RESILIENCE THROUGH UNCERTAINTY

PHP Primary Health Properties

Primary Health Properties PLC
Annual Report 2020

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

Strategic report

1 Highlights
2 At a glance
4 Our portfolio
6 Investment case
8 Chairman's statement
12 Responding to COVID-19
14 Business model
16 Strategy
18 Key performance indicators
19 Business review
25 Financial review
30 EPRA performance measures
32 Risk management and principal risks
38 Viability statement
40 Responsible Business
48 Section 172 Report

Corporate governance

50 Board of Directors
54 Senior Leadership Team
56 Corporate governance report
66 Audit committee report
71 Nomination Committee report
73 Adviser Engagement Committee report
76 Remuneration Committee report
78 Directors' remuneration report
92 Directors' report
96 Directors' responsibility statement

Financial statements

97 Independent auditor's report
106 Group statement of comprehensive income
107 Group balance sheet
108 Group cash flow statement
109 Group statement of changes in equity
110 Notes to the financial statements
136 Company balance sheet
137 Company statement of changes in equity
138 Notes to the Company financial statements

Further information

145 Shareholder information
146 Advisers and bankers
147 Glossary of terms

Net rental income △

£131.2m
+13.4%

2020	£131.2m
2019	£115.7m
2018	£76.4m
2017	£71.3m
2016	£66.6m

Dividend per share

5.9p
+5.4%

2020	5.9p
2019	5.6p
2018	5.4p
2017	5.25p
2016	5.125p

Total property portfolio

£2.6bn
+2.0%

2020	£2.6bn
2019	£2.4bn
2018	£1.5bn
2017	£1.4bn
2016	£1.2bn

Adjusted earnings △

£73.1m
+22.4%

2020	£73.1m
2019	£59.7m
2018	£36.8m
2017	£31.0m
2016	£26.8m

Adjusted earnings per share △

5.8p
+5.5%

2020	5.8p
2019	5.5p
2018	5.2p
2017	5.2p
2016	4.8p

Adjusted NTA per share △

112.9p
+4.6%

2020	112.9p
2019	107.9p
2018	105.1p
2017	100.7p
2016	91.1p

Adjusted profit excluding MedicX merger adjustments* △

£109.3m
+44.0%

2020	£109.3m
2019	£75.9m
2018	£74.3m
2017	£91.9m
2016	£43.7m

Adjusted profit excluding MedicX merger adjustments per share △

8.8p
+26.6%

2020	8.8p
2019	7.0p
2018	10.5p
2017	15.3p
2016	7.8p

IFRS net assets per share

107.5p
+6.4%

2020	107.5p
2019	101.0p
2018	102.5p
2017	94.7p
2016	83.5p

Average cost of debt

3.5%
Unchanged

2020	3.5%
2019	3.5%
2018	3.9%
2017	4.1%
2016	4.7%

Total NAV return △

10.1%
+210bp

2020	10.1%
2019	8.0%
2018	9.7%
2017	16.4%
2016	9.7%

Total property return △

7.4%
-30bp

2020	7.4%
2019	7.7%
2018	8.0%
2017	10.8%
2016	7.9%

* The Adjusted profit excluding MedicX merger adjustments and IFRS earnings per share as set out in the summarised results table on pages 25 and 26.

△ Alternative performance measures (APMs): Measures with this symbol △ are APMs defined in the Glossary section on pages 147 to 149, and presented throughout this Annual Report. All measures reported on a continuing operations and 52-week comparable basis.

A GROWING PORTFOLIO

The majority of our healthcare facilities are GP surgeries, with other properties let to NHS organisations, HSE in Ireland, pharmacies and dentists. PHP endeavours to provide high quality buildings for its tenants and high quality assets for its shareholders.

ANALYSIS OF LEASES UNEXPIRED – WAULT 12.1 YEARS

<3 years	4%
3-5 years	7%
5-10 years	32%
10-15 years	30%
15-20 years	14%
20+ years	13%

BUSINESS ACTIVITY IN 2020

Investment activity

£93.0m

Across 27 properties.

Rent review and asset management activity

£2.0m or 1.6% growth

Additional annualised rental income from rent reviews and asset management projects completed in the year.

Asset management projects

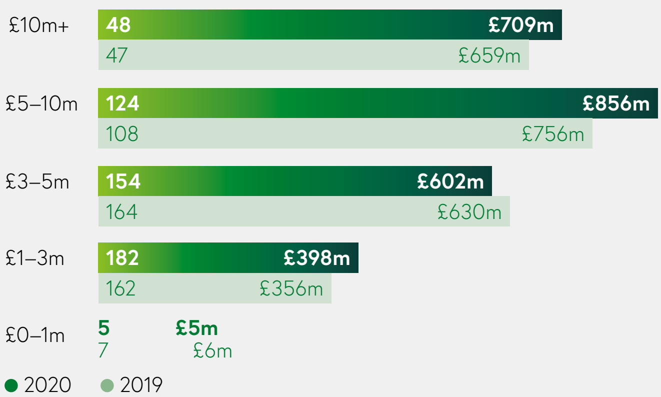
£8.1m

Invested in 24 projects either completed or on site.

"We have continued to support the NHS in the UK, HSE in Ireland and our GP occupiers throughout the COVID-19 pandemic which has highlighted the demands on health systems around the world. Many of our primary care facilities and occupiers are now in the front-line of delivering COVID-19 vaccines. We continue to see strong demand for extra space to help enable the redirection of activities out of hospitals. The need for modern, integrated, local primary healthcare facilities is becoming ever more pressing in order to relieve the pressures being placed on hospitals and A&E departments."

Harry Hyman
Chief Executive Officer

PORTFOLIO DISTRIBUTION BY CAPITAL VALUE ANALYSIS*



* Excluding land valued at £1.5 million (2019: £1.6 million).

Contracted rent roll of

£135.2m

Rent roll funded by government

90%

Occupancy

99.6%

Tenancies

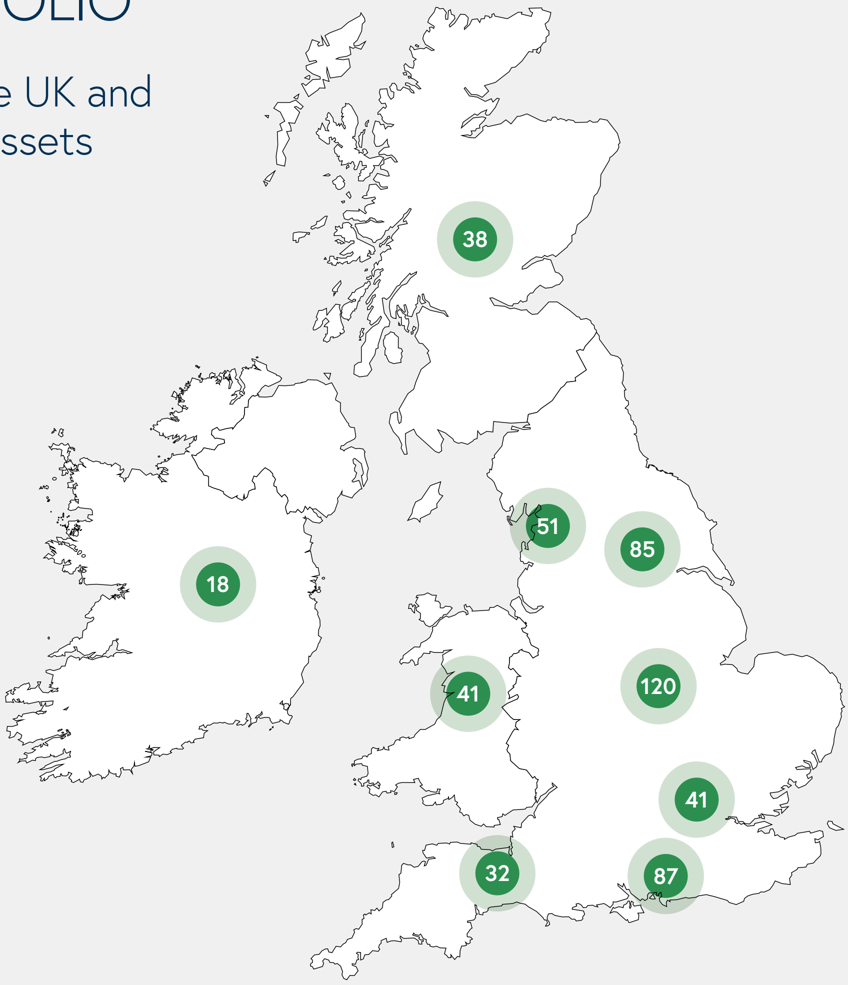
1,215

COVENANT ANALYSIS

GPs	65%
NHS/HSE/Govt bodies	25%
Pharmacy	8%
Other	2%

A GROWING PORTFOLIO

The property portfolio in the UK and Ireland now stands at 513 assets valued at £2.6 billion.



DEVELOPING OUR PORTFOLIO

Completed developments

The Group completed four forward funded developments in the year, all located in Ireland, with a net development cost of £46.3 million.

Net development cost

£46.3m

Developments on site

The Group currently has six forward funded developments on site with a net development cost of £47.4 million.

Net development cost

£47.4m

GEOGRAPHICAL SPREAD BY VALUATION

Locations

	Value	% value
Midlands and East Anglia	£571m	22%
North East, Yorkshire and Humberside	£396m	15%
South East	£345m	13%
North West	£333m	13%
Scotland	£206m	8%
Wales	£202m	8%
Ireland	£198m	8%
London	£198m	8%
South West	£123m	5%
	£2,572m	**100%**

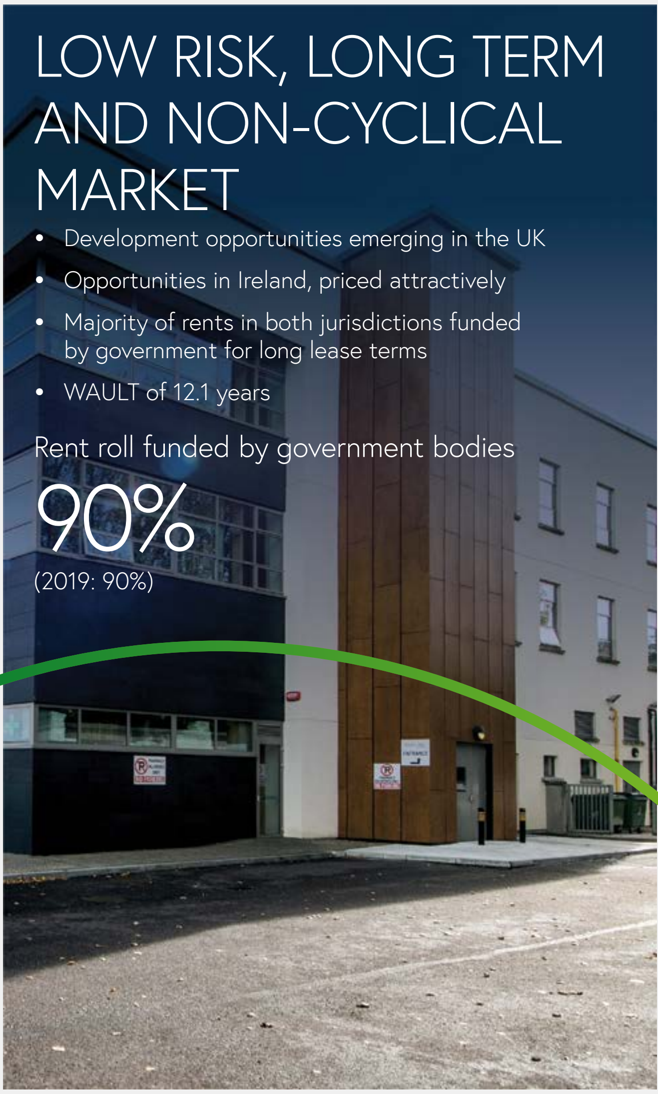
New acquisitions

The Group acquired 23 standing investments in the year for £58.8 million.

£58.8m

FIVE REASONS TO INVEST IN PHP

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



LOW RISK, LONG TERM AND NON-CYCLICAL MARKET

- Development opportunities emerging in the UK
- Opportunities in Ireland, priced attractively
- Majority of rents in both jurisdictions funded by government for long lease terms
- WAULT of 12.1 years

Rent roll funded by government bodies

90%

(2019: 90%)

STRONG, HIGH QUALITY AND GROWING CASH FLOW

- Positive yield gap between acquisition yield and funding costs
- Effectively upward-only or indexed rent reviews
- Simple cost structure enhances earnings
- Continued improvements to the rental growth outlooks

Rental growth

+£2.0m or 1.6%

(2019: +£1.9m or 1.5%)

EFFICIENT MANAGEMENT AND REDUCTION IN COSTS

- EPRA cost ratio amongst the lowest in the sector
- Underlying investment characteristics make PHP attractive to investors
- Internalisation of Group's management structure in 2021, saving approximately £4.0 million p.a.
- Low, average marginal cost of debt of 1.7% following refinancing of revolving credit facilities

EPRA cost ratio

11.9%

(2019: 12.0%)

STABLE, INCREASING RETURNS

- Growing shareholder return through dividend and capital appreciation
- Dividend fully covered by earnings
- Strong yield characteristics and low volatility
- 24 consecutive years of dividend growth

Dividend per share

5.9p

(2019: 5.6p)

SECTOR DEMAND FACTORS DICTATE CONTINUED DEVELOPMENT OF HEALTHCARE PREMISES

- Healthcare demand increasing due to populations growing, ageing and suffering from more instances of chronic illness
- Unwavering political support in the UK and Ireland and promotion of integrated primary care

PHP's portfolio serves

5.8m patients

or 8.7% of UK population

LEADING THE WAY IN A MODERN PRIMARY HEALTHCARE ACCOMMODATION

"I'm delighted to present my third annual report, as Chairman of PHP, for what has been an unprecedented year in the UK and around the world as a result of the COVID-19 pandemic."

Steven Owen
Independent Non-executive Chairman

I am delighted to present my third annual report, as Chairman of PHP, for what has been an unprecedented year in the UK and around the world as a result of the COVID-19 pandemic. Despite the uncertainty and volatility in the economic environment we have continued to deliver a strong and robust operational and financial performance over the course of 2020.

The Group's portfolio continues to demonstrate good resilience despite the uncertainty caused by COVID-19. During the pandemic, PHP has been actively working with the NHS in the UK, HSE in Ireland, and its GP partners in both markets to help them better utilise the Group's properties for deployment in the current global health crisis with many of our primary care facilities and occupiers now in the front-line of delivering COVID-19 vaccines. We continue to maintain close relationships with our key stakeholders and GP partners to ensure we are best placed to help the NHS and HSE, and in particular primary care, evolve and deal with the pressures placed on them by the COVID-19 pandemic.

The PHP team of over 50 staff have worked successfully from home throughout the pandemic and the Group's Disaster Recovery plan has and continues to operate as expected with systems and communications maintained and none of our staff having been furloughed. The Group has not utilised any of the Government's loan or incentive scheme introduced during the pandemic and has continued to pay all taxes due on the normal due date. I would like to express on behalf of the Board our gratitude and thanks for the team's commitment, dedication and professionalism over this past year.

In July 2020, we successfully completed an over-subscribed equity placing raising £140 million (£136.9 million net of expenses) to capitalise on the Group's strong pipeline of standing investments, forward funded developments and asset management projects. The placing increased the Group's market capitalisation to around £2 billion and the property portfolio now stands at just under £2.6 billion across 513 assets, including 18 in Ireland. The July placing followed the deployment of the £100 million raised from the September 2019 equity raise by the first half of 2020 demonstrating the Group's ability to successfully invest in opportunities that are generating value for all of our stakeholders.

The net proceeds from the July placing further improved the Group's already robust capital position providing significant levels of liquidity and loan covenant headroom with £361.5 million of undrawn loan facilities and cash, helping to maintain an appropriate loan to value ("LTV") ratio at 41.0% as at 31 December 2020. As previously announced with the July placing, the Company lowered the upper range of the LTV ratio from 55% to 50%.

The Group continues to have a strong, active pipeline of potential acquisitions both in the UK and Ireland totalling approximately £129 million including £59 million under offer, together with the additional pipeline from Nexus Developments totalling £80 million noted below.

Rental collections continue to be robust and as at 17 February 2021 99% and 94% had been collected in both the UK and Ireland respectively for the first quarter of 2021 and in-line with collection rates experienced for 2020 which now stand at over 99% for both countries.

Internalisation of Nexus

On 5 January 2021, the Group successfully completed the internalisation of its management structure with shareholders representing 99.95% of the votes cast voting in favour of the internalisation which is anticipated to result in immediate annual cost savings of approximately £4.0 million, equivalent to 0.3 pence per share. The assumption of Nexus's existing management and overhead costs are anticipated to result in lower ongoing administrative costs to the Company and the EPRA cost ratio, which is already among the lowest in the sector, is therefore expected to fall further. The total cost of the acquisition was £35.7 million comprising the fair value of the total consideration at completion of £34.1 million and related fees and expenses of £1.6 million.

As outlined in the Circular posted to shareholders in December 2020, the Board believes that there are a number of compelling financial and strategic benefits of the internalisation such as the delinking of the Company's administrative costs from its gross asset value which will provide further cost benefits and longer-term earnings enhancement as the portfolio grows in the future. The internalised structure is also more appropriate to a UK-REIT of the scale of PHP, broadening the universe of potential investors in the Company, in particular among those investors unwilling or unable to invest in externally managed vehicles.

The acquisition also helps to secure the continuity of a well-regarded and experienced management team, led by Harry Hyman as Chief Executive, who have a deep understanding of both the sector and the portfolio together with a fully operational management platform with the transfer of the systems, structure and proprietary market knowledge that Nexus had developed since 1996.

The acquisition also enabled PHP to acquire the development expertise of Nexus Developments with a pipeline of £80 million of direct development opportunities, at varying stages of progression which will allow PHP to bring forward future primary care developments utilising its own balance sheet. The Board believes that momentum is growing in the NHS, with increasing pressure on government, for the approval of new medical centre developments and now PHP has its own development capabilities will make it a more attractive partner for such new development opportunities. This is the first time that the Company will be developing through utilising its own balance sheet and undertaking non-speculative developments on its balance sheet should provide a greater yield on cost and potential valuation uplift. The internalisation is expected to further benefit the long-term future of the business and help to underpin the next stage of the Company's growth.

ATHY PRIMARY CARE CENTRE

Net development cost

£11.5m (€12.9m)

Size of development

3,585 sqm

Overview of results

In 2020, PHP's recurring Adjusted earnings increased by £13.4 million or 22.4% to £73.1 million (2019: £59.7 million) driven by a full year's contribution from the merger with MedicX completed in March 2019, acquisitions, continued rental growth from our asset management activities and reductions in the average cost of finance in both 2019 and 2020. Using the weighted average number of shares in issue in the year Adjusted earnings per share increased to 5.8 pence (2019: 5.5 pence), an increase of 5.5%.

A revaluation surplus of £51.4 million (2019: £49.8 million) was generated in the year from the portfolio equivalent to 3.9 pence per share. The valuation surplus was driven by net initial yield ("NIY") compression in both the UK and Ireland for government backed income, rental growth from rent reviews and asset management projects, partly offset by a deterioration in the rental outlook for pharmacies in the UK.

A loss on the fair value of interest rate derivatives and convertible bonds together with the amortisation of the fair value adjustment on the MedicX fixed rate debt at acquisition of £12.1 million (2019: loss of £31.1 million) resulted in a profit before tax as reported under IFRS of £112.4 million (2019: loss of £70.2 million).

The Group has continued to selectively grow its portfolio in the year, adding 23 assets and four forward funded developments.

Rent reviews and asset management projects completed in the year added £2.0 million or 1.6% (2019: £1.9 million or 1.5%) to the contracted rent. However, we have seen a marginal reduction in the annualised rate of growth on rent reviews in 2020 at 1.8% (2019: 1.9%) and the outlook is becoming more muted for pharmacy rents as the consequences of the COVID-19 crisis become more apparent.

The portfolio's average lot size continues to grow and is now £5.0 million, and we are maintaining our very strong metrics, with a long weighted average unexpired lease term ("WAULT") of 12.1 years, high occupancy at 99.6% and only 3.9% of our rent due to expire in the next three years and 57.1% expiring in over ten years.

Dividends and total shareholder return

The Company distributed a total of 5.9 pence per share in 2020, an increase of 5.4% over 2019 of 5.6 pence per share. The total value of dividends distributed in the year increased by 23.4% to £73.3 million (2019: £59.4 million), which were covered by Adjusted earnings, notwithstanding the additional shares issued in 2020 from the £140.0 million equity raise in July 2020. Dividends totalling £4.2 million were satisfied through the issuance of shares via the scrip dividend scheme.

A dividend of 1.55 pence per share was declared on 6 January 2021, equivalent to 6.2 pence on an annualised basis, which represents an increase of 5.1% over the dividend distributed per share in 2020. The dividend will be paid to shareholders on 26 February 2021 who were on the register at the close of business on 14 January 2021. The dividend will comprise entirely of a Property Income Distribution ("PID") of 1.55 pence. Further dividend payments are planned to be made on a quarterly basis in May, August and November 2021.

The Company intends to maintain its strategy of paying a progressive dividend, which the Company intends to pay in equal quarterly instalments, that is covered by underlying earnings in each financial year.

The Company's share price started the year at 160.0 pence per share and closed on 31 December 2020 at 152.8 pence, a decrease of 4.5%. Including dividends, those shareholders who held the Company's shares throughout the year achieved a Total Shareholder Return of -0.8% (2019: 49.2%). This compares to the total return delivered by UK real estate equities (FTSE EPRA Nareit UK Index) of -20.4% and the wider UK equity sector (FTSE All-Share Index) of -9.8% in the year.

Environmental, Social and Governance ("ESG") Committee

In October 2020, the NHS adopted a multi-year plan to become the world's first carbon net zero national health system by 2045 and with an ambition for an interim 80% reduction by 2036-2039. PHP is committed to helping the NHS achieve this target and is pro-actively engaging and working with our various healthcare occupiers to help them achieve this. Consequently, the ESG Committee, originally established by Nexus in 2019, became a full Committee of the Board in 2020 following the appointment of two Non-Executive Directors, Laure Duhot as Chair and Peter Cole, to the Committee. The Committee also comprises the Executive Directors and Senior Executives responsible for the implementation of ESG policies, targets and monitoring actual performance.

The ESG Committee is responsible for considering and implementing our commitment and approach to responsible business addressing the key areas of the environment, social and governance matters which are embedded into our investment, asset management, development and corporate activities. We are committed to acting responsibly, having a positive impact on our communities, improving our responsible business disclosures, mitigating sustainability risks and capturing environmental and stakeholder opportunities. During 2020 we have set a number of challenging targets and joined Real Estate Balance to further develop gender diversity within PHP. Further details can be found in the Annual Report and Responsible Business section of our website.

Board changes

In November 2019 it was announced that, following the successful merger and integration of the MedicX portfolio and team, Helen Mahy would retire from the Board at the Company's Annual General Meeting ("AGM") on 1 April 2020.

In January 2020 it was announced that, following a review of the skills, experience and knowledge of the Board and the consideration of its size and composition as part of the Nomination Committee's annual evaluation process, a Board of six, consisting of four independent non-executive Directors and two executive directors, is the appropriate size for the Group going forward, given the relative simplicity of the business model. Accordingly, a replacement for Helen Mahy was not made and Dr Stephen Kell also retired from the Board at the AGM.

Following the completion of the AGM Ian Krieger became the Senior Independent Director and Peter Cole became Chairman of the Remuneration Committee.

The Board is grateful to Helen and Stephen for their commitment and dedication to the Company during their service, and for their contribution to and support for the merger with MedicX in 2019.

Market update and outlook

Healthcare provision in the UK has been transformed in 2020, as the NHS has responded to the requirements of dealing with the COVID-19 pandemic. Despite a large number of consultations now being carried out remotely we have also seen a large increase in workload for GPs and wider primary care teams at our buildings with many of our assets and occupiers now engaged in the delivery of COVID-19 vaccines as well as dealing with the resultant backlog of non-COVID-19 treatments that need to be addressed, with more services expected to move away from hospitals and into primary care facilities in the future. This trend will undoubtedly require substantial investment into other areas, most notably primary care that will be able to take on the non-urgent and peripheral procedures. We will continue to actively engage with government bodies, the NHS, HSE in Ireland and other key stakeholders to establish and enact where we can support and help to alleviate increased pressures and burdens currently being placed on healthcare networks.

The NHS has, over time, been moving on from some of the structures put in place by the Health and Social Care Act 2012. These reforms, often referred to as the Lansley reforms, sought to put in place market structures within the NHS to seek to drive efficiencies through competition. In a recent draft White Paper, the Government is now seeking to put in place Integrated Care Systems ("ICS") with a target date of April 2022. The new proposals focus more on collaboration, than competition, in achieving population health goals. The 44 ICS that are proposed in England and Wales will each be responsible for a single commissioning budget for funds that were previously spread across various separate pools, such as primary care, secondary care, acute hospitals, mental health, ambulance services, social care and public health. It is hoped that by bringing these budgets under a single organisational structure that better health outcomes can be achieved for local populations by offering the most effective and efficient overall services for their needs. PHP believes that primary care is extremely well placed to deliver more services in the community, especially those based around health and wellbeing.

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

Despite the continued volatility in the economic and political environment and the prolonged era of low interest rates, there continues to be an unrelenting search for secure and reliable income. Primary healthcare, with its strong fundamental characteristics and government-backed income, has been a significant beneficiary of this trend. The UK market for primary healthcare property investment continues to be highly competitive with strong yields and prices being paid by investors for assets in the sector throughout 2020 and in particular in the second half of the year.

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

As the UK and Ireland prepare for the 'new normal' and how this impacts the NHS and HSE respectively and those reliant on them, we are ideally placed to support their needs, with the financial strength, sector expertise and knowledge to enable them to succeed, whilst simultaneously delivering long term value to shareholders and wider stakeholders. Despite the unprecedented level of uncertainty in the UK and around the world, the Board continues to look forward with confidence to the future, particularly following the internalisation of the Group's management and the acquisition of a direct development capability in January 2021. The Board believes that these transformational transactions will help drive further earnings and asset growth for the benefit of all of the Group's stakeholders.

Steven Owen
Chairman
17 February 2021

OUR RESPONSE TO COVID-19 AND THE CHANGING LANDSCAPE

Our robust business model allowed us to successfully withstand the impact of COVID-19 with minimal impact to our business.

OUR PRIORITIES

The majority of our financial year has been dominated by the COVID-19 pandemic. We have focused on the operational and financial aspects of our business, to ensure we continue to do the right thing. We moved quickly during the onset of the initial lockdown, increasing senior management meetings, risk committee meetings and running sensitised budgets on the impact of the pandemic and how we can best navigate issues.

The epidemic accelerated the adoption of digital consultations, diagnostics and other primary care procedures whilst emphasising the need for further investment, once the pandemic is controlled.

The business successfully withstood these testing times with no employee working on PHP being furloughed, no government support sought and we continued to pay a dividend. Shareholder engagement during these times remained at the forefront and we increased the number of investor meetings to over 200 in the year, representing over 57% of the share-register, and adapted presentations accordingly to provide greater insight and understanding where needed.

Safeguard health and wellbeing of our people and suppliers

- In 2020, we successfully transitioned to working remotely as COVID-19 restrictions were enforced resulting in a range of new internal communication channels and regular team meetings at least once a week and across functions. IT systems and the Group's Disaster Recovery plan have worked seamlessly throughout the year with a focus on supporting employees needs, health and wellbeing throughout the pandemic.
- We supported our suppliers and contractors, ensuring prompt payment of invoices to aid supplier cash flows.
- Provided support to contractors working on-site to manage risks and mobilisation, offering remote meetings/inspections where required.

Support our customers and society in challenging times

- We offered our portfolio to support the NHS response, with several land sites and vacant space converted to temporary reconfigurations and response centres.
- Payment plans agreed with minority of debtors.
- Demand from practices for modern, purpose built, premises remains strong and we are seeing evolving needs. For example, the pandemic has highlighted the need to zone premises, have one-way systems, and the need for higher standards of infection control. These requirements re-enforce the need for modern flexible purpose-built premises and can be used as a new driver for our Asset Management projects, at the same time supporting this important transition seen with primary care.

99%
rents paid in 2020

23
acquisitions completed in the year

OPERATING AND FINANCIAL OVERVIEW

Operational

We successfully transitioned all Nexus staff working on PHP to work from home at the onset of the initial lockdown in March 2020. We have continued to follow government guidance with the majority of staff working from home, but with offices open for those where required, and safe to do so.

- The Group transitioned fully to electronic format, improving the control environment within the business.
- Virtual communication applications used to promote safe communication, offering regular updates and guidance.
- The Group has not and does not intend to take advantage of any UK or Irish government incentives, loans or tax deferrals made available to it as a result of the pandemic.

Financial impact

We have a strong business in a resilient sector, which is forecast to benefit from further investment by the government as primary care centres remain the gatekeepers to the wider NHS infrastructure.

- 99% of rents collected for 2020.
- The Group has allowed £4.8 million of annualised rents, predominantly pharmacies, to be paid by monthly instalments, given short-term rent deferrals of £1.2 million and concessions of £0.4 million.
- Our development partners responded quickly to new COVID-19 secure working environments, enabling projects to continue as normal with delays kept to a minimum of between one and two months.
- Successful £140 million equity raise in July 2020 further strengthening the balance sheet.

RISKS

Potential risks round the corner

Our resilient business model is not completely unaffected, with our investment pipeline most notably effected. During the second half of the year we deployed £19.7 million into three assets, vs £73.3 million across 24 assets in the first half of the year.

- We saw extremely strong bidding for healthcare real estate investments, in part from pent up demand though mainly as a perceived safe haven in comparison to the increasing distress in retail, and uncertainty in the office sector.
- Slightly delayed rent review approval process noted towards the end of the second half of the year, however we still managed to complete £0.9 million in each of the first and second halves of the year.
- Slightly delayed approval process with NHS Trusts on asset management projects as we approached the end of the financial year, driven by many of our primary care facilities delivering COVID-19 vaccines.

Our response

- Continue to support tenants and NHS throughout.
- Our people, tenants and suppliers health and wellbeing.
- Increased financial headroom whilst increasing operational efficiencies.

More information about COVID-19 can be found on the following pages

Chairman's Statement	8
Business and Financial Review	19-29
Risk management and principal risks	32

CREATING LONG TERM SUSTAINABLE VALUE

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

OUR KEY STRENGTHS

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

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

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

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

KEY CHARACTERISTICS OF THE PORTFOLIO

UNDERPINNED BY OUR STRATEGY

1

GROW

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

2

MANAGE

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

3

FUND

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

4

DELIVER

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

→ Read more about our strategy on pages 16 and 17

WIDER OUTCOMES

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

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

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

→ Read more about our strategy on managing environmental, social and governance issues on pages 40 to 47

OUR MARKET

Demographics
As part of the ageing demographics, our asset management and investment teams actively engage tenants to further enhance assets in response to the NHS Long Term Plan.

Ageing stock
The majority of existing primary care assets in the UK and Ireland are not fit for modern healthcare, requiring substantial investment.

Evolution of health system
Primary care will continue to take on non urgent and periphery procedures in order to alleviate pressures to the NHS.

Ireland
The Irish Department of Health identified over 300 locations that require dedicated primary care centres, compared with less than 100 existing centres.

DELIVERING OUR STRATEGIC PRIORITIES

The internalisation of the Group's management structure, further rental growth and reductions in the cost of finance will help maintain our strategy of paying a progressive dividend to our shareholders which is fully covered by earnings.

1

DELIVER PROGRESSIVE RETURNS

Generate progressive shareholder returns through a combination of earnings and valuation growth

Activity in 2020

- Adjusted earnings per share 5.8 pence increased by 5.5% (2019: 5.5 pence).
- Dividend per share increased by 5.4% to 5.9 pence.
- Total NAV return of 10.9 pence.
- Average cost of debt 3.5%.
- £4.3 million p.a. cost saving from cancelling and re-couponing fixed rate swaps.

Looking forward

- Strong investment pipeline both in the UK and Ireland.
- Strategy of paying a progressive dividend that is covered by earnings in each financial year.
- Internalisation of management structure, in 2021, with cost savings estimated at £4.0 million per annum, equivalent to 0.3 pence per share.

2

GROW PROPERTY PORTFOLIO

Fund the development of and acquire modern, purpose-built healthcare premises that provide secure long term income streams with the potential for rental growth and capital enhancement

Activity in 2020

- Selectively acquired 23 standing assets in the year investing £58.8 million, and a further 4 developments with a net development cost of £34.2 million.
- Portfolio grown to 513 properties including 18 assets in Ireland.
- Total property return in the year of 7.4%.

Looking forward

- Sector fundamentals of long leases and government-backed income continue to drive demand in the sector.
- Strong pipeline of opportunities across the UK and Ireland, totalling £138 million, including £59 million under offer.
- Nexus developments acquired in 2021 with a further development pipeline of £80 million.

3

MANAGE EFFECTIVELY AND EFFICIENTLY

Work to improve the rental potential and longevity of underlying income streams and secure capital growth from assets within the portfolio, whilst controlling operating costs

Activity in 2020

- 24 asset management projects completed or on site in the year, investing £8.1 million and generating £0.3 million of additional income.
- EPRA cost ratio reduced to 11.9% reflecting the full year benefit of the merger with MedicX.
- £2.0 million, or 1.6% additional income from rent reviews and asset management projects.

Looking forward

- Strong pipeline of over 80 potential projects being progressed.
- Continued discussions with occupiers to discuss requirements and identify new opportunities.
- EPRA Cost ratio should fall in the future following Internalisation of management structure.

4

FUND DIVERSIFIED LONG TERM FUNDING

Fund activities through an appropriate mix of shareholder equity and debt, from a diverse range of sources with varied maturities

Activity in 2020

- The Company completed an equity placing in July 2020 raising £136.9 million net of expenses.
- £150 million loan facilities renewed with Barclays and Lloyds.

Looking forward

- New loan facilities and equity raise provide significant firepower to secure new investment opportunities.
- 100% of the Group's drawn debt is fixed or hedged protecting underlying earnings from potential interest rate rises that may result from recent and future economic and potential change.

KEY PERFORMANCE INDICATORS

Link to strategy 1 4

Adjusted earnings per share △

5.8p

+5.5%

2020	5.8p
2019	5.5p
2018	5.2p

Rationale

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

Performance

Adjusted earnings per share increased in the year reflecting the full year contribution from the merger with MedicX, rental growth and lower cost of finance.

Dividend cover △

100%

-1.0%

2020	100%
2019	101%
2018	101%

Rationale

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

Performance

Dividends paid in 2020 were covered by Adjusted earnings and we intend to maintain a strategy of paying a progressive dividend that is covered by earnings in each financial year.

Link to strategy 2 3

Total property portfolio

£2.6bn

+2.0%

2020	£2.6bn
2019	£2.4bn
2018	£1.5bn

Rationale

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

Performance

The assets acquired in 2020 add £4.9 million to annual contracted rent roll and are accretive to earnings.

Total property return △

7.4%

-30bp

2020	7.4%
2019	7.7%
2018	8.0%

Rationale

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

Performance

Strong earnings and capital growth in the year delivered a total property return of 7.4% split 5.2% income growth and 2.2% capital growth.

Link to strategy 1 3

Capital invested in asset management projects

£8.1m

+161.3%

2020	£8.1m
2019	£3.1m
2018	£4.4m

Rationale

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

Performance

The Group has completed or on site 24 asset management projects that maintain the longevity of the use of its properties and generate enhanced income and capital growth. A strong pipeline will continue to achieve this objective.

EPRA cost ratio △

11.9%

-10bp

2020	11.9%
2019	12.0%
2018	14.3%

Rationale

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

Performance

The EPRA cost ratio reflects the full year benefit of the £4.0 million p.a. of cost-saving synergies arising from the MedicX merger.

Link to strategy 2 4

Loan to value △

41.0%

-3.2%

2020	41.0%
2019	44.2%
2018	44.8%

Rationale

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

Performance

The equity raise and strong capital growth in the year have resulted in the Group's LTV falling to 41.0%.

Average cost of debt

3.5%

Unchanged

2020	3.5%
2019	3.5%
2018	3.9%

Rationale

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

Performance

The average cost of debt has remained at 3.5%.

△ Alternative performance measures (APMs): Measures with this symbol △ are APMs defined in the Glossary section on pages 147 and 149, and presented throughout this Annual Report. All measures reported on a continuing operations and 52-week comparable basis.

Investment and development activity

The majority of the investment activity in the year came from the acquisition of 23 assets acquired in the UK for £58.8 million as well as four forward funded developments acquired with a net development cost of £34.2 million. The four forward funding developments acquired consist of two in each of Ireland (£27.4 million) and the UK (£6.8 million).

Investment pipeline

PHP continues to have a strong active pipeline of potential acquisitions both in the UK and Ireland totalling approximately £129 million including £59 million currently under offer.

Developments

During the year the developments at Athy, County Kildare, Bray, County Wicklow, Rialto, Dublin and Banagher, County Offaly all in Ireland were completed on time with a net development cost of £46.3 million (€51.8 million).

The Group has six forward funded developments currently on site with a net development cost of £47.4 million:

Asset	Anticipated PC date	Area (Sq.m)	Net development cost	Costs to complete
Ireland				
Arklow, County Wicklow	Q1 2022	5,333	£16.1m (€18.0m)	£11.8m (€13.2m)
Enniscorthy, County Wexford	Q1 2022	4,633	£11.2m (€12.6m)	£11.1m (€12.4m)
UK				
Mountain Ash, Wales	Q1 2021	1,253	£4.9m	£1.6m
Llanbradach, Wales	Q2 2021	831	£2.8m	£1.3m
Eastbourne, East Sussex	Q2 2021	1,976	£8.4m	£4.0m
Epsom, Surrey	Q2 2021	667	£4.0m	£2.3m
Total		**14,693**	**£47.4m**	**£32.1m**

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

Following the acquisition of Nexus Developments in 2021 a further potential development pipeline of £80 million was acquired including two projects (£10 million) that are at an advanced stage and currently seeking planning permission although none will be progressed to construction until de-risked and pre-let.

Asset management

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

ST JOHNS MEDICAL CENTRE, WALSALL WOOD, WEST MIDLANDS

Building extension

180 sqm

and internal refurbishment

Due to be completed

August 2021

Nine GP doctors serving

11,000 patients

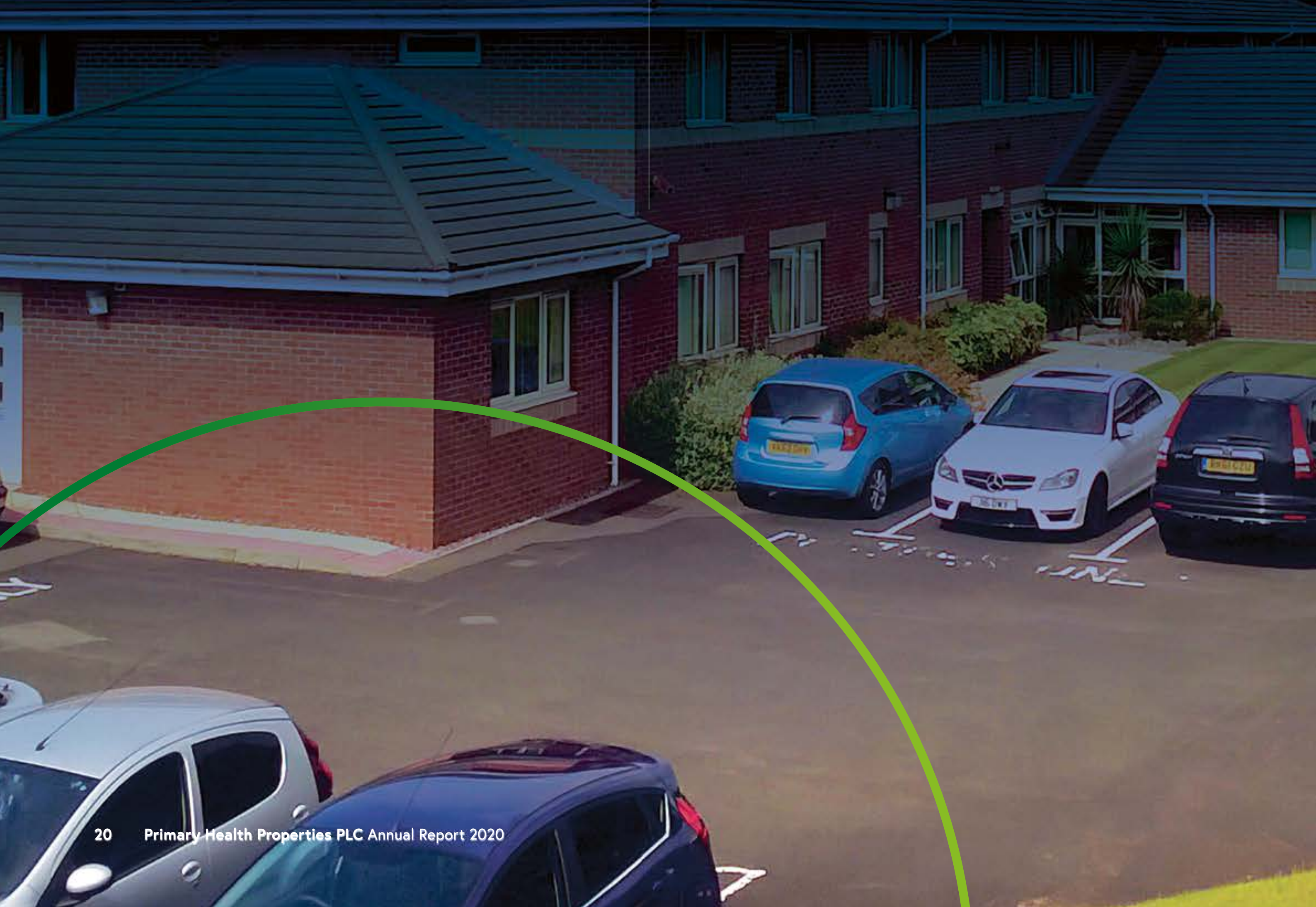
GP surgery, with co-located pharmacy

St Johns Medical Centre in Walsall Wood is located on the High Street and easily accessed by both public and private transport. Substantial population growth in the locality has driven the need for expansion of this facility, coupled with the GPs desire to expand the services they can deliver in a primary care environment. PHP designed a two-storey extension at the front of the building, with a thorough remodelling of the existing surgery, creating an additional six clinical rooms and further administration space. The additional space will be used for nurse and GP activity, in addition to ancillary services such as audiology, where one of the new rooms will become a specialised sound booth. The investment includes upgrading the Treatment Suite to enable the GPs to safely provide enhanced services from the building.

