised where it is anti-dilutive.

Headline earnings per share

The JSE listing conditions require the calculation of headline earnings (calculated in accordance with Circular 1/2021 – Headline Earnings as issued by the South African Institute of Chartered Accountants) and disclosure of a detailed reconciliation of headline earnings to the earnings numbers used in the calculation of basic earnings per share in accordance with the requirements of IAS 33 Earnings per share. Disclosure of headline earnings is not a requirement of IFRS.

	2024 £m	2023 £m
Reconciliation of profit for the period to headline earnings		
Basic earnings	41.4	27.3
Adjustments to calculate headline earnings:		
JSE listing fees and Axis acquisition costs	—	0.5
Amortisation of intangible assets	0.9	0.9
Revaluation deficit	38.4	53.0
Deferred tax on Irish activities	5.6	(1.3)
Headline earnings	86.3	80.4
Corporation tax	—	0.1
Fair value loss on derivative financial instruments and convertible bond	7.6	13.2
Non-recurring items	(1.0)	(3.0)
Adjusted earnings	92.9	90.7
Diluted basic earnings	41.4	27.3
Diluted headline earnings	91.2	89.5
Basic earnings per share	3.1	2.0
Headline earnings per share	6.5	6.0
Adjusted earnings per share	7.0	6.8
Diluted basic earnings per share	3.1	2.0
Diluted headline earnings per share	6.3	6.2

	2024	2023
Reconciliation of profit for the period to headline earnings		
Number of shares	1,336.5	1,336.5
Weighted average number of Ordinary Shares for headline, basic and adjusted earnings per share	1,336.5	1,336.5
Weighted average number of Ordinary Shares for diluted basic and headline earnings per share	1,455.9	1,450.4

9. Dividends

Amounts recognised as distributions to equity holders in the year:

	2024 £m	2023 £m
Quarterly interim dividend paid 23 February 2024	23.1	—
Quarterly interim dividend paid 17 May 2024	23.0	—
Quarterly interim dividend paid 16 August 2024	23.0	—
Quarterly interim dividend paid 22 November 2024	23.0	—
Quarterly interim dividend paid 23 February 2023	—	22.4
Quarterly interim dividend paid 19 May 2023	—	22.4
Quarterly interim dividend paid 18 August 2023	—	22.3
Quarterly interim dividend paid 24 November 2023	—	22.4
Total dividends distributed in the year	92.1	89.5
Per share	6.9p	6.7p

On 2 January 2025, the Board declared an interim dividend of 1.775 pence per Ordinary Share with regard to the year ended 31 December 2024, payable on 21 February 2025. This dividend will consist wholly of an ordinary dividend of 0.4 pence and Property Income Distribution (“PID”) of 1.375 pence.

10. Investment properties and investment properties under construction

Properties have been independently valued at fair value by Avison Young (UK) Limited, Jones Lang LaSalle and CBRE Chartered Surveyors and Valuers, as at the balance sheet date in accordance with accounting standards. The valuers have confirmed that they have valued the properties in accordance with the Practice Statements in the RICS Appraisal and Valuation Standards 2024 (the “Red Book”). There were no changes to the valuation techniques during the year. The valuers are appropriately qualified and have sufficient market knowledge and relevant experience of the location and category of investment property and have had full regard to market evidence when determining the values. The properties are 99.1% let (2023: 99.3%). The valuations reflected a 5.22% (2023: 5.05%) net initial yield and a 5.27% (2023: 5.06%) true equivalent yield. Where properties have outstanding rent reviews, an estimate is made of the likely rent on review in line with market expectations and the knowledge of the valuers.

In accordance with IAS 40, investment properties under construction have also been valued at fair value by the valuers. In determining the fair value, the valuers are required to value development property as if complete, deduct the costs remaining to be paid to complete the development and consider the significant risks which are relevant to the development process including, but not limited to, construction and letting risks and the impact they may have on fair value. In the case of the Group’s portfolio under construction, where the sites are pre-let and construction risk remains with the builder/developer, the valuers have deemed that the residual risk to the Group is minimal. As required by the Red Book, the valuers have deducted the outstanding cost to the Group through to the completion of construction of £2.5 million (2023: £5.4 million) in arriving at the fair value to be included in the financial statements.

In addition to the above, capital commitments have been entered into amounting to £33.9 million (2023: £7.1 million) which have not been provided for in the financial statements.

A fair value decrease of £1.2 million (2023: decrease of £4.2 million) in respect of investment property under construction has been recognised in the Group Statement of Comprehensive Income, as part of the overall total net valuation loss on the property portfolio in the year of £38.4 million (2023: £53.0 million loss).

Of the £2,750.1 million (2023: £2,776.3 million) valuation, £2,494.8 million (90.7%) (2023: £2,531.7 million) relates to investment properties in the UK and £255.3 million (9.3%) (2023: £244.6 million) relates to investment properties in Ireland.

In line with accounting policies, the Group assessed whether the acquisitions during the year were asset purchases or business combinations.

