Primary Health Properties PLC

A dedicated healthcare REIT

Half year report
for the six months
ended 30 June 2011

The objective of the Group is to generate rental income and capital growth through investment in primary health care property in the United Kingdom leased principally to GPs, NHS organisations and other associated health care users.

Primary Health Properties PLC ("PHP") is a UK Real Estate Investment Trust ("REIT")

Cowbridge Health Centre, Cowbridge, South Wales
2,300 sqm, purchased February 2011

A new purpose built health centre serving 15,000 patients, fully let to two GP Practices and Abertawe Bro Morgannwg University Local Health Board.

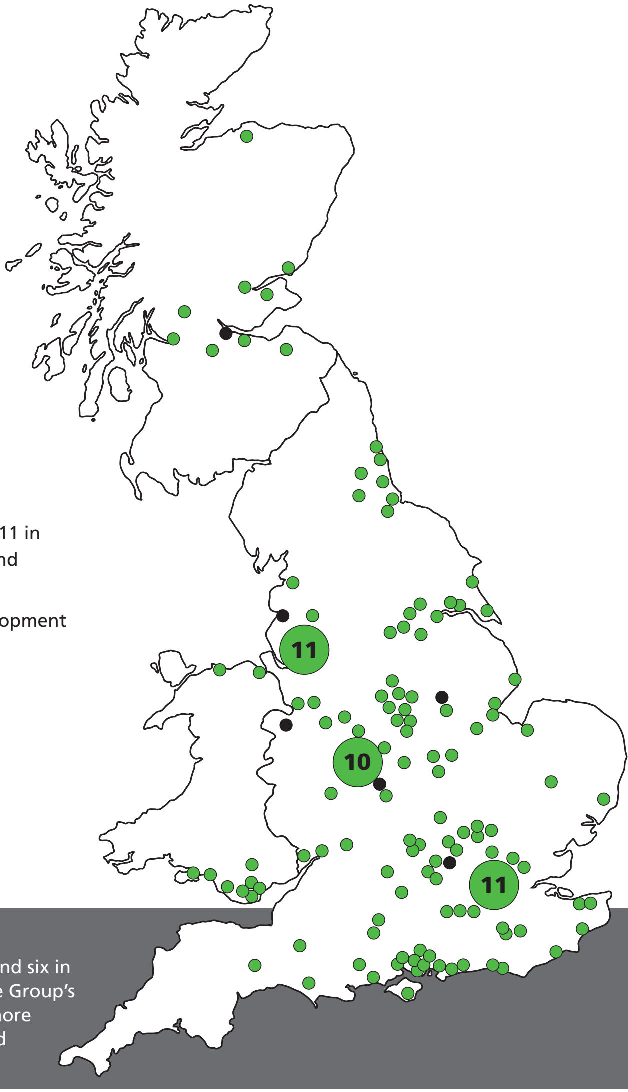
Primary Health Properties PLC

Group Financial Highlights

- Increased interim dividend of 9.0p for the period ended 30 June 2011 (30 June 2010: 8.75p)
- Underlying profit for the interim period before revaluation gain, change in fair value movement on interest rate swaps and profit on sale of investment rose by 35% to £5.4million (30 June 2010: £4.0million)
- Loan to value ratio 55.6% at 30 June 2011 against covenant of 70% (31 December 2010: 57.6%)
- Basic net asset value increased by 5% to 275.8p per share (31 December 2010: 262.3p)
- EPRA net asset value increased by 2% to 317.8p per share (31 December 2010: 311.5p)
- Adjusted EPS increased by 30% to 8.3p (30 June 2010: 6.4p)
- Interest cover of 2.1 times compared to a covenant requirement of 1.3 times (31 December 2010: 2.1 times)
- £16.1million gross proceeds from share placing in April to finance future acquisitions (approximately £15.7million net)

Group Operational Highlights

- Real estate portfolio (including commitments) rose to £514million from £504million at 31 December 2010, reflecting an initial yield of 5.75% as at 30 June 2011
- Property revaluation gain for six month period of £5.2million, an increase of 1.1% (30 June 2010: £17.8million, 3.8%)
- Rent roll at 30 June 2011 of £29.0million (31 December 2010: £28.0million)
- Annualised rental growth on rent reviews agreed in the period of approximately 3.4% (year to 31 December 2010: 3.2%)
- Portfolio 100% let
- New £50million interest only debt facility closed with Clydesdale
- Offer received for a new seven year £75million facility with Aviva



● Investment properties (including 11 in Manchester, 10 in Birmingham, and 11 in Greater London)

● Properties in the process of development

PHP's properties

PHP has 150 completed properties and six in the course of development. Visit the Group's website www.phpgroup.co.uk for more information on properties contained within the portfolio.

Operating and financial review

Overview

The first half of 2011 has been a period of consolidation for the Group following a very active 2010. We have continued to experience a stable environment for medical centre property that emerged in the second half of 2010 and investment yields have tightened marginally during the period. Meanwhile, investors continue to look for good quality, secure income returns which PHP provides. In April the Group executed a small share placing, issuing 5.28million shares for a gross consideration of £16.1million. The proceeds will be used to fund acquisitions to be contracted in the second half of the year.

The Government engaged in a period of consultation to conduct a listening exercise in relation to the proposed Health and Social Care Bill, taking on the views of stakeholders following the response to the initial draft. This has caused a degree of uncertainty within the sector and decision making regarding premises within the NHS has been affected. What is clear is that primary care will remain at the forefront of healthcare provision in the UK. Whilst there will be a delay until the precise impact of the legislation on the management of primary care will be known, we believe that once it has been passed, the prospects for primary care properties will be enhanced. We have, however, received written confirmation from the Department of Health that the system of reimbursement of GPs' rent costs etc. will not be impacted by the proposed transfer of responsibility for such costs away from PCTs to the NHS Commissioning Board.