Specific measures to improve the environmental performance of the building have been taken into account, including the installation of photovoltaic (PV) panels and electric vehicle (EV) charging points.

Highlights:

- The GPs committed to a new 20+ year lease
- Upgrade of Treatment Suite enabling delivery of enhanced services
- New PV panels and EV charging points installed
- New energy efficient LED lighting installed throughout
- BREEAM Very Good Pre-Assessment
- EPC rating of B targeted on completion



Rent reviews

During 2020, the Group concluded and documented 309 rent reviews in the UK with a combined rental value of £40.0 million resulting in an uplift of £1.7 million (2019: £1.6 million) per annum or 4.3%, equating to 1.8% (2019: 1.9%) per annum which represents a marginal reduction in the annualised rate of growth as the outlook is becoming more muted for pharmacy rents as the consequences of the COVID-19 crisis become more apparent.

In the year, an aggregate 1.3% per annum uplift (2019: 1.1%) was achieved on 159 open market reviews (including 48 reviews where no uplift was achieved). Uplifts of 2.3% per annum (2019: 3.0%) were achieved on RPI-based reviews and 2.9% per annum (2019: 3.1%) on fixed uplift reviews. In addition, a further 199 open market reviews were agreed in principle, which will add another £1.1 million to the contracted rent roll when concluded and represents an uplift of 1.2% per annum.

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

At 31 December 2020, the rent at 669 tenancies, representing £90.4 million of passing rent, was under negotiation and the large number of outstanding reviews reflects the requirement for all awards to be agreed with the District Valuer. A great deal of evidence to support open market reviews comes from the completion of historic rent reviews, delivery of new properties into the sector and we continue to see positive momentum in the demand, commencement and delivery for new, purpose-built premises which are being supported by NHS initiatives to modernise the primary care estate. We expect the COVID-19 pandemic will increase the future provision of health services and continued re-focusing of services away from over-burdened hospital settings. As technology continues to drive digital consulting and triage in the future, the crisis has highlighted the important role primary healthcare must play and we continue to see more new properties being approved.

In Ireland, we concluded eleven indexed and fixed uplifts resulting in £0.1 million (€0.12 million) of additional rental income equivalent to 1.1% per annum.

Asset Management Projects

We have continued to make good progress in the year to enhance and extend existing assets within the portfolio with 24 projects either completed or currently on-site. The projects require the investment of £8.1 million and will generate £0.3 million of additional rental income but, just as importantly, will extend the WAULT on those premises back to an average 20 years.

PHP continues to work closely with its tenants and has a strong pipeline of over 80 projects either Board approved or in advanced negotiations. The pipeline of projects will require the investment of approximately £34 million, generating an additional £1.1 million of rental income and extend the WAULT on those premises back to an average 21 years.

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

Sector leading portfolio metrics

The portfolio's annualised contracted rent roll at 31 December 2020 was £135.2 million, an increase of £7.5 million or 5.9% in the year (31 December 2019: £127.7 million) driven predominantly by the acquisition of 23 assets in the UK that contributed £3.1 million. New forward funded developments at Arklow and Enniscorthy in Ireland, Epsom, Surrey and Llanbradach, Wales added a further £1.8 million to the contracted rent roll. The security and longevity of our income are important drivers of our secure, long term predictable income stream and enable our progressive dividend policy.

Security: PHP continues to benefit from secure, long term cash flows with 90% of its rent roll funded directly or indirectly by the NHS in the UK or HSE in Ireland. The portfolio also benefits from an occupancy rate of 99.6%.

Longevity: The portfolio's WAULT at 31 December 2020 was 12.1 years (31 December 2019: 12.8 years). Only £5.3 million or 3.9% of our income expires over the next three years of which £4.2 million is either subject to a planned asset management initiative or terms have been agreed to renew the lease. £77.2 million or 57.1% expires in over ten years. The table below sets out the current lease expiry profile of our income:

Income subject to expiry	£m	%
<3 years	5.3	3.9%
4–5 years	9.1	6.7%
5–10 years	43.6	32.3%
10–15 years	41.1	30.4%
15–20 years	18.7	13.8%
>20 years	17.4	12.9%
Total	**135.2**	**100.0%**

CENTRAL MILTON KEYNES MEDICAL CENTRE

Link extension

12 sqm

and internal refurbishment

Completed

January 2020

Eleven GP doctors serving

20,000 patients

GP surgery, with co-located pharmacy and dental practices

The Central Milton Keynes Surgery is located within a mile of Milton Keynes rail station. Continued residential development and substantial population growth in Milton Keynes meant that this practice, one of five GP hub practices in Milton Keynes, was in desperate need of more space for the provision of primary health services. To create the space required by the growing practice, PHP maximised the efficiency of the existing building by negotiating a surrender of some space from an adjacent occupier, as well as creating a small extension to tie the new accommodation into the existing surgery. This created an additional six consulting rooms, utility storage and sub wait area. In addition, the flooring, sink units and lighting were upgraded throughout the existing surgery.

PHP worked closely with the GP practice, Milton Keynes Clinical Commission Group and NHS England to deliver this project, which was part funded by the Estates and Technology Transformation Fund ("ETTF").

Highlights:

- The GPs committed to a new 25 year lease
- One of five hub buildings in Milton Keynes offering extended hours services to patients
- Successful deployment of ETTF capital
- New energy efficient LED lighting installed throughout
- EPC rating improved from C to B

Julie Screen, Business Manager: "We recently extended the practice and benefitted from the support and experience of the PHP team in delivering 6 new rooms and refurbishment of 15 existing clinical rooms. We were able to utilise the new rooms immediately as a separate 'shielding patient' consulting area, which greatly reassured our vulnerable patients. The understanding of our business by PHP allowed us to complete the refurbishment without disruption to our clinical work and without compromising patient care."

Valuation and returns

At 31 December 2020, the Group's portfolio comprised 513 assets independently valued at £2.576 billion (31 December 2019: £2.413 billion). After allowing for acquisition costs and capital expenditure on forward funded developments and asset management projects, the portfolio generated a valuation surplus of £51.4 million or 2.0% (2019: £49.8 million or 2.1%). The valuation surplus was driven by net initial yield compression in both the UK and Ireland for government backed income, rental growth from rent reviews and asset management projects, partly offset by a deterioration in the rental outlook for pharmacies in the UK.

During the year the Group's portfolio NIY has contracted by 5bp to 4.81% (31 December 2019: 4.86%) and the true equivalent yield reduced to 4.84% at 31 December 2020 (31 December 2019: 5.04%).

At 31 December 2020, the portfolio in Ireland comprised 18 assets, including two assets currently under development, valued at £197.7 million or €221.1 million (31 December 2019: 16 assets/£160.0 million or €189.2 million). The costs to complete the developments are £22.8 million (€25.5 million) and once complete the assets in Ireland will be valued at approximately £220 million (€246 million).

The portfolio's average lot size has increased slightly to £5.0 million (31 December 2019: £4.9 million) and 84.3% of the portfolio is valued at over £3.0 million. The Group now only has five assets valued at less than £1.0 million.

	Number of properties	Valuation £m	%	Average lot size (£m)
>£10m	48	709.3	27.6	14.8
£5m–£10m	124	856.2	33.3	6.9
£3m–£5m	154	602.4	23.4	3.9
£1m–£3m	182	397.6	15.5	2.2
<£1m (including land £1.5m)	5	6.1	0.2	0.9
Total[1]	**513**	**2,571.6**	**100.0**	**5.0**

1 Excludes the £4.5 million impact of IFRS 16 Leases with ground rents recognised as finance leases.

The underlying valuation uplift of £51.4 million, combined with the portfolio's growing income, helped to deliver a total property return of 7.4% in the year (2019: 7.7%) outperforming the MSCI UK Monthly Property Index by 820bp.

	Year ended 31 December 2020	Year ended 31 December 2019
Income return	**5.2%**	5.2%
Capital return	**2.2%**	2.5%
Total return	**7.4%**	7.7%

PHP's Adjusted earnings increased by £13.4 million or 22.4% to £73.1 million in 2020 (2019: £59.7 million). The increase reflects a full year's contribution from the merger with MedicX in March 2019 which contributed £20.9 million (2019: £15.6 million) with the balance driven by rental growth and reduction in the Group's cost of finance.

Using the weighted average number of shares in issue in the year the Adjusted earnings per share increased to 5.8 pence (2019: 5.5 pence), an increase of 5.5%.

A revaluation surplus of £51.4 million (2019: £49.8 million) was generated in the year from the portfolio driven by yield compression in both the UK and Ireland for government backed income, rental growth from rent reviews and asset management projects offset by a deterioration in the rental outlook for pharmacies in the UK.

A loss on the fair value of interest rate derivatives and convertible bonds together with the amortisation of the fair value adjustment on the MedicX fixed rate debt at acquisition of £12.1 million (2019: loss £179.7 million) contributed to the profit before tax as reported under IFRS of £112.4 million (2019: loss £70.2 million).

The financial results for the Group are summarised as follows:

Summarised results

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Net rental income	**131.2**	115.7
Administrative expenses	**(11.6)**	(10.5)
Performance incentive fee ("PIF")	**(1.6)**	(1.8)
Operating profit before revaluation gain and net financing costs	**118.0**	103.4
Net financing costs	**(44.9)**	(43.7)
Adjusted earnings	**73.1**	59.7
Revaluation surplus on property portfolio and profit on sales	**51.4**	49.8
Fair value loss on interest rate derivatives and convertible bond	**(15.2)**	(33.6)
Adjusted profit excluding MedicX merger adjustments	**109.3**	75.9
Amortisation of MedicX debt MtM at acquisition	**3.1**	2.5
Exceptional revaluation loss arising on merger with MedicX	**—**	(138.4)
Exceptional item – contract termination fee arising on merger with MedicX	**—**	(10.2)
IFRS profit/(loss) before tax	**112.4**	(70.2)
Corporation tax	**(0.1)**	(0.2)
Deferred tax provision	**(0.3)**	(0.9)
IFRS profit/(loss) after tax	**112.0**	(71.3)

Net rental income receivable in the year increased by 13.4% or £15.5 million to £131.2 million (2019: £115.7 million).

Operational costs have continued to be managed closely and effectively. Overall administrative costs, excluding the Performance Incentive Fee ("PIF"), have risen by £1.1 million or 10.5% to £11.6 million (2019: £10.5 million) reflecting the annualised effect of the larger Group following the merger with MedicX. The Group's EPRA cost ratio continues to be amongst the lowest in the sector at 11.9% for the year, a decrease against the 12.0% incurred during the 2019 financial year reflecting the annualised effect of the £4.0 million cost saving synergies arising from the merger with MedicX.

Summarised results continued

EPRA cost ratio	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Gross rent less ground rent and service charge income	**134.6**	118.3
Direct property expense	**7.8**	5.6
Administrative expenses	**11.6**	10.5
Performance incentive fee ("PIF")	**1.6**	1.8
Less: service charge costs	**(4.3)**	(2.8)
Less: ground rent	**(0.2)**	(0.2)
Less: other operating income	**(0.4)**	(0.7)
EPRA costs (including direct vacancy costs)	**16.1**	14.2
EPRA cost ratio	**11.9%**	12.0%
Total expense ratio – administrative expenses as a percentage of gross asset value (annualised)	**0.5%**	0.4%

Net finance costs in the year increased slightly to £44.9 million (2019: £43.7 million) reflecting a full year's charge of the debt acquired with the merger with MedicX in 2019, offset by the reductions in the average cost of debt achieved from various refinancing initiatives and conversion of convertible bonds in 2019 and 2020.

Performance incentive fee ("PIF")

Another period of strong performance in both 2019 and 2020 resulted in a PIF being earned by the Adviser, Nexus, for the year as a whole and consequently a £1.6 million provision has been provided (2019: £1.8 million).

Nexus is entitled to 11.25% of the "total return" above a hurdle rate of 8.0%, based on the change in Adjusted EPRA Net Tangible Assets (formerly Adjusted EPRA Net Asset Value) plus dividends paid less equity raised, net of non-cash and other adjustments the Board believe are appropriate, which is credited to a notional cumulative account. If the hurdle is not achieved a sum equal to 11.25% of the underperformance is deducted from the notional cumulative account.

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

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

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

A PIF of £1.3 million was paid to Nexus in the year in respect of 2019 and at 31 December 2020 the balance on the notional cumulative PIF account was £8.1 million (31 December 2019: £7.0 million) of which £1.5 million (31 December 2019: £1.3 million) will become payable on approval of the Annual Report by the Board. The PIF incentive scheme will partly carry on for up to a further two years as part of the new remuneration arrangements following the internalisation of the Adviser, Nexus post year-end. Any further payments are conditional on performance in future years; further details can be found in the Remuneration Committee Report included in the Annual Report.

Equity raise

In July 2020, the Group successfully completed an over-subscribed equity issue raising £140.0 million (£136.9 million net of expenses). The new ordinary shares were issued at 145 pence per share or a 32.9% premium to reported Adjusted Net Tangible Assets (NTA) of 109.1 pence as at 30 June 2020. The placing price of 145 pence per Ordinary Share represented a discount of 1.9% to the intra-day price on the day the placing price was agreed.

The net proceeds from the equity raise are being used to finance the Group's pipeline of acquisitions and asset management projects both in the UK and Ireland.

Shareholder value

The Adjusted NTA, formerly Adjusted EPRA NAV, per share increased by 5.0 pence or 4.6% to 112.9 pence (31 December 2019: 107.9 pence per share) during the year with the revaluation surplus of £51.4 million or 3.9 pence per share being the main driver of the increase. Dividends distributed in the year were covered by recurring Adjusted earnings with no material impact on Adjusted NAV.

The total NAV return per share, including dividends distributed, in the year was 10.9 pence or 10.1% (2019: 8.4 pence or 8.0%).

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

Adjusted Net Tangible Asset (NTA) per share (basic)	**31 December 2020 pence per share**	31 December 2019 pence per share
Opening Adjusted NTA per share (basic)	**107.9**	105.1
Adjusted earnings for the year	**5.8**	5.5
Dividends paid	**(5.9)**	(5.5)
Revaluation of property portfolio	**3.9**	4.1
Shares issued	**2.7**	0.8
Interest rate derivative cancellation	**(1.5)**	(0.7)
Net impact of MedicX merger	**—**	(1.4)
Closing Adjusted NTA per share (basic)	**112.9**	107.9
Fixed rate debt and swap mark-to-market value	**(9.9)**	(8.8)
Convertible bond fair value adjustment	**(1.9)**	(1.8)
Deferred tax	**(0.3)**	(0.3)
Closing EPRA NDV per share	**100.8**	97.0

Financing

As at 31 December 2020, total available loan facilities were £1,456.8 million (31 December 2019: £1,452.0 million) of which £1,159.3 million (31 December 2019: £1,210.4 million) had been drawn. Cash balances of £103.6 million (31 December 2019: £143.1 million) resulted in Group net debt of £1,055.7 million (31 December 2019: £1,067.3 million). Contracted capital commitments at the balance sheet date totalled £39.6 million (31 December 2019: £28.1 million) and result in headroom available to the Group of £361.5 million (31 December 2019: £356.6 million).

Capital commitments comprise forward funded development expenditure of £32.1 million and asset management projects on site of £7.5 million.

Debt metrics	**31 December 2020**	31 December 2019
Average cost of debt – fully drawn	**3.1%**	3.4%
Average cost of debt – drawn	**3.5%**	3.5%
Loan to value	**41.0%**	44.2%
Net rental income to net interest cover	**2.9 times**	2.7 times
Weighted average debt maturity – all facilities	**7.6 years**	8.2 years
Weighted average debt maturity – drawn facilities	**6.5 years**	7.2 years
Total drawn secured debt	**£1,009.3m**	£1,060.4m
Total drawn unsecured debt	**£150.0m**	£150.0m
Total undrawn facilities and cash available to the Group[1]	**£361.5m**	£356.6m
Unfettered assets	**£88.4m**	£32.3m

1 After deducting capital commitments.

In December 2020, new secured revolving credit facilities with Barclays (£100 million) and Lloyds (£50 million) were entered into for an initial three-year period with options to extend by a further year at the first and second anniversaries of each facility. The Lloyds facility also has the option to be increased by a further £50 million to £100 million.

Average cost of debt

The Group's marginal cost of debt on its revolving credit facilities is now just 1.7% following the refinancings noted above. As these facilities are drawn, following the deployment of the cash proceeds from the equity raise in July, the Group's average cost of drawn debt will continue to fall from the current 3.5% to 3.1%, assuming fully drawn. We continue to look at other opportunities to reduce the Group's average cost of debt and deliver further finance cost-saving synergies.

Convertible bonds

In July 2019, the Group issued for a six-year term new unsecured convertible bonds with a nominal value of £150 million and a coupon of 2.875% per annum. Subject to certain conditions, the new bonds will be convertible into fully paid Ordinary Shares of the Company and the initial exchange price was set at 153.25 pence per Ordinary Share. The exchange price will be subject to adjustment if dividends paid per share exceed 2.8 pence per annum and in accordance with the dividend protection provisions the conversion price has been adjusted to 147.1 pence per Ordinary Share.

The conversion of the £150 million convertible bond into new Ordinary Shares would reduce the Group's loan to value ratio by 5.8% from 41.0% to 35.2% and result in the issue of 102.0 million new Ordinary Shares.

Interest rate and currency exposure

The analysis of the Group's exposure to interest rate risk in its debt portfolio as at 31 December 2020 is as follows:

	Facilities		Drawn	
	£m	%	£m	%
Fixed rate debt	1,001.2	68.7	1,001.2	86.4
Hedged by fixed rate interest rate swaps	188.0	12.9	188.0	16.2
Floating rate debt – unhedged	267.6	18.4	(29.9)	(2.6)
Total	**1,456.8**	**100.0**	**1,159.3**	**100.0**

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

The Group now owns €221.1 million or £197.7 million (2019: €189.2 million/£160.0 million) of Euro denominated assets in Ireland as at 31 December 2020 and the value of these assets and rental income represented just 8% of the Group's total portfolio. In order to hedge the risk associated with exchange rates, the Group has chosen to fund its investment in Irish assets through the use of Euro denominated debt, providing a natural asset to liability hedge, within the overall Group loan to value limits set by the Board. At 31 December 2020 the Group had €163.6 million (31 December 2019: €161.2 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.

Interest rate swap contracts

In September 2020, we selectively used the premium over the Adjusted NTA on the equity raise in July 2020 to cancel 4.5%/£70 million fixed rate swaps for a one-off payment of £18.5 million. A further £3.3 million was used to re-coupon swaps with a nominal value of £188 million from a blended fixed rate of 0.77% to 0.05%. The one-off payments total £21.8 million, equivalent to 1.5 pence per share on an Adjusted NTA basis, and results in total interest savings of £22.3 million over the period to July 2026.

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 £12.9 million (2019: loss of £3.7 million) on the fair value movement of the Group's interest rate derivatives due primarily to reductions in interest rates assumed in the forward yield curves used to value the interest rate swaps. As at the 31 December 2020 the mark-to-market ("MtM") liability of the swap portfolio was £0.1 million (31 December 2019: £13.5 million).

Fixed rate debt mark to market ("MtM")

The MtM of the Group's fixed rate debt as at 31 December 2020 was £130.3 million (31 December 2019: £94.5 million) equivalent to 9.9 pence per share (31 December 2019: 7.8 pence). The large increase in the MtM during the year is due primarily to the historical reductions in interest rates assumed in the forward yield curves used to value the debt in the year. The MtM valuation is sensitive to movements in interest rates assumed in forward yield curves.

Alternative Performance Measures ("APMs")

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

PROVIDING TRANSPARENT INFORMATION

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

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

Adjusted earnings per share △

5.8 pence, up 5.5% (2019: 5.5 pence).

Definition

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

Purpose

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

Calculation

See Note 8 to the financial statements.

EPRA earnings per share △

6.0 pence, up 25.0% (2019: 4.8 pence).

Definition

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 divided by the weighted average number of shares in issue during the year.

Purpose

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

Calculation

See Note 8 to the financial statements.

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

112.9 pence, up 4.6% (2019: 107.9 pence).

Definition

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

Purpose

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

Calculation

See Note 8 to the financial statements.

EPRA NTA per share △

109.7 pence, up 5.3% (2019: 104.2 pence).

Definition

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

Purpose

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

Calculation

See Note 8 to the financial statements.

EPRA net initial yield △

4.81%, down 5bp (2019: 4.86%).

Definition

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

Purpose

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

Calculation

	2020 £m	2019 £m
Investment property (excluding those under construction)	**2,557.3**	2,379.1
Allowance for estimated purchaser's costs and capital commitments	**180.7**	160.8
Grossed-up completed property portfolio valuation (B)	**2,738.0**	2,539.9
Annualised cash passing rental income	**132.9**	124.4
Property outgoings	**(1.0)**	(0.9)
Annualised net rents (A)	**131.9**	123.5
EPRA net initial yield (A/B)	**4.81%**	4.86%

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

EPRA vacancy rate △

0.4%, down 10bp (2019: 0.5%).

Definition

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

Purpose

A "pure" (%) measure of investment property space that is vacant, based on ERV.

Calculation

	2020 £m	2019 £m
ERV of vacant space	**0.6**	0.6
ERV of completed property portfolio	**135.2**	124.4
EPRA vacancy rate	**0.4%**	0.5%

EPRA cost ratio △

11.9%, decrease of 10bp (2019: 12.0%).

Definition

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

Purpose

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

Calculation

See page 26, Financial Review.

Raynes Park Health Centre, Wimbledon, England.

△ Alternative performance measures (APMs): Measures with this symbol △ are APMs defined in the Glossary section on pages 147 and 149, and presented throughout this Annual Report. All measures reported on a continuing operations and 52-week comparable basis.

HOW PHP ASSESSES ITS PROSPECTS

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

Risk management overview

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

- investment focuses on the primary health real estate sector which is traditionally much less cyclical than other real estate sectors;
- the majority of the Group's rental income is received directly or indirectly from government bodies in the UK and Ireland;
- the Group benefits from long initial lease terms, largely with upwards-only review terms, providing clear visibility of income;
- 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.

COVID-19

The Directors have assessed the impact of the current uncertainty around COVID-19 on all major aspects of the business, focusing specifically on operations and cash flows of the Group. The Directors have added COVID-19 to the principal risks and uncertainties due to the pervasive and prolonged economic impact globally.

The structure of the Group's operations includes rigorous, regular review of risks and how these are mitigated and managed across all areas of the Group's activities. The Group faces a variety of risks that have the potential to impact on its performance, position and its longer-term viability. These include external factors that may arise from the markets in which the Group operates, government and fiscal policy, general economic conditions and internal risks that arise from how the Group is managed and chooses to structure its operations. During March and April, the Risk Committee met on a weekly basis in light of the outbreak of COVID-19 and have continued to closely monitor the impact to its business model and environment it operates in.

The disruption from COVID-19 and the risks of a prolonged, severe economic downturn is such that this risk is inextricably interlinked with and likely to exacerbate the other principal risks and uncertainties faced by the Group. Despite this, the risk of COVID-19 to both the business model and the environment it operates in the Board determined COVID-19 should be added to the principal risks and uncertainties in 2020.

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, staff and members of 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.

Management and staff assists the Board in its assessment and monitoring of operational and financial risks and Management has in place robust systems and procedures to ensure risk management is embedded in its approach to managing the Group's portfolio and operations. Management has established a Risk Committee that is formed of members of its senior management team. The Chairman of the Management team's Risk Committee is independent of both the Adviser and the Group and experienced in the operation and oversight of risk management processes.

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

The Company 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 are 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 risks to the Audit Committee. The Risk Register forms an appendix to the report which details risks that have (i) an initial high rating, and (ii) higher residual ratings once the effectiveness of mitigation and/or management actions have been overlaid. The Audit Committee in turn agrees those risks that will be managed by Management and those where the Board will retain direct ownership and responsibility for management and monitoring those risks.

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

Principal risks and uncertainties

The Board has undertaken a robust assessment of the 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. These are set out below:

Risk	Inherent risk rating	Change to risk in 2020	Commentary on risk
Deliver progressive returns			
Potential over-reliance on the NHS and HSE 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.	**Medium** Likelihood is low but impact of occurrence may be major.	Unchanged	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 focus on greater utilisation of primary care. Despite the UK's exit from the European Union the demand for health services will continue to grow regardless, driven by demographics. Whilst the uncertainty surrounding the exit may lead to fluctuations in the value of the Group's assets, there is no evidence of this at present. Future government funding levels in the UK may be impacted by any long term, material change to economic performance as a consequence of Brexit. A fundamental change in government policy could impact how the private sector regards its investment in this asset class and its willingness to further deploy private sector resources to improve the quality of primary care facilities.
Foreign exchange risk 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.	**Medium** Likelihood of volatility is high but the potential impact at present is relatively low due to the quantum of investment in Ireland, albeit this quantum is increasing.	Unchanged	The Group now has 18 investments in Ireland. Asset values, funding and net income is denominated in Euros. The UK's decision to leave the European Union continues to cause exchange rate volatility whilst the exit process is ongoing.
Grow property portfolio			
Competition The emergence of new purchasers in the sector and the continuing low level of approvals of new centres in the UK may restrict the ability of the Group to secure new investments.	**High** Likelihood is high and impact of occurrence could be major.	Unchanged	In terms of values, the Group has benefited from a flight to income as a consequence of the current wider economic uncertainty – investors have been attracted to the sector due to its long term, secure, government-backed cash flows. Lack of supply, as a consequence of the low number of new development approvals in the UK, has also contributed to the increase in values. However, the same increase in demand and lack of supply has meant that the Group is facing increased competition for viable opportunities.
Financing The Group uses a mix of shareholder equity and external debt to fund its operations. A restriction on the availability of funds would limit the Group's ability to invest. Furthermore, a more general lack of equity or debt available to the sector could reduce demand for healthcare assets and therefore impact values.	**High** Likelihood of a restricted supply is moderate but the potential impact of such a restriction could be major.	Unchanged	The Company successfully completed an equity issue in July 2020, raising gross proceeds of £140.0 million. In addition, in December 2020 the Group entered into two new revolving credit facilities of £100 million and £50 million with Barclays and Lloyds respectively. The Lloyds facility also has a credit approved £50 million accordion. The Group's undrawn facilities mean it currently has headroom of £361.5 million. All covenants have been met with regard to the Group's debt facilities and these all remain available for their contracted term.

Mitigation	Residual risk rating
The commitment to primary care is a stated objective of both the UK and Irish governments and on a cross-party basis. Management engages directly with government and healthcare providers in both the UK and in Ireland to promote the need for continued investment in modern premises. The attractiveness of long term, secure income streams that characterise the sector leads to stability of values.	**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.
The Board has and will continue to fund its investments in Euros so as to create a natural hedge between asset values and liabilities in Ireland. Management closely monitors the Euros to GBP currency rates with its Banks to formulate a formal hedging strategy against Irish net cash flows.	**Low** PHP has implemented a hedging strategy in the form of a natural hedge so as to manage exchange rate risk.
The reputation and track record of the Group in the sector means it is able to source forward funded developments and existing standing investments from developers, investors and owner-occupiers. The Group has a number of formal pipeline agreements and long-standing development relationships that provide an increased opportunity to secure developments that come to market in the UK and Ireland. The Group has a strong, identified pipeline of investment opportunities in the UK and Ireland.	**Medium** The Group's position within the sector and commitment to and understanding of the asset class mean PHP is aware of a high proportion of transactions in the market and potential opportunities coming to market. Active management of the property portfolio generates regular opportunities to increase income and lease terms and enhance value.
Existing and new equity and debt providers are keen to provide funds to the sector and specifically to the Group, attracted by the strength of its cash flows. The Board monitors its capital structure and maintains regular contact with existing and potential equity investors and debt funders.	**Medium** The Group takes positive action to ensure continued availability of resource, maintain a prudent ratio of debt and equity funding and refinance debt facilities in advance of their maturity.

Risk	Inherent risk rating	Change to risk in 2020	Commentary on risk
Manage effectively and efficiently			
Lease expiry management 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.	**Medium** Likelihood of limited alternative use value is moderate but the impact of such values could be serious.	Unchanged	Lease terms for all property assets will erode and the importance of active management to extend the use of a building remains unchanged.
People Following the internalisation of Management, 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.	**Medium** Likelihood and potential impact could be medium.	New 2020	Following the internalisation of management in January 2021 PHP now fully controls the efficient operation and management of the Group, replacing the reliance on the previous external manager Nexus.
COVID-19 The outbreak of COVID-19 during the year has had far reaching consequences across the UK and Ireland on valuations and the recoverability of our debtor balances. Additionally, the imposition of lockdown and other restrictive measures has directly resulted in a significant macroeconomic downturn throughout Europe, the likes of which have not been seen before.	**Medium** The likelihood of further deterioration in economic outlook is high but, if that occurred, the impact could be medium.	New 2020	The Company has been relatively unaffected, properties held being regarded as critical infrastructure in the response to the outbreak. The Directors have assessed the impact of the current uncertainty around COVID-19 on all major aspects of the business, focusing specifically on operations and cash flows of the Group. The event has been considered and a bad debt provision of £0.5 million (31 December 2019: £0.1 million) has been provided in respect of rents currently on some form of rent payment concession and reflected in the balance sheet as at 31 December 2020. We continue to carefully monitor the impact on property. As tenants in all sectors adapt to lockdown measures, virtual GP appointments have increased and will likely continue to do so as we move through this pandemic. Leases and floorspace may be required in reduced rates by the NHS/HSE and GPs in future periods.
Diversified, long term funding			
Debt financing Without appropriate confirmed debt facilities, PHP may be unable to meet current and future commitments or repay or refinance debt facilities as they become due.	**Medium** The likelihood of insufficient facilities is moderate but the impact of such an event would be serious.	Unchanged	Negotiations with lenders have confirmed that the Group enjoys the confidence of the lending markets both in terms of the traditional high street lenders, as well as the bond markets. In December 2020 the Group entered into two new revolving credit facilities of £100 million and £50 million with Barclays and Lloyds respectively.
Interest rates Adverse movement in underlying interest rates could adversely affect the Group's earnings and cash flows and could impact property valuations.	**Medium** The likelihood of volatility in interest rate markets is high and the potential impact if not managed adequately could be major.	Unchanged	Term interest rate markets remained volatile during the period and this volatility is likely to continue in the near future. Over the year, term interest rates have reduced which has impacted the mark-to-market ("MtM") valuations of the Group's interest rate derivative portfolio, increasing its "out of the money" status. In September 2020 the Group repaid in full the AIB interest rate swaps and re-couponed both the HSBC and RBS remaining interest rate swaps to unprecedented current market rates. The resulting effect eliminated the "out of the money" status of its interest rate derivative portfolio, protecting cash flows and EPRA earnings in future periods.

Mitigation	Residual risk rating
Management meets with occupiers to discuss the specific property and the tenant's aspirations and needs for their future occupation. 24 projects either completed or on site in the year, enhancing income and extending occupational lease terms. In addition, there is a strong pipeline of over 80 projects that will be progressed in over the next three years. Only 3.9% of the Group's income expires in the next three years and management is actively managing these lease expiries.	**Medium** Management employs an active asset management programme and has a successful track record of securing enhancement projects and securing new long term leases.
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 LTIP for Executive Directors and Senior Management to incentivise and motivate the team. Notice periods are in place for key employees.	**Medium** The remuneration committee has reviewed and updated policies accordingly following the internalisation of management to ensure retention and motivation of Executive Directors and Senior Management.
The Group has a niche investment criterion with 90% of government backed income through the form of NHS/HSE and GP long term leases. Following successful approval of various COVID-19 vaccines, our primary care centres play a key role in immunising the population. The Group's primary care facilities continues to be of paramount importance in the time of a pandemic. The vast majority of users of primary care facilities rely on face to face appointments, which is continued to be recommended by the NHS for the vast majority of patients. Whilst the internal structure of GP practices may adapt, floorspace will continue to be required for appointments, virtual or other.	**Medium** The Group's position within the sector and commitment to and understanding of the asset class means PHP is well placed to weather the COVID-19 pandemic.

Existing lenders remain keen to finance PHP and new entrants to debt capital markets have increased available resource. Management regularly monitors the composition of the Group's debt portfolio to ensure compliance with covenants and continued availability of funds. Management regularly reports to the Board on current debt positions and provides projections of future covenant compliance to ensure early warning of any possible issues.	**Medium** The Board regularly monitors the facilities available to the Group and looks to refinance in advance of any maturity. The Group is subject to the changing conditions of debt capital markets.
The Group holds a proportion of its debt in long term, fixed rate loans and mitigates its exposure to interest rate movements on floating rate facilities through the use of interest rate swaps. As at the balance sheet date 100% of drawn debt is fixed or hedged. MtM valuation movements do not impact on the Group's cash flows and are not included in any covenant test in the Group's debt facilities.	**Low** The Group is currently well protected against the risk of interest rate rises but, due to its continued investment in new properties and the need to maintain available facilities, will be exposed to future interest rate levels.

Brexit

On 31 January 2020, the United Kingdom left the European Union ("EU"), and a trade deal with the EU was successfully negotiated on 30 December 2020 ("Brexit"). The Board continues to monitor the UK's relationship with the EU but believes that following the conclusion of Brexit, for the UK, it is unlikely to have a direct impact on the primary health centres we invest in, which perform a vital role in the provision of healthcare. The longer term impact of Brexit will continue to be monitored to assess the potential negative impact on the macro-economic environment, political uncertainty and volatility in interest and exchange rates, as well as its impact on our investment and occupier market, and our ability to execute our investment strategy and our income sustainability in the long term.

Climate change and environmental risk

In 2018, the Board added climate change and environmental issues to the Risk Register. Whilst it is not yet regarded as a principal risk and uncertainty and therefore is not included in the table above, the Group's approach to the subject matter is considered in more detail in the Responsible Business section of the Annual Report on pages 40 to 47.

COVID-19

The disruption from COVID-19 and the risks of a prolonged, severe economic downturn is such that this risk is inextricably interlinked with and likely to exacerbate the other principal risks and uncertainties faced by the Group. Despite this, the risk of COVID-19 to both the business model and the environment it operates in the Board determined COVID-19 should be added to the principal risks and uncertainties in 2020.

Emerging risks

The Board has also considered emerging risks and their potential impact on the Group. During 2019, development delivery risk has been added to the Group's Risk Register. The Group enters into forward funding arrangements with developers who then engage contractors to build out the scheme, as well as developments on its own balance sheet following the internalisation of the Management structure in 2021. There is a risk that the developer or the contractor or both could become insolvent causing delays and losses. However, the likelihood, impact and mitigation factors mean that, despite the Group's increasing exposure to this risk, it is not yet considered a principal risk and therefore is not included in the table above. The Board also considered, at its annual strategy day, emerging risks affecting the current primary care delivery model, in particular, the impact of digital technologies. As part of the outcome of the Board's evaluation process it was agreed to include a formal emerging risk review in conjunction with the annual strategy review.

Assessment of viability

In completing the assessment of viability, the Board has considered the principal risks of the Group, as set out on pages 34 to 39, in developing sensitivities that have been applied to financial forecasts covering the three-year assessment period.

The assessment has not assumed any significant changes to Government policy with respect to NHS estates strategy or the GP reimbursement model (which we consider to have a low likelihood). The assessment also assumed that following Brexit and the UK trade deal with the EU in 2020, no further implications to our business occurred, noting the vital role our business offers in the provision of healthcare.

Viability statement

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 2023.

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, 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. Given the significant impact of COVID-19 on the macro-economic conditions in the year, additional stress-testing has been carried out on the Group's ability to continue in operation under extremely unfavourable operating conditions including a scenario where 15% of all rent is not collected for the three-year forecast period. The sensitivities applied are as follows:

- declining attractiveness of the Group's assets or extenuating economic circumstances impacts investment values – valuation parameter stress tested to provide for a one-off 10%/£261 million fall in June 2021 valuation;
- 15% tenant default rate;
- rental growth assumptions amended to see nil uplifts on open market reviews;
- variable rate interest rates rise by an immediate 2% effective from 1 January 2021; 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 profitability, net debt, loan to value ratios and available financial headroom which are as follows:

Key metrics 31 December 2023	31 December 2020	Viability scenario
Loan to value ratio	41.0%	47.9%
Net debt	£1,055.7m	£1,139.2m
Adjusted net assets	£1,485.3m	£1,172.6m
Available financial headroom	£361.5m	£296.2m

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 that, 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.

Harry Hyman
Chief Executive Officer
17 February 2021

RESPONSIBLE BUSINESS

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

Laure Duhot
Chair of the Environmental, Social and Governance Committee

Dear shareholder,

I am delighted to chair the recently formed PHP Environmental, Social and Governance Committee. The Board agreed to create the Committee as a full board committee in October 2020 to take over the work of a joint committee formed with Nexus in 2019, to drive forward the Group's environmental, social and governance agenda. These are important topics and it is believed that having a committee dedicated to consider these matters will give greater impetus to our initiatives in this area, some of which are described on the following pages of this report.

The members of the ESG Committee are set out below:

Member	Number of meetings and attendance while in post
Laure Duhot (Chair)	1 (1)
Peter Cole	1 (1)
Harry Hyman	1 (1)
Richard Howell	1 (1)
Chris Santer (Chief Investment Officer)	1 (1)

Bracketed numbers indicate the number of meetings the member was eligible to attend.

The Company Secretary acts as the secretary to the Committee and attends all the meetings

Members of the senior leadership team, including Michelle Whitfield – Director, Operations & Sustainability, David Austin – Director, Asset Management, Tony Coke – Director, Developments, and James Young – Director, Property Management are invited to attend meetings as appropriate

I trust you find this initial report of the Committee helpful and informative. I am excited that one of the many benefits of the internalisation will be to allow the Company to focus on its ESG agenda, implement a comprehensive strategy with all its stakeholders in mind, and launch new initiatives in this important priority area. I would be delighted to receive any feedback or comments you may have on our approach.

Laure Duhot
Chairman of the ESG Committee
17 February 2021

INTRODUCTION

PHP invests in flexible, modern properties for the delivery of primary healthcare to the communities they are located in. The buildings are let on long-term leases where the NHS, HSE, GPs and other healthcare operators are our principal occupiers. As at 31 December 2020, the Group owned 513 properties valued at £2.6 billion which are located across the UK and Ireland.

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

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

In October 2020, the NHS adopted a multi-year plan to become the world's first carbon net zero national health system by 2045 and with an ambition for an interim 80% reduction by 2036-2039. PHP is committed to helping the NHS achieve this target and will pro-actively engage and work with our various healthcare occupiers to help them achieve this.

Consequently, the ESG Committee, originally established by Nexus in 2019, became a full Committee of the Board in

2020 following the appointment of Non-Executive Directors, Laure Duhot as Chair and Peter Cole to the Committee. The Committee also comprises Harry Hyman (Chief Executive), Richard Howell (Chief Financial officer) and Chris Santer (Chief Investment Officer) along with senior members of staff, as standing invitees, who each have relevant experience in the business and are responsible for the implementation of the ESG policies, targets and monitoring performance throughout our operations.

This ESG report sets out our commitment and approach to responsible business, it is reviewed annually, approved by the Board and sets the framework for establishing objectives and targets against which we monitor and report publicly on our performance.

OUR APPROACH

PHP's approach is based around our core activities of investment, asset and property management and development supported by our corporate activities.

PHP supports the seventeen UN Sustainable Development Goals ("SDGs") adopted by all United Nation member states in 2015. The SDGs constitute the most pressing economic, social and environmental challenges that the world needs to solve. The UK is a signatory to these goals and the government has developed its own agenda for delivering these goals and companies are encouraged to adopt this framework.

At PHP we focus our efforts on a number of main SDGs and seek to align our overall environmental, social and governance goals and policies with them.

11 SUSTAINABLE CITIES AND COMMUNITIES

3 GOOD HEALTH AND WELL-BEING

To achieve this, PHP's ESG Policies are based around three core pillars that run through our activities focused on Premises, Health and People. These are:

Premises, Health, People

Approach	Purpose	Aims	Focus
Premises – Built Environment			
Investing in sustainable buildings 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	To employ sustainable design to develop, refurbish and upgrade our buildings to modern medical standards	Building a more resilient portfolio for the long term	Reducing risk by building purpose built new developments and making quality acquisitions Working with tenants to improve the energy efficiency of our properties and integrate more sustainable features
		Reducing our carbon footprint	Working with our stakeholders to improve the energy efficiency of our properties and integrate more sustainable features
		Governing an ethical business	Being transparent and compliant in all our operations
Health – Community Impact			
Engaging and enhancing the right stakeholders to drive effective decision making. 3 GOOD HEALTH AND WELL-BEING 17 PARTNERSHIPS FOR THE GOALS	To support initiatives that further the health, wellbeing and education of our local communities	Meeting the healthcare needs of communities	Engaging in effective communications with our tenants Responding to feedback and implementing change
		Creating social value	Working with partners to enhance wellbeing and inclusivity through initiatives that contribute to the creation of healthy, supportive and thriving communities
People – Responsible Business			
Conducting our business with integrity and investing in human capital. 8 DECENT WORK AND ECONOMIC GROWTH 5 GENDER EQUALITY	To create opportunities and maximise the potential of the stakeholders we work with	Providing a good place to work	Ensuring the effective investment in the professional development of the Group's employees Maintaining an open, inclusive and supportive culture for our people
		Governing an ethical business	Being transparent and compliant in all our operations

BUILT ENVIRONMENT – PREMISES

Responsible Investment

Environmental and sustainable matters are an integral element of PHP's assessment of the suitability of new medical centres that the Group looks to acquire and fund. PHP undertakes a detailed assessment of each location, looking at the sustainable nature of a property and how it will serve the local population and its importance to the local healthcare provision, ensuring that the centre is affordable and will meet the future needs of the local population.

As awareness of climate change risk increases, we are reviewing our approach to environmental due diligence when assessing new acquisitions. An important element of our process is to undertake detailed environmental and building surveys which include a detailed assessment of the environmental risk for each investment, including flooding, to ensure the risk is avoided or appropriate prevention measures are developed.