	Investment properties – freehold ¹ £m	Investment properties – long leasehold £m	Investment properties – under construction £m	Total £m
As at 1 January 2024	2,195.1	583.2	1.0	2,779.3
Property additions	13.7	0.4	7.9	22.0
Impact of lease incentive adjustment	0.3	1.3	—	1.6
Foreign exchange movements	(9.4)	(2.0)	—	(11.4)
Lease ground rent adjustment	—	—	—	—
	2,199.7	582.9	8.9	2,791.5
Revaluations for the year	(31.4)	(5.8)	(1.2)	(38.4)
Properties held for sale (reclassified to current assets)	(3.0)	—	—	(3.0)
As at 31 December 2024	2,165.3	577.1	7.7	2,750.1
As at 1 January 2023	2,214.5	577.3	4.5	2,796.3
Property additions	10.3	28.3	1.4	40.0
Reclassification of freehold and leasehold and land	2.1	(1.4)	(0.7)	—
Impact of lease incentive adjustment	0.4	0.5	—	0.9
Foreign exchange movements	(3.8)	(0.9)	—	(4.7)
Lease ground rent adjustment	—	(0.2)	—	(0.2)
	2,223.5	603.6	5.2	2,832.3
Revaluations for the year	(28.4)	(20.4)	(4.2)	(53.0)
As at 31 December 2023	2,195.1	583.2	1.0	2,779.3

¹ Includes development land held at £0.7 million (31 December 2023: £0.7 million).

Bank borrowings, bonds and interest rate swaps are secured on investment properties with a value of £2,702.8 million (2023: £2,739.3 million).

Right of use assets

In accordance with IFRS 16 Leases, the Group has recognised a £3.0 million head lease liability and an equal and opposite finance lease asset which is included in non-current assets.

Fair value hierarchy

All of the Group's properties are level 3, as defined by IFRS 13, in the fair value hierarchy as at 31 December 2024 and 31 December 2023. There were no transfers between levels during the year or during 2023. Level 3 inputs used in valuing the properties are those which are unobservable, as opposed to level 1 (inputs from quoted prices) and level 2 (non-quoted observable inputs either directly (i.e. as prices) or indirectly (i.e. derived from prices)).

Valuation techniques used to derive level 3 fair values

The valuations have been prepared on the basis of fair market value ("FMV") which is defined in the RICS Valuation Standards as:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Valuation techniques

Under the market comparable approach, a property's fair value is estimated based on comparable transactions on an arm's length basis, using certain unobservable inputs. These inputs are detailed below.

Unobservable input: estimated rental value ("ERV")

The rent at which space could be let in the market conditions prevailing at the date of valuation. ERV is also used in determining expected rental uplift on outstanding rent reviews.

	2024	2023
ERV – range of the portfolio	£29,000–£1,515,482	£27,500–£1,515,482
	per annum	per annum

Unobservable input: equivalent yield

The equivalent yield is defined as the internal rate of return of the cash flow from the property, assuming a rise to ERV at the next review date, but with no further rental growth.

	2024	2023
True equivalent yield – range of the portfolio	2.80%–13.43%	2.77%–16.10%

Unobservable input: physical condition of the property

The properties are physically inspected by the valuers on a three-year rotating basis.

Unobservable input: net initial yield ("NIY")

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

Unobservable input: rental growth

The estimated average increase in rent based on both market estimations and contractual situations.

Sensitivity of measurement of significant unobservable inputs

During 2024 the Group experienced a 17bps increase in the portfolio net initial yield, reducing investment property by £38.4 million (1.4% reduction), before reflecting gains as a result of rental growth and asset management projects. We have therefore applied the following sensitivities:

- A decrease in the estimated annual rent will decrease the fair value. A 2% decrease/increase in annual rent would result in an approximately £55.0 million decrease/increase in the investment property valuation.
- A decrease in the equivalent yield will increase the fair value. A 25bps shift of equivalent yield would have an approximately £124.1 million impact on the investment property valuation, either an increase or decrease.
- A deterioration in the physical condition of the property will decrease the fair value.
- An increase in the net initial yield will decrease fair value. A further 25bps shift in the net initial yield would have an approximately £125.6 million impact on the investment property valuation, either an increase or decrease.

11. Trade and other receivables

	2024	2023
	£m	£m
Trade receivables (net of loss allowance)	16.6	16.3
Prepayments and accrued income	10.3	7.9
Other debtors	0.8	0.7
	27.7	24.9

The expected credit losses are estimated using a provision matrix by reference to past experience and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor on the recoverability, general economic conditions of the industry and an assessment of both the current and the forecast direction of conditions at the reporting date. Payment default is where PHP assesses there

could be a probable failure of a tenant making a contractual payment of rent. The Group has therefore not recognised a significant loss allowance because historical experience has indicated that the risk profile of trade receivables is deemed low, and any loss allowance would therefore be insignificant.

The Group's principal customers are invoiced and pay quarterly in advance, usually on English, Scottish and Gale quarter days. There is no significant concentration of credit risk with respect to trade receivables, as the Group has a large number of tenants.

12. Cash and cash equivalents

	2024 £m	2023 £m
Cash held at bank	3.5	3.2
	3.5	3.2

Bank interest is earned at floating rates depending upon the bank deposit rate. Short term deposits may be made for varying periods of between one day and three months, dependent on available cash and forthcoming cash requirements of the Group. These deposits earn interest at various short term deposit rates.