Cowbridge Health Centre, South Wales

Operating and financial review continued

Trading performance

An analysis of the trading performance for the six months ended 30 June 2011 is set out below:

	Six months to 30 June 2011 £m	**Six months to 30 June 2010 £m**	**Year to 31 Dec 2010 £m**
Rental and related income	**15.2**	12.0	26.9
Expenses	**(2.6)**	(2.2)	(5.0)
Operating profit before revaluation gain and financing	**12.6**	9.8	21.9
Net financing costs	**(7.2)**	(5.8)	(12.8)
Underlying profit before revaluation gain, fair value movement on interest rate swaps and profit on sale of investment	**5.4**	4.0	9.1
Fair value gain/(loss) on interest rate swaps[1]	**1.0**	(5.0)	(4.7)
Profit on sale of AHMP shares (see Note 4)	**0.3**	-	-
Revaluation gain on property portfolio	**5.2**	17.8	22.8
Profit before tax	**11.9**	16.8	27.2
Dividends paid	**5.7**	5.4	10.8

1 The interest rate swaps portfolio is revalued on a mark-to-model basis as opposed to mark-to-market, as there is no secondary market in interest rate swaps.

The underlying profit attributable to the business before the revaluation gain and the fair value movement on derivatives was £5.4million (30 June 2010: £4.0million) an increase of 35%. As the portfolio has grown, administrative expenses as a proportion of income have fallen to 16.1% (year to 31 December 2010: 17.3%).

The results of the Group for the six months ended 30 June 2011 show a profit before taxation of £11.9million compared with £16.8million for the comparable period to 30 June 2010. This is after a revaluation gain of £5.2million as compared to a larger gain of £17.8million in the corresponding period of 2010, when investment yields moved significantly as real estate markets recovered from the financial crisis. The results also include a mark-to-model gain on derivatives of £1.0million (30 June 2010: loss of £5.0million) and a profit of £0.3million arising from the sale of the Group's minority investment in AHMP shares. The property and derivative revaluation results are unrealised and do not affect the operating cash flow of the business.

Rental growth

Thirty four rent reviews have been completed in the period under review. These have produced an overall uplift of 10.6% (year to 31 December 2010: 10.0%) which equates to an annualised increase of 3.4% (2010: 3.2%). The contracted rent roll as at 30 June 2011 stood at £29.0million (31 December 2010: £28.0million)

Rent reviews continue to show a correlation to underlying rates of inflation that has been evident in recent years, a feature that we expect to continue and which is supported by the expanding specification of newer buildings leading to higher replacement costs and associated rents.

The average duration of the remaining lease terms across the Group's portfolio is 16.5 years, with 90% of rent being received from GPs, PCTs or other government backed sources and the remainder from pharmacies.

Portfolio activity and valuations

The Company has taken delivery of a number of forward funded developments during the period. The projects at Cowbridge and Shefford were delivered on time in February and March respectively at a total cost of £12million. This has added £0.8million to the annualised rent roll.

The investment portfolio performed well in the period. The primary care property market has continued to be stable and investment yields firmed marginally in the first six months of the year. The portfolio as at 30 June 2011 was valued at £513.5million representing an initial yield of 5.75% and a true equivalent yield of 5.99%. The independent open market valuation by Lambert Smith Hampton gave rise to a property revaluation gain of £5.2million for the six months, compared to £17.8million for the period ended 30 June 2010.

Operating and financial review continued

	30 June 2011 £m	31 Dec 2010 £m
Investment properties	**479.9**	462.1
Properties in the course of development	**9.6**	7.2
Total properties	**489.5**	469.3
Finance leases	3.1	3.1
Total owned and leased	**492.6**	472.4
Committed as at period end	20.9	31.2
Total owned, leased and committed	**513.5**	503.6
Closing annualised rent roll (on completed properties)	**29.0**	28.0

The IPD Healthcare index for 2010 was published in May 2011. This showed that the Group's property portfolio outperformed the IPD healthcare sector benchmark in the financial year, delivering a total return of 13% against a benchmark return of 11%. This outperformance also extends to the prior three year period, where the Group delivered an average total return of 6% compared to the sector benchmark return of 5%.

IPD data for the last five years shows that healthcare real estate generated total returns, in excess of 5% adjusted for RPI whereas general commercial property showed negative returns of over 2%. We believe that this highlights the security offered by healthcare real estate.

As previously reported, the Board also evaluates the portfolio with reference to its future cash flows. Using a discounted cash flow method ('DCF') to value the assumed future income flows from the Group's portfolio, both completed and committed, would show a value of £565.2million as compared to the open market valuation as at 30 June 2011 of £513.5million. This would represent an additional 76 pence per share of shareholder value.

The assumptions used in the DCF analysis are:

- A discount rate of 7% (2010: 7%)
- An average annual increase in the individual property rents at review of 2.5% (2010: 2.5%)
- Capital growth in residual values of 1% per annum (2010: 1%)

Asset management

The active management of the Group's portfolio is an important element in generating additional value for shareholders. In the first six months of the year, we delivered a new pharmacy let to Lloyds at Burton Latimer, Northamptonshire adding £30,000 per annum to the rent roll. We also commenced on site at our centre in Consett, County Durham to provide a pharmacy extension for Boots. Completion is expected during August 2011.

The Board has approved nine further projects which are at various stages in the development process. These projects have an expected cost of £5million, at attractive returns on capital.

Commitments

As at 30 June 2011, the Group had six forward purchase commitments as follows, all of which were in progress, 100% pre-let and scheduled to complete as planned:

Scheme	Total commitment £m	Outstanding £m	Details
South Queensferry	4.3	4.3	1,442 sqm medical centre (six GP practice and NHS Trust), constructed in 2002
Chesham	5.6	4.6	1,802 sqm medical centre (eight GPs in two practices and PCT) and 130 sqm pharmacy
Oswestry	8.8	2.3	3,750 sqm medical centre (four GP practice and PCT) with 804 sqm expansion space and 75 sqm retail unit
Blackpool	4.1	4.0	1,493 sqm medical centre (six GP practice and PCT) and 120 sqm pharmacy
Allesley	2.8	1.4	795 sqm medical centre (five GP practice) with 294 sqm expansion space and 154 sqm pharmacy
Newark	4.3	4.3	1,275 sqm medical centre (11 GP practice) and 159 sqm pharmacy
Total new commitments	29.9	20.9	

Operating and financial review continued

The acquisition of the South Queensferry asset was completed on 11 August 2011. The developments at Oswestry and Blackpool were completed in the first weeks of August and at both sites the GPs and tenants are now in occupation and operating from these premises.

Whilst a slow down in approvals for new premises has been observed due to delays in the passing of the Health and Social Care Bill, the Group has continued to seek out appropriate new investment opportunities. Terms have been agreed on acquisitions and forward commitments totalling £43million, which are in solicitors' hands and at various stages of contract completion.

