Primary Health Properties PLC

A dedicated healthcare REIT

Annual Report for the year ended 31 December 2012

Primary Health Properties

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

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

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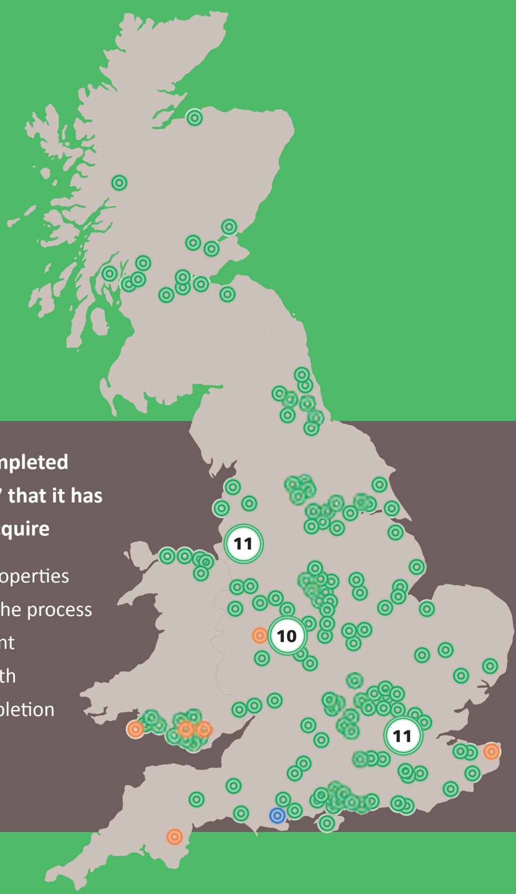
PHP has 176 completed properties and 7 that it has committed to acquire

- Investment properties
- Properties in the process of development
- Contracted with deferred completion



for more information visit

www.phpgroup.co.uk

Girlington Health Centre, Bradford

A new, purpose built, medical centre rated BREEAM 'Excellent' was completed in October 2012 and purchased by PHP in December 2012. It provides spacious and flexible accommodation over two floors and is let to a four GP practice serving 6,000 patients in the community just to the north west of Bradford city centre and has a Lloyds Pharmacy.

size:	700 sq m
built:	October 2012
cost:	£1.9 million
patient numbers:	6,000
tenants:	GP practice and pharmacy

Financial Highlights

Year ended 31 December	2012	2011	Increase %
Rental and related income	£33.2m	£30.7m	8%
Operating profit before revaluation result on property portfolio	£27.6m	£25.1m	10%
Total dividend paid to shareholders	18.5p	18.0p	3%
Total investment property	£622.4m	£525.6m	18%
Loan to value ratio	60.9%	57.8%	-
EPRA net asset value	£231.9m	£217.6m	7%

- 16th consecutive year of dividend growth with 18.5p per share paid in the year (2011: 18.0p)
- Total annualised rent roll including commitments has risen by 20% to £38.9 million (2011: £32.3 million)
- Total portfolio including commitments has increased by 20% to £645.4 million (2011: £539.7 million)

Chairman's Statement

We have positioned the Group and created the structure and resources to be a leading participant in satisfying the strong demand for third party investment into primary care properties.

I am delighted to present my review and report to the shareholders of Primary Health Properties PLC ("PHP") together with its subsidiaries (the "Group") for the financial year ended 31 December 2012. This has been an extremely busy year and one where the Group has achieved success in all of the major areas of its business.

In March 2012, the Health and Social Care Act (the "Act") passed into statute, paving the way for significant changes to the delivery of healthcare in England. The Act transfers responsibility for the commissioning of care to local Clinical Commissioning Groups ("CCGs") which will have a strong General Practitioner ("GP") representation in their management. CCGs will be overseen by the National Commissioning Board and will lead the continued drive to transfer the delivery of health services closer to the patient and create what we believe will be an increased demand for localised, primary care facilities. There is no change to the NHS structures in Scotland, Wales or Northern Ireland.

Alongside the replacement of Primary Care Trusts ("PCTs") with CCGs, is the establishment of the NHS Property Services company ("NHS PropCo"). The ownership of real estate assets held by PCTs will be transferred to NHS PropCo who we also expect to be responsible for the management of other PCT occupied space such as that provided by the Group. Whilst the full impact of this organisational change on things such as the procurement of new premises is yet to be known, we have seen continued demand for primary health facilities and the sanctioning of further development projects both by outgoing PCTs and some of the newly established local management structures.

There is nothing in the Act, however, that fundamentally changes the current GP premises cost reimbursement scheme and the strength of the Group's income base, where 90% of rental income is funded by the NHS. The Group has acquired a large number of assets in 2012 which increases the quantum and extends the longevity of our income stream and provides opportunities to create additional value. I believe that this, combined with the major funding transactions completed in 2012, has created the structure and resources that position the Group to be a leading participant in satisfying the strong demand for third party investment into primary care properties.

Funding

Transactions in both debt and equity markets have illustrated stakeholders' confidence in the Group's strategy of investing solely in primary health property assets with their secure cash flows and stability of capital values.

A total of £250 million of new debt facilities were completed during the year, refinancing the Group's core banking facilities and providing new sources of finance to support PHP's expansion plans.

As detailed in my interim report to shareholders in 2012, the Group completed a new, four year facility with our long standing core bankers, Royal Bank of Scotland plc and Santander Banking Group to refinance the entirety of their expiring commitment to the PHP Group. Whilst the cost of this debt has increased, the belief of the banks in the underlying asset portfolio and strength of covenant of PHP's tenants meant that the facility was provided with no change required to the underlying swap portfolio.

In July, PHP demonstrated its attraction to a wider range of investors when leading the property investment sector in accessing the Retail Bond market to issue a £75 million, unsecured, seven year bond. This was PHP's first venture away from traditional bank lenders, but the transparency and strength of PHP's underlying income resulted in significant demand from fixed income investors, such that the offer period for the issue was closed early.

PHP has also proven to be of continued attraction to equity investors with the Company raising fresh equity (net of costs) of £18.4 million in May 2012. This was from a mix of new and existing investors and has been used to invest in additional property assets. In December, the Group completed the acquisition of Apollo Medical Partners Limited ("Apollo") and, as part of the consideration, issued a further 1,231,395 shares to the vendors, demonstrating their confidence in PHP's portfolio and business model.

Investment activity

The Group has continued to invest in primary care assets, committing a mix of debt and equity to generate growing returns to shareholders. In the year under review, the Group added 23 new properties to its portfolio for a total consideration of some £110 million and took delivery of 3 previously committed assets.

At the balance sheet date, the Group held a total of 183 primary care centres that included 6 assets under construction, all due for delivery in 2013 and one standing let investment where completion of its acquisition was deferred to 1 February 2013.

The largest single transaction was the acquisition of Apollo in December with its portfolio of 14 assets. This transaction also included the establishment of a five year pipeline agreement with the vendors, where they and PHP will work together to create new, high quality premises for the primary care sector.

Performance

Group rental income increased by 8.1% for the year to £33.2 million (2011: £30.7 million). In addition to contributions from new and extended assets, growth has continued to be secured on rent reviews across the portfolio.

The primary care property sector has not escaped the tougher economic conditions and whilst rental growth has continued, the average annualised rate of growth has slowed to 2.4% (2011: 3.0%). At the year end, contracted rent roll had increased by over 20% in the year to £38.9 million (2011: £32.3 million).

Group profits before revaluation and the change in fair value of derivatives ("Profit from trading activities") and before the provision for early loan repayment fees were £7.4 million (2011: £9.7 million). This reflects the increased margins payable on the Group's debt, but with the gap between investment yields and the Group's incremental cost of debt being wider than for some time, acquisitions completed in 2012 and to be secured in 2013 will recover this and more.

The Group's property portfolio, including commitments, now totals over £645 million (2011: £540 million) in value. The underlying assets, once again demonstrated its attractiveness to the investment market with the average net initial yield remaining broadly unchanged at 5.72% (2011: 5.74%).

Dividends

PHP paid a total of 18.5 pence per share in dividends to shareholders in the year, the 16th successive year of dividend growth. The strength of the Group's income and the positive outlook for portfolio growth underpinned the increased dividend in 2012. The Board has now approved the payment of a second interim dividend of 9.5 pence per share in respect of 2012. This will be payable on 22 April 2013 to shareholders on the register on 8 March 2013, with an ex-dividend date of 6 March 2013.

Outlook

The demands placed upon the NHS and the structural changes targeted by the Act are all strengthening the move to deliver more healthcare services in the local community.

The creation of local CCGs alongside this delivery change has seen continued demand for modern, purpose built facilities, the capital for which will continue to be provided by specialist investors such as PHP.

The abolition of PCTs in April 2013, being replaced by CCGs, will be the final action needed to bring about the changes envisaged by the Act. Whilst this will result in the inevitable period of administrative flux, the underlying funding of the NHS and GP premises costs will be unaffected. The strength of the Group's tenant covenant will remain, as will the longevity of its income. As new and enhanced premises are required to deliver the increasing care demands of the growing UK population the Board is confident of the opportunities for the Group to add to its investment portfolio and generate increasing returns from its assets.

In 2013, the Group has so far secured a further £6.3 million of new properties. PHP will continue to acquire high quality assets with secure rental streams as evidenced by a strong pipeline currently being documented by our advisors. The additional operating surpluses that these will generate will enable the Board to meet its prime objective of returning the Group to full dividend cover as quickly as possible.

The ability of PHP to access both debt and equity markets, due to its track record and portfolio quality, will enable the Group to take advantage of further opportunities to expand its portfolio through 2013. The Board has confidence in the current portfolio and its ability to deliver secure and growing returns which will be enhanced by the strong pipeline of additional acquisition opportunities available to the Group.

Graeme Elliot
Chairman

27 February 2013

Managing Director's Review

Shareholders saw a sixteenth consecutive year of dividend growth whilst solid rental growth will increase operating profits to re-establish full dividend cover.

£110m
of new asset acquisitions or commitments

£6.4m
added to annual rent roll

year ended 31 December 2012

The completion of £110 million of acquisitions in 2012, investing a large proportion of the additional capital secured in the year has put the Group well on its way to returning to full dividend cover. Shareholders saw a sixteenth consecutive year of dividend growth as revenues were grown to offset the increased margins charged on new debt. Further acquisitions and continued growth from rent reviews will grow operating profits to re-establish dividend cover.

Changing face of the NHS

In March 2012, the Health and Social Care Act (the "Act") entered into statute bringing about the start of the biggest structural change to the provision of healthcare by the NHS in modern times. From April 2013, responsibility for the commissioning of care will be transferred to local Clinical Commissioning Groups ("CCGs") in which GPs will have a major management involvement. The existing Primary Care Trusts ("PCTs") will be abolished and oversight will be provided by a National Commissioning Board. Throughout the period before and since the Act became legislation, we have engaged with senior executives within government and the NHS and have been advised that the Act will not change the current premises costs reimbursement provisions whereby GPs rent, rates and other property costs are funded by the NHS.

NHS Property Services Limited ("NHS PropCo"), a company wholly owned and funded by the Government, was created in the year. The abolition of PCTs will see the transfer of all PCT real estate interests to NHS PropCo which will also provide advisory services to the CCGs with regard to premises both old and new. The strategy of NHS PropCo and how it will interact with private sector investors such as PHP is not yet clear, but management is engaging with NHS PropCo so that PHP is involved and informed as NHS PropCo assumes its responsibilities and develops its operating agenda.

What remains unaltered by all of this structural change is the role of primary care in the delivery of healthcare in the UK and the continued drive to deliver more and more services from within the local community. To achieve this, specialist primary care facilities are and will continue to be required and we see a sustained demand for new premises across the UK that will require investment from third party investors such as PHP.

Investment portfolio

There has been a continuous supply of new investment and funding opportunities for the Group throughout the year. In total, PHP has completed £110 million of new transactions in 2012, adding 23 assets to the portfolio and securing an additional £6.4 million of rental income. These include a mix of standing let investments and new forward funding commitments. PHP also took delivery of 3 assets where construction was completed in the year.

As at 31 December 2012, the value of PHP's gross assets under management, including commitments, was £645.4 million, representing 183 properties. Of these, 176 were completed and rent producing, six were funding commitments, one of which has been delivered since the year end and the final asset was a contract to acquire a standing let investment, that was completed on 1 February 2013.

The total rent roll from these 183 assets is £38.9 million, an increase of 20% over the rent roll at the end of 2011. The portfolio holds a number of value add opportunities which are secured by management's regular dialogue and discussion with our tenants and close monitoring of the portfolio and developments in the locality of our existing assets. Rental growth has been lower in 2012 than in the previous year, but growth of 2.4% per annum (2011: 3.0%) has contributed to the increased rent roll and the profitability of the Group.

Business Model and Strategy

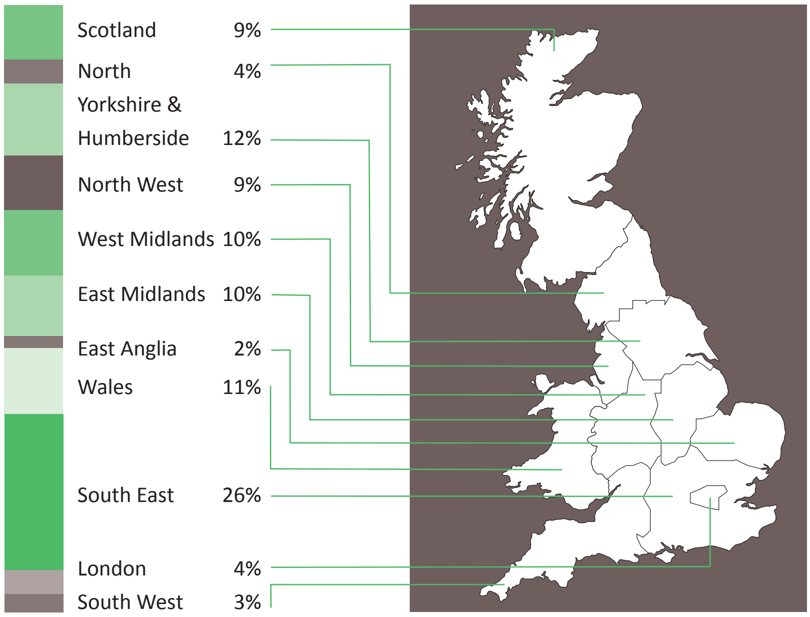
PHP's business model is to invest solely in the freehold or long leasehold of modern purpose-built primary healthcare facilities in the United Kingdom which the Group hold for long term investment. The properties are leased to general practitioners, NHS organisations and other associated healthcare users, including on-site pharmacies, usually with original lease terms of 21 years or more, at effectively upward only rentals. 90% of the Group's rent roll is funded directly or indirectly by the government, with the balance almost entirely coming from established pharmacies. The Group does not develop new assets on its own behalf but works closely with a number of specialist developers in the sector, committing to fund and acquire new assets as they are constructed, but contracting to do so only once the major areas of risk such as agreements to let to GP occupiers have been entered into. The Group also invests in standing, let properties with primary care tenants in place, provided the underlying occupational leases and other property fundamentals meet its stringent criteria.

The Group finances its portfolio with a mix of equity and debt, the proportions of which are kept under constant review to optimise risk adjusted returns to shareholders over the long term. The Group's portfolio currently comprises over one hundred and eighty primary healthcare facilities, both completed and committed, with an average unexpired lease term of 16 years. Debt facilities are closely monitored to ensure a spread of providers and range of maturities to ensure continuity and availability that match the longevity of income streams.

The Group's strategy is to take advantage of its predictable cost base, the security of its cash flows, the talents of its joint managers and the availability of finance for the quality of the assets it invests in to continue to grow the portfolio and returns to shareholders. Each potential investment is evaluated for its income and asset value growth potential, and in particular PHP seeks possibilities for extending the term of the underlying leases and scope to add to the income and value from providing additional space and facilities in the future.

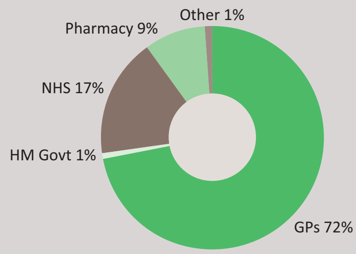
PHP will look to secure, wherever possible, larger individual unit sizes where typically there are more practicing GPs and greater patient lists, helping to meet the demands for the highest quality of primary care.

Analysis of rental income by geographic region



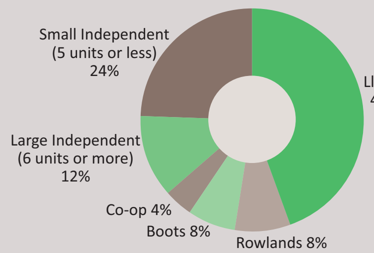
Covenant analysis by annual rent

90% of the Group's rent roll is paid directly or indirectly by the Government.



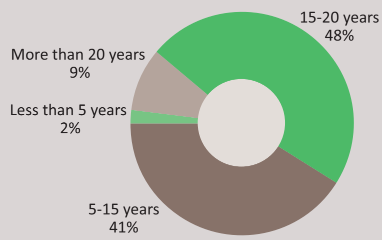
Analysis of pharmacy rental income

Pharmacy rents represent 9% of total income. 64% of this is derived from national covenants.



Analysis of annualised rent by unexpired lease term

57% of occupational leases have a remaining life of 15 years or longer. The weighted average lease length (including commitments) is 16 years.



Managing Director's Review (continued)

Portfolio metrics

	2012 £m	2011 £m
As at 31 December		
Gross contracted rent roll	**36.8**	31.4
Total portfolio value	**622.4**	525.6
Including purchase commitments		
Gross contracted rent roll	**38.9**	32.3
Total portfolio value	**645.4**	539.7

Portfolio valuation and performance

	2012 £m	2011 £m
Investment properties	**606.7**	521.2
Properties in the course of development	**15.7**	4.4
Total properties	**622.4**	525.6
Finance leases	**3.1**	3.1
Total owned and leased	**625.5**	528.7
Balance of commitments at the year end	**19.9**	11.0
Total owned, leased and committed	**645.4**	539.7

At the balance sheet date, the Group's real estate portfolio, including committed development properties, was independently valued at the balance sheet date by Lambert Smith Hampton ("LSH"), Chartered Surveyors and Valuers, at open market value, as defined by the Royal Institution of Chartered Surveyors ("RICS"). On the basis that all development commitments are completed, the total value was £642.3 million which together with an asset held on a finance lease and some land plots adjoining existing assets saw the Group's property portfolio valued at an aggregate £645.4 million. The average lot size of the Group's portfolio stood at £3.52 million, an increase of 5.1% over the year (2011 - £3.35 million).

Overall, investment yields in the portfolio have remained broadly unchanged, but there is increased competition emerging for new, larger premises in the market as investors are attracted by the secure, long term nature of the underlying income. The Group's portfolio shows an average net initial yield of 5.72%, a small improvement on that of 31 December 2011 at 5.74%. The true equivalent yield is 6.05% as compared to 6.06% at the end of 2011.

In December 2012, PHP announced the acquisition of Apollo Medical Properties Limited ("Apollo") for a total consideration of £10.2 million, including transaction costs of £0.6 million. The consideration was settled with the issue of 1,231,395 PHP shares to the vendors, the payment of £4.2 million of cash upon completion (including costs) and the deferral of £1.8 million against the completion of three assets under construction and due to complete in 2013.

The value of the assets acquired, using a traditional valuation methodology, applying standard purchaser's costs, was £62.3 million. This resulted in a revaluation deficit of £2.3 million when compared to the purchase values agreed with the vendor that reflected the overall savings from undertaking a corporate transaction rather than acquiring the assets directly, that were shared with the vendors.