13. Trade and other payables

	2024 £m	2023 £m
Non-current liabilities		
Other payables	3.1	4.1
	3.1	4.1
Current liabilities		
Trade payables	1.8	2.5
Bank and bond loan interest accrual	7.5	6.5
Other payables	8.4	8.6
VAT	6.8	6.7
Accruals	6.1	7.4
	30.6	31.7

14. Borrowings

a) Term loans and overdrafts

The table indicates amounts drawn and undrawn from each individual facility as at 31 December:

	Expiry date	Facility		Amounts drawn		Undrawn	
		2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
Current							
RBS overdraft	Jun 2025	5.0	5.0	0.9	—	4.1	5.0
Aviva MXF loan	Sep 2033	2.5	2.4	2.5	2.4	—	—
		7.5	7.4	3.4	2.4	4.1	5.0
Non-current							
Aviva loan	Oct 2036	200.0	200.0	200.0	200.0	0.0	—
Aviva loan	Nov 2028	75.0	75.0	75.0	75.0	0.0	—
Barclays loan	Oct 2027	170.0	100.0	105.0	—	65.0	100.0
HSBC loan	Dec 2027	100.0	100.0	39.0	64.4	61.0	35.6
Lloyds loan	Oct 2027	100.0	100.0	18.5	1.8	81.5	98.2
NatWest loan	Oct 2026	100.0	100.0	33.5	31.8	66.5	68.2
Santander loan	Jan 2026	50.0	50.0	24.4	24.4	25.6	25.6
Aviva MXF loan	Sep 2033	218.0	220.5	218.0	220.5	—	—
Aviva MXF loan	Sep 2028	30.8	30.8	30.8	30.8	—	—
		1,043.8	976.3	744.2	648.7	299.6	327.6
Total		1,051.3	983.7	747.6	651.1	303.7	332.6

At 31 December 2024, total facilities of £1,630.4 million (2023: £1,642.5 million) were available to the Group. This included a £100.0 million secured bond, a £150.0 million nominal value convertible bond, £42.3 million, £57.9 million, £62.0 million and £39.5 million euro denominated bonds, a £50.0 million Ignis loan note, a £77.5 million Standard Life loan note and a £5.0 million overdraft facility. Of these facilities, as at 31 December 2024, £1,326.7 million was drawn (2023: £1,309.9 million). On 30 September 2024, the Group completed a new £170.0 million facility with Barclays with £70.0 million of the proceeds from the new facility being used to repay the variable rate bond ahead of maturity in December 2025. The new facility can be drawn in sterling and euros, and has an interest rate of 1.60% plus SONIA or EURIBOR and a term of three years with the option to extend by a further two years. The Group has also agreed terms with Lloyds to extend its £100.0 million facility for a further three years with an option to extend by a further two years as well as increase the size to £125.0 million. The £100.0 million HSBC facility was also extended for a further year.

Costs associated with the arrangement and extension of the facilities, including legal advice and loan arrangement fees, are amortised using the effective interest rate.

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

	2024 £m	2023 £m
Term loans drawn: due within one year	3.4	2.4
Term loans drawn: due in greater than one year	744.2	648.7
Total term loans drawn	747.6	651.1
Plus: MtM on loans net of amortisation	22.5	24.9
Less: unamortised borrowing costs	(9.5)	(9.1)
Total term loans per the Group Balance Sheet	760.6	666.9

The Group has been in compliance with all of the financial covenants of the above facilities as applicable through the year. Further details are shown in Note 17e.

The Group has entered into interest rate swaps to manage its exposure to interest rate fluctuations. These are set out in Note 16.

b) Bonds

	2024 £m	2023 £m
Unsecured:		
Convertible bond July 2025 at fair value	148.3	147.7
Less: unamortised costs	—	—
Total unsecured bonds	148.3	147.7
Secured:		
Secured bond December 2025	—	70.0
Secured bond March 2027	100.0	100.0
€51.0 million secured bond (Euro private placement) December 2028–30	42.3	44.2
€70.0 million secured bond (Euro private placement) September 2031	57.9	60.7
€75.0 million secured bond (Euro private placement) February 2034	62.0	65.0
€47.8 million secured bond (Euro private placement) December 2033	39.5	41.4
Ignis loan note December 2028	50.0	50.0
Standard Life loan note September 2028	77.5	77.5
Less: unamortised bond issue costs	(2.7)	(3.6)
Plus: MtM on loans net of amortisation	2.8	3.5
Total secured bonds	429.3	508.7
Total bonds	577.6	656.4

There were no bond conversions during the year (2023: £nil).

Secured bonds

On 18 December 2013, PHP successfully listed the floating rate guaranteed secured bonds issued on 4 November 2013 (the “secured bonds”) on the London Stock Exchange. The secured bonds have a nominal value of £70.0 million and mature on 30 December 2025. The secured bonds incur interest at an annualised rate of 220bps plus a credit spread adjustment of 28bps above six-month SONIA, payable semi-annually in arrears. The secured bonds were fully redeemed on 25 September 2024.

On 21 March 2017, a £100.0 million secured bond was issued for a ten-year term at a fixed coupon of 2.83% that matures on 21 March 2027. Interest is paid semi-annually in arrears.

On 20 December 2018, senior secured notes for a total of €51.0 million (£42.3 million) were issued at a blended fixed rate of 2.4793% and a weighted average maturity of 10.4 years. Interest is paid semi-annually in arrears. The notes represent PHP’s first euro denominated transaction in the private placement market. The secured notes were placed with UK and Irish institutional investors in two tranches:

- €40.0 million 2.46% senior notes due December 2028; and
- €11.0 million 2.633% senior notes due December 2030.

On 16 September 2019, new senior secured notes for a total of €70.0 million (£57.9 million) were issued at a fixed rate of 1.509% and a maturity of twelve years. Interest is paid semi-annually in arrears. The secured notes are guaranteed by the Company and were placed with UK and Irish institutional investors.

On 11 February 2022, the Group issued a new €75.0 million (£62.0 million) secured private placement loan note to MetLife for a twelve-year term at a fixed rate of 1.64%. The loan notes have the option to be increased by a further €75.0 million to €150.0 million over the next three years at MetLife’s discretion.

