Primary Health Properties PLC

Interim results for the six months ended 30 June 2020

Strong operational and financial performance notwithstanding the COVID-19 pandemic

Primary Health Properties PLC ("PHP", the "Group" or the "Company"), a leading investor in modern primary health facilities, announces its interim results for the six months ended 30 June 2020.

Harry Hyman, Managing Director of PHP, commented:
"The COVID-19 pandemic has highlighted the demands on health systems around the world, not least the NHS in the UK and HSE in Ireland, where the underlying demand for healthcare is increasingly driven by growing and ageing populations. 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.

"As a result of the COVID-19 pandemic, we see strong demand for extra space to help alleviate the backlog of consultations that has arisen as a result of the coronavirus, while facilitating the movement of activity out of hospitals and the continued care of patients that have suffered from COVID-19.

"The successful equity placing on 9 July raised £140m of proceeds and was upsized from £120m due to strong investor demand. The funds raised will help further accelerate our growth by funding near-term portfolio expansion, forward funded developments and asset management projects."

"PHP looks forward to delivering further earnings and dividend growth and remains confident of its future outlook."

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Income statement metrics	**Six months to 30 June 2020**	Six months to 30 June 2019	Change
Net rental income[1]	**£64.8m**	£53.8m	**+20.4%**
Adjusted EPRA earnings[1,2]	**£36.0m**	£27.9m	**+29.0%**
Adjusted EPRA earnings per share[1,2]	**3.0p**	2.8p	**+7.1%**
IFRS profit before tax excluding MedicX exceptional adjustments[1,5]	**£38.1m**	£41.5m	
IFRS profit/(loss) for the period (2019 includes £123.9m of non-cash losses)[9]	**£39.5m**	(£106.5m)	
IFRS earnings/(loss) per share[2]	**3.2p**	(10.7p)	
Dividends			
Dividend per share[6]	**2.95p**	2.8p	**+5.4%**
Dividends paid[6]	**£35.9m**	£26.7m	**+34.5%**
Dividend cover[1]	**100%**	104%	
Balance sheet and operational metrics	**30 June 2020**	31 December 2019	Change
Adjusted EPRA NTA (NAV) per share[1,3]	**109.1p**	107.9p	**+1.1%**
IFRS NAV per share[1,3]	**101.8p**	101.0p	**+0.8%**
Property portfolio			
Investment portfolio valuation[4]	**£2.514bn**	£2.413bn	**+0.4%**
Net initial yield ("NIY") [1]	**4.86%**	4.86%	
Contracted rent roll (annualised)[1,8]	**£133.3m**	£127.7m	**+0.7%**
Weighted average unexpired lease term ("WAULT")[1]	**12.5 years**	12.8 years	
Occupancy	**99.5%**	99.5%	
Rent-roll funded by government bodies[1]	**90%**	90%	
Debt			
Average cost of debt	**3.5%**	3.5%	
Loan to value ratio[1]	**45.8%**	44.2%	
Pro-forma loan to value ratio post equity raise[10]	**40.3%**	n/a	
Weighted average debt maturity	**6.7 years**	7.2 years	
Total undrawn loan facilities and cash[7,10]	**£403.6m**	£356.6m	

[1] Definitions for net rental income, adjusted EPRA earnings, adjusted EPRA earnings per share, earnings per share ("EPS"), dividend cover, loan to value ("LTV"), IFRS profit before tax excluding MedicX exceptional adjustments, net tangible assets ("NTA"), net disposal value ("NDV"), rent roll, NIY, WAULT and net asset value ("NAV") are set out in the Glossary of Terms.
[2] See note 7, earnings per share, to the financial statements.
[3] See note 16, net asset value per share, to the financial statements. From 1 January 2020 Adjusted EPRA NAV, EPRA NAV and EPRA NNNAV have been replaced with four new metrics: adjusted EPRA net tangible assets, EPRA net tangible assets ("NTA"), EPRA net disposal value ("NDV") and EPRA net reinstatement value ("NRV") which are considered to be alternative performance measures. The Group has determined that adjusted EPRA net tangible assets is the most relevant measure and hence is now reported in place of adjusted EPRA NAV.
[4] Percentage valuation movement during the period based on the difference between opening and closing valuations of properties after allowing for acquisition costs and capital expenditure.
[5] The IFRS profit before tax excluding MedicX exceptional adjustments is set-out in detail in the summarised results table on page 12.
[6] See note 8, dividends, to the financial statements.
[7] After deducting the remaining cost to complete contracted acquisitions, properties under development and asset management projects.
[8] Percentage contracted rent roll increase during the period is based on the annualised uplift achieved from all completed rent reviews and asset management projects.
[9] £123.9m of non-cash losses are composed of £138.4m exceptional revaluation loss arising on the merger with MedicX less the £14.5m exceptional transactions costs.
[10] Including the £136.9m net proceeds from the equity raise completed post period end

DELIVERING EARNINGS AND DIVIDEND GROWTH

- Adjusted EPRA earnings per share increased by 7.1% to 3.0p (30 June 2019: 2.8p)
- Average uplift of 2.2% per annum on rent reviews completed in the period, continuing the positive trend in rental growth (FY 2019: 1.9%; FY 2018: 1.4%)
- Additional annualised rental income on a like-for-like basis of £0.9 million or 0.7%, from rent reviews and asset management projects (FY 2019: £1.9 million or 1.5%; FY 2018: £1.3 million or 1.8%)
- Contracted annualised rent roll increased by 4.4% to £133.3 million (31 December 2019: £127.7 million)
- Portfolio of 22 purpose-built medical centres acquired, one of which was acquired on 1 July 2020, for £54 million with good asset management opportunities
- Three forward funded developments acquired in the period with a net development cost of £23.0 million at Arklow, Ireland, Epsom, Surrey and Llanbradach, Wales
- Two quarterly dividends totalling 2.95p per share distributed in the period and third quarterly dividend of 1.475p per share declared, payable on 21 August 2020, equivalent to 5.9p on an annualised basis. This represents a 5.4% increase over the 2019 dividend per share and will mark the Company's 24th consecutive year of dividend growth
- The Company intends to make a further dividend payment in November 2020 and maintain its strategy of paying a progressive dividend, in equal quarterly instalments, covered by underlying earnings in each financial year

DELIVERING NET ASSET VALUE GROWTH

- Adjusted EPRA Net Tangible Assets (NTA) per share increased by 1.1% to 109.1 pence (31 December 2019: 107.9 pence)
- Property portfolio at 30 June 2020 valued at £2.514 billion (31 December 2019: £2.413 billion) reflecting a net initial yield of 4.86% (31 December 2019: 4.86%). A revaluation surplus was generated in the period of £10.5 million (30 June 2019: £17.7 million), representing growth of 0.4% (30 June 2019: 0.8%)
- Portfolio in Ireland now comprises 17 assets, valued at £194 million (€214 million), including two forward funded developments currently under construction which, if valued as complete, increases the total asset value to approximately £211 million (€233 million)
- The Group completed the forward funded developments at Athy, Bray and Rialto in Ireland during the period and has six developments currently on site with a net development cost of £41.5 million. All sites in the UK and Ireland remain open and construction continues to progress
- Strong pipeline of targeted acquisitions and asset management projects with a value of approximately £128 million, of which £44 million is currently under offer
- Progression of asset management projects with 12 either completed or currently on-site, investing £4.1 million, creating additional rental income £0.12 million per annum and extending the weighted average unexpired lease term (WAULT) back to 21 years

- The Group has a strong pipeline of over 80 incremental asset management projects which have either been approved by the Board or are in advanced negotiations. The pipeline of projects equates to investing approximately £36 million in 2020 and 2021 generating £1.1 million of additional income and extending the WAULT on those leases back to 21 years
- Only £3.0m or 2.3% of annualised rent roll expiring in the next three years of which £2.6m is subject to either a planned asset management initiative or terms having been agreed to renew the lease
- The portfolio's metrics continue to reflect the secure, long-term and predictable income stream with occupancy at 99.5% (31 December 2019: 99.5%) and a WAULT of 12.5 years (31 December 2019: 12.8 years)

DELIVERING FINANCIAL MANAGEMENT

- Post period end £140.0m (£136.9m net of expenses) over-subscribed equity placing at 145p per share or 32.9% premium to reported Adjusted EPRA NTA of 109.1p as at 30 June 2020
- Following the equity placing the Company lowered the upper range for the Group's loan to value ("LTV") ratio from 55% to 50%
- At 30 June 2020 the Group's net debt stood at £1,150.3 million (31 December 2019: £1,067.3 million) and the LTV ratio was 45.8% (31 December 2019: 44.2%) falling to 40.3% on a pro-forma basis post equity placing
- Post the equity placing and after capital commitments the Group has undrawn loan facilities and cash on deposit totalling £403.6 million (31 December 2019: £356.6 million) providing significant liquidity headroom. Cash on deposit totals £201.0 million
- Significant headroom in LTV and interest cover covenants in the Group's various borrowing facilities

DELIVERING ROBUST RENTAL COLLECTION

- Of PHP's contracted rental income, 90% is paid either directly or indirectly by the UK and Irish governments, with the balance mainly coming from pharmacies co-located at our properties
- Rental collections continue to remain robust and as at 27 July 2020 96% had been collected in both the UK and Ireland for the third quarter of 2020 and ahead of the collection rates experienced for the second quarter of the year which now stand at over 99% for both countries. The balance of rent due for the third quarter of 2020 is expected to be received shortly
- The Group has allowed £1.1 million of quarterly rents, predominantly pharmacies, to be paid by monthly instalments, given short-term rent deferrals of £0.3 million and concessions of £0.2 million

DELIVERING STRONG TOTAL RETURNS

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
Increase in Adjusted EPRA NTA plus dividends paid	**3.8%**	2.8%	8.0%
Income return	**2.6%**	2.7%	5.2%
Capital return	**0.5%**	0.9%	2.5%
Total property return[1]	**3.1%**	3.6%	7.7%
MSCI UK Monthly Property Index	**-3.5%**	1.2%	2.2%
Out performance over MSCI	**6.6%**	2.4%	5.5%

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

Presentation and webcast:

A virtual briefing for analysts will be held today, 29 July 2020 at 09.30am, via a live webcast and conference call facility.