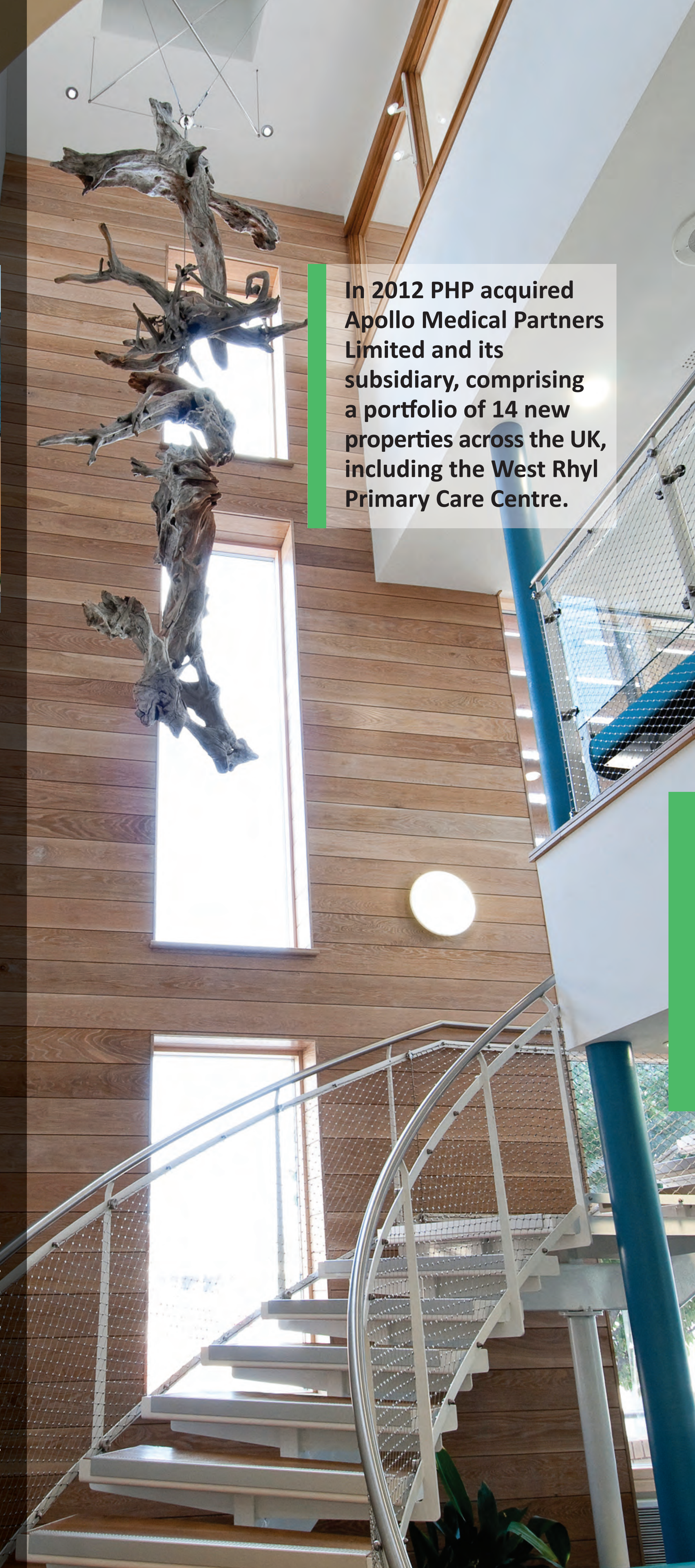
In addition to the net consideration payable, PHP assumed Apollo's fixed cost debt, which had a fair value on acquisition of £52.4 million. Net negative working capital of £2.2 million, including restricted cash deposits of £6.6 million and accrued costs to complete the assets under construction was also taken on.

Excluding the valuation deficit arising from the Apollo acquisition, the stability of and growth secured in the remainder of the PHP portfolio realised a net valuation uplift of £0.5 million, which is after the write off of £1.4 million of acquisition costs on non-Apollo assets acquired in the year. The overall revaluation deficit for the year was £1.8 million (2011 surplus - £10.6 million).

West Rhyl Primary Care Centre, Rhyl

A purpose built medical centre located close to the retail and commercial centre of Rhyl, extending to 1,705 sq m arranged over three floors. The main occupant is The Clarence Medical Centre, a seven strong GP practice serving over 16,250 patients; other users include the Betsi Cadwaladr University Health Board, Denbighshire County Council (Adult Social Services) and Rhyl City Strategy. There is a separate pharmacy let to Lloyds. The property was completed in May 2010 and acquired by PHP in December 2012.

size:	1,705 sq m
built:	May 2010
cost:	£4.98 million
patient numbers:	16,250
tenants:	GP practice, local health board, local authority, community interest company and pharmacy



In 2012 PHP acquired Apollo Medical Partners Limited and its subsidiary, comprising a portfolio of 14 new properties across the UK, including the West Rhyl Primary Care Centre.

The Group's property portfolio showed a total return of +6.99% in 2012, +10.07% per annum over the three years to the balance sheet date and +5.61% per annum over the five year period to 31 December 2012. This compares to the IPD All Property Index that showed +2.7%, +8.4% and +0.5% respectively. This illustrates the outperformance of the Group's assets due to their stability and the security of the underlying income.

PHP is also a member of the IPD Healthcare Property Index and benchmarks its performance against the portfolios held by other investors in the sector. The index is published on an annual basis, and the results for 2012 are not yet available. The Group once again outperformed the Index in 2011 delivering a total return of 10.1% against the Index of 9.4%. The 2012 index will be published in May 2013 following which we will report our 2012 comparative performance.

As in previous years, the Joint Managers have prepared an alternative valuation of the real estate portfolio on a discounted cash flow ("DCF") basis. The Joint Managers feel that this better reflects the quasi infrastructure nature of the underlying assets, looking at the long term, secure and growing cash flows of the Group. The DCF methodology produces a value of £720.4 million for the assets as compared to £645.4 million using a traditional yield based approach. This represents an additional 98.8 pence per share in net asset value terms. In the DCF valuation, we have been consistent year on year in discounting the cash flows at 7%.

Portfolio activity and commitments

The Group acquired or took delivery of 20 standing let investments in the year, 11 of which formed part of the Apollo acquisition. The majority of these assets include growth opportunities, either through the letting of vacant areas not valued upon purchase, or through physical or lease extensions from discussions with our tenants.

	Sq m	Occupational tenants
Conan Doyle Medical Centre, Edinburgh	1,144	7 GP practice
Wepre Pharmacy, Connah's Quay	145	A pharmacy adjacent to an existing Group asset
Watton Medical Centre, Watton, Norfolk	924	6 GP practice
Nantgarw Medical Centre, Caerphilly	1,250	3 GP practice, Health Board and pharmacy
Kingsway Health Centre, Luton	1,281	Wholly let to local PCT
Rotherham Community Health Centre, Rotherham	4,636	Wholly let to local PCT
Springhill Medical Centre, Old Arley, Warwickshire*	744	4 GP practice
Allesley Park Medical Centre, Coventry*	1,170	5 GP practice and pharmacy
Pelton Primary Care Centre, County Durham*	1,613	5 GP practice, PCT and pharmacy
Clydach Primary Care Centre, Clydach, South Wales**	1,549	8 GP practice, local Health Board and pharmacy
Fort William Health Centre, Fort William**	3,468	15 GPs in three practices, local Health Board and pharmacy
Rutland Surgery, Govan, Glasgow**	510	3 GP practice
Heckmondwicke Primary Care Centre, Heckmondwicke**	1,600	11 GPs in two practices and a pharmacy
The Glanrafon Medical Centre, Mold**	986	6 GPs in two practices
Old Kilpatrick Medical Centre, Old Kilpatrick**	571	3 GP practice
West Rhyl Primary Care Centre, Rhyl**	1,706	7 GP practice, local Health Board, Local Authority and pharmacy
Brig Royd Surgery, Rippendon**	1,090	6 GP practice and pharmacy
Shipley Health Centre, Shipley**	2,394	8 GP practice, local PCT, dentistry and pharmacy
The Surgery, Sudbury **	1,063	4 GP practice
The Girlington Health Centre, Bradford**	705	3 GP practice and pharmacy

* previous forward commitments completed in the year
** assets acquired with Apollo Medical Properties Limited

In addition to these, PHP has secured five forward funded purchases during the year, three of which formed part of the Apollo transaction. A sixth funding commitment at Ramsgate was secured in 2011 and was delivered in January 2013. The purchase of a standing let investment at Poole, Dorset was contracted as at 31 December 2012 but completion deferred at the request of the the vendor. This completed on 1 February 2013.

Stourbridge

Swansea

Ramsgate

Rumney

Commitments

Contracted in 2012	Total commitment £m	Out-standing £m	Description
Stourbridge	8.6	7.0	2,600 sq m medical centre (10 GP practice and pharmacy)
Newton Abbot	3.0	2.2	1,373 sq m medical centre (6 GP practice)
SA1, Swansea*	8.2	1.4	2,901 sq m medical centre (2 GP practices, local Health Board, University space and pharmacy)
Rumney, Cardiff*	6.5	3.8	2,210 sq m medical centre (4 GP practice, local Health Board and pharmacy)
Cloughmore, Cardiff*	2.9	1.7	1,042 sq m medical centre (5 GP practice)
	29.2	**16.1**	
Pre-existing commitments			
Ramsgate	2.4	0.2	773 sq m medical centre (2 GP practice and pharmacy)
Total commitment to assets under development	**31.6**	**16.3**	
Investment property acquired with delayed completion			
Poole	3.6	3.6	1,312 sq m medical centre (6 GP practice, pharmacy and retail unit)
Total commitments as at 31 December 2012	**35.2**	**19.9**	

* assets acquired with Apollo Medical Properties Limited

The outlook for further additions to the PHP portfolio is very positive. As set out above, since the year end we have completed two contracted commitments and the assets under development are progressing well toward their target completion dates. Earlier this month we announced that PHP has contracted to fund two assets currently under development, a commitment of £6.3 million as set out below.

	Total commitment £m	Target delivery date	Description
St John's, Worcester	4.5	Dec 2013	1,205 sq m medical centre let to a 5 GP practice and pharmacy
Chard, Somerset	1.8	Dec 2013	653 sq m let to a 5 GP practice
Total	**6.3**		

The Group has a strong pipeline of potential investment purchases and opportunities to forward fund the development of new centres. Terms for £81.7 million of transactions are agreed with vendors, subject to contract and are currently being documented by our solicitors. Negotiations for a number of other opportunities are also well progressed with vendors.

Retail bond

£75m

Seven year, unsecured retail bond

issued at an annual coupon of

5.375%

year ended 31 December 2012

Asset management

The Joint Managers place a strong focus on the active management of the Group’s portfolio, managing existing leases and seeking out opportunities to generate additional value from capital projects where possible. In 2012, five projects were completed, being a mix of physical extensions, refurbishment work and lease extensions. These cost a total of £0.36 million and produce additional rent of £0.03 million per annum and extended leases at these locations by an average of 12.5 years, producing a capital value uplift of 52% over cost.

Two projects are currently on site and a further six projects have been agreed with the respective tenants and approved by the Board for 2013. The total cost of these will be in the region of £4.4 million and they will add an average of over 17 years to the respective leases and generate additional rental income of £0.31 million per annum.

Equity capital and debt finance

In order to grow the portfolio as described above, the Group continues to combine the use of shareholder equity and debt facilities secured from a range of sources.

In May 2012, PHP issued 6.23 million shares, raising a net sum of £18.4 million and issued a further 1.23 million shares to the vendors of Apollo in December 2012. The take up of the Scrip Dividend Scheme resulted in an aggregate 0.3 million shares being issued through the year, resulting in a total of 76.03 million shares being in issue at 31 December 2012.

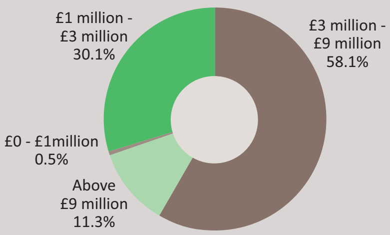
Alongside the equity issues, PHP completed the refinance of its core banking facilities, entering into a new £175 million, four year interest only “Club” facility with Royal Bank of Scotland plc and Santander Banking Group, to replace their expiring bi-lateral loans. As a result of the increased cost of funds in lending markets, following the completion of this loan, the average margin on PHPs debt facilities rose to 230 basis points from a previous 80 basis points.

In July, PHP became the first UK REIT to enter the Retail Bond market, issuing a £75 million, seven year, unsecured bond with an annual coupon of 5.375%. The flexibility offered by this unsecured source of funds has already proven advantageous to the Group allowing PHP to move quickly to secure a number of the transactions that I have detailed without the delays normally caused by banking agreements. The first bond coupon was paid on 31 January 2013.

The final elements of the refinancing of the Group’s long standing bi-lateral loans were completed in December 2012 and January 2013. On 17 December, PHP drew down on a £25 million term loan facility provided by Aviva. This is a 10 year, interest only facility and the interest rate was fixed at 3.63% for the term of the loan. These proceeds were then used in the repayment of the £27 million loan from Allied Irish Banks plc (“AIB”) upon its expiry on 31 January 2013. AIB also provide a number of interest rate swaps to the Group, but these were unaffected by the loan repayment and remain in place.

As part of the Apollo transaction, PHP assumed long term, fixed rate debt that Apollo held with Aviva. In agreeing the transaction pricing, an allowance of £2.6 million was agreed with the vendors in its valuation of this debt against the estimated cost of re-setting or breaking the loans. This fair valued the loans at £52.4 million at acquisition with an underlying principle amount outstanding of £49.8 million. PHP subsequently served the required three months’ notice upon Aviva on 19 December 2012, to re-set or repay this debt.

Analysis of portfolio by capital value of building



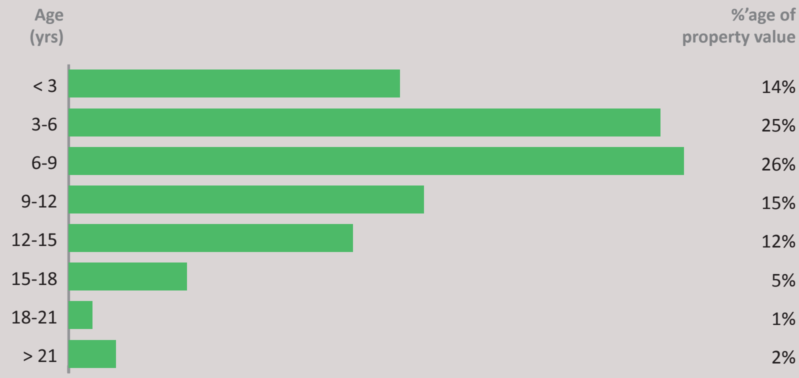
Average lot size within the portfolio grew to £3.52 million (2011: £3.35 million)

Capital Value	Number of Properties[1]	Value (£'m)[2]	%'age 2012	%'age 2011
£0 - £1 million	4	3.42	0.5%	0.5%
£1 million - £3 million	90	191.62	29.7%	33.3%
£3 million - £9 million	83	378.43	58.6%	57.6%
Above £9 million	6	71.90	11.2%	8.6%
Total	**183**	**645.37**	**100%**	**100%**
Average lot size 2012		**3.52**		

(1) Including purchase commitments
(2) Including values of land plots

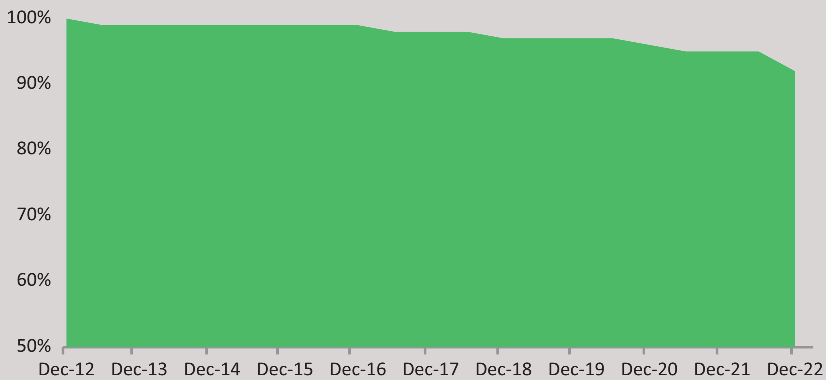
Analysis of portfolio value by age of building

60% of the Group's properties have an age of 9 years or less. The average age of the portfolio is 9 years 1 month. (completed assets only)



Security of income by term certain

At the end of 5 years the Group would still be receiving 98% of its current income. By year 10 this is still 94%.



Managing Director's Review (continued)

A sum of £4.2 million has been provided for in the 2012 results as the estimated cost as at the year end of breaking these loans. This is partly offset by the purchase allowance, resulting in a net impact on the 2012 Income Statement of £1.6 million. The breakage or re-set cost is calculated with reference to underlying gilt rates which have risen since 31 December 2012 which is favourable to PHP. The final cost of this transaction will not be known until 19 March, but resetting the interest rate of the Aviva debt or replacing it with a new facility, will result in a greatly reduced interest cost to the Group, a saving of circa 200 basis points based on current options and market rates.

Terms have been agreed for a new, four year, £50 million, interest only facility with a leading real estate lending bank. This is a revolving facility that will cost the Group 220 basis points over LIBOR. PHP will protect the all in cost of this loan by procuring appropriate interest rate derivatives and locking in a historically low all-in-cost of debt. This facility is being documented and is planned to be closed in the coming weeks.

As at 31 December 2012, the Group held a total of £511.0 million of bank facilities and including the bond. Debt drawn totalled £406.0 million with £6.0 million of cash held on deposits with Aviva to fund the three Apollo development assets and £19.1 million of cash held in readiness for the AIB repayment. Net debt, therefore, stood at £380.9 million, with the Group's loan to value ratio ("LTV") being 60.9% (31 December 2011 - 57.8%). Interest cover for the year was 1.57 times (2011 - 2.0 times) with a Group covenant minimum requirement of 1.3 times.

Provider	Maturity	Facility maximum £'m	Drawn at 31 Dec 2012 £'m	Headroom 31 Dec 2012 £'m
RBS (overdraft)	March 2013	5.0	-	5.0
Allied Irish Banks	Jan 2013	27.0	27.0	-
Clydesdale Bank	July 2014	50.0	-	50.0
Royal Bank of Scotland/ Santander	Mar 2016	175.0	125.0	50.0
Aviva	Nov 2018	75.0	75.0	-
Aviva	Dec 2022	25.0	25.0	-
Aviva	Jan 2032	26.7	26.7	-
Aviva	Sept 2036*	52.3**	52.3	-
Retail Bond	July 2019	75.0	75.0	-
Total facilities		511.0	406.0	105.0
Average maturity	6.9 years			
Cash on deposit			(19.1)	19.1
Restricted deposits with Aviva			(6.0)	6.0
			380.9	130.1
Commitments to be funded				(19.9)
Facility of 31 January 2013				(27.0)
Net headroom				83.2

* A repayment notice has been served to Aviva for the full quota of loans, PHP intends to repay the loans on 19 March 2013

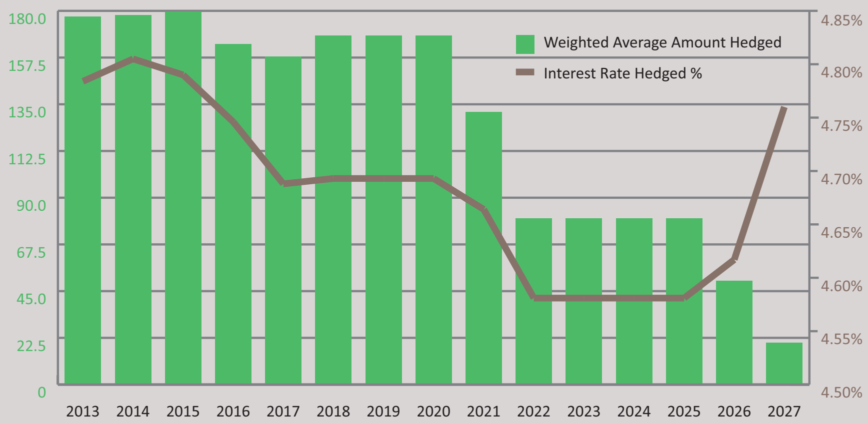
** Figure represents fair value of debt following Apollo acquisition. Underlying loan principal is £49.8 million.

Interest rate hedging

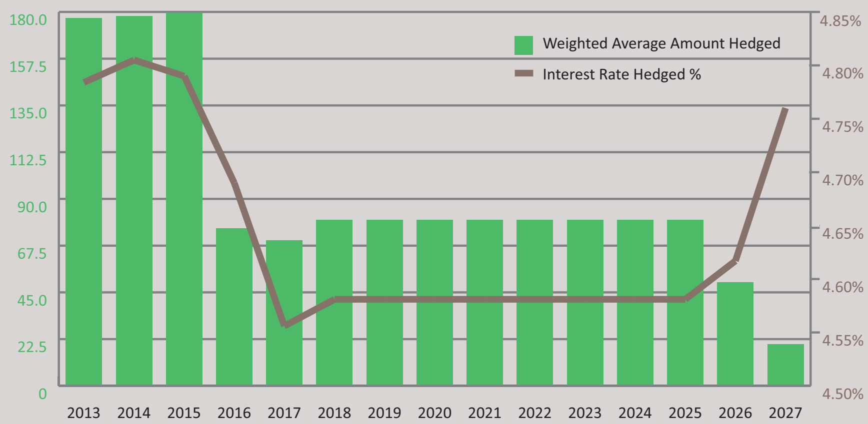
There has been no change to the nominal value of Group debt that is hedged by interest rate swaps during the year. The refinance of the Club facility was achieved without the requirement to break any swap contracts and it has been confirmed that the swaps held with AIB will continue undisturbed beyond the repayment of the associated loan. As a result, all refinancing has been achieved without crystallising any breakage costs.

Forward interest rates were particularly changeable through 2012, increasing at longer maturities (5 to 10 years) in the first quarter of the year, falling through the middle two quarters and then rising again in the quarter ending at the balance sheet date. Shorter term rates (3 year maturity) generally fell until the end of the summer and have marginally increased since then. Overall, rates across all maturities are lower at 31 December 2012 than they were at the beginning of the year. This has resulted in an increase in the Mark-to-Model valuation deficit of the interest rate swap portfolio of some £3.3 million to £52.8 million (2011: £49.5 million). There is no cash flow impact of this Mark-to-Model adjustment.