On 19 December 2023, new senior secured notes for a total of €47.8 million (£39.5 million) were issued at a fixed rate of 4.195% and a maturity of ten years. Interest is paid semi-annually in arrears. The secured notes are guaranteed by the Company and were placed with UK and Canadian institutional investors.

Ignis and Standard Life loan notes

On 14 March 2019, the loan notes were added to the portfolio as a part of the MedicX acquisition. The Ignis loan note of £50.0 million incurs a fixed coupon of 3.99% payable semi-annually in arrears and matures on 7 December 2028.

The Standard Life loan note matures on 30 September 2028 and is split into two tranches, £50.0 million and £27.5 million at fixed coupon rates of 3.84% and 3.00% respectively. Interest is payable semi-annually in arrears.

Convertible bonds

On 15 July 2019, PHP Finance (Jersey No 2) Limited (the “issuer”), a wholly owned subsidiary of the Group, issued £150.0 million of 2.875% convertible bonds (the “bonds”) for a six-year term and if not previously converted, redeemed or purchased and cancelled, the bonds will be redeemed at par on maturity in July 2025. The net proceeds were partially used to repay the Company’s £75.0 million 5.375% senior unsecured retail bonds at maturity and otherwise for general corporate purposes.

Subject to certain conditions, the bonds will be convertible into fully paid Ordinary Shares of the Company and the initial exchange price was set at 153.25 pence, a premium of 15% above the volume weighted average price of the Company’s shares on 18 June 2019, being 133.26 pence. Under the terms of the bonds, the Company will have the right to elect to settle exercise of any conversion rights entirely in shares or cash, or with a combination of shares and cash. The exchange price is subject to adjustment if dividends paid per share exceed 2.8 pence per annum and other certain circumstances and consequently the exchange price has been adjusted to 125.64 pence as at 31 December 2024 (2023: 131.72 pence).

	2024 £m	2023 £m
Opening balance – fair value	147.7	142.9
Issued in the year	—	—
Fair value movement in convertible bond	0.6	4.8
Closing balance – fair value	148.3	147.7

The fair value of the bonds at 31 December 2024 and 31 December 2023 was established by obtaining quoted market prices. The fair value movement is recognised in the Group Statement of Comprehensive Income within profit before taxation and is excluded from the calculation of EPRA earnings and EPRA NTA (replacing EPRA NAV).

c) Total borrowings

	2024 £m	2023 £m
Current liabilities:		
Term loans and overdrafts	3.4	2.4
Bonds	150.0	—
MtM on convertible bond	(1.7)	—
Total current liabilities	151.7	2.4
Non-current liabilities:		
Term loans	744.2	648.7
MtM on loans net of amortisation	22.5	24.9
Less: unamortised loan issue costs	(9.5)	(9.1)
Total non-current liabilities	757.2	664.5
Bonds	429.2	658.8
MtM on bonds net of amortisation	2.8	3.5
MtM on convertible bond	—	(2.3)
Less: unamortised bond issue costs	(2.7)	(3.6)
Total non-current bonds	429.3	656.4
Total borrowings	1,338.2	1,323.3

	2024 £m	2023 £m
Balance as at 1 January	1,325.1	1,299.1
Changes from financing activities		
Proceeds from bond issues	—	41.2
Term bank loan drawdowns	306.6	282.4
New facilities drawn	306.6	323.6
Repayments of mortgage principal	(2.3)	(2.3)
Repayments of term bank loans	(276.6)	(297.7)
Repayments of term loan borrowings	(278.9)	(300.0)
Loan and bond interest paid	(50.0)	(47.0)
Swap interest received	6.0	3.9
Non-utilisation fees paid	(2.1)	(2.2)
Purchase of derivative financial instrument	—	(1.9)
Loan arrangement fees & early termination fees	(3.8)	(1.8)
	(49.9)	(49.0)
Total changes from financing cash flows	(22.2)	(25.4)
Other non-cash changes		
Loan and bond interest expense	50.0	47.4
Swap interest income	(5.0)	(4.6)
Fair value movement on derivatives interest rate swaps	4.5	4.3
Fair value movement on convertible bond	0.6	4.8
MtM on loans net of amortisation	(3.0)	(3.0)
Amortisation of debt issue costs, non-utilisation & early termination fees	6.5	6.6
Exchange gain on translation of foreign balances	(11.0)	(4.1)
Total other changes	42.6	51.4
Balance as at 31 December	1,345.5	1,325.1

15. Head lease liabilities

The Group holds certain long leasehold properties which are classified as investment properties. The head leases are accounted for as finance leases. These leases typically have lease terms between 25 years and perpetuity and fixed rentals.

	2024 £m	2023 £m
Due within one year	0.1	0.1
Due after one year	2.9	2.9
Closing balance – fair value	3.0	3.0

16. Derivatives and other financial instruments

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

	2024 £m	2023 £m
Fair value of interest rate swaps not qualifying as cash flow hedges under IAS 39:		
Current assets	0.2	10.5
Non-current assets	—	0.9
Current liabilities	—	(6.7)
Non-current liabilities	—	—
Total fair value of interest rate swaps	0.2	4.7

Changes in the fair value of the contracts that do not meet the strict IAS 39 criteria to be designated as effective hedging instruments are taken to the Group Statement of Comprehensive Income. For contracts that meet the IAS 39 criteria and are designated as “effective” cash flow hedges, the change in fair value of the contract is recognised in the Group Statement of Changes in Equity through the cash flow hedging reserve. The result recognised in the Group Statement of Comprehensive Income relates to the amortisation of the cash flow hedging reserve of £2.5 million (2023: £4.1 million).