The presentation will be accessible via a live conference call:

UK Toll Free: 0800 358 9473
UK Toll: 0333 300 0804
International dial in numbers:
http://events.arkadin.com/ev/docs/NE_W2_TF_Events_International_Access_List.pdf
Participant PIN code: 81298303#

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

If you would like to join the briefing, please contact Buchanan via php@buchanan.uk.com to confirm your place.

For further information contact:

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EXECUTIVE REVIEW

Notwithstanding the uncertain and unprecedented times in the UK and around the world caused by the COVID-19 pandemic, we delivered a strong and robust operational and financial performance over the first six months 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 tenants in both markets to help them better utilise the Group's properties for deployment in the front line of the current global health crisis.

As lockdown measures in the UK and Ireland are eased further, we continue to maintain 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, as the 'new normal' is established.

The team of over 50 staff who work on behalf of PHP are working successfully from home during the pandemic and the Group's disaster recovery plan has and continues to operate as expected with systems and communications maintained with none of these staff having been furloughed. The Group has not taken advantage of any Government loan or incentive scheme introduced during the pandemic and has continued to pay all taxes due on the normal due date. The Board is grateful for the team's commitment and dedication during these difficult times.

Over the last nine months we have successfully deployed the £100m proceeds from the September 2019 equity raise across 23 standing investments, 6 forward funded developments and 12 asset management projects totalling £107m.

The Group continues to have a strong, active pipeline of potential acquisitions both in the UK and Ireland totalling approximately £128m including £44m under offer and consequently, post period end, we successfully completed an over-subscribed equity placing raising £140.0m (£136.9m net of expenses). The Group now has a market capitalisation of around £2 billion and the property portfolio now stands at over £2.5 billion across 510 assets, including 17 in Ireland.

The net proceeds from the equity placing further improve the Group's already robust capital position providing significant levels of liquidity and loan covenant headroom with £403.6m of undrawn loan facilities and cash, helping to maintain an appropriate loan to value ("LTV") ratio at 40.3% on a pro-forma basis. As previously announced with the equity placing, the Company lowered the upper range LTV ratio from 55% to 50%.

Rental collections have continued to remain robust and as at 27 July 2020 96% had been collected in the UK and Ireland for the third quarter of 2020 and ahead of the collection rates experienced for the second quarter of the year which now stand at over 99% for both countries.

Two quarterly dividends totalling 2.95p per share were distributed in the period and a third quarterly dividend of 1.475p per share declared, payable on 21 August 2020, equivalent to 5.9p on an annualised basis. This represents a 5.4% increase over the 2019 dividend per share and will mark the Company's 24th consecutive year of dividend growth. The Company intends to make a further dividend payment in November 2020 and maintain its strategy of paying a progressive dividend, in equal quarterly instalments, covered by underlying earnings in each financial year.

Overview of results

PHP's recurring Adjusted EPRA earnings increased by £8.1m or 29.0% to £36.0m in the six months to 30 June 2020 driven by the merger with MedicX in March 2019, acquisitions, an improving rental growth outlook from our asset management activities and reductions in the average cost of finance in both 2019 and the first half of 2020 compared with the first half of 2019. Using the weighted average number of shares in issue in the period the Adjusted EPRA earnings per share increased to 3.0p (Six months to 31 December 2019: 2.8p), an increase of 7.1%.

A revaluation surplus of £10.5m (30 June 2019: £17.7m) was generated in the period from the portfolio equivalent to 0.9p per share. The valuation surplus was driven entirely by rental growth and asset management activity in the UK and some net initial yield ("NIY") compression in Ireland.

The Group has continued to selectively grow its portfolio in the period, adding 22 assets, one of which was acquired on 1 July 2020, and three forward funded developments.

Rent reviews and asset management projects completed in the period added £0.9m or 0.7% (FY 2019: £1.9m or 1.5%) to the contracted rent roll and the continued positive momentum on rent reviews has seen annualised rental growth improve to 2.2% compared to 1.9% and 1.4% achieved in FY 2019 and FY 2018 respectively.

The portfolio's average lot size remains at £4.9m and we are maintaining our very strong metrics, with a long weighted average unexpired lease term ("WAULT") of 12.5 years, high occupancy at 99.5% and only 2.3% of our rent due to expire in the next three years.

Dividends and total shareholder return

The Company distributed a total of 2.95p per share in the six months to 30 June 2020, an increase of 5.4% over that distributed in the first half of 2019 of 2.8p per share. The total value of dividends distributed in the period increased by 34.5% to £35.9m (30 June 2019: £26.7m), which were fully covered by Adjusted EPRA earnings, reflecting the additional shares issued in 2019 on the merger with MedicX, conversion of the remaining convertible bonds and equity raise in 2019. Dividends totalling £2.2m were satisfied through the issuance of shares via the scrip dividend scheme.

The Company's share price started the year at 160.0p per share and closed on 30 June 2020 at 156.6p, a decrease of 2.1%. Including dividends, those shareholders who held the Company's shares throughout the period achieved a Total Shareholder Return of -0.3% (30 June 2019: 22.7%). This compares to the total return delivered by UK real estate equities (FTSE EPRA Nareit UK Index) of -28.5% and the wider UK equity sector (FTSE All-Share Index) of -17.9% in the period.

Market update and outlook

Healthcare provision in the UK has been transformed in the first six months of 2020, as the NHS has responded to the requirements of dealing with the COVID-19 pandemic. The resultant backlog of non COVID-19 treatments that have been suspended will need to be addressed, with many services expected to move away from hospitals and into primary care facilities. 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 periphery 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 alleviate increased pressures and burdens currently being placed on healthcare networks.

In addition to the COVID-19 pandemic, the final outcome and consequences of Brexit for the UK are unlikely to have a direct impact on the primary health centres we invest in, which perform a vital role in the provision of healthcare across the UK and Ireland. Demand for our properties is driven by demographics and in particular populations that are growing, ageing and suffering from more instances of chronic illness.

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

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

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

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.

Steven Owen
Chairman

Harry Hyman
Managing Director

28 July 2020

BUSINESS REVIEW

Investment and development activity

The majority of the investment activity in the period came from the portfolio of 22 assets acquired in the UK, one of which was acquired on 1 July 2020, for £54m as well as three forward funded developments acquired. The three forward funding developments consist of one in Ireland and two in the UK and add to the existing three forward funding developments at the start of the period.

Investment pipeline

PHP continues to have a strong active pipeline of potential acquisitions both in the UK and Ireland totalling approximately £128m including £44m currently under offer.

Developments

During the period the developments at Athy, County Kildare, Bray, County Wicklow and Rialto, Dublin all in Ireland were completed on time with a net development cost of £43.8m (€48.3m).

The Group has six forward funded developments currently on site with a net development cost of £41.5m:

Asset	Anticipated PC date	Area (Sq. m)	Net development cost	Costs to complete
Ireland				
Banagher, County Offaly	Q4 2020	1,628	£4.5m (€5.1m)	£2.7m (€3.0m)
Arklow, County Wicklow	Q1 2022	6,265	£16.9m (€18.7m)	£14.5m (€16.0m)
UK				
Mountain Ash, Wales	Q1 2021	1,253	£4.9m	£3.2m
Llanbradach, Wales	Q1 2021	831	£2.8m	£2.1m
Eastbourne, East Sussex	Q2 2021	1,976	£8.4m	£5.2m
Epsom, Surrey	Q2 2021	667	£4.0m	£3.2m
Total		12,620	£41.5m	£30.9m

All sites in the UK and Ireland remain open and construction continues to progress. The Group will continue to adopt a policy of not undertaking any developments on a speculative basis.

Asset management

PHP's sector leading metrics continue to remain strong and we continue to focus on 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.

Rent reviews

During the six months to 30 June 2020, the Group concluded and documented 127 rent reviews with a combined rental value of £16.7m resulting in an uplift of £0.8m per annum or 4.8% which equates to 2.2% per annum. This continues the positive trend in rental growth over the last two years (year ended 31 December 2019: 1.9% per annum with an uplift of £1.6m; year ended 31 December 2018: 1.4% per annum with an uplift of £1.1m).

In the period, 1.6% per annum was achieved on 44 open market reviews including 20 reviews where no uplift was achieved. Uplifts of 2.7% per annum were achieved on RPI-based reviews and 2.9% per annum on fixed uplift reviews. In addition, a further 134 open market reviews were agreed in principle, which will add another £0.8m to the contracted rent roll when concluded and represent an uplift of 1.4% per annum.

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

At 30 June 2020, the rent at 708 tenancies, representing £95.1m of passing rent, was under negotiation and the large number of outstanding reviews reflects the requirement for all awards to be agreed with the District Valuer. A great deal of evidence to support open market reviews comes from the delivery of new properties into the sector and we continue to see positive momentum in the demand, commencement and delivery for new, purpose-built premises which are being supported by NHS initiatives to modernise the primary care estate. We expect the COVID-19 pandemic will increase the future provision of health services and continued re-focusing of services away from over-burdened hospital settings. As technology continues to drive digital consulting and triage in the future, the crisis has highlighted the important role primary healthcare must play and we continue to see more new properties being approved.