Finance and interest rate hedging (assuming callable swaps are not called)
Bank borrowings economically hedged by interest rate swaps for each financial year to 31 December 2027. Shown in £million.[1]



Finance and interest rate hedging (assuming callable swaps are called)
Bank borrowings covered by effective hedges for each financial year to 31 December 2027. Shown in £million.[1]



(1) The charts assume that the term loans held by the group will be renewed through the chart period

Managing Director's Review (continued)

99.7%
occupancy
within the completed property portfolio

90%
of rent roll effectively funded by the Government

as at 31 December 2012

Trading performance

	2012 £m	2011 £m
Rental and related income	**33.2**	30.7
Expenses	**(5.6)**	(5.6)
	27.6	25.1
Net financing costs	**(20.2)**	(15.4)
Profit before revaluation result and change in fair value of derivatives and non-recurring items	**7.4**	9.7
Profit on sale of AHMP shares	**-**	0.3
Provision for loan repayment cost	**(1.6)**	-
Change in fair values of derivatives	**(2.9)**	(8.0)
Revaluation result on property portfolio	**(1.8)**	10.6
Profit before tax	**1.1**	12.6

Gross rental income received during 2012 increased by 8.1% to £33.2 million (2011: £30.7 million) as acquisitions, capital projects and rent reviews have added to the contracted rent roll. This growth in top line income will continue into 2013 as the impact of the Apollo acquisition is realised, evidenced by the 20% increase in contracted annual rent roll to £38.9 million as at 31 December 2012 (2011: £32.3 million).

We have continued to achieve growth from rent reviews, achieving average annualised growth of 2.4% on those reviews completed in 2012, a lower rate than that achieved in 2011 of 3% per annum. This has provided an increase of £374,000 on £5.9 million of rent reviewed and completed in the period. The Group's underlying rent roll is subject to effective upwards only reviews with 16% having fixed uplifts or reviewed with reference to RPI and the balance of 84% being reviewed to open market values. The majority of reviews operate on a three yearly cycle and so with an average remaining lease term of 16 years (2011: 16 years) we are confident of securing significant additional income from reviews.

The Joint Managers maintain tight control over both the non-recoverable costs associated with the portfolio and the administrative costs of the Group. Fees are paid to the Joint Managers on the basis of the gross asset value of the Group. This is levied on a sliding scale such that as gross assets increase, the incremental fee rate reduces. The average fee rate paid to the Joint Managers for 2012 fell to 0.75% (2011: 0.77%). Overall, total operating costs have fallen during 2012 and represent 0.93% of gross assets (2011: 1.07%).

Net interest costs rose overall in 2012 by £4.8 million, due to both the increased levels of debt drawn to facilitate the growth in the portfolio and the impact of the increased margins on core funding. A slight delay in investing the proceeds of the bond issue contributed to the increased interest costs with no associated increase in revenue.

Portfolio operating surpluses increased by 10.0% to £27.6 million (2011: £25.1 million) with profit from trading activities, i.e. after finance costs, but before revaluation result and change in fair value of derivatives, falling to £7.4 million (2011: £9.7 million). The fall is due to the increased margins payable on the core bank debt refinanced in the period.

Key assets

Port Talbot Resource Centre, South Wales

A large, modern, purpose built, 3-storey health centre, located in Port Talbot, purchased by PHP in September 2009. The building provides multiple services in one location and caters for in excess of 50,000 patients.

Principal occupiers 4 GP Practices, Local Health Board, Local Authority, Community and Private Dentists, Pharmacy	
Constructed	September 2009
Size	5,500 sq m
Patient numbers	50,000
Passing rent	£973,000

Rotherham Community Health Centre, Rotherham

A substantial modern, purpose built health facility located in Rotherham town centre and providing GP services, a walk in centre and a range of NHS services. This urban health centre extends to 4,635 sq m with 118 car parking spaces. The property was acquired by PHP in November 2012 and is fully let to the Rotherham Primary Care Trust.

Principal occupiers	PCT
Constructed	November 2008
Size	4,635 sq m
Patient numbers	13,500 (GP practice only)
Passing rent	£776,000

Prospect House, Kettering

A purpose built, 4-storey primary care centre, located in Kettering, acquired by PHP in March 2007. The building provides a range of primary care services and caters for over 15,000 patients.

Principal occupiers 2 GP Practices, dentistry, PCT and Pharmacy	
Constructed	March 2007
Size	3,700 sq m
Patient numbers	15,400
Passing rent	£640,000

Fort William Health Centre, Fort William

A purpose built modern 3,470 sq m medical centre serving a suburban and rural population of approximately 14,000 in the Scottish Highlands. The property is let to three GP practices, the Highland NHS Trust and Lloyds Pharmacy and was completed in May 2007. Acquired by PHP in December 2012.

Principal occupiers 3 GP Practices, NHS Trust and Pharmacy	
Constructed	May 2007
Size	3,470 sq m
Patient numbers	14,000
Passing rent	£683,000

Shareholder value

Net Assets of

£179.1m

an increase of

£11.0m

(6.5%)

over 2011

as at 31 December 2012

The acquisitions completed later in 2012 and into 2013 which include £81.7 million currently in solicitor's hands, will be financed at the Groups' incremental cost of debt at rates of 180 to 250 basis points over LIBOR. This will result in a healthy gap to average acquisition yields of 5.5% to 6.25%, to boost the bottom line and take the Group back toward its aim of full dividend cover.

Dividends and Total Shareholder Return

2012 was the 16th consecutive year of dividend growth for PHP shareholders with a total of 18.5 pence per share being paid in the year (2011 – 18.0 pence). No portion of this dividend represents a Property Income Distribution ("PID"). As a result of the reduced trading surplus resulting from the increased debt costs in the year, dividend cover stood at 63% (2011 - 89%), excluding the revaluation result, the movement in the fair value of derivatives, the provision for loan breakage costs and the value of dividends met by the issue of scrip shares.

The total return to shareholders in 2012, measured as a combination of the dividend paid and movement in share price across the year, was 15.4% as compared to the total return of the FTSE All Share Index of 12.3%. As shown below, PHP has consistently outperformed real estate and general equities over the longer term.

	One year %	Three years %	Five years %
Primary Health Properties	15.4	14.1	14.3
FTSE All-Share Real Estate Index	30.6	9.1	(6.4)
FTSE All-Share Index	12.3	8.1	4.4

Source: Investment Property Databank ("IPD")

Environmental matters

PHP specialises in the ownership of freehold or long leasehold interests in modern purpose-built healthcare facilities, the majority of which are leased to GP's and other associated healthcare providers. Environmental matters are considered as part of the assessment of the suitability of purchasing new medical centres to expand the portfolio, whether through forward purchase development agreements or open market purchases. PHP undertakes an assessment of environmental risk as an important element of its due diligence process, obtaining an environmental desktop study and energy efficiency certificates. PHP has engaged an Environmental Consultant, Collier & Madge, to help in this process. PHP's ability to influence the energy efficiency of buildings is limited where completed properties are acquired and let on FRI terms. Where possible and as a norm for newly built premises, environmental issues are included in the leases entered into by the medical practitioners. More generally, new buildings acquired are usually specified to meet the NHS's exacting standards with regard to environmental considerations.

PHP is committed to the principles of continuous improvement in managing environmental issues, including the proper management and monitoring of waste, the reduction of pollution and emissions, and compliance with environmental legislation and codes of practice.

Heckmondwicke Medical Centre, West Yorkshire

A modern, purpose built primary care centre fully let to two GP practices and a Rowland's Pharmacy. The centre is located in Heckmondwicke town centre in West Yorkshire. The building was completed in July 2010 and purchased by PHP in December 2012. The building extends to 1,600 sq m with each GP practice operating from an independent floor, with the second floor comprising shared staff and administration space.

size	1,600 sq m
built	July 2010
cost	£5.13 million
patient numbers	10,000
tenants	2 GP practices and Pharmacy

Relationships

Other than shareholders, PHP's performance and value are influenced by other stakeholders, principally its lessees (the GPs, NHS organisations and healthcare users), the property developers, the District Valuers, lenders and bondholders and the Joint Managers. PHP's approach to these relationships is based on the principle of mutual understanding of aims and objectives and the highest standards of ethics and business practice.

Social and community issues

PHP provides purpose built healthcare properties for use by GPs, NHS organisations, pharmacies and healthcare users, thus indirectly benefiting the communities in which they are based.

Outlook

The 2012 financial year was one of significant activity for the Group establishing a secure funding base and completing a collection of high quality acquisitions that have invested a large proportion of the additional funds that were raised. PHP continues to grow its assets under management, completing £6.3 million of transactions since the year end and working to close a further £81.7 million of acquisitions agreed with vendors.

The Board grew the Company's distribution to shareholders, but the impact of the increased cost of debt from refinancing in 2012 reduced dividend cover for the year. The acquisitions detailed in my report both in 2012 and 2013 to date have been funded at the Group's incremental cost of debt that leaves a healthy surplus from the rental yield on these assets, that will increase PHPs operating surplus and return the Group as quickly as possible back to full dividend cover.

The demand for good quality, purpose built primary care assets will remain as the new NHS management and delivery structures are established as the Act is implemented and the need for private capital provided by PHP shareholders to facilitate the development of these facilities will not abate.

The Board views the return to dividend cover as its main priority and will achieve this with acquisitions transacted in line with the Group's prudent acquisition policies, with all assets making an immediate contribution to profitability but also demonstrating the potential for future growth.

Principal Risks and Uncertainties

In common with most businesses, the Group is affected by a number of risks and uncertainties, not all of which are wholly within its control. Note 21 on page 54 provides further detail and quantitative information on the financial risks faced by the Group. The Board has reviewed and agreed policies for managing each of the risks and uncertainties which are summarised below, but regards the first four items as its principal risks at the present time:

Funding and available finance

Risk	**Limited debt market capacity restricts ability to continue to fund operations**
Impact	Without confirmed debt facilities, PHP may be unable to meet current and future commitments or repay or refinance debt facilities as they become due.
Mitigation	• PHP funds its operations through a mixture of income from its operations, equity and debt finance. PHP constantly monitors its cash flow and debt funding requirements in order to ensure that it can meet its liabilities. PHP keeps its debt facilities under review to ensure a spread of providers and maturities so that its refinance risk can be minimised. • PHP secured £250 million of debt facilities in 2012, with a spread of maturities and from a variety of lenders to refinance its short term loan facilities and provide further resource for forthcoming commitments and acquisitions.

Risk	**Banking facilities include various covenant requirements**
Impact	Should the Group be unable to meet these covenants it could result in possible default or penalties being levied.
Mitigation	• PHP monitors its covenant compliance on a continuing basis to ensure compliance or early warning of any issues that may arise. The Group maintains its borrowings at levels well below its maximum covenant requirements and retains the flexibility of substituting security or refinancing loans should it need to.

Risk	**Exposure to interest rate movements**
Impact	Movement in underlying interest rates could adversely affect the Group's profits and cash flows.
Mitigation	• The Group retains a proportion of its debt on a long term, fixed rate basis. It also looks to mitigate its exposure to interest rate movements through the use of a series of interest rate swaps and other derivative instruments.

Risk	**Lack of capital resources to support the Group's activities**
Impact	Without sufficient capital, PHP may become unable to progress investment opportunities as they arise or to counteract the impact of falling property values on the Group's balance sheet and finance commitments.
Mitigation	• Liquidity and gearing are kept under constant review by the Joint Managers and the Board. Forward funding commitments are only entered into if supported by committed, available funds. • Historically, the Company has been able to access the equity markets to raise additional capital when required. The Company undertook a share placing during 2012, raising an amount of £18.4 million net of costs. • PHP became the first REIT to enter the Retail Bond market in July 2012, when it issued a £75 million, seven year, unsecured bond, with an annual coupon of 5.375%.

Shipley Medical Centre, Shipley

The medical centre was acquired in December 2012 by PHP. It extends to 2,395 sq m with 35 car parking spaces and was completed in 2007. The property is situated in a prominent location, providing services to local patients as well as the wider North Bradford community. The medical centre provides integrated health services and has an 8 GP practice, a Rowland's Pharmacy as well as clinical and operational accommodation for the Bradford & Airedale Teaching PCT and a dentistry suite.

size:	2,395 sq m
built:	November 2007
cost:	£7.07 million
patient numbers:	8,100
tenants	GP practice, local PCT, dentistry and pharmacy

Property market risks

Risk	**Lack of available properties or the inability to invest on acceptable terms**
Impact	The Group may be unable to secure additional investment properties so as to enable PHP to continue to grow.
Mitigation	• The Group maintains close relationships with a number of developers of, and other investors in, primary health care properties so as to afford the best possible opportunity to secure future acquisitions. • The Group is not exclusively reliant on acquisitions to grow as it secures leases with effectively upwards only rent review mechanisms and is able to generate income and value from the management and development of its existing portfolio.

Risk	**Property valuations may fall**
Impact	Property valuations may fall to such a level that leads PHP to breach its borrowing covenants.
Mitigation	• Whilst the specialist nature of the Group's assets can itself be a risk (see below) the inherent characteristics have historically demonstrated low volatility in terms of valuation movements. • The Group manages its activities so as to always operate well within its banking covenant limits and constantly monitors the margins (i.e. fall to breach) that would have to be experienced in order to cause any default. • The portfolio is effectively 100% let, on long lease terms with approximately 90% of rent being funded by the NHS. Rental growth is achieved on review, all of which helps in maintaining asset values.

Risk	**PHP invests in a niche asset sector affected by Government decisions**
Impact	A change of Government policy or a downturn in demand for primary care premises may adversely affect the Group's portfolio and performance.
Mitigation	• The Group constantly monitors Government policy with regard to Primary Care so as to be able to anticipate any changes. The use of GPs within the NHS and the long term, established use of third party owned premises has not changed for some time and is not an area changed by the Health & Social Care Act. The Group has received written confirmation of the continued funding of its tenants by the NHS. • The long term nature of the Group's occupational leases provides security of income and protection should a policy change need to be catered for.

Managing Director's Review (continued)

Taxation risks

Risk	**Failure to comply with REIT legislation**
Impact	A breach of REIT requirements may lead to the Group losing its REIT status and the taxation benefits that affords.
Mitigation	• Management monitor the activities and performance of the Group to ensure that all requirements of the REIT legislation are met at all times. New transactions are structured when undertaken so as to continue to meet these statutory requirements.

Risk	**A change in Government legislation**
Impact	Should the UK-REIT regime cease to apply the Group may become chargeable to taxation with a significant impact on performance and strategy.
Mitigation	• The Group monitors communication from HMRC with regard to the ongoing maintenance of the REIT regime. The Group participates in a number of industry bodies and groups that engage in continuous dialogue with HMRC over proposed changes to legislation and their impact on PHP. • The changes to the REIT regime introduced in 2012 are designed to encourage further REITs and confirm the continuance of the regime for the foreseeable future.

Operational risks

Risk	**Continuance of Joint Manager contract**
Impact	PHP has no employees and depends on services supplied by third parties for the efficient operation and management of the Group. The termination of the Joint Manager contract could adversely affect the Group's ability to effectively manage its operations.
Mitigation	• The management agreement with the Joint Managers includes incentivisation linked to the performance of the Group and protection for efficient handover should the managers change. • The Management Engagement Committee regularly reviews the performance of the Joint Managers.

Risk	**Breach of Health and Safety and Environmental requirements**
Impact	A breach of such requirements could have reputational, criminal or financial implications on the Group which could be significant.
Mitigation	• The Board views the assessment of Health and Safety and environmental risk as an important element of its due diligence process when acquiring properties and employs specialist advisers to undertake risk assessments. • Properties are modern and specifically designed for purpose including best practice with regards to environmental requirements thereby mitigating risks. • Owned properties are inspected regularly in rotation and well maintained.

Key Performance Indicators ("KPIs")

Objective:
To deliver sustainable long-term shareholder value and returns

Metric	Sustained real growth in EPS
	Sustained dividend growth
	Growth in NAV
Performance	Adjusted EPS fell from 14.5p to 10.2p
	16th successive year of dividend growth, 3% to 18.5p per share
	Net assets grew from £168.1 million to £179.1 million

Objective:
To maximise the returns from the investment portfolio

Metric	Out-performance versus IPD benchmark
	Continued rental growth
Performance	One, three and five year portfolio performance better than the IPD benchmark
	Rental growth of 2.4% p.a. on reviews completed in the year

Objective:
To manage our balance sheet effectively

Metric	Maintain longevity of debt facilities
	Maintain appropriate balance between debt and equity within covenanted levels
Performance	£250 million of debt facilities secured in 2012, including the retail bond
	LTV at 60.9%, well within current and future covenant limits
	Equity issue in the year raised net proceeds of £18.4 million

Objective:
To grow property assets under management

Metric	Acquisitions achieved
	Positive movement in asset values
	Future commitments made
Performance	23 additional assets acquired or committed to in the year
	Portfolio revaluation uplift of £0.5 million for the year (excluding newly acquired Apollo assets)
	Balance of commitments outstanding as at the year end of £19.9 million

Objectives:
To maximise portfolio rent roll and maintain security of income

Metric	Continue to grow annualised rent roll
	Maintain core NHS tenant covenant
	Maintain weighted average remaining lease term
Performance	Contracted committed rent roll grew from £32.3 million to £38.9 million
	90% of income effectively funded by the NHS
	Weighted average lease length (including commitments) of 16 years (2011: 16 years)

A five year summary of the Group's Financial Performance is provided on page 22.

Harry Hyman
Managing Director

27 February 2013

Five Year Summary of Group Financial Performance

	IFRS				
	2008[1 2]	2009	2010	2011	**2012**
Net assets (£m)	78.3	151.9	164.7	168.1	**179.1**
Net asset value per share (p)					
• basic and diluted	226.7	247.2	262.3	246.2	**235.5**
EPRA net asset value per share (p)					
• basic and diluted	272.9	279.9	311.5	318.7	**305.0**
Closing portfolio including development loans and finance leases (£m)[3]	320.2	344.9	472.4	528.7	**625.5**
Annualised rent roll (£m)	19.6	21.3	28.0	31.4	**36.8**
Profit/(loss) before taxation (£m)	(23.7)	10.8	25.7	12.7	**1.1**
Earnings per share (p)					
• basic	(62.0)	26.6	41.3	19.0	**1.6**
• adjusted	14.0	18.4	14.7	14.5	**10.2**
Total dividend per share (p)	16.5	17.0	17.5	18.0	**18.5**
Market price per share at 31 December (p)	290.5	289.0	335.0	318.5	**340.0**
Total return (%)					
• PHP Ordinary Share	(9.6)	11.0	22.8	0.5	**15.4**
• FTSE All Share	29.9	30.1	14.5	3.5	**12.3**
• FTSE All Share Real Estate Investment Trust	43.9	12.9	6.9	8.8	**30.6**

(1) Restated - see 2009 Annual Report for details.
(2) The net asset value per share and EPS as at 31 December 2008 have been adjusted to illustrate the capital raisings which occurred in 2009, as if these events had been completed on 31 December 2008.
(3) Completed assets only.

Joint Managers

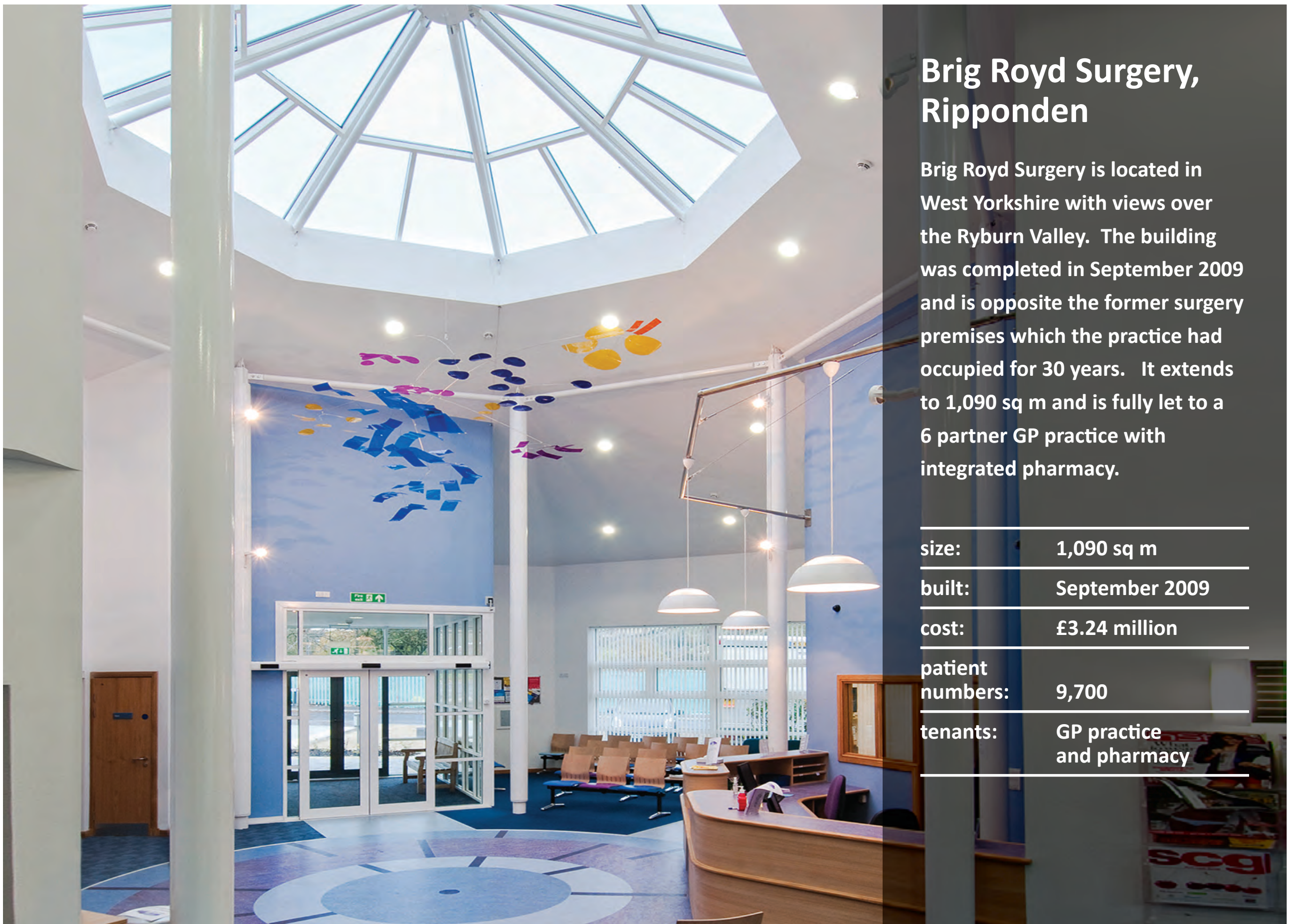
Nexus Tradeco Limited (“Nexus”)

Nexus identifies suitable properties, negotiates the terms of purchase of those properties and provides property management services on behalf of the Group. It also provides the services of the Managing Director. Nexus is a member of a wider group of companies that is engaged in the provision of independent advice and financial services to organisations operating in the public and private sectors, with particular emphasis on health, education and property.