Interest rate swaps and caps with a contract value of £49.6 million (2023: £152.0 million) were in effect at 31 December 2024. Details of all floating to fixed rate interest rate swap contracts held are as follows:

Contract value	Product	Start date	Maturity	Fixed interest per annum %
2024				
€20.0 million (£16.5 million)	Euro cap	April 2023	October 2025	2.0000
€20.0 million (£16.5 million)	Euro cap	April 2023	October 2025	2.0000
€20.0 million (£16.6 million)	Euro cap	April 2023	October 2025	2.0000
£49.6 million				
2023				
€20.0 million (£17.3 million)	Euro cap	April 2023	October 2025	2.0000
€20.0 million (£17.3 million)	Euro cap	April 2023	October 2025	2.0000
€20.0 million (£17.4 million)	Euro cap	April 2023	October 2025	2.0000
£100.0 million	Swap	October 2021	November 2024	0.0699
£(66.0) million	Reverse swap	October 2021	November 2024	2.5200
£66.0 million	Cap	October 2021	November 2024	1.2500
£(67.0) million	Reverse swap	October 2021	November 2024	2.5200
£67.0 million	Cap	October 2021	November 2024	1.2500
£(67.0) million	Reverse swap	October 2021	November 2024	2.5200
£67.0 million	Cap	October 2021	November 2024	1.2500
£152.0 million				

On 28 October 2021 the HSBC £100.0 million variable leg of the LIBOR swap was converted to SONIA. The term and fixed rate were unchanged at November 2024 expiry and 0.0699%. This expired and was not renewed in the reporting period.

On 27 October 2021 three new swap agreements were entered into totalling £200.0 million. All were effective until 29 November 2024 and received a fixed rate of 2.52%, with variable rates payable. These included a £66.0 million swap agreement with HSBC paying a variable of SONIA + 1.6275%, a £67.0 million swap agreement with Barclays paying a variable of SONIA + 1.575% and a £67.0 million swap agreement with NatWest paying a variable of SONIA + 1.5849%. A one-off payment of £1.8 million across all three new swap agreements was made to cap SONIA at 1.25% for the length of the agreement, equivalent to 0.1 pence per share on an adjusted net tangible asset value basis. Those expired and were not renewed in the reporting period.

On 18 April 2023, the Group converted €60.0 million (£51.6 million) of sterling equivalent denominated debt into euros across its various revolving credit facilities. The Group purchased 2.0% caps on €60 million nominal value for a period of 2.5 years until October 2025 for an all-in premium of €2.2 million (£1.9 million).

17. Financial risk management

In pursuing its investment objectives, the Group is exposed to a variety of risks that could impact net assets or distributable profits.

The Group's principal financial liabilities, other than interest rate swaps, are loans and borrowings hedged by these swaps. The main purpose of the Group's loans and borrowings is to finance the acquisition and development of the Group's property portfolio. The Group has trade and other receivables, trade and other payables and cash and short term deposits that arise directly from its operations.

A review of the Group's objectives, policies and processes for managing and monitoring risk is set out in the Strategic Report. This Note provides further detail on financial risk management and includes quantitative information on specific financial risks.

Financial risk factors

a) Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating rates as the Group, generally, does not hold significant cash balances, with short term borrowings being used when required. To manage its interest rate risk, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon principal amount. Note 16 provides details of interest swap contracts in effect at the year end.

Interest rate exposure

The analysis of the Group's exposure to interest rate risk in its debt portfolio as at 31 December 2024 is as follows:

	Facilities		Net debt drawn	
	£m	%	£m	%
Fixed rate debt	1,105.4	67.8	1,105.4	83.5
Hedged by fixed rate interest rate swaps ¹	200.0	12.3	200.0	15.1
Hedged by fixed to floating rate interest rate swaps	49.6	3.0	49.6	3.8
Total fixed rate debt	1,355.0	83.1	1,355.0	102.4
Hedged by interest rate caps	—	—	—	—
Floating rate debt – unhedged	275.4	16.9	(31.8)	(2.4)
Total	1,630.4	100.0	1,323.2	100.0

¹ Including the impact of post year-end hedging completed.

The following sensitivity analysis shows the impact on profit before tax and equity of reasonably possible movements in interest rates with all other variables held constant. It should be noted that the impact of movement in the interest rate variable is not necessarily linear.

The fair value is arrived at with reference to the difference between the contracted rate of a swap and the market rate for the remaining duration at the time the valuation is performed. As market rates increase and this difference reduces, the associated fair value also decreases.

		Impact on income statement £m	Total impact on equity £m
2024			
Sterling Overnight Index Average Rate	Increase of 50 basis points	(1.0)	(1.0)
Sterling Overnight Index Average Rate	Decrease of 50 basis points	1.0	1.0
2023			
Sterling Overnight Index Average Rate	Increase of 50 basis points	(1.0)	(1.0)
Sterling Overnight Index Average Rate	Decrease of 50 basis points	1.0	1.0

b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under financial instruments or customer contracts, leading to a financial loss. The Group is exposed to credit risk from its principal financial assets, cash and cash equivalents, and trade and other receivables (see Notes 11 and 12).

Trade receivables

Trade receivables, primarily tenant rentals, are recognised and carried at amortised cost and presented in the balance sheet net of loss allowances and are monitored on a case-by-case basis. Impairment losses are recognised through the expected credit loss model. Credit risk is primarily managed by requiring tenants to pay rentals in advance.