Energy efficiency is also considered through the due diligence process and all new acquisitions are now required to have an EPC of C or better, or capable of remedial action to achieve the required rating in due course. PHP has engaged consultants Simpson Hilder and GEP Environmental to help in this process.

Responsible asset and property management

We are committed to creating best-In-class primary care centres by focusing on the future needs of our occupiers and thereby ensuring we are creating long term sustainable buildings. Our asset and property management policy is to invest in the portfolio of properties to generate enduring occupier and patient appeal, which provide opportunities to improve both rental values and the security and longevity of income, including limited risk short-cycle projects to improve the quality of assets. Through these asset and property management initiatives, we also aim to deliver energy efficiencies and source cleaner energy for our occupiers and their patients.

Due to the high levels of occupancy across the portfolio there are only a limited number of properties where PHP controls energy usage and where this is the case, we have adopted a target to reduce our greenhouse gas emissions by 25% in absolute terms and 40% in terms of Intensity by 2030. This will largely be achieved through a policy of replacing existing features at the buildings with technology exhibiting high energy conservation credentials and energy supplies on green energy tariffs.

We will also engage, encourage and work with the NHS and our healthcare occupiers as part of NHS's commitment to be 'carbon net zero' by 2045.

Across the portfolio, it is our goal for at least every asset that is refurbished to have an EPC of at least B by 2030 or have been raised by at least two grades. Where PHP is refurbishing an existing building or the new investment is the conversion and fit out of an existing structure, the minimum standard is to achieve a BREEAM (Building Research Establishment Environmental Assessment Method) rating of Very Good.

Responsible development

PHP together with its development partners are committed to promote the highest possible standards of environmental, sustainable and social matters when designing and constructing new premises. As a minimum, it is our policy that all new, stand alone, developments PHP undertakes must have a BREEAM rating of Excellent (and Very Good with regards to fit-outs and rural areas where the premises would not otherwise be provided) in the UK. In Ireland, all new developments are built to a Building Energy Rating of A3, or better, and in accordance with nZEB (nearly Zero Energy Buildings) standards. Requirements are also in place for our development partners and contractors to ensure the implementation of responsible property development practices.

We continue to work with our occupiers regarding their ongoing environmental responsibilities which in due course we aim to include in all leases entered into as a norm for newly built premises. We will integrate a range of sustainable features into new schemes including metering, solar PVs, roof lights, electric vehicle recharge points, water conservation and ecology; encouraging our development partners to do the same when funding new schemes.

PHP will continue to work with its development partners, occupiers and other stakeholders to develop ways in which to monitor and improve the management of environmental and sustainability issues.

Built environment targets agreed for 2021

In 2020, the ESG Committee considered and agreed on a number of targets to achieve across the portfolio:

- All acquisitions to have an EPC of no less than C or have a visible route to achieve this when the asset is next refurbished.
- Deliver the first net-zero carbon PHP building within five years in the UK and explore the possibility in Ireland.
- All UK forward funded developments to have a BREEAM rating of Excellent (or Very Good with regards to fit-outs and rural areas where the premises would not otherwise be provided).
- In Ireland, all new developments are built to a Building Energy Rating of A3, or better, and in accordance with nZEB (nearly Zero Energy Buildings) standards.
- Refurbished assets to have an EPC of at least B by 2030 or have been raised at least by at least two grades.
- Energy audits to be completed before asset management projects are planned in order to identify and fully integrate in each project energy saving opportunities and energy-efficient technology.
- Reduce scope 1 and 2 green-house-gas emissions by 25% in absolute terms and 40% in intensity terms by 2030.
- Launch a green procurement program on behalf of all our occupiers including green lease clauses for all new leases entered into.
- Set ESG standards for our suppliers and developers to follow.

Achievements for 2020

In Ireland, we completed four forward funded developments and have a further two under construction all of which achieved or will achieve a BER of A3 and in line with our strategy. In the UK we completed or have under construction four forward funded developments of which two achieved a BREEAM rating of Excellent and two Very Good.

The estate has a high occupancy rate and is largely let on long leases, so the day-to-day control of energy usage, a key direct and indirect driver of greenhouse gas emissions, is the responsibility of our occupiers. In addition, the portfolio is already well designed to mitigate its impact on the environment with 81% (2019: 80%) of the buildings in the portfolio having an Energy Performance Certificate ("EPC") of C or better.

	2020	2019
A	**6%**	6%
B	**23%**	24%
C	**52%**	50%
D	**15%**	16%
E	**4%**	4%
Below E or unknown	**0%**	0%

During the year we completed or have on-site 13 projects, 92% of which achieved an improvement in the EPC rating of B or above. We have a strong pipeline of over 100 projects which will hopefully commence over the next three years and we continually assess the opportunities to improve the environmental efficiency of the portfolio property by including:

- LED lighting upgrades;
- energy efficient boilers and low surface temperature radiators;
- recharge points for electric vehicles;
- solar PV capacity – ongoing engagement with tenants and feasibility studies;
- upgrade cooling and air handling system with a new energy efficient plant and controls;
- install or make provision for energy metering; and
- upgrade U-values of thermal elements.

SECR disclosures

The table below shows the Scope 1 and Scope 2 emissions directly within the operational control of the Group. Scope 1 relates to business vehicles and Scope 2 relates to grid electricity consumed at the Group's head office as well as the 46 landlord-controlled energy supplies.

	2020	2019
Scope 1 tCO_2	**15.9**	24.2
Scope 1 tCO_2 per employee	**0.3**	0.5
Scope 1 kWh	**3,981,870**	6,054,555
Scope 2 tCO_2	**4.9**	31.1
Scope 2 tCO2 per employee	**0.1**	0.6
Scope 2 kWh	**11,650**	73,291
Total Scope 1 and 2 tCO_2	**20.8**	55.2
Total Scope 1 and 2 kWh	**3,993,520**	6,127,846
Total CO_2 per employee	**0.4**	1.1
Total kWh per employee	**70,062**	107,506

100% of the Total Scope 1 and 2 kWh emissions in the year were based in the UK. An assessment of the contributing factors to this, mainly business travel, is being done in order to reduce this in future years.

COMMUNITY IMPACT

Social – Health

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

PHP is committed to supporting both the NHS and HSE in tackling the major underinvestment in primary care facilities in both the UK and Ireland. PHP's aim is to modernise and improve the ability to provide efficient and effective healthcare through the provision of modern, purpose-built properties, let to the NHS, HSE, GPs and other healthcare operators. The facilities are predominantly located within residential communities and enable the UK and Irish population to access better health services in their local area. This is central to the Group's strategic objectives and business planning processes.

PHP's portfolio serves around 5.8 million patients or 8.7% of the UK population and our portfolio is their first point of contact with the NHS when they start their patient journey. Our active management of the property portfolio seeks to maintain the centres as fit for purpose and systems have been established to ensure that PHP is properly monitoring its social impact and identifying and managing opportunities and risks associated with the provision of its properties. We conduct an annual survey of our occupiers to review and consider awareness and overall satisfaction with our activities including social initiatives.

PHP is committed to ensuring that the properties it develops and owns continue to meet our GP, NHS and HSE occupiers' requirements in their local community and also provide flexibility for future change, update and expansion. Our dedicated teams of asset and property managers look after our occupiers' requirements, with a policy of regular communication and a supportive approach to property management. It is crucial that we continually update our understanding of what issues matter to our occupiers and how the NHS and HSE are changing to meet the increasing demands on the healthcare system in both countries.

Community Impact targets agreed for 2021

In 2020, the ESG Committee considered and agreed on a number of targets to achieve across the portfolio:

- **Community Impact Program** – PHP has committed £0.25 million per annum to fund social and charitable activities and services linked to the patients and communities of our occupiers which cannot be readily accessed elsewhere. We will continue to work with our GPs, understanding their views with a view to implementing a program of activities in 2021 and beyond.
- Continue to engage and consider the views of our occupiers including an annual survey.

Achievements for 2020

In 2020, we surveyed nearly 500 GP practices in England and Scotland, approximately six months after the start of the COVID-19 pandemic and the significant increase in remote consultations currently being offered by GPs that ensued. There were a number of interesting findings from the survey:

- 73% are interested in delivering COVID-19 vaccinations.
- 81% are interested in exploring ways to reduce their CO_2 emissions and reduce their impact on the environment.
- 81% expected to be employing and hosting more primary care staff in the next few years.
- 75% of respondents expected to increase the provision of services from their premises over the next three years.
- 63% would be interested in locating some diagnostics at their premises.
- 61% would be interested in providing some outpatient and secondary services.

Notwithstanding the current pandemic, we think these are encouraging responses, that highlight the ongoing need for purpose-built, primary care premises to provide modern healthcare to an ageing population that will live for longer with more incidence of chronic illness. This further reinforces our objectives to continue to invest in our existing, and new premises, for the benefit of all our stakeholders.

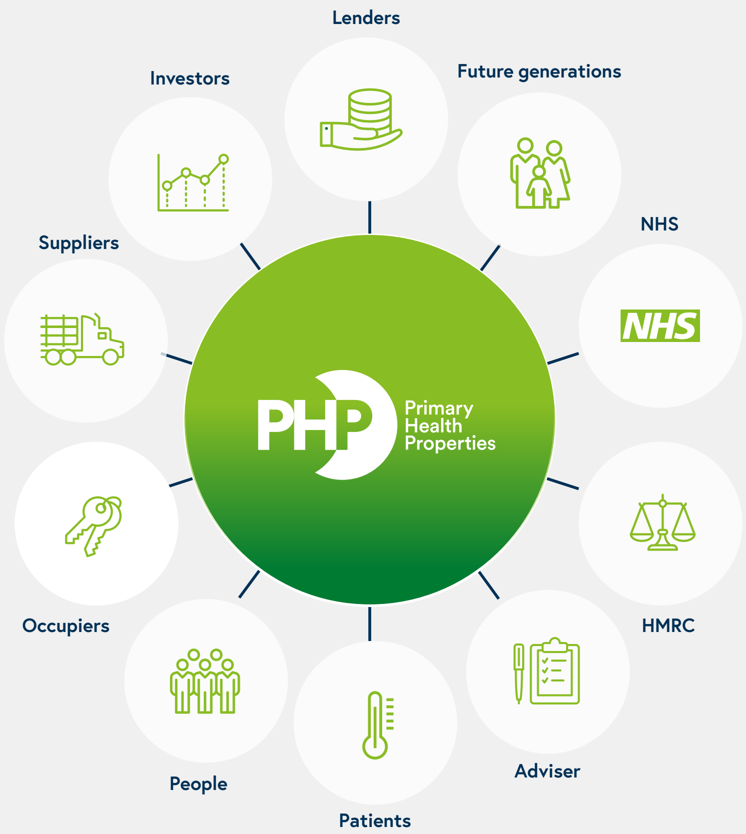
Our tenant survey also asked occupiers to name initiatives that they felt would benefit the health and wellbeing of their patients and communities they serve and are not currently provided for them elsewhere. The responses received are currently being reviewed by the Board with a view to helping to target the Community Impact Program in 2021 and beyond.

RESPONSIBLE BUSINESS

Other stakeholders

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

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



PEOPLE

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

PHP's Board maintains a commitment to maintaining and promoting the highest levels of ethics, conduct and seek to promote a workplace culture of:

- inclusion;
- modern working practices;
- fair remuneration;
- diversity and equal opportunity;
- employee development and training; and
- health and safety.

Responsible Business targets agreed for 2021

- Publish the Chief Executive Officer's commitment to Real Estate Balance promoting employee diversity challenging mindsets on bias and discrimination.
- Publish and report transparent information regarding employees (see below and page 46).
- Set ESG targets as part of employee's appraisal and personal performance objectives.
- Employee training plans to be developed to include at least 10% ESG content.

Achievements for 2020

In 2020, we successfully transitioned to working remotely as COVID-19 restrictions were enforced resulting in a range of new internal communication channels and regular team meetings at least once a week and across functions. IT systems and the disaster recovery plan have worked seamlessly throughout the year with a focus on supporting employees' needs, health and wellbeing throughout the pandemic.

We conducted a staff survey during the year indicating good levels of employee engagement and the key findings were:

- 73% of staff were either very satisfied or satisfied with the Company as an employer.
- 84% of staff felt they were able to speak to senior managers as needed.
- 82% of staff could see the link between their work and the Company's objectives.

Areas of continued focus for next year are further improvements to IT, communications and the office environment.

Eleven people are currently studying for professional qualifications across the team and we continue to support all staff with training plans, semi-annual appraisals including and reviewing personal performance objectives which now include ESG content.

In 2020, we signed up for Real Estate Balance with the goal of improving gender diversity across all managers and at all levels.

Employee gender diversity at 31 December 2020:

	Male	Female
Board of Directors	**5**	1
Senior management	**8**	1
Employees	**20**	26
Total all employees (including NEDs)	**33**	28

Health and Safety

Health and safety remains central to the execution of PHP's business strategy and we take our responsibilities very seriously and are committed to the continued improvement but have an excellent record. The Board is responsible for ensuring appropriate health and safety procedures are in place and during 2020 and we maintained a regime of inspections utilising both third party agents, including two risk management solutions providers and in-house resources to support the portfolio.

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

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

During 2020 there were no reported major accidents nor any health and safety prosecutions or enforcements. Our Board approved Health and Safety policy is available on the Company's website.

Contractors and suppliers

Delivering forward funded developments, asset management projects and property services on time, on budget and in adherence with our high standards is a key priority. Our supply chain is checked to ensure it is high quality, robust, has a proven track record and applies appropriate standards on areas such as labour and human rights, health and safety, modern slavery and human trafficking. For developments, contractors are expected to demonstrate adherence to these requirements and our development monitoring surveyor stays close to our contractors and monitors all elements of projects as they progress. Our Modern Slavery Act Statement is available on our website and no human rights concerns arose within the year. We have approximately 600 suppliers across the Group ranging from small local businesses to large multi-national companies. We also acknowledge the importance of our suppliers, who are often small businesses and sole traders, especially those involved with the upkeep and maintenance of our assets. We aim to pay all invoices and amounts due promptly and well within stated payment terms in an effort to preserve the cash flows of these small businesses.

Tax

The Group is committed to complying with tax laws in a responsible manner and has open and constructive relationships with the UK and Irish tax authorities. Whilst the Group enjoys REIT status and therefore is not directly assessable for corporation or capital gains tax on property investments, the dividends that the Group pays are assessed for income tax when they reach investors. Moreover, during 2020 the Group has directly paid £28.7 millions of taxes in the form of VAT, income tax, stamp duty land tax, stamp duty and national insurance contributions to the UK and Irish governments. The Group has not and does not intend to take advantage of any UK or Irish government incentives, loans or tax deferrals made available to it as a result of the COVID-19 pandemic.

The Company has also published a Tax Strategy which is available on our website.

Investors and lenders

The support of our shareholders, banking partners and lenders is crucial to sustaining our investment in the health infrastructure of the UK and Ireland. Post year-end we successfully completed the acquisition of Nexus with 99.95% of shareholders voting in favour of the transaction. In addition, we successfully completed a £140 million equity raise and £150 million of new debt facilities to further strengthen our balance sheet. We continue to enjoy strong relationships with our investor, banking and lending partners.

Despite the pandemic, we have successfully continued to value existing and potential relationships with our investors with over 200 meetings representing approximately 57% of the share-register during the course of 2020. Shareholders and analysts are regularly updated about our performance and are given the opportunity to meet management throughout the year and attend presentations and site visits to gain a better understanding of our business strategy.

Governance

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

We believe that good governance practices are essential to a successful and sustainable business and therefore we ensure that they are integral to us. We are compliant with the provisions of the UK Corporate Governance Code 2018 in so far as it is applicable to PHP. We believe in transparency of our business to stakeholders ensuring we report comprehensively and fairly in our Annual and Interim Reports and engage with our stakeholders throughout the year.

We will:

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

These principles are supported by policies which address anti-bribery and corruption, whistleblowing, money laundering, prompt payment and management of the supply chain.

Enhanced disclosure

During 2020, PHP completed its first submission to The Global ESG Benchmark for Real Assets ("GRESb") and will do so again in 2021 and will publish the results when they are available later in 2021. PHP will also complete and make available disclosures in accordance with EPRA Sustainability Best Practice Recommendations ("sBPR") and is already preparing to report under the framework established by the Task Force for Climate Related Financial Disclosures ("TCFD").

Anti-corruption and anti-bribery

The Group's policy is to conduct all of its business in an honest and ethical manner. The Group takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all business dealings and relationships wherever it operates and implements and enforces effective systems to counter bribery. There were no reported incidents of non-compliance during 2020.

Non-financial information statement

The Group has complied with the requirements of s414CB of the Companies Act 2006 by including certain non-financial information within the strategic report. This can be found as follows:

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

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

- environmental matters on page 42;
- social matters on page 44;
- health and safety matter on page 46;
- respect for human rights on page 46; and
- anti-corruption and anti-bribery matters on page 47.

None of the matters listed above have been identified as a principal risk.

All key performance indicators of the Group, including those non-financial indicators, are on page 18.

The Business Review section on pages 19 to 24 includes, where appropriate, references to, and additional explanations of, amounts included in the entity's annual accounts.

Laure Duhot
Chairman of the Environmental, Social and Governance Committee

Primary Health Properties PLC
17 February 2021

How does the Board consider the interests of key stakeholders?

The Directors are required by law under s172 of the Companies Act 2006 to act in the way that they consider, in their good faith judgement, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and in doing so need to take into account a number of factors, including the views of the Group's key stakeholders and describe in the annual report how their interests have been considered in Board discussions and decision making. The Board considers that throughout the year, it has acted in a way and made decisions that would most likely promote the success of the Group for the benefit of its members as a whole, with particular regard to:

S172 factor	How factor is brought into Board decision making	Read more
a) the likely consequences of any decision in the long term	The very nature of our business model means that the Board has to have the long-term consequences of its investment decisions in mind. The leases which we grant on primary care medical centres are generally over 20 years in length as these facilities form a key component in the delivery of healthcare in a locality. The practice(s) operating from these premises need modern, flexible premises from which to operate and the security of a long-term commitment from the landlord to deliver their crucial front-line health services. We seek to improve and enhance existing premises so they remain fit for purpose and incorporate new technologies. We strive to build lasting relationships with our occupiers and build a partnership with them.	• Our business model (p.14) • Financial Review (p.25) • Responsible Business (p.40)
b) the interests of the Company's employees	The Board considered how the COVID-19 pandemic had impacted on the Group's staff and engaged with them to understand the arrangements made for home working and the risk assessments undertaken when re-opening the offices. Laure Duhot will be the Non-Executive Director representative for workforce engagement post internalisation.	• Our COVID response (p.12) • Stakeholders and People (p.45)
c) the need to foster the Company's business relationships with suppliers, customers and others	The Board seeks to foster the Company's relationships with suppliers and to treat our suppliers fairly by, amongst other things ensuring prompt settlement of their invoices.	• Stakeholders (p.45) • Directors' Report (p.92)
d) the impact of the Company's operations on the community and the environment	We have supported our tenants in adapting their premises, where necessary, to provide COVID-19 secure facilities to their local communities during the pandemic. This year we have also further enhanced our ESG activities and created an ESG Committee headed by Laure Duhot.	• Our COVID response (p.12) • Responsible Business (p.40)
e) the desirability of the Company maintaining a reputation for high standards of business conduct	We have a clear purpose to create outstanding spaces for primary healthcare services in our communities. We believe good governance is key to the way we run our business and we seek to comply with all legal and regulatory standards.	• Responsible Business (p.40) • Corporate Governance (p.56)
f) the need to act fairly as between members of the Company	The Board embraces open dialogue with shareholders and has communicated with shareholders on the most important corporate events through the year, including the capital raising and internalisation projects to understand their views.	• Stakeholders – Investors and lender (p.45)

An example of how we have exercised our s172 duties in practice is set out in the case study on pages 20 and 23.


Ionad Cúram Príomhúil
Baile Atha Í
Athy
Primary Care Centre
McCAULEY

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

1 STEVEN OWEN

Independent Non-executive Chairman

Election to the Board
Steven Owen was elected at the Company's Annual General Meeting in 2014 having been appointed to the Board in December 2013, and following his election to the Board he took up the position as Chairman of the Audit Committee and Senior Independent Director. Steven was appointed Chairman in April 2018 and also took over as Chairman of the Nomination Committee.

Career
Steven embarked on his career with KPMG before moving into property with Brixton plc where he became Finance Director and subsequently Deputy Chief Executive. He was CEO and Founding Partner of Wye Valley Partners LLP, a commercial real estate asset management business.

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

Other listed directorships
None

Independent Non-executive
Yes

2 HARRY HYMAN

Chief Executive Officer

Election to the Board
Harry Hyman was the founder of the Company in 1996 and served on the Board as Managing Director from that time and represented the Adviser, Nexus Tradeco Limited, on the Board. On completion of the internalisation of the advisory and management functions previously carried on by Nexus, on 5 January 2021, Harry Hyman was appointed as Chief Executive Officer.

Career
Harry graduated from Cambridge University and trained as a Chartered Accountant and Corporate Treasurer. He established the Company in 1996 and was the Managing Director of Nexus Tradeco Limited which until 5 January was the Adviser to PHP. He is a Fellow of the Institute of Chartered Accountants in England and Wales, a Fellow of the Association of Corporate Treasurers and a Fellow of the Royal Institute of Chartered Surveyors.

Skills, competence and experience
Harry has extensive experience in investing in the primary healthcare sector, having developed the Company's business from inception over 20 years ago to its current position with an investment portfolio of over £2.6 billion. He also brings entrepreneurial flair to the Board having established a number of successful private companies.

Other listed directorships
Harry is the Chairman of Biopharma Credit Plc which invests in the fast-growing science industry, listed on the London Stock Exchange.

Independent Non-executive
Not applicable

3 RICHARD HOWELL

Chief Financial Officer

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

Career
Richard is a Chartered Accountant and has over 20 years' experience working with London-listed commercial property companies, gained principally with LondonMetric Property plc and Brixton plc. Richard was part of the senior management team that led the merger of Metric Property Investments plc and London & Stamford Property Plc in 2013 to create LondonMetric Property plc with a combined property portfolio of £1.4 billion.

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

Other listed directorships
None

Independent Non-executive
Not applicable

Key to Committee membership

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- E Adviser Engagement Committee
- G ESG Committee
- S Standing Committee
- C Chairman of Committee

4 PETER COLE

Independent Non-executive Director

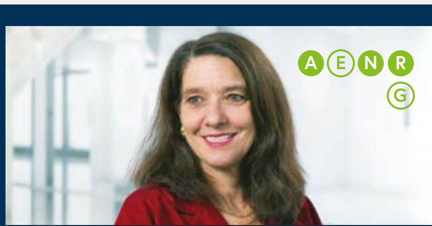
Election to the Board
Peter Cole was appointed to the Board on 1 May 2018 and is the Chairman of the Remuneration Committee.

Career
Peter is a Chartered Surveyor and was the Chief Investment Officer of Hammerson PLC, the FTSE-listed owner, manager and developer of real estate in the UK, Ireland and Continental Europe, until his retirement in May 2019. He held overall responsibility for developments, acquisitions and joint ventures. He was a main Board Director of Hammerson from October 1999 to 31 December 2018, and has subsequently been appointed as a director of Hermes CMK General Partner and LabTech International.

Skills, competence and experience
Peter has considerable experience of property investment and a deep understanding of the real estate market and investor sentiment. He brings to the Board a combination of skills in property investment and development in the UK and Europe and an understanding of the regulatory environment and governance for listed companies in the UK.

Other listed directorships
None

Independent Non-executive
Yes



5 LAURE DUHOT

Non-executive Director

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

Career
Laure started her career in the investment banking sector and has developed a focus on the property sector. She has held senior roles at Lehman Brothers, Macquarie Capital Partners, Sunrise Senior Living Inc., Grainger plc and Landlease. She was also a Non-executive Director of InLand Homes plc until July 2020 and is a Non-executive Director of NB Global Monthly Income Fund Limited and MIC Limited.

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

Other listed directorships
NB Global Monthly Income Fund Limited

Independent Non-executive
Yes

6 IAN KRIEGER

Senior Independent Non-executive Director

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

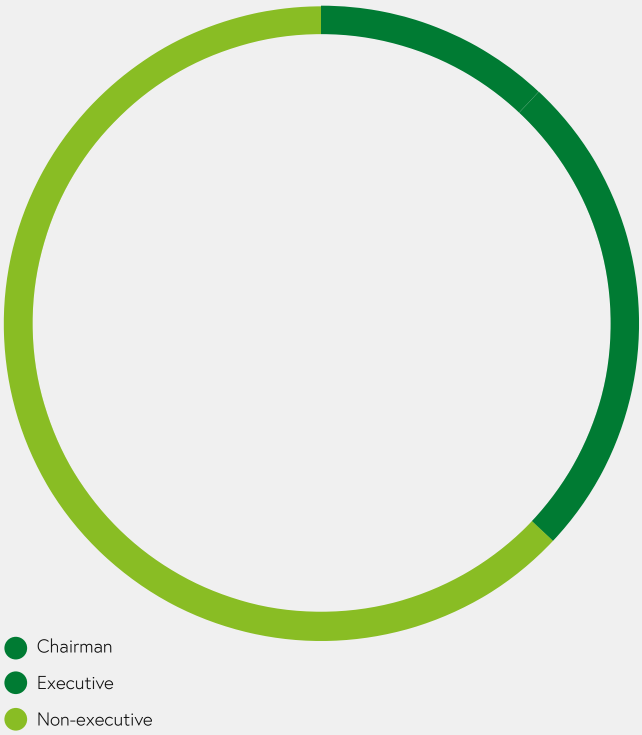
Career
Ian is a Chartered Accountant and was a Partner and Vice-Chairman at Deloitte until his retirement in 2012. His is currently Senior Independent Non-executive Director and Chairman of the audit committee at Safestore Holdings plc. He is also a Non-executive Director at Capital & Regional plc, where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

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

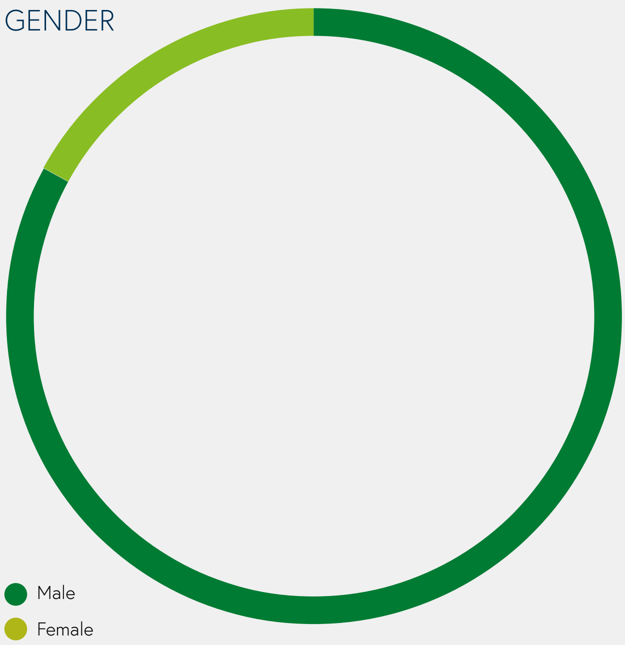
Other listed directorships
Safestore Holdings plc and Capital & Regional plc

Independent Non-executive
Yes

BALANCE OF THE BOARD

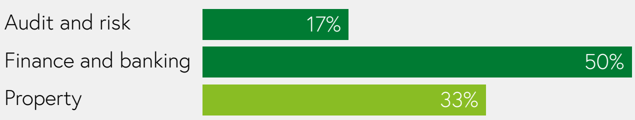


GENDER



COMPOSITION OF THE BOARD

Board skills and experience



BOARD ACTIVITIES DURING THE YEAR

February
The Board reviewed the year end property valuations and preliminary announcement of results and agreed to proceed to bid for a portfolio of 22 medical centres

March
An unscheduled board meeting was held to consider the impact of the COVID-19 pandemic on the business and the operations of the Adviser

April
The Board considered the impact of the COVID-19 pandemic on tenants and approve a trading update statement

June
The results of the first tenant survey were examined; and the Board received a detailed presentation on the rent review process in the sector; and a report on ESG matters

July
Two meetings were held in the month: the first to approve the £140 million placing and the second to approve the interim results

October
The annual strategy meeting was held followed by the regular board meeting to receive updates from the Adviser and approve the 2021 Budget

December
Proposals to internalise the management function by acquiring the Adviser from Mr Hyman and to establish an ESG Committee were approved

ADVISER

Nexus Tradeco Limited ("Adviser")

The business of the Company is managed by the Board, which takes all the strategic and investment decisions. During the year to 31 December, 2020, the Adviser provided all the property advisory, management, administrative and accounting services and company secretarial functions for the PHP Group under an Advisory Agreement. Further information on the Advisory Agreement and services provided is on pages 74 and 75. Following the completion on 5 January 2021 of the internalisation of the functions provided by the Adviser, the staff employed by the Adviser and other companies acquired by PHP as part of the internalisation transaction, now fulfil these functions. It is anticipated that the Advisory Agreement will be formally terminated in the coming months once consents required under the terms of the Group's banking facilities have been obtained.

The Adviser Engagement Committee, which consists entirely of independent Non-executive Directors led by Laure Duhot, evaluated and scrutinised the performance of the Adviser during they year, and it also reviewed the culture of the wider Nexus Group to ensure that it conforms with PHP's culture, policies and responsible business agenda. The Adviser Engagement Committee also scrutinised and approved the charges levied by the Adviser. Further details of the work of the Adviser Engagement Committee can be found in its report on pages 73 to 75. Following the internalisation, the Adviser Engagement Committee has been dissolved.

BOARD OF PHP

Senior Leadership Team

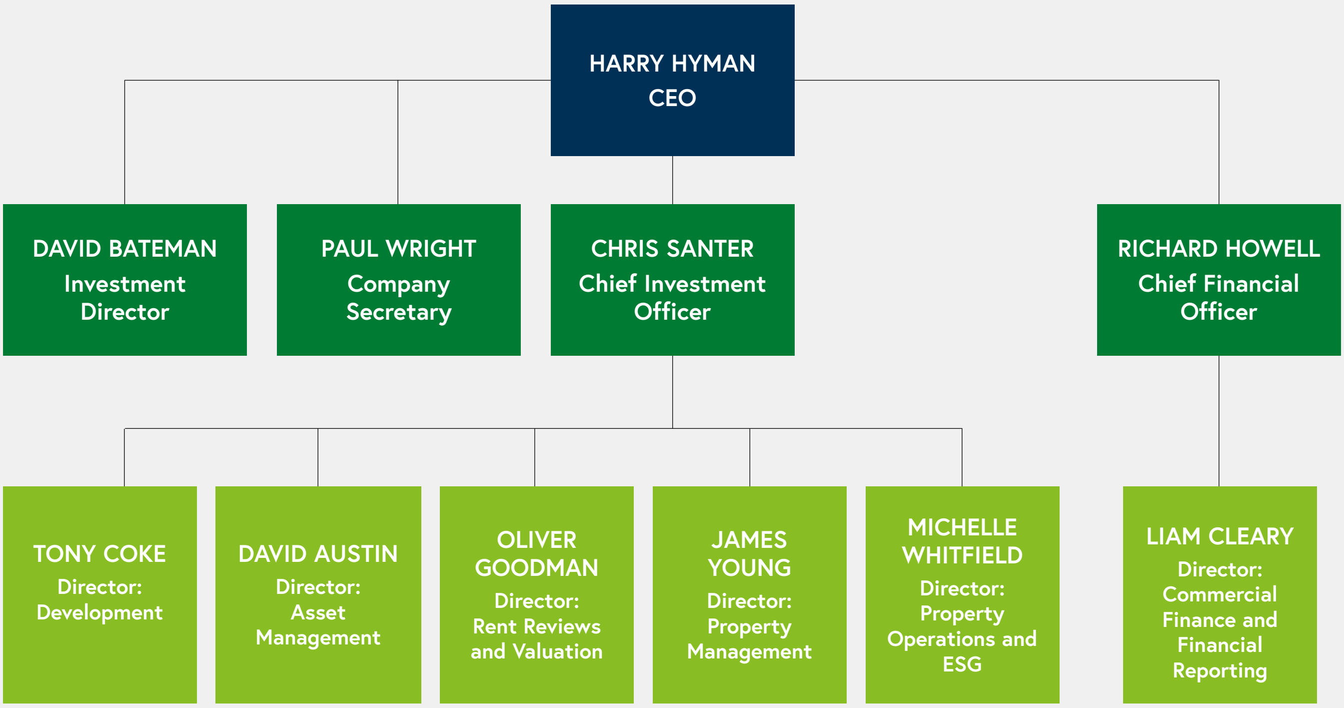
We set out below is a chart showing the structure of the senior management team who manage the day to day operations of the business. Further details of the team are set out on pages 54 and 55.

The Senior Leadership Team, operates under the direction and leadership of the Chief Executive to deliver the approved strategic objectives and manage the day to day running of the business and comprises departmental heads from all key business functions with a diverse range of skills and experience.

The team meets on a weekly basis, which during the disruption caused by the COVID-19 pandemic, has been mostly on a remote basis.

When the initial lockdown was lifted in the summer, the offices in London and Stratford-upon-Avon were opened for at time following the completion of a risk assessment by Nexus and the introduction of revised working patterns to allow for social distancing, which allowed teams from each department to work for a limited number of days each week in the office, while it continued to be safe to do so.

Despite the disruption to operations caused by the pandemic, the team continued to operate effectively while working from home for all or part of each week.



SENIOR LEADERSHIP TEAM

EXECUTIVE COMMITTEE

The Team are listed opposite, along with the dates they joined the Adviser.

HARRY HYMAN

Chief Executive Officer

Full biography page 50.

RICHARD HOWELL

Chief Financial Officer

Full biography page 50.

CHRIS SANTER

Chief Investment Officer

Chris joined in October 2017 from PGIM Real Estate, the asset management arm of Prudential Financial Inc and he has over 20 years real estate investment and development experience in the UK and continental Europe.

He has been responsible for a number of funds investing in/or managing real estate assets with a value of over £2 billion. Chris has an MBA from Warwick Business School, is a Member of the Royal Institute of Chartered Surveyors.

DAVID BATEMAN

Investment Director

David was appointed Investment Director in December 2016 and subsequently to the PHP PLC Executive Team in 2021. David is responsible for the investment team with significant input across investor presentations, strategy and development. Over the last 20 years David has worked across all property sectors but with an increasing focus on operational led property and with substantial expertise in sale and leaseback, development led transactions and investments.

PAUL WRIGHT

Company Secretary

Paul Wright joined the Adviser's team in September 2016 as Chief Legal Counsel & Company Secretary. Paul is a solicitor with over 25 years' experience gained in private practice and in-house. Paul has previously been Company Secretary & General Counsel at Taylor Nelson Sofres PLC (now part of WPP PLC), Playtech PLC and Cambian Group PLC.

SENIOR MANAGEMENT

DAVID AUSTIN

Director: Asset Management

David joined in August 2016 and was appointed to head up the Asset Management team in 2019 following the merger with the MedicX Fund. David is a Chartered Surveyor with over 20 years' post qualified experience with Jones Lang LaSalle, LaSalle, Axa, LandSec and MWB.

TONY COKE

Director: Development

Tony is a chartered surveyor with 15 years' experience in primary care development. Tony's teams have delivered some 30 new premises across the south of the UK, with a particular focus on the south east and greater London. Tony is conversant with all aspects of primary care premises development from the initial project brief right through to achieving practical completion on the premises.

MICHELLE WHITFIELD

Director: Operations and Sustainability

Michelle joined Nexus in February 2014. She has previously worked in national property and asset management for NFU Mutual Insurance Society Ltd and Halfords. She moved to specialist healthcare developer and investor Prime PLC in 1999, managing their portfolio of primary care centres, and joined Nexus upon the transfer of the Prime portfolio to PHP. Michelle is based in the Stratford Upon Avon office and over sees the provision of property management services to the PHP portfolio.

JAMES YOUNG

Director: Property Management

James joined following the merger with the MedicX Fund in 2019, where he was Head of Asset and Property Management. James s a Chartered Surveyor with some 20 years' experience having worked as a property and asset manager for the likes of CBRE, GVA Grimley and Herring Baker Harris.

OLIVER GOODMAN

Director: Rent Reviews and Valuation

Oliver Goodman, who joined PHP as a result of the merger with the MedicX Fund in 2019, and heads up the team responsible for negotiating and securing rent reviews across the portfolio. Oliver is a Chartered Surveyor and he has an in-depth understanding of the process of agreeing rent reviews with District Valuers in accordance with the regulations that govern the reimbursement of rents on GP surgeries.

LIAM CLEARY

Director: Commercial Finance and Financial Reporting

Liam joined following the merger with the MedicX Fund in 2019, and is now responsible for commercial finance and financial reporting. Liam is a Chartered Accountant who has over twelve years' experience working in private and public companies. Before working on the MedicX Fund he worked at both PwC and Deloitte Touche Tohmatsu in UK and Australia. Liam has a degree in Maths & Accounting and Financial Management from Loughborough University.

LETTER FROM THE CHAIRMAN

"At this stage of its development, the move towards an internally managed structure is appropriate for a UK-REIT of the scale of PHP."

Steven Owen
Independent Non-executive Chairman

DEAR SHAREHOLDER

Introduction

2020 has been an extremely significant year in the development of Governance in your Company. In December 2020 the Board announced that it had reached agreement for the acquisition of Nexus Tradeco Holdings Limited. This transaction has internalised the management functions of the Group and ended a period, since the Company listed on AIM in 1996, during which the Company has been externally managed and so removed potential or perceived conflicts of interest between the Adviser and PHP.

We also agreed to acquire Nexus's primary care development subsidiary, allowing PHP to bring forward its own pipeline of developments using its balance sheet. I am pleased to report that the acquisition was overwhelmingly approved by over 99.9% of shareholders who voted at the General Meeting held on 4 January 2021 to approve the transaction.

In addition, it has been a challenging year for businesses of all kinds due to the coronavirus pandemic, which has thrown a harsh light on the sustainability of the business model for many companies in the sector, with the outlook for certain sectors that were already facing disruption continuing to deteriorate. I am pleased that the pandemic has highlighted the robust nature of our business model.

In navigating the challenges and opportunities created during 2020, good governance principles and practices are critical to drive a company's long term success. Your Board remains committed to leading by example and upholding the highest standards of governance that we have set in the past. The Board provides leadership and direction to the business, establishes and fosters the culture, values and ethics, and independently oversees the execution of strategy within an acceptable risk management and internal control framework.

As stewards of the Company, we are responsible to our shareholders, customers, employees and other stakeholders for its long term success. We recognise that, as guardian of our culture, the Board plays a vital role in defining the way in which we do business and sets the tone for the Company. Its attitude and mindset to do what is right shapes the environment within which the executive team works and the way it behaves towards its stakeholders.

In the Corporate Governance Report over the next few pages we describe how the Board and its Committees worked on behalf of shareholders and other stakeholders, driving the culture necessary for PHP to achieve its strategic goals, and how we discharged our statutory duties and oversight functions. I hope this section of the report will help you gain a better understanding of the effectiveness of our Board and how we apply the main principles of the July 2018 UK Corporate Governance Code (the "Code"), issued by the Financial Reporting Council ("FRC").

Stakeholders and sustainability

The Board is very conscious that there are a number of stakeholders in our business model, and engagement with them remains an important priority for PHP. Our stakeholders' views are a key consideration when making decisions which may affect them.

During the year the Board reviewed how it engaged with stakeholders to ensure that its engagement is both appropriate for the business and dynamic, so that we can respond as the business and our stakeholders' views evolve and as we seek to better embed these processes. We provide further details on our initiatives to engage with all our stakeholders on pages 40 to 47 and how we discharge our duties under Section 172 of the Companies Act 2006 on page 48.

During the year we appointed Laure Duhot to chair the ESG Committee, which developed from a joint committee formed with the Adviser in 2019 to drive forward our environmental, social and governance agenda. We believe having a full Board Committee responsible for these important matters will give greater impetus, in particular, to PHP's initiatives to reduce the environmental impact of the Group's portfolio, where it has control over the level of emissions. Further details on this workstream can be found in the Responsible Business report on page 43.

COVID-19

The way in which we have responded to the COVID-19 crisis demonstrates that the interests of our stakeholders are fully integrated into our decision making. Key considerations included:

- the interests of employees of the Adviser in moving to working from home during the lockdowns;
- our relationships with tenants (other than NHS or HSE related tenants) in agreeing rent deferrals or other arrangements;
- the safety and needs of our suppliers in closing down and safely reopening construction sites;
- the impact on the communities by configuring our medical centres, where required, to act as hubs for patients with coronavirus;
- the consequences of supporting our customers to preserve long term value for shareholders; and
- balancing all of the above with the interests of shareholders.

Culture

It is my role to provide leadership to ensure the operation of an effective Board, based on a culture of openness and mutual respect. Such a culture allows the Board to provide constructive scrutiny of proposed investments and help develop proposals on strategy. The Board understands the importance of its role in setting the tone for the culture of PHP and the importance of boardroom diversity as providing a wide range of perspectives to avoid a narrow approach in thinking.

Diversity

It is the Board's policy to seek to ensure that a range of suitable candidates of different genders, ages, ethnicities and backgrounds are considered whenever we seek to make changes to the Board. The priority of the Board is to ensure that the Group continues to have the most effective Board possible and all appointments to the Board are made on merit against objective criteria. We are conscious that, in order to achieve the 33% target of women on boards set by the Hampton-Alexander Review, there should be two women on the Board. Whilst appointments to the Board will always be based on merit, gender balance and the achievement of this target will be a consideration in future appointments. We will continue to work to promote diversity, in all its forms, including gender, ethnicity or religion. More information on diversity is given in the Nomination Committee Report on pages 71 and 72.

Evaluation

Another important annual exercise is the Board effectiveness review. This year, we planned to carry out an external evaluation so as to ensure that, in line with the recommendations of the Code, we carried one out within three years of PHP joining the FTSE 350 index in 2018. Given the constraints imposed by COVID-19, it was decided that we would not be able to derive the fullest benefit from this exercise and so I led the annual Board evaluation process using a questionnaire created with the assistance of the Company Secretary. I am pleased that the anonymised feedback confirms my view that the Board continues to work effectively and that we have the right skills and experience to support the business. Details of the evaluation and the main findings of the process are set out on page 65.