J O Hambro Capital Management Limited (“JOHCM”)

JOHCM provides administrative and accounting services to the Group and is Company Secretary.

JOHCM has offices in London, Prague and Singapore and provides investment management services to open ended investment companies, segregated mandates and other public funds. JOHCM is authorised and regulated by the Financial Services Authority in the conduct of its investment business. Mr James Hambro is chairman of J O Hambro Capital Management Holdings Limited, the holding company for JOHCM.



Brig Royd Surgery, Ripponden

Brig Royd Surgery is located in West Yorkshire with views over the Ryburn Valley. The building was completed in September 2009 and is opposite the former surgery premises which the practice had occupied for 30 years. It extends to 1,090 sq m and is fully let to a 6 partner GP practice with integrated pharmacy.

size:	1,090 sq m
built:	September 2009
cost:	£3.24 million
patient numbers:	9,700
tenants:	GP practice and pharmacy

The Board


L-R: Graeme Elliot, Harry Hyman, William Hemmings

Our diverse and experienced Board is an essential component of the success of Primary Health Properties PLC

Graeme Elliot, Chairman

Graeme Elliot [1,4]

Non-Executive Chairman. Appointed February 1996. Mr Elliot was formerly executive vice chairman of Slough Estates PLC, prior to which he held senior positions at Rio Tinto Plc.


Graeme Elliot

James Hambro [4,5]

Non-Executive Director. Appointed February 1996. Mr Hambro is Chairman of James Hambro & Partners LLP and Chairman of J O Hambro Capital Management Holdings Limited, parent company of J O Hambro Capital Management Limited, the Joint Manager and Company Secretary of Primary Health Properties PLC. He is also Non-Executive Chairman of Hansteen Holdings PLC.


James Hambro

Alun Jones [1,2,3]

Non-Executive Director and Senior Independent Director. Appointed 1 May 2007. Chairman of the Audit Committee and a member of the Remuneration, Management Engagement and Nomination Committees. A Chartered Accountant, Mr Jones retired from PricewaterhouseCoopers LLP in 2006, having been a previous member of PwC's UK and Global Supervisory Boards. He was a member of the Financial Reporting Review Panel from 2006 to 2011.


Alun Jones

Harry Hyman [4,5]

Managing Director. Appointed February 1996. A Chartered Accountant and Managing Director of the Nexus Group. Nexus has three operating divisions, property fund management, publishing and corporate finance. The group specialises in health, education and property. He is also a Non-Executive Director of a number of other companies and a director of the

L-R: James Hambro, Mark Creedy, Alun Jones

Quoted Companies Alliance. PHP has been a member of the Quoted Companies Alliance since 2002.

Harry Hyman

William Hemmings

Non-Executive Director. Appointed 18 June 2012. Mr Hemmings is Head of Closed End Funds at Aberdeen Asset Managers Limited, a director of a number of subsidiary companies of Aberdeen Asset Management PLC and an alternate director of the Irish listed Select International Funds PLC. On 24 January 2013, Mr Hemmings was appointed as a director of the Association of Investment Companies.

William Hemmings

Mark Creedy [1 2 3]

Non-Executive Director. Appointed 1 November 2008. Chairman of the Management Engagement Committee and a member of the Audit, Remuneration and Nomination Committees. Mr Creedy is currently Director of Fund Management at UNITE Group plc overseeing the fund management of the UNITE UK Student Accommodation Fund and UNITE's other joint ventures.

Mark Creedy

He was managing director of the property fund management subsidiary of Legal and General Investment Management from September 2002 until the end of 2007 and was previously managing director of Chartwell Land plc, a wholly owned subsidiary of Kingfisher plc from 1994 onwards. He was also a non-executive director of B&Q from 1998 until 2002. Mr Creedy has extensive experience in the UK property industry and was responsible for the creation and management of a number of sector specialist funds during his time at Legal & General.

Dr Ian Rutter OBE [1 2 3]

Non Executive Director. Appointed 22 September 2005. Chairman of the Remuneration and Nomination Committees and a member of the Audit and Management Engagement Committees. He has worked as a GP since 1980 in Shipley, Yorkshire. He is a former CEO of North Bradford and Airedale PCTs. He has worked at the Department of Health as Clinical Lead in the Policy and Strategy Unit and as a Deputy National Director of Primary Care. He is a member of the International Faculty at IHI in Boston USA.

Dr Ian Rutter OBE

(1) Member of the Audit Committee
(2) Independent
(3) Member of the Management Engagement, Nomination and Remuneration Committees
(4) Member of the Standing Committee
(5) Joint Manager representative

Directors' Report

Dividends paid in 2012 total
18.5p per Ordinary share

9.5p interim dividend declared
to be paid on 22 April 2013

year ended 31 December 2012

The Directors present their Annual Report to Shareholders for the year ended 31 December 2012. Certain information that is required to be disclosed in this report has been provided in other sections of this Annual Report and accordingly, these are incorporated into this report by reference.

Results and dividends

The profit after tax for the year ended 31 December 2012 amounted to £1.1 million (year ended 31 December 2011: £12.7 million).

Interim dividends totalling 18.5p per Ordinary share were paid during the year (year ended 31 December 2011: 18.0p).

The Board proposes to pay an interim dividend of 9.5p per Ordinary shares on 22 April 2013. Further information on dividends can be found in the Shareholder Information section on page 66.

Principal activity

The principal activity of the Group (of which Primary Health Properties PLC is the parent company) continues to be the generation of rental income and capital growth through investment in primary health care property throughout the United Kingdom. As at the year end, the Group had invested in 183 properties (176 completed and 7 that it had committed to acquire) with a gross asset value of £645.4 million, generating an annualised rent roll of £38.9 million.

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

A review of the business, the Group's activities during the year, a description of the principal risks and uncertainties facing the Group and the Key Performance Indicators can be found in the Managing Director's Review, which starts on page 4.

Directors

Biographical information for the current Directors can be found on pages 24 and 25.

The Company's Articles of Association require that Directors should submit themselves for election at the first Annual General Meeting following their appointment and thereafter for re-election at least every three years. However, the Company has adopted the requirements of the UK Corporate Governance Code in relation to the annual re-election of Directors. As detailed in the notice of the Annual General Meeting ("AGM") all Directors, except Martin Gilbert who resigned on 14 June 2012, will again this year stand for re-election. Mr Hemmings was appointed by the Board with effect from 18 June 2012 and will therefore stand for election at the AGM.

The Chairman has confirmed that, following formal performance evaluation, he is satisfied that the performance of all of the Directors remains effective and that each has demonstrated commitment to their roles and he therefore recommends their re-election at the forthcoming Annual General Meeting. Information on the performance evaluation of the Board and its Directors can be found in the Corporate Governance section on page 33. Details of Directors' remuneration are in the Directors' Remuneration Report on pages 35 to 36. The Senior Independent Director has evaluated the performance of the Chairman and has confirmed that he is satisfied that his performance remains effective and that he has demonstrated commitment to his role and he therefore recommends his re-election at the forthcoming Annual General Meeting.

The interests of the Directors in the share capital of the Company (all of which are direct and beneficial unless otherwise stated) and any interests of a person connected with a Director (indicated as indirect) within the meaning of the Disclosure and Transparency Rules, are shown below:

	31 Dec 2012	31 Dec 2011
Ordinary shares of 50p		
G A Elliot	**15,000**	13,365
W J C Hemmings	**4,241**	3,833
J D Hambro	**44,416**	44,416
J D Hambro (non-beneficial)	**501,464**	501,464
H A Hyman	**66,084**	63,378
H A Hyman (non-beneficial)	**4,011,086**	3,648,562
I P Rutter	**8,699**	7,282
A R Jones	**19,177**	16,027
M Creedy	**12,000**	10,000
M Creedy (non-beneficial)	**635**	635

Save as disclosed below, no changes occurred between 31 December 2012 and the date of this Report.

Mr Hyman and Mr Hemmings are participants in the Company's monthly investment account that is administered by Equiniti on the Company's behalf. As a consequence of this participation, at the date of this Report Mr Hemmings' beneficial interest had increased to 4,295 shares and Mr Hyman's to 66,194 shares.

Powers of the Directors

The Directors have been authorised to allot and issue Ordinary shares and to make market purchases of the Company's Ordinary shares. These powers are pursuant to the passing of resolutions at the Company's Annual General Meeting. Details of the resolutions regarding the allotment, issue and purchase of the Company's shares are set out in the explanatory notes to the Notice of Annual General Meeting which can be found in the separate document posted to shareholders with this Annual Report.

Substantial shareholders

As at 31 December 2012, the Company had been notified, in accordance with the Companies Act, of the following holdings of 3% or more of the voting rights in the Company's issued share capital:

	Voting rights	%
Nexus Group Holdings Limited (direct)	3,989,680	5.25
Blackrock Inc. (indirect)	3,035,591	3.99

3,989,680 of the Ordinary Shares held by Nexus Group Holdings Limited ("Nexus Group") are subject to a debenture and fixed charge over all of Nexus Group assets. As at the date of this report, Nexus Group has confirmed that it is not in default of any of its banking commitments and that it has no current intention to sell any of its holding. Mr Hyman is a director of Nexus Group.

Share capital

The Company has one class of share in issue, being Ordinary Shares of 50 pence each. At the date of this report, the Company had 76,034,208 Ordinary Shares of 50 pence each in issue, each carrying the right to one vote.

The following changes to the issued share capital have occurred during the year:

- 107,332 new Ordinary shares of 50 pence were issued on 5 April 2012, in respect of the Company's Scrip Dividend Scheme;
- 6,229,509 new Ordinary shares of 50 pence each were issued at a price of 305 pence per share in a cash placing on 24 May 2012, which raised gross proceeds of £19.0 million;
- 193,743 new Ordinary shares of 50 pence each were issued on 26 October 2012, in respect of the Scrip Dividend Scheme;
- 1,231,395 new Ordinary shares of 50p each were issued on 20 December 2012 as part consideration for the Apollo Medical Partners Limited acquisition.

There are no specific restrictions on the transfer of securities in the Company, which is governed by its Articles of Association and prevailing legislation, nor is the Company aware of any arrangements between shareholders that may result in restrictions on the transfer of Ordinary shares and on voting rights.

Subject to the Companies Act 2006, rights attached to any class of shares may be varied with the consent of holders of at least three quarters in nominal value of the issued shares of that class by way of a special resolution passed in General Meeting.

Retail bond

On 23 July 2012, the Company issued a £75 million, seven year, unsecured retail bond with an annual coupon of 5.375% payable semi-annually.

Articles of Association

The Company's Articles of Association (adopted by special resolution on 6 October 2009) may only be amended by special resolution at a General Meeting of the shareholders.

Significant agreements

The Company is required to disclose details of any agreements that it considers to be essential to the business. The Board do not consider the banking facility agreements with the Group's lenders to fall into this category as if any one of these arrangements ended, the Group would seek alternative funding and the loss or disruption caused should only be temporary.

The Management Agreement with the Joint Managers (further details of which can be found in the Related Party Transactions section below) is considered essential to the business as the Group has no employees. The agreement is reviewed at least annually by the Management Engagement Committee.

Directors' Report continued

The share and purchase agreement ("SPA") in respect of the acquisition of Apollo Medical Partners Limited contained a number of sub-agreements. The Board considers the following agreements to be material to the Group:

- a development management agreement between Primary Health Investment Properties (No.4) Limited and Apollo Capital Projects Development Limited ("ACPD") to satisfactorily deliver three assets under construction; and
- deferred consideration of £1.8 million has been retained by the Group pending completion of these assets.
- an expansion space letting agreement whereby additional sums will become payable should current vacant areas be let by ACPD.

During the financial year and as at the date of this report, none of the Directors other than those referred to below was materially interested in any significant agreements relating to the Group's business nor in any proposed transactions.

Related party transactions

Mr Hyman is a director of Nexus Tradeco Limited ("Nexus") and Nexus Group. Mr Hambro is a director of J O Hambro Capital Management Holdings Limited, the parent company of JOHCM. Nexus and JOHCM are Joint Managers to the Group and Messrs Hyman and Hambro are therefore deemed to have an interest in the Management Agreement referred to above and are thus related parties.

Management Agreement

Pursuant to the Management Agreement dated 14 March 1996 (as amended from time to time and last amended and restated on 28 February 2011) ("the Agreement") between the Company and the Joint Managers (Nexus and JOHCM), the Company appointed:

- Nexus to provide property advisory and management services and the services of the Managing Director of the Company;
- JOHCM to provide administrative and accounting services and is the appointed Company Secretary.

Each Joint Manager has the continuing right to appoint and remove one person as a Director of the Company and to receive the Director's fee (currently £25,000 per annum).

The base fee payable to the Joint Managers is calculated as a percentage of the gross asset value of the Group as follows:

Gross Assets	Total Fee
First £50 million	1.00%
Between £50 million and £500 million	0.75%
Between £500 million and £750 million	0.525%
Between £750 million and £1 billion	0.4375%

The Agreement contains a provision giving the Company the ability to pay Nexus and JOHCM a payment in lieu of notice in the event that the Company terminates the agreement. Such payment will be calculated by reference to the unexpired notice period and the gross asset value at the time of the termination and cannot be greater than the fees that they are contractually entitled to receive. The Agreement is terminable by not less than two years' written notice.

Additional payments that may be made to Nexus for non standard real estate related services are capped at 10% of the total annual fees payable to Nexus.

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

Performance Incentive Fee ("PIF")

Nexus and JOHCM are entitled to a PIF equal to 15% of any performance in excess of an 8% per annum increase in the Group's "Total Return" (as derived from the audited accounts for the immediately preceding financial period prior to the date of payment) provided that if the Total Return is less than 8% in any one year, the deficit must be made up in subsequent years before any subsequent PIF is paid. No performance fee was payable in 2012 or 2011 and there is a deficit of some £66.7 million (2011: £57.5 million) to be made up in the net asset value before any further PIF becomes payable under the terms of the Agreement.

Using the relevant audited accounts, the Total Return for the purpose of PIF is determined by calculating the change in the net asset value per ordinary share, on a fully diluted basis, after any adjustment for any increase or reduction in the issued share capital and adding back gross dividends paid per ordinary share.

Employees

The Group has no employees, no employee share scheme and there are no agreements between the Company and its Directors providing for compensation for loss of office or employment (whether through resignation, proposed redundancy or otherwise) that may occur because of a takeover bid.

Creditor payment policy

For all trade creditors, the Group's policy is to agree the terms of payment at the start of business with the service provider, ensure that parties are aware of the terms of payment and pay in accordance with contractual and legal obligations. Payment in respect of 10 days' average purchases from trade creditors of the Group was outstanding at the year end.

Donations
The Group does not make any political or charitable donations.

Share Service
The Shareholder Information section on pages 66 to 67 provides details of the share services available.

Financial instruments
The Group's financial risk management objectives and policies are discussed in notes 20 and 21.

Post balance sheet events
Details of events occurring since the year end are given in note 32 on page 58.

Going concern
The Group's business activities together with the factors likely to affect its future development, performance and position are set out in the Managing Director's Review on pages 4 to 21. The financial result of the Group, its position, its cash flows, liquidity position and borrowing facilities are described on pages 38 to 40 and note 18 on page 52. In addition, notes 19, 20 and 21 to the financial statements include the Group's financial risk objectives, capital position, details of financial instruments and hedging activities and its exposure to credit risk and liquidity risk.

The Group's property portfolio is 99.7% let to tenants with strong covenants and the property acquisition pipeline is currently strong. During 2012, the Group refinanced its core debt facilities with a £175 million four year loan facility. The Group also entered the Retail Bond market, issuing a £75 million, unsecured, seven year bond. This has extended the weighted average maturity of the Group's debt facilities to nearly seven years. The Group has £130 million of headroom as at 31 December 2012, including cash on deposit, although headroom has reduced post year end following full repayment of the AIB £27 million facility. The Group's current loan to value ratio 60.9% with all banking covenants being met.

The Directors believe that the Group is well placed to manage its business risks successfully, despite the continuing uncertain economic outlook. Having reviewed the Group's current position and cash flow projections, actual 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. For this reason the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Directors' Statement as to disclosure of information to auditors
The Directors who were members of the Board at the time of approving the Directors' report are listed on page 68. Having made enquiries of fellow Directors and of the Company's Auditors, each of the Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Group's Auditors in connection with preparing the report) of which the Company's Auditors are unaware; and
- each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Annual General Meeting
The Annual General Meeting will be held on 15 April 2013 at 10.30am. The Notice convening the Annual General Meeting and explanatory notes for the resolutions sought are set out in the separate document enclosed.

The Directors consider that all of the resolutions proposed are in the best interests of the Company and it is their recommendation that shareholders support these proposals as they intend to do so in respect of their own shareholdings.

Auditors
A resolution to reappoint Ernst & Young LLP as the Group's auditor and to authorise the Board to determine their remuneration will be put to Shareholders at the forthcoming Anual General Meeting.

In recognition of best governance practice, the Company proposes to conduct a tender process for the audit during 2013. Ernst & Young LLP, who have been Group auditors without retendering since the Company's initial flotation in 1996, will be invited to tender, together with other audit firms. Shareholders will be invited to comment on this proposal at the forthcoming Annual General Meeting.

By order of the Board

J O Hambro Capital Management Limited, Company Secretary
27 February 2013

Primary Health Properties PLC
Registered office: Ground Floor, Ryder Court,
14 Ryder Street, London SW1Y 6QB

Registered in England No: 3033634

Directors' Responsibility Statements

Statement of Directors' Responsibilities in Respect of the Group and Company Financial Statements

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration report and the Group and Company financial statements in accordance with applicable law and regulations.

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

In preparing the Group financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulations. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Responsibility Statements under the Disclosure and Transparency Rules

Each of the current Directors confirms that, to the best of their knowledge:

- the Group financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- the Management report incorporated into the Managing Director's Review on pages 4 to 21 includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board

Graeme Elliot
Chairman

27 February 2013

Corporate Governance

The Group's policy is to achieve best practice in its standards of business integrity in all of its activities. This includes a commitment to follow the highest standards of corporate governance throughout the Group where possible. This section of the Annual Report describes how the Group has complied with the applicable provisions of the UK Corporate Governance Code published by the Financial Reporting Council ("FRC") in June 2010 (the "Code"). The Board considers that it has complied with the provisions of the Code throughout the year with the exception that there is no internal audit function, non-executive directors are not appointed for a specific term and certain Directors have served on the Board for more than three terms of three years. However, all Directors have been subject to rigorous review, performance evaluation and annual election. Their biographies show that they have a wide range of experience directly relevant to the Group's activities.

The Board is aware of the revised UK Corporate Governance Code issued in September 2012, which will apply for the financial year ending 31 December 2013. The new recommendations from the revised Code will be carefully considered by the Board and will be reported on in future years.

Board Composition and Independence

The Board comprises the Chairman, Managing Director and five non-executive Directors, three of whom are considered by the Board to be independent under the Code. Details of the Chairman, the Directors and their individual roles are shown on pages 24 and 25. Their biographical details demonstrate a range of corporate, financial, property, investment and NHS experience relevant to the Group's business and demonstrate sufficient calibre to bring independent judgement on issues of strategy and performance of the Group.

The roles of the Chairman and the Managing Director are distinct and have been agreed by the Board. The Chairman chairs the Board and general meetings of the Company, sets the agenda of such meetings and promotes the highest standards of integrity, probity and corporate governance throughout the Group, particularly at Board level. He ensures that the Board receives accurate, timely and clear information, communicates effectively with Shareholders, facilitates the effective contribution of non-executive Directors and constructive relations between executive and non-executive Directors. He also ensures that any new Directors participate in a full, formal and tailored induction programme and that the performance of the Board, its committees and individual Directors is evaluated at least once a year. There is a clear structure for, and the effective running of, Board committees. The Managing Director is accountable for the management of the Group with the Joint Managers as set out in the Management Agreement.

Mr Jones has been appointed as Senior Independent Director by the Company. He is available to Shareholders if they have any concerns that cannot be resolved through the normal channels. His role is to support the Chairman and act as his sounding board when required and if necessary, to act as an intermediary for the other Directors.