The Group has policies in place to ensure that rental contracts are entered into only with lessees with an appropriate credit history.

Banks and financial institutions

One of the principal credit risks of the Group arises from financial derivative instruments and deposits with banks and financial institutions. The Board of Directors believes that the credit risk on short term deposits and interest rate swaps is limited because the counterparties are banks, which are committed lenders to the Group, with reputable credit ratings assigned by international credit rating agencies.

c) Liquidity risk

The liquidity risk is that the Group will encounter difficulty in meeting obligations associated with its financial liabilities as the majority of the Group's assets are property investments and are therefore not readily realisable. The Group's objective is to maintain a mixture of available cash and committed bank facilities that is designed to ensure that the Group has sufficient available funds for its operations and to fund its committed capital expenditure. This is achieved by continuous monitoring of forecast and actual cash flows.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments including interest.

	On demand £m	Less than three months £m	Three to twelve months £m	One to five years £m	More than five years £m	Total £m
2024						
Interest-bearing loans and borrowings	—	12.5	38.5	869.9	657.9	1,578.8
Trade and other payables	3.5	15.6	4.8	0.2	1.7	25.8
Lease liabilities	—	—	0.1	0.6	15.3	16.0
	3.5	28.1	43.4	870.7	674.9	1,620.6
2023						
Interest-bearing loans and borrowings	—	12.7	38.6	848.9	688.4	1,588.6
Trade and other payables	2.0	18.3	4.5	1.4	1.3	27.5
Lease liabilities	—	—	0.1	0.6	15.4	16.1
	2.0	31.0	43.2	850.9	705.1	1,632.2

The Group's borrowings have financial covenants which, if breached, could result in the borrowings becoming repayable immediately. Details of the covenants are given under (e) Capital risk management and are disclosed to the facility providers on a quarterly basis. There have been no breaches during the year (2023: none).

d) Market risk

Market risk is the risk that fair values of financial instruments will fluctuate because of changes in market prices. The Board of Directors has identified two elements of market risk that principally affect the Group – interest rate risk and price risk.

Interest rate risk

Interest rate risk is outlined above. The Board assesses the exposure to other price risks when making each investment decision and monitors the overall level of market risk on the investment portfolio on an ongoing basis through a discounted cash flow analysis. Details of this analysis can be found in the Strategic Report and the previous pages.

Price risk

The Group is exposed to price risk in respect of property price risk including property rentals risk. Refer to Note 2.3 for more information. The Group has no significant exposure to price risk in respect of financial instruments other than the convertible bond and interest rate derivatives (see also Note 16), as it does not hold any equity securities or commodities.

Fair values

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

	Book value 2024 £m	Fair value 2024 £m	Book value 2023 £m	Fair value 2023 £m
Financial assets				
Trade and other receivables	17.5	17.5	17.0	17.0
Ineffective interest rate swaps	0.2	0.2	11.4	11.4
Cash and short term deposits	3.5	3.5	3.2	3.2
Financial liabilities				
Interest-bearing loans and borrowings	(1,338.2)	(1,201.3)	(1,323.3)	(1,203.8)
Ineffective interest rate swaps	—	—	(6.7)	(6.7)
Trade and other payables	(25.8)	(25.8)	(27.5)	(27.5)
Lease liabilities	(3.0)	(3.0)	(3.0)	(3.0)

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

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

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels are defined as follows:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Fair value measurements at 31 December 2024 were as follows:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Recurring fair value measurements				
Financial assets				
Derivative interest rate swaps	—	0.2	—	0.2
Financial liabilities				
Derivative interest rate swaps	—	—	—	—
Convertible bond	(148.3)	—	—	(148.3)
Fixed rate debt	—	(831.7)	—	(831.7)

Fair value measurements at 31 December 2023 were as follows:

Recurring fair value measurements	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Derivative interest rate swaps	—	11.4	—	11.4
Financial liabilities				
Derivative interest rate swaps	—	(6.7)	—	(6.7)
Convertible bond	(147.7)	—	—	(147.7)
Fixed rate debt	—	(863.7)	—	(863.7)

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

- interest rates;
- yield curves;
- swaption volatility;
- observable credit spreads;
- credit default swap curve; and
- observable market data.

e) Capital risk management

The primary objectives of the Group's capital management are to ensure that it remains a going concern, operates within its quantitative banking covenants and meets the criteria so as to continue to qualify for UK REIT status.

The capital structure of the Group consists of shareholders' equity and net borrowings. The type and maturity of the Group's borrowings are analysed further in Notes 14 and 16 and the Group's equity is analysed into its various components in the Group Statement of Changes in Equity. The Board monitors and reviews the Group's capital so as to promote the long term success of the business, to facilitate expansion and to maintain sustainable returns for shareholders.

Under several of its debt facilities, the Group is subject to a covenant whereby consolidated Group rental income must exceed Group borrowing costs by the ratio 1.3:1 (2023: 1.3:1). No debt facility has a Group loan to value covenant.

Facility-level covenants also operate with regard to specific pools of property assets provided to lenders to secure individual loan facilities. These range as follows:

- interest cover¹: 1.15 to 2.25 (2023: 1.15 to 2.25); and
- loan to value¹: 55% to 75% (2023: 55% to 75%).

UK REIT compliance tests include loan to property value and gearing tests. The Group must satisfy these tests in order to continue trading as a UK REIT. This is also an internal requirement imposed by the Articles of Association.

During the year the Group has complied with all of the requirements set out above.