Net assets and EPRA NAV

	30 June 2011	30 June 2010	31 Dec 2010
Net assets	**£188.0m**	£157.3m	£164.7m
Net asset value per share	**275.8p**	251.4p	262.3p
EPRA net asset value per share*	**317.8p**	304.2p	311.5p

* EPRA net asset value is calculated as balance sheet net assets including the valuation result on trading properties, excluding fair value adjustments for debt and related derivatives ("EPRA" is the European Public Real Estate Association).

Financing

On 12 April 2011, the Group completed a small share placing at a price of 305 pence per share that represented a discount of 2.1% to 2010 year end EPRA NAV and 5.3% to the closing share price on the day prior to the issue. 5,284,041 shares were issued generating net cash proceeds of £15.7million. The cash will be used to finance future acquisitions.

The loan to value ratio as at 30 June 2011 was 55.6% (30 June 2010: 55.9%) compared to a covenant requirement of 70%. Interest cover was 2.1 times (30 June 2010: 2.1 times) compared to a covenant requirement of 1.3 times.

As reported at the year end, the Group made it a priority to start the process of re-financing its current debt facilities to diversify lenders and provide a range of maturities and additional resources to allow it to add to its portfolio as suitable acquisition opportunities arise.

This process started with the completion of a £50million, three year, interest only revolving credit facility with Clydesdale Bank. The facility was closed on 29 July 2011 and was used to partly finance the closing of the South Queensferry acquisition.

In addition to this, the Group has received an offer of a new £75million, seven year, interest only facility from Aviva which has full credit committee approval from Aviva. The release of the requisite security from the current bi-lateral loans is underway and documentation on the facility has commenced.

Discussions have started with the Group's main lenders to renew and extend the current bi-lateral facilities which expire in January 2013.

Interest rate hedging

There has been no change during the period in the amount of fixed rate cover that the Group holds. As at 30 June 2011, a total of £208million of interest rate derivatives were in place, including £88million of callable swaps (2010: £88million). In light of current market conditions the Board does not expect these to be called in the near future.

The mark-to-model liability of the Group's "effective" interest rate swaps decreased by £1.2million in the period to 30 June 2011 (six months to 30 June 2010: increase of £7.8million), as medium term interest rates were lower at that point in time than previous measurement dates. This masks the considerable volatility in interest rate markets that has been experienced across 2011 to date, some of which is currently being driven by European sovereign debt concerns. The value of the mark-to-model swap portfolio was a liability of £29.8million at 30 June 2011 (31 December 2010: liability of £31.3million), including swaps regarded as ineffective for accounting purposes.

Operating and financial review continued

Finance and interest rate hedging (assuming callable swaps are not called)

This chart shows the level of bank borrowings economically hedged by interest rate swaps for each financial year to 1 January 2027. Shown in £million.[1]

Finance and interest rate hedging

This chart shows the level of bank borrowings covered by effective hedges for each financial year to 1 January 2027. Shown in £million.[1]

1 The charts assume that the term loans to the Group which expire in 2013 will be renewed.

Dividend

The Group has continued to pay regular and progressive dividends to shareholders funded by its secure underlying rent roll, where 90% of the Group's income is paid directly or indirectly by HM Government. On 31 March 2011, the Group paid an ordinary cash dividend of 9.0p per Ordinary Share in respect of the six months ended 31 December 2010. The Board proposes to pay an interim dividend of 9.0p per share payable to Ordinary Shareholders on the register at 7 October 2011 on 28 October 2011 in respect of the six months ended 30 June 2011 (six months ended 30 June 2010: 8.75p). This interim distribution will not be a property income distribution ("PID").

Principal risks and uncertainties

Other than the uncertainty surrounding the Health and Social Care Bill referred to in the overview, there have been no changes to the principal risks and uncertainties of the Group which remain as disclosed on page 10 of the Annual Financial Report for the year ended 31 December 2010.

Outlook

The Group has continued its strategy of focusing purely on investment in primary care premises and in generating secure, growing returns to shareholders. The progress made during the period in widening the equity base and in restructuring and extending the debt facilities available to the Group, means that we are well positioned to take advantage of opportunities to acquire suitable investment properties or fund newly developed assets as they arise.

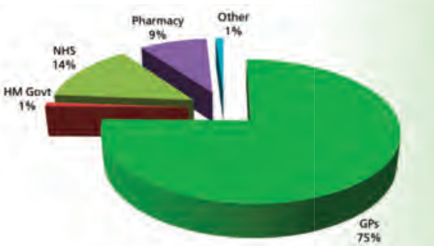
We continue to believe that the primary care market remains attractive due to the inherent protection in income flow. Our existing portfolio produces consistently strong returns with rental growth continuing to be obtained against a backdrop of full occupancy. This will be enhanced as the acquisition of further high quality stock, that is in solicitors' hands, is delivered..

Graeme Elliot
Chairman
17 August 2011

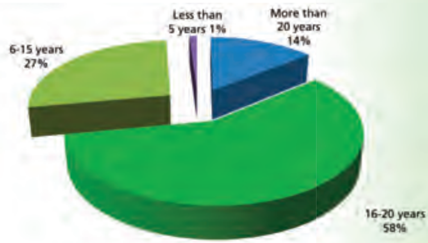
Harry Hyman
Managing Director

Portfolio Metrics

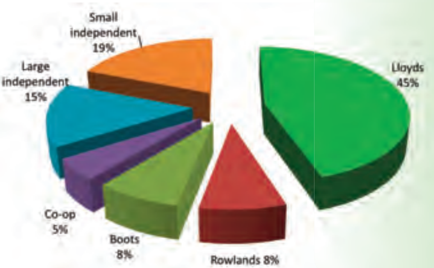
Analysis of annualised rent by tenant
The chart shows the percentage of the Group's portfolio by rent roll derived from each major tenant class: GPs, NHS, HM Government, pharmacy operators and others.



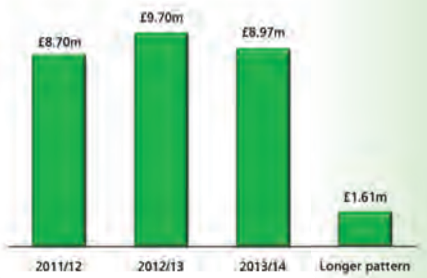
Analysis of annualised rent by unexpired lease term
The chart demonstrates that the Group has in excess of 72% of rent roll in leases with a life of 15 years or longer.