As part of its annual self assessment, the Board critically evaluates the independence of individual Directors and has concluded that all of the Directors continue to act independently in both character and judgement, taking account of the interest of all Shareholders. Alun Jones, Ian Rutter and Mark Creedy meet the independence criteria set out in the Code, whilst Graeme Elliot and James Hambro have been on the Board longer than nine years and, as such, do not meet these criteria. Having acted as an alternate Director since March 2000, the Board is of the opinion that William Hemmings also does not meet the independence criteria.

Operation of the Board

The Board is responsible for leading and steering the Group within a framework of prudent and effective controls which enable risk to be assessed and managed. It also sets the Group's strategic aims, ensuring that the necessary resources are available for the Group to meet its objectives, reviews the performance of management through its Management Engagement Committee and sets the Group's values and standards, ensuring that its obligations to its Shareholders and other stakeholders are satisfied.

The Board has a schedule of matters formally reserved to it for its decision such as strategic, major financial and key operational issues. Matters not requiring debate or necessary for the implementation of urgent decisions, on matters previously discussed at Board Meetings, are delegated to a Standing Committee.

The Board has delegated certain activities to the Joint Managers as described in the Management Agreement section of the Directors' Report on page 28.

The Management Agreement also provides for the appointment of JOHCM as Company Secretary, meaning that it is responsible for ensuring that Board procedures are followed, that applicable rules and regulations are complied with and for advising the Board (through the Chairman) on governance matters. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

The training needs of each Director are regularly reviewed by the Chairman. Directors are able to receive training or additional information on any specific subject pertinent to their role as a

Corporate Governance continued

Director that they request or require. During the year, the Board has reviewed and discussed the Financial Reporting Council Revisions to the UK Corporate Governance Code and associated Guidance on Audit Committees. All Directors have access to independent professional advice at the Company's expense, if deemed necessary and subject to clearance by the Chairman.

The Group maintains appropriate insurance cover in respect of legal action against the Company's Directors.

In addition to the Board meetings held during the year, the Board met for an off site strategy meeting and for the AGM. There were also 11 Committee meetings held during the year. Directors were sometimes unable to attend meetings due to unavoidable business interests and, in the case of Mr Hambro, jury service. On these occasions full Board packs were distributed to all Board members and separate discussions were held with, or comments were sought by, the Chairman on all matters of relevance.

There are opportunities throughout the year for the Chairman and Independent Directors to discuss matters without the other Directors being present.

Meetings and Attendance

Director	Board Meetings (Total in year 8)	Audit Committee (Total in year 2)
Graeme Elliot	8	2
Mark Creedy	7	2
Martin Gilbert	4	n/a
James Hambro	5	n/a
William Hemmings	3	n/a
Harry Hyman	8	n/a
Alun Jones	8	2
Dr Ian Rutter	7	1

Board Committees

The following Committees have been established by the Board and have been granted specific delegated authority to consider certain aspects of the Group's affairs. The Chairmen of the Committees report back to the Board as and when appropriate.

Audit Committee

The Audit Committee consists of four non-executive directors. These are Alun Jones (Chairman), Dr Ian Rutter and Mark Creedy (all of whom are independent under the Code) and Graeme Elliot. At least one member of the Committee possesses what the Code describes as 'recent and relevant financial experience' as Mr Jones, a Chartered Accountant, was a partner of PricewaterhouseCoopers LLP between 1981 and 2006 and recently sat on the Financial Reporting Review Panel. There are no employees of the Joint Managers on the Committee. The Committee may invite the Managing Director, representatives of the Joint Managers and non independent directors to attend the meetings if they wish.

The Committee has reviewed the Financial Reporting Council Guidance on Audit Committees issued in September 2012 and considers that it has acted in accordance with the recommendations contained therin.

The main roles and responsibilities of the Audit Committee are set out in written terms of reference which are available from the Company's website and include:

- Monitoring the integrity of the Group's financial statements and reviewing significant financial reporting issues and judgements contained therein;
- Reviewing the Group's systems of financial control and risk management;
- Making recommendations to the Board on the appointment and dismissal of the external auditor and approving their remuneration and terms of engagement;
- Monitoring and reviewing the external auditors' independence, objectivity and effectiveness, taking into account professional and regulatory requirements; and
- Annually considering the need for an internal audit function.

These responsibilities are primarily discharged as follows:

- At its scheduled meetings in February and August, the Committee reviews the Company's annual financial report and half year report respectively. On both occasions, the Committee receives reports from the external auditors identifying any accounting, presentation, internal control or judgemental issues requiring its attention. The Committee also uses this opportunity to consider the qualifications, expertise, resources and independence of the external auditors through review of their reports and performance.
- The Committee Chairman also meets the auditors and staff of the Joint Managers in December, February and early August to review the audit plans and progress, accounting processes and to discuss emerging points and early drafts of the financial reports; and
- The Joint Managers are, from time to time, required to make presentations to the Audit Committee on the subject of risk, its identification, management and control, accounting and control and property portfolio management.

There are arrangements in place whereby employees of the Joint Managers may, in confidence, raise concerns about possible improprieties in matters of financial reporting amongst other things. The Committee ensures that the Joint Managers have in place arrangements for the proportionate and independent investigation of such matters.

The Company has a policy governing the conduct of non-audit work by the auditors. Under that policy, the auditors are prohibited from performing services where the auditors may be required to audit their own work, participate in activities that would normally be undertaken by management, are remunerated through a 'success fee' structure where the success of a project is dependent upon the accounting treatment, or act in an advocacy role for the Company. Other than the above, there is not an automatic ban in place on the auditors undertaking non-audit work. However, each possible appointment is reviewed on a case by case basis. Activities that may be perceived to be in conflict with the role of the external auditor must be submitted to the Committee for approval prior to engagement, regardless of the fee involved. Details of the amounts paid to the external auditors during the year for audit and other services are set out in note 4 to the financial statements on page 47.

Remuneration Committee

The Remuneration Committee normally meets once per year and comprises three Independent Directors being Dr Rutter (Chairman), Mr Jones and Mr Creedy. The terms of reference, role and composition of the Committee can be found in the Directors' Remuneration Report on page 35. The Committee met once during the year to review Directors' remuneration with all members in attendance.

Nominations Committee

The Nominations Committee is chaired by Dr Rutter and its other members are Mr Jones and Mr Creedy, all three of whom are Independent and non-executive. The Committee is charged with the responsibility of nominating any new Directors to the Board and considering succession planning. It reviews from time to time the composition of the Board, having regard to its balance and structure.

Following the resignation of Martin Gilbert, the Committee identified knowledge of financial markets as being a core competency required for a new Non-Executive Director. William Hemmings, having acted as Martin Gilbert's alternate director since 13 March 2000 has a wealth of experience in financial markets and a comprehensive knowledge of the Group and, after thorough deliberation, was selected and recommended to the Board.

The Committee views this appointment as appropriate in this particular circumstance, however is committed to complying with the Code requirement that appointments should be made on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender.

Non-executive Directors are appointed subject to re-election by Shareholders and to three months' notice from the Company or the Director. Each Director, on appointment, is provided with a letter setting out the terms of appointment, the fees to be paid and the time commitment expected. Non-executive Directors are not appointed for specific time periods, but are subject to annual re-election.

Management Engagement Committee

The Management Engagement Committee comprises Mr Creedy (Chairman), Dr Rutter and Mr Jones and meets at least annually to review the terms of the Management Agreement and the performance of the Joint Managers. The non-independent, non- executive Directors may attend the meetings if invited to do so by the Chairman.

During the year, the Management Engagement Committee reviewed the terms of the Management Agreement and approved changes to the fee structure under that agreement as described previously on page 28. The Committee also reviewed the remuneration, engagement and performance of the Joint Managers. Further details of the remuneration paid to the Joint Managers is detailed on page 28.

Share Capital Structure

The Group has provided the information required concerning share capital structure in the Directors' Report on page 27.

Board performance and evaluation

The Chairman is responsible for ensuring the annual evaluation of the Board's performance and that of its Committees and individual Directors. During the year, this was done by the circulation of a questionnaire based on the process and questions outlined in the Code concerning Board and Committee performance and meetings. The Chairman discussed with the Board broad themes and outcomes for 2012 and highlighted strengths and any areas of weakness. The outcome of the evaluation process was that the Board and its Committees were judged to be operating effectively. The other Directors, led by the Senior Independent Director, evaluated the performance of the Chairman.

Corporate social responsibility

The Managing Director's Review on page 16 contains a statement on environmental, social and governance matters as they impact the Group.

Communications with Shareholders

The Board is accountable to the Company's Shareholders and therefore considers its communication with Shareholders to be very important. The Board uses the annual and half yearly financial reports and interim management statements to report to the Shareholders on its stewardship of the Company and on any significant changes or matters of interest.

The Annual General Meeting provides an opportunity for communication with private and institutional investors and the Board welcomes their participation. All Directors attend the Annual General Meeting and the Chairman, the Chairman of the Audit Committee, the Senior Independent Director and the Managing Director are all available to answer any questions.

Internal control

The Board is responsible for the Group's system of internal control, which has been in operation throughout the year and to the date of this Report, and for reviewing its effectiveness. It believes that the key risks facing the business have been identified and it has implemented an ongoing system to identify, evaluate and manage these risks that is based upon, and relevant to, the Group's business as a UK REIT.

Following the Financial Reporting Council's publication of "Internal Control: Revised Guidance for the Directors on the Combined Code", the Board believes key features of the system of internal control include a comprehensive system of budgeting, financial reporting and business planning, formal documentation procedures and the close involvement of the Managing Director and the Joint Managers in all aspects of the day-to-day operations. The scope and quality of the Joint Managers' systems of internal controls are monitored and reviewed and regular monitoring reports are provided to the Board. Any incidence of significant control failings or weaknesses that have been identified and the extent to which they have impacted on the Group are reported to the Board and the Board ensure that the Joint Managers take the necessary actions to remedy those failings or weaknesses immediately.

Nevertheless, the Board believes that, although robust, the Group's system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Group's business objectives. Therefore the system can provide only reasonable and not absolute assurance against material misstatement or loss. The Audit Committee and the Board consider annually the requirement for an internal audit department and the Board, on the recommendation of the Audit Committee, has concluded that one is not currently required.

In preparing the periodic financial reports of the Group, the Board is reliant on the policies and procedures followed by the Joint Managers to ensure that the records accurately reflect transactions so as to facilitate the production of consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") and other applicable reporting standards. In addition, the integrity of the financial reporting and consolidation processes and the completeness and accuracy of financial information are subject to review by the Audit Committee and the Board. At the time of reviewing the half yearly and annual financial reports, the Audit Committee also receives comfort letters from each of the Joint Managers to assist the Board in making the disclosures.

By order of the Board

J O Hambro Capital Management Limited
Company Secretary

27 February 2013

Directors' Remuneration Report

Directors' Remuneration Report

This Report has been prepared in accordance with section 420 of the Companies Act 2006 and in accordance with the information required by company law and the Listing Rules. The Notice of Annual General Meeting includes an ordinary resolution to approve the Directors' Remuneration Report. No payment of remuneration is conditional upon this vote being passed and it is an advisory vote only.

Role and composition of the Remuneration Committee

The Remuneration Committee is chaired by Dr Rutter and its other members are Mr Jones and Mr Creedy. Its role is to seek and retain the appropriate calibre of people on the Board and recommend fee levels to the Board consistent with prevailing market conditions, peer group companies and Directors' roles and responsibilities. The Company has no employees and therefore pay and employment considerations are not taken into account in determining Directors' fees, nor does it determine executive pay.

The Committee determines appropriate levels of remuneration for all Directors' fees as set out in the Articles of Association which is a maximum aggregate of £250,000 per annum. The Committee makes recommendations to the Board as a whole and no Director is involved in any decision regarding his own remuneration. Directors' fees were last reviewed on 1 January 2011. The set fee for each Director is currently £25,000 per annum and £32,500 per annum for the Chairman. Mr Jones receives an additional £5,000 per annum in respect of his role as Chairman of the Audit Committee. The Committee has agreed that, with effect from 1 January 2013, and reflecting the growth in the portfolio and the increasing amount of time spent on the Company's business, these fees will increase to £27,500 per annum for each Director, £36,000 per annum for the Chairman and an additional £5,500 per annum for the Chairman of the Audit Committee. In reaching these figures, the Committee obtained external advice from Stuart Wilson Associates, executive search consultants, and compared the fees with those paid by the Company's peers.

Remuneration of Directors (audited)

	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Graeme Elliot (Chairman)	**£32,500**	£32,500
Harry Hyman (Managing Director)	**£25,000**	£25,000
Alun Jones (SID and Chairman of Audit Committee)	**£30,000**	£30,000
James Hambro	**£25,000**	£25,000
Martin Gilbert	**£11,575**	£25,000
William Hemmings	**£13,425**	-
Ian Rutter (Chairman of Remuneration and Nomination Committees)	**£25,000**	£25,000
Mark Creedy (Chairman of Management Engagement Committee)	**£25,000**	£25,000
Total	**£187,500**	£187,500

Mr Hyman is a Director of Nexus, Mr Hambro is a Director of J O Hambro Capital Management Holdings Limited, the holding company for JOHCM. Nexus and JOHCM are the joint managers of the Company.

Messrs Hyman's and Hambro's entitlement to Directors' fees (which is the same as other Directors) is contained in the Management Agreement. The fees in respect of the services of Mr Hyman are paid to Nexus. The Management Agreement provides for the first £100,000 of the management fee to be payable to Nexus each year in respect of the services of the Managing Director. The fees in respect of Mr Hambro's services are paid to JOHCM. The fee in respect of Mr Hemming's services as a Director is paid to Aberdeen Asset Management PLC. The Company has not complied with Code provision D.1.2 and has not disclosed the amount of fees received by the Managing Director in respect of his other non-executive Director appointments. Since he is committed to working a certain number of days a month for this Company, this amount is not deemed relevant and the Remuneration Committee is satisfied that the Company received the appropriate time commitment from the Managing Director. Further details of the Management Agreement are given in the Related Parties section of the Directors' Report on pages 28 and details of the amounts paid to each of the Joint Managers in note 4 on pages 47 to the financial statements.

Non-executive Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. Directors may be reimbursed for travel and accommodation expenses in connection with Board Meetings and in line with the Group's expense policy.

Service contracts

No director has a service contract nor are they appointed for a specific term of office. The contracts for the services of Messrs Hyman and Hambro are with Nexus and JOHCM respectively, pursuant to the Management Agreement. There are letters of appointment in place for the five other Directors including the Chairman. These provide, subject to the appointment and any re-appointment being in accordance with the terms of the Articles of Association and to retirement by rotation, that such appointment can be terminated upon either party giving not less than three months' prior written notice, with no compensation for loss of office. These letters of appointment are available for inspection at the Registered Office and at the Annual General Meeting.

All Directors are subject to re-appointment by Shareholders at the first Annual General Meeting held after their appointment and annual re-election thereafter in accordance with Code Provision B.7.1.

Directors' Remuneration Report continued

Company's performance

The following graph compares, over a five year period, the total Shareholder return (as required by Company Law) of the Company's Ordinary shares relative to a return on a hypothetical holding over the same period in the FTSE All-Share Real Estate Investment and Services Total Return Index. This Index has been chosen by the Board as the most appropriate in the circumstances. Total Shareholder return is the measure of returns provided by a company to Shareholders reflecting share price movements and assuming reinvestment of dividends.

For the year ended 31 December 2012, the highest and lowest mid-market price of the Company's Ordinary shares was 350p and 311p respectively.

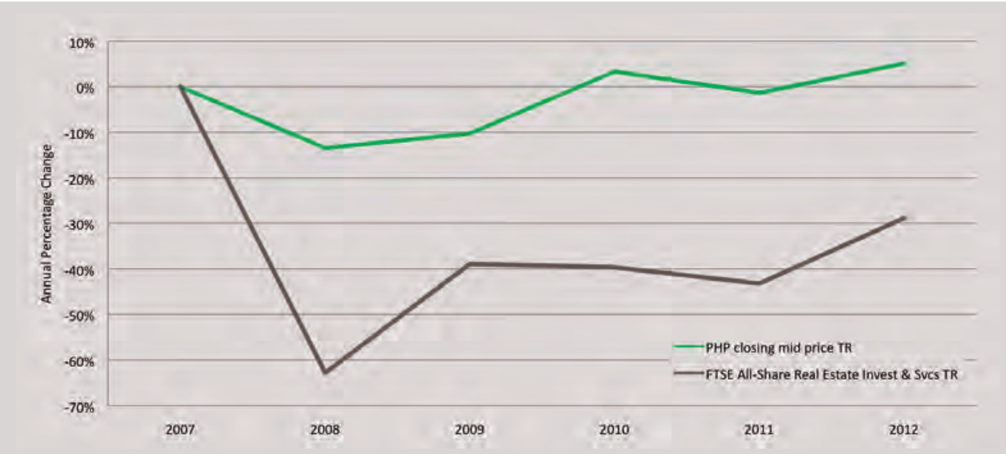
In accordance with Section 422 of Companies Act 2006, this Report was approved by the Board on 27 February 2013 and signed by Dr Rutter, Director and Chairman of the Remuneration Committee.

For and on behalf of the Board

Ian Rutter
Chairman of the Remuneration Committee

27 February 2013

PHP Total Return vs Benchmark
Over a five year period PHP has outperformed the FTSE All-Share Real Estate Investment and Services Total Return Index.



Independent Auditor’s Report

Independent Auditor’s Report to the members of Primary Health Properties PLC

We have audited the Group financial statements of Primary Health Properties PLC for the year ended 31 December 2012 which comprise the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Changes in Equity and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors’ Responsibilities Statement set out on page 30 the Directors are responsible for the preparation of the Group Financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- Give a true and fair view of the state of the Group’s affairs as at 31 December 2012 and of its profit for the year then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The information given in the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The information given in the Corporate Governance Statement set out on pages 31 to 34 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Certain disclosures of Directors’ remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- A Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- The Directors’ statement, set out on page 29, in relation to going concern;
- The part of the Corporate Governance Statement relating to the Company’s compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- Certain elements of the report to Shareholders by the Board on Directors’ remuneration.

Other matter

We have reported separately on the Parent Company financial statements of Primary Health Properties PLC for the year ended 31 December 2012.

David Wilkinson (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
London
27 February 2013

Group Statement of Comprehensive Income

for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
Rental income		**32,806**	30,333
Finance lease income		**345**	343
Rental and related income	3	**33,151**	30,676
Direct property expenses		**(402)**	(436)
Administrative expenses	4	**(5,124)**	(5,123)
Operating profit before revaluation result on property portfolio		**27,625**	25,117
Profit on sale of Available For Sale ("AFS") investments	13	**-**	312
Net revaluation result on property portfolio	10	**(1,768)**	10,584
Operating profit before financing costs		**25,857**	36,013
Finance income	5	**518**	414
Finance costs	6	**(20,760)**	(15,831)
Provision for early loan repayment fee	17	**(1.564)**	-
Fair value loss on interest rate swaps and amortisation of cash flow hedging reserve	6	**(2,922)**	(7,947)
Profit on ordinary activities before taxation		**1,129**	12,649
Taxation credit	7	**1**	5
Profit for the year [1]		**1,130**	12,654
Other comprehensive income/(loss) being:			
Fair value movement on interest rate swaps treated as cash flow hedges	26	**(285)**	(13,613)
Recycling of previously unrealised gain on current asset investment	13	**-**	(73)
Other comprehensive loss for the year net of tax [1]		**(285)**	(13,686)
Total comprehensive income/(loss) for the year net of tax [1]		**845**	(1,032)
Earnings per share [2]	8	**1.56p**	18.97p
Adjusted earnings per share [2 3]	8	**10.16p**	14.54p

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 8).

Group Balance Sheet

as at 31 December 2012

	Notes	2012 £000	2011 £000
Non current assets			
Investment properties	10	**622,447**	525,586
Net investment in finance leases	12	**3,100**	3,069
Derivative interest rate swaps	20	**-**	24
		625,547	528,679
Current assets			
Trade and other receivables	14	**2,916**	2,633
Net investment in finance leases	12	**21**	30
Cash and cash equivalents	15	**25,096**	77
		28,033	2,740
Total assets		**653,580**	531,419
Current liabilities			
Term loans and overdrafts	18	**(79,934)**	(592)
Derivative interest rate swaps	20	**(7,523)**	(23,866)
Trade and other payables	16	**(10,687)**	(5,831)
Deferred rental income		**(7,811)**	(6,624)
Provisions for liabilities and charges	17	**(1,564)**	-
		(107,519)	(36,913)
Non-current liabilities			
Term loans and overdrafts	18	**(247,905)**	(300,747)
Retail Bond	19	**(73,755)**	-
Derivative interest rate swaps	20	**(45,311)**	(25,639)
		(366,971)	(326,386)
Total liabilities		**(474,490)**	(363,299)
Net assets		**179,090**	168,120
Equity			
Share capital	22	**38,017**	34,136
Share premium account	23	**58,606**	54,430
Capital reserve	24	**1,618**	1,618
Special reserve	25	**59,473**	57,405
Cashflow hedging reserve	26	**(27,177)**	(26,892)
Retained earnings	27	**48,553**	47,423
Total equity [1]		**179,090**	168,120
Net asset value per share - basic	28	**235.54p**	246.25p
EPRA net asset value per share [2]	28	**305.03p**	318.73p

(1) Wholly attributable to equity shareholders of Primary Health Properties PLC.
(2) See definition in note 28.