AGM

We are planning to hold our Annual General Meeting on 12 May 2021 and we will be sending out a notice of meeting nearer the time. It is not clear at this stage whether it will be possible to hold a meeting at which shareholders can attend in person, but following the adoption of new articles of association we have more flexibility in how we hold meetings. The Board will keep the format of the meeting under review and we will be communicating with shareholders in due course. In what ever form the meeting takes, I hope that as many as possible of our shareholders are able to attend.

Looking ahead

I am sure that at this stage of its development, the move towards an internally managed structure is appropriate for a UK-REIT of the scale of PHP. We have secured the continuity of a well-regarded and experienced management team, led by Harry Hyman and Richard Howell, to run the day-to-day management of the business and I am satisfied that our governance structures remain effective and supportive of the development of our business in its new phase of development.

Steven Owen
Chairman
17 February 2021

Statement of compliance with the UK Corporate Governance Code

The 2018 edition of the Code contains broad principles and specific provisions to assist how boards operate. This Code applied to PHP during the financial year ended 31 December 2020.

As the Company was externally managed during the whole of the year under review, it had no responsibility for the remuneration of the Executive Directors who were employees of Nexus and there was no workforce with whom the Board could engage. As a consequence, the portions of provision 5 of the Code that relate to workforce engagement are not applicable to the Company. Further, as the Remuneration Committee had no remit to review the remuneration policies of the Adviser and its workforce and had no remuneration schemes, provisions 23, 33, 36–38 and 40 of the Code are not considered to be applicable during the financial year ended 31 December 2020. As explained above, the Adviser Engagement Committee monitored the performance of the Adviser in meeting the Company's objectives, as required by Principle C of the Code, and the Board ensured that the workforce policies and practices of the Adviser were consistent with PHP's values and support its long term sustainable success, to replicate, insofar as possible given the external management structure, the requirement of Principle E of the Code. The joint Nexus/PHP Risk Committee which reports to the Audit Committee reviews and considers the effectiveness of the Adviser's controls and risk management processes, as required by Principle C of the Code. For the reasons set out above, no externally facilitated board evaluation has taken place.

The Board considers that the Company has complied with the provisions of the Code throughout the year insofar as it is applicable to it. We set out in the following pages how we believe we have done so.

OUR GOVERNANCE STRUCTURE

Board of Directors

Chairman: Steven Owen

- Collectively responsible for the long term success of the business taking into account the views of shareholders and other stakeholders. It sets the Group's strategic aims, ensuring that the necessary resources are available for the Group to meet its objectives, and oversees the execution of the strategy within an acceptable risk management framework. The Board also established and fosters the Group's values and standards
- Biographies – see pages 50 and 51
- Activities – see page 52

Audit Committee

Chairman: Ian Krieger

- Oversees the quality of financial and narrative reporting
- Scrutinises significant judgements made by management
- Provides assurance on internal controls, risk management and audit processes
- Evaluates the performance of the external auditor

Membership: Ian Krieger, Peter Cole and Laure Duhot

Remuneration Committee

Chairman: Peter Cole

- Determines and implements Remuneration Policy
- Sets remuneration packages and incentives for Executive Directors and senior management
- Approves annual bonus and LTIP targets and outcomes
- Has oversight of workforce remuneration arrangements and alignment

Membership: Peter Cole, Steven Owen, Laure Duhot and Ian Krieger

Nomination Committee

Chairman: Steven Owen

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

Membership: Steven Owen, Ian Krieger, Peter Cole and Laure Duhot

ESG Committee

Chairman: Laure Duhot

- Assist in the development of ESG strategy
- Develop and monitor policies on ESG matters
- Consider opportunities for environmental initiatives in portfolio

Membership: Laure Duhot, Peter Cole, Harry Hyman, Richard Howell and Chris Santer

Adviser Engagement Committee**

Chairman: Laure Duhot

- Oversees and reviews performance of the Adviser in delivering the Group's strategic and sustainability goals
- Approves fees paid to the Adviser
- Approves any changes to the Adviser contract

Membership: Laure Duhot, Steven Owen, Ian Krieger and Peter Cole

ADVISER'S COMMITTEES

PHP/Nexus Risk Committee**

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

Membership: Andrew Herd (Chairman)*, Harry Hyman, Richard Howell, Chris Santer, Paul Wright, Liam Cleary and James Young

Nexus Management Committee**

- Reviews investment opportunities for consideration by the Board
- Reviews performance of assets and proposals for asset management projects
- Undertakes day-to-day management of the PHP portfolio
- Reports to the Board at each meeting

Membership: Harry Hyman (Chairman), Richard Howell, Chris Santer, David Bateman and David Austin

* Andrew Herd, who is Chairman of the PHP/Nexus Risk Committee, is a Non-executive Director of Nexus Tradeco Holdings Limited, the parent of the Adviser, and is the Managing Director of Lancashire Court Capital Limited, a London-based investment and consulting business. Andrew is a Non-executive Director and the Audit Committee Chair at United Trust Bank.

** These committees were applicable for the financial year, however post Internalisation of management in 2021 will no longer be applicable.

HOW GOVERNANCE SUPPORTS OUR STRATEGY

Board's governance role	Board discussions, decisions and actions in the year	Links
Setting strategy	An annual strategy presentation was given in October by the Executive Directors and senior members of the Adviser's team, and discussed by the Board. Consideration was given as to whether any changes to strategy were required in light of emerging risks. In particular, consideration was given to the impact of the coronavirus pandemic on the delivery of primary care services and a move towards remote consultations. The property and healthcare market outlook, financial strategy and the economic and political landscape were also debated.	Page 63
Investment decisions	The Board approved the £54 million acquisition of a portfolio of properties as standing let investments. The funding of developments at Epsom and Llanbradach in the UK and Arklow in Ireland were approved by the Board, following receipt of detailed investment appraisal papers from the Adviser to ensure these were in line with strategy. To enhance the capital value of the portfolio, the Board agreed capital expenditure totalling £8.1 million on over 24 asset management projects in the year.	Page 19
Financial performance	The annual and interim financial statements and results presentations were considered and approved. An in-depth scrutiny of the annual and interim property valuations was undertaken with the valuers attending the relevant Board meetings. The internal control framework and risk register were reviewed with specific consideration given to COVID-19, IT and cyber security issues. The three-year rolling financial forecasts and going concern and viability statements for the Group were reviewed and approved.	Pages 68 and 69
Income and dividend progression	The Group's dividend policy for the year and the level of quarterly interim dividends were considered and approved to ensure a fully covered dividend.	Page 92
Capital allocation	In order to finance identified investment opportunities and to maintain an appropriate loan to value % ("LTV") in the short term, it was agreed to undertake a £140 million placing of new Ordinary Shares. Approved entering into new finance facilities with Barclays and Lloyds Banks. In light of continued low interest rates, the re-couponing of a £88 million swap at 0.0397% fixed until 21 March 2022 and a £100 million swap at 0.699% fixed until 29 November 2024 and the cancellation of £70 million, 4.52% swaps maturing June/July 2026 was approved following a recommendation from the Finance Director.	Pages 28 and 29
Stakeholder engagement	Feedback was received following shareholder meetings, roadshows and results presentations. We continued to ensure that our supplier's received prompt payment for their services throughout the pandemic and further information is available on page 46. We received proposals on a more formal stakeholder engagement and environmental reporting framework.	Pages 40 to 47
Leadership and direction	The Board received an update on duties under Section 172 of the Companies Act 2006 and obligations in respect of reporting. Conducted internal Board and Committee performance evaluation review.	Pages 48 and 64
ESG	The Board has established an ESG Committee which has developed and approved a new ESG policy to support our sustainability initiatives which is available on the PHP website.	Pages 40 to 47

PART A: BOARD LEADERSHIP AND COMPANY PURPOSE

Purpose

The Board has determined that the Company's purpose is to improve the delivery of healthcare in the United Kingdom and Ireland through investment in primary care facilities and to deliver strong and secure returns to shareholders through execution of its strategy. We do this by investing in or developing modern, purpose-built health centres that serve as key healthcare assets in the local community delivering a wide range of primary care and other services to local population. We also continually invest in our estate through asset management projects designed to improve the quality of the buildings, making them more energy efficient and increasing their facilities. The Board believes that the Group's portfolio of properties offer long term and sustainable sources of rental income to underpin the steadily growing returns we offer to shareholders.

Leadership

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

Your Board is collectively responsible for assessing the basis on which the Company generates and delivers long term, sustainable returns to shareholders, having due regard to its purpose, and the views and interests of its stakeholders and of the communities within which it operates.

Culture and values

The Board establishes the culture, values and ethics of the organisation, sets and implements strategy and provides leadership and direction within a sound framework of risk management and internal control. The Chairman fosters the culture and values of the Board which involves a willingness to take considered risk to achieve the Company's strategic goals, within an open and respectful environment that encourages constructive challenge and debate. The Adviser Engagement Committee ensured that the workforce policies and practices of the Adviser are consistent with PHP's values and support its long term sustainable success.

Stakeholders

Stakeholder engagement is integral to delivering modern, state-of-the art medical centres and in working with our development partners on the development of new facilities, or in planning asset management projects, we engage deeply with the NHS in the UK and the HSE in Ireland, as well as with local GPs and other healthcare professionals. The decisions taken by the Board to maximise shareholder value are enhanced by the views of the diverse range of stakeholders and wider communities that we serve.

Engagement with our tenants is particularly important and the results of the tenant survey conducted at the end of 2019 were reviewed by the Board and the structure of the survey conducted in November 2020 approved. The mechanisms that ensure effective stakeholder engagement shapes decisions in the boardroom are described on page 47. Further information on PHP's contribution to wider society can be found on page 45.

Shareholders

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

Harry Hyman, CEO and Richard Howell, CFO are the Company's principal representatives at meetings with investors and along with Chris Santer, the Chief Investment Officer of the Adviser, they hold meetings throughout the year to communicate the Company's strategy and performance.

Investor meetings

The framework of investor relations is set around the financial reporting calendar, specifically the announcement of half and full year results. A full range of face-to-face investor meetings was possible following the publication of our results in February, but due to the impact of COVID-19, our usual investor meetings following the announcement of the interim results in July had to be conducted remotely, either by video-conference or telephone conference call.

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

The Company's representatives also met with a number of existing and potential investors in connection with the equity raise during the year which was successful in broadening the shareholder base and introducing a number of long term shareholders from overseas. The Chairman also met with a number of institutional investors to canvass their support in relation to the internalisation of the management function.

The Company will continue to engage with overseas investors to broaden its investor base further. The Company also presented at a number of conferences during the year including participating on panel discussions organised by various brokers including Peel Hunt and Numis.

Shareholder communications

Shareholders are kept informed of the Company's progress through results statements and other announcements released through the London Stock Exchange. Company announcements are made available on the website affording all shareholders full access to material information. The website is an important source of information for shareholders and includes a comprehensive investor relations section containing all RNS announcements, share price information, investor presentations, half year results and Annual Reports available for downloading.

A live and on-demand webcast of results and an interview with the Managing Director and Finance Director is posted twice a year. Individual shareholders can raise questions directly with the Company at any time through a facility on the website.

Shareholders are encouraged to participate in the Annual General Meeting of the Company, which provides a forum for communication with both private and institutional shareholders alike. The whole Board attends and is available to answer shareholder questions. The Senior Independent Director is also available to respond to shareholder concerns when contact through the normal channels is not appropriate.

Conflicts

The Board has adopted a formal procedure under which Directors must notify the Chairman of any potential conflicts. The Chairman then decides whether a conflict exists and recommends its authorisation by the Board, where appropriate.

The Company Secretary maintains a register of approved conflicts of interest through this process. In certain circumstances the conflicted Directors may be required to absent themselves while such matters are being discussed. No such situations arose in the year.

The Board has delegated to the Nomination Committee the process of formally reviewing conflicts disclosed on an annual basis and the authorisations given (including such conditions as the Board may determine in each case). Any conflicts or potential conflicts considered by the Board and any authorisations given are recorded in the Board minutes and in the register referred to above.

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

PART B: DIVISION OF RESPONSIBILITIES

There is a clear written division of responsibilities between the Chairman (who is responsible for the leadership and effectiveness of the Board) and the Chief Executive (who was, during the year, responsible for the activities of the Adviser in managing the Group's portfolio). The responsibilities of the Chairman, the Chief Executive and Senior Independent Director have been agreed by the Board and are clearly defined and quite distinct from each other as described below.

The Board has a schedule of matters formally reserved to it for its decision, such as strategic and major financial matters which include acquisitions, dividend policy, equity raising, debt issuance and treasury management and key operational issues.

This governance structure set out on page 58 ensures that the Board is able to focus on strategic proposals, property acquisitions and major transactions and governance matters which affect the long term success of the business.

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

The Board delegated certain operational and management activities during the year under review to the Adviser in the Advisory Agreement as described on pages 74 and 75. There was a clear statement of delegated authorities setting out the financial parameters within which the Adviser may act without reference to the Board, although any proposal could still be taken to the full Board for consideration and approval where this is considered appropriate. Harry Hyman was accountable to the Board, in his capacity as the Managing Director of the Adviser, for the day-to-day management of the Group and the Finance Director was responsible for the preparation of the financial statements and the provision of quarterly management account information.

How the Board functions

Regular Board and Committee meetings are scheduled throughout the year with six scheduled meetings held in 2020 of which five have been held remotely by video-conference due to restrictions on physical meetings imposed by the government. In response to the COVID-19 crisis, a further two informal meetings were held to understand the impact of the pandemic on stakeholders, in particular tenants and employees of the Adviser. Two ad hoc board meetings were required in the year: the first in July to approve the terms of the £140 million placing that was completed successfully in that month, and the other to approve the agreements and other documents in relation to the internalisation project in December. The negotiations for the acquisition of Nexus Tradeco Holdings Limited and internalisation of the management function were led by the Chairman and the other Non-executive Directors were regularly updated and provided with copies of the draft transaction documents. An ad hoc Board meeting, which was not attended by Mr Hyman due to his interest in the transaction, was held to approve the transaction in principle and a committee consisting of the Chairman and Peter Cole authorised to conclude the terms of the documentation.

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

If any investment decisions are required to be made between Board meetings, the Adviser circulates a detailed paper on the proposed investment setting out key matters for consideration, including financial returns, the quality of the building and its environmental rating, details of the healthcare services to be delivered from the medical centre (including details of the patient numbers and the local healthcare need) and other stakeholder considerations. In this way, the Board monitors that agreed upon approaches and processes are well understood and adhered to. Further, senior members of the Adviser's management team regularly attend meetings of the Board and have developed a strong understanding of the Board's approach and culture.

Board attendance

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

Director	Board (total in year – 6)	Ad hoc Board (total in year – 2)	Audit Committee (total in year – 3)	Nomination Committee (total in year – 1)	Adviser Engagement Committee (total in year – 2)	Remuneration Committee (total in year – 2)
Steven Owen	6	2	—	1	2	2
Harry Hyman	6	2	—	—	—	—
Richard Howell	6	2	—	—	—	—
Helen Mahy[1]	1	—	1	1	1	2
Peter Cole	6	2	3	1	2	2
Laure Duhot	6	2	1	1	2	2
Dr Stephen Kell[1]	1	—	3	1	1	2
Ian Krieger	6	2	3	1	2	2

1 Helen Mahy and Dr Stephen Kell resigned as Directors from the conclusion of the Annual General Meeting on 1 April 2020 and did not attend the Board meeting on that date.

On the rare occasions that a Director is unable to attend a meeting due to unavoidable business interests, separate discussions are held with, or comments are sought by, the Chairman on all matters of relevance. The Directors attended all the meetings of the Board that they were entitled to attend during the year.

During the year, the Chairman and the other Non-executives met periodically in the Adviser Engagement Committee and otherwise to discuss issues in the absence of the Executive Directors.

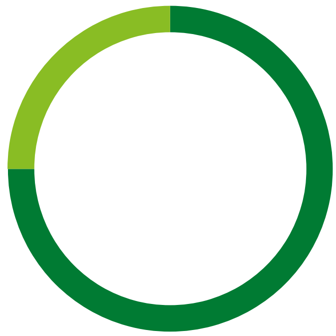
Strategy meeting

During 2020, the Board held a strategy meeting by video-conference devoted to consideration of the Group's strategy and in particular the potential impact of coronavirus on the delivery of primary care services and the trend towards remote consultations by GPs. It was unfortunately not possible to make any site visits during the year.

In preparation for the strategy meeting the Board received a background reading pack that included a review of the primary care property market, noting the increased investor interest in the sector with several new buyers of assets as well as developments within the NHS and the HSE impacting on the delivery of primary care. In particular, the papers included a presentation from Dr Arvind Madan on the impact of digital technologies on the delivery of primary care and the trend accelerated by the COVID-19 pandemic towards increased use of telephone and other remote methods of carrying out patient consultations. At the same meeting the Board considered proposals for the Company to increase its exposure to development activity.

DIRECTORS' GENDER

- Male
- Female



DIRECTORS' TENURE

- 1 year
- 2-3 years
- 4-6 years
- 10 years

PART C: COMPOSITION, SUCCESSION AND EVALUATION

Board composition

The current Board of Directors of the Company consists of the Chairman, three independent Non-executive Directors and two Executive Directors. Biographical information on each of our Directors can be found on pages 50 and 51, which shows the breadth of strategic and financial management insight brought to our Board and that the Chairman, Ms Duhot, Mr Cole and Mr Krieger are all considered to be independent.

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

The high calibre of debate and the participation of all Directors, Executive and Non-executive, in its meetings allows the Board to utilise the experience and skills of the individual Directors to their maximum potential and make decisions that are in the best interests of the Company.

Board induction and training

The Code provides that all Directors should receive a full, formal and tailored induction on joining the Board. On joining the Board new Directors are provided with a tailored induction programme delivered by the Company Secretary.

The training needs of each Director are reviewed by the Chairman. Directors are able to receive training or additional information on any specific subject pertinent to their role as a Director that they request or require. The suitability of external courses is kept under review by the Company Secretary, who is charged with facilitating the induction of new Directors and with assisting in the ongoing training and development of all Directors. All Directors have access to the advice and services of the Company Secretary and a procedure is in place for them to take independent professional advice at the Company's expense should this be required.

PART C: COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

Board evaluation

Our small Board allows us to continually assess the appropriateness of our agendas, and the information needed to support the Board's role in setting strategy, overseeing performance and decision making. This continuous process is supplemented by the annual Board performance evaluation.

The Code recommends that the Chairman should consider having a regular externally facilitated Board evaluation every three years and given that the Board has not had an externally facilitated evaluation since becoming a member of the FTSE 350 in April 2018, such an evaluation was under consideration for the final quarter of the year; however, given the restrictions on meetings imposed by the COVID-19 pandemic, and the fact that the proposals for internalisation of the management functions carried out by the Adviser were under active negotiation in that period, it was decided to assess the effectiveness of the Board and its Committees by means of a questionnaire drawn up by the Company Secretary and the Chairman in light of the Financial Reporting Council's 2018 Guidance on Board Effectiveness and the Code. The questionnaire covered the issues of composition, diversity and how effectively members work together, as well as a range of other topics.

The Chairman conducted an evaluation of the performance of each of the individual Directors as a separate exercise. A separate questionnaire was sent to members of the Audit Committee to evaluate the performance of that Committee as detailed in the Report of the Audit Committee on pages 66 to 70.

The Board will consider the services of an external organisation to lead the process for the current year following the internalisation of the Company's management functions.

Overall, the results of the questionnaires reflected well on the Board and the tone set by the Chairman and the Chief Executive. Its members are seen as being engaged and committed and able to raise challenges openly while the culture remains open, respectful and constructive.

Details of the outcomes of the 2019 evaluation and the 2020 evaluation, as well as the actions taken in response to the 2019 evaluation, are set out below:

2019 evaluation outcomes	Actions in 2020	2020 evaluation outcomes
Enhance the Board's risk management process by including a more formal emerging risk review in conjunction with the annual strategy review	The annual strategy review included a more formal consideration of emerging risks, including risks associated with climate change	Further develop the Board's consideration of longer-term strategic objectives and consideration of climate related risks
Include more special topic reviews to be led by members of the Nexus team or the Group's external advisers in the annual Board meeting cycle	The rent review team gave a detailed presentation on the process of setting and agreeing new rents, including the steps involved in reaching agreement with the District Valuer and/or appealing any decision made by the District Valuer	Evaluate whether some of the revised working procedures that the Board were forced to adopt by the COVID-19 pandemic may be adopted going forward to improve our processes
Consider the engagement of a third party to create the board evaluation questionnaire and assist in the evaluation	As explained above, in the circumstances of the global pandemic, the Board decided to defer use of a third-party questionnaire and evaluation process to 2020	Continue to strengthen our sustainability and community impact agendas through the work of the new ESG Committee

The Board intends to review the implementation of these recommendations as part of its evaluation process in 2021 and will report on progress in next year's Annual Report.

Ian Krieger, Senior Independent Non-executive Director, led an evaluation of the performance of the Chairman with the individual Directors. The Directors agreed that the Chairman and the Managing Director continue to have a strong, supportive relationship providing clear and effective leadership and focus that is instrumental to the long term success of the Company.

Commitment

The letters of appointment for Non-executive Directors set out the time commitment expected to be necessary to perform their duties. All Directors are aware of the need to allocate sufficient time to the Company in order to discharge their responsibilities effectively. Directors must obtain prior approval from the Board when they take on any additional responsibilities or external appointments and it is their responsibility to ensure that such appointments will not prevent them meeting their time commitments. Following his retirement as Chief Investment Officer at Hammerson PLC, the Board approved the appointment of Peter Cole to the boards of two private companies, as it considered that he would continue to have sufficient time to meet his commitments to the Company.

The Company provides the Non-executive Directors with appropriate support and facilities for the consideration of the Company's strategy and performance, and dialogue with the Chairman is encouraged so that any issues regarding time pressures or conflicting commitments are addressed appropriately.

Information and support

The Company Secretary is responsible for ensuring good and timely information flows within the Board and its Committees and between the senior management and the Non-executive Directors.

The Board uses a web-based system which provides ready access to Board papers and materials. Prior to each Board meeting the Directors receive the agenda and supporting papers through this system to ensure that they have all the latest and relevant information in advance of the meeting. During the year, the papers presented to the Board have been revised to specifically draw out, when considering properties for acquisition or development, the local needs for healthcare provision, the range of medical and other services to be provided from the centre and the environmental performance of the building. In addition, the Adviser's Report to the Board provides greater detail on any health and safety incidents, such as trips and falls, at the Company's premises where these remain a landlord's responsibility.

After each Board meeting, the Company Secretary operates a comprehensive follow-up procedure to ensure that actions are completed as agreed by the Board.

PART D: AUDIT, RISK MANAGEMENT AND INTERNAL CONTROL

Financial and business reporting

The Board is responsible for preparing the Annual Report and confirms in the Directors' Responsibilities Statement set out on page 96 that it believes that the Annual Report, taken as a whole, is fair, balanced and understandable. The process for reaching this decision is outlined in the Report of the Audit Committee. The basis on which the Company creates and preserves value over the long term is described in the Strategic Report.

Audit Committee

The Audit Committee is responsible for monitoring the integrity of the financial statements and results announcements of the Company as well as the appointment, remuneration and effectiveness of the external auditor. The detailed Report of the Audit Committee is on pages 66 to 70.

Risk management

The Board determines the extent and nature of the risks it is prepared to take in order to achieve the Company's strategic objectives. The Board is assisted in this responsibility by the Audit Committee which makes recommendations in respect of the Group's principal and emerging risks, risk appetite and key risk indicators. Further information on the Group's risk management processes and role of the Board and the Audit Committee can be found on page 33.

The Board has responsibility for the Company's overall approach to risk management and internal control which includes ensuring the design and implementation of appropriate risk management and internal control systems. Oversight of the effectiveness of these systems is delegated to the Audit Committee which undertakes regular reviews to ensure that the Group is identifying, considering and as far as practicable mitigating the risks for the business.

During the course of its review for the year ended 31 December 2020, and to the date of this report, the Audit Committee has not identified, nor been advised of, a failing or weakness which it has determined to be significant.

Internal control over financial reporting

As well as complying with the Code, the Group has adopted the best practice recommendations in the FRC "Guidance on risk management, internal control and related financial and business reporting" and the Company's internal control framework operates in line with the recommendations set out in the internationally recognised COSO Internal Control Integrated Framework.

PART E: REMUNERATION

The UK Corporate Governance Code requires that a board should establish a remuneration committee of at least three, or in the case of smaller companies, two, independent non-executive directors. In addition the company chairman may also be a member of, but not chair, the committee if he or she was considered independent on appointment as chairman. Steven Owen was independent on his appointment as Chairman and remains so and accordingly he is a member of the Remuneration Committee.

The Company's remuneration policies and practices in 2020 were relatively simple and straightforward. The Managing Director and Finance Director are employed and remunerated by the Adviser and so the Committee does not determine Executive Directors' pay.

In anticipation of internalisation, work was undertaken on a new Remuneration Policy appropriate for the new structure, which was approved by shareholders at our General Meeting on 4 January 2021 and details of this and the work of the Remuneration Committee set out in its report on pages 76 to 91.

Ian Krieger
Chairman of the Audit Committee

MEMBERS OF THE AUDIT COMMITTEE (THE "COMMITTEE")

Member	Number of meetings and attendance while in post
Ian Krieger (Chairman)	3 (3)
Peter Cole	3 (3)
Laure Duhot	3 (3)
Helen Mahy (resigned 1 April 2020)	1 (1)
Dr Stephen Kell (resigned 1 April 2020)	1 (1)

Bracketed numbers indicate the number of meetings the member was eligible to attend.

Key responsibilities

Financial reporting

- Monitor the integrity of the financial reporting process
- Scrutinise the full and half year financial statements
- Consider and challenge the key financial judgements

For further information see page 69

Risk management and internal control

- Oversee the internal control processes
- Assess the need for an internal audit function
- Review the risk management framework
- Ensure risks are carefully identified, assessed and mitigated

For further information see page 67

External auditor

- Review the performance, independence and effectiveness of the external auditor and audit process

For further information see pages 69 and 70

Regulatory compliance

- Review the viability statement and going concern basis of preparation of the financial statements
- Consider whether the Annual Report is "fair, balanced and understandable"
- Monitor compliance with applicable laws and regulations

For further information see page 67

Highlights of 2020

- Understanding the impact of COVID-19 on viability and control environments
- Property valuation risk

Focus for 2021

- Risk management and internal controls in the internalised structure

Dear shareholder,

I am pleased to present my report as Chairman of the Audit Committee and am happy to confirm that we remain committed to achieving high standards of governance and therefore the Committee has adopted the additional requirements of the 2018 Corporate Governance Code (the "Code") as regards audit committees.

Our remit is unchanged from previous years, primarily to oversee and independently challenge the integrity of the financial reporting processes at PHP which support and ensure the accuracy of the financial results. Alongside this, we review the risk management framework and internal control procedures in place to ensure they remain robust and are implemented effectively.

The business implications of the pandemic and disruption in terms of heightened risk have been a priority for the Executive Directors and senior managers at the Adviser, who have adapted to changes in remote working practices without disruption. We will continue to monitor the impact this pandemic may have on our risks and control environment over the coming year.

Each year we also consider the independence and effectiveness of the external audit team and the structure of their audit plan to ensure they provide the appropriate level of challenge and support to the executive team.

Following our review, on pages 69 to 70, we have recommended the re-appointment of Deloitte LLP ("Deloitte") at the AGM in May. Deloitte has been in office for eight years now and we will be required to retender the audit after it has served for ten years.

Relevant skills and experience

As Chairman, in conjunction with the Nomination Committee, I review on an annual basis the composition of the Committee to ensure that it is comprised of members with skills and competences relevant to the primary care real estate sector and recent and relevant financial experience. The biographies of all the members of the Committee are on pages 50 and 51 and show that the Committee's experience is wide ranging and satisfies the provisions of the Code in all respects. The members of the Committee also evaluate the performance of the Committee during the year.

During the year, the Committee invited representatives of the Adviser and others to attend the meetings as appropriate.

Meetings

During the year the Committee met three times following an annual programme which is agreed at the start of the year. Meetings are aligned to the Company's financial reporting timetable, with the February and July meetings scheduled to precede the approval and issue of the full and half year financial reports. At the December meeting, the Committee reviewed the risk management and internal control processes and considered the year-end audit plan.

Separate meetings are held with the Company's property valuers to challenge the valuation process and review their independence. This was an area of focus for the Committee as explained below on page 68.

The Group's external auditor, independent property valuers, Finance Director and Managing Director attend meetings by invitation, as well as Andrew Herd, the Chair of the joint Risk Committee and other members of the senior management team at the Adviser who present on specialist topics. We find this extremely useful as, not only does it allow us to focus on important and topical issues, but it exposes us to the pool of talent within the organisation below Board level.

Time is allocated for the Committee to meet the external auditor and property valuers independently of management. In addition to formal Committee meetings, I have regular contact and meetings with the Finance Director. This allows me to gain a good understanding of key and emerging issues in advance of Committee meetings, facilitating informed and constructive debate.

The Committee is satisfied that it receives sufficient, reliable and timely information and support from management and the Company's external auditor to allow it to fulfil its obligations.

Our work in 2020

Throughout the year, the Committee acted in accordance with its terms of reference, which were last updated in December 2019. The terms of reference were reviewed again at our December 2020 meeting and considered not to require further updating and can be found at www.phpgroup.co.uk.

The work undertaken this year has included the consideration, review and approval of the following:

Financial reporting

- Consideration of the impact of COVID-19, in particular on the going concern and viability statements.
- The independence of the Group's valuers, the conduct of valuation processes at the year end and at the half year and the potential impact on valuations of the COVID-19 pandemic.
- Interim and full year results announcements and Annual Report.
- Accounting treatment of significant transactions and areas of judgement as described below.
- Processes undertaken to ensure that the financial statements are fair, balanced and understandable.

Risk management and internal control (with a particular focus on how the usual processes and controls may be impacted by increased working from home during the pandemic)

- The Group's risk register, the potential impact of Brexit, principal and emerging risks including cyber security and the impact of COVID-19 on general medical practice.
- The adequacy and effectiveness of the Group's internal controls.
- The appropriateness of the going concern assumption.
- The Viability Statement and longer term forecast.
- The need for an internal audit function.

External audit

- Scope of the external audit plan.
- The independence and objectivity of the external auditor.
- Performance of the external auditor and effectiveness of the audit process.
- Auditor's fee.
- Re-appointment of Deloitte LLP as external auditor.
- Non-audit services and ratio of fees.

Regulatory compliance

- Committee's composition, performance, terms of reference and constitution.
- Responsible business including climate change.
- Tax strategy and whistleblowing policy and ensuring that these were communicated to and understood by the Adviser's workforce, so that concerns could be raised to me, or the chair of the Nexus/PHP Risk Committee, or with the Company Secretary.

In addition, during the year the Committee met to consider the Company's response to a letter from the Financial Reporting Council, following their audit quality review of Deloitte's audit of the 2019 financial statements. The main issue raised by the FRC was the treatment of the merger with the MedicX Fund Limited and the early adoption of amendments to IFRS 3 'Business Combinations'. The use of certain alternative performance metrics and the reporting of Directors' remuneration was also raised. After correspondence with the FRC it was agreed that the accounting treatment for the transaction with the MedicX Fund, as an asset acquisition, was appropriate under both IFRS 3 and IFRS 3 Amended and the disclosures on Directors' remuneration were appropriate and we agreed to consider amending the descriptions of certain alternative performance metrics going forward.

The purpose of the FRC'S review is to consider compliance with reporting requirements and should not be taking as providing assurance that the report and accounts were correct in all material respects.

Significant issues considered in relation to the financial statements

During the year, the Committee considered key accounting matters and judgements in respect of the financial statements relating to:

- **Valuation of the property portfolio**
  The Group has property assets of £2.6 billion as detailed in the Group Balance Sheet. Accordingly, the key judgement in the financial statements relates to the valuation of the property portfolio which is driven by the yields and ERVs applied in the valuation process. Further, the judgemental nature of the yields and ERVs used in the valuation is compounded by the uncertainty caused by COVID-19. As noted in the Business Review on pages 19 to 24 the Company agreed rent concessions with a small number of tenants experiencing difficulties arising from the pandemic and, accordingly, it was considered prudent to adjust the valuation applicable to those units in the valuation. As explained in Note 10 to the financial statements, the properties are independently valued by Lambert Smith Hampton and Jones Lang LaSalle in the UK and by CBRE in Ireland, in accordance with IAS 40 Investment property. The Audit Committee reviewed and discussed with management and the Group's valuers the key judgements and assumptions made which are based on factors such as (but not limited to) the volume of transactional evidence in the sector together with the characteristics of the individual property and lease, reviewed the valuer's report and the auditor's comments thereon, and concluded that the valuation is appropriate.

- **Property acquisitions**
  The accounting treatment of significant property acquisitions, disposals, financing and leasing transactions is a recurring risk for the Group with non-standard accounting entries required, and in some cases management judgement applied. The Committee reviewed management papers on key judgements, including those for significant transactions. In particular, the Committee considered the accounting treatment of the acquisition of the 22 properties comprised in the 'Spirit Portfolio' acquired in 2020. The Committee concluded that the accounting treatment of the acquisition was appropriate. The external auditor separately reviewed management's judgements in relation to these transactions.

- **Financing and valuation of financial instruments**
  The Group hedges its exposure to interest rate risk using financial instruments. Accordingly the Committee monitored the work of the Adviser and where it feels necessary seeks advice on the Company's compliance with such requirements and evaluations. The valuation of the financial instruments is undertaken by JCRA, an independent specialist in this area. The Committee considered adoption of this hedge valuation is appropriate.

Review of risk management

The Audit Committee is responsible for reviewing the adequacy and effectiveness of the Group's risk management processes and systems of internal controls.

As the Group was externally managed during the year, the Group's risk register was maintained by the Adviser and considered at the Adviser's own Risk Committee, on which Harry Hyman and Richard Howell sat. Meetings of the Adviser's Risk Committee were also attended by Ian Krieger, who reviewed and questioned the work it performed on risk management procedures. The proceedings of the Adviser's Risk Committee were reported back and discussed at the Audit Committee. In this way, the Committee believes that the key risks facing the business have been correctly identified and disclosed in the Risk Management section of the Strategic Report.

There is a culture of risk awareness embedded into the decision making process and robust processes in place to support the identification and management of risk. The Board considers risk at each meeting via a dashboard, which ensures that new and emerging risks are identified early on with appropriate action taken to remove or reduce their likelihood and impact. This is discussed in detail in the Risk Management section on pages 34 to 39.

The emergence of new and unforeseen risks has been particularly emphasised in this particularly turbulent year, with the COVID-19 pandemic creating a need for new remote working arrangements, placing economic pressures on some of our tenants and emphasising the importance of rent collections, working capital and capital allocation. The Audit Committee considered the potential impact of these risks and the actions by the Adviser to mitigate these at its July meeting. Following the Group Strategy Day in October, which considered both the impact of technology and the COVID-19 pandemic on the delivery of primary care services and the impact of climate change on the requirements of tenants of the Group's properties, these risks were integrated into the PHP risk register following an in-depth review of the risk register.

Review of internal control processes

Key features of the system of internal control, which were operated by the Adviser, and subsequently Management, include a comprehensive system of budgeting, financial reporting and business planning, formal documentation procedures and the close involvement of Harry Hyman, Richard Howell and the Chief Investment Officer in all aspects of the day-to-day operations. The scope and quality of the Adviser's systems of internal controls are monitored and reviewed by the Nexus/PHP Risk Committee and regular monitoring reports are provided to the Board. In particular, the Nexus/PHP Risk Committee updated and enhanced the the Control Objectives and Related Controls and commenced a process for the strengthening of the IT security infrastructure. The Committee believes that, although robust, the Group's and Adviser's systems of internal control are designed to manage, rather than eliminate, the risk of failure to achieve the Group's business objectives. Therefore, the system can provide only reasonable and not absolute assurance against material misstatement or loss.

In reviewing the periodic financial reports of the Group, the Committee is reliant on the policies and procedures followed by the Adviser to ensure that the records accurately reflect transactions so as to facilitate the production of consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") and other applicable reporting standards. The integrity of the financial reporting and consolidation processes and the completeness and accuracy of financial information are subject to review by the Audit Committee and the Board.

At the time of reviewing the half-yearly and annual financial reports, the Audit Committee also receives a report from the Adviser to assist the Board in assessing the policies and procedures and making the disclosures. No significant deficiencies in internal control have been identified.

Financial reporting

The Board is responsible for preparing the Annual Report. The Audit Committee is asked to review the Annual Report and consider whether it is fair, balanced and understandable and provides the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

In undertaking its assessment, the Committee considered:

- the systems and controls operated by the Adviser around the preparation of the accounts;
- the procedures included in these to bring relevant information to the attention of those who prepare the accounts;
- the consistency of the reports; and
- whether they are in accordance with the information provided to the Board during the year.

It also considered whether the Annual Report had been written in straightforward language, without unnecessary repetition of information, and that market-specific terms and any non-statutory measures, such as EPRA ratios, had been adequately defined or explained.

The Audit Committee has reviewed the contents of this year's Annual Report and financial statements and confirmed to the Board that, in its view, the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

Auditor independence

The Group's policy on the use of its external auditor for non-audit services precludes the external auditor from being engaged to perform valuation, tax or accounting services work. More broadly, the policy prohibits the external auditor from performing services where there may be perceived to be a conflict with its role as external auditor or which may compromise its independence or objectivity.

Subject to the overriding requirement to ensure independence and objectivity of the external auditor, the Adviser may procure certain non-audit services from the external auditor up to £25,000 in value. All other proposed engagements must be submitted to the Committee for approval prior to engagement. Details of the amounts paid to the external auditor during the year for audit and other services are set out in Note 4 to the financial statements.

The external auditor undertook the review of the interim results and agreed upon procedures to provide comfort to the Board that the Adviser's fees during the year had been properly calculated and billed in accordance with the terms of the Advisory Agreement. The fee for these non-audit assignments was £35,000 in total (non-audit fees as a percentage of total fees: 8.7%). The services were deemed to be ancillary to other assurance services provided by the external auditor where using its knowledge of the facts under consideration was seen as being cost effective for the Group. Its engagement was not deemed to compromise its objectivity and independence as sufficient safeguards were in place.

Effectiveness of external auditor

The effectiveness of the audit process is dependent on appropriate audit risk identification at the start of the audit cycle. Ahead of the commencement of the audit the Committee received from Deloitte LLP a detailed audit plan, identifying its assessment of these key risks. For the audit of the 31 December 2020 financial statements, the primary risks identified were in relation to the valuation of the property portfolio and management over-ride of controls. It is standard practice for the Audit Committee to also meet privately with the external auditor.

As noted above, the work of the auditor was subject to a review by the FRC's audit quality review team. The Committee was pleased that the result of the review concluded that the work of the auditor for the 2019 audit was satisfactory, with minor improvements recommended going forward.

The Board takes responsibility for exercising judgement when necessary in preparing the Annual Report and financial statements. It prepares and reviews papers provided to the auditor setting out its judgements and approaches taken to specific items. The work undertaken by the auditor in this area to test management's assumptions and estimates is challenged by the Audit Committee, which assesses the effectiveness of the audit process through the reporting received from Deloitte LLP at both half year and year end. In addition, the Audit Committee seeks feedback from the Adviser and Management on the effectiveness of the audit process. The Committee is satisfied with the effectiveness of the auditor and therefore recommends its re-appointment.

Evaluation of the performance of the Audit Committee

The performance of the Committee was assessed by each member completing a questionnaire developed by external consultants for audit committees to evaluate their effectiveness. The Chairman considered each response and presented the findings in a report to the Committee. The overall conclusion was that the Committee remained effective at meeting its objectives.

Audit tender policy

The Committee has an established audit tender policy that was adopted by the Board on 18 August 2015. The Audit Committee will consider the need for a competitive tender for the role of external auditor at least every five years and recommend to the Board if a tender process is felt to be appropriate. In any event, a competitive tender will take place at least every ten years.

The tender process will be administered by the Audit Committee which will consider whether to seek major investors' views on the audit firms to be invited to tender and success criteria to be used by the Company in the course of the tender.

If a tender is conducted as part of a normal tender cycle, the incumbent auditor will be invited to participate in the tender unless prohibited due to specific factors such as independence.

The Audit Committee will make a recommendation to the Board of its preferred appointee.

Appointment of the external auditor

The CMA Order places responsibilities on the Audit Committee in relation to the appointment of the external auditor. The Company is prohibited from appointing an auditor unless there has been a competitive tendering process in relation to one or more of the preceding nine financial years or in relation to the next financial year. The Group last undertook an external tender in 2013 following which Deloitte was appointed to audit the 2014 Annual Report.

The Committee considered the need for a competitive tender for the role of external auditor during the year under review and confirmed that a tender was not appropriate due to Deloitte's strong performance to date. Given the continuing effectiveness of Deloitte in its role as external auditor, the Committee believes it is in the best interests of shareholders for it to remain as external auditor for the following financial year. The Committee confirmed that a competitive tender will be completed no later by the end of 2022 in readiness for the audit of the 2023 financial statements.

Internal audit

The Group does not have a separate internal audit function and the Board, at least annually, reviews the requirement for establishing one. Due to the size of the organisation, relatively simple nature of the Group's business and structure and close involvement of the senior management team in day-to-day operations, the Committee did not feel an internal audit function was either appropriate or necessary.

From time to time external advisers are engaged to carry out reviews to supplement existing arrangements and provide further assurance. During the year BDO were engaged to provide an IT review, which included a testing of IT systems and their security, including penetration tests, and undertook a review of the disaster plan, which lead to a number of recommendations for enhancements to the IT system, which are anticipated to be completed by the end of Q1 2021.

The Committee considers that this structure, with external assurance sought for any complex, specialist or high risk matters, is appropriate for the Company at this stage.