Analysis of rental income by pharmacy operator
The chart shows the breakdown of the 9% of total rent received from pharmacy operators. 66% is derived from well larger national brands.



Forthcoming rent reviews
The chart shows the amount of the current rent roll falling due for review in each of the next three years. £1.6m of rent is reviewed on a longer pattern and £0.685m included in 2011 is reviewed annually.

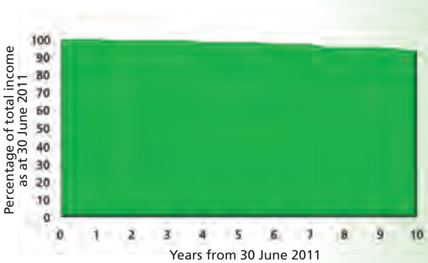


Analysis of rental income by geographic region

This chart shows the percentage split of rental income by geographic region.

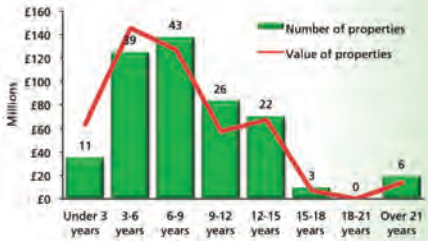
Security of income by term certain

The chart shows that by year 10, the Group would still be receiving 93% of its current income, taking no account of any lease renewals or rent reviews during the period.



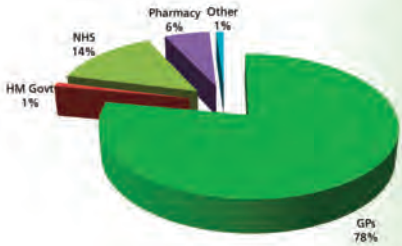
Analysis of portfolio by age of buildings

The chart shows a breakdown of the portfolio by value and number of assets in age groupings. The few older buildings have all been subject to extensive refurbishment within the last 15 years. Approximately 77% of the portfolio by value comprises purpose built health centres which are under nine years old and around 97% of properties are under 15 years old.



Tenancy split by floor area

The chart indicates tenancy split by floor area occupied.



Acquisition Activity

Shefford, Bedfordshire

Shefford Health Centre was purchased in March 2011 following a forward commitment with Brackley Investments Limited at a cost of £5.5million. The purpose built, two storey development replaces the undersized old property in the town centre and provides over 2,200 sqm of accommodation for the GP practice and Bedfordshire Primary Care Trust. The new centre provides extensive services to over 15,000 patients including diagnostics, minor surgery and dentistry amongst many specialist services.

Oswestry, Shropshire

Oswestry Health Centre is a purpose built Primary Care Centre constructed within a grade II listed railway shed and comprises 4,600 sqm of accommodation let to Shropshire County Primary Care Trust. The new, three storey property forms a new hub for services in Northwest Shropshire, providing a range of community facilities including primary care led diagnostics, minor injuries, advanced primary care services and dental services. There is also a four partner GP Surgery operating within the centre, serving approximately 6,000 patients. The Centre was completed and purchased in August 2011 from Castlemead Developments Limited following a forward commitment at a cost of £8.8million.

Acquisition Activity continued

Newton Drive Health Centre, Blackpool, Lancashire

Newton Drive Health Centre was purchased at a cost of £4.1million in August 2011 following a forward commitment with Brackley Investments Limited. The purpose built three storey medical centre provides modern accommodation for the GP practice and, including a pharmacy extends to approximately 1,500 sqm. The centre replaces the outdated surgery accommodation previously split across two different sites and provides both a dental training suite and a new base for PCT community staff including district nurses, health visitors and midwives. The centre will cater for a patient list of over 12,000.

Commitments

Chesham

PHP has committed to purchase this new, purpose built two storey health centre currently in the course of development. The property will provide 1,600 sqm of accommodation for two GP Practices, Buckinghamshire PCT and a local Pharmacy. The health centre will provide services to over 16,000 patients when complete. The building is being developed by Brackley Investments Limited and is due to be delivered in December this year at a total cost to PHP of £5.6million.

Commitments continued

Newark

A new, purpose built medical centre to be occupied by an 11 GP partner practice and a Lloyds Pharmacy. The surgery is part of the larger 'Potterdyke' town centre redevelopment, a joint venture between ASDA, Simons Development and MF Strawson Limited. The surgery will provide GP services to over 17,000 patients and cost PHP in the region of £4.3million once completed in September this year. PHP has committed to purchase the asset upon completion.

Asset Management Activities

Burton Latimer

Originally acquired in 2004 from Brackley Investments, a small development program was completed in Q2 2011 at the Burton Latimer Medical Centre, which included providing a new 111 sqm pharmacy fully let to Lloyds Pharmacy at an additional rental of £30,000 per annum, together with 111 sqm of medical centre expansion space. The expansion space is currently awaiting PCT funding to enable the GP's to occupy, following a significant number of new homes being built within the town. The Health Centre serves approximately 12,000 patients.

Condensed Group Statement of Comprehensive Income

for the six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 £000 (unaudited)	Six months ended 30 June 2010 £000 (unaudited)	Year ended 31 Dec 2010 £000 (audited)
Rental income		**15,079**	11,829	26,574
Finance lease income		**171**	170	341
Rental and related income		**15,250**	11,999	26,915
Direct property expenses		**(182)**	(203)	(398)
Administrative expenses		**(2,450)**	(2,037)	(4,646)
Operating profit before net valuation gain on property portfolio		**12,618**	9,759	21,871
Profit on sale of AFS investment	4	**312**	-	-
Net valuation gain on property portfolio	2	**5,219**	17,821	22,790
Operating profit before financing costs		**18,149**	27,580	44,661
Finance income	6	**212**	46	160
Finance costs	7	**(7,451)**	(5,848)	(12,882)
Fair value gain/(loss) on derivatives	7	**1,041**	(5,037)	(4,714)
Profit on ordinary activities before tax		**11,951**	16,741	27,225
Current taxation credit	8	**2**	29	36
Conversion to UK-REIT charge	8	**-**	(1,586)	(1,586)
Taxation credit/(expense)		**2**	(1,557)	(1,550)
Profit for the period [1]		**11,953**	15,184	25,675
Fair value movement on interest rate swaps treated as cash flow hedges		**1,165**	(7,773)	(6,013)
(Recycling of previously unrealised gain)/unrealised gain on current asset investment		**(73)**	128	79
Other comprehensive income/(loss)		**1,092**	(7,645)	(5,934)
Total comprehensive income for the period net of tax		**13,045**	7,539	19,741