Asset Management Projects

We have continued to make good progress in the six months to 30 June 2020 to enhance and extend existing assets within the portfolio with 12 projects either completed or currently on-site. The projects require the investment of £4.1m and will generate £0.12m of additional rental income but, just as importantly, will extend the WAULT on those premises back to an average 21 years.

PHP continues to work closely with its tenants and has a strong pipeline of over 80 projects either Board approved or are in advanced negotiations. The pipeline of projects will require the investment of approximately £36 million, generating an additional £1.1m 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 30 June 2020 was £133.3m, an increase of £5.6m or 4.4% in the period (31 December 2019: £127.7m) driven predominantly by the acquisition of a portfolio of 22 UK assets that contributed £2.9m. New forward funded developments at Arklow, Ireland, Epsom, Surrey and Llanbradach, Wales added a further £1.2m 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 99.5%.

Longevity: The portfolio's WAULT at 30 June 2020 was 12.5 years (31 December 2019: 12.8 years). Only £3.0m or 2.3% of our income expires over the next three years of which £2.6m is either subject to a planned asset management initiative or terms have been agreed to renew the lease. £79.8m or 59.8% expires in over 10 years. The table below sets out the current lease expiry profile of our income:

Income subject to expiry	£m	%
< 3 years	3.0	2.3%
4 – 5 years	10.0	7.5%
5 – 10 years	40.5	30.4%
10 – 15 years	42.3	31.7%
15 – 20 years	20.6	15.4%
> 20 years	16.9	12.7%
Total	133.3	100.0%

Valuation and returns

At 30 June 2020, the Group's portfolio comprised 510 assets independently valued at £2.514bn (31 December 2019: £2.413bn). After allowing for acquisition costs and capital expenditure on forward funded developments and asset management projects, the portfolio generated a valuation surplus of £10.5m or 0.4% (30 June 2019: £17.7m or 0.9%). The valuation surplus was driven by rental growth from rent reviews and asset management projects in the UK and some NIY compression in Ireland.

Despite some yield contraction in Ireland the Group's portfolio NIY remained unchanged at 4.86% (31 December 2019: 4.86%). The true equivalent yield reduced to 5.02% at 30 June 2020, declining from 5.04% at 31 December 2019.

At 30 June 2020, the portfolio in Ireland comprised 17 assets, including two assets currently under development, valued at £194.1m or €214.3m (31 December 2019: 16 assets/£160.0m or €189.2m). The costs to complete the developments are £17.2m (€19.0m) and once complete the assets in Ireland will be valued at approximately £211m (€233m).

The portfolio's average lot size has remained unchanged at £4.9m (31 December 2019: £4.9m) and 83.1% of the portfolio is valued at over £3.0m. The Group only has seven assets valued at less than £1.0m.

	Number of Properties	Valuation £m	%	Average lot size (£m)
> £10m	48	705.2	28.1	14.7
£5m - £10m	108	758.3	30.2	7.0
£3m - £5m	161	623.2	24.8	3.9
£1m - £3m	186	415.6	16.6	2.2
< £1m (including land £1.6m)	7	7.5	0.3	0.8
Total[1]	510	2,509.8	100.0	4.9

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

The underlying valuation uplift of £10.5m, combined with the portfolio's growing income, helped to deliver a total property return of 3.1% in the six months to 30 June 2020 (30 June 2019: 3.6%) outperforming the MSCI UK Monthly Property Index by 660bp.

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
Income return	2.6%	2.7%	5.2%
Capital return	0.5%	0.9%	2.5%
Total return	3.1%	3.6%	7.7%

FINANCIAL REVIEW

PHP's Adjusted EPRA earnings increased by £8.1m or 29.0% to £36.0m in the six months to 30 June 2020, compared to 30 June 2019 Adjusted EPRA earnings of £27.9m. The increase in the period reflects a full six-month contribution from the merger with MedicX in March 2019 which contributed £4.1m 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 period the Adjusted EPRA earnings per share increased to 3.0p (30 June 2019: 2.8p), an increase of 7.1%.

A revaluation surplus of £10.5m was generated in the period from the portfolio driven by rental growth from rent reviews and asset management projects in the UK, and yield contraction of core HSE income in the Republic of Ireland.

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 £6.9m (30 June 2019: loss of £151.7m) contributed to the profit before tax as reported under IFRS of £39.6m (30 June 2019: loss £106.1m).

The financial results for the Group are summarised as follows:

Summarised results

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Net rental income	**64.8**	53.8	115.7
Administrative expenses	**(5.7)**	(5.0)	(10.5)
Performance incentive fee ("PIF")	**(0.8)**	(0.9)	(1.8)
Operating profit before revaluation gain and net financing costs	**58.3**	47.9	103.4
Net financing costs	**(22.3)**	(20.0)	(43.7)
Adjusted EPRA earnings	**36.0**	27.9	59.7
Revaluation surplus on property portfolio and profit on sales	**10.5**	17.7	49.8
Fair value (loss)/gain on interest rate derivatives and convertible bond	**(8.4)**	(4.1)	(33.6)
Adjusted IFRS Profit excluding MedicX merger adjustments	**38.1**	41.5	75.9
Amortisation of MedicX debt MtM at acquisition	**1.5**	1.0	2.5
Exceptional revaluation loss arising on merger with MedicX	**-**	(138.4)	(138.4)
Exceptional item - contract termination fee arising on merger with MedicX	**-**	(10.2)	(10.2)
IFRS profit/(loss) before tax	**39.6**	(106.1)	(70.2)
Deferred tax provision	**(0.1)**	(0.4)	(1.1)
IFRS profit/(loss) after tax	**39.5**	(106.5)	(71.3)

Net rental income receivable in the six months to 30 June 2020 increased by 20.4% or £11.0m to £64.8m (30 June 2019: £53.8m).

Operational costs have continued to be managed closely and effectively. Overall administrative costs, excluding the Performance Incentive Fee ("PIF"), have risen by £0.7m or 14.0% to £5.7m (30 June 2019: £5.0m) 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 11.6% for the period, a decrease against the 12.0% incurred during the 2019 financial year reflecting the annualised effect of the £4.0m cost saving synergies arising from the merger with MedicX.

EPRA cost ratio	**Six months ended 30 June 2020 £m**	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Gross rent less ground rent and service charge income	**66.2**	55.0	118.3
Direct property expense	**3.2**	2.6	5.6
Administrative expenses	**5.7**	5.0	10.5
Performance incentive fee (“PIF”)	**0.8**	0.9	1.8
Less: service charge costs	**(1.7)**	(1.3)	(2.8)
Less: ground rent	**(0.1)**	(0.1)	(0.2)
Less: other operating income	**(0.2)**	(0.4)	(0.7)
EPRA costs (including direct vacancy costs)	**7.7**	6.7	14.2
EPRA cost ratio	**11.6%**	12.2%	12.0%
EPRA cost ratio excluding PIF	**10.4%**	10.5%	10.5%
Total expense ratio - administrative expenses as a percentage of gross asset value (annualised)	**0.5%**	0.5%	0.4%

Net finance costs in the period increased to £22.3m (30 June 2019: £20.0m) reflecting a full six-month charge of the debt acquired with the merger with MedicX, offset by the reductions in the average cost of debt achieved from various refinancing initiatives and conversion of the convertible bond during 2019.

Performance incentive fee (“PIF”)

Another period of strong performance in both 2019 and the first half of 2020 is likely to result in a PIF being earned by the Adviser, Nexus, for the year as a whole and consequently a £0.8m provision has been provided in the period (six months ended 30 June 2019: £0.9m; year ended 31 December 2019: £1.8m).

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 adjustments, which is credited to a notional cumulative account. If the hurdle is not achieved a sum equal to 11.25% of the underperformance is deducted from the notional cumulative account.

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

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

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

A PIF of £1.3m was paid to Nexus in the period in respect of 2019 and at 30 June 2020 the balance on the notional cumulative PIF account was £4.6m (31 December 2019: £7.0m) of which £0.8m (31 December 2019: £1.3m) has been provided for in the financial statements with the balance conditional on performance in future years and the restrictions noted above. No payment in respect of 2020 will be made until the audited financial results and total returns for the year have been agreed and approved by the Board in 2021.

Equity raise

Post period end in July 2020, the Group successfully completed an over-subscribed equity issue raising £140.0m (£136.9m net of expenses). The new ordinary shares were issued at 145p per share or a 32.9% premium to reported Adjusted EPRA Net Tangible Assets (NTA), formerly Adjusted EPRA NAV, of 109.1p as at 30 June 2020. The placing price of 145p per Ordinary Share represented a discount of 1.9 per cent 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 EPRA Net Tangible Assets (NTA), formerly Adjusted EPRA NAV, per share increased by 1.2p or 1.1% to 109.1p (31 December 2019: 107.9p per share) during the period with the revaluation surplus of £10.5m or 0.9p per share being the main driver of the increase. Dividends distributed in the period were fully covered by recurring EPRA earnings with no material impact on EPRA NAV.

The total NAV return per share, including dividends distributed, in the six months ended 30 June 2020 was 4.2p or 3.9% (30 June 2019: 2.9p or 2.8%).

