Primary Health Properties PLC

Half year report for the period ending 30 June 2010

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")

Eaglescliffe, Sunningdale Drive, Eaglescliffe
1,400 Sqm, Purchased February 2010 as part of a portfolio.

A purpose built Primary Care Centre in Eaglescliffe, Stockton on Tees, developed by Abstract Healthcare and originally completed May 2009. The new building includes accommodation for GPs, nurse practitioners, healthcare assistants and related clinical staff as well as a community clinic provided by North Tees Teaching Primary Care Trust. The centre serves over 8,000 patients in the local community.

Primary Health Properties PLC

Group Highlights

Increased interim dividend of 8.75p for the period ended 30 June 2010 (30 June 2009: 8.50p)

Operating profit before revaluation result and fair value loss on derivatives rose from £3.2 m to £4.0 m

Loan to Value ratio 55.9% at 30 June 2010 against covenant of 70%

Basic net asset value increased to 251.4p per share (31 December 2009: 247.2p)

Increased EPRA net asset value of 304.2p per share (31 December 2009: 279.9p)

Continued success of our strategy of investing in modern purpose built healthcare centres - acquisition of properties totalling £101.1 m during period

Increase in the value of the portfolio from £341.9 m to £460.8 m

Property revaluation gain of £17.8 m (31 December 2009: £1.6 m)

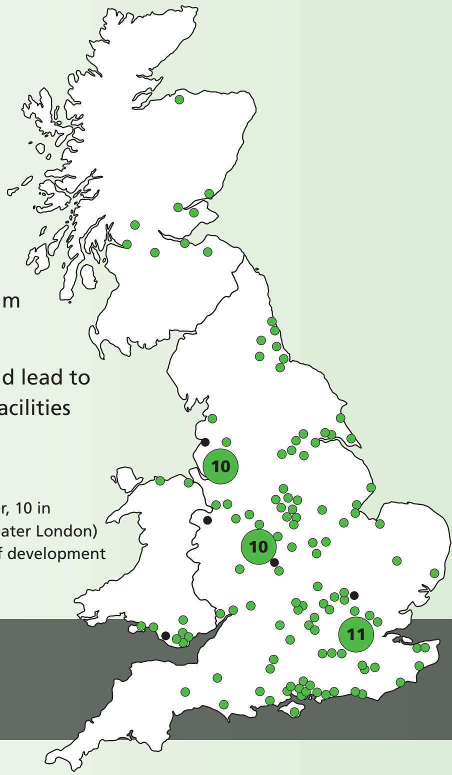
Annualised rental growth of approximately 3.0% based on 33 rent reviews

Increased rent roll at period end of £27.6 m

Portfolio 100% let

Portfolio, including commitments, valued at £487.8 m as at 30 June 2010 on an initial yield of 5.8%

White Paper proposals to enhance role of GPs should lead to increased demand for modern primary healthcare facilities in the medium term



- Investment properties (including 10 in Manchester, 10 in Birmingham, and 11 in Greater London)
- Properties in the process of development

PHP's properties

PHP has 148 completed properties and five 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 Group has had an active first half. During the six months ended 30 June 2010 we completed the acquisition of 33 fully let investments meeting our acquisition criteria, entered into commitments on three new projects and took delivery of three completed projects. This takes the amount of new properties acquired since our placing and open offer in the Autumn of 2009 to over £100 m at yields at or above 6%.

Trading performance

An analysis of the trading performance for the six months ended 30 June 2010 is set out below:

	Six months to 30 June 2010 £m	**Six months to 30 June 2009 £m**	**Year to 31 Dec 2009 £m**
Annualised rent roll [1]	**27.6**	20.1	21.3
Operating profit before revaluation result and financing	**9.8**	8.5	18.0
Net finance costs	**(5.8)**	(5.3)	(10.1)
Operating profit before revaluation result and fair value (loss)/gain on derivatives	**4.0**	3.2	7.9
REIT conversion charge re acquisitions	**(1.6)**	-	-
Fair value (loss)/gain on derivatives [2]	**(5.0)**	3.0	1.3
Revaluation gain/(loss) on property portfolio	**17.8**	(8.0)	1.6
Profit/(loss) after tax	**15.2**	(1.8)	10.8
Dividends paid	**5.4**	2.9	5.8

1 On completed properties

2 The derivative 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 increase and the fair value result on derivatives was £4.0 m (30 June 2009: £3.2 m) an increase of 25%. The results for the Group for the six months ended 30 June 2010 show a profit after taxation of £15.2 m compared with a loss after taxation of £1.8 m for the comparable period to 30 June 2009. This is after a revaluation surplus of £17.8 m (30 June 2009 deficit of £8.0 m), reflecting a tightening of yields. The results also include a mark to model loss on derivatives of £5.0 m (30 June 2009: gain of £3.0 m), reflecting the downward movement in longer term interest rates. The property and derivative revaluation results are unrealised and do not affect the operating cash flow of the business.

Portfolio activity

Yields in the primary care property market have continued to tighten and in the Board's view have stabilised at current levels. The portfolio of completed properties as at 30 June 2010 was valued at £460.8 m representing a true equivalient yield of 6.0% and an initial yield of 5.8%. This gave rise to a property revaluation gain of £17.8 m compared to £1.6 m at 31 December 2009.

In addition to the acquisitions, work has continued to enhance the quality of the estate. We commenced work on a number of projects including Ritchie Street, Islington and The Old Fire Station, Woolston. We also received planning permission for the addition of a pharmacy at Burton Latimer which we intend to commence work on in the second half of the year. These improvements have created over £1 m of valuation enhancement based on the latest valuation yields and will ultimately produce £63,000 per annum in extra rental income.

There were however unavoidable delays to the forecast delivery of our projects at both Treharris and Connah's Quay. These delays resulted in some loss of rental income but completion was achieved by 30 June 2010. We also took delivery of a completed scheme at Sheffield and entered into new commitments at Oswestry (£8.8 m), Blackpool (£4.1 m) and Allesley (£2.8 m).