	Notes	Six months ended 30 June 2011 £000 (unaudited)	Six months ended 30 June 2010 £000 (unaudited)	Year ended 31 Dec 2010 £000 (audited)
Earnings per share				
• basic and diluted [2]	5	**18.3p**	24.7p	41.3p
Adjusted earnings per share [3]				
• basic and diluted	5	**8.3p**	6.4p	14.7p

The above relates wholly to continuing operations.

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

2 There is no difference between basic and fully diluted EPS.

3 Adjusted for large one-off items and movements in fair value of properties and derivatives. See note 5.

Condensed Group Balance Sheet
at 30 June 2011

	Notes	At 30 June 2011 £000 (unaudited)	At 30 June 2010 £000 (unaudited)	At 31 Dec 2010 £000 (audited)
Non current assets				
Investment properties	2,3	**489,516**	460,815	469,290
Net investment in finance leases		**3,052**	3,025	3,036
Interest rate swaps		**1,196**	21	413
		493,764	463,861	472,739
Current assets				
Current asset investment	4	**-**	605	555
Trade and other receivables		**3,045**	2,709	2,582
Net investment in finance leases		**39**	48	48
Cash and cash equivalents		**915**	1,068	370
		3,999	4,430	3,555
Total assets		**497,763**	468,291	476,294
Current liabilities				
Interest rate swaps		**(15,818)**	(17,182)	(16,859)
Corporation tax payable		**-**	(69)	(48)
UK-REIT conversion charge payable		**-**	(1,866)	(1,998)
Deferred rental income		**(6,144)**	(6,335)	(5,942)
Trade and other payables		**(4,875)**	(11,443)	(4,837)
Term loans		**-**	-	(3,000)
		(26,837)	(36,895)	(32,684)
Non-current liabilities				
Term loans	11	**(268,874)**	(256,792)	(264,445)
UK-REIT conversion charge payable		**-**	(1,422)	-
Interest rate swaps		**(14,019)**	(15,873)	(14,419)
		(282,893)	(274,087)	(278,864)
Total liabilities		**(309,730)**	(310,982)	(311,548)
Net assets		**188,033**	157,309	164,746

	Notes	At 30 June 2011 £000 (unaudited)	At 30 June 2010 £000 (unaudited)	At 31 Dec 2010 £000 (audited)
Equity				
Share capital		**34,088**	31,286	31,401
Share premium		**54,178**	53,339	53,934
Capital reserve		**1,618**	1,618	1,618
Special reserve		**57,405**	44,442	44,442
Cash flow hedging reserve		**(12,114)**	(15,039)	(13,279)
Retained earnings		**52,858**	41,663	46,630
Total equity [1]		**188,033**	157,309	164,746
Net asset value per share				
• basic	12	**275.8p**	251.4p	262.3p
• EPRA net asset value per share [2]	12	**317.8p**	304.2p	311.5p

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

2 See definition on page 8.

Condensed Group Cash Flow Statement
for the six months ended 30 June 2011

	Six months ended 30 June 2011 £000 (unaudited)	Six months ended 30 June 2010 £000 (unaudited)	Year ended 31 Dec 2010 £000 (audited)
Operating activities			
Profit before tax	**11,953**	16,741	27,225
Less: Finance income	**(212)**	(46)	(160)
Plus: Finance costs	**7,451**	5,848	12,882
Plus: Fair value (gain)/loss on derivatives	**(1,041)**	5,037	4,714
Operating profit before financing	**18,151**	27,580	44,661
Adjustments to reconcile Group operating profit to net cash flows from operating activities:			
Revaluation gain on property portfolio	**(5,219)**	(17,821)	(22,790)
Profit on sale of AFS investment	**(312)**	-	-
Increase in trade and other receivables	**(504)**	(678)	(946)
Increase in trade and other payables	**39**	2,065	4,003
Cash generated from operations	**12,155**	11,146	24,928
UK REIT conversion charge instalment	**(1,998)**	(637)	(1,934)
Taxation paid[1]	**(48)**	(193)	(193)
Net cash flow from operating activities	**10,109**	10,316	22,801
Investing activities			
Payments to acquire investment properties	**(15,007)**	(12,612)	(25,234)
Disposal/(acquisition) of shares in AH Medical Properties PLC	**788**	(476)	(476)
Payments to acquire Anchor Meadow Limited	**-**	(5,498)	(5,498)
Payments to acquire Sinclair Montrose Properties Limited	**-**	(23,842)	(23,842)
Payments to acquire Abstract Integrated Healthcare Limited	**-**	(1,856)	(1,856)
Payments to acquire Charter Medinvest Limited	**-**	(6,787)	(6,787)
Payments to acquire Health Investments Limited	**-**	(7,214)	(7,214)
Interest received on developments	**58**	41	134
Bank interest received	**25**	2	4
Other interest received	**-**	3	8
Net cash flow used in investing activities	**(14,136)**	(58,239)	(70,761)

	Six months ended 30 June 2011 £000 (unaudited)	Six months ended 30 June 2010 £000 (unaudited)	Year ended 31 Dec 2010 £000 (audited)
Financing activities			
Proceeds from issue of shares (net of expenses)	**15,605**	-	-
Term bank loan drawdowns	**18,250**	61,450	85,700
Term bank loan repayments	**(3,274)**	(2,250)	(15,924)
Temporary offset of proceeds of share issue against revolving bank loan	**(13,450)**	-	-
Net swap interest paid	**(4,457)**	(4,043)	(8,461)
Loan arrangement fees	**(54)**	-	(176)
Interest paid	**(2,685)**	(1,317)	(3,211)
Dividends received	**-**	-	15
Equity dividends paid	**(5,363)**	(5,061)	(9,825)
Net cash flow from financing activities	**4,572**	48,779	48,118
Increase in cash and cash equivalents for the period	**545**	856	158
Cash and cash equivalents at start of period	**370**	212	212
Cash and cash equivalents at end of period	**915**	1,068	370

1 Taxation was paid in the period in order to settle the outstanding liabilities in the acquired companies. All amounts payable were included in the consideration calculation.