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

Adjusted EPRA Net Tangible Asset (NTA) per share	**30 June 2020 pence per share**	30 June 2019 pence per share	31 December 2019 pence per share
Opening Adjusted EPRA NTA per share	**107.9**	105.1	105.1
Adjusted EPRA earnings for the period	**3.0**	2.8	5.5
Dividends paid	**(2.9)**	(2.8)	(5.5)
Revaluation of property portfolio	**0.9**	1.6	4.1
Net impact of MedicX merger (see analysis below)	**-**	(1.4)	(1.4)
Shares issued	**0.2**	(0.1)	0.8
Interest rate derivative cancellation	**-**	-	(0.7)
Closing Adjusted EPRA NTA per share	**109.1**	105.2	107.9
Fixed rate debt and swap mark-to-market value	**(12.7)**	(10.5)	(8.8)
Convertible bond fair value adjustment	**(1.9)**	-	(1.8)
Deferred tax	**(0.3)**	(0.2)	(0.3)
Closing EPRA NDV per share	**94.2**	94.5	97.0

Financing

As at 30 June 2020, total available loan facilities were £1,456.3m (31 December 2019: £1,452.0m) of which £1,214.3m (31 December 2019: £1,210.4m) had been drawn. Cash balances of £64.0m (31 December 2019: £143.1m) resulted in Group net debt of £1,150.3m (31 December 2019: £1,067.3m). Contracted capital commitments at the balance sheet date totalled £39.3m (31 December 2019: £28.1m) and result in headroom available to the Group of £266.7m (31 December 2019: £356.6m).

Capital commitments comprise forward funded development expenditure of £30.9m, acquisitions of £3.8m and asset management projects on site of £4.6m.

Debt metrics	30 June 2020	31 December 2019
Average cost of debt	**3.5%**	3.5%
Loan to value	**45.8%**	44.2%
Pro-forma loan to value post equity raise[1]	**40.3%**	n/a
Interest cover	**2.9 times**	2.7 times
Weighted average debt maturity	**6.7 years**	7.2 years
Total drawn secured debt	**£1,064.3m**	£1,060.4m
Total drawn unsecured debt	**£150.0m**	£150.0m
Total undrawn facilities and available to the Group[1,2]	**£403.6m**	£356.6m
Unfettered assets	**£89.0m**	£32.3m

[1] – Includes the impact of £140m (£136.9m net of expenses) equity raise completed post period end.
[2] – After deducting capital commitments.

Convertible bonds

In July 2019, the Group issued for a six-year term new unsecured convertible bonds with a nominal value of £150m 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 153.25p per Ordinary Share. The exchange price will be subject to adjustment if dividends paid per share exceed 2.8p per annum and in accordance with the dividend protection provisions the conversion price has been adjusted to 149.39p per Ordinary Share.

The conversion of the £150m convertible bond into new Ordinary Shares would reduce the Group's loan to value ratio by 6.0% from 40.3% to 34.3% on a pro-forma basis following the equity raise post period end and result in the issue of 100.4 million new Ordinary Shares.

Interest rate and currency exposure

The analysis of the Group's exposure to interest rate risk in its debt portfolio as at 30 June 2020 is as follows:

	Facilities		Drawn	
	£m	%	£m	%
Fixed rate debt	1,005.7	69.1	1,005.7	82.8
Hedged by fixed rate interest rate swaps	208.0	14.3	208.0	17.1
Floating rate debt – unhedged	242.6	16.6	0.6	0.1
Total	**1,456.3**	**100.0**	**1,214.3**	**100.0**

The above analysis excludes the impact of £50m forward starting swaps commencing in July 2020.

The Group's drawn loan facilities are over 99% fixed or hedged and there is little exposure to future possible increases in interest rates.

The Group now owns €214.3m or £194.1m (2019: €189.2m/£160.0m) of Euro denominated assets in Ireland as at 30 June 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.

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

Interest rate swap contracts

Accounting standards require PHP to mark its interest rate swaps to market at each balance sheet date. During the six months to 30 June 2020 there was a loss of £6.4m (30 June 2019: loss £3.2m) on the fair value movement of the Group's interest rate derivatives due primarily to reductions in interest rates assumed in the forward yield curves used to value the interest rate swaps. This increased the mark-to-market ("MtM") liability of the swap portfolio to £19.3m (31 December 2019: £13.5m) equivalent to 1.6p per share.

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

The MtM of the Group's fixed rate debt as at 30 June 2020 was £135.9m (31 December 2019: £94.5m) equivalent to 11.2p per share (31 December 2019: 7.8p). The large increase in the MtM during the period is due primarily to the historical reductions in interest rates assumed in the forward yield curves used to value the debt in the period. The Group has no committed intention of cancelling and repaying any of its fixed rate loan facilities and the MtM valuation is sensitive to movements in interest rates assumed in forward yield curves.

Alternative Performance Measures ("APMs")

PHP uses Adjusted EPRA earnings, Adjusted EPRA net tangible assets (formerly Adjusted EPRA NAV) and IFRS profit before tax excluding MedicX exceptional adjustments amongst other APMs to highlight the recurring performance of the property portfolio and business. The APMs are in addition to the statutory measures from the condensed financial statements. The measures are defined and reconciled to amounts presented in the financial statements within this interim statement at notes 7 and 16 and on page 14. The Company has used EPRA earnings and EPRA net tangible assets to measure performance and will continue to do so. However, these APMs have also been adjusted to remove the impact of the adjustments arising from the MtM on fixed debt acquired on completion of the merger with MedicX in 2019. The reasons for the Company's use of these APMs are set out in the Glossary and 2019 Annual Report.

Related party transactions

Related party transactions are disclosed in note 17 to the condensed financial statements. There have been no material changes in the related party transactions described in the 2019 Annual Report.

Harry Hyman **Managing Director**	**Richard Howell** **Finance Director**

28 July 2020

Principal risks and uncertainties

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

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

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

Principal risks and changes in risk factors

The Board has considered the impact of COVID-19 on the Group's principal risk factors and this is reported in more detail below. 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. Full disclosure of risks and uncertainties faced by the Company are set out within the 2019 Annual Report.

COVID-19

The outbreak of COVID-19 during the year has had far reaching consequences across the UK and Ireland. 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, focussing specifically on operations and cash flows of the Group. The event has been considered and a bad debt provision of £0.2m (31 December 2019: £0.1m) has been provided in the financial statements in respect of rents totalling £0.5m currently on some form of rent payment concession and reflected in the balance sheet as at 30 June 2020. We continue to carefully monitor the impact on property valuations and the recoverability of our debtor balances.

The team of over 50 staff who work on behalf of PHP have continued to successfully work from home during the pandemic and the Group's disaster recovery plan has and continues to operate as expected with systems and communications maintained and no staff having been furloughed. The Group has not taken advantage of any Government loan or incentive scheme introduced during the pandemic and has continued to pay all taxes due on the normal due date.

Going concern analysis

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

- declining attractiveness of the Group's assets or extenuating economic circumstances impacts investment values – valuation parameter stress tested to provide for a one-off 10%/£253m fall in July 2020;
- 10% 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 July 2020; and
- tightly controlled NHS scheme approval restricts investment opportunity – investment quantum flexed to remove non-committed transactions.

A number of specific assumptions have been made that overlay the financial parameters used in the Group's models. It has been assumed that the Group will be able to refinance or replace other debt facilities that mature within the review period in advance of their maturity and on terms similar to those at present. It also assumes that the services of Nexus Tradeco Limited, the Adviser, are available throughout the period.

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

Brexit

On 31 January 2020, the United Kingdom left the European Union ("EU") but a substantial amount of uncertainty still remains regarding any future trade deal with the EU ("Brexit"). The Board continues to monitor the negotiations which will set out the UK's future relationship with the EU and until these negotiations are finalised it is too early to fully understand the impact Brexit will have on our business and our sector. The main impact of Brexit is the potential negative impact on the macro-economic environment, potentially leading to political uncertainty and volatility in interest and exchange rates, but it could also impact our investment and occupier market, our ability to execute our investment strategy and our income sustainability in the long term.

INDEPENDENT REVIEW REPORT TO PRIMARY HEALTH PROPERTIES PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprises the Condensed Group Statement of Comprehensive Income, the Condensed Group Balance Sheet, the Condensed Group Cash Flow Statement, the Condensed Group Statement of Changes in Equity and related notes 1 to 21. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Statutory Auditor

London, United Kingdom

28 July 2020

Condensed Group Statement of Comprehensive Income
For the six months ended 30 June 2020

	Notes	**Six months ended 30 June 2020 £m (unaudited)**	Six months ended 30 June 2019 £m (unaudited)	Year ended 31 December 2019 £m (audited)
Rental income	2	**68.0**	56.4	121.3
Direct property expenses		**(3.2)**	(2.6)	(5.6)
Net rental income		**64.8**	53.8	115.7
Administrative expenses	3	**(6.5)**	(5.9)	(12.3)
Exceptional item – contract termination fee		**-**	(10.2)	(10.2)
Revaluation gain on property portfolio	9	**10.5**	17.7	48.4
Profit on sale of land		**-**	-	1.4
Exceptional revaluation loss arising on merger with MedicX	9	**-**	(138.4)	(138.4)
Total revaluation gain/(loss)		**10.5**	(120.7)	(88.6)
Operating profit/(loss)		**68.8**	(83.0)	4.6
Finance income	4	**0.8**	0.6	1.4
Finance costs	5	**(21.6)**	(19.6)	(42.6)
Fair value (loss) on derivative interest rate swaps and amortisation of cash flow hedging reserve	5	**(8.1)**	(2.3)	(5.4)
Fair value (loss) on convertible bond	5	**(0.3)**	(1.8)	(28.2)
Profit/(loss) before taxation		**39.6**	(106.1)	(70.2)
Taxation charge	6	**(0.1)**	(0.4)	(1.1)
Profit/(loss) for the period[1]		**39.5**	(106.5)	(71.3)
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Fair value gain/(loss) on interest rate swaps treated as cash flow hedges and amortisation of hedging reserve		**1.7**	(0.9)	1.7
Exchange gain/(loss) on translation of foreign balances		**3.0**	-	(1.9)
Other comprehensive income for the period net of tax		**4.7**	(0.9)	(0.2)
Total comprehensive income for the period net of tax		**44.2**	(107.4)	(71.5)
IFRS earnings/(loss) per share				
Basic	7	3.2p	(10.7p)	(6.5p)
Diluted	7	3.2p	(10.7p)	(6.5p)
EPRA earnings per share				
Basic	7	3.1p	1.9p	4.8p
Diluted	7	3.0p	1.9p	4.7p
Adjusted EPRA[2] earnings per share				
Basic	7	3.0p	2.8p	5.5p
Diluted	7	2.9p	2.8p	5.4p

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

[2] See Glossary of Terms on pages 49-52.