Ian Krieger
Chairman of the Audit Committee
17 February 2021

Steven Owen
Chairman of the Nomination Committee

MEMBERS OF THE NOMINATION COMMITTEE (THE "COMMITTEE")

Member	Number of meetings and attendance while in post
Steven Owen (Chairman)	1 (1)
Peter Cole	1 (1)
Laure Duhot	1 (1)
Ian Krieger	1 (1)
Helen Mahy (resigned 1 April 2020)	1 (1)
Dr Stephen Kell (resigned 1 April 2020)	1 (1)

Bracketed numbers indicate the number of meetings the member was eligible to attend.

Additional attendees invited to attend meetings as appropriate:

Harry Hyman – Chief Executive Officer

Key responsibilities

Board composition and succession

Reviews and evaluates the size, structure and composition of the Board and its Committees.

Considers the diversity of the appointments and balance of skills, knowledge and experience of each Director.

Considers succession planning for the Board and the senior management.

Board appointments

Leads the process for new appointments to the Board and its Committees.

Ensures that all new directors receive an appropriate induction programme and reviews the training requirements of the Board.

Ensures that all potential conflicts of interest are declared on appointment and that all disclosed potential conflicts of interest are reviewed regularly.

Diversity

Promotes the Company's policy on diversity at Board level.

Performance evaluation

Leads the annual Board and Committee evaluation exercise.

Re-appointment of Directors

Reviews the time required from Non-executive Directors and their external commitments.

Considers the annual election and re-election of Directors to the Board at the Annual General Meeting.

Dear shareholder,

I am delighted to present the Report of the Nomination Committee to shareholders for the year to 31 December 2020.

Board composition and succession planning

In January 2020, it was announced that, following a review of the skills and composition of the Board as part of the Committee's annual evaluation process, a Board of six Directors is the appropriate size for the Board going forward. Accordingly, it was announced that Helen Mahy and Dr Stephan Kell would step down at the 2020 AGM and Ian Krieger replaced Helen Mahy as the Senior Independent Director.

One of the strategic benefits accruing from the internalisation of the management function, is that it is anticipated to enhance our succession planning and operational security. The Nomination Committee will now oversee succession planning for the Executive Directors and senior management positions in the Company going forward. Although there are no immediate vacancies at Board or in the senior management team and execution of the Company's strategy is not dependent on any one individual, we recognise the need to develop our internal talent and to have robust plans for unforeseen absences.

Appointments

The Nomination Committee seeks to ensure that all Board appointments are made on merit and measured against objective criteria and with due regard for the benefits of diversity on the Board. The Board is committed to ensuring a broad mix of gender, age, nationality, experience and skills throughout the business.

Non-executive Directors are appointed for an initial three-year term and are subject to annual re-election by shareholders terminable on three months' notice from the Company or the Director. Each Director, on appointment, is provided with a letter setting out the terms of appointment, the fees to be paid and the time commitment expected. The letters of appointment are available for inspection at the registered office and will be on display at the Annual General Meeting of the Company to be held on 12 May 2021.

Induction

On appointment the Company arranges a full, formal and tailored induction on joining the Board to help new Directors develop an understanding of the business, including its strategy, portfolio, governance framework, stakeholders, finances, risks and controls. This programme will usually involve a series of meetings with other Executive and Non-executive Directors and senior management team, and include visits to some of Group's properties to understand better the nature of the portfolio. To provide insight into the Group's strategy, culture and values, extensive information about the Group, including access to previous Board papers and minutes, is provided.

Diversity

The Board recognises the importance of diversity and the benefits it brings to the organisation in terms of skills and experience, wider perspectives and fresh ideas. It strives to operate in a working environment of equal opportunity and promotes a culture of mutual respect and inclusion throughout the organisation.

The real estate sector faces challenges in improving gender diversity and the Board supports the Real Estate Balance group, whose objective is to improve gender diversity by promoting and supporting the development of a female talent pipeline. The Board also recognises that diversity is not limited to just gender and supports the Parker recommendation that FTSE 250 boards should have at least one director from an ethnic minority background by 2024. However, it does not believe quotas are appropriate given the size of the Company and has chosen not to set formal targets.

The Nomination Committee also is aware of and supports the Hampton-Alexander Review's aim for companies in the FTSE 350 to have one-third female representation on their board by 2020. During the year, our female representation on the Board has reduced to 1 out of 6 members (17%) which is below the 2019 figure of 2 out of 8 members (25%), but there has been a continued commitment to strengthen female representation at Board level, which has increased from zero in 2015. Care, however, needs to be exercised to ensure that in seeking to achieve this goal, appointments are not made purely to achieve this target. In assessing future candidates the Nomination Committee seeks to ensure that all Board appointments are made on merit and measured against objective criteria and with due regard for the benefits of diversity on the Board, and is committed to ensuring a broad mix of gender, age, nationality, ethnicity, experience and skills.

To this end the Nomination Committee reviewed and suggested updates to the Board Diversity Policy which were adopted by the Board in February 2020. The Diversity Policy is available on the Company's website at www.phpgroup.co.uk.

Independence

The Nomination Committee ensures that at appointment each Director is independent and that they have formally declared to the Company any actual or potential conflicts of interest. The Nomination Committee recommended to the Board, and the Board has adopted, a practice for the formal register of Directors' interests to be tabled at each meeting of the Board and it reviewed the register to ensure that it was being maintained.

During the year, the Nomination Committee assessed the independence of each of the Non-executive Directors, and recommended to the Board that each of them could be considered independent. In considering their independence the Nomination Committee considered their independence of character and judgement and whether any circumstances or relationships exist which could affect their judgement

Time commitment

Prior to recommending the reappointment of serving Directors to the Board, the Committee also considers the time commitment required and whether each reappointment would be in the best interests of the Company. The expected time commitment is reflected in the letters of appointment issued to the Non-executive Directors when they join the Board and includes time preparing for and attending meetings of the Board and its Committees, attending the AGM, participation in the annual evaluation process and taking time to visit some of the properties and understand the perspectives of our stakeholders.

Ian Krieger has two other external appointments with listed companies and Harry Hyman one. Following due reflection, the Nomination Committee considered and the Board agreed that these appointments did not prevent them from committing sufficient time to their roles, as evidenced by their full attendance and effective participation at all Board and Committee meetings.

Detailed consideration is given to each Director's contribution to the Board and its Committees, together with the overall balance of knowledge, skills, experience and diversity.

Evaluation

In accordance with its terms of reference, the Nomination Committee reviewed the results of the annual evaluation of its performance, paying particular attention to any issues raised with respect to the composition of the Board, its skills, experience and diversity.

Details of the evaluation process and its outcomes are set out in more detail on page 57.

Steven Owen
Chairman of the Nomination Committee
17 February 2021

STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS
FURTHER INFORMATION

Laure Duhot
Chairman of the Adviser Engagement Committee

MEMBERS OF THE ADVISORY ENGAGEMENT COMMITTEE (THE "COMMITTEE")

Member	Number of meetings and attendance while in post
Laure Duhot (Chairman)	2 (2)
Steven Owen	2 (2)
Ian Krieger	2 (2)
Peter Cole	2 (2)
Helen Mahy (resigned 1 April 2020)	1 (1)
Dr Stephen Kell (resigned 1 April 2020)	1 (1)

Bracketed numbers indicate the number of meetings the member was eligible to attend.

Additional attendees invited to attend meetings as appropriate:

Harry Hyman – Managing Director

Richard Howell – Finance Director

CMS Cameron McKenna Nabarro Olswang LLP – Legal Advisers

Dear shareholder,

I am delighted to report as Chairman of the Adviser Engagement Committee (the "Committee") for the year to 31 December 2020.

As stated in the circular which was issued to shareholders on 11 December 2020 in connection with the internalisation, following completion of that transaction, the monitoring and evaluation of the performance of Nexus TradeCo Limited ("Nexus") , which was the primary function of the Committee ceased to be necessary: accordingly the Committee has been dissolved. This is therefore the last report of this Committee.

During the year under review, the Company was advised by Nexus which also provided property management and administration services to the Group. Nexus's appointment was governed by the terms of an Advisory Agreement (the "Advisory Agreement"). Nexus also provided the services of Harry Hyman as Managing Director and Richard Howell as Finance Director. The key terms of the Advisory Agreement are set out below.

The key roles of the Committee were oversight of the performance of the Adviser and ensuring the proper operation of the Advisory Agreement. In addition, the Committee would ensure that any proposed amendments to the Advisory Agreement are in the best interests of the Company and approved and implemented in compliance with Rule 11 of the Listing Rules.

Responsibilities

The main roles and responsibilities of the Committee include:

- annual review and evaluation of the performance of the Adviser;
- annual review and approval of remuneration paid to the Adviser;
- annual review of the terms of the Advisory Agreement;
- consideration and discussion of any amendments to be made to the Advisory Agreement; and
- advising the Board on such other matters relating to the Advisory Agreement and the Adviser as may be requested by the Board.

Attendance at meetings

The table above sets out attendance by Committee members at meetings held during the year. The Committee has also invited Harry Hyman and Richard Howell to attend selected meetings.

In addition, during the year, at each meeting, the Committee:

- monitored compliance with the Advisory Agreement and considered the continued appropriateness of the terms of the Advisory Agreement; and
- scrutinised a schedule of the fees and expenses paid to the Adviser to that date to ensure that they had been paid in accordance with the terms of the Advisory Agreement.

Activities of the Committee

This year has been a less active year for the Committee than in the two prior years, which involved the detailed consideration of changes to the Advisory Agreement in connection with the MedicX merger and a draft amendment and restatement of the Advisory Agreement to consolidate the provisions of the several amendments and variations made to the Advisory Agreement since it was entered into. The Committee met twice during the year, in February and June. The principal issues considered at these meetings are described below.

The main activity of the meeting in February was to review and agree the calculation of the performance incentive fee (PIF) due to Nexus under the terms of the Advisory Agreement. After consideration of the calculation and after discussion with the auditors, it was agreed that a PIF of £1.5 million had been earned as a result by Nexus as a result of the total return on the Group's portfolio in 2020 exceeding the hurdle rate of 8%, of which half has been carried forward and will be payable this year.

During the June meeting, the Committee undertook a review of the processes carried out the Committee to evaluate the performance of Nexus, both as a provider of property management and investment services and also as the provider of financial and administrative services to the Company. This resulted in a revised evaluation matrix that considered the performance of the Adviser against clearly defined Key Performance Indicators.

The Committee was scheduled to conduct the evaluation of the performance of Nexus at its meeting in December. However, in the light of the proposal to internalise the management and so end the role of the Adviser, it was agreed that a formal evaluation was not required for 2020.

In addition, during the year, at each meeting, the Committee:

- monitored compliance with the Advisory Agreement and considered the continued appropriateness of the terms of the Advisory Agreement; and
- scrutinised a schedule of the fees and expenses paid to the Adviser to that date to ensure that they had been paid in accordance with the terms of the Advisory Agreement.

NEXUS REMUNERATION

Key terms of the Advisory Agreement

Pursuant to the terms of the Advisory Agreement between the Company and the Adviser ("Nexus"), the Company had appointed Nexus:

a) to provide property advisory and management services to the Group and the services of the Managing Director of the Company ("Property Advisory Services");

b) to provide administrative and accounting services to the Group; and

c) to act as the appointed Company Secretary (the services in (b) and (c), together the "Administrative Services").

The Amended Advisory Agreement contains no provisions to amend, alter or terminate the Advisory Agreement upon a change of control of the Group following a takeover bid.

Advisory fees

(a) Property Advisory Services

The fee arrangement for Property Advisory Services (the "Property Services Fee"), in respect of the properties that formed part of the MedicX portfolio on completion of the Merger ("Completion"), is equal to 0.225% per annum of the gross asset value of the MedicX portfolio less a cost contribution paid by Nexus to PHP equal to £2.5 million. This contribution is payable in monthly instalments, over five years, by reducing the fees payable to Nexus, with the contribution terminating five years after the date of Completion or, if earlier, the date on which the Company serves notice terminating the Amended Advisory Agreement. Thereafter, the special arrangements for the MedicX portfolio will cease and the fee payable will be calculated by reference to the fee scale below.

During the period, the Adviser received a fee for the remainder of the portfolio (including any assets acquired after Completion) based on gross asset value, which was as follows:

Gross assets	Total fee
First £250 million	0.500%
Between £250 million and £500 million	0.475%
Between £500 million and £750 million	0.400%
Between £750 million and £1 billion	0.375%
Between £1 billion and £1.25 billion	0.325%
Between £1.25 billion and £1.5 billion	0.300%
Between £1.5 billion and £1.75 billion	0.275%
Between £1.75 billion and £2.0 billion	0.250%
Between £2.0 billion and £2.25 billion	0.225%
Above £2.25 billion	0.200%

Additional payments that may have been made to Nexus for non-standard real estate related services are capped at 10% of the total annual Property Services Fee payable to Nexus.

NEXUS REMUNERATION CONTINUED

(b) Term

As regards Property Advisory Services, the Amended Advisory Agreement will run for a fixed period of three years from the date of Completion and is terminable thereafter by not less than two years' written notice by either side.

In respect of the Administrative Services, the term will run for a fixed period of three years from the date of Completion and is thereafter terminable by not less than twelve months' notice by either side.

(c) Administrative Services Fee

The Amended Advisory Agreement provides for the Company to pay Nexus in relation to Administrative Services a fixed annual fee of £1,214,536 from Completion.

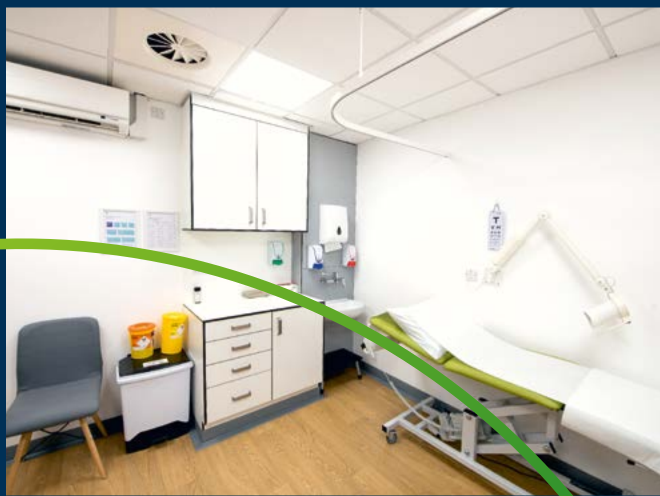
The Administrative Services Fee may be increased or decreased from 1 May in each calendar year by the movement in RPI over the prior calendar year, subject to a cap of 5% per annum.

(d) Performance Incentive Fee ("PIF")

Nexus is entitled to a PIF equal to 11.25% of any performance in excess of an 8% per annum increase in the Group's Adjusted Net Tangible Assets, plus dividends (less equity raised, net of non-cash and other adjustments the Board believe are appropriate) paid subject to an overall cap at the lower of 20% of the Management Fee payable to Nexus in that year or £2.0 million.

Half of any PIF payment is deferred to the following year, with performance against the hurdle rate (both positive and negative) carried forward in a notional cumulative account with any future payment subject to the account being in a surplus position. The Nexus team working on PHP's account, other than Harry Hyman, receive a minimum of 25% of any PIF paid, to aid staff motivation and retention, of which 50% is to be satisfied in PHP shares, subject to a three-year holding period.

Laure Duhot
Chairman of the Adviser Engagement Committee
17 February 2021



Emerald Gardens Medical Centre, Kew, England.

Peter Cole
Chairman of the Remuneration Committee

MEMBERS OF THE REMUNERATION COMMITTEE (THE "COMMITTEE")

Member	Number of meetings and attendance
Peter Cole (Chair)	2 (2)
Steven Owen	2 (2)
Laure Duhot	2 (2)
Ian Krieger	2 (2)
Helen Mahy (resigned 1 April 2020)	1 (1)
Dr Stephen Kell (resigned 1 April 2020)	1 (1)

Bracketed numbers indicate the number of meetings the member was eligible to attend.

Additional attendees invited to attend meetings as appropriate:

Harry Hyman – CEO

Korn Ferry LLP

Paul Wright – Company Secretary

Dear shareholder,

I am delighted to chair the PHP Remuneration Committee following the resignation of Helen Mahy. This report has been prepared by the Remuneration Committee and approved by the Board.

On 10 December 2020, PHP announced it had agreed to internalise its management function (the "Internalisation") by acquiring Nexus Tradeco Holdings Limited, which is the holding company of its longstanding external property adviser Nexus Tradeco Limited (the "Adviser"), and certain subsidiaries, including Nexus' primary care development business (together, "Nexus") (the "Acquisition").

The Acquisition required the adoption of a new Directors' Remuneration Policy. Previously there was no provision for remunerating Executive Directors at PHP Group, as the Executive Directors were not employees of the PHP Group. In order to continue to be able to remunerate the Executive Directors, as they took up their positions as CEO and CFO respectively following completion of the acquisition on 5 January 2021, shareholders were asked to approve the adoption of the New Policy at the General Meeting on 4 January 2021 ("GM"). I am pleased to say that the resolution to approve the New Policy was approved by 99.95% of shareholders voting at the meeting.

Accordingly, to provide shareholders with information on both the policy that applies following the Acquisition and the annual report on remuneration, this report is divided into two parts:

- Part A: this sets out the Directors' Remuneration Policy (the "New Policy") approved by shareholders at the Company's GM which is intended to apply for three years from 5 January 2021 and details the link between Company performance and remuneration; and
- Part B: the Annual Report on Remuneration, which provides information on how the policy adopted at the 2020 AGM has been applied during the year and the New Policy is intended to operate for 2021.

There is a period of transition for the two Executive Directors as arrangements that have operated in recent years with their current employer are replaced by more standard market practice. This transition includes the payment of amounts earned under arrangements with the Adviser in relation to 2020 and earlier years, which will not be paid to the Executive Directors until after the New Policy took effect. These are commitments that PHP inherent and is honouring following international as we transition to more standard long-term incentive arrangements.

Key responsibilities

- Setting the remuneration framework or policy for the Directors and ensuring it is aligned to the Company's purpose and values and linked to delivery of the Company's long term strategy.
- Reviewing the continued appropriateness and relevance of the Company's Remuneration Policy.
- Within the terms of the approved policy, determining the remuneration of the Directors, the Company Secretary and the senior executives.
- Appointing and setting out the terms of reference for any remuneration consultants to advise the Committee.
- Agreeing policy on the recovery by the Directors of expenses incurred in performance of their duties.
- Drafting the Directors' Remuneration Report and reporting to shareholders on the implementation of the Company's remuneration policy in accordance with relevant statutory and corporate governance requirements.

The Remuneration Committee's activities during the year

During 2020, the Committee met twice, in February and December. While the Company was externally managed throughout 2020, there was considerable work undertaken ahead of the December meeting to put in place appropriate remuneration structures following the internalisation that align incentives and rewards with culture an performance.

At its meeting in February the Committee considered and approved the Directors' Remuneration Report set out in the Annual Report for 2019 and considered the appropriateness of the Chairman's remuneration. The Committee considered that no increase was necessary in 2020. Steven Owen, as the Chairman, absented himself from the meeting for these discussions and took no part in the decision of the Remuneration Committee.

At the meeting in December, the Committee:

- considered the New Policy on which the Committee had been advised by Korn Ferry, and agreed that it was appropriate to put forward for approval by shareholders at the GM;
- reviewed and agreed the terms of a new service agreement for the CEO and approved revised remuneration packages for the CEO and CFO;
- adopted a shareholding policy applicable to the Executive Directors requiring them over time to build up a shareholding in PHP equal to 200% of their base salary; and
- agreed revised terms of reference for the Committee to take effect subject to approval by shareholders at the GM of the New Policy.

The New Policy was designed to be a simple, Code compliant policy that allows the current Executive Directors to receive the packages negotiated with them (salary and bonus) and provides a framework for other elements of remuneration, intended to tie the rewards of the management team to the success of the Group and to act as a retention tool, to be put in place in time. It is intended that an LTIP for the Executive Directors and senior management team, to replace the Performance Incentive Fee paid under the Advisory Agreement, and a Sharesave plan to be offered to all our employees, will be put to shareholders for approval at the 2021 AGM.

At the same time, the Committee adopted a shareholding policy, requiring Executive Directors to build up and then subsequently hold a shareholding equivalent to a multiple of their base salary and also approved new terms of reference for the Committee. The new terms of reference of the Committee can be viewed at www.phpgroup.co.uk/investors/corporate-governance.

The meetings were attended by a representative of Korn Ferry, the remuneration advisers to the Committee. Korn Ferry is a signatory of the Remuneration Consultants' Code of Conduct and has no connection with the Company other than in the provision of advice on remuneration.

Chairman's fee

The Committee reviewed the increased time requirements and responsibilities for the Chairman following internalisation and approved an increase to his annual fee of £40,000 to £165,000.

Conclusion

I trust you find this report helpful and informative. I look forward to your support for the advisory resolution to approve the remuneration committee report and the binding vote to approve the new LTIP and Sharesave plan at our forthcoming 2021 AGM. In the meantime, I would be delighted to receive any feedback or comments you may have on our approach.

Peter Cole
Chairman of the Remuneration Committee
17 February 2021

PART A: NEW POLICY EFFECTIVE FROM 5 JANUARY 2021

This policy which was approved by shareholders on 5 January 2021 sets out the Company's Directors' Remuneration Policy and has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the "New Policy"). The New Policy will be subject to a binding shareholder vote at least every three years. In the event that amendments are required to be made to this New Policy, the amended version will be subject to a binding shareholder vote. Whist this New Policy sets out the framework for Directors' remuneration, it detailed application for 2021 is explained on page 87.

The overall Remuneration Policy of the PHP Group (the "Company") has been developed in compliance with the principles of the 2018 UK Corporate Governance Code, UK institutional investor guidance and the Listing Rules.

Summary of changes

Base salary	The new policy provides Executive Directors with a base salary which is to be no higher than the Committee's view of market practice. Any increases will then be in line with the Committee's view of market levels.
Benefits	The new policy provides for benefits to be made available.
Pension	The new policy aligns the rate of pension to the wider workforce. The recruitment policy also specifies that any new Executive Director would be appointed with a pension rate in line with the wider workforce. The current CEO will not be in receipt of a pension.
Annual Bonus Plan	The provision for an annual bonus plan has been introduced (the "Annual Bonus Plan"). Performance against targets will be measured and a proportion of the bonus awarded in shares and deferred for three years. In addition, until no later than 31 December 2023 the current Performance Incentive Fee ("PIF") mechanism may operate instead of, or alongside, the Annual Bonus Plan.
LTIP	Nil-cost options or a conditional share award may be made under an LTIP to Executive Directors (excluding the current CEO until 2023). These awards will have a three-year performance period followed by a two-year holding period following their vesting.
Malus and clawback	The Annual Bonus Plan, PIF and LTIP will include provisions to cover malus and clawback in a range of circumstances including corporate failure and reputational damage.
Shareholding guidelines	Shareholding guidelines have been introduced for the Executive Directors at a multiple of their rate of salary. These guidelines will extend for a period of time post cessation of employment.

Key principles of the New Policy

The Company is committed to ensuring that its remuneration practices enable the Company to appropriately compensate employees for the services they provide to the Company, attract and retain employees with skills required to effectively manage the operations and growth of the business and motivate employees to perform in the best interests of the Company.

The Company's remuneration principles ensure that:

- the Company offers a suitable package to attract, retain and motivate people with the skills and attributes needed to deliver the Company's business goals, while recognising the unique nature of the organisation and the requirements of its shareholders;
- the Company's policy and practices aim to drive behaviours that support the Company strategy and business objectives; and
- the Company's incentive plans are linked to Company and individual performance to encourage high performance from staff both at an individual and team level.

These policy objectives will be achieved by ensuring remuneration is reflective of applicable market conditions, statutory obligations and the level of accountability (responsibility, objectives, goals) assigned to the provision of incentives to deliver outstanding performance, whilst providing organisational flexibility and operational efficiency.

In addition, the New Policy is tested against six factors listed in the Corporate Governance Code:

- **Clarity** – the New Policy is well understood by the management team and is clearly articulated to shareholders;
- **Simplicity** – the Committee is very mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. Therefore, one of the Committee's objectives is to ensure that the executive remuneration policies and practices are as simple to communicate and operate as possible, while also supporting strategy;
- **Risk** – the New Policy is designed to ensure that inappropriate risk taking is not encouraged and will not be rewarded via: (i) the balanced use of both short and long term incentive plans which employ a blend of financial, non-financial and shareholder return targets; (ii) the significant role played by equity in the incentive plans (together with shareholding guidelines); and (iii) malus/clawback provisions;
- **Predictability** – the incentive plans are subject to individual caps, with the share plans also subject to market standard dilution limits;
- **Proportionality** – there is a clear link between individual awards, delivery of strategy and long term performance. In addition, the significant role played by incentive/"at-risk" pay, together with the structure of the Executive Directors' service contracts, ensures that poor performance is not rewarded; and
- **Alignment to culture** – the executive pay policies are fully aligned to the Company's culture.

Key elements of the New Policy

Pay element and purpose	Operation	Opportunity	Performance metrics, weighting and assessment
Base salary			
Provide a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	Salaries are reviewed annually and any changes are normally effective from the beginning of the financial year, although there is no obligation to increase salary. When determining an appropriate level of salary, the Committee considers: • remuneration practices within the Company; • the performance of the individual Executive Director; • the individual Executive Director's experience and responsibilities; • the general performance of the Company; • salaries within the ranges paid by comparable companies used for remuneration benchmarking; and • the economic environment.	Base salaries will be set at an appropriate level within a comparator group(s) of comparable companies and will normally increase in line with increases made to the wider employee workforce (save where a higher increase is appropriate to reflect a change in role/responsibilities). Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the average until the target positioning is achieved. Executive salaries effective from 5 January 2021: • CEO – £250,000 • CFO – £320,000	None.

PART A: NEW POLICY EFFECTIVE FROM 5 JANUARY 2021 CONTINUED

Key elements of the New Policy continued

Pay element and purpose	Operation	Opportunity	Performance metrics, weighting and assessment
Benefits			
Provide a market competitive level of benefits to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	The Executive Directors may receive benefits which include, but are not limited to, family private health cover, critical illness cover, life assurance cover, income protection and accident/sickness/business travel insurance (including tax payable if any). The Committee recognises the need to maintain suitable flexibility in the determination of benefits that ensure it is able to support the objective of attracting and retaining key personnel. Accordingly, the Committee would expect to be able to adopt other benefits including (but not limited to) relocation expenses, tax equalisation and support in meeting specific costs incurred by Directors. Any reasonable business related expenses can be reimbursed in accordance with the Company's expenses policy, including the tax thereon if determined to be a taxable benefit. The Executive Directors may also participate in any all-employee share plans operated by the Company.	The maximum will be set at the cost of providing the benefits described. The current CEO will not receive any additional benefits, other than life assurance cover of 4x base salary.	None.
Pensions			
Provide appropriate levels of pension benefits to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	The Committee has the ability to provide pension funding in the form of a salary supplement or as an employer contribution to a defined contribution pension plan. Any pension payments would not be considered "salary" when determining the extent of participation in the Company's incentive arrangements.	For existing and any future Executive Directors, the maximum pension contribution as a percentage of basic salary will be in line with the contribution level provided to the majority of the workforce (currently 3%–6% of salary). The current CEO will not receive a pension.	None.

Pay element and purpose	Operation	Opportunity	Performance metrics, weighting and assessment
Annual Bonus Plan			
The Annual Bonus Plan provides an incentive to the Executive Directors linked to achievement in delivering goals in a sustainable manner that are closely aligned with the Company's strategy and the creation of value for shareholders.	The Committee will determine the bonus payable after the year end based on performance against targets. Annual bonuses are paid in cash after the end of the financial year to which they relate. However, Executive Directors who participate in the Annual Bonus Plan will be required to defer 30% of the bonus for the 2021 and subsequent financial years, net of tax, into shares which should be held for at least three years. The Committee may award dividend equivalents on deferred shares to the extent they vest. Malus and clawback provisions will apply to the award, up to the date of the bonus determination and for three years thereafter. Bonus payments are not pensionable. Until 31 December 2022 at the latest, the current CEO will not participate in the Annual Bonus Plan but will be remunerated through the performance fee mechanism previously operated through the PIF in favour of Nexus, his former employer. The CFO will participate in the Annual Bonus Plan and, until 31 December 2021, also in the PIF. The current PIF will operate until no later than in relation to the 2022 financial year.	After the operation of the PIF has ceased, the maximum bonus opportunity of the current CEO as a % of base salary will be the higher of 150% of salary and £750,000. Including any awards under the PIF, the maximum bonus opportunity of the CFO is 150% of salary.	Discretionary bonus payouts will be determined on the satisfaction of a range of key financial and personal/strategic objectives set annually by the Committee. No more than 30% of the overall bonus opportunity can be based on performance against personal/strategic targets. The performance targets applied will be disclosed in the relevant annual report, following the end of the performance period. Discretion will apply, enabling the Committee to adjust the bonus outcome upwards or downwards, where the formulaic outcome is, in the view of the Committee, not a fair and accurate reflection of business performance. No more than 25% of the relevant portion of the bonus is payable to delivering a threshold level of performance, and no more than 50% is payable for delivering a target level of performance (where the nature of the performance metric allows such an approach).
Performance Incentive Fee ("PIF")			
The PIF is an existing arrangement for the remuneration of the senior management team including the Executive Directors.	The PIF's last year of operation will be 2021 for the CFO and 2022 for the CEO. Awards made to the CEO will be in cash whilst at least half of the awards made to the CFO will be deferred in shares that should be held for three years with the remainder paid in cash. The Committee may award dividend equivalents on deferred shares to the extent they vest. Malus and clawback provisions will apply to the PIF, up to the date of any determination and for three years thereafter. The Company will honour its pre-existing commitment in respect of the awards under the PIF for the 2020 financial year.	Awards are capped at £1.08 million for the CEO in any year (being 60% of the £1.8 million cap). The maximum for 2021 in relation to the CFO when aggregated with the Annual Bonus Plan will be 150% of salary.	The PIF will be calculated as it has in the recent past, as follows: The PIF pool is equal to 11.25% of any performance in excess of an 8% per annum increase in the Group's EPRA net asset value, plus dividends (less equity raised, net of non-cash and other necessary adjustments) paid subject to an overall cap of £1.8 million. Half of any PIF payment is deferred to the following year, with performance against the hurdle rate (both positive and negative) carried forward in a notional cumulative account with any future payment subject to the account being in a surplus position. Appropriate documentation will be put in place to ensure an adequate transition structure is in place for the period of transition from the PIF to the Annual Bonus Plan and the LTIP.

PART A: NEW POLICY EFFECTIVE FROM 5 JANUARY 2021 CONTINUED

Key elements of the New Policy continued

Pay element and purpose	Operation	Opportunity	Performance metrics, weighting and assessment
Long Term Incentive Plan ("LTIP")			
Awards are designed to incentivise the Executive Directors to maximise returns to shareholders by successfully delivering the Company's objectives over the long term in a sustainable manner.	Awards can be granted annually to Executive Directors under the LTIP in the form of nil-cost options or conditional awards of shares. These would vest at the end of a three-year period, normally subject to: • the Executive Director's continued employment at the date of vesting; and • satisfaction of the performance conditions. The Committee may award dividend equivalents on awards to the extent that they vest. The net of tax number of shares that vest after the end of the three-year performance period will be subject to an additional two-year holding period, during which the shares cannot be sold (irrespective of whether the individual remains employed). Malus and clawback provisions will apply to the award, up to the date of the LTIP determination and for three years thereafter.	Awards may be made up to 200% of base salary in normal circumstances. No more than 25% of the award will vest for threshold performance. 100% of the award will vest for maximum performance.	Awards vest subject to the achievement of challenging performance conditions set by the Committee prior to each grant. Discretion will apply, enabling the Committee to adjust the outcome upwards or downwards, where the formulaic outcome is, in the view of the Committee, not a fair and accurate reflection of business performance. There is no intention to award an LTIP in 2021 or 2022 to the current CEO, whilst the PIF operates. However, the CFO is expected to be granted awards from 2021.
All-employee share plan			
To encourage share ownership.	The Company does not currently operate an all-employee share plan. To the extent the Company operates an all-employee share plan, the Executive Directors will be able to participate on the same terms as other employees.	Actual participation in these plans will be disclosed in the relevant Annual Report following the implementation and participation in these plans.	None.
Shareholding requirement			
To support long term commitment to the Company and the alignment of Executive Director interests with those of shareholders.	The Committee has adopted formal shareholding guidelines that will encourage the Executive Directors to build up and then subsequently hold a shareholding equivalent to a multiple of their base salary. Requirements will continue for two years after an Executive Director ceases to be employed.	200% of salary.	None.
Non-executive Directors			
To provide a competitive fee for the performance of NED duties, sufficient to attract high calibre individuals to the role.	Fees are set in conjunction with the duties undertaken. Normally only increased when an individual takes on additional duties or where benchmarking indicated fees require realignment to remain competitive.	Overall fees will not exceed the maximum in the Company's Articles of Association.	None. The NEDs are not entitled to receive any remuneration which is performance related. As a result, there are no performance conditions.

Choice of performance measures

Each year, the Committee will choose the appropriate performance measures and targets to apply to the Annual Bonus Plan and LTIP. The measures will be closely aligned with the Company's strategy and business priorities at the time and will be consistent with a Board-approved level of business risk.

Malus and clawback

Malus and clawback provisions within the Annual Bonus Plan, PIF and LTIP apply in the following circumstances:

- material misstatement of results;
- gross misconduct;
- error in calculating the number of shares subject to an award or the amount of cash paid;
- corporate failure; or
- serious reputational damage.

Discretion

The Committee will operate the Annual Bonus Plan, PIF and LTIP according to their respective rules and in accordance with the Listing Rules where relevant. Consistent with market practice, the Committee retains certain discretions in respect of the operation and administration of these arrangements which include, but are not limited to, the following:

- the participants;
- the timing of the grant of an award or payment;
- the size of an award;
- the determination of the extent to which performance measures have been met and the corresponding vesting or payment levels;
- discretion required when dealing with a change of control or restructuring of the Group;
- determination of the treatment of leavers based on the rules of the respective arrangement and the appropriate treatment chosen, including the pro-rating of awards;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends);
- the annual review of performance measures, weighting and targets from year to year; and
- the manner in which share awards can be satisfied (i.e. through the use of new issue, market purchased or treasury shares or by way of a cash payment).

In addition, the Committee retains the ability to adjust the targets and/or set different measures if events or circumstances occur (e.g. a material acquisition and/or divestment of a Group business) which cause it to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose. Any use of the above discretions would be explained in the Annual Report on Remuneration for the relevant year and may, as appropriate, be the subject of consultation with the Company's major shareholders. Furthermore, the Committee has the discretion to amend the New Policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, in the best interests of the Company, and disproportionate to seek or await shareholder approval.

Dilution limits

Market standard dilution limits will apply to the operation of the Company's share plans (e.g. no more than 10% of share capital can be issued in relation to any share plan operated by the Company in any ten-year period, and no more than 5% can be issued in relation to any discretionary share plan (such as the LTIP) in the same ten-year period).

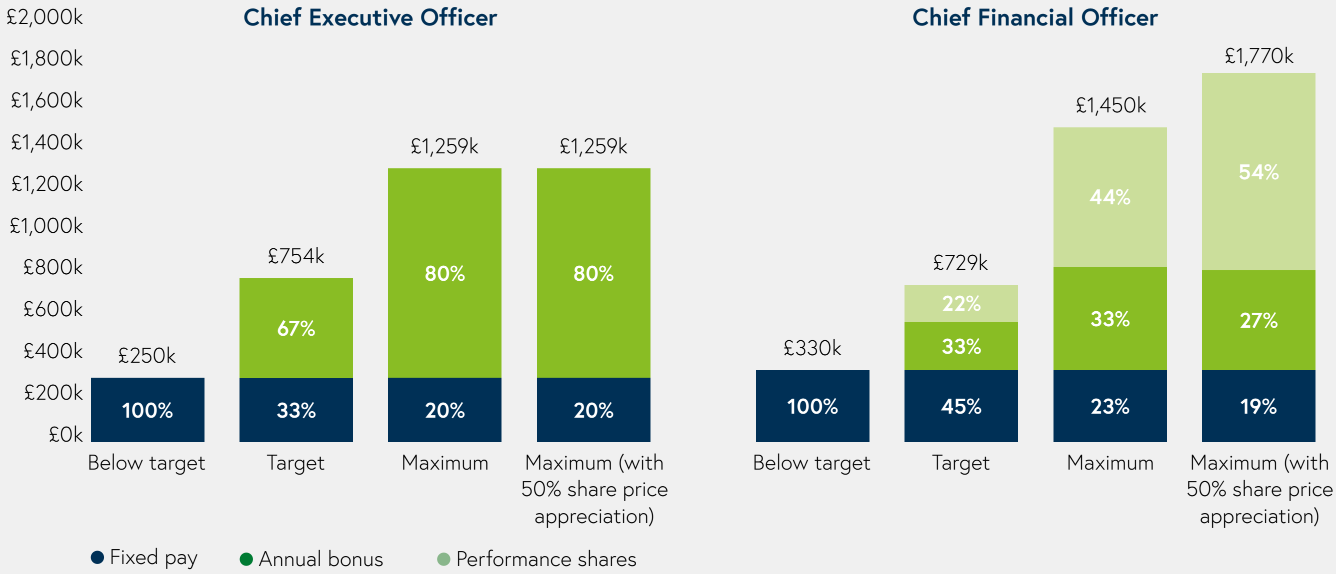
Differences in New Policy for the wider employee population

The Group aims to provide a remuneration package for all employees that is market competitive and operates the same reward and performance philosophy throughout the business. The Group operates variable pay plans primarily focused on mid to senior management level. In some cases, incentive structures and performance conditions apply which are different to those used for Executive Directors in order to ensure the performance targets set can be influenced and controlled by the participant. In addition, the Committee takes into account workforce remuneration and related policies and the alignment of incentives and rewards with culture when setting the policy for Executive Directors' remuneration.

PART A: NEW POLICY EFFECTIVE FROM 5 JANUARY 2021 CONTINUED

Scenario charts

The chart below illustrates the remuneration opportunity provided to the CEO and CFO under the New Policy at different levels of performance for the financial year.



In line with the Companies (Miscellaneous Reporting) Regulations 2018, the maximum scenario illustrates the potential remuneration payable if the share price increased by 50% (i.e. the value of the LTIP award increased by 50% between grant and vesting).

1. **Minimum performance:** comprising the minimum remuneration receivable (i.e. fixed pay only, being base salary, pension allowances and without an estimate for benefits for the 2021 financial year).
2. **On-target performance:** comprising fixed pay, a PIF award or annual bonus of 50% of the maximum opportunity (£1.08 million for the CEO and 150% of salary for the CFO) and LTIP awards vesting at the threshold level of 25% of maximum opportunity (200% of salary for the CFO). The illustration is made using the maximum remuneration that can be achieved. The normal PIF/bonus opportunity and LTIP grant level for the CFO is disclosed on page 89 in the 2020 Annual Report.
3. **Maximum performance** (excluding and including share price growth): comprising fixed pay, a PIF award and annual bonus of 100% of the maximum and 100% vesting of LTIP awards. The maximum performance scenario also illustrates potential payout under the LTIP with a 50% share price growth.

The illustrations do not take into account the value of dividends payable on vested PIF or deferred bonus of LTIP awards.

Recruitment policy

The Company's strategy is to attract and retain a talented and diverse workforce.

The Company's approach is that the remuneration of any newly recruited Executive Directors will be assessed in line with the same principles as apply to the existing Executive Directors.

The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure the preferred candidate and will have regard to guidelines and shareholder sentiment regarding enhanced short term or long term incentive payments made on recruitment and the appropriateness of any performance measures associated with an award. Subject to the paragraph below, the incentive awards that can be received in any one year will not exceed the maximum individual limits as set out in the New Policy.

The Committee's policy is not to provide sign-on compensation. In addition, the Committee's policy is not to provide buyouts as a matter of course. However, should the Committee determine that the individual circumstances of recruitment justified the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of a Director's previous employment will be estimated. This will take into account, among other things, the performance conditions attached to the vesting of these incentives, the timing of vesting, the likelihood of vesting and the nature of the awards (cash or equity). The Committee may then grant a buyout of a value that takes account of the value of the lapsed award, where possible, under the Company's incentive plans. To the extent that it is not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, the Committee may, in exceptional circumstances, consider it appropriate to grant an award under a different structure to facilitate a buyout of outstanding awards held by an individual on recruitment.

Where an existing employee is promoted to the Board, or was previously remunerated by a company that subsequently becomes a Group company, the policy set out above would apply from the date of promotion or that company becoming part of the Group but there would be no retrospective application of the policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package would be honoured (e.g. the operation of the PIF in relation to the year ended 31 December 2020, which results in payments being made after the New Policy takes effect) and form part of the ongoing remuneration of the person concerned. These would be disclosed to shareholders in the Annual Report on Remuneration for the relevant financial year.

The Company's approach is that the remuneration of any newly recruited Non-executive Director will be assessed in line with the same principles as apply to the existing Non-executive Directors.

The Company will not pay any introductory fee or incentive to any person to encourage them to become a Director but may pay fees to search and selection consultants in connection with the appointment of any Non-executive Director.

Service agreements and letters of appointment

Executive Directors

Harry Hyman's service contract does not permit notice to be given by either party until 4 January 2022; thereafter, his service contract has a twelve-month mutual notice period. Richard Howell's contract has a six-month mutual notice period. The Company's policy is for Executive Directors to have service agreements with no fixed term, but which may be terminated by the Company for breach by the Executive or with no more than twelve months' notice from the Company to the Executive and twelve months' notice from the Executive to the Company.

If notice is served by either party, the Executive Director can continue to receive base salary, contractual benefits and pension for the duration of their notice period during which time the Company may require the individual to continue to fulfil their current duties or may assign a period of garden leave. Service contracts do not contain liquidated damages clauses.

The Company may elect to make a payment in lieu of notice equivalent in value to a maximum of twelve months' base salary and contractual benefits including pension contribution but excluding bonus and PIF, payable in equal monthly instalments. Alternatively, the Committee retains the discretion to make payments in lieu of notice as a lump sum.

In the event of termination for cause (e.g. gross misconduct) neither notice nor payment in lieu of notice will be given and the Executive Director will cease to perform their services immediately.