Condensed Group statement of changes in equity

	Share capital £000	Share premium £000	Capital reserve £000	Special reserve £000	Cash flow hedging reserve £000	Retained earnings £000	Total £000
Six months ended 30 June 2011 (unaudited)							
1 January 2011	**31,401**	**53,934**	**1,618**	**44,442**	**(13,279)**	**46,630**	**164,746**
Profit for the period	-	-	-	-	-	11,953	11,953
Income and expense recognised directly in equity:							
Fair value movement on interest rate swaps treated as cash flow hedges	-	-	-	-	1,165	-	1,165
Recycling of previously unrealised gain[1]	-	-	-	-	-	(73)	(73)
Total Comprehensive Income	**-**	**-**	**-**	**-**	**1,165**	**11,880**	**13,045**
Proceeds from capital raisings	2,642	-	-	13,474	-	-	16,116
Expenses of capital raisings	-	-	-	(511)	-	-	(511)
Dividends paid:							
Second interim dividend for period ended 31.12.10 (9.00p)	-	-	-	-	-	(5,363)	(5,363)
Scrip dividends in lieu of interim cash dividends	45	244	-	-	-	(289)	-
30 June 2011	**34,088**	**54,178**	**1,618**	**57,405**	**(12,114)**	**52,858**	**188,033**
Six months ended 30 June 2010 (unaudited)							
1 January 2010	30,729	50,664	1,618	44,442	(7,266)	31,728	151,915
Profit for the period	-	-	-	-	-	15,184	15,184
Income and expense recognised directly in equity:							
Fair value movement on interest rate swaps treated as cash flow hedges	-	-	-	-	(7,773)	-	(7,773)
Unrealised gains on current asset investment	-	-	-	-	-	128	128
Total Comprehensive Income	-	-	-	-	(7,773)	15,312	7,539
Dividends paid:							
Second interim dividend for period ended 31.12.09 (8.75p)	-	-	-	-	-	(5,061)	(5,061)
Scrip dividends in lieu of interim cash dividends	54	262	-	-	-	(316)	-
Share consideration for the HI acquisition	503	2,413	-	-	-	-	2,916
30 June 2010	**31,286**	**53,339**	**1,618**	**44,442**	**(15,039)**	**41,663**	**157,309**

1 Previously unrealised gain recycled through Statement of Comprehensive Income on disposal of investment.

	Share capital £000	Share premium £000	Capital reserve £000	Special reserve £000	Cash flow hedging reserve £000	Retained earnings £000	Total £000
Year ended 31 December 2010 (audited)							
1 January 2010	30,729	50,664	1,618	44,442	(7,266)	31,728	151,915
Profit for the year	-	-	-	-	-	25,675	25,675
Income and expense recognised directly in equity:							
Fair value movement on interest rate swaps treated as cash flow hedges	-	-	-	-	(6,013)	-	(6,013)
Unrealised gains on current asset investment	-	-	-	-	-	79	79
Total Comprehensive Income	**-**	**-**	**-**	**-**	**(6,013)**	**25,754**	**19,741**
Dividends paid:							
Second interim dividend for period ended 31.12.09 (8.75p)	-	-	-	-	-	(5,061)	(5,061)
First interim dividend for year ended 31.12.10 (8.75p)	-	-	-	-	-	(4,764)	(4,764)
Scrip dividends in lieu of interim cash dividend (net of expenses)	54	262	-	-	-	(316)	-
Scrip issue in lieu of second interim dividend (net of expenses)	116	595	-	-	-	(711)	-
Share consideration for the HI acquisition	502	2,413	-	-	-	-	2,915
31 December 2010	**31,401**	**53,934**	**1,618**	**44,442**	**(13,279)**	**46,630**	**164,746**

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 2010 have been filed with the Registrar of Companies. The auditors' report on these financial statements was unqualified and did not contain a statement under section 498(2) of the Companies Act 2006.

Basis of preparation/Statement of compliance

The half year report for the six months ended 30 June 2011 has been prepared in accordance with IAS 34 'Interim Financial Reporting' and reflects the accounting policies set out in the Group's financial statements at 31 December 2010 which have been prepared in accordance with IFRS as adopted by the European Union.

The half year report does 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 2010.

Convention

The financial statements are presented in Sterling rounded to the nearest thousand.

Segmental reporting

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

Going concern

The Group's property portfolio is 100% let to tenants with strong covenants. The majority of the Group's borrowing facilities are due for renewal in 2013. Some facilities beyond this date have been secured and positive discussions have commenced with all parties to agree the extension of the Group's bi-lateral loans by the end of the current year. The loan to value ratio is currently 55.6%, well below the banking covenant of 70%. The pipeline of properties is strong. Having reviewed the Group's current position, cash flow projections, existing and prospective loan facilities and covenant cover, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt a going concern basis in preparing the financial statements.

2. Investment and investment properties under construction

Properties have been independently valued at fair value by Lambert Smith Hampton, Chartered Surveyors and Valuers, as at 30 June 2011 in accordance with IAS 40: Investment Property.

The revaluation gain for the six months ended 30 June 2011 amounted to £5.2million. The revaluation gain for the year ended 31 December 2010 amounted to £22.8million and the gain for the six months ended 30 June 2010 amounted to £17.8million.

Property additions for the six months ended 30 June 2011 amounted to £15.0million. There were no properties disposed of in the six months to 30 June 2011. Commitments at 30 June 2011 amounted to £20.9million (31 December 2010: £31.2million).

Property additions for the 12 months ended 31 December 2010 and the six months ended 30 June 2010 amounted to £102.6million and £101.1million respectively. There were no property disposals during these periods.