The above relates wholly to continuing operations.

Primary Health Properties

Condensed Group Balance Sheet
As at 30 June 2020

	Notes	30 June 2020 £m (unaudited)	30 June 2019 £m (unaudited)	31 December 2019 £m (audited)
Non-current assets				
Investment properties	9	**2,514.3**	2,351.5	2,413.1
Derivative interest rate swaps	14,15	**-**	-	0.5
		2,514.3	2,351.5	2,413.6
Current assets				
Trade and other receivables		**14.4**	13.5	16.7
Cash and cash equivalents	10	**64.0**	13.8	143.1
		78.4	27.3	159.8
Total assets		**2,592.7**	2,378.8	2,573.4
Current liabilities				
Deferred rental income		**(26.2)**	(25.8)	(25.2)
Trade and other payables		**(32.7)**	(30.1)	(34.7)
Borrowings: term loans and overdraft	11	**(91.3)**	(3.9)	(6.1)
Borrowings: bonds	12	**-**	(75.0)	—
		(150.2)	(134.8)	(66.0)
Non-current liabilities				
Borrowings: term loans and overdraft	11	**(594.0)**	(751.7)	(682.7)
Borrowings: bonds	12	**(582.4)**	(339.6)	(575.1)
Derivative interest rate swaps	14, 15	**(19.3)**	(20.5)	(13.5)
Head lease liabilities	13	**(4.5)**	(4.4)	(4.5)
Deferred tax liability		**(3.3)**	(2.4)	(3.1)
		(1,203.5)	(1,118.6)	(1,278.9)
Total liabilities		**(1,353.7)**	(1,253.4)	(1,344.9)
Net assets		**1,239.0**	1,125.4	1,228.5
Equity				
Share capital	18	**152.2**	142.0	152.0
Share premium account		**340.1**	247.9	338.1
Merger and other reserves	19	**401.6**	400.8	398.6
Special reserve	20	**29.5**	98.1	65.4
Hedging reserve		**(22.4)**	(26.7)	(24.1)
Retained earnings		**338.0**	263.3	298.5
Total equity[1]		**1,239.0**	1,125.4	1,228.5
Basic net asset value per share				
IFRS net assets[3]	16	**101.8p**	99.1p	101.0p
Basic EPRA net tangible assets[2,3]	16	**105.5p**	101.1p	104.2p
Basic adjusted EPRA net tangible assets[2,3]	16	**109.1p**	105.2p	107.9p
Basic EPRA net reinstatement value[2,3]	16	**119.4p**	114.4p	117.4p
Basic EPRA net disposal value[2,3]	16	**94.2p**	94.5p	97.0p

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

[2] The new EPRA Best Practice Recommendations Guidelines as issued in October 2019, effective for periods beginning 1 January 2020, have been adopted including diluted net asset values per share which are detailed in note 16.

[3] See Glossary of Terms on pages 49-52.

Condensed Group Cash Flow Statement
For the six months ended 30 June 2020

	Notes	Six months ended 30 June 2020 £m (unaudited)	Six months ended 30 June 2019 £m (unaudited)	Year ended 31 December 2019 £m (audited)
Operating activities				
Profit/(loss) on ordinary activities after tax		**39.5**	(106.5)	(71.3)
Taxation charge	6	**0.1**	0.4	1.1
Finance income	4	**(1.5)**	(0.6)	(1.4)
Finance costs	5	**22.3**	19.6	42.6
Fair value loss on derivatives		**8.1**	2.3	5.4
Fair value loss on convertible bond		**0.3**	1.8	28.2
Operating profit/(loss) before financing costs		**68.8**	(83.0)	4.6
Adjustments to reconcile Group operating profit to net cash flows from operating activities:				
Revaluation gain on property portfolio	9	**(10.5)**	(17.7)	(48.4)
Profit on sale of land and property		**-**	-	(1.4)
Exceptional revaluation loss on merger with MedicX		**-**	138.4	138.4
Fixed rent uplift		**(0.8)**	(1.0)	(1.7)
Tax paid		**-**	-	(0.1)
Decrease/(Increase) in trade and other receivables		**0.3**	(3.8)	(5.2)
Increase in trade and other payables		**1.4**	14.6	7.8
Cash generated from operations		**59.2**	47.5	94.0
Net cash flow from operating activities		**59.2**	47.5	94.0
Investing activities				
Payments to acquire and improve properties		**(79.6)**	(20.0)	(49.9)
Receipts from disposal of properties		**-**	-	2.5
MedicX merger transaction costs		**-**	(14.5)	(14.5)
Cash acquired as a part of MedicX merger		**-**	5.8	5.8
Interest received on development loans		**1.8**	0.4	0.3
Net cash flow used in investing activities		**(77.8)**	(28.3)	(55.8)
Financing activities				
Proceeds from issue of shares	18	**-**	-	100.0
Costs of share issues		**(0.1)**	(0.3)	(2.4)
Term bank loan drawdowns		**11.8**	113.8	132.8
Term bank loan repayments		**(17.1)**	(83.2)	(160.5)
Proceeds from bond issue		**-**	-	213.2
Bond repayment			(0.1)	(75.0)
Termination of derivative financial instruments		**-**	-	(8.0)
Swap interest paid		**-**	(0.5)	(0.9)
Non-utilisation fees		**(0.8)**	(0.9)	(1.7)
Loan arrangement fees		**(0.1)**	(0.4)	(5.7)
Interest paid		**(21.2)**	(16.2)	(36.9)
Bank interest received		**0.3**	-	0.2
Equity dividends paid net of scrip dividend	8	**(33.7)**	(24.3)	(54.4)
Net cash flow (used in)/from financing activities		**(60.9)**	(12.1)	100.7
Increase in cash and cash equivalents		**(79.5)**	7.1	138.9
Effect of exchange rate fluctuations on Euro denominated loans and cash equivalents		**0.4**	0.8	(1.7)
Cash and cash equivalents at start of period/year		**143.1**	5.9	5.9
Cash and cash equivalents at end of period	10	**64.0**	13.8	143.1

Condensed Group Statement of Changes in Equity
For the six months ended 30 June 2020 (unaudited)

Six months ended 30 June 2020 (unaudited)

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

Six months ended 30 June 2019 (unaudited)

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

Condensed Group Statement of Changes in Equity (continued)

Year ended 31 December 2019 (audited)

	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
Profit 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**

Notes to the condensed financial statements

1. Accounting policies

General information

The financial information set out in this report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2019 have been filed with the Registrar of Companies. The Auditor's Report on these financial statements was unqualified and did not contain a statement under Sections 498(2) or 498(3) of the Companies Act 2006.

The condensed consolidated interim financial statements of the Group are unaudited but have been formally reviewed by the auditor and its report to the Company is included on pages 19-20. These condensed consolidated interim financial statements of the Group for the six months ended 30 June 2020 were approved and authorised for issue by the Board on 28 July 2020.

Basis of preparation/statement of compliance

The condensed consolidated interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with IAS 34 'Interim Financial Reporting' and which were prepared in accordance with IFRS as adopted by the European Union (see Accounting policies section below).

The condensed consolidated interim financial statements do not include all the information and disclosures required in the statutory financial statements and should be read in conjunction with the Group's financial statements as at 31 December 2019.

Convention

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

Segmental reporting

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

Going concern

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

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

- declining attractiveness of the Group's assets or extenuating economic circumstances impacts investment values – valuation parameter stress tested to provide for a one-off 10%/£253m fall in July 2020;
- 10% 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 July 2020; and
- tightly controlled NHS scheme approval restricts investment opportunity – investment quantum flexed to remove non-committed transactions.

The Group's property portfolio is let on long leases to tenants with strong covenants and the business is substantially cash generative. The Group's loan to-value ratio at 30 June 2020 was 45.8% and the Group's interest cover for the period under review was 2.9 times, well above the minimum Group banking covenant of 1.3 times. Whilst the Company has net current liabilities of £72m at 30 June 2020, driven by £91m of expiring debt facilities that are all currently being negotiated and deferred income of £26m, the Company successfully raised £136.9m net proceeds from an oversubscribed equity raise in July 2020, as well as having £242m of undrawn debt facilities which can be used to settle the Group's liabilities.

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

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

Accounting policies

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

Notes to the condensed financial statements (continued)

2. Rental and related income

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

3. Administrative expenses

Administrative expenses as a proportion of rental income were 9.5% (30 June 2019: 10.5% excluding exceptional contract termination fee). The Group's EPRA cost ratio has decreased to 11.6%, compared to 12.2% for the same period in 2019.

Details of the Performance Incentive Fee ("PIF") payable to the Adviser for the period ended 30 June 2020 are contained in the Financial Review on pages 12-18 and in note 17.