In addition, and consistent with market practice, the Company may pay a contribution towards the Executive Director's legal fees for entering into a statutory agreement, may pay a contribution towards fees for outplacement services as part of a negotiated settlement, or may make a payment to compromise claims the Executive Director may have. There is no provision for additional compensation on termination following a change of control. Payment may also be made in respect of accrued benefits, including untaken holiday.

The contracts of the executive directors and the appointment letters of the non-executive directors will be available for inspection at the 2021 AGM and, subject to any restrictions imposed by the COVID-19 pandemic, at registered office during business hours from the date of the notice convening the meeting.

Incentive awards – treatment on cessation

Remuneration element	Treatment on exit
Salary, benefits and pension	Salary, benefits and pension will be paid over the notice period. The Company has discretion to make a lump sum payment on termination equal to the salary, value of contractual benefits and value of Company pension contributions payable during the notice period. In all cases the Company will seek to mitigate any payments due.
Annual Bonus Plan	Good leaver reason (reasons outlined below) – normally pro-rated to time and performance for year of cessation, and payable at the year end. Deferred shares delivered in full at normal vesting date. Other reason – no bonus payable for year of cessation and deferred shares normally lapse.
PIF	The CEO The PIF will be payable to the CEO in the event of cessation unless he voluntarily resigns from his employment (either with or without notice) at any time before 31 December 2022, or his employment is terminated by the Company by reason of a Termination Act (as defined in his service agreement), e.g. gross misconduct. The CFO No payment will be made for any reason in the event of cessation of employment.
LTIP	Good leaver reason – normally pro-rated to time and performance in respect of each subsisting LTIP award, with awards vesting at the original date. The Company will have the discretion to allow awards to vest early in exceptional circumstances. Other reason – lapse of any unvested LTIP awards. Vested LTIP awards will be retained by Executive Directors. The Committee has the following elements of discretion: • to treat a leaver as a "good leaver". It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case to do so; • whether to measure performance over the original performance period or at the date of cessation; and • the Committee's policy is generally to pro-rate awards from the date of grant to the date of cessation. The Committee has the discretion to adopt a different approach to pro-rating and the timing of vesting where it is felt appropriate and there is an appropriate business case to do so.

PART A: NEW POLICY EFFECTIVE FROM 5 JANUARY 2021 CONTINUED

Service agreements and letters of appointment continued

Incentive awards – treatment on cessation continued

A good leaver reason may include cessation in the following circumstances:

- death;
- ill health;
- injury or disability; or
- at the discretion of the Committee.

Incentive awards – treatment on a change in control

The Committee's normal policy on the vesting of incentives on a change of control is summarised below:

Name of incentive plan	Change of control	Discretion
Annual Bonus Plan	Pro-rated to time and performance to the date of the change of control and paid at that time. Deferred shares released at the change of control.	The Committee has discretion to continue the operation of the Plan to the end of the bonus year (subject to the agreement of the acquiring company).
PIF	The PIF will still be payable and operation of the PIF will end on 31 December 2022. Deferred shares will be released at the change of control and vest in the individual (or as they may direct).	The PIF will continue to operate until 31 December 2022.
LTIP	The number of shares subject to subsisting LTIP awards vesting on a change of control will be pro-rated to time and performance.	The Committee retains absolute discretion regarding the proportion vesting, taking into account time and performance. There is a presumption that the Committee will pro-rate for time, although it may adopt a different approach if it considers appropriate.

Non-executive Directors

The Non-executive Directors each have specific letters of appointment, rather than service contracts. Non-executive Directors are appointed for an initial term of three years and, under normal circumstances, would be expected to serve for additional three-year terms, up to a maximum of nine years, subject to satisfactory performance, which is reviewed annually by the Nomination Committee. The Board shall have discretion to extend a term beyond nine years in order to retain specialist skills and experience which are hard to replace and provided always that the individual is considered to remain independent. The Company requires that all Directors are re-elected at each Annual General Meeting.

In the event of loss of office, Non-executive Directors do not have any entitlement of payment upon a loss of office over and above payment for any notice period and any fees or expenses due to them but unpaid at the time of termination.

There is no provision for the recovery of sums paid to a Non-executive Director or the withholding of the payment of any sum due to a Non-executive Director.

External appointments

The Board recognises the benefit which the Company can obtain if Executive Directors serve as non-executive directors of other companies. Subject to review in each case, the Board's general policy is that an Executive Director can accept one non-executive directorship of another listed company (but not the chairmanship) and can retain the fees in respect of such appointment.

Such appointments require Board approval and the time commitment the appointment will require is taken into consideration.

Statement of employment conditions elsewhere in the Company

The Committee considers pay and employment conditions across the Company when reviewing the remuneration of the Executive Directors and other senior employees. In particular, the Committee considers the range of base pay increases across the Group as well as wider workforce remuneration and related policies. The New Policy for the Executive Directors is designed with regard to the policy for the workforce as a whole. The Committee is kept updated through the year on general employment conditions and it approves the budget for annual salary increases. The Company did not consult with employees in formulating the New Policy.

Consideration of shareholders' views

The Company is committed to engagement with shareholders and will seek major shareholders' views in advance of making significant changes to its New Policy and how it is implemented. The Chair of the Committee will attend the Annual General Meeting to hear the views of shareholders on the New Policy and to answer any questions in relation to remuneration.

Legacy arrangements

For the avoidance of doubt, in approving the New Policy, authority is given to the Directors to honour any commitments previously entered into with current or former Directors that have been disclosed previously to shareholders.

PART B: ANNUAL REPORT ON REMUNERATION

Implementation of Policy for 2021

Summary of Policy	Implementation in the year to 31 December 2021
Base salary An Executive Director's basic salary is set on appointment and reviewed annually with changes normally taking effect from the beginning of the year or when there is a change in position or responsibility.	Base salaries set when they became employees of the group on 5 January 2021 for the Executive Directors will apply for the whole year.
Pension Pension funding as an employer contribution to a defined contribution pension plan or as a salary supplement. Any pension payments are not be considered 'salary' when determining the extent of participation in the Company's incentive arrangements.	For existing and any future Executive Directors, the maximum pension contribution as a percentage of basic salary will be in line with the contribution level provided to the majority of the workforce (currently 3%–6% of salary). Harry Hyman will not receive a pension contribution. Richard Howell will receive a pension benefit of 3% of salary.
Benefits The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy.	In line with the Policy, each Executive Director receives: • Life insurance.
Annual bonus Annual bonuses are paid in cash shortly after the end of the financial year to which they relate. However, Executive Directors who participate in the Annual Bonus Plan will be required to defer 30% of the bonus net of tax into shares which should be held for at least three years. Dividend equivalents will be added on deferred shares to the extent they vest.	Richard Howell will participate in the annual bonus plan and, until 31 December 2021 also in the PIF. His maximum opportunity under the bonus plan will be 75% of salary. Harry Hyman will not participate in the annual bonus plan. The bonus will operate as follows: (i) Financial measures: 70% of opportunity, split equally between (a) EPRA earnings as adjusted by the Committee to ensure consistency with the basis on which the targets are set; and (b) Total Property Return. (ii) Strategy and personal measures: 30% of opportunity split between key goals of the business for the year ahead, which included ESG goals that will be cascaded through the Company. Full disclosure of the targets set and performance achieved will be made in next year's report as due to the nature of the business these targets are felt to be commercially sensitive at the current time.
Long term incentive plan Awards are to be granted annually under the LTIP in the form of nil cost options or conditional awards of shares. These awards will vest at the end of a three-year period, normally subject to continued employment at the date of vesting and achieving the performance conditions. Dividend equivalents will be added to awards to the extent that they vest. The net of tax number of shares that vest after the end of the three-year performance period will be subject to an additional two-year holding period, during which the shares cannot be sold (irrespective of whether the individual remains employed).	A resolution to approve the adoption of the PHP Long Term Incentive Plan ("LTIP") will be put to shareholders at the 2021 AGM. Assuming the LTIP is approved at the AGM: It is expected that Richard Howell will be granted an LTIP award of shares with a value at grant of 125% of his salary. Harry Hyman will not be granted an LTIP award in 2021. Other senior executives will also be granted LTIP awards. LTIP Awards will vest as follows calculating the growth from the 2020 base level to the level for 2023. Awards vest on a straight line basis for performance between the Threshold and Stretch targets and lapse if the Threshold is not achieved.
Performance Incentive Fee The PIF is an existing arrangement for the remuneration of the senior management team including the Executive Directors. The PIF's last year of operation will be 2021 for Richard Howell and 2022 for Harry Hyman. Malus and clawback provisions apply to the PIF, up to the date of any determination and for three years thereafter.	The PIF will continue for 2021 and be calculated as it has in the recent past, such that 11.25% of any performance in excess of an 8% per annum increase in the Group's EPRA Net Asset Value, plus dividends (less equity raised, net of non-cash and other necessary adjustments) is paid into the PIF pool. There is an overall cap of £1.8 million on the payment. Half of any PIF earned in relation to 2021 will be deferred to the following year, with performance against the hurdle rate (both positive and negative) carried forward in a notional cumulative account. The deferred element is subject to the account being in a surplus position in relation to 2022. Half of each of Richard Howell's payments will be in cash and the other half will be deferred for three years and made in shares. So, deferred payments are due to be delivered in 2022 and 2023 in cash, and shares released to him in 2025 and 2026. Harry Hyman will receive his payments in equal halves in 2022 and 2023 in cash. Awards will be capped at £0.72 million for Harry Hyman (being 40% of the £1.8 million cap) and, the maximum for 2021 in relation to Richard Howell will be 75% of salary.

Base salary:

Executive Director	Base salary (£)
Harry Hyman	£250,000
Richard Howell	£320,000

LTIP performance measures:

Performance measure	Weighting	Threshold vesting (10%)	Stretch vesting (100%)
Total Accounting Return	50%	5%pa CAGR	10% pa CAGR
EPRA Earnings Per Share	50%	5%pa CAGR	10% pa CAGR

Annual Report on Remuneration continued

Shareholding requirement Executive Directors are required to build up and hold a shareholding equivalent to a percentage of base salary. The requirements continue for two years after an Executive Director ceases to be employed.	The shareholding requirement is 200% of base salary.
Non-executive Directors To provide a competitive fee for the performance of NED duties, sufficient to attract high calibre individuals to the role.	The fee paid to the Chairman is increased to £165,000 per annum in recognition of the enhanced role and responsibility of the Chairman following internalisation and was fixed at this level after undertaking a benchmarking exercise of other FTSE 250 chairmen. The basic fee payable to the Non-executive Directors has been increased to £55,000 from £50,000. An additional fee of £10,000 is paid to the Chair of the Remuneration Committee and Audit Committee, and an additional fee of £5,000 is paid to the Chair of the ESG Committee and Senior Independent Director.

On the following pages we set out the Annual Report on Remuneration for the year ending 31 December 2020 which provides details of how the Remuneration Policy approved at the 2020 AGM was applied.

This part of the report has been prepared in accordance with the Companies Act, various companies regulations , and relevant sections of the Listing Rules. The Annual Report on Remuneration and the Chair's Statement will be put to an advisory shareholder vote at the 2021 AGM. The information on pages 88 to 91 has been audited where required under the regulations and indicated as audited information where applicable.

As, during the year, the Executive Directors were not employees and there were no employees in the Group there are no CEO pay disclosures to be made and no gender pay analysis in respect of the year.

The set fee for the Non-executive Directors from 1 April 2019 was £50,000 per annum, and this is the first increase since April 2019. An additional fee of £10,000 per annum was payable to the Deputy Chairman and Senior Independent Director and the Chair of the Audit Committee and the Chair of the Adviser Engagement Committee received an additional payment of £5,000. The set fee for the Chairman is £125,000.

Nexus Tradeco Limited, the Adviser to the Group under the Advisory Agreement during the year, received a fee equal to the basic fee paid to the Non-executive Directors for providing the services of Harry Hyman as the Managing Director.

During the year to 31 December 2020, Richard Howell was employed by Nexus, the Adviser to the Group. No additional fees were paid to Nexus in respect of the services of Richard Howell.

Further details of the Advisory Agreement are given in the Adviser Engagement Committee Report on pages 73 to 75 and details of the amounts paid to the Adviser are in Note 4 to the financial statements on pages 116 and 117.

The dates of appointment, and of the service agreements or appointment letters of each of the Directors proposed for re-election at the forthcoming Annual General Meeting, are as follows:

Name	Date of appointment	Date of service agreement or letter of appointment
Harry Hyman[1]	5 February 1996	5 January 2021
Richard Howell[1]	1 April 2017	1 April 2017
Steven Owen	1 January 2014	9 December 2013
Peter Cole	1 May 2018	1 May 2018
Laure Duhot	14 March 2019	14 March 2019
Ian Krieger	15 February 2018	15 February 2018

1 During the year to 31 December 2020, Harry Hyman and Richard Howell were employed by Nexus Tradeco Limited, which did not become part of the Group until 5 January 2021 and had letters of appointment in a similar form to those for the Non-executive Directors governing their duties and responsibilities to the Company. Mr Hyman entered into a new contract of employment with the Company on 5 January 2021 and Mr Howell entered into a contract of employment with Nexus Tradeco Limited (now PHP Tradeco Limited) on 24 January 2017.

The Directors who served during the year received the following fees:

Single total figure of remuneration (audited information)

	Salary and fees		Benefits		Pension		Total Fixed		Annual bonus		Retention bonus	PIF[4]		Total Variable		Total	
	2020 £000	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000	**2020 £000**	**2020 £000**	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000
Executive																	
Harry Hyman[1]	**50**	47	—	—	—	—	**50**	47	—	—	—	**524**	—	**524**	—	**574**	47
Richard Howell[2]	**300**	240	**—**	—	**1**	1	**301**	241	**150**	225	**250**	**200**	175	**600**	400	**901**	641
Non Executive																	
Steven Owen	**125**	137	**—**	—	**—**	—	**125**	137	**—**	—	**—**	**—**	—	**—**	—	**125**	137
Ian Krieger	**63**	57	**—**	—	**—**	—	**63**	57	**—**	—	**—**	**—**	—	**—**	—	**63**	57
Peter Cole	**50**	47	**—**	—	**—**	—	**50**	47	**—**	—	**—**	**—**	—	**—**	—	**50**	47
Laure Duhot	**55**	43	**—**	—	**—**	—	**55**	43	**—**	—	**—**	**—**	—	**—**	—	**55**	43
Helen Mahy[3]	**15**	47	**—**	—	**—**	—	**15**	47	**—**	—	**—**	**—**	—	**—**	—	**15**	47
Dr Stephen Kell[3]	**12**	47	**—**	—	**—**	—	**12**	47	**—**	—	**—**	**—**	—	**—**	—	**12**	47

1 Mr Hyman received no salary in either 2020 or 2019 from PHP or any member of the enlarged PHP group following the internalisation. The Adviser received a fee of £50,000 in 2020 and £47,000 in 2019 under the Advisory Agreement for the provision of the services of Mr Hyman as Managing Director. Under the terms on Harry Hyman's contractual bonus provisions in his PHP service contract which was signed on 5 January 2021, he is entitled to up to 40% of the PIF. The figure of £524,000 represents the amount earned by him in respect of 2020 and represents 40% of the total PIF payable, net of employers national insurance, on approval of the Annual Report by the Board of Directors. Further details of the PIF are included on page 26. No amount is shown in respect of 2019 as until the internalisation, all amounts of the PIF were paid to the Adviser and Harry Hyman received no remuneration from the Company.

2 Mr Howell earned the following elements of variable pay in relation to 2020 most of which will be paid in subsequent years, as follows: (i) Annual Bonus (£150,000), the annual bonus is set by the Committee, is discretionary, and is payable to him on a phased basis conditional normally on remaining employed, as follows: £75,000 payable in cash in 2021; £75,000 payable in cash in 2022; (ii) Retention bonus (£250,000), the retention bonus is set by the Committee, is discretionary and is in relation to the internalisation. It is payable to him on a phased basis conditional on remaining employed, as follows: £125,000 payable in cash in 2022; and £125,000 payable in cash in 2023. There were no retention bonus payments in 2019; (iii) PIF (£200,000), this is payable to him in 2021 as follows: £100,000 in cash and £100,000 in shares which must be held for a three year period. Mr Howell's award from the PIF is made at the discretion of the Committee. Further details of the PIF are included on page 26.

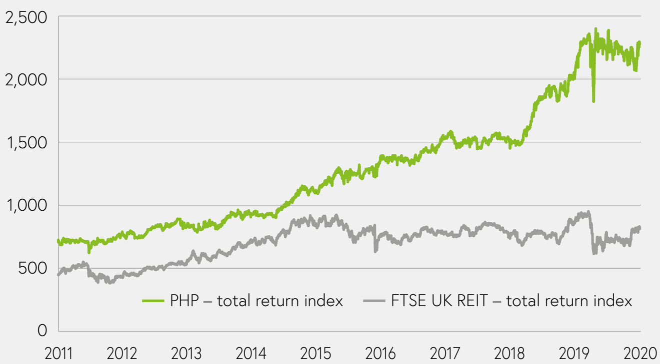
3 Helen Mahy and Dr Stephen Kell retired from the Board at the 2020 AGM.

4 Following the approval of the accounts, the Committee determined that a PIF payment, as set out in the New Policy on page 81, had been earned and accordingly the payments to Harry Hyman and Richard Howell set out in the table above were approved.

The Company's performance

The following graph compares, the total shareholder return of the Company's Ordinary Shares relative to a return on a hypothetical holding over the same period in the FTSE All-Share Real Estate Investment Trust Index. This Index has been chosen by the Board as the the Company is a constituent member of that index. Total shareholder return is the measure of returns provided by a company to shareholders reflecting share price movements and assuming reinvestment of dividends.

For the year ended 31 December 2020, the highest and lowest mid-market prices of the Company's Ordinary Shares were 165.5 pence and 126.2 pence respectively.



Remuneration adviser

The Remuneration Committee's appointed adviser is Korn Ferry who provide advice on Directors' remuneration and governance. Korn Ferry has no other connection with the Company and is a signatory to the voluntary code of conduct of the Remuneration Consultants Group in relation to executive remuneration consulting. The Committee is satisfied that its advice is independent and objective. The fees paid for its services calculated on a time and materials basis during the calendar year were £25,863.

Relative importance of spend on pay

The following table shows the total remuneration paid to Directors and total management fees paid compared to the dividends paid to shareholders:

	2020 £	2019 £	Difference
Directors' fees[1]	**371,250**	467,489	-20.6%
Management fee	**9,777,830**	8,810,750	+11.0%
Dividends	**73,250,228**	59,464,701	+23.2%

1 As the Company had no employees in the year the total spend on remuneration comprises just the Directors' fees.

Note: The items listed in the table are as required by the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 Section 20 with the exception of the management fee which has been included because the Directors believe it will help shareholders' understanding of the relative importance of the spend on pay. The figures for this measure are as shown in Note 4 to the financial statements.

There is no separate amount to be disclosed with regard to the Harry Hyman's remuneration during the year to 31 December 2020 as throughout this period his services were provided in accordance with the Advisory Agreement.

PART B CONTINUED

Statement of Directors' shareholding and share interests

The interests of each person who served as a Director at any time during the financial year in the share capital of the Company (all of which are beneficial unless otherwise stated) and any interests of a person connected with such persons (within the meaning of Section 96B(2) of the Financial Services and Markets Act 2000) are audited and shown below:

	31 December 2020 Held outright	**31 December 2020 Held by connected parties**	31 December 2019 Held outright	31 December 2019 Held by connected parties
Harry Hyman[1]	**519,965**	**12,378,009**	512,146	12,375,752
Richard Howell[2]	**97,745**	**101,155**	69,368	101,155
Steven Owen	**53,421**	**33,916**	51,367	32,640
Peter Cole	**75,000**	**—**	75,000	—
Laure Duhot	**—**	**23,169**	—	23,169
Ian Krieger	**101,481**	**—**	101,481	—

1 Includes 12,330,000 shares held by Nexus Group Holdings Limited.

2 Includes an award of 67,960 shares under the PIF held as bare trustee by NCMS.

Percentage change in remuneration of the Board of Directors

The table below shows the percentage change in remuneration of the executive and non-executive directors against PHP employees as a whole between the years ended 31 December 2019 and 31 December 2020.

	Average	Non-executive Directors (% change)[4]				Executive Directors (% change)	
Element of pay	employee (% change)[1]	Steven Owen	Ian Krieger	Peter Cole	Laure Duhot	Harry Hyman[2]	Richard Howell[3]
Base salary/fees	0%	(8.8)%	10.5%	6.4%	27.9%	6.4%	6.7%
Benefits	0%	n/a	n/a	n/a	n/a	n/a	n/a
Annual bonus and retention bonus	0%	n/a	n/a	n/a	n/a	n/a	77.8%

1 The Group had no employees in 2019 or 2020.

2 Mr Hyman was not employed by any company in the PHP group during 2019 or 2020.

3 The figures for Mr Howell show his increase in remuneration from Nexus Tradeco Limited which is now part of the PHP Group.

4 The Non-executive Directors receive no benefits and do not participate in the annual bonus scheme.

Helen Mahy and Dr Stephen Kell resigned as Directors on 1 April 2020 and their interests n the share capital of the Company are shown as at that date and as at 31 December 2019 in the table below:

	1 April 2020 Held outright	**1 April 2020 Held by connected parties**	31 December 2019 Held outright	31 December 2019 Held by connected parties
Helen Mahy	**40,061**	**—**	40,061	—
Dr Stephen Kell	**181**	**—**	22,503	—

Harry Hyman and his wife are participants in the Company's monthly investment plan that is administered by Equiniti on the Company's behalf and invests £100 per calendar month each in the plan and the plan participates in the Company's scrip dividend scheme, re-investing any cash dividends on the shares in the plan in new Ordinary Shares. Mr Hyman's ISA account has also entered into a dividend re-investment plan in respect of the shares he holds in his ISA account. The Chairman and his wife have also entered into a dividend re-investment plan in respect of the shares which they hold in the Company.

Save as disclosed below, no changes occurred between 31 December 2020 and the date of this report.

As a consequence of purchases in January and February 2021 in the monthly investment plan, and as a result of the issue to him of 11,485,080 new Ordinary Shares as part of the consideration for the acquisition on completion of the transaction, at the date of this report Mr Hyman held outright 12,004,308 shares, and connected parties to Mr Hyman 12,378,072 shares.

Percentage change in remuneration of the Board of Directors continued

During the year under review, there was no requirement or guidelines for any of the Directors to own shares in the Company, though it was anticipated that all Non-executive Directors will acquire shares in the Company. Under the New Policy, the Committee has adopted formal shareholding guidelines that will encourage the Executive Directors to build up and then subsequently hold a shareholding equivalent to a multiple of 200% of their base salary. Requirements will continue for two years after an Executive Director ceases to be employed.

Statement of shareholder voting

At the 2020 AGM, shareholder voting on the Directors' Remuneration Report was as follows:

	Number of votes	% of votes cast
Votes cast in favour	742,902,709	99.29
Votes cast against	5,283,534	0.71
Total votes cast	748,186,243	—
Abstentions	4,943,701	—

At the 2019 AGM, shareholder voting on the Directors' Remuneration Policy was as follows:

	Number of votes	% of votes cast
Votes cast in favour	747,714,060	99.5
Votes cast against	360,560	0.05
Total votes cast	748,074,620	—
Abstentions	5,055,324	0.45

A General Meeting was held on 4 January 2021, at which a composite resolution (inter-alia) to approve the internalisation and the adoption of the New Policy was proposed and which shareholder voting was as follows:

	Number of votes	% of votes cast
Votes cast in favour	759,002,089	99.95
Votes cast against	416,356	0.05
Total votes cast	781,849,853	—
Abstentions	22,431,408	—

Payments to past Directors or for loss of office

There have been no payments made to past Directors and no payments made for loss of office in the year.

Approval

The Directors' Remuneration Report has been approved by the Board of Directors.

Signed on behalf of the Board of Directors

Peter Cole
Chairman of the Remuneration Committee
17 February 2021

The Directors present their Annual Report and Accounts, together with the financial statements and the Auditor's Report, for the year ended 31 December 2020 to shareholders.

Company status

Primary Health Properties PLC is a public limited liability company incorporated under the laws of England and Wales and is the holding company of the Group, which has no branches. It has a premium listing on the London Stock Exchange Main Market for listed securities (LON:PHP) and is a constituent of the FTSE 250 Index.

Principal activity

The principal activity of the Group remains investment in primary healthcare property in the United Kingdom and Ireland.

The purpose of the Annual Report is to provide information to the members of the Company as a body, that is a fair, balanced and understandable assessment of the Group's performance, business model and strategy. A detailed review of the Group's business and performance during the year, the principal risks and uncertainties facing the Group, its approach to responsible business, an indication of future likely developments in the Company and details of important events since the year ended 31 December 2020 are contained in the Group's Strategic Report on pages 1 to 49 and should be read as part of this report.

The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. The Annual Report contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report. Nothing in this Annual Report should be construed as a profit forecast.

Tax status

The Group became a Real Estate Investment Trust ("UK REIT") on 1 January 2007. It is the opinion of the Directors that the Group has conducted its affairs so as to be able to continue as a UK REIT.

On 6 January 2021, the Board declared an interim dividend of 1.55 pence per Ordinary Share of 12.5 pence ("Ordinary Shares"), payable on 26 February 2021, to shareholders on the register at the close of business on 14 January 2021, being the first quarterly dividend in 2021. Further information on dividends can be found in the Shareholder Information section on page 145.

Directors

The names and biographical information for the current Directors can be found on pages 50 and 51. Details of the Directors who served during the year and the interests of the Directors and their connected persons in the Company's Ordinary Shares can be found in the Directors' Remuneration Report on page 88.

The Company's Articles require that Directors should submit themselves for election at the first Annual General Meeting following their appointment and thereafter for re-election at least every three years. The Company has, however, adopted the requirements of the UK Corporate Governance Code (the "Code") in requiring the annual re-election of all Directors.

A proposal to re-elect such Directors is to be included within the Notice calling the 2021 AGM. The Chairman confirms to shareholders that, following formal performance evaluation, all the Directors standing for re-election continue to be effective and their contribution is valuable and they demonstrate full commitment to and independence in their roles.

Appointment and removal of Directors

Unless and until otherwise determined by the Company by ordinary resolution, the number of Directors (other than any alternate Directors) shall not be less than two and there shall be no maximum number of Directors.

Dividends

The results for the year are shown in the Group Statement of Comprehensive Income on page 106.

The Company has paid four interim dividends for the year totalling 5.9 pence per share as follows:

	1st interim	2nd interim	3rd interim	4th interim
Property Income Distribution	1.275 pence	1.275 pence	1.275 pence	1.0 pence
Ordinary dividend	0.200 pence	0.200 pence	0.200 pence	0.475 pence
Payment date	21 February 2020	22 May 2020	21 August 2020	20 November 2020
Total	**1.475 pence**	**1.475 pence**	**1.475 pence**	**1.475 pence**

Powers of Directors

Subject to the provisions of the Companies Act 2006 (the "Act"), the memorandum and Articles of the Company and to any directions given by special resolution, the business of the Company shall be managed by the Board, which may exercise all the powers of the Company.

Appointment of Directors

Subject to the Articles, and without prejudice to the power of the Company to appoint any person to be a Director, the Board has power at any time to appoint any person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board, but the total number of Directors shall not exceed any maximum number fixed in accordance with the Articles.

Any Director so appointed shall hold office only until the next Annual General Meeting of the Company following such appointment and shall then be eligible for election.

Retirement of Directors

Under the Articles at each Annual General Meeting any Director who shall have been a Director at each of the two preceding Annual General Meetings is required to stand for re-election as a Director. However, the Company has adopted the requirements of the Code in requiring the annual re-election of all Directors.

Removal of Directors

In addition to any powers of removal conferred by the Companies Act, the Company may by special resolution remove any director before the expiration of his period of office and may (subject to the Articles) by ordinary resolution appoint another person to act in their place.

Indemnities

The Company has procured Directors' and officers' liability insurance in respect of itself, the Directors and the directors of its subsidiaries. These indemnities are qualifying third-party indemnity provisions as defined by Section 234 of the Act.

The Company has agreed to indemnify each Director against any liability incurred in relation to acts or omissions arising in the ordinary course of their duties. The indemnity only applies to the extent permitted by law. A copy of the deed of indemnity is available for inspection at PHP's registered office and will be available at the 2021 AGM. No indemnity was provided and no payments were made pursuant to these provisions during the year.

Substantial interests

As at 31 January 2021, the Company had been notified under the Disclosure Rules or was otherwise aware of the following shareholders who were directly or indirectly interested in 3% or more of the voting rights in the Company's issued share capital:

As at 31 January 2020	Ordinary Shares	Percentage of existing issued share capital
BlackRock Investment Management	101,317,584	7.6
Vanguard Group	60,163,731	4.5
Investec Wealth & Investment	55,186,248	4.2
Hargreaves Lansdown (EO)	50,155,005	3.8
APG	47,961,941	3.6
Troy Asset Management	41,493,476	3.1
Legal & General	40,396,814	3.0

Share capital

At the date of this report, the Company has one class of share in issue, being 1,327,036,460 million Ordinary Shares and each carrying the right to one vote at general meetings of the Company and to participate in any dividends declared in accordance with the Articles. There are no Ordinary Shares held in treasury. No person has any special rights of control over the Company's share capital.

At the 2020 AGM shareholders authorised the Company to make market purchases of Ordinary Shares representing up to 10% of its issued share capital at the time to allot equity securities (as defined by the Act) for cash. The Company did not purchase or acquire any of its Ordinary Shares during the year, nor did any nominee or third party with the Company's assistance acquire any shares on behalf of the Company. The authority will expire at the 2020 AGM and it is proposed to seek renewal of these authorities at the forthcoming 2020 AGM.

During the financial year, 99,229,606 Ordinary Shares were issued of which 2,674,606 Ordinary Shares were issued to satisfy election for the scrip dividend alternative and 96,555,000 Ordinary Shares were issued at a price of 145 pence per share, as a result of a successful equity placing. The placing was met with a high level of demand from both existing shareholders and potential new investors and the Board decided to increase the size of the equity raise from approximately £120 million to £140 million.

A placing is an issue of shares directly to certain shareholders. There are regulatory restrictions on placings designed to protect the rights of existing shareholders which the Company adhered to.

At the Annual General Meeting in 2020, the Company was granted authority to allot shares up to a maximum amount of £50,680,074, representing approximately one-third of the Company's issued ordinary share capital and to allot shares up to a maximum nominal value of £7,602,011, (representing approximately 5% of the Company's issued share capital without having to first offer those shares to existing shareholders.

The Company was also granted authority to allot further shares up to a maximum nominal value of £7,602,011, (representing approximately 5% of the Company's issued share capital) without having to first offer those shares to existing shareholders, where such authority is used in connection with the financing (or refinancing, if the authority is to be used within six months after the original transaction) of an acquisition or specified capital investment(the 'Additional Authority'). The Company used the full Additional Authority granted to it to issue the shares in connection with the placing, with the remaining placing shares issued under the former on-pre-emptive allotment authority.

The shares issued in connection with the placing represented a 7.9% increase to the issued share capital of the Company prior to the placing The placing raised gross proceeds of approximately £140 million and the net cash received after deducting costs was £137 million, which has been and will be used to fund pipeline acquisition and forward funding opportunities. The placing price of 145 pence per Ordinary Share represented a discount of 1.9% to the intra-day price at the time the placing price was agreed.

Details of changes in share capital are set out in Note 18 of the financial statements.

Rights attaching to shares under the Articles

The Company's Articles do not contain any specific restrictions on the size of a shareholder's holding.

Voting rights

Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the Articles, on a show of hands every member who is present in person or by proxy and entitled to vote has one vote and on a poll every member who is present in person or by proxy and entitled to vote has one vote for every share of which he is the holder.

Rights attaching to shares under the Articles continued

Restrictions on voting

There are no restrictions on exercising voting rights save in situations where the Company is legally entitled to impose such restrictions, such as if having been served with a notice under Section 793 of the Act, a shareholder fails to disclose details of any past or present beneficial interest. The Company is not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities or voting rights.

Transfer

There are no restrictions on the transfer of Ordinary Shares, other than certain restrictions imposed by laws and regulations which restricts Directors and persons closely associated with them from dealing in the Company's securities without prior approval under the share dealing code.

The rights and obligations attaching to the Ordinary Shares, in addition to those conferred by law, are set out in the Articles.

Amendment of the Company's Articles

Any amendments to the Company's Articles may be made in accordance with the provisions of the Act by special resolution. There were no amendments made to the Company's Articles in the year.

New articles of association were adopted by shareholders at the general meeting held on 4 January 2021. A copy of the new Articles can be obtained from the Company's website www.phpgroup.co.uk

Change of control

Under the Group's financing agreements, including the terms of the £150 million 2.875% Convertible Bonds due 2025, the lenders or bondholders may require repayment of the outstanding amounts on a change of control. There are no agreements between the Company and the Directors providing compensation for loss of office or employment or otherwise that occurs specifically because of a change of control.

Suppliers

The Group has not signed up to any specific supplier payment code; it is PHP's policy to comply with the terms of payment agreed with its suppliers. Where specific payment terms are not agreed, the Group endeavours to adhere to the suppliers' standard payment terms aims to settle supplier accounts promptly in accordance with their individual terms of business. The number of creditor days outstanding as at 31 December 2020 was 2 days (2019: 2 days, 2018: 24 days).

Annual General Meeting

The Annual General Meeting of PHP (the "AGM") will be held on 12 May 2021 at 10.30 a.m. The notice convening the AGM and explanatory notes for the resolutions sought will be sent to shareholders not less than 21 clear days before the date of the meeting.

It is hoped that it will be possible for shareholders to attend the AGM in person, however, the Company will have to comply with any UK government restrictions relating social gatherings applicable at the time of the meeting, in view of the ongoing COVID-19 pandemic, and the possible further extension of the relevant provisions of the Corporate Insolvency and Governance Act 2020.

Full details will be set out in the notice of AGM, but may need to be altered at short notice and will update Shareholders, as necessary, via a Regulatory Information Service and the Company's website at www.phpgroup.co.uk. Shareholders are advised to check the Company's website for updates.

Auditors

Deloitte LLP has expressed its willingness to continue in office as auditor and a resolution to re-appoint it will be put to shareholders at the AGM.

Employees

As at 31 December 2020, the Group had no employees, no employee share scheme and there are no agreements between the Company and its Directors providing for compensation for loss of office or employment whether through resignation, proposed redundancy a takeover bid or otherwise.

Donations

The Group does not make any political or charitable donations.

Share service

The Shareholder Information section on page 145 provides details of the share services available.

Financial instruments

The Group's financial risk management objectives and policies are discussed in Note 17.

Post balance sheet events

Details of events occurring since the year end are given in Note 26 on page 135.

Going concern

The Group's business activities together with the factors likely to affect its future development, performance and position, along with the financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out in the Strategic Report.

The Group's property portfolio is 99.6% occupied with over 90% of its income funded directly or indirectly from government sources and the average WAULT across the Group's portfolio is 12.1 years.

As at 31 December 2020, the Group had £361.5 million of headroom on its debt facilities, after commitments to fund on properties under construction through the course of 2021 with a further £103.6 million of cash. The weighted Group average unexpired loan term was 6.5 years.

The Group's consolidated loan to value ratio, including drawn, unsecured debt, is 41% with all banking covenants being met during the year and subsequent to the year end. In summary, at a Group level values would need to fall by 48% and Group income fall by approximately 63% before the LTV ratio and income covenants across the Group were at risk of being breached.

The Directors believe that the Group is well placed to manage its business risks successfully. Having reviewed the Group's business activities, financial development, performance and position including its cash flows, liquidity position, borrowing facilities and covenant cover, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence and meet its liabilities as they fall due for a period of at least twelve months from the date of this report. For this reason, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Regulatory disclosures

Additional information which is incorporated into this report by reference, including information required in accordance with the Companies Act 2006, Listing Rule 9.8.4 and the Disclosure and Transparency Rules ("DTRs") can be found on the following pages:

Review of business and future developments Strategic Report	See pages 1 to 49
Principal risks Risk Management section of the Strategic Report	See pages 34 to 39
Viability statement	See page 39
Directors' details Directors' biographies	See pages 50 and 51
Directors' share interests Remuneration Committee Report	See page 90
Section 172 statement Responsible Business section of the Strategic Report	See page 48
Greenhouse gas emissions Responsible Business section of the Strategic Report	See pages 42 and 43
Financial instruments Note 16	See pages 128 and 129
Financial risk management policies Risk Management section of the Strategic Report	See pages 34 to 39
Related party transactions Note 25	See page 135
Post balance sheet events Note 26	See page 135

All other sub-sections of LR9.8.4 are not applicable. Information that fulfils the requirements of LR 9.8.6(5) and 9.8.6(6) can be found in the Corporate Governance Report on pages 56 to 65 and is incorporated into this Directors' Report by reference.

Directors' statement as to disclosure of information to auditor

The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 50 and 51. Having made enquiries of fellow Directors and of the Company's auditor, each of the Directors confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

The Directors' Report was approved by the Board on 17 February 2021.

By order of the Board

Paul Wright
Company Secretary
Primary Health Properties PLC
Registered office: 5th Floor, Greener House, 66–68 Haymarket, London SW1Y 4RF

Registered in England Number: 3033634

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 Reduced disclosure framework. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs 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, are fair, balanced and understandable and provide 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 17 February 2021 and is signed on its behalf by:

For and on behalf of the Board

Steven Owen
Chairman
17 February 2021

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Primary Health Properties Plc (the 'company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom
- Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006..

We have audited the financial statements which comprise:

- the group statement of comprehensive income;
- the group and company balance sheets;
- the group cash flow statement;
- the group and company statements of changes in equity;
- the related notes 1 to 26; and
- the related notes to the company financial statements 1 to 19.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006, and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and company for the year are disclosed in note 4 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • Estimation of property yields and Estimated Rental Values ("ERVs") applied in the valuation of investment property. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk

Basis for opinion continued

3. Summary of our audit approach continued

Materiality	The materiality that we used for the group financial statements was £27.5 million which was determined on the basis of of 2% of Net Assets. Further to net assets, we considered EPRA Earnings to be a critical financial performance measure for the group and we applied a lower threshold of £3.6 million for items affecting EPRA Earnings on the basis of 5% of EPRA Earnings.
Scoping	The scope has remained consistent with the prior year, we performed full scope audit procedures on all of the group's subsidiaries. Audit work to respond to the risks of material misstatement was performed directly by the group audit engagement team.
Significant changes in our approach	There were no significant changes in our approach in the current year with the exception of change in key audit matters. In the previous year we identified the accounting for the acquisitions of MedicX Fund Limited as a key audit matter as a result of the judgements involved in accounting for the acquisition. These judgements do not apply in the current year and accordingly we have not identified this as a key audit matter in the current year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of relevant controls related to management's process for evaluating the group's ability to continue as a going concern, including the identification and evaluation of the relevant business risks and the method, model and assumptions applied by management;
- obtaining management's approved going concern model, including the sensitivities performed;
- performing a retrospective review of management's historical accuracy of forecast;
- challenging the assumptions and sensitivities used in management's going concern model with reference to analyst reports, market data and other external information;
- assessing the appropriateness of the scenario analysis, including the 'additional stress-testing' performed by management with reference to analyst reports and forecasts, historical performance and other external data;
- considering the group's position in relation to its debt facilities and respective covenants at the period end date and throughout the going concern period using forecast performance with management's going concern model; and
- evaluating management's disclosures on going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Estimation of property yields and ERVs applied in the valuation of investment property

Key audit matter description	The group owns and manages a portfolio of primary healthcare properties that are carried at fair value in the financial statements. The portfolio is valued at £2,576.1 million as at 31 December 2020 (2019: £2,413.1 million). The group uses professionally qualified external valuers to fair value the group's portfolio at six-monthly intervals. The valuers are engaged by the Directors and perform their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards. The valuers used by the group have considerable experience in the markets in which the group operates. The portfolio (excluding development properties) is valued by the investment method of valuation with development properties valued by the same methodology with a deduction made for all costs necessary to complete the development. The fair value of the group's property portfolio is driven by the yields and ERVs applied in the valuation process. The estimation of these key inputs reflect significant judgements based on factors such as (but not limited to) the volume of transactional evidence in the sector together with the characteristics of the individual property and lease. Further, the judgemental nature of the yields and ERVs used in the valuation process is compounded by the uncertainty caused by COVID-19 and Brexit, which has resulted in fluctuations in the investment and occupier markets. Whilst acknowledged that the primary healthcare market has demonstrated resilience and the group's portfolio is regarded as critical infrastructure, there is considered to be potential for increased judgement in the estimations made. The inherent subjectivity in relation to estimation of yields and ERVs, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement on the group's statement of comprehensive income and the group's balance sheet, warrants specific audit focus in this area. Furthermore, given the high level of judgement involved, we have determined that there is potential for fraud through possible manipulation of these key inputs to the valuation. Please see the accounting policy in note 2.3 to the financial statements. The consideration of this risk by the Audit Committee is described at page 68.

5. Key audit matters continued

5.1. Estimation of property yields and ERVs applied in the valuation of investment property continued

How the scope of our audit responded to the key audit matter	We carried out the following audit procedures in response to the identified key audit matter: • Obtained an understanding of relevant controls related to the management review and assessment of the work performed by the external valuers; • Obtained and read the external valuation reports for all properties and evaluated whether the valuation approach is in accordance with RICS guidelines and suitable for use in determining the carrying value in the group balance sheet; • Assessed the competence, capabilities and objectivity of the external valuers and read their terms of engagement with the group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work; • Met with the external valuers of the portfolio to discuss the results of their work, challenge their valuation processes and discuss significant assumptions and critical judgements over yields and ERVs in the context of publicly available information, including average yields quoted by competitors and comparable property transactions. Where assumptions and critical judgements relate to ERVs corroborate the valuers' explanations to the lease agreements or rent reviews agreed in the year; • Selected a sample of properties, where the yields applied in the valuation are outside our expectations, and challenged the explanations provided with reference to underlying evidence, such as lease terms and: • tested the accuracy of any rent reviews completed in 2020 to determine an expectation for unagreed rent reviews; • tested the accuracy of management's forecasting as regards the outcome of rent reviews with reference to these completed rent reviews; and • compared management's forecast of rent reviews to the ERVs adopted by the valuers; and • Involved our real estate specialist to obtain an overall understanding of the primary healthcare property markets in the UK and Ireland and challenge of the valuation of the investment properties as well as obtain an understanding of the likely effect of Brexit and COVID-19 on the portfolio.
Key observations	We concluded that the assumptions applied in relation to yields and ERVs in arriving at the fair value of the group's property portfolio were appropriate.