3. Property acquisitions

	Investment properties freehold £000	Investment properties long leasehold £000	Investment properties under construction £000	Total £000
As at 1st January 2011	383,223	78,860	7,207	469,290
Additions	431	1	14,575	15,007
Transfer from properties in the course of development	12,492	-	(12,492)	-
Revaluation for the period	4,533	399	287	5,219
As at 30 June 2011	**400,679**	**79,260**	**9,577**	**489,516**

4. Current asset investment

This represents the acquisition in 2010 of 1,970,500 ordinary shares in A H Medical Property PLC ("AHMP"). In accordance with IAS39 it was treated as an Available For Sale ("AFS") asset. On 19 January 2011, the Group accepted the cash alternative offer for the shares from Assura Group Limited, resulting in a realised gain of £312,000.

Condensed notes to the financial statements continued

5. Earnings per share

The purpose of calculating an adjusted earnings per share is to provide a better indication of dividend cover for the period by excluding large one-off items affecting earnings per share during the period.

	Net profit attributable to Ordinary Shareholders			Number of Ordinary Shares[1]			Pence per share		
	Six mths ended 30 June 2011 £000 (unaudited)	Six mths ended 30 June 2010 £000 (unaudited)	Year ended 31 Dec 2010 £000 (audited)	Six mths ended 30 June 2011 (unaudited)	Six mths ended 30 June 2010 (unaudited)	Year ended 31 Dec 2010 (audited)	Six mths ended 30 June 2011 (unaudited)	Six mths ended 30 June 2010 (unaudited)	Year ended 31 Dec 2010 (audited)
Basic profit	11,953	15,184	25,675	65,157,643	61,561,192	62,162,797	18.3	24.7	41.3
Adjusted profit									
Adjustments to remove:									
Net gain on revaluation of property	(5,219)	(17,821)	(22,790)						
Fair value (gain)/loss on derivatives [2]	(1,041)	5,037	4,714						
UK REIT conversion charge	-	1,586	1,586						
Profit on sale of AFS investment	(312)	-	-						
Taxation	(2)	(29)	(36)						
Adjusted basic and diluted earnings [3]	5,379	3,957	9,149	65,157,643	61,561,192	62,162,797	8.3	6.4	14.7

1 Weighted average number of Ordinary Shares in issue during the period. In April 2011, the Group issued 5.3million New Shares by way of a Placing.

2 In view of the continuing volatility in the mark to model adjustment in respect of the period end valuation of derivatives that flows through the Condensed Group Statement of Comprehensive Income, the Directors believe that it is appropriate to remove the (gain)/loss in the calculation of adjusted earnings.

3 There is no difference between basic and fully diluted EPS.

6. Finance income

	Six months ended 30 June 2011 £000 (unaudited)	Six months ended 30 June 2010 £000 (unaudited)	Year ended 31 Dec 2010 £000 (audited)
Interest income on financial assets			
Not at fair value through profit or loss			
Bank interest	**33**	2	3
Development loan interest	**177**	41	134
Other interest	**2**	3	8
Dividend income received	**-**	-	15
	212	46	160

7. Finance costs

	Six months ended 30 June 2011 £000 (unaudited)	Six months ended 30 June 2010 £000 (unaudited)	Year ended 31 Dec 2010 £000 (audited)
Interest expense on financial liabilities			
Not at fair value through profit or loss			
(i) Interest paid			
Bank loan interest paid	**2,690**	1,292	3,812
Bank swap interest paid	**4,438**	4,259	8,518
Other interest paid	**13**	4	15
Notional UK-REIT interest	**5**	28	36
Bank facility non utilisation fees	**60**	65	105
Bank charges and loan commitment fees	**245**	200	396
	7,451	5,848	12,882

Condensed notes to the financial statements continued

7. Finance costs continued

At fair value through profit or loss			
(ii) Derivatives			
Net fair value gain/(loss) on interest rate swaps	**1,041**	(5,037)	(4,714)

The fair value gain on derivatives recognised in the Condensed Group Statement of Comprehensive Income has arisen from the interest rate swaps for which hedge accounting does not apply. A further fair value gain on hedges which meet the hedge effectiveness criteria under IAS39 of £1.2million (31 December 2010: loss of £7.8million) is accounted for directly in equity.

	Six months ended 30 June 2011 £000 (unaudited)	**Six months ended 30 June 2010 £000** (unaudited)	**Year ended 31 Dec 2010 £000** (audited)
Total net finance costs	**7,239**	5,802	12,722
Weighted average finance cost %	**4.64**	4.80	4.57

8. Taxation

	Six months ended 30 June 2011 £000 (unaudited)	**Six months ended 30 June 2010 £000** (unaudited)	**Year ended 31 Dec 2010 £000** (audited)
Taxation in the Condensed Group Statement of Comprehensive Income:			
Current tax			
UK Corporation tax credit on non property income	**(2)**	(29)	(36)
Charge on conversion to UK-REIT status	**-**	1,586	1,586
Taxation (credit)/expense in the Condensed Group Statement of Comprehensive Income	**(2)**	1,557	1,550

The UK REIT charge of £1.6million arose on the conversion of the companies acquired during the six months ended 30 June 2010 to UK-REIT status based on the values of the individual properties held.

9. Dividends paid

	Six months ended 30 June 2011 £000 (unaudited)	Six months ended 30 June 2010 £000 (unaudited)	Year ended 31 Dec 2010 £000 (audited)
Second interim dividend for the period ended 31 December 2010 (9.00p) paid 31 March 2011 (2010: 8.75p)	**5,363**	5,061	5,061
Scrip dividend in lieu of second interim cash dividend	**289**	316	316
First interim dividend for the period ended 31 December 2010: (8.75p) paid 29 October 2010 (2009: 8.50p)	**-**	-	4,764
Scrip dividend in lieu of first interim cash dividend	**-**	-	711
	5,652	5,377	10,852
Per share	**9.00p**	8.75p	17.50p

The Board proposes to pay an interim cash dividend of 9.0p per Ordinary Share for the six months to 30 June 2011, payable on 28 October 2011. This dividend will not be a PID.

10. Administrative expenses

As the portfolio has grown, administrative expenses as a proportion of rental and related income fell to 16.1% (year ended 31 December 2010: 17.3%). This equates to an annualised rate of 1% of gross real estate assets (year ended 31 December 2010: 1.5%).

No performance incentive fee is payable to the Joint Managers for the period ended 30 June 2011 (six months to 30 June 2010 and year ended 31 December 2010: £nil). Under the terms of the management agreement there is a deficit of some £41million to be made up in the net asset value before any further performance incentive fee becomes payable.