1 See Glossary of terms.

	2024 £m	2023 £m
Group loan to value ratio		
Fair value of completed investment properties	2,739.4	2,775.3
Fair value of development properties	7.7	1.0
Ground rent recognised as finance leases	3.0	3.0
	2,750.1	2,779.3
Interest-bearing loans and borrowings (with convertible bond at nominal value)	1,326.7	1,309.9
Less cash held	(3.5)	(3.2)
Nominal amount of interest-bearing loans and borrowings	1,323.2	1,306.7
Group loan to value ratio	48.1%	47.0%

18. Share capital

Ordinary Shares issued, authorised and fully paid at 12.5 pence each

	2024		2023	
	Number – million	£m	Number – million	£m
Balance at 1 January	1,336.5	167.1	1,336.5	167.1
Balance at 31 December	1,336.5	167.1	1,336.5	167.1

19. Share premium

	2024 £m	2023 £m
Balance at 1 January	479.4	479.4
Balance at 31 December	479.4	479.4

20. Merger and other reserves

The merger and other reserves are made up of the capital reserve which is held to finance any proposed repurchases of Ordinary Shares, following approval of the High Court in 1998, the foreign exchange translation reserve and the premium on shares issued for the MXF Fund Limited merger and the Nexus merger.

	2024 £m	2023 £m
Capital reserve		
Balance at 1 January and 31 December	1.6	1.6
Foreign exchange translation reserve		
Balance at 1 January	(0.4)	1.0
Exchange differences on translation of foreign balances	(0.1)	(1.4)
Balance at 31 December	(0.5)	(0.4)
Merger reserve		
Balance at 1 January and 31 December	414.1	414.1
Balance of merger and other reserves at 31 December	415.2	415.3

21. Hedging reserve

Information on the Group's hedging policy and interest rate swaps is provided in Note 16.

The transfer to the Group Statement of Comprehensive Income can be analysed as follows:

	2024 £m	2023 £m
Balance at 1 January	(7.0)	(11.1)
Amortisation of cash flow hedging reserve	2.5	4.1
Balance at 31 December	(4.5)	(7.0)

The balance within the cash flow hedge reserve relating to cancelled swaps will be amortised through the Group Statement of Comprehensive Income over the remainder of the original contract period (see Note 6b).

22. Retained earnings

	2024 £m	2023 £m
Balance at 1 January	369.1	430.1
Retained profit for the year	41.4	27.3
Dividends paid	(92.1)	(89.5)
Exchange differences on translation of foreign balances	—	1.1
Share-based awards ("LTIP")	0.4	0.1
Balance at 31 December	318.8	369.1

23. Capital commitments

As at 31 December 2024, the Group has entered into forward funding development agreements with third parties for the development of primary healthcare properties in the UK and Ireland. The Group has acquired the land and advances funds to the developers as the construction progresses. Total consideration of £2.5 million (2023: £5.4 million) remains to be funded with regard to these properties.

Additionally as at 31 December 2024, the Group has capital commitments totalling £33.8 million (2023: £7.1 million), being the cost to acquire the Laya Healthcare facility in Cork with the cost to complete asset management projects on site.

24. Related party transactions

Harry Hyman, Chair, is a Director and the ultimate beneficial owner of a number of Nexus entities and is considered to be a related party. Following the acquisition of certain Nexus entities on the internalisation of management structure on 5 January 2021, the Group continued to share certain operational services with a Nexus entity, Nexus Central Management Services Limited, until April 2024. Harry Hyman is a current Director and ultimate controlling party of Nexus Central Management Services Limited.

Amounts paid during the period in relation to shared services totalled £nil (31 December 2023: £nil).

As at 31 December 2024, outstanding fees payable to Nexus totalled £nil (31 December 2023: £nil).

25. Subsequent events

Post year end, in January 2025, the Group fixed, for two years, £200 million of nominal debt at a rate of 3.0% for an all-in premium of £4.5 million. The hedges are effective until 20 January 2027 with a fixed rate of 3.0% payable across all agreements, receiving variable SONIA. In January 2025, the Group additionally entered into an FX forward hedge (fixed at 1.1459:£1) for a two-year period to cover approximate euro denominated net annual income of 10 million per annum.

On [26] February 2025 we acquired the Laya Healthcare facility, Cork, Ireland's second largest provider of private health insurance and clinical services for €22.0 million/£18.2 million excluding purchaser costs.

26. Audit exemptions taken for subsidiaries

The following subsidiaries are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of Section 479A of the Act.

Name	Companies House registration number
GP Property One Ltd	10801028
PHP SPV Limited	12256431
PHP Primary Properties (Haymarket) Limited	08304612
MXF Properties Bridlington Limited	07763871
PHP Tradeco Holdings Limited	09642987
PHP Health Solutions Limited	06949900
PHP Tradeco Limited	07685933
PHP Property Management Services Limited	02877191
PHP Primary Care Developments Limited	11862233
PHP Croft Limited	13938144
PHP Bond Finance Limited	08684414
PHP St. Johns Limited	08192779
PHIP (Stourbridge) Limited	08155250
PHP (Project Finance) Limited	08188279
PHP Healthcare Investments Limited	07289496
PHP Clinics Limited	08188277
Gracemount Medical Centre Limited (Scotland)	SC262690
PHP AssetCo (2011) Limited	07652728
PHP Medical Properties Limited	04246742
PHP Development Holdings Limited	14158160

Glossary of terms

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

Adjusted earnings per share is adjusted earnings divided by the weighted average number of shares in issue during the year.