The fully let investments acquired in the period were at the following locations:

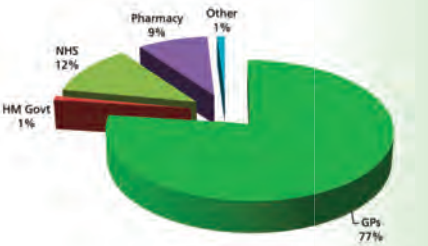
Aldridge, West Midlands
Basingstoke, Hampshire [1]
Bitterne, Southampton, Hampshire [1]
Burnley, Lancashire [2]
Chafford Hundred, Essex [2]
Chalford, Gloucestershire [2]
Castleford, Yorkshire [1]
Consett, County Durham [2]
Darlington, County Durham [2]
Eastbourne, Sussex [1]
Fareham, Hampshire [1]
Farnborough, Hampshire [1]
Farnham, Hampshire [1]
Flansham, Bognor, Sussex [1]
Hinckley, Leicestershire [2]
Hornchurch, Essex [2]
Hornsea, East Yorkshire
Horley, Surrey [1]
Kesgrave, Suffolk [2]
Lanark, Scotland
Leamington Spa, Warwickshire [2]
Leigh, Manchester
Lydney, Gloucestershire [2]
Maywood, Bognor, Sussex [1]
Mitcham, Surrey [1]
Portslade, Sussex [1]
Restalrig, Edinburgh [2]
Southwick, Brighton, Sussex [1]
St Marys, Southampton, Hampshire [1]
Stockton on Tees, County Durham
Stoneham, Southampton, Hampshire [2]
Watlington, Norfolk [2]
Wingate, County Durham [2]

1 Purchased as part of the Health Investments Portfolio
2 Purchased as part of the Care Capital portfolio

Operating and financial review continued

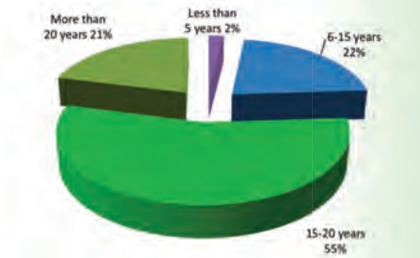
Analysis of annualised rent by tenant

The chart shows the percentage of the Group's portfolio by rent roll derived from each major tenant class: GPs, NHS organisations, pharmacy operators and others. Some 99% of rent comes directly or indirectly from GPs, NHS organisations and pharmacy operators.



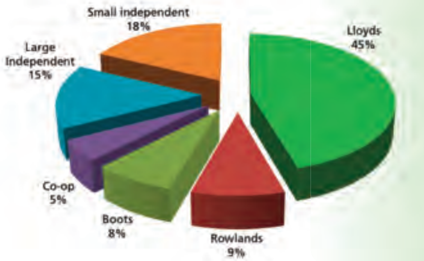
Analysis of annualised rent by unexpired lease term

The chart demonstrates that the Group has in excess of 76% of rental income from 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 by well known brands (67%), large independents with over five units (15%) and small independents with five or less units (18%).

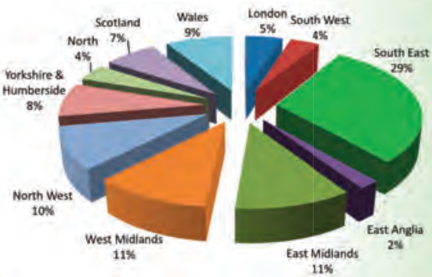


Forthcoming rent reviews

The chart shows the breakdown of our total rent roll of £27.6 m by the annual amounts of rent falling due for review in each of the next three years. £1 m of rent is reviewed on a longer pattern and £0.685 m is reviewed annually.

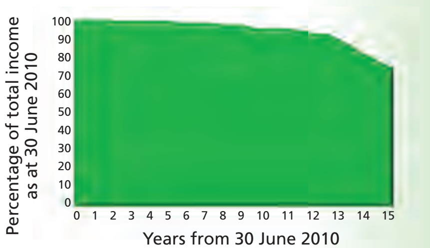
Analysis of rental income by geographic region

This chart demonstrates that the portfolio is broadly diversified across the UK.



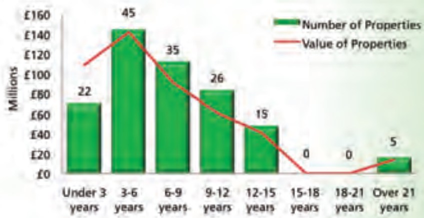
Security of income by term certain

The chart shows that by year 15, the Group would still be receiving 74% of its current income, taking no account of any lease renewals or rent reviews during the period. The total of the rents receivable during this period is £471.3 m.



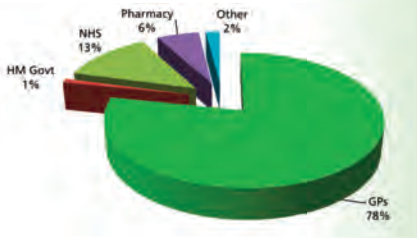
Analysis of portfolio by age of buildings

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 health centres which are under nine years old. Approximately 97% of the properties are under 15 years old.



Tenancy split by floor area

The chart indicates tenancy split by floor area (psm).



Operating and financial review continued

Acquisitions

The Group completed the purchases of the following previously committed properties during the six months ended 30 June 2010.

Property	Acquisition cost £m	Occupational tenants
Sheffield	3.0	GP practice and pharmacy
Treharris	4.6	GP practice, LHB accommodation and a pharmacy
Connah's Quay	10.2	Three GP practices and LHB accommodation

The Group purchased 33 investment properties during the period including the Health Investment's portfolio of 14 health centres and the Care Capital portfolio, which also comprises 14 health centres.

Health Investments Portfolio

In June 2010, PHP entered into a contract to acquire the entire issued share capital of Health Investments Limited ("HI") for a total consideration of some £38.4 m. HI had around £28.3 m of debt which was assumed as part of the deal. The acquisitions delivered 14 primary care properties with an average valuation of approximately £2.8 m and a rent roll of £2.4 m. The properties are principally in the South East and have an average lease length outstanding of some 19 years. The debt acquired matches the profile of the leases and has approximately 19 years to run at an average cost of 6% pa. The Group paid £7.2 m in cash and issued 1,005,153 ordinary shares at 290p each in part consideration in addition to the assumption of the debt (as announced on 23 June 2010). Following the issue of the ordinary shares, which were admitted to the official list of the UKLA on 28 June 2010, the total number of ordinary shares with voting rights is 62,571,174. The shares issued as consideration for the HI acquisition are subject to a six month lock-in and subsequent 12 months orderly market agreement.

Care Capital Portfolio

The Group acquired Sinclair Montrose Properties Limited ("SMP"), a wholly owned subsidiary of Care Capital Group plc in February 2010. This acquisition included a portfolio of 14 modern medical centres. The consideration was approximately £23.5 m including the repayment of debt secured on the portfolio. The total rent roll including outstanding rent reviews on this portfolio is £1.4 m p.a. and the unexpired lease term 17.8 years.

Other Corporate Acquisitions

In addition to HI and SMP the Group completed three other corporate acquisitions (Abstract, Anchor Meadow and Charter Medinvest), for a total consideration of £16.7 m. These acquisitions added four properties to the portfolio with an average valuation of £4.6 m and a rent roll of £1.1 m. The properties are spread throughout the UK and had an average lease length outstanding of some 18.3 years.

All of the corporate transactions have been treated as asset acquisitions (see note 3).