4. Finance income

	Six months ended 30 June 2020 £m (unaudited)	Six months ended 30 June 2019 £m (unaudited)	Year ended 31 December 2019 £m (audited)
Interest income on financial assets			
Bank interest	0.3	-	0.2
Development loan interest	0.5	0.6	1.2
	0.8	0.6	1.4

Notes to the condensed financial statements (continued)

5. Finance costs

	Six months ended 30 June 2020 £m (unaudited)	Six months ended 30 June 2019 £m (unaudited)	Year ended 31 December 2019 £m (audited)
Interest expense and similar charges on financial liabilities			
(i) Interest			
Bank loan interest	12.1	12.8	27.0
Swap interest	0.2	0.7	0.8
Bond interest	9.3	5.0	12.1
Bank facility non utilisation fees	0.9	1.0	1.8
Bank charges and loan arrangement fees	1.3	1.1	3.4
	23.8	**20.6**	**45.1**
Interest capitalised	**(0.7)**	-	-
	23.1	20.6	45.1
Amortisation of MedicX debt MtM at acquisition	**(1.5)**	(1.0)	(2.5)
	21.6	**19.6**	**42.6**

	Six months ended 30 June 2020 £m (unaudited)	Six months ended 30 June 2019 £m (unaudited)	Year ended 31 December 2019 £m (audited)
(ii) Derivatives			
Net fair value (loss) on interest rate swaps	(5.9)	(2.1)	(2.4)
Amortisation of cash flow hedging reserve	(2.2)	(0.2)	(3.0)
	(8.1)	**(2.3)**	**(5.4)**

The fair value loss on derivatives recognised in the Condensed Group Statement of Comprehensive Income has arisen from the interest rate swaps for which the Group has elected not to apply hedge accounting. A fair value loss on derivatives which meet the hedge effectiveness criteria under IFRS 9 of £Nil (30 June 2019: loss of £1.2m), (31 December 2019: loss of £1.3m) is accounted for directly in equity.

An amount of £2.2m (30 June 2019: £0.2m), (31 December 2019: £3.0m) has been amortised from the cash flow hedging reserve in the period.

Notes to the condensed financial statements (continued)

5. Finance costs (continued)

	Six months ended 30 June 2020 £m (unaudited)	Six months ended 30 June 2019 £m (unaudited)	Year ended 31 December 2019 £m (audited)
(iii) Convertible Bond			
Fair value (loss) on Convertible Bond	**(0.3)**	(1.8)	(1.8)
Fair value loss on convertible bond issued in the year	**-**	-	(22.7)
Convertible bond issue costs	**-**	-	(3.7)
	(0.3)	**(1.8)**	**(28.2)**

The fair value movement in the Convertible Bond is recognised in the Group Statement of Comprehensive Income within profit before taxation but is excluded from the calculation of basic and adjusted EPRA earnings and basic and adjusted EPRA NTA[1] (replacing EPRA NAV). Refer to note 12 for further details about the Convertible Bond.

[1] The new EPRA measures have been adopted, see Note 16.

	Six months ended 30 June 2020 £m (unaudited)	Six months ended 30 June 2019 £m (unaudited)	Year ended 31 December 2019 £m (audited)
Finance income (Note 4)	**0.8**	0.6	1.4
Finance costs (Note 5 (i))	**(23.1)**	(20.6)	(45.1)
	(22.3)	(20.0)	(43.7)
Amortisation of MedicX debt MtM on acquisition	**1.5**	1.0	2.5
Net finance costs	**(20.8)**	**(19.0)**	(41.2)

6. Taxation

The Group elected to be treated as a UK-REIT with effect from 1 January 2007. The UK-REIT rules exempt the profits of the Group's property rental business from corporation tax. Gains on properties are also exempt from tax, provided they are not held for trading or sold in the three years post completion of development. The Group will otherwise be subject to corporation tax at 19% (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 30 June 2020.

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

	Six months ended 30 June 2020 £m (unaudited)	Six months ended 30 June 2019 £m (unaudited)	Year ended 31 December 2019 £m (audited)
Taxation in the Condensed Group Statement of Comprehensive Income:			
Current tax			
UK corporation tax charge on non-property income	-	-	-
Irish corporation tax charge	-	-	-
Deferred tax on Irish activities	(0.1)	0.4	1.1
Taxation charge in the Condensed Group Statement of Comprehensive Income	**(0.1)**	**0.4**	**1.1**

Notes to the condensed financial statements (continued)

7. Earnings per share

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

	Net profit attributable to Ordinary Shareholders £m	Ordinary Shares (number - millions)[1]	Per share (pence)
Six months ended 30 June 2020 (unaudited)			
Basic earnings per share	**39.5**	**1,217.1**	**3.2**
Dilutive effect of convertible bond	**2.1**	**100.4**	
Diluted earnings per share	**41.6**	**1,317.5**	**3.2**
EPRA and Adjusted EPRA earnings			
Basic earnings	**39.5**		
Adjustments to remove:			
Revaluation gain on property portfolio (Note 9)	**(10.5)**		
Fair value movement on derivatives	**8.1**		
Fair value movement on Convertible Bond	**0.3**		
Taxation charge	**0.1**		
EPRA basic earnings per share	**37.5**	**1,217.1**	**3.1**
Dilutive effect of convertible bond	**2.1**	**100.4**	
EPRA diluted earnings per share	**39.6**	**1,317.5**	**3.0**
Adjusted EPRA and diluted earnings			
EPRA basic earnings	**37.5**		
Exceptional items - Amortisation of MtM loss on debt acquired	**(1.5)**		
Adjusted EPRA earnings per share	**36.0**	**1,217.1**	**3.0**
Dilutive effect of convertible bond	**2.1**	**100.4**	
Diluted adjusted EPRA earnings per share	**38.1**	**1,317.5**	**2.9**

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

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

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

Notes to the condensed financial statements (continued)

7. Earnings per share (continued)

	Net profit attributable to Ordinary Shareholders £m	Ordinary Shares (number - millions)[1]	Per share (pence)
Year ended 31 December 2019 (audited)			
Basic and diluted loss	(71.3)	1,092.0	(6.5)
EPRA basic and diluted earnings			
Basic and diluted loss	(71.3)		
Adjustments to remove:			
Net result on property (Note 9)	(48.4)		
Profit on sale of properties	(1.4)		
Exceptional revaluation loss arising on acquisition of MedicX	138.4		
Fair value loss on derivatives	5.4		
Fair value movement and issue costs on convertible bond	28.2		
Taxation charge	1.1		
EPRA basic earnings	52.0	1,092.0	4.8
Dilutive effect of convertible bond	2.0	46.5	
EPRA diluted earnings per share	54.0	1,138.5	4.7
Adjusted EPRA and diluted earnings			
EPRA basic earnings	52.0		
Exceptional items – contract termination fee	10.2		
Amortisation of MtM loss on debt acquired	(2.5)		
Adjusted EPRA earnings per share	59.7	1,092.0	5.5
Dilutive effect of convertible bond	2.0	46.5	
Diluted adjusted EPRA earnings per share	61.7	1,138.5	5.4

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

On 15 July 2019, the Group issued £150m of unsecured Convertible Bonds (refer to note 12 for further details). In accordance with IAS 33 'Earnings per share' the Company is required to assess and disclose the dilutive impact of the contingently issuable shares within the Convertible Bond. The impact is not recognised where it is anti-dilutive.

The dilutive impact to basic EPS of Convertible Bonds is represented by the accrued bond coupon which has been included in the results of each period. The number of dilutive shares is calculated as if the contingently issuable shares within the Convertible Bond had been in issue for the period from issuance of the bonds to the end of each reporting period. There was a minor dilutive effect arising from the Convertible Bond in the 6 months to 30 June 2020.

Notes to the condensed financial statements (continued)

8. Dividends

	Six months ended 30 June 2020 £m (unaudited)	Six months ended 30 June 2019 £m (unaudited)	Year ended 31 December 2019 £m (audited)
Quarterly interim dividend paid 22 February 2020	**16.9**	-	-
Scrip dividend in lieu of quarterly cash dividend 22 February 2020	**1.0**	-	-
Quarterly interim dividend paid 24 May 2020	**16.8**	-	-
Scrip dividend in lieu of quarterly cash dividend 24 May 2020	**1.2**	-	-
Quarterly interim dividend paid 22 February 2019	-	9.9	9.9
Scrip dividend in lieu of quarterly cash dividend 22 February 2019	-	0.9	0.9
Quarterly interim dividend paid 24 May 2019	-	14.4	14.4
Scrip dividend in lieu of quarterly cash dividend 24 May 2019	-	1.5	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	**35.9**	**26.7**	**59.4**
Per share	**2.95p**	**2.8p**	**5.6p**

The Company will pay a third interim dividend of 1.475 pence per Ordinary Share for the year ending 31 December 2020, payable on 21 August 2020. This dividend will comprise a Property Income Distribution ("PID") of 1.275 pence and ordinary dividend of 0.2pence per share.

Notes to the condensed financial statements (continued)

9. Investment properties and investment properties under construction

	Investment properties freehold[1] £m	Investment long leasehold £m	Investment properties under construction £m	Total £m
As at 1 January 2020 (audited)	1,902.2	476.9	34.0	2,413.1
Property additions	39.6	15.5	22.1	77.2
Transfer from properties in the course of development	46.7	-	(46.7)	-
Impact of lease incentive adjustment	0.5	0.3	-	0.8
Interest capitalised[2]	-	-	0.7	0.7
Foreign exchange movements	9.0	1.0	2.0	12.0
	1,998.0	493.7	12.1	2,503.8
Revaluations for the period	7.2	3.7	(0.4)	10.5
As at 30 June 2020 (unaudited)	**2,005.2**	**497.4**	**11.7**	**2,514.3**

[1] Includes development land held at £1.6m (31 December 2019: £1.6m)

[2] Interest capitalised in the period to 30 June 2020 (31 December 2019: NIL)

	Total £m
Fair value per LSH UK valuation	1,523.0
Fair value of JLL UK valuation	792.6
Fair value of CBRE Ireland valuation	194.2
	2,509.8
Ground rents recognised as finance leases	4.5
Fair value 30 June 2020 (unaudited)	**2,514.3**

Notes to the condensed financial statements (continued)

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

The investment properties have been independently valued at fair value by Lambert Smith Hampton ("LSH"), Jones Lang LaSalle ("JLL") and CBRE Chartered Surveyors and Valuers ("CBRE"), as at the balance sheet date in accordance with accounting standards. The valuers have confirmed that they have valued the properties in accordance with the Practice Statements in the RICS Valuation Global Standards 2017 ("Red Book"). There were no changes to the valuation techniques during the period. The valuers are appropriately qualified and have sufficient market knowledge and relevant experience of the location and category of investment property and have had full regard to market evidence when determining the values.