Adjusted net tangible assets ("adjusted NTA") (which has replaced the former adjusted EPRA net asset value alternative performance measure) is EPRA net tangible asset value excluding the MtM adjustment of the fixed rate debt, net of amortisation, acquired on the merger with MedicX. The objective of the adjusted NTA measure is to highlight the value of net assets on a long term basis and it excludes assets and liabilities that are not expected to crystallise in normal circumstances and continues to be used as a measure to determine the PIF payment.

Adjusted NTA per share is adjusted NTA divided by the number of shares in issue at the balance sheet date.

Annualised rental income on a like-for-like basis is the contracted rent on a per annum basis assuming a consistent number of properties between each year.

Average cost of debt is the total interest cost of drawn debt and swaps, divided by the amount of drawn debt.

Axis is Axis Technical Services Limited.

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

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

Company and/or Parent is Primary Health Properties PLC ("PHP").

CSRD is Corporate Sustainability Reporting Directive.

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

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

Dividend cover is the number of times the dividend payable (on an annual basis) is covered by adjusted earnings.

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

EBITDA is operating profit excluding amortisation of intangibles, Axis acquisition costs and investment property revaluations.

EPC is an Energy Performance Certificate.

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

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

EPRA earnings is the profit after taxation excluding investment and development property revaluations, gains/losses on disposals, changes in the fair value of financial instruments and associated close-out costs and their related taxation and amortisation of non-monetary items such as intangible assets.

EPRA earnings per share is EPRA earnings divided by the weighted average number of shares in issue during the year.

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

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

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

EPRA net reinstatement value (“EPRA NRV”) is the balance sheet net assets including real estate transfer taxes but excluding the MtM value of derivative financial instruments, deferred tax and the convertible bond fair value movement. The aim of the metric is to reflect the value that would be required to recreate the Company through the investment markets based on its current capital and financing structure. Refer to Note 8.

EPRA NRV per share is the EPRA net reinstatement value divided by the number of shares in issue at the balance sheet date. Refer to Note 8.

EPRA net disposal value (“EPRA NDV”) (replacing EPRA NNNAV) is adjusted EPRA NRV including deferred tax and the MtM value of fixed rate debt and derivatives. The aim of the metric is to reflect the value that would be realised under a disposal scenario. Refer to Note 8.

EPRA net tangible assets (“NTA”) (which has replaced the former EPRA net asset value alternative performance measure) is the balance sheet net assets but excluding the MtM value of derivative financial instruments, deferred tax and the convertible bond fair value movement. The aim of the metric is to reflect the fair value of the assets and liabilities of the Group that it intends to hold and does not intend in the long run to sell. Refer to Note 8.

EPRA NTA per share is the EPRA net tangible assets divided by the number of shares in issue at the balance sheet date. Refer to Note 8.

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

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

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

Gross rental income is the gross accounting rent receivable.

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

Headline earnings is the profit after taxation excluding investment and development property revaluations, gains/losses on disposals and their related taxation.

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

IASs are International Accounting Standards as adopted by the United Kingdom.

IFRSs are International Financial Reporting Standards as adopted by the United Kingdom.

IFRS or **basic net asset value per share (“IFRS NAV”)** is the balance sheet net assets, excluding own shares held, divided by the number of shares in issue at the balance sheet date.

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

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

JSE is Johannesburg Stock Exchange, the largest stock exchange in Africa.

Like for like compares prior year to current year excluding acquisitions, disposals and developments.

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

Loan to value (“LTV”) is the ratio of net debt to the total value of properties.

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

MedicX is MXF Fund Limited and its subsidiaries.

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

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

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

Net asset value (“NAV”) is the value of the Group’s assets minus the value of its liabilities.

Net debt is total drawn debt, less cash and cash equivalents.

Net initial yield (“NIY”) is the annualised rents generated by an asset, after the deduction of an estimate of annual recurring irrecoverable property outgoings, expressed as a percentage of the asset valuation (after notional purchasers’ costs).

Net related income is the related income after the payment of direct property costs, which include service charge payments.

Net rental and related income is the sum of net rental income and net related income.

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

Net zero carbon refers to the point at which a process, activity or system, etc. produces net zero carbon emissions, through emissions reduction, use of low or zero carbon energy and removal or offsetting of residual emissions. In the context of buildings and activities associated with the construction, refurbishment, maintenance and operation of buildings, PHP refers to the UK Green Building Council’s “Net zero carbon, a framework definition”.

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

Occupancy is the level of units occupied, after deducting the ERV vacancy rate.

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

Progressive returns is where returns are expected to continue to rise each year.

Progressive dividends is where dividends are expected to continue to rise each year on a per share basis.

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

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

Related income is the property and service charge income generated from the Axis business.

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

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

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

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

RICS is the Royal Institution of Chartered Surveyors.

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

Special reserve is a distributable reserve.

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

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

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

	£m
Net rental and related income (A)	155.6
Revaluation deficit and profit on sales (B)	(38.4)
Total return (C)	117.2
Opening property assets	2,779.3
Weighted additions in the period	9.1
Total weighted average closing property assets (D)	2,788.4
Income return (A/D)	5.5%
Property return (B/D)	(1.3)%
Total property return (C/D)	4.2%

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

	Adjusted NTA per share
At 31 December 2023	108.0p
At 31 December 2024	105.0p
Increase/(decrease)	(3.0)p
Add: dividends paid	
Q1 interim	1.725p
Q2 interim	1.725p
Q3 interim	1.725p
Q4 interim	1.725p
Total	6.9p
Total adjusted NTA return	3.6%

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

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

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

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

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