These financial statements were approved by the Board of Directors on 27 February 2013 and signed on its behalf by:

Graeme Elliot
Chairman

Group Cash Flow Statement

for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
Operating activities			
Profit on ordinary activities before tax		**1,129**	12,649
Less: Finance income	5	**(518)**	(414)
Plus: Finance costs	6	**20,760**	15,831
Plus: Provision for early loan repayment fee		**1,564**	-
Plus: Amortisation of cash flow hedge reserve		**1,345**	56
Plus: Fair value loss on derivatives	6	**1,577**	7,891
Operating profit before financing costs		**25,857**	36,013
Adjustments to reconcile Group operating profit to net cash flows from operating activities:			
Revaluation deficit/(gain) on property portfolio	10	**1,768**	(10,584)
Profit on sale of AFS investment	13	**-**	(312)
Increase in trade and other receivables [1]		**(133)**	(146)
Increase in trade and other payables [1]		**7,940**	1,095
Cash generated from operations		**35,432**	26,066
UK-REIT conversion charge instalments		**-**	(1,998)
Taxation paid [2]		**-**	(43)
Net cash flow from operating activities		**35,432**	24,025
Investing activities			
Payments to acquire investment properties		**(42,221)**	(45,712)
Disposal of AFS investment	13	**-**	788
Payments to acquire Apollo Medical Partners Limited		**(3,298)**	-
Interest received on developments		**237**	296
Bank interest received		**199**	35
Other interest		**-**	4
Net cash flow used in investing activities		**(45,083)**	(44,589)
Financing activities			
Proceeds from issue of shares (net of expenses)		**18,399**	15,605
Term bank loan drawdowns		**75,685**	145,953
Term bank loan repayments		**(100,101)**	(111,007)
Proceeds of Retail bond issue (net of issue costs)		**73,671**	-
Swap interest paid		**(6,736)**	(8,833)
Non utilisation fee		**(714)**	(224)
Loan arrangement fees		**(2,655)**	(1,690)
Interest paid		**(10,670)**	(5,454)
Swap buy back costs	20	**-**	(2,880)
Equity dividends paid net of scrip dividend	9	**(12,209)**	(11,199)
Net cash flow from financing activities		**34,670**	20,271
Increase/(decrease) in cash and cash equivalents for the year		**25,019**	(293)
Cash and cash equivalents at start of year		**77**	370
Cash and cash equivalents at end of year	**15**	**25,096**	77

(1) Asset movements include movements relating to acquisitions
(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.
(3) Payment net of acquired debt commitments.

Group Statement of Changes in Equity

for the year ended 31 December 2012

	Share capital £000	Share premium £000	Capital reserve £000	Special reserve[1] £000	Cash flow hedging reserve £000	Retained earnings £000	Total £000
1 January 2012	**34,136**	**54,430**	**1,618**	**57,405**	**(26,892)**	**47,423**	**168,120**
Profit for the year	-	-	-	-	-	1,130	1,130
Income and expense recognised directly in equity:							
Fair value movement on interest rate swaps	-	-	-	-	(1,630)	-	(1,630)
Amortisation of cash flow hedging reserve	-	-	-	-	1,345	-	1,345
Total comprehensive income	-	-	-	-	(285)	1,130	845
Proceeds from capital raisings	3,115	-	-	15,885	-	-	19,000
Expenses of capital raisings	-	-	-	(601)	-	-	(601)
Share issue as part of consideration for Apollo Medical Partners Limited	616	3,325	-	-	-	-	3,941
Share issue expenses	-	(6)	-	-	-	-	(6)
Dividends paid:							
Second interim dividend for the year ended 31 December 2011 (9.25p)	-	-	-	(5,969)	-	-	(5,969)
Scrip dividends in lieu of second interim cash dividend (net of expenses)	54	292	-	(346)	-	-	-
First interim dividend for the year ended 31 December 2012 (9.25p)	-	-	-	(6,240)	-	-	(6,240)
Scrip dividend in lieu of first interim cash dividend (net of expenses)	96	565	-	(661)	-	-	-
31 December 2012	**38,017**	**58,606**	**1,618**	**59,473**	**(27,177)**	**48,553**	**179,090**
1 January 2011	**31,401**	**53,934**	**1,618**	**44,442**	**(13,279)**	**46,630**	**164,746**
Profit for the year	-	-	-	-	-	12,654	12,654
Income and expense recognised directly in equity:							
Fair value movement on interest rate swaps	-	-	-	-	(13,669)	-	(13,669)
Amortisation of cash flow hedging reserve	-	-	-	-	56	-	56
Recycling of previously unrealised gain	-	-	-	-	-	(73)	(73)
Total comprehensive income	-	-	-	-	(13,613)	12,581	(1,032)
Proceeds from capital raisings	2,642	-	-	13,474	-	-	16,116
Expenses of capital raisings	-	-	-	(511)	-	-	(511)
Dividends paid:							
Second interim dividend for the year ended 31 December 2010 (9.00p)	-	-	-	-	-	(5,363)	(5,363)
Scrip dividends in lieu of second interim cash dividend (net of expenses)	45	244	-	-	-	(289)	-
First interim dividend for the year ended 31 December 2011 (9.00p)	-	-	-	-	-	(5,836)	(5,836)
Scrip dividend in lieu of first interim cash dividend (net of expenses)	48	252	-	-	-	(300)	-
31 December 2011	**34,136**	**54,430**	**1,618**	**57,405**	**(26,892)**	**47,423**	**168,120**

(1) The Special Reserve is a distributable reserve

Notes to the Financial Statements

1. Corporate information

The Group's financial statements for the year ended 31 December 2012 were approved by the Board of Directors on 27 February 2013 and the Balance Sheets were signed on the Board's behalf by the Chairman, G A Elliot. Primary Health Properties PLC is a public limited company incorporated and domiciled in England & Wales. The Company's Ordinary shares are admitted to the Official List of the UK Listing Authority, a division of the Financial Services Authority and traded on the London Stock Exchange.

2. Accounting policies

2.1 Basis of preparation

The Group's financial statements have been prepared on the historical cost basis, except for investment properties and derivative financial instruments that have been measured at fair value.

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

Statement of compliance

The Group prepares consolidated financial statements under International Financial Reporting Standards ("IFRS") as adopted by the European Union and applied in accordance with the Companies Act 2006 and Article 4 of the IAS Regulations.

2.2 Summary of significant accounting policies

Basis of consolidation

The Group's financial statements consolidate the financial statements of Primary Health Properties PLC and its wholly owned subsidiary undertakings. Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtained control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of the subsidiary undertakings are prepared for the accounting reference period ending 31 December each year using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from them, are eliminated on consolidation.

The Parent Company financial statements of Primary Health Properties PLC and each of its subsidiary undertakings will continue to be prepared under UK GAAP for the current year. The use of IFRS at Group level does not affect the distributable reserves available to the Group.

Segmental reporting

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

Investment properties and investment properties under construction

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

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

Investment properties are recognised for accounting purposes upon completion of contract, unless a specific completion date is noted in the contract, in which case the property will be recognised on the date specified. Investment properties cease to be recognised when they have been disposed of. Any gains and losses arising are recognised in the Group Statement of Comprehensive Income in the year of disposal.

Development loans

The Group has entered into development loan agreements with third party developers in respect of certain properties under development. These loans are repayable at the option of the developer at any time. The Group has entered into contracts to purchase the properties under development when they are completed in accordance with the terms of the contracts. The loans are repayable by the developers in the event that the building work is not completed in accordance with the purchase contracts. Interest is charged under the terms detailed in the respective development agreements and taken to the Group Statement of Comprehensive Income in the year in which it accrues.

Property acquisitions and business combinations

Where a property is acquired through the acquisition of corporate interests, the Board considers the substance of the assets and activities of the acquired entities in determining whether the acquisition represents the acquisition of a business. The basis of the judgement is set out in note 2.3(b).

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values on the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. Otherwise, corporate acquisitions are accounted for as business combinations.

Impairment of assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's, or cash-generating unit's, fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the Group Statement of Comprehensive Income.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Group Statement of Comprehensive Income.

Income
Revenue is recognised to the extent that performance has been provided and it is probable that economic benefits will flow to the Group which can be reliably measured. Revenue is measured at the fair value of the consideration receivable, excluding discounts, rebates, VAT and other sales taxes or duty.

Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term. A rent adjustment is recognised from the rent review date in relation to unsettled rent reviews. Incentives for lessees to enter into lease agreements are spread evenly over the lease terms, even if the payments are not made on such a basis.

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

Trade and other receivables
Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash and cash equivalents
Cash and cash equivalents are defined as cash and short term deposits, including any bank overdrafts, with an original maturity of three months or less.

Trade and other payables
Trade payables are recognised and carried at their invoiced value inclusive of any VAT that may be applicable.

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

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

Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow or resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Conversion to UK-REIT
The Group's conversion to UK-REIT status was effective from 1 January 2007. Conversion to a UK-REIT results in, subject to continuing relevant UK-REIT criteria being met, the Group's property profits, both income and gains, being exempt from UK taxation from 1 January 2007. Acquired companies were converted to a UK-REIT status; there were no charges payable following the abolition of the REIT conversion charge.

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

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

Financial instruments
Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets designated upon initial recognition as fair value through profit and loss. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS39. Financial assets at fair value through profit and loss are carried in the Balance Sheet at fair value with gains or losses recognised in the Group Statement of Comprehensive Income.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedging relationships as defined by IAS 39. Gains or losses on liabilities held for trading are recognised in the Group Statement of Comprehensive Income.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the Group Statement of Comprehensive Income when the loans and receivables are de-recognised or impaired, as well as through the amortisation process.

De-recognition of financial assets and liabilities
Financial assets
A financial asset (or where applicable a part of a financial asset or part of a Group of similar financial assets) is de-recognised where:

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

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

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

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

Derivative financial instruments (derivatives) and hedge accounting
The Group uses interest rate swaps to help manage its interest rate risk.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions meet the strict criteria for being described as "effective" in offsetting changes in cash flows of hedged items.

All derivatives are initially recognised at fair value at the date the derivative is entered into and are subsequently remeasured at fair value. The fair values of the Group's interest rate swaps are calculated by J.C. Rathbone Associates Limited, an independent specialist which provides treasury management services to the Group.

For swaps that have been cancelled which previously qualified for hedge accounting, the remaining value within the cash flow hedging reserve at the date of cancellation is recycled to the Statement of Comprehensive Income on a straight line basis from the date of cancellation to the original swap expiry date.

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

- where a derivative is designated as a hedge of the variability of a highly probable forecast transaction, such as an interest payment, the element of the gain or loss on the derivative that is an "effective" hedge is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in equity are reclassified into the Group Statement of Comprehensive Income in the same period or periods during which the asset acquired or liability assumed affects the Group Statement of Comprehensive Income i.e. when interest income or expense is recognised;

- the gain or loss on derivatives that do not meet the strict criteria for being "effective" and so do not qualify for hedge accounting and the non-qualifying element of derivatives that do qualify for hedge accounting, are recognised in the Group Statement of Comprehensive Income immediately. The treatment does not alter the fact that the derivatives are economic hedges of the underlying transaction.

Dividends payable to Shareholders
Dividends proposed by the Board of Directors and unpaid at the year end are not recognised in the financial statements as they are appropriations of income. Furthermore, any final dividends would not be recognised until they have been approved by Shareholders at an Annual General Meeting.

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

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

2.3 Significant accounting estimates and judgements

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

a) Estimates

Fair value of investment properties

Investment property includes (i) completed investment property, and (ii) investment property under construction. Completed investment property comprises real estate held by the Group or leased by the Group under a finance lease in order to earn rentals or for capital appreciation, or both.

Investment property under construction is valued at fair value if it can be reliably determined. If a fair value cannot be reliably determined, the investment property under construction is measured at cost.

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

In accordance with RICS Appraisal and Valuation Standards, factors taken into account are current market conditions; annual rentals; state of repair, ground stability, contamination issues and fire, health and safety legislations.

In determining the fair value of investment properties under construction the valuer is required to consider the significant risks which are relevant to the development process including, but not limited to, construction and letting risks. Where assets under construction are pre-let and construction risk remains with the respective developer or contractor, these facts are taken into account in estimating fair values.

Fair value of derivatives

In accordance with IAS39, the Group values its derivative financial instruments at fair value. Fair value is estimated by J.C. Rathbone Associates Limited on behalf of the Group, using a number of assumptions based upon market rates and discounted future cash flows. The derivative financial instruments have been valued by reference to the bid price of the yield curve prevailing on 31 December 2012. Fair value represents the net present value of the difference between the cash flows produced by the contracted rate and the valuation rate.

Rent reviews

The Group's occupational leases include periodic rent review provisions. All reviews are effectively upwards only and either reviewed to Open Market Rent, linked to RPI or subject to a fixed uplift at the review date. The Group accrues for the potential uplift in rent from the date of the review. Estimated rents are established by the Joint Managers using their own data from previous reviews supported by estimates from third party advisers. The Group then accrues 90% of the estimated rental increase. Any additional rent receivable is booked on receipt when the rent review is agreed.

Provision for early loan repayment fee

In accordance with IAS 37, the Group has recognised a provision for the early loan repayment fee of the Apollo Aviva mortgages. Following the Group's submission of the early repayment notice on 19 December 2012, a best estimate of the fee has been made based on reference gilt redemption yields as at 31 December 2012.

Contingent consideration

In accordance with IAS 39, the Group has considered its financial liability in respect of the Apollo transaction based on the estimated fair values of future consideration payable, discounted to its present value. Future consideration may become payable based on lettings achieved at various vacant areas, the completion of a Deed of Variation with respect to a specific lease as set out in accordance with Schedule 9 of the Sale and Purchase Agreement. The probability of these events has been factored into the fair value calculation.

b) Judgements

Leases

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of the vast majority of the properties, which are leased out on operating leases. The Group has entered into a small number of finance lease arrangements where it has determined that it has transferred substantially all the risks and rewards incidental to ownership to the occupier.

Hedge effectiveness

The Group has a number of interest rate swaps that mature after the Group's bank facilities, to which they relate, are due to expire. In accordance with IAS39, in order to apply hedge accounting in relation to these interest rate swaps, the Group has determined that it is highly probable that these bank facilities will be re-negotiated on or before expiry and that variable interest rate debt finance will be in place until the expiry date of the swaps.

Property acquisitions during the year

The Directors have reviewed the acquisitions during the year on an individual basis in accordance with the requirements of IFRS3(R). They consider that they all meet the criteria of asset acquisitions rather than business combinations and have accounted for them as such. Although corporate entities were acquired, they were special purpose vehicles for holding properties rather than separate business entities. This judgement was made due to the lack of processes inherent in the entities acquired.

Notes to the Financial Statements (continued)

2.4 Standards adopted during the year

The Group has considered and where appropriate, adopted the following amendments to IFRS in these financial statements:

- IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

2.5 Standards issued but not yet effective

The IASB and IFRIC have issued a number of standards and interpretations with an effective date after the date of these financial statements. The Directors have set out below only those which may have a material impact on the financial statements in future periods. The Group plans to adopt the policies below as and when they become effective.

- IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7. These amendments require an entity to disclosure information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

- IFRS 9 Financial Instruments: Classification and Measurement. IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

- IFRS 10 Consolidated Financial Statements. IFRS 10 replaces the portion of IAS 27; Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in ISC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the scope of the consolidation. This standard becomes effective for annual periods beginning on or after 1 January 2013.

- IFRS 13 Fair Value Measurement. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

3. Rental and related income

Turnover comprises rental income and finance lease income receivable on property investments in the UK, which is exclusive of VAT. Turnover is derived from one reportable operating segment. Details of the lease income are given below.

Group as a lessor

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

	Less than one year £000s	1-5 years £000s	More than 5 years £000s	Total £000s
2012	**38,208**	**152,536**	**421,031**	**611,775**
2011	32,146	127,953	366,156	526,255

The future minimum lease payments includes amounts due in future years from investment properties under development at the year end.

b) There were no contingent rents recognised as income in the year.

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

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

4. Group operating profit is stated after charging

	2012 £000	2011 £000
Administrative expenses: recurring		
Management fees (note 4a)	**4,166**	3,886
Directors' fees (note 4c)	**188**	188
Property management fees and other services payable to Nexus	**50**	71
Auditors' remuneration for:		
• audit of the Financial Statements	**120**	139
• audit of accounts of subsidiaries	**95**	24
• taxation services - compliance	**30**	82
- advisory	**52**	50
Other professional fees	**139**	360
Other expenses	**284**	323
Total	**5,124**	5,123

a) Management fees

The management fee calculated and payable for the period to 31 December was as follows:

	2012 £000	2011 £000
Nexus	**2,497**	2,295
JOHCM	**1,669**	1,591
	4,166	3,886

Further details on the Management Agreement can be found in the Directors' Report on page 28.

As at 31 December 2012, £143,000 of management fees payable to JOHCM were outstanding (2011: £137,000) and £242,000 was payable to Nexus (2011: £206,000).

Further fees payable to Nexus in accordance with the Management Agreement of £55,000 (2011: £56,000) in respect of capital projects were capitalised in the year.

b) Performance Incentive Fee ("PIF")

Information about the Performance Incentive Fee ("PIF") is provided in the Directors' Report on page 28.

c) Remuneration of Directors

Information about the remuneration of individual directors is provided in the Directors' Remuneration Report on page 35.

5. Finance income

	2012 £000	2011 £000
Interest income on financial assets		
Bank interest	**206**	70
Development loan interest	**257**	249
Other interest	**55**	95
	518	414

6. Finance costs

	2012 £000	2011 £000
Interest expense and similar charges on financial liabilities		
(i) Interest payable		
Swap interest payable	**6,860**	8,768
Bank loan interest payable	**10,296**	5,792
Bond interest payable	**1,789**	-
Notional UK-REIT interest	**-**	5
Bank facility non utilisation fees	**733**	288
Bank charges and loan commitment fees	**1,082**	978
	20,760	15,831

The above analysis excludes the one-off provision for early repayment of the Aviva loan acquired as part of the Apollo transaction of £1.564 million.

	2012 £000	2011 £000
(ii) Derivatives		
Net fair value loss on interest rate swaps	**1,577**	7,891
Amortisation of cash flow hedging reserve	**1,345**	56
	2,922	7,947

The fair value loss of £1.6million (2011: £7.9million) on derivatives recognised in the Group Statement of Comprehensive Income for the year has arisen from the interest rate swaps for which the hedge accounting concept does not apply.

Details of the fair value loss on hedges which meet the effectiveness criteria under IAS 39 are set out in note 26.

	2012 £000	2011 £000
Net finance costs		
Finance income (note 5)	**(518)**	(414)
Finance costs	**20,760**	15,831
	20,242	15,417

Notes to the Financial Statements (continued)

7. Taxation

a) Tax credit in the Group Statement of Comprehensive Income

The tax credit is made up as follows:

	2012 £000	2011 £000
Current tax		
UK corporation tax (note 7b)	**(1)**	(5)

The tax credit relates to the release of tax provisions from prior years and variances in the amount of corporation tax paid in acquired companies against the agreed provision at acquisition.

A reduction in the UK corporation tax rate from 26% to 24% was effective from 1 April 2012. A further reduction from 24% to 23% has been substantively enacted and will be effective from 1 April 2013. Accordingly, these rates have been applied in the measurement of the Group's tax liability at 31 December 2012.

In addition, the Government announced its intention to further reduce the UK corporation tax rate to 21% from 1 April 2014.

b) Factors affecting the tax credit for the year

The tax assessed for the year is lower than (2011: lower) the standard rate of corporation tax in the UK. The differences are explained below:

	2012 £000	2011 £000
Profit on ordinary activities before taxation	**1,129**	12,649
Theoretical tax at UK corporation tax rate of 24.5% (2011: 26.5%)	**277**	3,352
REIT exempt income	**(1,857)**	(2,651)
Transfer pricing adjustments	**797**	-
Non taxable items	**819**	(697)
Indexation allowance on capital gains	**-**	(7)
Finance lease adjustment	**1**	4
Other differences	**-**	(7)
Losses carried forward	**(37)**	6
Movement in tax provision relating to prior years	**(1)**	(5)
Current tax credit (note 7a)	**(1)**	(5)

8. Earnings per share

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

Adjusted earnings per share	Net profit attributable to Ordinary Shareholders £000	Ordinary Shares (number)[1]	Per Share (pence)
2012			
Basic and diluted earnings per share	**1,130**	**72,675,900**	**1.56p**
Adjustments to remove:			
Net property valuation deficit (Note 10)	**1,768**		
Fair value loss on derivatives [2]	**2,922**		
Provision for early loan repayment fees [3]	**1,564**		
UK corporation tax credit	**(1)**		
Adjusted basic and diluted earnings per share	**7,383**	**72,675,900**	**10.16p**
2011			
Basic and diluted earnings per share	12,654	66,696,096	18.97p
Adjustments to remove:			
Net property valuation gains (Note 10)	(10,584)		
Fair value loss on derivatives [2]	7,947		
Profit on sale of AFS investment	(312)		
UK corporation tax credit	(5)		
Adjusted basic and diluted earnings per share	9,700	66,696,096	14.54p

(1) Weighted average number of Ordinary Shares in issue during the year.
(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 Group Statement of Comprehensive Income, the Directors believe that it is appropriate to remove the gain or loss in the calculation of adjusted earnings.
(3) The provision for early loan repayment fees is considered a one-off exceptional item following the acquisition of Apollo Medical Partners Limited and its subsidiary. Directors believe that it is appropriate to remove the charge in the calculation of adjusted earnings.