Commitments

Three new commitments totalling £15.7 m were entered into during the six months ended 30 June 2010 as shown below:

	New in 2010 £m	Total out-standing £m	Tenants
Oswestry	8.8	6.6	GP Practice
Blackpool	4.1	4.1	GP Practice
Allesley	2.8	2.4	GP Practice
Total new commitments	15.7	13.1	
Pre-existing commitments			
Shefford		5.3	GP Practice
Cowbridge		5.6	GP Practice
Total commitments at 30 June 2010		24.0	

Tenants are in place for 100% of the space of the new commitments.

Disposals

There were no disposals during the period.

Operating and financial review continued

Rental growth

Rental growth achieved on rent reviews concluded in the year ended 31 December 2009 averaged 3.12% p.a. (equivalent to approximately 10.0% for a typical three year review pattern). The experience in the first half of 2010 is that rental growth has averaged 3.1% p.a. (equivalent to approximately 10.0% for a typical three year review pattern). This is an out performance of the wider property market which has experienced declining or stable rents across a number of its sectors. The portfolio is 100% let and tenants are in place for all properties under construction.

Portfolio

The table below sets out the portfolio as at 30 June 2010.

	30 June 2010 £m	30 June 2009 £m	31 Dec 2009 £m
Investment properties	**455.9**	314.2	338.4
Properties in the course of development	**4.9**	1.5	3.5
Total properties	**460.8**	315.7	341.9
Finance leases	**3.0**	3.0	3.0
Total owned and leased	**463.8**	318.7	344.9
Committed	**24.0**	34.2	26.1
Total owned, leased and committed	**487.8**	352.9	371.0
Closing annualised rent roll (on completed properties)	**27.6**	20.1	21.3

Property valuation

The freehold, leasehold and development properties of the Group have been independently valued at fair value by Lambert Smith Hampton, Chartered Surveyors and Valuers, as at 30 June 2010.

During the six months ended 30 June 2010 there has been a further tightening of yields resulting in a valuation gain of £17.8 m during the period. The valuation reflected an initial yield at 30 June of 5.78% and a true equivalent yield of 6.00%. This compares with yields of 6.00% and 6.24% respectively at the end of the previous year.

Discounted cash flow property valuation

In addition to the market value exercise performed by Lambert Smith Hampton, the Joint Managers monitor the value of the Group's completed investment portfolio based on a discounted cash flow analysis. On this basis, the valuation of delivered assets as at 30 June 2010 is £508.6 m compared to the market value of £460.8 m (31 December 2009: £368.0 m compared to the market value of £341.9 m). The difference of £47.8 m represents an additional 77.6p of net asset value per share. In this calculation current passing rent until expiry totalling £623 m contributed 67% of the discounted cash flow valuation.

The assumptions used in the discounted cash flow analysis are:

- A discount rate of 7% (31 December 2009: 7%);
- An average annual increase in the individual property rents at review of 2.5% (31 December 2009: 2.5%);
- Capital growth in residual values of 1% per annum (2009: 1%); and
- In the case of each property, the DCF analysis is over the remaining period of the lease at 30 June 2010.

Comparative values using the discount rates below are as follows:

Discount rate	**Value**
6.50%	£536.0 m
7.50%	£483.2 m

Net assets and EPRA NAV

	30 June 2010	**30 June 2009**	**31 Dec 2009**
Net assets	£157.3 m	£85.9 m	£151.9 m
EPRA net assets [1]	£190.3 m	£102.2 m	£172.0 m
Net asset value per share	251.4p	243.7p	247.2p
EPRA net asset value per share [1]	304.2p	289.9p	279.9p

1 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).

Operating and financial review continued

Sector performance

The IPD Healthcare Index for 2009 was released in May 2010 and showed an overall return of 5.4% against the IPD All Property return of 3.5%. Primary care assets, including PHP's portfolio, make up almost half of the index and produced an overall return of 8.8%. Based on the IPD index, Healthcare has outperformed All Properties over the past three years with an annualised return of +3.9% versus -0.8%.

Borrowings

As at 30 June 2010 Group borrowings were £257.7 m including £28.3 m of fixed interest facilities taken on as part of the HI acquisition and £3.0 m of variable interest facilities as part of the Abstract acquisition (see Note 12). As required by International Accounting Standards the reported debt in the balance sheet is shown net of amortised borrowing costs. Excluding these acquired facilities the aggregate facilities are £265 m of which £255 m was on a term loan basis and £10 m on an overdraft basis. These term facilities are not due for renewal/replacement until 2013. The secured facilities from Aviva acquired with HI are amortising over 19 years, which matches the average length of the underlying leases on the properties acquired.

The Group has agreed heads of terms for a new £25 m facility with ING Commercial Finance Ltd. This five year term loan is currently being documented and it will enable the Group to continue with its policy of acquisitions and the forward funding of new developments.

The Group is also examining other options to refinance both its existing facilities and provide expansion finance.

The loan to value ratio as at 30 June 2010 was 55.9% (adjusted for the final payment made for Connah's Quay in July the ratio was 57.9%) compared to a covenant requirement of 70.0%, whilst interest cover was 2.0x compared to a covenant requirement of 1.3x.

Hedging

The amount of fixed rate cover in place at 30 June 2010 (including £88 m of callable swaps (2009: £88 m)) was £203.0 m (2009: £193 m). Basis rate swaps totalling £200 m matured on 11 February 2010. The callable swaps were not called on 11 August 2010. The next date on which they may be called is 11 November 2010.

All swaps are taken out to mitigate exposure to interest rate risk, but under accounting rules only certain swaps qualify as "effective" hedges and the mark to model movement on these is matched against the hedged liability in the Balance Sheet.

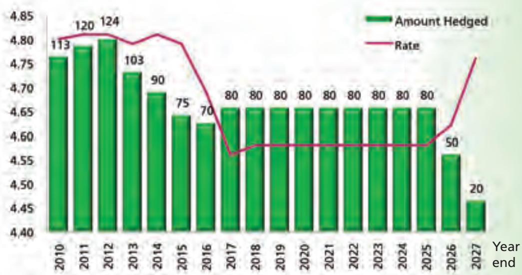
The mark-to-model value of the Group's "effective" interest rate swaps decreased by £7.8 m in the period to 30 June 2010 (6 months to 30 June 2009: gain of £9.1 m), reflecting the continued decline in medium term interest rates and ongoing volatility. There is no cash flow impact from these mark-to-model adjustments. This loss is charged directly to reserves but is included in the condensed statement of comprehensive income result on page 24. The revaluation of swaps regarded as ineffective for IAS39 purposes was a loss of £5.0 m (6 months to 30 June 2009: gain of £3.0 m), which is included in the profit for the period. The mark-to-model value fluctuates with movements in term interest rates and, in the case of the callable swaps, with market volatility.