Condensed notes to the financial statements continued

11. Bank borrowings reconciliation

	Drawn down £000	Headroom £000	Total facility £000
As at 1 January 2011	268,340	53,150	321,490
Net of prepaid loan arrangement fees	(895)	-	(895)
	267,445	**53,150**	**320,595**
Term bank drawdowns	18,250	(18,250)	-
Temporary offset of proceeds of share issue against revolving bank facility	(13,450)	13,450	-
Repayment of Aviva mortgage	(274)	-	(274)
	4,526	(4,800)	(274)
	271,971	48,350	320,321
Aviva accrued interest	(282)	-	(282)
Repayment of Natwest Bank loan	(3,000)	(350)	(3,350)
Movement in prepaid loan arrangement fees	185	-	185
Total term loans	268,874	48,000	316,874

12. Net asset value calculations

Net asset values have been calculated as follows:

	30 June 2011 £000 (unaudited)	30 June 2010 £000 (unaudited)	31 Dec 2010 £000 (audited)
Net assets per Condensed Group Balance Sheet	**188,033**	157,309	164,746
Derivative interest rate swaps liability (net)	**28,641**	33,034	30,865
EPRA net asset value	**216,674**	190,343	195,611

	Number of shares	Number of shares	Number of shares
Ordinary Shares:			
Issued share capital	**68,175,990**	62,571,174	62,802,333
Basic net asset value per share	**275.8p**	251.4p	262.3p
EPRA net asset value per share	**317.8p**	304.2p	311.5p

13. Related party transactions

The only change to the related party arrangements relates to the changes to the Management Agreement as reported in the statutory Annual Financial Report for the year ended 31 December 2010. Management fees payable were:

	30 June 2011 £000 (unaudited)	30 June 2010 £000 (unaudited)	31 Dec 2010 £000 (audited)
Nexus PHP Management Limited	**1,105**	842	1,844
J O Hambro Capital Management Limited	**782**	694	1,520

Condensed notes to the financial statements continued

14. Post balance sheet events

On 29 July 2011, the Group entered into a new £50million, three year, interest only revolving debt facility with Clydesdale Bank PLC. In addition, an offer has been received for the provision of a £75million seven year, fixed rate interest only facility from Aviva.

On 11 August 2011, the Group completed the purchase of a medical centre in South Queensferry, Scotland at a cost of £4.3million. Forward development commitments at Blackpool and Oswestry were completed on 1 August and 12 August respectively. The total cost of these assets was £12million. These completions were funded from debt facilities that had been used to underwrite the contractual commitment.

Independent review report to Primary Health Properties PLC

Introduction

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 2011 which comprises the Condensed Group Statement of Comprehensive Income, Condensed Group Balance Sheet, Condensed Group Cash Flow Statement, Condensed Group Statement of Changes in Equity and the related notes 1 to 14. 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 guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE 2410") issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority. As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards "IFRS" 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 report based on our review.

Scope of review

We conducted our review in accordance with ISRE 2410 (UK and Ireland) issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries 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

Independent review report to Primary Health Properties PLC continued

audit conducted in accordance with International Standards on Auditing (UK and Ireland) 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 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP
London
17 August 2011

Directors' responsibility statement

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

- an indication of important events that have occurred during the first six months and their impact on the condensed 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 Financial Report.

The Directors of Primary Health Properties PLC are listed in the Annual Financial Report for the year ended 31 December 2010. A list of current Directors is shown on page 40. Shareholder information is as disclosed in the Annual Financial Report and is also available on the PHP website www.phpgroup.co.uk.

Graeme Elliot
Chairman
17 August 2011

Corporate profile

Directors

Graeme Elliot (Chairman)
Alun Jones (Chairman of Audit Committee and Senior Independent Director)
Harry Hyman (Managing Director)
Mark Creedy (Chairman of Management Engagement Committee)
Martin Gilbert (William Hemmings: alternate)
James Hambro
Dr Ian Rutter OBE (Chairman of Nomination and Remuneration Committees)

Company Secretary and Registered Office

J O Hambro Capital Management Limited
Ground Floor, Ryder Court
14 Ryder Street, London SW1Y 6QB
Tel: 020 7747 5678
Fax: 020 7747 5647

Joint Managers

Nexus PHP Management Limited
2nd Floor, Griffin House
West Street, Woking GU21 6BS
Tel: 01483 749 020

J O Hambro Capital Management Limited
Ground Floor, Ryder Court
14 Ryder Street, London SW1Y 6QB
Tel: 020 7747 5678

Registrars

Equiniti
Aspect House, Spencer Road,
Lancing, West Sussex BN99 6DA

General enquiries: 0871 384 2030*
Telephone dealing: 0845 603 7037*
Online dealing: www.shareview.co.uk/dealing

* calls cost 8p per minute from a BT landline. Other telephone providers' costs may vary. Lines are open 8.30am to 5.30pm, Monday to Friday

Stockbrokers

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square, London EC4M 7LT

Peel Hunt LLP
111 Old Broad Street, London EC2N 1PH

Solicitors

Nabarro LLP
Lacon House, 84 Theobald's Road
London WC1X 8RW

Tods Murray LLP
Edinburgh Quay, 133 Fountainbridge
Edinburgh EH3 9AG

Auditors

Ernst & Young LLP
1 More London Place, London SE1 2AF

Bankers

The Royal Bank of Scotland plc
280 Bishopsgate, London EC2M 3UR

Allied Irish Banks, p.l.c.
St Helen's, 1 Undershaft, London EC3A 8AB

Abbey National Treasury Services plc
2 Triton Square, Regent's Place
London NW1 3AN

National Westminster Bank Plc
135 Bishopsgate, London EC3A 8AB

Aviva Commercial Finance Limited
Surrey Street, Norwich NR1 3NJ

Clydesdale Bank PLC
30 St Vincent Place, Glasgow G1 2HL

Environmental consultant

Collier & Madge plc
One Great Cumberland Place
London W1H 7AL

Property valuer

Lambert Smith Hampton Group Limited
Interchange Place, Edmund Street
Birmingham B3 2TA

Primary Health Properties PLC

For further information contact:
Harry Hyman, Phil Holland or
Tim Walker-Arnott

Telephone: 01483 749 020
PHP: www.phpgroup.co.uk
NEXUS: www.nexusgroup.co.uk