9. Dividends

Amounts recognised as distributions to equity holders in the year:

	2012 £000	2011 £000
Second interim dividend for the year ended 31 December 2011 (9.25p) paid 2nd April 2012 (2011: 9.00p)	**5,969**	5,363
Scrip dividend in lieu of second interim cash dividend	**346**	289
First interim dividend for the year ended 31 December 2012 (9.25p) paid 26 October 2012 (2011: 9.00p)	**6,240**	5,836
Scrip dividend in lieu of first interim cash dividend	**661**	300
Total dividends	**13,216**	11,788
Per share	**18.5p**	18.0p

10. Investment properties, investment properties under construction

Properties have been independently valued at fair value by Lambert Smith Hampton ("LSH"), Chartered Surveyors and Valuers, as at the balance sheet date in accordance with IAS 40: Investment Property. LSH confirm that they have valued the properties in accordance with the Practice Statements in the RICS Appraisal and Valuation Standards ("Red Book"). The Valuers are appropriately qualified and have sufficient market knowledge and relevant experience of the location and category of investment property and have had full regard to market evidence when determining the values.

The properties are 99.7% let. The valuations reflected a 5.72% initial yield (2011: 5.74%) and a 6.05% (2011: 6.06%) true equivalent yield as detailed on page 6. Where properties have outstanding rent reviews, an estimate is made of the likely rent on review in line with market expectations and the knowledge of the valuer.

In addition to the market value exercise performed by LSH, the Joint Managers monitor the value of the Group's investment portfolio based on DCF analysis. Full details can be found in the Managing Directors' Review, on page 8.

In accordance with IAS 40, investment properties under construction have also been valued at fair value by LSH. In determining the fair value, the valuer is required to consider the significant risks which are relevant to the development process including, but not limited to, construction and letting risks. In the case of the Group's portfolio under construction, where the sites are pre-let and construction risk remains with the builder/developer, the valuers have used the special assumptions that, as at the valuation date, the developments, have been completed satisfactorily, the agreements of leases have been completed and the rents and other tenants lease obligations have commenced. A fair value decrease of £764,000 (2011: increase of £401,000) in respect of investment property under construction has been recognised in the Group Statement of Comprehensive Income, as part of the total net valuation loss on property portfolio in the year of £1.77 million (2011: gain of £10.58 million).

In line with Accounting Policies (page 42), the Group has treated the acquisitions during the year as asset purchases rather than business combinations as they were judged to be acquisitions of properties rather than businesses.

	Investment properties freehold £000	Investment properties long leasehold £000	Investment properties under construction £000	Total £000
As at 1 January 2012	433,245	87,966	4,375	525,586
Property additions	30,111	1,021	10,234	41,366
Properties acquired during the year following				
Acquisition of Apollo Medical Partners Limited	41,966	4,247	11,550	57,763
Disposal [1]	-	-	(500)	(500)
Transfer from properties in the course of development	9,164	-	(9,164)	-
Revaluations for the year	(1,141)	137	(764)	(1,768)
As at 31 December 2012	**513,345**	**93,371**	**15,731**	**622,447**
As at 1 January 2011	383,223	78,860	7,207	469,290
Property additions	13,366	4,258	28,088	45,712
Transfer from properties in the course of development	27,077	4,244	(31,321)	-
Revaluations for the year	9,579	604	401	10,584
As at 31 December 2011	433,245	87,966	4,375	525,586

(1) Disposal of long leasehold interest as part of acquisition of newly developed property at Pelton, County Durham.

Notes to the Financial Statements (continued)

11. Investments

Those subsidiaries listed below are considered to be the principal subsidiaries only of the Company:

Subsidiary
Primary Health Investment Properties Limited (PHIP) [1]
Primary Health Investment Properties (No. 2) Limited [1]
Primary Health Investment Properties (No. 3) Limited [1]
PHIP (5) Limited [2]
Patientfirst Partnerships Limited [2]
Patientfirst (Hinckley) Limited [2]
Patientfirst (Burnley) Limited [2]
Health Investments Limited [1]
Motorstep Limited [2]
PHP Investments No1 Limited [2]
PHP Investments No2 Limited [2]
PHP Investments (2011) Limited [1]
PHP AssetCo (2011) Limited [2]
PHP Healthcare Investments Limited [2]
PHP Empire Holdings Limited [1]
PHP (Stourbridge) Limited [1]
PHP Clinics Limited [1]
Apollo Capital Projects Limited [2 3]
Apollo Medical Partners Limited [2 4]

The principal activity of all of the above is Property Investment and all have 100% proportion of voting rights and shares held.

(1) Subsidiaries directly held by the Company.
(2) Subsidiaries held indirectly by the Company.
(3) Subsidiary acquired during the year (name changed to PHP Glen Spean Limited post acquisition)
(4) Subsidiary acquired during the year (name changed to PHP Medical Properties Limited post acquisition)

12. Net investment in finance leases

	2012 £000	2011 £000
Amounts due in more than five years	**3,086**	3,026
Amounts due between one and five years	**14**	43
	3,100	3,069
Amounts due in less than one year	**21**	30
	3,121	3,099

There were no additions to finance leases during the year ended 31 December 2012 or the year ended 31 December 2011.

	2012 £000	2011 £000
Gross investment in finance leases	**8,781**	9,104
Less: unearned financial revenues	**(5,660)**	(6,005)
Present value of future minimum lease payment receivables	**3,121**	3,099

13. Current asset investment

	2012 £000	2011 £000
As at 1 January	**-**	555
Disposals in the year	**-**	(555)
	-	-

The current asset investment of 1,970,500 ordinary shares in AH Medical Properties PLC ("AHMP"), held as an Available For Sale ("AFS"), was disposed of on 19 January 2011 for £788,000. The Group accepted the cash alternative offer for the shares from Assura Group Limited, resulting in a realised gain of £312,000 and an unrealised gain of £73,000 was recycled to Other Comprehensive Income.

14. Trade and other receivables

	2012 £000	2011 £000
Trade receivables	**689**	793
Other debtors	**775**	687
Prepayments and accrued income	**1,275**	1,153
VAT	**177**	-
	2,916	2,633

As at 31 December, the analysis of trade receivables, some of which were past due but not impaired, is set out below:

	2012 £000	2011 £000
Neither past due nor impaired:		
<30 days	**425**	533
Past due but not impaired:		
30-60 days	**69**	72
60-90 days	**-**	13
90-120 days	**15**	12
>120 days	**180**	163
	689	793

15. Cash and cash equivalents

	2012 £000	2011 £000
Cash held at bank	**19,086**	77
Restricted cash: Aviva deposits	**6,010**	-
	25,096	77

Restricted cash: Three cash deposits, totalling £6.0 million at the year end, were purchased as part of the Apollo Medical Partners Limited acquisition. The deposits are restricted and released to a PHP subsidiary upon presentation of an approved valuation certificate relating to the staged payment of development costs with regard to three properties under construction that were acquired as part of the Apollo portfolio.

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

Included in the above balance at 31 December 2012 the Group had £16 million held on a one month term deposit accruing an interest rate of 1.5% (2011: £nil).

16. Trade and other payables

	2012 £000	2011 £000
Trade payables	**951**	1,286
Other payables	**5,545**	2,494
Bank loan and bond interest accrual	**3,313**	1,555
VAT	**-**	154
Accruals	**878**	342
	10,687	5,831

Trade payables included an amount of £250,000 for works on the development at Swansea. In 2011, trade payables included amounts of £731,000, £141,000 and £20,000 for works at the developments at Pelton, Ramsgate and Luton respectively. Other payables include an amount of £1.8 million of deferred consideration that is payable upon completion of the construction of three assets under development that were acquired with the acquisition of Apollo Medical Partners Limited and its subsidiary.

17. Provisions for liabilities and charges

	2012 £000	2011 £000
Provision for early loan repayment fee	**1,564**	-
	1,564	-

As part of the acquisition of Apollo Medical Partners Limited and its subsidiary, Apollo Capital Projects Limited (“ACPL”), on 13 December 2012, PHP assumed fixed rate bank finance provided by Aviva with a total principal amount of £49.8 million. The Group has determined the fair value of the debt as at the date of acquisition to be £52.3 million, which has been recognised in the Group Balance Sheet.

On 19 December 2012, ACPL issued a repayment notice to Aviva giving the required three months notice of its intention to repay the ACPL loans in full on expiry of the notice period.

As at the balance sheet date, PHP has recognised a provision based on the difference between the carrying value of the debt and the estimated sum required to settle the debt and meet the early repayment charges that will crystallise on the repayment date. The Group's best estimate of the provision, based on applicable referenced gilt yields as at this date is £1.56 million, which has been recognised in the Group Statement of Comprehensive Income.

18. Term loans and overdrafts

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

	Facility		Amounts drawn		Undrawn	
	2012 £000	2011 £000	2012 £000	2011 £000	2012 £000	2011 £000
Current						
Overdraft facility [1]	**5,000**	10,000	**-**	-	**5,000**	10,000
Fixed term loan [4]	**629**	592	**629**	592	**-**	-
Term to January 2013 [3]	**27,000**	-	**27,000**	-	**-**	-
Fixed Rate term loan [8]	**52,305**	-	**52,305**	-	**-**	-
	84,934	10,592	**79,934**	592	**5,000**	10,000
Non Current						
Term to March 2016 [2]	**175,000**	175,000	**125,000**	156,500	**50,000**	18,500
Term to January 2013 [3]	**-**	30,000	**-**	30,000	**-**	-
Fixed Rate term loan [4]	**26,082**	26,710	**26,082**	26,710	**-**	-
Fixed Rate term loan to December 2022 [5]	**25,000**	25,000	**25,000**	-	**-**	25,000
Term to July 2014 [6]	**50,000**	50,000	**-**	14,203	**50,000**	35,797
Fixed Rate term loan to November 2018 [7]	**75,000**	75,000	**75,000**	75,000	**-**	-
	351,082	381,710	**251,082**	302,413	**100,000**	79,297
	436,016	392,302	**331,016**	303,005	**105,000**	89,297

Providers:

(1) The Royal Bank of Scotland PLC expires 16 March 2013

(2) The Royal Bank of Scotland PLC ("RBS") and Abbey National Treasury Services plc (branded Santander from January 2010) ("The Club Facility")

(3) Allied Irish Banks, PLC

(4) Aviva facility repayable in tranches to 31 January 2032

(5) Aviva GPFC facility

(6) Clydesdale Bank facility

(7) Aviva facility

(8) Aviva facility (acquired as part of the Glen Spean acquisition in December 2012) repayable in tranches to September 2036

At 31 December 2012, total borrowings of £511.0 million (2011: £392.3 million) including the £75 million Retail Bond and £5 million revolving overdraft facility were available. Of these borrowings, as at 31 December 2012, £406.0million was drawn (2011: £303.0 million) and secured by an unlimited guarantee from each respective subsidiary and a first fixed charge over the ownership of the assigned properties. The Group has entered into interest rate swaps to manage its exposure to interest rate fluctuations. These are set out in note 20.

On 2 April 2012, PHP entered into a new £175 million club debt facility (the “Club Facility”) with RBS and Santander. This facility is for a four year term and comprises of a term loan of £125 million and a revolving debt facility of £50 million. The key covenants for the facility are an overall Loan to Value maximum of 65% and a minimum Interest Cover requirement of 1.3 times.

There is a £5 million overdraft facility in place, unutilised as at 31 December 2012 (2011: £10 million).

As part of the completion of the Club Facility detailed above, the existing bilateral loan with AIB was separated and secured upon a specific security pool. A sum of £3 million was repaid from the loan as part of this process leaving a balance of £27 million. All terms and conditions of the AIB loan remained unchanged.

On 13 December 2012, as part of the Apollo Medical Partners Limited acquisition, PHP assumed a portfolio of Aviva fixed debt with a fair value of £52.4 million secured against the property portfolio. Interest is payable at rates of between 4.57% - 6.10% with the principle repayable between 14 years - 25 years.

On 19 December 2012, PHP issued Aviva with a repayment notice for the full list of loans acquired as part of the Apollo Medical Partners Limited acquisition. It is PHP's intention to repay the loans on 19 March 2013, being three months from the date of the repayment notice. A provision for the difference between the estimated sum required to settle the loan repayment and early redemption fees and the carrying value of the loan of £1.56 million has been recognised in the year.

On 14 December 2012, PHP completed the draw down of a £25 million, 10 year, interest only debt facility with Aviva Public Private Finance Limited , locking into a fixed interest rate for the entire term of the facility of 3.63%.

On 31 January 2013, the AIB loan was repaid in full, without any requirement to redeem the pre-existing interest rate swaps or incur any related breakage fees.

Since the term loan facilities have been in existence, the Group has incurred costs in association with the arrangement of the facilities including legal advice and loan arrangement fees. These costs are amortised over the remaining life of the related facility.

18. Term loans and overdrafts (continued)

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

	2012 £000	2011 £000
Term loans drawn: due within one year	**79,934**	592
Term loans drawn: due in greater than one year	**251,082**	302,413
Less: Unamortised borrowing costs	**(3,177)**	(1,666)
Total terms loan: due in greater than one year	**247,905**	300,747
Term loans in total per Group Balance Sheet	**327,839**	301,339

The Group has been in compliance with all of the financial covenants of the above facilities as applicable through the year. Further details are shown in note 21e.

19. Retail Bond

	2012	2011
Retail Bond July 2019	**75,000**	-
Issue costs	**(1,245)**	-
	73,755	-

On 23 July 2012, PHP announced that it had become the first UK REIT to issue a Retail Bond following the issue of a £75 million, unsecured, seven year bond, to retail investors with an annual interest rate of 5.375% paid semi-annually in arrears. The bond issue costs will be amortised on a straight line basis over seven years.

20. Derivatives and other financial instruments

The Group uses interest rate swaps to mitigate exposure to interest-rate risk. The fair value of these contracts is recorded in the balance sheet and is determined by discounting future cash flows at the prevailing market rates at the balance sheet date.

	2012 £000	2011 £000
Fair value of interest rate swaps treated as cash flow hedges under IAS39 ("effective swaps")		
Current liabilities	**(3,778)**	-
Non current liabilities	**(23,637)**	(25,639)
	(27,415)	(25,639)
Fair value of interest rate swaps not qualifying as cash flow hedges ("ineffective swaps")		
Non current assets	-	24
Current liabilities	**(3,745)**	(23,866)
Non Current liabilities	**(21,674)**	-
	(25,419)	(23,842)
Total fair value of interest rate swaps	**(52,834)**	(49,481)

It is Group policy to maintain the proportion of floating rate interest exposure at between 20%-40% of total interest rate cost.

Changes in the fair value of the contracts that do not meet the strict IFRS 39 criteria to be designated as effective hedging instruments are taken to the Group Statement of Comprehensive Income. For contracts that meet the IFRS 39 criteria and are designated as 'effective' cash flow hedges, the change in the fair value of the contract is recognised in the Statement of Changes in Equity through the cash flow hedging reserve. The result recognised in the Group Statement of Comprehensive Income on 'ineffective' cash flow hedges in 2012 was a £1.6 million loss (2011: £7.9 million loss).

Floating to fixed rate interest rate swaps with a contract value of £181.3 million (2011: £173.0 million) were in effect at the year-end. Details of all floating to fixed rate interest rate swaps contracts held are as follows:

Contract value	Start date	Maturity	Fixed interest per annum %
2012			
£50.0 million	August 2007	August 2021[1]	4.835
£38.0 million	August 2007	August 2021[1]	4.740
£73.3 million	July 2012	April 2013	4.805
£10.0 million	August 2005	August 2015	4.530
£10.0 million	June 2006	June 2026	4.810
£181.3 million			
2011			
£50.0 million	August 2007	August 2021	4.835
£38.0 million	August 2007	August 2021	4.740
£65.0 million	July 2010	July 2012	4.805
£10.0 million	August 2005	August 2015	4.530
£10.0 million	June 2006	June 2026	4.810
£173.0 million			
Contracts not yet in effect			
£63.3 million	April 2013	July 2013	4.805
£70.0 million	July 2013	July 2015	4.805
£80.0 million	July 2015	July 2016	4.805
£10.0 million	June 2016	June 2026	4.510
£10.0 million	July 2016	July 2026	4.400
£10.0 million	July 2016	July 2026	4.475
£10.0 million	July 2016	July 2026	4.455
£20.0 million	July 2016	July 2026	4.47875
£20.0 million	July 2017	July 2027	4.76

(1) On 27 February 2012 PHP signed an agreement to cancel the callability option held by the counter party on the £50.0 million and the £38.0 million swaps in place. The callability option has been cancelled for four years until 11 February 2016 at which time it will be reinstated.

Details of the two interest rate caps held by the Group are as follows:

Contract value	Start date	Maturity date	Premium paid[1]	Floating rate cap per % annum[2]
£10.0 million	Oct 2011	Oct 2014	£31,000	3.00%
£10.0 million	Jan 2012	Jul 2014	£26,000	3.00%

(1) One-off fixed amount paid by PHP Group
(2) Payable by Clydesdale Bank PLC

Notes to the Financial Statements (continued)

21. Financial risk management

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

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

A review of the Group's objectives, policies and processes for managing and monitoring risk is set out in the Managing Directors' Review on pages 4 to 21. This note provides further detail on financial risk management and includes quantitative information on specific financial risks.

Financial risk factors

a) Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating rates as the Group, generally, does not hold significant cash balances, with short term borrowings being used when required. To manage its interest rate risk, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon principal amount. Note 20 provides details of interest swap contracts in effect at the year end.

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

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

		Effect on fair value of financial instruments £000	Effect on profit before taxation £000	Effect on equity £000
2012				
London InterBank Offered Rate	Increase of 50 basis points	9,720	3,206	12,926
London InterBank Offered Rate	Decrease of 50 basis points	(9,720)	(3,206)	(12,926)
2011				
London InterBank Offered Rate	Increase of 50 basis points	9,552	3,530	13,082
London InterBank Offered Rate	Decrease of 50 basis points	(9,552)	(3,530)	(13,082)

b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under financial instruments or customer contract, leading to a financial loss. The Group is exposed to credit risk from its principal financial assets being cash and cash equivalents, trade and other receivables, and finance lease receivables.

Trade receivables

Trade receivables, primarily tenant rentals, are presented in the balance sheet net of allowances for doubtful receivables and are monitored on a case-by-case basis. Impairment allowance is recorded where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable concerned. Credit risk is primarily managed by requiring tenants to pay rentals in advance. An analysis of trade receivables past due is shown in note 14. No trade receivables were impaired at the year end.

Bank and financial institutions

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

Finance lease receivables

Finance lease receivables are not considered a significant credit risk as the tenants are of good financial standing.

c) Liquidity risk

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

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

	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	> 5 years £000	Total £000
2012						
Interest-bearing loans and borrowings	-	80,667	10,534	173,116	217,633	481,950
Interest rate swaps (net)	-	1,925	5,771	25,170	48,962	81,828
Trade and other payables	88	6,196	2,292	1,619	492	10,687
	88	**88,788**	**18,597**	**199,905**	**267,087**	**574,465**
2011						
Interest-bearing loans and borrowings	-	2,223	6,671	223,826	111,675	344,395
Interest rate swaps (net)	-	1,638	4,916	24,515	44,201	75,270
Trade and other payables	60	4,419	10	822	520	5,831
	60	8,280	11,597	249,163	156,396	425,496

The Group's borrowings have financial covenants which, if breached, could result in the borrowings becoming repayable immediately. Details of the covenants are given in the Borrowings section of the Managing Director's Review on page 12 and are disclosed to the facility providers on a quarterly basis. There have been no breaches during the year (2011: nil).

d) Market risk

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

Interest rate risk is outlined above. The Joint Managers assess the exposure to other price risks when making each investment decision and monitor the overall level of market risk on the investment portfolio on an ongoing basis through a discounted cash flow analysis. Details of this analysis can be found on page 13 of the Managing Director's Review.

Fair values

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

	Book value 2012 £000	Fair value 2012 £000	Book value 2011 £000	Fair value 2011 £000
Financial assets				
Finance leases - due within one year	**21**	**287**	30	310
Finance leases - due in more than one year	**3,100**	**4,516**	3,068	4,493
Trade and other receivables	**689**	**689**	793	793
Cash and short-term deposits	**25,096**	**25,096**	77	77
Financial liabilities				
Interest-bearing loans and borrowings	**(401,594)**	**(406,016)**	(301,339)	(303,005)
Effective interest rate swaps (net)	**(27,415)**	**(27,415)**	(25,615)	(25,615)
Ineffective interest rate swaps	**(25,419)**	**(25,419)**	(23,866)	(23,866)
Trade and other payables	**(10,687)**	**(10,687)**	(5,677)	(5,677)

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

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

21. Financial risk management (continued)

Fair value hierarchy

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

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

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

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

		Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets	**2012 derivative interest rate swaps**	**-**	**-**	**-**	**-**
	2011 derivative interest rate swaps	-	24	-	24
Liabilities	**2012 derivative interest rate swaps**	**-**	**(52,834)**	**-**	**(52,834)**
	2011 derivative interest rate swaps	-	(49,505)	-	(49,505)

e) Capital risk management

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

The capital structure of the Group consists of shareholder's equity and net borrowings. The type and maturity of the Group's borrowings are analysed further in note 18 and the Group's equity is analysed into its various components in the Statement of Changes in Equity. The Board, with the assistance of the Joint Managers, monitors and reviews the Group's capital so as to promote the long-term success of the business, facilitate expansion and to maintain sustainable returns for Shareholders.