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 above show the weighted average amount hedged throughout each financial year for the period to 31 December 2027. The charts assume that the term loans to the Group which expire in 2013 will be renewed.

Operating and financial review continued

Revenue and Expenditure

Total revenue in the 6 months ended 30 June 2010 was £12.0 m, an increase of 12.6% over the comparative period (6 months ended 30 June 2009: £10.7 m). Total expenditure excluding finance costs was £2.2 m (6 months ended 30 June 2009: £2.2 m).

Dividend

On 26 March 2010 the Group paid an ordinary cash dividend of 8.75p per Ordinary Share in respect of the six months ended 31 December 2009. The Board proposes to pay an interim dividend of 8.75p per share payable to Ordinary Shareholders on the register at 24 September 2010 on 29 October 2010 in respect of the six months ended 30 June 2010. No property income distributions ("PIDs") have been paid since 1 January 2007 when the Board advised that dividends would either be cash, PIDs or a combination of the two. Shareholders will be offered the opportunity to receive the interim cash dividend in respect of the six months ended 30 June 2010 in new ordinary shares through a scrip dividend and a circular is expected to be posted to shareholders on 1 October 2010.

Key performance indicators ("KPIs")

1.	**Objective**	**To create sustainable long-term rental income and capital growth for shareholders**
	Metric	• Sustained real growth in EPS • Annual revenue to exceed budget target • Sustained dividend growth
	Performance	• Adjusted EPS fell from 9.2p to 6.4p largely due to the delay in investing the capital raised in 2009 • Turnover rose to £12.0 m (30 June 2009: £10.6 m) but was £900,000 below budget due to late deliveries • Proposed dividend of 8.75p (30 June 2009: 8.50p)
2.	**Objective**	**To maximise the returns from the investment portfolio**
	Metric	• Out-performance versus IPD benchmark
	Performance	• Basic NAV grew from 247.2p to 251.4p • EPRA NAV grew from 249.9p to 304.2p • Performance was better than the IPD benchmark • Rental growth of 3.1% p.a.

3. Objective		**To generate long term value for shareholders**
	Metric	• Growth in NAV • Growth in dividends
	Performance	• Basic NAV increased from 247.2p to 251.4p • EPRA NAV grew from 249.9p to 304.2p • Proposed dividend of 8.75p (30 June 2009: 8.50p)
4. Objective		**To manage our balance sheet effectively**
	Metric	• Maintain appropriate balance between debt and equity within covenanted levels
	Performance	• Gearing increased to 55.9% following purchases but has been offset by valuation increases and shares issued as part of HI purchase and is well within covenant
5. Objective		**To identify new units to purchase**
	Metric	• Future commitment • Deliveries
	Performance	• Deliveries during the period were £17.8 m • New commitments of £15.7 m were entered into during the period • Fully let investments totalling over £101.1 m were acquired
6. Objective		**To complete and let properties under the course of development**
	Metric	• Growth in annualised rent roll
	Performance	• New deliveries added £1.1 m of rent to the rent roll • The portfolio was 100% let at the period end
7. Objective		**To maintain good quality leases**
	Metric	• Long average lease term • Maintain a minimal percentage of voids
	Performance	• Weighted average lease length of 17.3 years • Portfolio 100% let • 90% of income effectively paid for by the NHS

Operating and financial review continued

Principal risks and uncertainties

Other than the impact of the White Paper referred to below, there have been no changes to the principal risks and uncertainties of the Group which remain as disclosed on page 12 of the Annual Financial Report for the year ended 31 December 2009 and the Directors consider that the principal risks and uncertainities are likely to remain unchanged for the remainder of the year.

The White Paper

The Group welcomes the initiatives announced on Monday 12 July by Secretary of State for Health Andrew Lansley in the Department of Health's White Paper "Equity and excellence: Liberating the NHS". The White Paper proposes the creation of a regulated market in the purchasing and provision of care via the creation of several hundred GP consortia which would be overseen by a new independent Board and a new economic regulator.

The proposals in the White Paper and subsequent Government guidance notes foresee Primary Care Trusts ("PCTs") obligations for primary care being taken over by the NHS National Commissioning Board which will have the status of a Special Health Authority. The existing contractual obligations of the PCTs, including rent reimbursement, are covered by the Residual Liabilities Act 1996 and will pass to another NHS body as PCTs are phased out.

The Group believes that the greatly enhanced role of the GP in the provision of NHS services will result in significantly increased demand for modern purpose built premises befitting a modern health service environment in the medium term.

There may also be opportunities for PHP to acquire assets all or part of which are directly owned by PCTs at present.

Outlook

The role of primary care in the delivery of healthcare within the NHS is envisaged to significantly expand with the publication of the Government's White Paper. The Paper's aim is to shift a substantial proportion of care from hospitals to community settings and facilities and there is likely to be strong demand for new primary care developments. Within our existing portfolio the performance has been consistently strong with rental growth continuing to be obtained against a backdrop of full occupancy.

We are well positioned to take advantage of opportunities across the UK through the acquisition of suitable investment properties or funding new developments. We continue to believe that the primary care market remains extremely attractive due to the inherent strength of the income stream.

Graeme Elliot
Chairman
18 August 2010

Acquisition Activity

The Quay Health Centre, Fron Road, Connah's Quay

This new centre was developed by Haven Health Properties. The £10.2 m building provides 3,500 sqm of accommodation across three floors to 16,500 patients, and is now the main facility for the provision of Primary Care services for Connah's Quay, North Wales. All three of the town's Medical Practices now operate from the centre, and are complemented by an extensive range of Community based healthcare services run by North East Wales NHS Trust, together with a café operated by the council. The centre benefits from approximately 110 on-site car parking spaces.

Whiteley Surgery, Yew Tree Drive, Fareham

The Whiteley Surgery, Fareham, comprises 900 sqm of accommodation over two storeys, and is let to a doctor's surgery and a pharmacy. There is also a complementary therapies suite within the centre, run by the doctors, which provides additional services including Physiotherapy, Osteopathy, Podiatry and Reflexology. The centre has been fitted out to a high standard internally and provides approximately 30 on-site car parking spaces. Completed in November 2006, the centre was brought into the PHP portfolio as part of the £38.4 m Health Investments acquisition completed in June 2010.

Acquisition Activity continued

Treharris Primary Care Centre, Fox Street, Treharris

This new, three storey Primary Care Centre was delivered in May 2010 by Haven Health Properties at a cost of approximately £4.6 m. The centre provides 1,500 sqm of accommodation for a range of services including General Medical, NHS Dental, Community Health and Voluntary. There is also an adjacent satellite building comprising a local Pharmacy and further offices let to the Local Health Board. The centre is the new hub for medical services and serves approximately 15,000 patients.