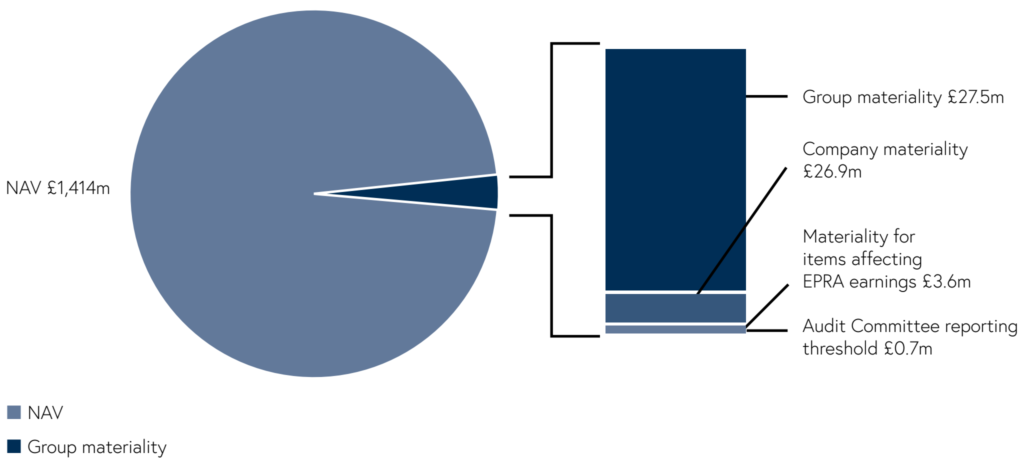
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Materiality	£27.5 million (2019: £24.5 million) and a lower materiality of of £3.6 million (2019: £2.9 million) for balances impacting EPRA earnings.	Materiality for the company has been determined as £26.9 million (2019: £22.8 million).
Basis for determining materiality	2% of net assets (2019: 2% of net assets) The lower materiality used for balances impacting EPRA earnings was determined using 5% (2019: 5%) of EPRA Earnings.	2% of net assets excluding intercompany balances (2019: 2% of total assets excluding intercompany balances). The basis of net assets remains consistent with the prior year.
Rationale for the benchmark applied	The overall level of materiality was determined using net assets because this is the primary focus of investors in listed real estate businesses. In addition to net assets, we considered EPRA Earnings to be a critical financial performance measure for the group and we applied a lower threshold of £3.6 million (2019: £2.9 million) for EPRA Earnings items.	The overall level of materiality was determined using net assets as this is determined to be the most stable base for calculation.



6. Our application of materiality continued

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Company financial statements
Performance materiality	70% (2019: 70%) of group materiality.	70% (2019: 70%) of company materiality.
Basis and rationale for determining performance materiality	We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. In determining performance materiality, we considered factors including: • our risk assessment; • our assessment of the group's overall control environment; and • our past experience of the audit, which has indicated a low number of uncorrected misstatements identified in prior periods.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £731,000 (2019: £597,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at group level. The group is audited by one audit team, led by the Senior Statutory Auditor. The audit is performed centrally as the books and records for each entity within the group are maintained at the offices of the adviser.

We also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

We have also obtained an understanding of the processes and controls operated by the adviser in relation to certain key business cycles including the property valuations, revenue, and expenditure processes.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management , those charged with governance and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including real estate specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: the estimation of property yields and ERVs applied in the valuation of investment property. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, REIT legislation, listing rules and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified the estimation of property yields and ERVs applied in the valuation of investment property as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 94;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate page 39;
- the directors' statement on fair, balanced and understandable set out on page 96;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 32 to 38;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems page 68; and
- the section describing the work of the audit committee set out on pages 66 to 70.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Primary Health Properties Plc on 1 June 2013 to audit the financial statements for the year ending 31 December 2013 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 8 years, covering the years ending 31 December 2013 to 31 December 2020.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sara Tubridy, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
17 February 2021

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £m	2019 £m
Rental income		**139.0**	121.3
Direct property expenses		**(7.8)**	(5.6)
Net rental income	3	**131.2**	115.7
Administrative expenses	4	**(13.2)**	(12.3)
Exceptional item – contract termination fee		**—**	(10.2)
Revaluation gain on property portfolio	10	**51.3**	48.4
Profit on sale of land and property	10	**0.1**	1.4
Exceptional revaluation loss arising on merger with MedicX	10	**—**	(138.4)
Total revaluation gain/(loss)		**51.4**	(88.6)
Operating profit		**169.4**	4.6
Finance income	5	**1.2**	1.4
Finance costs	6a	**(43.0)**	(42.6)
Fair value loss on derivative interest rate swaps and amortisation of hedging reserve	6b	**(12.9)**	(5.4)
Fair value gain/(loss) and issue costs on convertible bond	6c	**(2.3)**	(28.2)
Profit/(loss) before taxation		**112.4**	(70.2)
Taxation charge	7	**(0.4)**	(1.1)
Profit/(loss) after taxation[1]		**112.0**	(71.3)
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss			
Fair value gain on interest rate swaps treated as cash flow hedges and amortisation of hedging reserve	22	**4.0**	1.7
Exchange gain/(loss) on translation of foreign balances		**2.2**	(1.9)
Other comprehensive income/(loss) net of tax[1]		**6.2**	(0.2)
Total comprehensive income/(loss) net of tax[1]		**118.2**	(71.5)
IFRS earnings/(loss) per share			
Basic	8	**8.8p**	(6.5)p
Diluted	8	**8.7p**	(6.5)p
Adjusted earnings per share[2]			
Basic	8	**5.8p**	5.5p
Diluted	8	**5.7p**	5.4p

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

2 See Glossary of Terms on pages 147 and 149.

The above relates wholly to continuing operations.

GROUP BALANCE SHEET
AT 31 DECEMBER 2020

	Notes	2020 £m	2019 £m
Non-current assets			
Investment properties	10	**2,576.1**	2,413.1
Derivative interest rate swaps	16	**—**	0.5
		2,576.1	2,413.6
Current assets			
Trade and other receivables	11	**17.4**	16.7
Cash and cash equivalents	12	**103.6**	143.1
		121.0	159.8
Total assets		**2,697.1**	2,573.4
Current liabilities			
Deferred rental income		**(27.0)**	(25.2)
Trade and other payables	13	**(34.7)**	(34.7)
Borrowings: term loans and overdraft	14a	**(6.4)**	(6.1)
		(68.1)	(66.0)
Non-current liabilities			
Borrowings: term loans and overdraft	14a	**(623.6)**	(682.7)
Borrowings: bonds	14b	**(582.9)**	(575.1)
Derivative interest rate swaps	16	**(0.1)**	(13.5)
Head lease liabilities	15	**(4.5)**	(4.5)
Deferred tax liability		**(3.5)**	(3.1)
		(1,214.6)	(1,278.9)
Total liabilities		**(1,282.7)**	(1,344.9)
Net assets		**1,414.4**	1,228.5
Equity			
Share capital	18	**164.4**	152.0
Share premium	19	**466.7**	338.1
Merger and other reserve	20	**400.8**	398.6
Special reserve	21	**—**	65.4
Hedging reserve	22	**(20.1)**	(24.1)
Retained earnings	23	**402.6**	298.5
Total equity[1]		**1,414.4**	1,228.5
Net asset value per share			
IFRS net assets – basic and diluted	8	**107.5p**	101.0p
Adjusted net tangible assets[2] – basic	8	**112.9p**	107.9p
Adjusted net tangible assets[2] – diluted	8	**115.4p**	111.1p

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

2 See Glossary of Terms on pages 147 and 149.

These financial statements were approved by the Board of Directors on 17 February 2021 and signed on its behalf by:

Steven Owen
Chairman

Registered in England Number: 3033634

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	**2020 £m**	2019 £m
Operating activities			
Profit/(loss) on ordinary activities after tax		**112.0**	(71.3)
Taxation charge	7	**0.4**	1.1
Finance income	5	**(1.9)**	(1.4)
Finance costs	6a	**43.7**	42.6
Fair value loss on derivatives	6b	**12.9**	5.4
Fair value loss and issue costs on convertible bond	6c	**2.3**	28.2
Operating profit before financing costs		**169.4**	4.6
Adjustments to reconcile Group operating profit before financing to net cash flows from operating activities:			
Revaluation gain on property portfolio	10	**(51.3)**	(48.4)
Profit on sale of land and property	10	**(0.1)**	(1.4)
Effect of exchange rate fluctuations on operations		**(0.3)**	—
Exceptional revaluation loss arising on merger with MedicX		**—**	138.4
Fixed rent uplift		**(1.5)**	(1.7)
Tax paid		**(0.2)**	(0.1)
Decrease/(increase) in trade and other receivables		**(1.3)**	(5.2)
(Decrease)/increase in trade and other payables		**4.2**	7.8
Cash generated from operations		**118.9**	94.0
Net cash flow from operating activities		**118.9**	94.0
Investing activities			
Payments to acquire and improve investment properties		**(102.9)**	(49.9)
Receipts from disposal of properties		**0.1**	2.5
MedicX merger transaction costs		**—**	(14.5)
Cash acquired as part of MedicX merger		**—**	5.8
Interest received on development loans		**1.9**	0.3
Net cash flow used in investing activities		**(100.9)**	(55.8)
Financing activities			
Proceeds from issue of shares		**140.0**	100.0
Cost of share issues		**(3.2)**	(2.4)
Term bank loan drawdowns	14	**17.8**	132.8
Term bank loan repayments	14	**(76.2)**	(160.5)
Proceeds from bond issue		**—**	213.2
Bond repayment		**—**	(75.0)
Bond issue and loan arrangement fees		**(2.0)**	(5.7)
Termination of derivative financial instruments		**(21.8)**	(8.0)
Swap interest paid		**(0.1)**	(0.9)
Non-utilisation fees		**(1.9)**	(1.7)
Interest paid		**(42.0)**	(36.9)
Bank interest received		**0.4**	0.2
Equity dividends paid net of scrip dividend	9	**(69.1)**	(54.4)
Net cash flow from financing activities		**(58.1)**	100.7
(Decrease)/increase in cash and cash equivalents for the year		**(40.1)**	138.9
Effect of exchange rate fluctuations on Euro-denominated loans and cash equivalents		**0.6**	(1.7)
Cash and cash equivalents at start of year		**143.1**	5.9
Cash and cash equivalents at end of year	12	**103.6**	143.1

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £m	Share premium £m	Merger and other reserve £m	Special reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
1 January 2020	152.0	338.1	398.6	65.4	(24.1)	298.5	1,228.5
Profit for the year	—	—	—	—	—	112.0	112.0
Other comprehensive income							
Fair value movement on interest rate swaps	—	—	—	—	—	—	—
Reclassification to profit and loss – amortisation of hedging reserve	—	—	—	—	4.0	—	4.0
Exchange loss on translation of foreign balances	—	—	2.2	—	—	—	2.2
Total comprehensive income	—	—	2.2	—	4.0	112.0	118.2
Shares issued on conversion of convertible bonds	—	—	—	—	—	—	—
Shares issued as part of capital raise	12.1	127.9	—	—	—	—	140.0
Share issue expenses	—	(3.2)	—	—	—	—	(3.2)
Dividends paid	—	—	—	(61.2)	—	(7.9)	(69.1)
Scrip dividend in lieu of cash	0.3	3.9	—	(4.2)	—	—	—
31 December 2020	**164.4**	**466.7**	**400.8**	**0**	**(20.1)**	**402.6**	**1,414.4**

	Share capital £m	Share premium £m	Merger and other reserve £m	Special reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
1 January 2019	96.1	220.6	2.5	124.8	(25.8)	369.8	788.0
Loss for the year	—	—	—	—	—	(71.3)	(71.3)
Other comprehensive income							
Fair value movement on interest rate swaps	—	—	—	—	(1.3)	—	(1.3)
Reclassification to profit and loss – amortisation of hedging reserve	—	—	—	—	3.0	—	3.0
Exchange loss on translation of foreign balances	—	—	(1.9)	—	—	—	(1.9)
Total comprehensive income	—	—	(1.9)	—	1.7	(71.3)	(71.5)
Shares issued on conversion of convertible bonds	3.0	25.4	—	—	—	—	28.4
Shares issued as part of MedicX merger	42.6	—	398.0	—	—	—	440.6
Shares issued as part of capital raise	9.8	90.2	—	—	—	—	100.0
Share issue expenses	—	(2.6)	—	—	—	—	(2.6)
Dividends paid	—	—	—	(54.4)	—	—	(54.4)
Scrip dividend in lieu of cash	0.5	4.5	—	(5.0)	—	—	—
31 December 2019	152.0	338.1	398.6	65.4	(24.1)	298.5	1,228.5

1. Corporate information

The Group's financial statements for the year ended 31 December 2020 were approved by the Board of Directors on 17 February 2021 and the Group Balance Sheet was signed on the Board's behalf by the Chairman, Steven Owen. Primary Health Properties PLC is a public limited company incorporated in England and Wales and domiciled in the United Kingdom. The Company's Ordinary Shares are admitted to the Official List of the UK Listing Authority, a division of the Financial Conduct Authority, and traded on the London Stock Exchange.

2. Accounting policies

2.1 Basis of preparation

The Group's financial statements have been prepared on the historical cost basis, except for investment properties, including investment properties under construction and land and derivative financial instruments that have been measured at fair value. The Group's financial statements are prepared on the going concern basis (see pages 94 and 95 for further details) and presented in Sterling rounded to the nearest million.

Statement of compliance

The consolidated financial statements for the Group have been prepared under International Financial Reporting Standards ("IFRSs") as adopted by the European Union and applied in accordance with the Companies Act 2006 and Article 4 of the IAS Regulation.

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 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

Amendments to IAS 1 and IAS 8 Definition of material

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments relate to the definition of material. Within IAS 1, the concept of using immaterial information to obscure material information has been included in the new definition. The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence". The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. There has been no impact on the Group for the period beginning 1 January 2020.

Amendments to references to the conceptual framework in IFRS standards

The Group has adopted the amendments included in Amendments to references to the conceptual framework in IFRS standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new framework. The standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32. There is no impact on the Group for the period beginning 1 January 2020.

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 comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; through currently exercisable or convertible potential voting rights; or by way of contractual agreement. 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 IFRS at Group level does not affect the distributable reserves available to the Group.

Segmental reporting

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

Foreign currency transactions

Each Group company presents its individual financial statements in its functional currency. The functional currency of all UK subsidiaries (with the exception of PHP Euro Private Placement Limited and MXF Properties Ireland Limited which are Euro) is Sterling and the functional currency of Primary Health Properties ICAV and its Irish domiciled subsidiaries is Euro.

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

2. Accounting policies continued

2.3 Summary of significant accounting policies continued

Foreign operations

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

The exchange rates used to translate foreign currency amounts in 2020 are as follows:

Group Balance Sheet: £1 = €1.1185 (2019: €1.1825). Group Statement of Comprehensive Income: £1 = €1.105 (2019: €1.1787).

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.

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. The basis of the judgement is set out in Note 2.4(b).

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. 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.

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% (2019: 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

Revenue 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).

2. Accounting policies continued

2.3 Summary of significant accounting policies continued

Financial instruments under IFRS 9

Trade receivables

Trade receivables are recognised and carried at amortised cost as the Group's business model is to collect the contractual cash flows due from tenants. Provision 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, including any bank overdrafts, with an original maturity of three months or less, measured at amortised cost.

Trade and other payables

Trade payables are recognised and carried at their invoiced value inclusive of any VAT that may be applicable.

Bank loans and borrowings

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

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

Borrowing costs

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

Convertible bond

The convertible bond is designated as "at fair value through profit or loss" and so is presented on the Group Balance Sheet at fair value with all gains and losses, including the write-off of issuance costs, recognised in the Group Statement of Comprehensive Income. The fair value of the convertible bond is assessed in accordance with level 1 valuation techniques as set out within "Fair value measurements" within these accounting policies. The interest charge in respect of the coupon rate on the bond has been recognised within the underlying component of net financing costs on an accruals basis. Refer to Note 16 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;
- 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;
- 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
- when 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.

2. Accounting policies continued

2.3 Summary of significant accounting policies continued

De-recognition of financial assets and liabilities continued

Financial liabilities

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

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

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

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, 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.

2. Accounting policies continued

2.3 Summary of significant accounting policies continued

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".

i) Derivative financial instruments ("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; and
- 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.

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.

2. Accounting policies continued

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.

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

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

In determining the fair value of investment properties under construction the valuer is required to consider the significant risks which are relevant to the development process including, but not limited to, construction and letting risks. The valuer takes into account any pre-lets and whether construction risk remains with the respective developer or contractor.

Fair value of derivatives

In accordance with IFRS 9, the Group values its derivative financial instruments at fair value. Fair value is estimated by JCRA (now part of 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 2020. 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 17 of the financial statements.

b) Judgements

Hedge effectiveness

The Group has a number of interest rate swaps that mature after the Group's bank facilities, to which they relate, are due to expire. In accordance with IAS 39, in order to apply hedge accounting in relation to these interest rate swaps, the Group has determined that it is highly probable that these bank facilities will be renegotiated on or before expiry and that variable interest rate debt finance will be in place until the expiry date of the swaps.

The Group is exposed to foreign exchange rate movements due to operations in Ireland. In accordance with IAS 39, in order to apply hedge accounting with the euro denominated cash flows, the Group has determined that it is highly probably that there will be corresponding euro bank drawdowns and that these will be renegotiated on or before expiry.

Property acquisitions during the year

The Directors have reviewed the acquisitions during the year on an individual basis in accordance with the requirements of IFRS 3(R). They consider that they all meet the criteria of asset acquisitions rather than business combinations and have accounted for them as such. Although corporate entities were acquired, they were special purpose vehicles for holding properties rather than separate business entities. This judgement was made due to the absence of business processes inherent in the entities acquired.

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 EU:

- Amendments to IAS 1 – Classification of liabilities as current or non-current
- Annual improvements to IFRS standards 2018–2020

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2021, 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. Revenue is derived from one reportable operating segment and £128.2 million and £10.8 million of rental income is 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
2020	**134.4**	**133.6**	**131.2**	**126.0**	**121.3**	**935.5**	**1,582.0**
2019	126.9	126.8	126.2	124.0	119.3	992.1	1,615.3

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 is stated after charging:

	2020 £m	2019 £m
Administrative expenses including:		
Advisory fees (Note 4a)	**9.1**	8.3
Performance Incentive Fees (Note 4b)	**1.6**	1.8
Directors' fees (Note 4c)	**0.4**	0.5
Audit fees		
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	**0.3**	0.2
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries	**0.2**	0.2
Total audit fees	**0.5**	0.4
Total audit and assurance services	**0.5**	0.4
Non-audit fees		
Advisory services	**—**	0.2
Total non-audit fees	**—**	0.2
Total fees	**0.5**	0.6

Please refer to page 69 of the Audit Committee Report for analysis of non-audit fees.

a) Advisory fees

The advisory fees calculated and payable for the period to 31 December were as follows:

	2020 £m	2019 £m
Nexus Tradeco Limited ("Nexus")	**9.1**	8.3

Further details on the Advisory Agreement can be found in the Corporate Governance section of the Annual Report.

As at 31 December 2020 £0.8 million was payable to Nexus (2019: £0.7 million).

Further fees paid to Nexus in accordance with the Advisory Agreement of £0.4 million (2019: £0.1 million) in respect of capital projects were capitalised in the year.

Service charge management fees paid to Nexus in the year in connection with the Group's properties totalled £0.4 million (2019: £0.3 million).

STRATEGIC REPORT GOVERNANCE FINANCIAL STATEMENTS FURTHER INFORMATION

4. Group operating profit is stated after charging: continued

b) Performance Incentive Fee ("PIF")

Information about the Performance Incentive Fee is provided in the Corporate Governance section of the Strategic Review in the Annual Report.

A PIF of £1.3 million was paid to Nexus in the period in respect of 2019 and at 31 December 2020 the balance on the notional cumulative PIF account was £8.1 million (2019: £7.0 million), of which £1.5 million (2019: £1.3 million) will become payable on approval of the Annual Report by the Board. The balance is conditional on performance in future years and the restrictions noted in the Financial Review on pages 25 to 29.

c) Remuneration of Directors

Further information about the remuneration of individual Directors is provided in the Directors' Remuneration Report in the Annual Report.

5. Finance income

	2020 £m	2019 £m
Interest income on financial assets		
Bank interest	**0.4**	0.2
Development loan interest	**0.8**	1.2
	1.2	1.4

6. Finance costs

	2020 £m	2019 £m
Interest expense and similar charges on financial liabilities		
a) Interest		
Bank loan interest	**26.1**	27.0
Swap interest	**0.1**	0.8
Bond interest	**16.0**	12.1
Bank facility non-utilisation fees	**1.9**	1.8
Bank charges and loan arrangement fees	**2.7**	3.4
	46.8	45.1
Interest capitalised	**(0.7)**	—
	46.1	45.1
Amortisation of MedicX debt MtM on acquisition	**(3.1)**	(2.5)
	43.0	42.6

	2020 £m	2019 £m
b) Derivatives		
Net fair value loss on interest rate swaps	**(8.5)**	(2.4)
Amortisation of cash flow hedging reserve	**(4.4)**	(3.0)
	(12.9)	(5.4)

The fair value loss on derivatives recognised in the Group Statement of Comprehensive Income has arisen from the interest rate swaps for which hedge accounting does not apply. A fair value loss on derivatives which do meet the hedge effectiveness criteria under IAS 39 of £0.4 million (2019: loss of £1.3 million) is accounted for directly in equity. An amount of £4.4 million (2019: £3.0 million) has been amortised from the cash flow hedging reserve in the year resulting from early termination of effective swap contracts (see Note 22).

Details of the fair value loss on hedges which meet the effectiveness criteria for hedge accounting under IAS 39 are set out in Note 22.

6. Finance costs continued

	2020 £m	2019 £m
c) Convertible bond		
Fair value loss on convertible bond fully redeemed in the year	**—**	(1.8)
Fair value loss on convertible bond issued in the year	**—**	(22.7)
Fair value loss on existing convertible bond	**(2.3)**	—
Convertible bond issue costs	**—**	(3.7)
	(2.3)	(28.2)

On 15 July 2019, PHP Finance (Jersey No.2) Limited (the "Issuer"), a wholly owned subsidiary of the Group, issued £150 million of 2.875% convertible bonds (the "Bonds") for a six-year term and if not previously converted, redeemed or purchased and cancelled, the Bonds will be redeemed at par on maturity in July 2025.

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

	2020 £m	2019 £m
Net finance costs		
Finance income (Note 5)	**1.2**	1.4
Finance costs (as per above)	**(46.8)**	(45.1)
	(45.6)	(43.7)
Interest capitalised	**0.7**	—
	(44.9)	(43.7)
Amortisation of MedicX debt MtM on acquisition	**3.1**	2.5
	(41.8)	(41.2)

7. Taxation

a) Taxation charge in the Group Statement of Comprehensive Income

The taxation charge is made up as follows:

	2020 £m	2019 £m
Current tax		
UK corporation tax	**—**	—
Irish corporation tax	**0.1**	0.2
Deferred tax on Irish activities	**0.3**	0.9
Total tax	**0.4**	1.1

The UK corporation tax rate of 19% (2019: 19%) and the Irish corporation tax rate of 20% (2019: 20%) have been applied in the measurement of the Group's UK and Ireland related activities tax liability at 31 December 2020.

b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK. The differences are explained below:

	2020 £m	2019 £m
Profit/(loss) on ordinary activities before taxation	**112.4**	(70.2)
Theoretical tax at UK corporation tax rate of 19% (2019: 19%)	**21.4**	(13.3)
REIT exempt income	**(25.7)**	(23.0)
Transfer pricing adjustment	**4.1**	4.8
Non-taxable items	**0.7**	31.5
Irish corporation tax	**0.7**	0.2
Deferred tax on Irish activities	**(0.8)**	0.9
Taxation charge (Note 7a)	**0.4**	1.1

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

7. Taxation continued

c) Basis of taxation

The Group elected to be treated as a UK REIT with effect from 1 January 2007. The UK REIT rules exempt the profits of the Group's property rental business from corporation tax. Gains on properties are also exempt from tax, provided they are not held for trading or sold in the three years post completion of development. The Group will otherwise be subject to corporation tax at 19% (2019: 19%).

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

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

To remain as a UK REIT there are a number of conditions to be met in respect of the principal company of the Group, the Group's qualifying activities and the balance of its business. The Group remains compliant as at 31 December 2020.

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

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

Earnings per share

	2020			2019		
	IFRS earnings £m	**Adjusted earnings £m**	**EPRA earnings £m**	IFRS earnings £m	Adjusted earnings £m	EPRA earnings £m
Profit/(loss) after taxation	**112.0**	**112.0**	**112.0**	(71.3)	(71.3)	(71.3)
Adjustments to remove:						
Revaluation gain on property portfolio	**—**	**(51.3)**	**(51.3)**	—	(48.4)	(48.4)
Profit on sale of land and property	**—**	**(0.1)**	**(0.1)**	—	(1.4)	(1.4)
Fair value movement on derivatives	**—**	**12.9**	**12.9**	—	5.4	5.4
Fair value movement and issue costs on convertible bond	**—**	**2.3**	**2.3**	—	28.2	28.2
Taxation charge	**—**	**0.4**	**0.4**	—	1.1	1.1
Exceptional revaluation loss arising on acquisition of MedicX	**—**	**—**	**—**	—	138.4	138.4
Exceptional items – contract termination fee	**—**	**—**	**—**	—	10.2	—
Amortisation of MtM loss on debt acquired	**—**	**(3.1)**	**—**	—	(2.5)	—
Basic earnings/(loss)	**112.0**	**73.1**	**76.2**	(71.3)	59.7	52.0
Dilutive effect of convertible bond	**6.6**	**4.3**	**4.3**	—	2.0	2.0
Diluted earnings/(loss)	**118.6**	**77.4**	**80.5**	(71.3)	61.7	54.0

8. Earnings per share continued

Number of shares

	2020 weighted average			2019 weighted average		
	million	million	million	million	million	million
Ordinary Shares	**1,266.4**	**1,266.4**	**1,266.4**	1,092.0	1,092.0	1,092.0
Dilutive effect of convertible bond	**102.0**	**102.0**	**102.0**	—	46.5	46.5
Diluted Ordinary Shares	**1,368.4**	**1,368.4**	**1,368.4**	1,092.0	1,138.5	1,138.5

Profit/(loss) per share attributable to shareholders:

	IFRS pence	Adjusted pence	EPRA pence	IFRS pence	Adjusted pence	EPRA pence
Basic	**8.8**	**5.8**	**6.0**	(6.5)	5.5	4.8
Diluted	**8.7**	**5.7**	**5.9**	(6.5)	5.4	4.7

In the year ended 31 December 2019 the effect of the convertible bond has been excluded from the diluted loss and weighted average diluted number of shares when calculating IFRS diluted loss per share because they are not dilutive.

Net assets per share

	31 December 2020			31 December 2019		
	IFRS £m	Adjusted £m	EPRA £m	IFRS £m	Adjusted £m	EPRA £m
Net assets attributable to shareholders	**1,414.4**	**1,414.4**	**1,414.4**	1,228.5	1,228.5	1,228.5
Derivative interest rate swaps liability		**0.1**	**0.1**		13.0	13.0
Deferred tax		**3.5**	**3.5**		3.1	3.1
Cumulative convertible bond fair value movement		**25.0**	**25.0**		22.7	22.7
MtM on MedicX loans net of amortisation		**42.3**	**—**		45.5	—
Net tangible assets ("NTA")		**1,485.3**	**1,443.0**		1,312.8	1,267.3
Real estate transfer taxes			**174.7**			160.4
Net reinstatement value ("NRV")			**1,617.7**			1,427.7
Fixed rate debt and swap mark-to-market value			**(88.0)**			(62.0)
Deferred tax			**(3.5)**			(3.1)
Cumulative convertible bond fair value movement			**(25.0)**			(22.7)
Real estate transfer taxes			**(174.7)**			(160.4)
Net disposal value ("NDV")			**1,326.5**			1,179.5

Ordinary Shares

	million	million	million	million	million	million
Issued share capital	**1,315.6**	**1,315.6**	**1,315.6**	1,216.3	1,216.3	1,216.3

Basic net asset value per share[1]

	IFRS pence	Adjusted pence	EPRA pence	IFRS pence	Adjusted pence	EPRA pence
Net tangible assets ("NTA")	**107.5**	**112.9**	**109.7**	101.0	107.9	104.2
Net reinstatement value ("NRV")			**123.0**			117.4
Net disposal value ("NDV")			**100.8**			97.0

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.

8. Earnings per share continued

Diluted net asset value per share[2]

	31 December 2020			31 December 2019		
	IFRS pence	**Adjusted pence**	**EPRA pence**	IFRS pence	Adjusted pence	EPRA pence
Net tangible assets ("NTA")	**110.4**	**115.4**	**112.4**	101.0	111.1	107.6
Net reinstatement value ("NRV")			**124.7**			119.8
Net disposal value ("NDV")			**104.2**			102.7

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 147.10 pence (31 December 2019: 149.39 pence).

Conversion of the convertible bond would result in the issue of 102.0 million (31 December 2019: 100.4 million) new Ordinary Shares. The IFRS net asset value and EPRA NDV would increase by £175.0 million (31 December 2019: £172.7 million) and the EPRA NTA, Adjusted NTA and EPRA NRV would increase by £150.0 million (31 December 2019: £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.

During the year the Group has adopted the new EPRA Best Practice Recommendations Guidelines as issued by EPRA in October 2019, effective for periods beginning 1 January 2020. The Best Practice Recommendations have replaced the previous EPRA NAV and EPRA NNNAV metrics with three new metrics, EPRA NTA, EPRA NDV and EPRA NRV; refer to the Glossary of Terms.

9. Dividends

Amounts recognised as distributions to equity holders in the year:

	2020 £m	2019 £m
Quarterly interim dividend paid 21 February 2020	**16.9**	—
Scrip dividend in lieu of quarterly cash dividend 21 February 2020	**1.0**	—
Quarterly interim dividend paid 22 May 2020	**16.9**	—
Scrip dividend in lieu of quarterly cash dividend 22 May 2020	**1.1**	—
Quarterly interim dividend paid 21 August 2020	**16.4**	—
Scrip dividend in lieu of quarterly cash dividend 21 August 2020	**1.5**	—
Quarterly interim dividend paid 20 November 2020	**18.9**	—
Scrip dividend in lieu of quarterly cash dividend 20 November 2020	**0.6**	—
Quarterly interim dividend paid 22 February 2019	**—**	9.9
Scrip dividend in lieu of quarterly cash dividend 22 February 2019	**—**	0.9
Quarterly interim dividend paid 24 May 2019	**—**	14.4
Scrip dividend in lieu of quarterly cash dividend 24 May 2019	**—**	1.5
Quarterly interim dividend paid 23 August 2019	**—**	15.8
Scrip dividend in lieu of quarterly cash dividend 23 August 2019	**—**	0.1
Quarterly interim dividend paid 22 November 2019	**—**	14.3
Scrip dividend in lieu of quarterly cash dividend 22 November 2019	**—**	2.5
Total dividends distributed in the year	**73.3**	59.4
Per share	**5.9p**	5.6p

On 6 January 2021, the Board declared an interim dividend of 1.55 pence per Ordinary Share with regard to the year ended 31 December 2020, payable on 26 February 2021. This dividend will comprise wholly of a Property Income Distribution ("PID") of 1.55 pence and no ordinary dividend.

10. Investment properties and investment properties under construction

Properties have been independently valued at fair value by Lambert Smith Hampton UK, 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 2017 ("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 COVID-19 pandemic has led to a heightened degree of uncertainty surrounding the valuation of certain property sub-sectors. Despite this, neither UK nor Irish valuers have included a material uncertainty clause in the valuation report at 31 December 2020.

10. Investment properties and investment properties under construction continued

The properties are 99.6% let (2019: 99.5%). The valuations reflected a 4.81% net initial yield (2019: 4.86%) and a 4.84% (2019: 5.04%) 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 valuer is required to value development property as if complete, deduct the costs remaining to be paid to complete the development and consider the significant risks which are relevant to the development process including, but not limited to, construction and letting risks and the impact they may have on fair value. In the case of the Group's portfolio under construction, where the sites are pre-let and construction risk remains with the builder/developer, the valuer has deemed that the residual risk to the Group is minimal. As required by the Red Book, the valuers have deducted the outstanding cost to the Group through to the completion of construction of £32.1 million (2019: £25.4 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 £7.5 million (2019: £2.7 million) which have not been provided for in the financial statements.

A fair value increase of £0.2 million (2019: £0.9 million) in respect of investment property under construction has been recognised in the Group Statement of Comprehensive Income, as part of the total net valuation gain on property portfolio in the year of £51.3 million (2019: £48.4 million).

Of the £2,571.6 million (2019: £2,408.6 million) valuation, £2,373.9 million (92.3%) (2019: £2,248.6 million) relates to investment properties in the UK and £197.7 million (7.7%) (2019: £160.0 million) relates to investment properties in Ireland.

In line with accounting policies, the Group has treated the acquisitions during the year as asset purchases rather than business combinations as they were judged to be acquisitions of properties rather than businesses.

	Investment properties freehold[1] £m	Investment properties long leasehold £m	Investment properties under construction £m	Total £m
As at 1 January 2020	1,902.2	476.9	34.0	2,413.1
Property additions	66.3	0.4	33.3	100.0
Property disposals	0.1	—	—	0.1
Impact of lease incentive adjustment	0.9	0.6	—	1.5
Transfer from properties under construction	46.8	—	(46.8)	—
Interest capitalised	—	—	0.7	0.7
Foreign exchange movements	7.0	0.4	2.0	9.4
	2,023.3	478.3	23.2	2,524.8
Revaluations for the year	38.0	13.1	0.2	51.3
As at 31 December 2020	**2,061.3**	**491.4**	**23.4**	**2,576.1**
As at 1 January 2019	1,212.5	284.4	6.0	1,502.9
Acquisition of MedicX portfolio				
Consideration (including transaction costs)	728.3	197.2	17.2	942.7
Less: exceptional revaluation loss arising on acquisition	(107.0)	(28.9)	(2.5)	(138.4)
Fair value of MedicX portfolio acquired	621.3	168.3	14.7	804.3
Property additions	26.3	—	31.2	57.5
Property disposals	(1.1)	—	—	(1.1)
Adoption of IFRS 16 – ground rents recognised as finance leases	—	4.5	—	4.5
Impact of lease incentive adjustment	1.0	2.5	—	3.5
Transfer from properties under construction	7.1	7.9	(15.0)	—
Foreign exchange movements	(3.1)	—	(3.8)	(6.9)
	1,864.0	467.6	33.1	2,364.7
Revaluations for the year	38.2	9.3	0.9	48.4
As at 31 December 2019	1,902.2	476.9	34.0	2,413.1

1 Includes development land held at £0.9 million (31 December 2019: £1.6 million).

Bank borrowings, bonds and interest rate swaps are secured on investment properties with a value of £2,483 million (2019: £2,376 million).

Right-of-use-assets

In accordance with IFRS 16 Leases, the Group has recognised a £4.5 million head lease liability and an equal and opposite finance leases asset which is included in non-current assets.

10. Investment properties and investment properties under construction continued

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 2020 and 31 December 2019. There were no transfers between levels during the year or during 2019. Level 3 inputs used in valuing the properties are those which are unobservable, as opposed to level 1 (inputs from quoted prices) and level 2 (observable inputs either directly, i.e. as prices, or indirectly, i.e. derived from prices).

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: market comparable method

Under the market comparable method (or market comparable approach), a property's fair value is estimated based on comparable transactions and 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.

	2020	2019
ERV – range of the portfolio	**£18,000–£1,242,000 per annum**	£27,400–£1,286,558 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.

	2020	2019
True equivalent yield – range of the portfolio	**3.11%–19.51%**	4.00%–7.87%

Unobservable input: physical condition of the property

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

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

- A decrease in the estimated annual rent will decrease the fair value. A 1% increase in annual rent would have approximately £26 million increase in the investment property valuation.
- A decrease in the equivalent yield will increase the fair value. A 0.10% shift of equivalent yield would have approximately £52 million impact on the investment property valuation.
- A deterioration in the physical condition of the property will decrease the fair value.
- An increase in the rental growth will increase the fair value.

11. Trade and other receivables

	2020 £m	2019 £m
Trade receivables (net of provision for doubtful debts)	**9.8**	10.0
Prepayments and accrued income	**7.1**	5.9
Other debtors	**0.5**	0.8
	17.4	16.7

The expected credit losses are estimated using a provision matrix by reference to past default experience and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor including an impact of COVID-19 on the recoverability, general economic conditions of the industry and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has therefore not recognised a loss allowance because historical experience has indicated that the risk profile of trade receivables is deemed low.

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

	2020 £m	2019 £m
Cash held at bank	**103.6**	143.1
	103.6	143.1

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

13. Trade and other payables

	2020 £m	2019 £m
Trade payables	**0.7**	0.2
Bank and bond loan interest accrual	**8.0**	8.0
Other payables	**8.6**	10.0
VAT	**6.5**	5.5
Accruals	**10.9**	11.0
	34.7	34.7

14. Borrowings

a) Term loans and overdrafts

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

		Facility		Amounts drawn		Undrawn	
	Expiry date	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Current							
RBS overdraft	Jun 2021	**5.0**	5.0	**—**	—	**5.0**	5.0
Santander	Jul 2021	**30.6**	—	**—**	—	**30.6**	—
Aviva HIL loan	Jan 2032	**1.0**	0.9	**1.0**	0.9	**—**	—
Aviva loan[1]	Sep 2033	**2.0**	2.0	**2.0**	2.0	**—**	—
Aviva loan[1]	Jun 2040	**0.7**	0.6	**0.7**	0.6	**—**	—
Aviva loan	Aug 2029	**2.7**	2.6	**2.7**	2.6	**—**	—
		42.0	11.1	**6.4**	6.1	**35.6**	5.0
Non-current							
Aviva HIL loan	Jan 2032	**19.4**	20.4	**19.4**	20.4	**—**	—
Aviva loan	Dec 2022	**25.0**	25.0	**25.0**	25.0	**—**	—
Aviva loan	Nov 2028	**75.0**	75.0	**75.0**	75.0	**—**	—
Aviva loan	Aug 2024	**50.0**	50.0	**50.0**	50.0	**—**	—
Aviva loan	Aug 2029	**57.3**	60.0	**57.3**	60.0	**—**	—
Barclays loan	Dec 2023	**100.0**	115.0	**—**	55.0	**100.0**	60.0
HSBC loan	Nov 2022	**100.0**	100.0	**—**	—	**100.0**	100.0
Lloyds loan	Oct 2023	**50.0**	30.0	**28.8**	28.3	**21.2**	1.7
RBS loan	Mar 2022	**100.0**	100.0	**59.4**	55.7	**40.7**	44.3
Santander loan	Jul 2021	**—**	30.6	**—**	—	**—**	30.6
Aviva loan[1]	Sep 2033	**227.4**	229.4	**227.4**	229.4	**—**	—
Aviva loan[1]	Sep 2028	**30.8**	30.8	**30.8**	30.8	**—**	—
Aviva loan[1]	Jun 2040	**24.1**	24.8	**24.1**	24.8	**—**	—
		859.0	891.0	**597.2**	654.4	**261.9**	236.6
Total		**901.0**	902.1	**603.6**	660.5	**297.5**	241.6

1 Acquired as part of the merger with MedicX.

14. Borrowings continued

a) Term loans and overdrafts continued

	2020 £m	2019 £m
Balance as at 1 January	**688.8**	361.4
Changes from financing activities		
Acquired as part of the merger with MedicX (net of amortisation fees)	**—**	315.3
Term bank loan drawdowns	**17.8**	132.8
New loan facilities drawn	**17.8**	448.1
Repayments of mortgages principal	**(3.6)**	(2.8)
Repayments of term bank loans	**(72.6)**	(157.7)
Repayments of term loan borrowings	**(76.2)**	(160.5)
Loan issue costs for new facilities/refinancing	**(1.9)**	(1.0)
Total changes from financing cash flows	**(60.3)**	286.6
Other non-cash changes		
MtM on loans net of amortisation	**(2.4)**	38.9
Amortisation of loan issue costs	**2.4**	2.4
Exchange loss/(gain) on translation of foreign balances	**1.5**	(0.5)
Total other changes	**1.5**	40.8
Balance as at 31 December	**630.0**	688.8

At 31 December 2020, total facilities of £1,456.8 million (2019: £1,452.0 million) were available to the Group. This included a £70 million secured bond, a £100 million secured bond, a £150.0 million nominal value convertible bond, £45.6 million and £62.6 million Euro-denominated bonds, a £50 million Ignis loan note, a £77.5 million Standard Life loan note and a £5 million overdraft facility. Of these facilities, as at 31 December 2020, £1.159.3 million was drawn (2019: £1,210.4 million).

On 3 December 2020, the Barclays facility was cancelled and replaced by a facility with Barclays for £100.0 million. The new facility can be drawn in Sterling or Euros. It has a variable interest rate of LIBOR plus 165bps, or SONIA plus 165bps plus a credit spread adjustment, and an expiry date of 2 November 2023.

On 7 December 2020, the Lloyds facility was refinanced and increased to £50.0 million, with a £50.0 million accordion option at the discretion of the lender. The new facility can be drawn in Sterling or Euros. It has a variable interest rate of LIBOR plus 155bps, or SONIA plus 165bps plus a credit spread adjustment, and an expiry date of 6 December 2023.

On 1 December 2020, the existing HSBC facility was extended for another year to 30 November 2023.