The COVID-19 pandemic has led to a heightened degree of uncertainty surrounding the valuation of certain property sub-sectors. In the UK, the valuers have not included any material uncertainty clauses in their valuation reports. However, CBRE who value the portfolio in Ireland have included a material uncertainty clause in the valuation report which is in line with the Society of Chartered Surveyors Ireland guidance.

The properties are 99.5% let (31 December 2019: 99.5%). The valuations reflected a 4.86% net initial yield (31 December 2019: 4.86%). Where properties have outstanding rent reviews, an estimate is made of the likely rent on review in line with market expectations and the knowledge of the valuer.

In accordance with IAS 40, investment properties under construction have also been valued at fair value by the independent valuers. In determining the fair value, the valuer is required to value development property as if complete, deduct the costs remaining to be paid to complete the development and consider the significant risks which are relevant to the development process including, but not limited to, construction and letting risks and the impact they may have on fair value. In the case of the Group's portfolio under construction, where the sites are pre-let and construction risk remains with the builder/developer, the valuer has deemed that the residual risk to the Group is minimal. As required by the Red Book, the valuers have deducted the outstanding cost to the Group through to the completion of construction of £30.9m (31 December 2019: £25.4m) 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 £8.4m (30 June 2019: £1.1m; 31 December 2019: £2.7m) which have not been provided for in the financial statements.

Right-of-use-assets

In accordance with IFRS 16 *Leases*, the Group has recognised a £4.5m head lease liability and an equal and opposite ground rents recognised as finance leases asset which is included in non-current assets.

Fair value hierarchy

All of the Group's properties are level 3, as defined by IFRS 13, in the fair value hierarchy as at 30 June 2020 and 31 December 2019. There were no transfers between levels during the period 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).

Notes to the condensed financial statements (continued)

10. Cash and cash equivalents

	30 June 2020 £m (unaudited)	31 December 2019 £m (audited)
Cash held at bank	**64.0**	143.1

11. Borrowings: term loans and overdrafts

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

	Expiry date	Facility		Amounts drawn		Undrawn	
		30 June 2020 £m	31 December 2019 £m	**30 June 2020 £m**	31 December 2019 £m	**30 June 2020 £m**	31 December 2019 £m
Current							
RBS Overdraft	**Jun 2021**	**5.0**	5.0	**-**	-	**5.0**	5.0
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**	**2.6**	2.6	**2.6**	2.6		
Barclays/AIB loan	**Jan 2021**	**115.0**	-	**55.0**	-	**60.0**	-
Lloyds loan	**Dec 2020**	**30.0**	-	**30.0**	-	**-**	-
		156.3	11.1	**91.3**	6.1	**65.0**	5.0
Non-current							
Aviva HIL loan	**Jan 2032**	**19.9**	20.4	**19.9**	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**	**58.7**	60.0	**58.7**	60.0	**-**	-
Barclays/AIB loan	**Jan 2021**	**-**	115.0	**-**	55.0	**-**	60.0
HSBC loan	**Nov 2022**	**100.0**	100.0	**-**	-	**100.0**	100.0
Lloyds loan	**Dec 2020**	**-**	30.0	**-**	28.3	**-**	1.7
RBS loan	**Mar 2022**	**100.0**	100.0	**53.6**	55.7	**46.4**	44.3
Santander loan	**Jul 2021**	**30.6**	30.6	**-**	-	**30.6**	30.6
Aviva loan[1]	**Sep 2033**	**228.5**	229.4	**228.5**	229.4	**-**	-
Aviva loan[1]	**Sep 2028**	**30.8**	30.8	**30.8**	30.8	**-**	-
Aviva loan[1]	**Jun 2040**	**24.4**	24.8	**24.4**	24.8	**-**	-
		742.9	891.0	**565.9**	654.4	**177.0**	236.6
Total		**899.2**	**902.1**	**657.2**	**660.5**	**242.0**	**241.6**

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

11. Borrowings: term loans and overdrafts (continued)

At 30 June 2020, total facilities of £1,456.3m (31 December 2019: £1,452.0m) were available to the Group. This included term loan facilities and the bonds in note 12. Of these facilities, as at 30 June 2020, £1,214.3m was drawn (31 December 2019: £1,210.4m).

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

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

	30 June 2020 £m (unaudited)	31 December 2019 £m (audited)
Term loans drawn: due within one year	**91.3**	6.1
Term loans drawn: due in greater than one year	**565.9**	654.4
Total term loans drawn	**657.2**	660.5
Plus: MtM on loans net of amortisation	**37.7**	38.9
Less: unamortised borrowing costs	**(9.6)**	(10.6)
Total term loans per the Condensed Group Balance Sheet	**685.3**	688.8

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

12. Borrowings: Bonds

	30 June 2020 £m (unaudited)	31 December 2019 £m (audited)
Secured		
Secured Bond December 2025	70.0	70.0
Secured Bond March 2027	100.0	100.0
€51m Secured Bond (Euro private placement) December 2028/30	46.2	43.2
€70 million secured bond (Euro private placement) September 2031	63.4	59.2
Ignis loan note December 2028	50.0	50.0
Standard Life loan note September 2028	77.5	77.5
Less: unamortised issue costs	(3.9)	(4.0)
Plus: MtM on loans net of amortisation	6.2	6.5
Total secured bonds	**409.4**	402.4
Unsecured		
Convertible bond July 2025 at fair value	173.0	172.7
Total unsecured bonds	**173.0**	172.7
Total bonds	**582.4**	575.1

Notes to the condensed financial statements (continued)

12. Borrowings: Bonds (continued)

Secured Bonds

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

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

On 20 December 2018, senior secured notes for a total of €51 million (£43.1 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 (£59.2 million) were issued at a fixed rate of 1.509% and a maturity of twelve years. Interest is paid semi-annually in arrears. The secured notes are guaranteed by the Company and were placed with UK and Irish institutional investors.

Ignis and Standard Life loan notes

On 14 March 2019, the loan notes were added to the portfolio as a part of the MedicX acquisition. The Ignis loan note incurs a fixed coupon of 3.99% payable semi-annually in arrears and matures on 1 December 2028.

The Standard Life loan note matures on 30 September 2028 and is split into two tranches, £50m and £27.5m at fixed coupon rates of 3.84% and 3.00% respectively. Interest is payable semi-annually in arrears.

Convertible Bond

On 15 July 2019, PHP Finance (Jersey No.2) Limited (the "Issuer"), a wholly owned subsidiary of the Group, issued £150 million of 2.875% convertible bonds (the "Bonds") for a six-year term and if not previously converted, redeemed or purchased and cancelled, the Bonds will be redeemed at par on maturity in July 2025. The net proceeds were partially used to repay the Company's £75 million, 5.375% senior unsecured retail bonds at maturity and otherwise for general corporate purposes.

Subject to certain conditions, the bonds will be convertible into fully paid Ordinary Shares of the Company and the initial exchange price was set at 153.25 pence, a premium of 15% above the volume weighted average price of the Company's shares on 18 June 2019, being 133.26 pence. Under the terms of the Bonds, the Company will have the right to elect to settle exercise of any conversion rights entirely in shares or cash, or with a combination of shares and cash. The exchange price is subject to adjustment if dividends paid per share exceed 2.8 pence per annum and other certain circumstances and consequently the exchange price was adjusted to 149.39 pence as at 31 December 2019. There have been no further changes to the exchange price as at 30 June 2020.

Notes to the condensed financial statements (continued)

12. Borrowings: Bonds (continued)

Convertible Bond

	30 June 2020 £m	31 December 2019 £m
Opening balance – fair value	**172.7**	150.0
Cumulative fair value movement in Convertible Bond	**0.3**	22.7
Closing balance – fair value	**173.0**	172.7

The fair value of the Convertible Bond at 30 June 2020 was established by obtaining quoted market prices. The fair value movement is recognised in the Group Statement of Comprehensive Income within profit before taxation and is excluded from the calculation of EPRA earnings and EPRA NTA (replacing EPRA NAV).

13. Head lease liabilities

The Company has adopted IFRS 16 *Leases* from 1 January 2019. The Group holds certain long leasehold properties which are classified as investment properties. The head leases are accounted for as finance leases. These leases typically have lease terms between 32 years and perpetuity and fixed rentals.