Dderbynfa
Reception

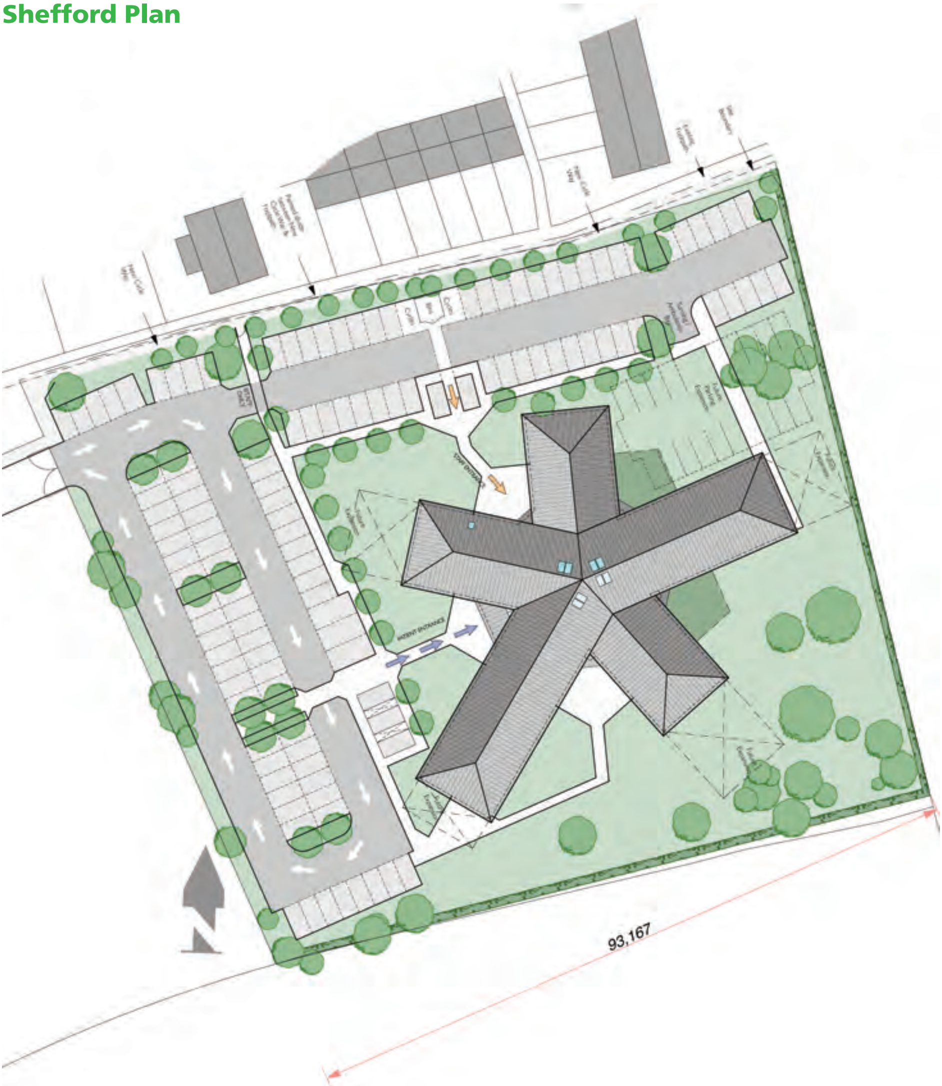
Commitments

Shefford, Bedfordshire

A new two storey development in Shefford (approximately 5 miles south of Bedford) to replace the existing under-sized Shefford Health Centre. The new centre will provide approximately 2,200 sqm of accommodation for both the existing practice and Bedfordshire PCT, serving over 15,000 patients. The new centre will provide a number of enhanced community services usually performed in a secondary care environment, including Diagnostic services, Minor Surgery and Counselling amongst other specialist services.

The centre is being developed by Brackley Investments, and will cost PHP in the region of £5.3 m once completed in February 2011.

Shefford Plan

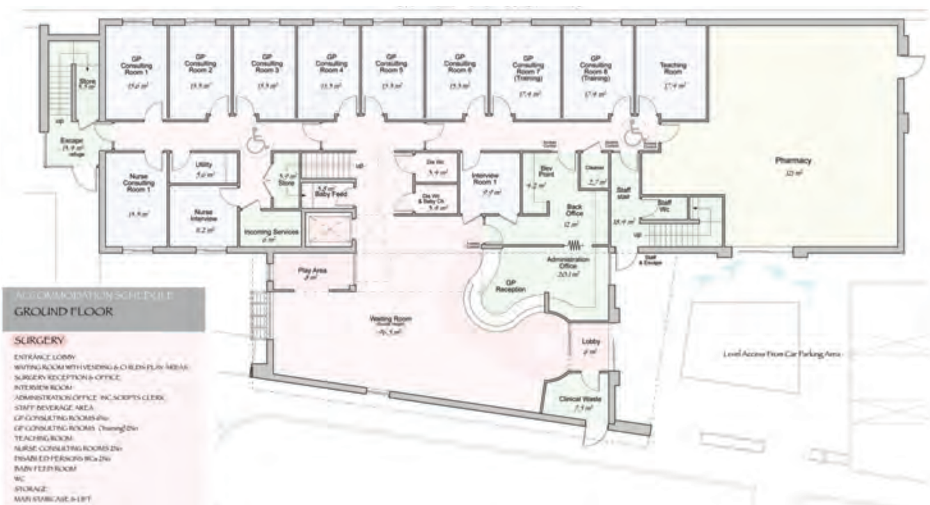


Commitments continued

Blackpool, Lancashire

A development of a new three storey medical centre and pharmacy extending to approximately 1,500 sqm, to provide accommodation for the practice of Dr. Ward & Partners. The proposed centre replaces the existing GP accommodation, currently split between two outdated converted houses, whilst also providing a new base for PCT community staff including district nurses, health visitors and midwives. A dental training suite is also to be provided to allow the PCT to work with the Deanery to deliver an enhanced level of dental training within Blackpool. The centre will serve more than 12,000 patients.

The centre is being developed by Brackley Investments and will cost PHP approximately £4.1 m once completed in September 2011.