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:

	2020 £m	2019 £m
Term loans drawn: due within one year	**6.4**	6.1
Term loans drawn: due in greater than one year	**597.2**	654.4
Total terms loans drawn	**603.6**	660.5
Plus: MtM on loans net of amortisation	**36.6**	38.9
Less: unamortised borrowing costs	**(10.2)**	(10.6)
Total term loans per the Group Balance Sheet	**630.0**	688.8

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

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

14. Borrowings continued

b) Bonds

	2020 £m	2019 £m
Unsecured:		
Convertible bond July 2025 at fair value	**175.0**	172.7
Less: unamortised costs	**—**	—
Total unsecured bonds	**175.0**	172.7
Secured:		
Secured bond December 2025	**70.0**	70.0
Secured bond March 2027	**100.0**	100.0
€51 million secured bond (Euro private placement) December 2028/30	**45.6**	43.2
€70 million secured bond (Euro private placement) September 2031	**62.6**	59.2
Ignis loan note December 2028	**50.0**	50.0
Standard Life loan note September 2028	**77.5**	77.5
Less: unamortised bond issue costs	**(3.6)**	(4.0)
Plus: MtM on loans net of amortisation	**5.8**	6.5
Total secured bonds	**407.9**	402.4
Total bonds	**582.9**	575.1

There were no bond conversions during the year (2019: £28.3 million).

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 million and mature on or about 30 December 2025. The Secured Bonds incur interest at an annualised rate of 220bps above six-month LIBOR, payable semi-annually in arrears.

On 21 March 2017, a £100 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 million (£45.6 million) were issued at a blended fixed rate of 2.4793% and a weighted average maturity of 10.4 years. Interest is paid semi-annually in arrears. The notes represent PHP's first Euro-denominated transaction in the private placement market. The secured notes were placed with UK and Irish institutional investors in two tranches:

€40 million 2.46% senior notes due December 2028.

€11 million 2.633% senior notes due December 2030.

On 16 September 2019, new senior secured notes for a total of €70 million (£62.6 million) were issued at a fixed rate of 1.509% and a maturity of twelve years. Interest is paid semi-annually in arrears. The secured notes are guaranteed by the Company and were placed with UK and Irish institutional investors.

Ignis and Standard Life loan notes

On 14 March 2019, the loan notes were added to the portfolio as a part of the MedicX acquisition. The Ignis loan note of £50.0 million incurs a fixed coupon of 3.99% payable semi-annually in arrears and matures on 1 December 2028.

The Standard Life loan note matures on 30 September 2028 and is split into two tranches, £50 million and £27.5 million at fixed coupon rates of 3.84% and 3.00% respectively. Interest is payable semi-annually in arrears.

14. Borrowings continued

b) Bonds continued

Convertible bond

On 15 July 2019, PHP Finance (Jersey No.2) Limited (the "Issuer"), a wholly owned subsidiary of the Group, issued £150 million of 2.875% convertible bonds (the "Bonds") for a six-year term and if not previously converted, redeemed or purchased and cancelled, the Bonds will be redeemed at par on maturity in July 2025. The net proceeds were partially used to repay the Company's £75 million, 5.375% senior unsecured retail bonds at maturity and otherwise for general corporate purposes.

Subject to certain conditions, the Bonds will be convertible into fully paid Ordinary Shares of the Company and the initial exchange price was set at 153.25 pence, a premium of 15% above the volume weighted average price of the Company's shares on 18 June 2019, being 133.26 pence. Under the terms of the Bonds, the Company will have the right to elect to settle exercise of any conversion rights entirely in shares or cash, or with a combination of shares and cash. The exchange price is subject to adjustment if dividends paid per share exceed 2.8 pence per annum and other certain circumstances and consequently the exchange price has been adjusted to 147.10 pence as at 31 December 2020 (2019: 149.39 pence).

	2020 £m	2019 £m
Opening balance – fair value	**172.7**	—
Issued in the year	**—**	150.0
Cumulative fair value movement in convertible bond	**2.3**	22.7
Closing balance – fair value	**175.0**	172.7

The fair value of the convertible bonds at 31 December 2020 and 31 December 2019 were 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

	2020 £m	2019 £m
Current liabilities:		
Term loans and overdrafts	**6.4**	6.1
Bonds	**—**	—
Total current liabilities	**6.4**	6.1
Non-current liabilities:		
Term loan and overdrafts	**597.2**	654.4
MtM on loans net of amortisation	**36.6**	38.9
Less: unamortised loan issue costs	**(10.2)**	(10.6)
	623.6	682.7
Bonds	**555.7**	549.9
MtM on loans net of amortisation	**5.8**	6.5
MtM on convertible bond	**25.0**	22.7
Less: unamortised bond issue costs	**(3.6)**	(4.0)
Total non-current bonds	**582.9**	575.1
Total borrowings	**1,212.8**	1,263.9

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.

	2020 £m	2019 £m
Due within one year	**0.1**	0.1
Due after one year	**4.4**	4.4
Closing balance – fair value	**4.5**	4.5

16. Derivatives and other financial instruments

It is Group policy to maintain the proportion of floating rate interest exposure at between 20%–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.

	2020 £m	2019 £m
Fair value of interest rate swaps treated as cash flow hedges under IAS 39 ("effective swaps")		
Non-current liabilities	**—**	—
	—	—
Fair value of interest rate swaps not qualifying as cash flow hedges under IAS 39 ("ineffective swaps")		
Non-current assets	**—**	0.5
Non-current liabilities	**(0.1)**	(13.5)
	(0.1)	(13.0)
Total fair value of interest rate swaps	**(0.1)**	(13.0)
Shown in the balance sheet as:		
Total non-current assets	**—**	0.5
Total non-current liabilities	**(0.1)**	(13.5)

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 on "effective" cash flow hedges in 2020 was a £4.0 million gain (2019: £1.7 million gain), including the amortisation of the cash flow hedging reserve of £4.4 million (2019: £3.0 million).

Floating to fixed interest rate swaps with a contract value of £188 million (2019: £258 million) were in effect at 31 December 2020. Details of all floating to fixed rate interest rate swap contracts held are as follows:

Contract value	Start date	Maturity	Fixed interest per annum %
2020			
£88.0 million	September 2020	March 2022	0.0397
£100.0 million	September 2020	November 2024	0.0699
£188.0 million			
2019			
£50.0 million	August 2007	August 2021	0.870
£38.0 million	August 2007	August 2021	0.870
£10.0 million	June 2020	June 2026	4.810
£10.0 million	June 2020	June 2026	4.510
£10.0 million	July 2020	July 2026	4.400
£10.0 million	July 2020	July 2026	4.475
£10.0 million	July 2020	July 2026	4.455
£20.0 million	July 2020	July 2026	4.479
£100.0 million	October 2019	November 2024	0.688
£258.0 million			

16. Derivatives and other financial instruments continued

On 4 September 2020, the six AIB swaps with a nominal value of £70 million were cancelled for a one-off payment of £18.5 million, equivalent to 1.40 pence per share on an adjusted net tangible asset value basis.

On 7 September 2020, the HSBC £100.0 million swap was cancelled for one-off payment of £2.6 million, equivalent to 0.2 pence per share on an adjusted net tangible asset value basis and a new swap agreement was entered into with HSBC for a contract value of £100.0 million with a fixed rate of 0.0699% effective until November 2024.

On 10 September 2020, two RBS swaps, £38.0 million and £50.0 million with a fixed rate of 0.87% effective until August 2021, were cancelled for a one-off payment of £0.7 million, equivalent to 0.1 pence per share on an adjusted net tangible asset value basis. A new swap agreement was entered into with RBS for a contract value of £88.0 million with a fixed rate of 0.0397% effective until March 2022.

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).

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.

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

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

		Effect on fair value of financial instruments £m	Effect on profit before taxation £m	Effect on equity £m
2020				
London Interbank Offered Rate	Increase of 50 basis points	**4.5**	**5.0**	**9.5**
London Interbank Offered Rate	Decrease of 50 basis points	**(4.5)**	**(5.0)**	**(9.5)**
2019				
London Interbank Offered Rate	Increase of 50 basis points	7.5	9.0	16.5
London Interbank Offered Rate	Decrease of 50 basis points	(7.5)	(9.0)	(16.5)

17. Financial risk management continued

Financial risk factors continued

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 being cash and cash equivalents, and trade and other receivables (see Note 11).

Trade receivables

Trade receivables, primarily tenant rentals, are recognised and carried at amortised cost and presented in the balance sheet net of allowances for doubtful receivables 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, but the Group does not monitor the credit quality of receivables on an ongoing basis.

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 high 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 are 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
2020						
Interest-bearing loans and borrowings	**—**	**10.8**	**32.7**	**543.5**	**885.5**	**1,472.5**
Interest rate swaps (net)	**—**	**0.4**	**1.1**	**2.1**	**—**	**3.6**
Trade and other payables	**0.5**	**25.7**	**4.0**	**2.4**	**2.1**	**34.7**
	0.5	**36.9**	**37.8**	**548.0**	**887.6**	**1,510.8**
2019						
Interest-bearing loans and borrowings	—	11.4	34.5	304.2	1,136.2	1,486.3
Interest rate swaps (net)	—	0.4	2.9	20.9	1.0	25.2
Trade and other payables	2.1	23.6	4.0	2.6	3.4	35.7
	2.1	35.4	41.4	327.7	1,140.6	1,547.2

The Group's borrowings have financial covenants which, if breached, could result in the borrowings becoming repayable immediately. Details of the covenants are given below under (e) Capital risk management and are disclosed to the facility providers on a quarterly basis. There have been no breaches during the year (2019: 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, with the assistance of the Adviser, assesses the exposure to other price risks when making each investment decision and monitors the overall level of market risk on the investment portfolio on an ongoing basis through a discounted cash flow analysis. Details of this analysis can be found in the Strategic Report in the Annual Report.

Price risk

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

17. Financial risk management continued

Financial risk factors continued

d) Market risk continued

Fair values

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

	Book value 2020 £m	Fair value 2020 £m	Book value 2019 £m	Fair value 2019 £m
Financial assets				
Trade and other receivables	**17.4**	**17.4**	16.7	16.7
Effective interest rate swaps	**—**	**—**	—	—
Ineffective interest rate swaps	**—**	**—**	0.5	0.5
Cash and short term deposits	**103.6**	**103.6**	143.1	143.1
Financial liabilities				
Interest-bearing loans and borrowings	**(1,159.3)**	**(1,212.8)**	(1,210.4)	(1,327.5)
Effective interest rate swaps	**—**	**—**	—	—
Ineffective interest rate swaps (net)	**(0.1)**	**(0.1)**	(13.5)	(13.5)
Trade and other payables	**(34.7)**	**(34.7)**	(34.7)	(34.7)

The fair value of the financial assets and liabilities is included as an estimate of the amount at which the instruments could be 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 exclude 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 2020 are as follows:

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

1 Valuation is based on unadjusted quoted prices in active markets for identical financial assets and liabilities.

2 Valuation is based on inputs (other than quoted prices included in level 1) that are observable for the financial asset or liability, either directly (i.e. as unquoted prices) or indirectly (i.e. derived from prices).

3 Valuation is based on inputs that are not based on observable market data.

17. Financial risk management continued

Financial risk factors continued

d) Market risk continued

Fair value hierarchy continued

Fair value measurements at 31 December 2019 are as follows:

Recurring fair value measurements	Level 1[1] £m	Level 2[2] £m	Level 3[3] £m	Total £m
Financial assets				
Derivative interest rate swaps	—	0.5	—	0.5
Financial liabilities				
Derivative interest rate swaps	—	(13.5)	—	(13.5)
Convertible bond	(172.7)	—	—	(172.7)
Fixed rate debt	—	(945.9)	—	(945.9)

1 Valuation is based on unadjusted quoted prices in active markets for identical financial assets and liabilities.

2 Valuation is based on inputs (other than quoted prices included in level 1) that are observable for the financial asset or liability, either directly (i.e. as unquoted prices) or indirectly (i.e. derived from prices).

3 Valuation is based on inputs that are not based on observable market data.

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

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

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, with the assistance of the Adviser, 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 (2019: 1.3:1). No debt facility has a Group loan to value covenant.

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

- interest cover[1]: 1.05 to 1.75 (2019: 1.15 to 1.75:1); and
- loan to value[1]: 55% to 75% (2019: 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.

1 See Glossary of Term.

17. Financial risk management continued

Financial risk factors continued

e) Capital risk management continued

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

Group loan to value ratio	2020 £m	2019 £m
Fair value of completed investment properties	**2,548.2**	2,374.6
Fair value of development properties	**23.4**	34.0
Ground rent recognised as finance leases	**4.5**	4.5
	2,576.1	2,413.1
Interest-bearing loans and borrowings (with convertible bond at nominal value)	**1,159.3**	1,210.4
Less cash held	**(103.6)**	(143.1)
Nominal amount of interest-bearing loans and borrowings	**1,055.7**	1,067.3
Group loan to value ratio	**41.0%**	44.2%

18. Share capital

Ordinary Shares issued and fully paid at 12.5 pence each

	2020		2019	
	Number – million	2020 £m	Number – million	2019 £m
Balance at 1 January	**1,216.3**	**152.0**	769.1	96.1
Scrip issues in lieu of cash dividends	**2.7**	**0.3**	4.0	0.5
Shares issued on merger with MedicX Fund Limited	**—**	**—**	341.0	42.6
Share issue 9 July 2020 and 24 September 2019	**96.6**	**12.1**	78.1	9.8
Shares issued on bond conversions	**—**	**—**	24.1	3.0
Balance at 31 December	**1,315.6**	**164.4**	1,216.3	152.0

Issue of shares in 2020

	Date of issue	Number of shares – million	Issue price
Scrip issue in lieu of cash dividend	21 February 2020	0.6	158.2p
Scrip issue in lieu of cash dividend	22 May 2020	0.7	155.52p
Scrip issue in lieu of cash dividend	21 August 2020	0.9	154.22p
Share issue	9 July 2020	96.6	145.00p
Scrip issue in lieu of cash dividend	20 November 2020	0.5	147.6p

19. Share premium

	2020 £m	2019 £m
Balance at 1 January	**338.1**	220.6
Scrip issue in lieu of cash dividend	**3.9**	4.5
Share issue 9 July 2020 and 24 September 2019	**127.9**	90.2
Shares issued on bond conversions	**—**	25.4
Share issue expense	**(3.2)**	(2.6)
Balance at 31 December	**466.7**	338.1

20. Merger and other reserves

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

	2020 £m	2019 £m
Capital reserve		
Balance at 1 January and 31 December	**1.6**	1.6
Foreign exchange translation reserve		
Balance at 1 January	**(1.0)**	0.9
Exchange differences on translating the net assets of foreign operations	**2.2**	(1.9)
Balance at 31 December	**1.2**	(1.0)
Merger reserve		
Balance at 1 January	**398.0**	—
Premium on shares issued for MedicX merger	**—**	398.0
Balance at 31 December	**398.0**	398.0
Balance of merger and other reserves at 31 December	**400.8**	398.6

21. Special reserve

	2020 £m	2019 £m
Balance at 1 January	**65.4**	124.8
Dividends paid	**(61.2)**	(54.4)
Scrip issue in lieu of cash dividend	**(4.2)**	(5.0)
Balance at 31 December	**—**	65.4

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

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

As the special reserve is a distributable reserve, the dividends distributed in the period have been distributed from this reserve until the balance reduced to £nil. The remaining dividends distributed in the period have been distributed from retained earnings.

22. Cash flow 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 and the fair value movement on cash flow hedges which meet the effectiveness criteria under IAS 39, taken to equity, can be analysed as follows:

	2020 £m	2019 £m
Balance at 1 January	**(24.1)**	(25.8)
Fair value movement on cash flow hedges	**(0.4)**	(1.3)
Amortisation of cash flow hedging reserve	**4.4**	3.0
Net movement on cash flow hedges ("effective swaps") and amortisation of cash flow hedging reserve	**4.0**	1.7
Balance at 31 December	**(20.1)**	(24.1)

22. Cash flow hedging reserve continued

On 4 September 2020, the six AIB swaps with a nominal value of £70 million were cancelled for a one-off payment of £18.5 million, equivalent to 1.4 pence per share on an adjusted net tangible asset value basis.

On 7 September 2020, the HSBC £100.0 million swap was cancelled for one-off payment of £2.6 million, equivalent to 0.2 pence per share on an adjusted net tangible asset value basis and a new swap agreement was entered into with HSBC for a contract value of £100.0 million with a fixed rate of 0.0699% effective until November 2024.

On 10 September 2020, two RBS swaps, £38.0 million and £50.0 million with a fixed rate of 0.87% effective until August 2021, were cancelled for a one-off payment of £0.7 million, equivalent to 0.1 pence per share on an adjusted net tangible asset value basis. A new swap agreement was entered into with RBS for a contract value of £88.0 million with a fixed rate of 0.0397% effective until March 2022.

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).

23. Retained earnings

	2020 £m	2019 £m
Balance at 1 January	**298.5**	369.8
Retained profit for the year	**112.0**	(71.3)
Dividends paid	**(7.9)**	—
Balance at 31 December	**402.6**	298.5

24. Capital commitments

As at 31 December 2020, 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 £32.1 million (2019: £25.4 million) remains to be funded with regard to these properties.

As at 31 December 2020, the Group has capital commitments totalling £7.5 million (2019: £2.7 million) being the cost to complete asset management projects on site.

25. Related party transactions

The terms and conditions of the Advisory Agreement are described in the Directors' Report and the Directors' Remuneration Report.

Nexus, the Adviser, is a related party due to the Managing Director being a shareholder and Director of Nexus.

Details of the amounts paid in relation to related party transactions are provided in Note 4.

26. Subsequent events

On 5 January 2021 the Group's management function was internalised by acquiring Nexus Tradeco Holdings Limited which is the holding company of its longstanding external property adviser Nexus Tradeco Limited and certain subsidiaries, including Nexus's primary care development business (together "Nexus"). Primary Health Properties PLC acquired the entire issued ordinary share capital of Nexus Tradeco Holdings Limited for a total fair value consideration of £35.7 million, including fees of £1.6 million subject to a completion net assets adjustment, made up of £16.6 million paid in cash and £17.5 million satisfied by the issue of 11,485,080 new ordinary shares of 12.5 pence each in the share capital of PHP at a price on completion of 152.8 pence per share.

COMPANY BALANCE SHEET
AT 31 DECEMBER 2020

	Notes	2020 £m	2019 £m
Non-current assets			
Investment in subsidiaries	7	**739.2**	689.7
		739.2	689.7
Current assets			
Trade and other receivables	8	**960.2**	713.8
Cash at bank and in hand	9	**70.8**	98.5
		1,031.0	812.3
Total assets		**1,770.2**	1,502.0
Current liabilities			
Trade and other payables	10	**(285.2)**	(231.4)
Borrowings: bonds	11	**—**	—
		(285.2)	(231.4)
Non-current liabilities			
Borrowings: bonds	11	**(159.4)**	(158.2)
		(159.4)	(158.2)
Total liabilities		**(444.6)**	(389.6)
Net assets		**1,325.6**	1,112.4
Equity			
Share capital	13	**164.4**	152.0
Share premium		**466.7**	338.1
Merger and other reserves		**397.5**	398.6
Special reserve	14	**—**	65.4
Retained earnings		**297.0**	158.3
Total equity		**1,325.6**	1,112.4
Net asset value per share – basic	15	**101p**	91p

In accordance with the exemption allowed by Section 408(3) of the Companies Act 2006, the Company has not presented its own income statement or statement of comprehensive income.

The Company's loss for the year was £22.9 million (2019: loss of £44.1 million).

These financial statements were approved by the Board of Directors on 17 February 2021 and signed on its behalf by:

Steven Owen
Chairman

Registered in England Number: 3033634

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £m	Share premium £m	Merger and other reserves £m	Special reserve £m	Retained earnings £m	Total equity £m
1 January 2020	152.0	338.1	398.6	65.4	158.3	1,112.4
Loss for the year	—	—	—	—	(22.9)	(22.9)
Dividends received	—	—	—	—	169.5	169.5
Exchange gain on translation of foreign balances	—	—	(1.1)	—	—	(1.1)
Total comprehensive income	—	—	(1.1)	—	146.6	145.5
Shares issued as part of capital raise	12.1	127.9	—	—	—	140.0
Share issue expenses	—	(3.2)	—	—	—	(3.2)
Dividends paid	—	—	—	(61.2)	(7.9)	(69.1)
Scrip dividend in lieu of cash	0.3	3.9	—	(4.2)	—	—
31 December 2020	**164.4**	**466.7**	**397.5**	**—**	**297.0**	**1,325.6**

	Share capital £m	Share premium £m	Capital reserve £m	Special reserve £m	Retained earnings £m	Total equity £m
1 January 2019	96.1	220.6	1.6	124.8	38.9	482.0
Loss for the year	—	—	—	—	(44.1)	(44.1)
Dividends received	—	—	—	—	163.5	163.5
Exchange gain on translation of foreign balances	—	—	(1.0)	—	—	(1.0)
Total comprehensive income	—	—	(1.0)	—	119.4	118.4
Shares issued on conversion of convertible bonds	3.0	25.4	—	—	—	28.4
Shares issued as part of MedicX merger	42.6	—	398.0	—	—	440.6
Shares issued as part of capital raise	9.8	90.2	—	—	—	100.0
Share issue expenses	—	(2.6)	—	—	—	(2.6)
Dividends paid	—	—	—	(54.4)	—	(54.4)
Scrip dividend in lieu of cash	0.5	4.5	—	(5.0)	—	—
31 December 2019	152.0	338.1	398.6	65.4	158.3	1,112.4

1. Accounting policies

The Company is a limited company incorporated in England and Wales in accordance with the Companies Act 2006. These financial statements are presented in Sterling because that is the currency of the primary economic environment in which the Company operates.

Basis of accounting/statement of compliance

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 Reduced disclosure framework as issued by the Financial Reporting Council.

As permitted by FRS 101, exemptions from applying the following requirements have been adopted:

- IFRS 7 Financial instruments: disclosures;
- IFRS 13 Fair value measurement, paragraphs 91 to 99;
- IAS 1 Presentation of financial statements, paragraphs 10(d), 10(f), 38 to 40, 76, 79(d) and 134 to 136;
- IAS 7 Statement of cash flows;
- IAS 24 Related party disclosures, paragraphs 17 and 18A; and
- IAS 36 Impairment of assets, paragraphs 130(f)(ii), 130(f)(iii), 134(d) to (f) and 135(c) to (e).

The Company has also taken advantage of the exemption from the requirements in IAS 24 Related party disclosures to disclose related party transactions entered into between two or more members of the Group where those party to the transaction are wholly owned by a member of the Group.

The financial statements have been prepared under the historical cost convention.

Statement of comprehensive income

The Company has taken advantage of the exemption in the Companies Act from presenting a Company statement of comprehensive income together with related notes.

Cash flow statement

The Directors have taken advantage of the exemption in FRS 101 from including a cash flow statement in the financial statements on the grounds that a consolidated cash flow statement is presented in the Group financial statements of PHP.

Income

Revenue is recognised in the financial statements as follows:

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

Dividends: Dividend income is recognised in the period in which it received Board approval and, hence, when the Company's right to the payment is established.

Investment in subsidiaries

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

Investments in subsidiary undertakings are stated at cost in the Company's Statement of Financial Position less any provision for permanent impairment in value. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Taxation

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

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

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. No revisions were recognised in the period. There are no critical accounting judgements or key sources of estimation uncertainty in the Company's accounts.

3. Foreign currencies

The functional and presentation currency of the Company is Sterling. Transactions in currencies other than Sterling are recognised at the applicable exchange rate ruling on the transaction date. Exchange differences resulting from settling these transactions, or from retranslating monetary assets and liabilities denominated in foreign currencies, are included in the Group Statement of Comprehensive Income.

4. Revenue

The Company operates under one business segment and one geographical segment, being the holding company of subsidiaries that invest in primary healthcare property within the United Kingdom and the Republic of Ireland.

5. Taxation

a) Taxation charge in the Group Statement of Comprehensive Income

The taxation charge is made up as follows:

	2020 £m	2019 £m
Deferred tax	**1.0**	0.5

The Company holds an investment in an Irish Collective Asset Vehicle ("ICAV"). The ICAV does not pay any Irish corporation tax on its profits but a 20% withholding tax is paid on distributions to owners.

b) Factors affecting the tax credit for the year

The tax assessed for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK. The differences are explained below:

	2020 £m	2019 £m
Loss on ordinary activities before taxation	**(21.9)**	(44.1)
Theoretical tax at UK corporation tax rate of 19% (2019: 19%)	**(4.2)**	(8.4)
REIT exempt income	**0.3**	
Transfer pricing adjustments	**1.1**	1.2
Non-taxable items	**2.0**	7.4
Impact of taxes in Republic of Ireland	**1.0**	
Losses brought forward utilised	**—**	0.6
Loss relief	**0.7**	(0.3)
Losses generated in the year	**0.1**	—
Taxation charge (Note 5a)	**1.0**	0.5

6. Dividends

Amounts recognised as distributions to equity holders in the year:

	2020 £m	2019 £m
Quarterly interim dividend paid 21 February 2020	**16.9**	—
Scrip dividend in lieu of quarterly cash dividend 21 February 2020	**1.0**	—
Quarterly interim dividend paid 22 May 2020	**16.9**	—
Scrip dividend in lieu of quarterly cash dividend 22 May 2020	**1.1**	—
Quarterly interim dividend paid 21 August 2020	**16.4**	—
Scrip dividend in lieu of quarterly cash dividend 21 August 2020	**1.5**	—
Quarterly interim dividend paid 20 November 2020	**18.9**	—
Scrip dividend in lieu of quarterly cash dividend 20 November 2020	**0.6**	—
Quarterly interim dividend paid 22 February 2019	**—**	9.9
Scrip dividend in lieu of quarterly cash dividend 22 February 2019	**—**	0.9
Quarterly interim dividend paid 24 May 2019	**—**	14.4
Scrip dividend in lieu of quarterly cash dividend 24 May 2019	**—**	1.5
Quarterly interim dividend paid 23 August 2019	**—**	15.8
Scrip dividend in lieu of quarterly cash dividend 23 August 2019	**—**	0.1
Quarterly interim dividend paid 22 November 2019	**—**	14.3
Scrip dividend in lieu of quarterly cash dividend 22 November 2019	**—**	2.5
Total dividends distributed in the year	**73.3**	59.4
Per share	**5.9p**	5.6p

7. Investment in subsidiaries

	£m
As at 1 January 2020	689.7
Acquisition of PHP Liverpool Holding Company Limited	2.0
Disposal of Primary Health Investment Properties (No.7) Limited	—
Disposal of Primary Health Investment Properties (Sutton) Limited	—
Disposal of Wincanton Healthcare Limited	(2.5)
Disposal of PHP Ashington Limited	(5.6)
Disposal of Primary Health Investment Properties (No.11) Limited	—
Disposal of Chapeloak Investments Limited	(2.3)
Acquisition of additional shares in PHP ICAV Limited	60.0
Impairment of subsidiaries	(2.1)
As at 31 December 2020	**739.2**
As at 1 January 2019	259.5
Acquisition of Chapeloak Investments Limited	2.3
Acquisition of MedicX Fund Limited	448.0
Incorporation of PHP Finance (Jersey No.2) Limited	—
Disposal of HMC Estates Holdings Limited	(8.9)
Acquisition of PHP Ashington Limited	5.6
Impairment of subsidiaries	(16.8)
As at 31 December 2019	689.7

All subsidiaries of the Company are 100% owned and listed opposite. All are incorporated in the UK and their registered office is 5th Floor, Greener House, 66–68 Haymarket, London SW1Y 4RF, except as noted.

7. Investment in subsidiaries continued

Subsidiaries held directly by the Company

Name	Principal activity	Name	Principal activity
Primary Health Investment Properties Limited	Property investment	PHP Bond Finance PLC	Property investment
Primary Health Investment Properties (No. 2) Limited	Property investment	PHP Medical Investments Limited	Property investment/ financing company
Primary Health Investment Properties (No. 3) Limited	Property investment	PHP (Milton Keynes) Limited	Property investment/ financing company
PHP Healthcare (Holdings) Limited	Investment holding	PHIP (Milton Keynes) Limited	Dormant
Primary Health Investment Properties (No. 4) Limited	Investment holding/ financing company	Primary Health Properties ICAV[2]	Property investment/ investment holding
PHIP (5) Limited	Property investment/ financing company	Carden Medical Investments Limited[4]	Property investment
Primary Health Investment Properties (No. 8) Limited	Property investment	PHP SB Limited	Issuer of bonds/ investment holding
Primary Health Investment Properties (No. 9) Limited	Property investment	Chelmsley Associates Limited	Property investment
PHP Finance (Jersey No.2) Limited[1]	Issuer of bonds	PHP STL Limited	Investment holding/ financing company
Primary Health Investment Properties (No. 10) Limited	Property investment	PHP Euro Private Placement Limited	Issuer of bonds
PHP SPV Limited	Property investment	PHP Liverpool Holding Company Limited	Investment holding
MXF Fund Limited[5]	Investment holding	PHP Primary Properties (Haymarket) Limited	Property investment
PHP Epsom Limited	Property investment		

Subsidiaries indirectly held by the Company

Name	Principal activity	Name	Principal activity
PHP (Bingham) Limited	Property investment	PHP Investments No.2 Limited	Property investment
PHIP (Chester) Limited	Property investment	Motorstep Limited	Property investment
Anchor Meadow Limited	Property investment	Leighton Health Limited	Property investment
PHP (Ipswich) Limited	Property investment	PHP Healthcare Investments Limited	Property investment
PHP Healthcare Investments (Holdings) Limited	Investment holding	PHP St. Johns Limited	Property investment
PHP Investments No.1 Limited	Property investment	PHP Clinics Limited	Property investment
PHP (Project Finance) Limited	Property investment	PHIP (Stourbridge) Limited	Property investment
PHP Medical Properties Limited	Property investment/ investment holding	Gracemount Medical Centre Limited[4]	Property investment
PHP Glen Spean Limited	Property investment	PHP AssetCo (2011) Limited	Property investment
PHP Empire Holdings Limited	Property investment	PHP Primary Properties Limited	Property investment
Health Investments Limited	Property investment/ investment holding	Crestdown Limited	Property investment
PatientFirst Partnerships Limited	Property investment	Primary Health Investment Properties (No. 6) Limited	Property investment
PatientFirst (Hinckley) Limited	Property investment	Jellia Holdings Limited[3]	Investment holding
PatientFirst (Burnley) Limited	Property investment	PHPI Newbridge Limited[3]	Property investment
PHP Investments (2011) Limited	Property investment	PHPI Navan Road Limited[3]	Property investment
PHPI Celbridge Limited[3]	Property investment	GP Property One Limited	Property investment
MXF Properties I Limited[5]	Property investment	MXF Properties II Limited[5]	Property investment
MXF Properties III Limited	Property investment	MXF Properties IV Limited	Property investment
MXF Properties V Limited	Property investment/ investment holding	MXF Properties VI Limited[5]	Property investment/ issuer of bonds
MXF Properties VII Limited[5]	Property investment/ investment holding	MXF Properties VIII Limited[5]	Property investment/ issuer of bonds
Primary Medical Property Investments Ltd	Property investment	MXF GPG Holdings Limited[5]	Property investment/ issuer of bonds

7. Investment in subsidiaries continued

Subsidiaries indirectly held by the Company continued

Name	Principal activity	Name	Principal activity
GPG No.5 Limited	Property investment	MXF Properties OM Holdings Limited	Investment holding
MXF Properties Ireland Limited[5]	Property investment	MXF (Fakenham) Limited	Property investment
MXF Properties OM Group Limited	Investment holding	MXF Properties OM Limited	Property investment
MXF Properties Bridlington Limited	Property investment	PHP Liverpool Limited	Property Investment
MXF Properties Windermere Limited	Property investment		
MXF Properties IX Limited	Holding and finance company	GP Property Limited[5]	Investment holding

1 Subsidiary company registered in Jersey. Registered office: 3rd floor, 44 Esplanade, St Helier, Jersey JE4 9WG.

2 An Irish collective asset management vehicle established in Ireland.

3 Subsidiary company registered in Ireland. Registered office: Riverside 1, Sir John Rogerson's Quay, Dublin 2, Ireland.

4 Subsidiary company registered in Scotland. Registered office: 3rd Floor, 1 West Regent Street, Glasgow, Scotland G2 1RW.

5 Subsidiary company registered in Guernsey. Registered office: Regency Court, Glategny, Esplanade, St Peter Port, Guernsey GY1 1WW.

100% of all voting rights and shares are held directly or indirectly by the Company.

8. Trade and other receivables

	2020 £m	2019 £m
Amounts due from Group undertakings	**960.0**	713.7
Other receivables	**0.2**	0.1
	960.2	713.8

Based on the IFRS 9 expected credit loss model no impairment provision was recognised on amounts due from Group undertakings.

Amounts due from Group undertakings are unsecured, interest free and repayable on demand.

9. Cash at bank and in hand

	2020 £m	2019 £m
Cash at bank and in hand	**70.8**	98.5

10. Trade and other payables

	2020 £m	2019 £m
Current		
Amounts owed to Group undertakings	**278.5**	227.9
Trade and other payables	**3.4**	0.5
Accruals and deferred income	**3.3**	3.0
	285.2	231.4

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

11. Borrowings

	2020 £m	2019 £m
Intra-group loan with PHP Finance (Jersey No.2) Limited (Note 12)	**145.7**	144.9
Option to convert (Note 12)	**13.7**	13.3
	159.4	158.2

12. Intra-group loan with PHP Finance (Jersey No.2) Limited

On 15 July 2019, PHP Finance (Jersey No.2) Limited (the "Issuer"), a wholly owned subsidiary of the Group, issued £150 million of 2.875% convertible bonds (the "Bonds") for a six-year term and if not previously converted, redeemed or purchased and cancelled, the Bonds will be redeemed at par on maturity in July 2025. The proceeds have been loaned to the Company and the Company has unconditionally and irrevocably guaranteed the due and punctual performance by the Issuer of all of its obligations (including payments) in respect of the Bonds.

Subject to their terms, the Bonds are/were convertible into preference shares of the Issuer which are/were automatically transferred to the Company in exchange for Ordinary Shares in the Company or, at the Company's election, any combination of Ordinary Shares and cash.

The intra-group loan between the Issuer and the Company arising from the transfer of the loan proceeds was initially recognised at fair value, net of capitalised issue costs, and is accounted for using the amortised cost method.

In addition to the intra-group loan, the Company has effectively entered into a derivative contract due to its guarantee of the obligations of the Issuer in respect of the Bonds and the commitment to provide shares or a combination of shares and cash on conversion of the Bonds. This derivative contract is included within the balance sheet as a liability carried at fair value through profit and loss.

See Note 14 in the Group financial statements for further details about the convertible bond.

13. Share capital

Issued and fully paid at 12.5 pence each

	2020		2019	
	Number – million	£m	Number – million	£m
As at 1 January	**1,216.3**	**152.0**	769.1	96.1
Scrip issues in lieu of cash dividend	**2.7**	**0.3**	4.0	0.5
Shares issued for MedicX merger	**—**	**—**	341.0	42.6
Shares issued	**96.6**	**12.1**	78.1	9.8
Shares issued on bond conversion	**—**	**—**	24.1	3.0
As at 31 December	**1,315.6**	**164.4**	1,216.3	152.0

Issue of shares in 2020

	Date of issue	Number of shares – million	Issue price
Scrip issue in lieu of first quarterly cash dividend	21 February 2020	0.6	158.2p
Scrip issue in lieu of second quarterly cash dividend	22 May 2020	0.7	155.52p
Scrip issue in lieu of third quarterly cash dividend	21 August 2020	0.9	154.2p
Share issue	9 July 2020	96.6	145.00p
Scrip issue in lieu of fourth quarterly cash dividend	20 November 2020	0.4	147.6p

14. Special reserve

	2020 £m	2019 £m
As at 1 January	**65.4**	124.8
Dividends paid	**(61.2)**	(54.4)
Scrip issues in lieu of cash dividends	**(4.2)**	(5.0)
As at 31 December	**—**	65.4

As the special reserve is a distributable reserve, the dividends distributed in the period have been distributed from this reserve until the balance reduced to £nil. The remaining dividends distributed in the period have been distributed from retained earnings.

15. Retained earnings

	2020 £m	2019 £m
As at 1 January	**158.3**	38.9
Loss for the year	**(22.9)**	(44.1)
Dividends received	**169.5**	163.5
Dividends paid	**(7.9)**	—
As at 31 December	**297.0**	158.3

16. Net asset value per Ordinary Share

	2020 pence	2019 pence
Basic and diluted	**101**	91

The basic net asset value per Ordinary Share is based on net assets attributable to Ordinary Shareholders of £1,325.6 million (2019: £1,112.4 million) and on 1,315.6 million shares (2019: 1,216.3 million shares), being the number of shares in issue at the year end.

17. Contingent liabilities

The Company has guaranteed the performance of its subsidiaries in respect of development agreements totalling £nil (2019: £nil).

18. Related party transactions

Details of related party transactions are provided in the Directors' Report, the Directors' Remuneration Report and Note 25 to the Group financial statements on page 135. There are no employees other than the Directors, listed on pages 50 and 51.

The Company has also taken advantage of the exemption from the requirements in IAS 24 Related party disclosures to disclose related party transactions entered into between two or more members of the Group where those party to the transaction are wholly owned by a member of the Group.

19. Subsequent events

On 5 January 2021 the Company acquired Nexus Tradeco Holdings Limited and certain subsidiaries, details of which can be found in Note 26 to the Group financial statements on page 135.

Corporate calendar 2021

Annual General Meeting	14 April 2021
AGM statement	14 April 2021
Announcement of half year results	23 July 2021

Dividends

The Company intends to make quarterly dividend payments to shareholders in February, May, August and November. The proposed timetable for the first quarterly dividend in 2021 is:

Payment of quarterly dividend (record date 15 January 2021)	26 February 2021

Distributions from the Company may comprise PIDs (see below), ordinary cash dividends or a combination of the two. PIDs have been paid by the Group since 1 January 2007.

Payment of dividends

If you would like your dividend/interest paid directly into your bank or building society account, you should write to the registrar including details of your nominated account. Although this will enable your dividend/interest to be paid directly into your account, your tax voucher will be sent to your registered address.

Scrip dividend scheme

The optional scrip dividend scheme enables shareholders to receive new Ordinary Shares in PHP instead of cash dividends without incurring dealing costs, stamp duty or stamp duty reserve tax by electing to take a scrip dividend instead of a cash dividend. Shareholders can obtain information about the scrip dividend scheme from the Company or the registrar.

Investment account

The Company has made arrangements for Equiniti Financial Services Limited to provide an investment account to allow lump sum and regular savings to facilitate the purchase of the Company's Ordinary Shares. Detail and the forms required for this service can be accessed from the Company's website or alternatively at: www.shareview.co.uk/dealing.

For details of the service please contact: Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Shareholder helpline: 0371 384 2030.

Equiniti Financial Services Limited is authorised and regulated by the Financial Conduct Authority. As with all stock market investments, the price of shares can go down as well as up and on sale investors may not get back the full amount they invested.

Taxation status

The REIT Regulations require an REIT to distribute at least 90% of its exempt rental income (as calculated for tax purposes) as a PID.

PIDs are paid out under deduction of withholding tax at the basic rate, currently 20%. Certain classes of shareholders, including UK companies, charities, local authorities and UK pension schemes, may receive PIDs without deduction of withholding tax, if a valid claim is lodged with the Company by a qualifying shareholder. Shareholders who wish to apply for a tax exemption form should contact the registrar.

The above is a general guide only and shareholders who have any doubt about their tax position should consult their own appropriate independent professional adviser.

Registrar

The Company's registrar is Equiniti. In the event of any queries regarding your holding of shares, please contact the registrar free of charge on 0371 384 2030 (lines are open 8.30 a.m. to 5.30 p.m. Monday to Friday), or in writing to: Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

Changes of name or address must be notified to the registrar in writing.

Equiniti Shareview dealing services

A quick and easy share dealing service is available to either sell or buy PHP shares. To deal online or by telephone all you need is your shareholder reference number, full postcode and date of birth. Your shareholder reference number can be found on your latest dividend statement. For further information on this service, or to buy and sell shares, please contact Equiniti customer services 0371 384 2030 (8.00 a.m. to 6.00 p.m. Monday to Friday) or access www.shareview.co.uk/dealing.

Forward looking statements

This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking in nature and are subject to risks and uncertainties. Actual future results may differ materially from those expressed in or implied by these statements. Many of these risks and uncertainties relate to factors that are beyond PHP's ability to control or estimate precisely, such as future market conditions, the behaviour of other market participants, the actions of governmental regulators and other risk factors such as the Company's ability to continue to obtain financing to meet its liquidity needs, changes in the political, social and regulatory framework in which the Company operates or in economic or technological trends or conditions, including inflation and consumer confidence, on a global, regional or national basis. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. PHP does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document.

Information contained in this document relating to the Company should not be relied upon as a guide to future performance.

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

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

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

Adviser is Nexus Tradeco Limited.

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

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

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

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

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

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

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

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

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

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

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

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

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

EPRA 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 16.

EPRA NRV per share is the EPRA net reinstatement value divided by the number of shares in issue at the balance sheet date. Refer to Note 16.

EPRA net disposal value "EPRA NDV" (replacing EPRA NNNAV) is adjusted EPRA NRV including deferred tax and the MtM value of fixed rate debt and derivatives. The aim of the metric is to reflect the value that would be realised under a disposal scenario. Refer to Note 16.

EPRA net tangible assets ("NTA") (which has replaced the former EPRA net asset value alternative performance measure) are the balance sheet net assets but excluding the MtM value of derivative financial instruments, deferred tax and the convertible bond fair value movement. The aim of the metric is to reflect the fair value of the assets and liabilities of the Group that it intends to hold and does not intend in the long run to sell. Refer to Note 16.

EPRA NTA per share is the EPRA net tangible assets divided by the number of shares in issue at the balance sheet date. Refer to Note 16.

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

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

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

Gross rental income is the gross accounting rent receivable.

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

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

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

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

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

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

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

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

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

Mark to market ("MTM") is the difference between the book value of an asset or liability and its market value.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RICS is the Royal Institution of Chartered Surveyors.

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

Special reserve is a distributable reserve.

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

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

	£m
Net rental income	131.2
Revaluation surplus and profit on sales	51.4
	182.6
Opening property assets	2,413.1
Weighted additions in the period	37.6
	2,450.7
Total property return	7.4%

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

	NAV
At 31 December 2019	107.9
At 31 December 2020	**112.9**
Increase/(decrease)	**5.0**
Add: Dividends paid	
Q1 interim	1.475
Q2 interim	1.475
Q3 interim	1.475
Q4 interim	1.475
Total shareholder return	**10.9**

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

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

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

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

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

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