	30 June 2020 £m	31 December 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

Notes to the condensed financial statements (continued)

14. Derivatives and other financial instruments

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

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

	Interest rate swaps not hedge accounted for £m	Total £m
Assets		
As at 1 January 2020	0.5	0.5
Fair value movement in the period	(0.5)	(0.5)
As at 30 June 2020	-	-
Liabilities		
As at 1 January 2020	(13.5)	(13.5)
Fair value movement in the period	(5.8)	(5.8)
As at 30 June 2020	(19.3)	(19.3)
Total – derivative financial instruments		
As at 1 January 2020	(13.0)	(13.0)
Fair value movement in the period	(6.3)	(6.3)
As at 30 June 2020	(19.3)	(19.3)

Notes to the condensed financial statements (continued)

15. Financial risk management

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

	Book value 30 June 2020 £m	**Fair value 30 June 2020 £m**	Book value 31 December 2019 £m	Fair value 31 December 2019 £m
Financial assets				
Trade and other receivables	**14.4**	**14.4**	16.7	16.7
Interest rate swaps	**-**	**-**	0.5	0.5
Cash and short-term deposits	**64.0**	**64.0**	143.1	143.1
Financial liabilities				
Interest-bearing loans and borrowings	**(1,214.3)**	**(1,373.2)**	(1,210.4)	(1,327.5)
Interest rate swaps	**(19.3)**	**(19.3)**	(13.5)	(13.5)
Trade and other payables	**(32.7)**	**(32.7)**	(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 transferred in a current transaction between willing parties, other than a forced sale. The following methods and assumptions were used to estimate fair values:

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

The Group held the following financial instruments at fair value at 30 June 2020. The Group has no financial instruments with fair values that are determined by reference to significant unobservable inputs, i.e. those that would be classified as level 3 in the fair value hierarchy, nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

Notes to the condensed financial statements (continued)

15. Financial risk management (continued)

Fair value measurements at 30 June 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	**-**	**(19.3)**	**-**	**(19.3)**
Convertible Bond	**(173.0)**	**-**	**-**	**(173.0)**
Fixed rate debt	**-**	**(991.6)**	**-**	**(991.6)**

Fair value measurements at 31 December 2019 were as follows:

Recurring fair value measurements	Level 1[1] £m	Level 2[2] £m	Level 3[3] £m	Total £m
Financial assets				
Derivative interest rate swaps	-	0.5	-	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.

Notes to the condensed financial statements (continued)

16. Net asset value per share

Net asset values have been calculated as follows:

	30 June 2020 £m (unaudited)	30 June 2019 £m (unaudited)	31 December 2019 £m (audited)
Net assets			
IFRS net assets	**1,239.0**	1,125.4	1,228.5
Derivative interest rate swaps liability (net)	**19.3**	20.5	13.0
Deferred tax	**3.3**	2.4	3.1
Cumulative Convertible Bond fair value movement	**23.0**	-	22.7
Basic EPRA net tangible assets ("NTA")[1]	**1,284.6**	1,148.3	1,267.3
MtM on MedicX loans net of amortisation	**43.9**	47.0	45.5
Basic a**djusted EPRA net tangible assets**[1]	**1,328.5**	1,195.3	1,312.8
MtM on MedicX loans net of amortisation	**(43.9)**	(47.0)	(45.5)
Real estate transfer taxes	**168.9**	151.2	160.4
Basic EPRA net reinstatement value ("NRV")[1]	**1,453.5**	1,299.5	1,427.7
Fixed rate debt and swap mark-to-market value	**(111.3)**	(72.4)	(62.0)
Deferred tax	**(3.3)**	(2.4)	(3.1)
Cumulative Convertible Bond fair value movement	**(23.0)**	-	(22.7)
Real estate transfer taxes	**(168.9)**	(151.2)	(160.4)
Basic EPRA net disposal value ("NDV")[1]	**1,147.0**	1,073.5	1,179.5

	Number of shares Millions	Number of shares Millions	Number of shares Millions
Ordinary Shares:			
Issued share capital	**1,217.7**	1,136.2	1,216.3

Basic net asset value per share (pence)[1]	**30 June 2020 (unaudited)**	**30 June 2019 (unaudited)**	31 December 2019 (audited)
IFRS net asset value per share	**101.8p**	99.1p	101.0p
EPRA NTA value per share	**105.5p**	101.1p	104.2p
Adjusted EPRA NTA per share	**109.1p**	105.2p	107.9p
EPRA NRV per share	**119.4p**	114.4p	117.4p
EPRA NDV per share	**94.2p**	94.5p	97.0p

[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.

A bridge between the two measures is shown below.

Bridge to previous EPRA measures	**30 June 2020 (unaudited)**	**30 June 2019 (unaudited)**	31 December 2019 (audited)
Basic EPRA NTA	**1,284.6**	1,148.3	1,267.3
MtM on MedicX loans net of amortisation	**43.9**	47.0	45.5
Adjusted EPRA NAV	**1,328.5**	1,195.3	1,312.8
Adjusted EPRA NAV per share	**109.1p**	105.2p	107.9p

Notes to the condensed financial statements (continued)

16. Net asset value per share (continued)

As detailed in Note 7, 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 149.39 pence (31 December 2019: 149.39p).

Conversion of the convertible bond would result in the issue of 100.4m (30 June 2019: nil; 31 December 2019: 100.4m) new Ordinary Shares. The IFRS net asset value and EPRA NDV would increase by £173.0m (30 June 2019: £nil; 31 December 2019: £172.7m) and the EPRA NTA, Adjusted EPRA NTA and EPRA NRV would increase by £150.0m (30 June 2019: £nil; 31 December 2019: £150.0m)

The resulting diluted net asset values per share are set out in the table below:

Diluted net asset value per share (pence)	**30 June 2020 (unaudited)**	**30 June 2019 (unaudited)**	31 December 2019 (audited)
EPRA NTA value per share	**108.8p**	101.1p	107.6p
Adjusted EPRA NTA per share	**112.2p**	105.2p	111.1p
EPRA NRV per share	**121.7p**	114.4p	119.8p
EPRA NDV per share	**100.1p**	94.5p	102.7p

During the period 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 and refer to the Glossary Terms of pages 49-52 for further details.

17. Related party transactions

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

	Six months ended 30 June 2020 £m (unaudited)	Six months ended 30 June 2019 £m (unaudited)	Year ended 31 December 2019 £m (audited)
Nexus TradeCo Limited	**5.6**	4.8	8.3

As at 30 June 2020, outstanding advisory fees payable to Nexus totalled £0.7m (30 June 2019: £0.7m).

Further fees paid to Nexus in accordance with the Advisory Agreement for the period to 30 June 2020 of £0.1m (30 June 2019: £0.2m) in respect of capital projects were capitalised in the period.

Service charge management fees paid to Nexus in the period, in connection with the Group's properties, totalled £0.2m (30 June 2019: £0.1m).

Notes to the condensed financial statements (continued)

17. Related party transactions (continued)

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

A PIF of £1.3m was paid to Nexus in the period in respect of 2019. A provision of £0.8m has been provided in the period (six months ended 30 June 2019: £0.9m; year ended 31 December 2019: £1.8m). No payment in respect of 2020 will be made until the audited financial results and total returns for the year have been agreed in 2021.

18. Share capital

	30 June 2020 £m (unaudited)	30 June 2019 £m (unaudited)	31 December 2019 £m (audited)
Issued and fully paid Ordinary Shares at 12.5p each	**152.2**	142.0	152.0
At beginning of year	**152.0**	96.1	96.1
Scrip issues in lieu of cash dividends	**0.2**	0.3	0.5
Shares issued on bond conversions in the period	**-**	3.0	3.0
Shares issued on acquisition of MedicX Fund Limited	**-**	42.6	42.6
Shares issued 24 September 2019	**-**	-	9.8
	152.2	142.0	152.0

19. Merger and other reserves

	30 June 2020 £m (unaudited)	30 June 2019 £m (unaudited)	31 December 2019 £m (audited)
At beginning of year	**398.6**	2.5	2.5
Premium on shares issued for MedicX merger	**-**	398.0	398.0
Exchange gain on translation of foreign balances	**3.0**	0.3	(1.9)
	401.6	400.8	398.6

Notes to the condensed financial statements (continued)

20. Special reserve

	30 June 2020 £m (unaudited)	30 June 2019 £m (unaudited)	31 December 2019 £m (audited)
At beginning of year	**65.4**	124.8	124.8
Dividends paid	**(33.7)**	(24.3)	(54.4)
Scrip issues in lieu of cash dividends	**(2.2)**	(2.4)	(5.0)
	29.5	98.1	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 declared in the period have been distributed from this reserve.

21. Subsequent events

On 1 July 2020, the Group completed the acquisition of an investment property for £3.6m.

On 9 July 2020, the Group announced the successful completion of a placing to issue new ordinary shares. A total of 96,555,000 new ordinary shares of 12.5 pence each have been placed at a price of 145 pence per Placing Share, with existing and new institutional investors, raising gross proceeds of approximately £140 million. Proceeds will be used to fund continued portfolio growth through acquisition and forward funded developments and to finance asset management projects. The Placing Shares represent approximately 7.9 per cent of the issued ordinary share capital of the Company prior to the Placing.

On 9 July 2020, the Company announced that the scrip dividend reference price for the third Quarterly Interim Dividend in 2020, payable on 21 August 2020, is 154.2 pence.

Notes to the condensed financial statements (continued)

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

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

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

By order of the Board

Steven Owen
Chairman
28 July 2020

Glossary of terms

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

Adjusted EPRA Net Tangible Assets "Adjusted EPRA 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 EPRA 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 consistent number of properties between each years

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

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

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

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

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

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

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

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

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

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

EPRA Net Asset Value ("EPRA NAV") is the balance sheet net assets excluding the MtM value of derivatives financial instruments, deferred tax and the convertible bond fair value movement

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

EPRA Net Reinstatement Value ("EPRA NRV") are 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.

IFRS profit before tax excluding MedicX exceptional adjustments is the IFRS profit/(loss) before tax adjusted for revaluation losses, contract termination fees and amortisation of MtM relating to the MedicX merger

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

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

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

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

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

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

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

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

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

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

Net initial yield ("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 purchaser's costs).

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

Net Rental income to net borrowing costs ratio is also known as Interest cover, see above, and reflects the number of times net interest payable is covered by net rental income.

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 as at the period end.

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	64.8
Revaluation surplus	10.5
	75.3
Opening property assets	2,413.1
Weighted additions in the period	29.1
	2,442.2
Total property return	3.1%

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

	Adjusted EPRA NTA (formerly EPRA NAV) (pence per share)
At 30 June 2020	109.1
At 31 December 2019	107.9
Increase / (decrease)	1.2
Add: Dividends paid	
22/02/2020 Q1 interim	1.475
24/05/2020 Q2 interim	1.475
Total shareholder return	**2.95**

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.