NEWTON DRIVE
BATHURST AVENUE
Swale
one way
NO ENTRY
9
3
12
14
10
8
246
1
3

Condensed Group statement of comprehensive income

for the six months ended 30 June 2010

	Notes	Six months ended 30 June 2010 £000 (unaudited)	Six months ended 30 June 2009 £000 (unaudited)	Year ended 31 Dec 2009 £000 (audited)
Rental income		**11,829**	10,512	20,994
Finance lease income		**170**	149	338
Rental and related income		**11,999**	10,661	21,332
Direct property expenses		**(203)**	(105)	(210)
Administrative expenses: recurring		**(2,037)**	(2,069)	(3,460)
non-recurring		**-**	-	372
Operating profit before net valuation gain/(loss) on property portfolio		**9,759**	8,487	18,034
Net valuation gain/(loss) on property portfolio	2	**17,821**	(8,033)	1,615
Operating profit before financing		**27,580**	454	19,649
Finance income	6	**46**	53	86
Finance costs	7	**(5,848)**	(5,356)	(10,267)
Fair value (loss)/gain on derivatives	7	**(5,037)**	3,001	1,318
Profit/(loss) on ordinary activities before tax		**16,741**	(1,848)	10,786
Current taxation credit	8	**29**	-	-
Conversion to UK-REIT charge	8	**(1,586)**	-	-
Taxation expense		**(1,557)**	-	-
Profit/(loss) for the period [1]		**15,184**	(1,848)	10,786
Other comprehensive income, net of tax, being:				
Movement in cash flow hedging reserve		**(7,773)**	9,098	7,657
Unrealised gain on fixed asset investment [2]		**128**	-	-
Total comprehensive income for the period net of taxation [1]		**7,539**	7,250	18,443

	Notes	Six months ended 30 June 2010 £000 (unaudited)	Six months ended 30 June 2009 £000 (unaudited)	Year ended 31 Dec 2009 £000 (audited)
Earnings per share				
• basic and diluted [3]	5	**24.7p**	(5.4p)	26.6p
Adjusted earnings per share [4]				
• basic and diluted	5	**6.4p**	9.2p	18.4p

The above relates wholly to continuing operations.

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

2 See note 4 for more details.

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

4 Adjusted for large one-off items and movements in fair value of properties and derivatives.

Condensed Group balance sheet
at 30 June 2010

	Notes	At 30 June 2010 £000 (unaudited)	At 30 June 2009 £000 (unaudited)	At 31 Dec 2009 £000 (audited)
Non current assets				
Investment properties	2,3	**460,815**	315,749	341,890
Net investment in finance leases		**3,025**	2,991	3,014
Fixed asset investment	4	**605**	-	-
Derivative interest rate swaps		**21**	-	1,386
		464,466	318,740	346,290
Current assets				
Derivative interest rate swaps		**-**	-	63
Trade and other receivables		**2,709**	1,945	1,939
Net investment in finance leases		**48**	41	49
Cash and cash equivalents		**1,068**	153	212
		3,825	2,139	2,263
Total assets		**468,291**	320,879	348,553
Current liabilities				
Derivative interest rate swaps		**(17,182)**	(10,462)	(12,208)
Corporation tax payable		**(69)**	(29)	(29)
UK-REIT conversion charge payable		**(1,866)**	(1,490)	(1,455)
Deferred rental income		**(6,335)**	(4,677)	(4,638)
Trade and other payables	11	**(11,443)**	(3,530)	(1,991)
		(36,895)	(20,188)	(20,321)
Non-current liabilities				
Term loans	12	**(256,792)**	(207,216)	(166,139)
UK-REIT conversion charge payable		**(1,422)**	(1,708)	(856)
Derivative interest rate swaps		**(15,873)**	(5,825)	(9,322)
		(274,087)	(214,749)	(176,317)
Total liabilities		**(310,982)**	(234,937)	(196,638)
Net assets		**157,309**	85,942	151,915

	Notes	At 30 June 2010 £000 (unaudited)	At 30 June 2009 £000 (unaudited)	At 31 Dec 2009 £000 (audited)
Equity				
Share capital		**31,286**	17,633	30,729
Share premium		**53,339**	50,431	50,664
Capital reserve		**1,618**	1,618	1,618
Special reserve		**44,442**	-	44,442
Cash flow hedging reserve		**(15,039)**	(5,825)	(7,266)
Retained earnings		**41,663**	22,085	31,728
Total equity [1]		**157,309**	85,942	151,915
Net asset value per share				
• basic	13	**251.4p**	243.7p	247.2p
• EPRA net asset value per share [2]		**304.2p**	289.9p	279.9p

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

2 EPRA NAV is calculated as Balance Sheet net assets including the valuation result on trading properties but excluding fair value adjustments for debt and related derivatives.

Condensed Group cash flow statement
for the six months ended 30 June 2010

	Six months ended 30 June 2010 £000 (unaudited)	Six months ended 30 June 2009 £000 (unaudited)	Year ended 31 Dec 2009 £000 (audited)
Operating activities			
Profit/(loss) before tax	**16,741**	(1,848)	10,786
Less: Finance income	**(46)**	(53)	(86)
Plus: Finance costs	**5,848**	5,356	10,267
Plus: Fair value loss/(gain) on derivatives	**5,037**	(3,001)	(1,318)
Operating profit/(loss) before financing	**27,580**	454	19,649
Adjustments to reconcile Group operating profit/(loss) to net cash flows from operating activities:			
Revaluation (gain)/loss on property	**(17,821)**	8,033	(1,615)
Increase in trade and other receivables	**(678)**	(216)	(131)
Increase/(decrease) in trade and other payables[1]	**2,065**	(675)	(377)
Cash generated from operations	**11,146**	7,596	17,526
UK REIT conversion charge instalment	**(637)**	(587)	(1,575)
Taxation paid[2]	**(193)**	-	-
Net cash flow from operating activities	**10,316**	7,009	15,951
Investing activities			
Payments to acquire investment properties[1]	**(12,612)**	(6,919)	(23,413)
Payments to acquire shares in AH Medical Properties PLC	**(476)**	-	-
Payments to acquire Anchor Meadow Limited	**(5,498)**	-	-
Payments to acquire Sinclair Montrose Properties Limited	**(23,842)**	-	-
Payments to acquire Abstract Integrated Healthcare Limited	**(1,856)**	-	-
Payments to acquire Charter Medinvest Limited	**(6,787)**	-	-
Payments to acquire Health Investments Limited	**(7,214)**	-	-
Interest received on developments	**41**	7	46
Bank interest received	**2**	2	4
Other interest received	**3**	45	36
Net cash flow used in investing activities	**(58,239)**	(6,865)	(23,327)

	Notes	Six months ended 30 June 2010 £000 (unaudited)	Six months ended 30 June 2009 £000 (unaudited)	Year ended 31 Dec 2009 £000 (audited)
Financing activities				
Proceeds from issue of shares (net of expenses)		**-**	3,261	60,748
Term bank loan drawdowns		**61,450**	16,340	38,990
Term bank loan repayments		**(2,250)**	(13,390)	(77,290)
Net swap interest paid		**(4,043)**	(1,840)	(6,541)
Interest paid		**(1,317)**	(2,182)	(3,432)
Equity dividends paid		**(5,061)**	(2,855)	(5,562)
Net cash flow from financing activities		**48,779**	(666)	6,913
Increase/(decrease) in cash and cash equivalents for the period		**856**	(522)	(463)
Cash and cash equivalents at start of period		**212**	675	675
Cash and cash equivalents at end of period		**1,068**	153	212

1 The accrual for the Connah's Quay development has been recognised in investing activities rather than operating activities as it relates to an investment 'property' rather than working capital.

2 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 prem-ium £000	Capital reserve £000	Special reserve £000	Cash flow hedging reserve £000	Retained earnings £000	Total £000
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:							
Transfer to Group Statement of Comprehensive Income on cash flow hedges	-	-	-	-	2,365	-	2,365
Fair value losses on cash flow hedges taken to equity	-	-	-	-	(10,138)	-	(10,138)
Unrealised gains at fair value through equity	-	-	-	-	-	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**
Six months ended 30 June 2009 (unaudited)							
1 January 2009	16,794	48,009	1,618	-	(14,923)	26,788	78,286
Loss for the period	-	-	-	-	-	(1,848)	(1,848)
Income and expense recognised directly in equity:							
Transfer to Group Statement of Comprehensive Income on cash flow hedges	-	-	-	-	3,301	-	3,301
Fair value gains on cash flow hedges taken to equity	-	-	-	-	5,797	-	5,797
Total Comprehensive Income	-	-	-	-	9,098	(1,848)	7,250
Placing proceeds (net of expenses)	839	2,422	-	-	-	-	3,261
Dividends paid:							
Second interim dividend for period ended 31.12.08 (8.5p)	-	-	-	-	-	(2,855)	(2,855)
30 June 2009	**17,633**	**50,431**	**1,618**	**-**	**(5,825)**	**22,085**	**85,942**

	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 2009 (audited)							
1 January 2009	16,794	48,009	1,618	-	(14,923)	26,788	78,286
Profit for the year	-	-	-	-	-	10,786	10,786
Income and expense recognised directly in equity:							
Transfer to Group Statement of Comprehensive Income on cash flow hedges	-	-	-	-	3,148	-	3,148
Fair value gains on cash flow hedges taken to equity	-	-	-	-	4,509	-	4,509
Total Comprehensive Income	-	-	-	-	7,657	10,786	18,443
Proceeds from capital raisings	13,883	2,856	-	46,956	-	-	63,695
Expenses of capital raisings	-	(433)	-	(2,514)	-	-	(2,947)
Dividends paid:							
Second interim dividend for period ended 31.12.08 (8.50p)	-	-	-	-	-	(2,855)	(2,855)
First interim dividend for year ended 31.12.09 (8.50p)	-	-	-	-	-	(2,707)	(2,707)
Scrip dividends in lieu of interim cash dividend (net of expenses)	52	232	-	-	-	(284)	-
31 December 2009	**30,729**	**50,664**	**1,618**	**44,442**	**(7,266)**	**31,728**	**151,915**

Condensed notes to the 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 2009 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 2010 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 2009 which have been prepared in accordance with IFRS as adopted by the European Union. The acquisitions during the six months ended 30 June 2010 have been treated as asset acquisitions (See note 3).

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 2009.

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 Group's borrowing facilities are not due for renewal until 2013 and the loan to value ratio is currently 55.9%, well below the banking covenant of 70%. The pipeline of properties is strong. Having reviewed the Group's current position, cash flow projections, 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 2010 in accordance with IAS 40: Investment Property.

The revaluation gain for the six months ended 30 June 2010 amounted to £17.8 m. The revaluation gain for the year ended 31 December 2009 amounted to £1.6 m and the loss for the six months ended 30 June 2009 amounted to £8.0 m.

Property additions (including capitalised interest costs of £0.2 m relating to contracts) for the six months ended 30 June 2010 amounted to £101.1 m. There were no properties disposed of in the six months to 30 June 2010. Commitments at 30 June 2010 amounted to £24.0 m (31 December 2009: £26.1 m).

Property additions for the 12 months ended 31 December 2009 and the six months ended 30 June 2009 amounted to £23.4 m and £6.9 m respectively. There were no property disposals during these periods.

3. Property acquisitions

As referred to in the operating and financial review the Group has acquired 33 fully let investments through five corporate transactions and one property acquisition during the six months to 30 June 2010. These acquisitions have been treated as asset acquisitions.

	Investment properties freehold £000	Investment properties long leasehold £000	Investment properties under construction £000	Total £000
As at 1st January 2010 [1]	280,739	57,655	3,496	341,890
Property additions	189	255	17,643	18,087
Acquired Investment Property, Lanark	3,641	-	-	3,641
Anchor Meadow Limited	5,498	-	-	5,498
Sinclair Montrose Properties Limited	23,842	-	-	23,842
Abstract Integrated Healthcare Limited	4,856	-	-	4,856
Charter Medinvest Limited	6,787	-	-	6,787
Health Investment Limited	22,662	15,731	-	38,393
Transfer from properties in the course of development	17,302	-	(17,302)	-
Revaluations for the year	20,437	(3,661)	1,045	17,821
As at 30 June 2010	**385,953**	**69,980**	**4,882**	**460,815**

1 The split between freehold and long leasehold properties has been reclassified This reclassification has no impact on the gross asset value.

Condensed notes to the financial statements continued

4. Fixed asset investment

The fixed asset investment is held as an available for sale ("AFS") asset in accordance with IAS 39. The unrealised gain on the investment is recognised through the statement of changes in equity. The fixed asset investment acquired during the six months to 30 June 2010 at a cost of £476,000 represents ordinary shares acquired in AH Medical Properties PLC and has been valued at the quoted price on 30 June 2010 of £605,000.

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/(loss) attributable to Ordinary Shareholders			[1] Number of Ordinary Shares			Pence per share		
	Six mths ended 30 June 2010 £000 (unaudited)	Six mths ended 30 June 2009 £000 (unaudited)	Year ended 31 Dec 2009 £000 (audited)	Six mths ended 30 June 2010 (unaudited)	Six mths ended 30 June 2009 (unaudited)	Year ended 31 Dec 2009 (audited)	Six mths ended 30 June 2010 (unaudited)	Six mths ended 30 June 2009 (unaudited)	Year ended 31 Dec 2009 (audited)
Basic profit/(loss)	15,184	(1,848)	10,786	61,561,192	34,487,079	40,623,413	24.7	(5.4)	26.6
Adjusted profit/(loss)									
Adjustments to remove:									
Other non recurring items	-	-	(372)						
Net valuation gains/(losses) on valuation of property	17,821	8,033	(1,615)						
Fair value loss/(gain) on derivatives [2]	5,037	(3,001)	(1,318)						
UK REIT conversion charge	1,586	-	-						
Taxation	(29)	-	-						
Adjusted basic and diluted earnings [3]	3,957	3,184	7,481	61,561,192	34,487,079	40,623,413	6.4	9.2	18.4

1 Weighted average number of Ordinary Shares in issue during the period. In October 2009 the Group issued 26,086,956 New Shares by way of a Firm Placing and Open Offer.

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 2010 £000 (unaudited)	Six months ended 30 June 2009 £000 (unaudited)	Year ended 31 Dec 2009 £000 (audited)
Interest income on financial assets			
Not at fair value through profit or loss			
Bank interest	**2**	2	4
Development loan interest	**41**	7	46
Other interest	**3**	44	36
	46	53	86

Condensed notes to the financial statements continued

7. Finance costs

	Six months ended 30 June 2010 £000 (unaudited)	Six months ended 30 June 2009 £000 (unaudited)	Year ended 31 Dec 2009 £000 (audited)
Interest expense on financial liabilities			
Not at fair value through profit or loss			
(i) Interest paid			
Bank loan interest paid	**1,292**	2,002	3,228
Bank swap interest paid	**4,259**	3,301	6,473
Other interest paid	**4**	3	(12)
Notional UK-REIT interest	**28**	50	103
Bank facility non utilisation fees	**65**	-	148
Bank charges and loan commitment fees	**200**	-	327
	5,848	5,356	10,267
At fair value through profit or loss			
(ii) Derivatives			
Net fair value (loss)/gain on derivatives	**(5,037)**	3,001	1,318

The fair value loss on derivatives recognised in the Condensed Group Statement of Comprehensive Income has arisen from the interest rate swaps for which hedge accounting does not apply. A further fair value loss on hedges which meet the hedge effectiveness criteria under IAS39 of £7.8 m (31 December 2009: gain of £7.7 m) is accounted for directly in equity.

	Six months ended 30 June 2010 £000 (unaudited)	Six months ended 30 June 2009 £000 (unaudited)	Year ended 31 Dec 2009 £000 (audited)
Total net finance costs	**5,802**	5,303	10,181
Weighted average finance cost %	**4.80**	4.80	4.79

8. Taxation

	Six months ended 30 June 2010 £000 (unaudited)	Six months ended 30 June 2009 £000 (unaudited)	Year ended 31 Dec 2009 £000 (audited)
Taxation in the Condensed Group Statement of Comprehensive Income:			
Current tax			
UK Corporation tax credit on non property income	**(29)**	-	-
Charge on conversion to UK-REIT status	**1,586**	-	-
Taxation expense in the Statement of Comprehensive Income	**1,557**	-	-

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

9. Dividends paid

	Six months ended 30 June 2010 £000 (unaudited)	Six months ended 30 June 2009 £000 (unaudited)	Year ended 31 Dec 2009 £000 (audited)
Second interim dividend for the period ended 31 December 2009 (8.75p) paid 26 March 2010 (2009: 8.50p)	**5,061**	2,855	2,855
First interim dividend for the period ended 31 December 2009: (8.50p) paid 20 November 2009 (2008: 8.25p)	**-**	-	2,707
Scrip dividend in lieu of interim cash dividends	**316**	-	284
	5,377	2,855	5,846

The Board proposes to pay an interim cash dividend of 8.75p per Ordinary Share for the six months to 30 June 2010, payable on 29 October 2010.

Condensed notes to the financial statements continued

10. Performance incentive scheme

No performance incentive fee is payable to the Joint Managers for the period ended 30 June 2010 (six months to 30 June 2009 and year ended 31 December 2009: £nil). Under the terms of the management agreement there is a deficit of some £55 m to be made up in the net asset value before any further performance incentive fee becomes payable.

11. Trade and other payables

Trade and other payables includes an accrual of £9.1 m for cash due to Haven Health for delivery of the completed development at Connah's Quay.

12. Bank borrowings reconciliation

	Drawndown £000	Headroom £000	Total facility £000
As at 1 January 2010	167,300	97,700	265,000
Net of prepaid loan arrangement fees	(1,161)	-	-
	166,139	**97,700**	**265,000**
Drawdowns during the period	59,200	(59,200)	-
	225,339	**38,500**	**265,000**
Natwest Bank facility acquired with Abstract Integrated Healthcare Limited [1]	3,000	350	3,350
Aviva facility acquired with Health Investments Limited [2]	28,264	-	28,264
Movement in prepaid loan arrangement fees	189	-	-
Total, term loans	**256,792**	**38,850**	**296,614**

1 The Natwest Bank facility is due to be fully repaid in May 2011.

2 The acquired Aviva facility are fixed term loans secured at fixed interest rates.

13. Net asset value calculations

There is no difference between the normal and adjusted net asset values as at 30 June 2009, 31 December 2009 and 30 June 2010. Net asset values have been calculated as follows:

	30 June 2010 £000 (unaudited)	30 June 2009 £000 (unaudited)	31 Dec 2009 £000 (audited)
Net assets per Condensed Group Balance Sheet	**157,309**	85,942	151,915
Derivative interest rate swaps liability (net)	**33,034**	15,914	20,144
Basis swaps	**-**	373	(63)
EPRA net asset value	**190,343**	102,229	171,996

	Number of shares	Number of shares	Number of shares
Ordinary Shares:			
Issued share capital	**62,571,174**	35,266,448	61,457,298
Basic net asset value per share	**251.4p**	243.7p	247.2p
EPRA net asset value per share	**304.2p**	289.9p	279.9p

Condensed notes to the financial statements continued

14. Related party transactions

There have been no changes to the related party arrangements or transactions as reported in the statutory Annual Financial Report for the year ended 31 December 2009. Note 4a) of the Annual Financial Report includes details of the management fees payable. Management fees of £0.8 m payable in accordance with the Joint Management Agreement described in the Annual Financial Report were paid to Nexus PHP Management Limited (six months to 30 June 2009: £0.8 m and 12 months to 31 December 2009: £1.4 m) and to J O Hambro Capital Management Limited £0.7 m (six months to 30 June 2009: £0.7 m and 12 months to 31 December 2009: £1.0 m).

The GP surgery acquired at Lanark was purchased for a consideration of £3.4 m from Alba Investment Properties Limited ("Alba"). Christopher Mills, who is a principal of J O Hambro Capital Management Limited, is a related party to Alba through investment in that company by North Atlantic Value Smaller Companies Investment Trust plc of which Mr Mills is Chief Executive and Joint Investment Manager and a substantial shareholder of the Joint Investment Manager. In assessing the value of the property the Group used independent valuers and neither J O Hambro Capital Management Limited (the Joint Manager) nor Mr James Hambro, Director, took any part in the acquisition process.

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 2010 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 2010 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
18 August 2010

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 2009. A list of current Directors is shown on page 44. 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
18 August 2010

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
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* calls cost 10p per minute plus network charges

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