Under its banking facilities, the Group is subject to the following capital and covenant requirements:

- Total bank borrowings are not to exceed 65% of gross assets (see below).
- Rental income must exceed borrowing costs by the ratio 1.3: 1.
- UK-REIT compliance tests. These include loan to property and gearing tests. The Group must satisfy these tests in order to continue trading as a UK-REIT. This is also an internal requirement imposed by the Articles of Association.

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

	2012 £000	2011 £000
Fair value of completed investment properties	**606,716**	521,212
Fair value of development properties	**15,731**	4,375
Net investment in finance leases	**3,121**	3,069
	625,568	528,656
Carrying value of interest-bearing loans and borrowings	**401,594**	301,339
Unamortised borrowing costs	**4,422**	1,666
Less cash held	**(25,096)**	(77)
Principal amount of interest-bearing loans and borrowings	**380,920**	302,928
Loan to value ratio	**60.9%**	57.8%

22. Called up share capital

	2012 Number	2012 £000	2011 Number	2011 £000
Authorised: Ordinary Shares of 50p each	**100,000,000**	**50,000**	100,000,000	50,000
Issued and fully paid at 50p each	**76,034,208**	**38,017**	68,272,229	34,136
At beginning of year	**68,272,229**	**34,136**	62,802,333	31,401
Scrip issues in lieu of second interim cash dividends	**107,332**	**54**	89,617	45
Scrip issues in lieu of first interim cash dividends	**193,743**	**96**	96,238	48
Proceeds from capital raisings	**6,229,509**	**3,115**	5,284,041	2,642
Shares issued in consideration for Apollo Medical Partners Limited (December 2012)	**1,231,395**	**616**	-	-
At end of year	**76,034,208**	**38,017**	68,272,229	34,136

22. Called up share capital (continued)

There has been one capital raising during the year (2011: one).

On 24 May 2012, the Group completed a small share placing at a price of 305 pence per share that represented a discount of 4.3% to 2011 year end EPRA NAV and 6.2% to the closing share price on the day prior to issue. 6,229,509 shares were issued generating net cash proceeds of £18.4 million, the cash to be used to finance future acquisitions.

On 20 December 2012, the Company issued 1,231,395 new Ordinary Shares of 50 pence each at an agreed price of 320 pence per share as part of the consideration for the acquisition of Apollo Medical Partners Limited and its subsidiary Apollo Capital Projects Limited. The Group has since changed the names of the acquired companies to PHP Medical Properties Limited and PHP Glen Spean Limited respectively.

On 12 April 2011, the Group completed a small share placing at a price of 305 pence per share that represented a discount of 2.5% 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 £15.6 million. The cash has been used to finance acquisitions.

23. Share premium

	2012 £000	2011 £000
Balance at beginning of year	**54,430**	53,934
Issue expenses	**(6)**	-
Shares issued in consideration for Apollo Medical Partners Limited acquisition	**3,325**	-
Scrip issues in lieu of interim cash dividends	**857**	496
Balance at end of year	**58,606**	54,430

Company law restricts the applicability of the Share Premium account and in respect of the Company it may only be applied in paying unissued shares of the Company in respect of capitalisation issues and in writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company.

24. Capital reserve

The capital reserve is held to finance any proposed repurchases of Ordinary Shares, following approval of the High Court in 1998.

	2012 £000	2011 £000
Balance at end of year	**1,618**	1,618

25. Special reserve

The special reserve arose on the Firm Placing and Placing and Open Offer on 7 October 2009 and the Firm Placings on 12 April 2011 and 23 May 2012. It represents the share premium on the issue of the shares net of expenses.

	2012 £000	2011 £000
Balance at start of year	**57,405**	44,442
Placing: 23 May 2012 (2011: 12 April 2011)	**15,885**	13,474
Associated costs	**(601)**	(511)
Second interim dividend for the year ended 31 December 2011 (2011: 31 December 2010)	**(5,969)**	-
Scrip issue in lieu of second interim cash dividend	**(346)**	-
First interim dividend for the year ended 31 December 2012	**(6,240)**	-
Scrip issue in lieu of interim cash dividends	**(661)**	-
Balance at end of year	**59,473**	57,405

As the special reserve is a distributable reserve, the dividends declared in the year have been distributed from this reserve.

26. Cash flow hedging reserve

Information on the Group's hedging policy and interest rate swaps is provided in note 20 on page 53.

The transfer to Group Statement of Comprehensive Income and fair value movement on cash flow hedges taken to equity can be analysed as follows:

	2012 £000	2011 £000
Balance at beginning of year	**(26,892)**	(13,279)
Fair value movement on cash flow hedges	**(5,090)**	(18,389)
Amortisation of cash flow hedge reserve	**1,345**	56
Reclassification adjustment for interest included in the Statement of Comprehensive Income[1]	**3,460**	4,720
Net movement on cash flow hedges ("effective swaps") and amortisation of cash flow hedging reserve	**(285)**	(13,613)
Balance at end of year	**(27,177)**	(26,892)

(1) Included with finance costs in Group Statement of Comprehensive Income

The net movement on cash flow hedges is made up of the movement in the valuation of the effective swaps, a loss of £1,776,000 (2011: loss £13,605,000), less net accrued interest of £146,000 (2011: plus accrued interest of £64,000), less amortisation of cash flow hedge reserve £1,345,000 (2011: £56,000).

27. Retained earnings

	2012 £000	2011 £000
Balance at beginning of year	**47,423**	46,630
Retained profit for the year	**1,130**	12,654
Unrealised gain on fixed asset investment	-	(73)
Second interim dividend for the year ended 31 December 2011 (2011: 31 December 2010)	-	(5,363)
Scrip issue in lieu of second interim cash dividend	-	(289)
First interim dividend for the year ended 31 December 2012 (2011: 31 December 2011)	-	(5,836)
Scrip issue in lieu of interim cash dividends	-	(300)
Balance at end of year	**48,553**	47,423

28. Net asset value per share

Net asset values have been calculated as follows:

	2012 £000	2011 £000
Net assets per Group Balance Sheet	**179,090**	168,120
Derivative interest rate swaps (net liability)	**52,834**	49,481
EPRA NAV	**231,924**	217,601
	No. of shares	No. of shares
Ordinary Shares:		
Issued share capital	**76,034,208**	68,272,229
Basic net asset value per Share	**235.54p**	246.25p
EPRA NAV per Share	**305.03p**	318.73p

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.

29. Capital commitments

As at 31 December, the Group has entered into separate development agreements with third parties for the purchase of primary health developments; these agreements are conditional on the completion of certain building development work at a consideration of £16.3 million plus VAT (2011: £7.4 million plus VAT). The Group has also entered into an agreement to purchase an investment property at a future date at a consideration of £3.6 million plus VAT (2011: £nil).

30. Related party transactions

The terms and conditions of the Management Agreement are described in the Directors' Report on page 28 and the Directors' Remuneration Report on page 35. Details of the amounts paid in relation to related party transactions are provided in note 4 on page 47.

31. Contingent liabilities

The terms and conditions agreed on acquiring Apollo Medical Partners Limited ("Apollo"), may oblige the Group to pay a number of potential additional elements of consideration conditional upon events that may be achieved by the vendor in an agreed period after the acquisition.

Deferred consideration – included within Other Payables is an amount of £1.81 million that represents deferred consideration for three assets acquired with Apollo. These assets, at Swansea, Rumney, Cardiff and Cloughmore, Cardiff are currently under construction and the applicable proportion of the deferred consideration will be released as each asset reaches practical completion.

A number of the properties acquired with Apollo include small areas of vacant space to which no value has been ascribed on acquisition. PHP has agreed a three year period within which the vendor is engaged to let this space and should they be successful additional consideration may become payable, with the sums due being valued based on the underlying terms of each letting achieved, type of the tenant and the area of space let. The Group estimates the maximum potential payment for these events at £1.78 million. The new lettings will add value to the investment portfolio.

32. Subsequent events

The AIB loan facility was fully repaid on the loan termination date of 31 January 2013.

On 1 February 2013, PHP completed the acquisition of a newly developed modern, purpose built medical centre in Bearwood, Poole, for approximately £3.6 million that was contracted at the balance sheet date with a deferred completion.

On 5 February 2013, PHP acquired a newly incorporated single purpose company that has entered into a purchase and funding agreement for a purpose built medical centre under construction in Worcester for approximately £4.475 million.

On 5 February 2013, PHP entered into a purchase and funding agreement for the acquisition of a purpose built medical centre to be constructed in Chard, Somerset. PHP will pay approximately £1.8 million.

Company Financial Statements
Independent Auditor's Report

Independent Auditor's Report to the Members of Primary Health Properties PLC

We have audited the Parent Company financial statements of Primary Health Properties PLC for the year ended 31 December 2012 which comprise the Company Balance Sheet, Company Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set on page 30, the Directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 December 2012;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Other matter

- We have reported separately on the Group financial statements of Primary Health Properties PLC for the year ended 31 December 2012.

David Wilkinson (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
London
27 February 2013

Company Balance Sheet

as at 31 December 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Investment in subsidiaries	5	**150,276**	106,538
		150,276	106,538
Current assets			
Current asset investment	6	**-**	-
Debtors	7	**3,620**	3,541
Cash at bank	8	**68**	-
		3,688	3,541
Debtors due in more than one year			
Intercompany debtors		**80,335**	42,826
Total assets		**234,299**	152,905
Creditors: amounts falling due within one year			
Bank overdrafts	8	**-**	(2)
Other creditors and accruals	9	**(1,871)**	(16)
Current liabilities		**(1,871)**	(18)
Net current assets		**1,817**	3,523
Creditors: amounts falling due after more than one year			
Intercompany creditors		**(10)**	(5,275)
Retail bond	10	**(73,755)**	-
Net assets		**158,663**	147,612
Capital and reserves			
Share capital	11	**38,017**	34,136
Share premium	12	**58,606**	54,430
Capital reserve		**1,618**	1,618
Special reserve	13	**59,473**	57,405
Retained earnings		**949**	23
Equity Shareholders' funds		**158,663**	147,612
Net asset value per share			
• basic	14	**208.67p**	216.21p

These financial statements were approved by the Board of Directors on 27 February 2013 and signed on its behalf by:

Graeme Elliot
Chairman

Company Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2012

	Share capital £000	Share premium £000	Capital reserve £000	Special reserve[2] £000	Retained earnings £000	Total £000
1 January 2012	**34,136**	**54,430**	**1,618**	**57,405**	**23**	**147,612**
Profit for the year	-	-	-	-	926	**926**
Proceeds from capital raisings	3,115	-	-	15,885	-	**19,000**
Expenses of capital raisings	-	-	-	(601)	-	**(601)**
Share issue as part of consideration for PHP Medical Properties Limited	616	3,325	-	-	-	**3,941**
Less: Share issue expenses	-	(6)	-	-	-	**(6)**
Dividends paid:						
Second interim dividend for the year ended 31 December 2011 paid 2 April 2012 (2011: 9.00p)	-	-	-	(5,969)	-	**(5,969)**
Scrip dividends in lieu of interim cash dividends	54	292	-	(346)	-	**-**
First interim dividend for the year ended 31 December 2012 paid 26 October 2012 (2011: 9.00p)	-	-	-	(6,240)	-	**(6,240)**
Scrip dividend in lieu of final cash dividend	96	565	-	(661)	-	**-**
31 December 2012	**38,017**	**58,606**	**1,618**	**59,473**	**949**	**158,663**
1 January 2011	**31,401**	**53,934**	**1,618**	**44,442**	**8,310**	**139,705**
Profit for the year	-	-	-	-	3,580	3,580
Recycling of previously unrealised gain on current asset investment					(79)	(79)
Proceeds from capital raisings	2,642	-	-	13,474	-	16,116
Expenses of capital raisings	-	-	-	(511)	-	(511)
Dividends paid:						
Second interim dividend for the year ended 31 December 2010 (9.00p)	-	-	-	-	(5,363)	(5,363)
Scrip dividends in lieu of interim cash dividends	45	244	-	-	(289)	-
First interim dividend for the year ended 31 December 2011 (9.00p)	-	-	-	-	(5,836)	(5,836)
Scrip dividend in lieu of final cash dividend	48	252	-	-	(300)	-
31 December 2011	**34,136**	**54,430**	**1,618**	**57,405**	**23**	**147,612**

(1) Attributable to the equity holders of Primary Health Properties PLC.
(2) The Special reserve is a distributable reserve.

Notes to the Company Financial Statements

1. Accounting policies

Basis of preparation/statement of compliance

These financial statements have been presented as required by the Companies Act 2006 and have been prepared under the historical cost convention and have been prepared in accordance with applicable Accounting Standards and policies in the United Kingdom ("UK GAAP").

The Company has taken advantage of the Companies Act 2006 exemption from presenting a Company Profit and Loss Account together with related profit and loss notes. The Company has also taken advantage of the exemption from preparing a cash flow statement, under the terms of FRS 1 (Revised 1996) 'Cash Flow Statements'.

The profit attributable to the Parent Company for the financial year amounted to £0.9 million (2011: profit of £3.6 million).

Convention

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

Conversion to UK-REIT

The Group, of which the Company is parent, converted to a UK-REIT effective 1 January 2007 and consequently, the Company's profit is exempt from tax under UK-REIT regulations.

Income

Revenue is recognised in the financial statements as follows.

Interest income

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

Dividends

Dividend income is recognised in the period in which it received Board approval and hence, when the Company's right to receive payment is established.

Investment in subsidiaries

The carrying value of investments in subsidiaries is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Current asset investment

The current asset investment sold in 2011 was held as an Available For Sale ("AFS") asset with the realised gain recognised in the profit for the year. The Company has taken advantage of the exemption from presenting financial instrument disclosures under the terms of FRS29 Financial Instrument Disclosures.

2. Segmental reporting

The Company operates under one business segment and one geographical segment being the holding Company of subsidiaries that invest in primary health care property within the United Kingdom.

3. Taxation

	2012 £000	2011 £000
UK Corporation tax	**-**	-

4. Dividends

Amounts recognised as distributions to equity holders in the year:

	2012 £000	2011 £000
Second interim dividend for the year ended 31 December 2011 (9.25p) paid 2nd April 2012 (2011: 9.00p)	**5,969**	5,363
Scrip dividend in lieu of second interim cash dividend	**346**	289
First interim dividend for the year ended 31 December 2012 (9.25p) paid 26 October 2012 (2011: 9.00p)	**6,240**	5,836
Scrip dividend in lieu of first interim cash dividend	**661**	300
Total dividends	**13,216**	11,788
Per share	**18.5p**	18.0p

5. Investments

Investment in subsidiaries

	Shares £000	Loans £000	Total £000
At 1 January 2012 (restated)*	76,220	30,318	106,538
Transfer from other group company	4,695	-	4,695
Impairment of investment	(684)	-	(684)
Increase in loans to subsidiaries during the year	-	39,727	39,727
At 31 December 2012	**80,231**	**70,045**	**150,276**
At 1 January 2011	70,062	65,506	135,568
Reduction in loans to subsidiary during the year	-	(29,030)	(29,030)
Reclassification	6,158	(6,158)	-
At 31 December 2011 (restated)*	76,220	30,318	106,538

* The opening balance has been restated in order to accurately reflect the split of investments between shares and loans. This had no effect on the total opening investment balance.

The principal subsidiaries of the Company are stated below:

Subsidiary	Principal activity	Proportion of voting rights and ordinary shares held
Primary Health Investment Properties Limited (PHIP) [1]	Property investment	100%
Primary Health Investment Properties (No. 2) Limited [1]	Property investment	100%
Primary Health Investment Properties (No. 3) Limited [1]	Property investment	100%
PHIP (5) Limited [2]	Property investment	100%
Patientfirst Partnerships Limited [2]	Property investment	100%
Patientfirst (Hinckley) Limited [2]	Property investment	100%
Patientfirst (Burnley) Limited [2]	Property investment	100%
Health Investments Limited [1]	Property investment	100%
Motorstep Limited [2]	Property investment	100%
PHP Investments No1 Limited [2]	Property investment	100%
PHP Investments No2 Limited [2]	Property investment	100%
PHP Investments (2011) Limited [1]	Property investment	100%
PHP AssetCo (2011) Limited [2]	Property investment	100%
PHP Healthcare Investments Limited [2]	Property investment	100%
PHP Empire Holdings Limited [1]	Property investment	100%
PHP (Stourbridge) Limited [1]	Property investment	100%
PHP Clinics Limited [1]	Property investment	100%
Apollo Capital Projects Limited [2,3]	Property investment	100%
Apollo Medical Partners Limited [2,4]	Property investment	100%

The principal activity of all of the above is Property Investment and the Company has a 100% proportion of voting rights and shares held.

(1) Subsidiaries directly held by the Company. (2) Subsidiaries indirectly held by the Company. (3) Subsidiary acquired during the year (name changed to PHP Glen Spean Limited post acquisition). (4) Subsidiary acquired during the year (name changed to PHP Medical Properties Limited post acquisition).

6. Current asset investment

	2012 £000	2011 £000
As at beginning of period	-	555
Disposals	-	(555)
	-	-

The current asset investment disposed of was held as an Available For Sale ("AFS") asset in accordance with FRS 26.
1,970,500 ordinary shares in AH Medical Properties PLC ("AHMP"), were disposed of on 19 January 2011 for £788,000, resulting in a realised gain of £312,000.

7. Debtors

	2012 £000	2011 £000
VAT	**74**	-
Other debtors and prepayments	**6**	1
6% Preference dividend due from subsidiary	**3,540**	3,540
	3,620	3,541

8. Cash at bank

	2012 £000	2011 £000
Cash/(overdraft) held at bank	**68**	(2)

9. Creditors: amounts falling due within one year

	2012 £000	2011 £000
Other creditors and accruals	**1,871**	16

10. Retail Bond

	2012	2011
Retail Bond July 2019	**75,000**	-
Issue costs	**(1,245)**	-
	73,755	-

On 23 July 2012, PHP announced that it had become the first UK REIT to issue a Retail Bond following the issue of a £75 million, unsecured, seven year bond, to retail investors with an interest rate of 5.375% paid semi-annually in arrears. The bond issue costs will be amortised on a straight line basis over seven years.

11. Called up share capital

	2012 Number	2012 £000	2011 Number	2011 £000
Authorised:				
Ordinary Shares of 50p each	**100,000,000**	**50,000**	100,000,000	50,000
Issued and fully paid at 50p each	**76,034,208**	**38,017**	68,272,229	34,136
At beginning of year	**68,272,229**	**34,136**	62,802,332	31,401
Scrip issue in lieu of second interim cash dividends	**107,332**	**54**	89,617	45
Scrip issue in lieu of first interim cash dividend	**193,743**	**96**	96,239	48
Proceeds from capital raisings	**6,229,509**	**3,115**	5,284,041	2,642
Shares issued in consideration for Apollo Medical Partners Limited (December 2012)	**1,231,395**	**616**	-	-
At end of year	**76,034,208**	**38,017**	68,272,229	34,136

There has been one capital raising during the year (2011: one).

On 24 May 2012, the Company completed a small share placing at a price of 305 pence per share that represented a discount of 4.3% to 2011 year end EPRA NAV and 6.2% to the closing share price on the day prior to issue. 6,229,509 shares were issued generating net cash proceeds of £18.4 million, the cash to be used to finance future acquisitions.

On 20 December 2012, the Company issued 1,231,395 new Ordinary Shares of 50 pence each at an agreed price of 320 pence per share as part of the consideration for the acquisition of Apollo Medical Partners Limited and its subsidiary Apollo Capital Projects Limited. The Group has since changed the names of the acquired companies to PHP Medical Properties Limited and PHP Glen Spean Limited respectively.

On 12 April 2011, the Company completed a small share placing at a price of 305 pence per share that represented a discount of 2.5% 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 £15.7 million. The cash has been used to finance acquisitions.

12. Share premium

	2012 £000	2011 £000
Balance at beginning of year	**54,430**	53,934
Issue expenses	**(6)**	-
Shares issued in consideration for Apollo Medical Partners Limited	**3,325**	-
Scrip issue in lieu of interim cash dividends	**857**	496
Balance at end of year	**58,606**	54,430

Company law restricts the applicability of the Share Premium account and in respect of the Company it may only be applied in paying unissued shares of the Company in respect of capitalisation issues and in writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company.

13. Special reserve

The special reserve arose on the Firm Placing and Placing and Open Offer on 7 October 2009 and the Firm Placings on 12 April 2011 and 23 May 2012. It represents the share premium on the issue of the shares net of expenses.

	2012 £000	2011 £000
Balance at start of year	**57,405**	44,442
Placing: 23 May 2012 (2011: 12 April 2011)	**15,885**	13,474
Associated costs	**(601)**	(511)
Second interim dividend for the year ended 31 December 2011 (2011: 31 December 2010)	**(5,969)**	-
Scrip issue in lieu of second interim cash dividend	**(346)**	-
First interim dividend for the year ended 31 December 2012	**(6,240)**	-
Scrip issue in lieu of interim cash dividends	**(661)**	-
Balance at end of year	**59,473**	57,405

As the special reserve is a distributable reserve, the dividends declared in the year have been distributed from this reserve.

14. Net asset value per ordinary share

	2012 pence	2011 pence
Basic and diluted	**208.67**	**216.21**

The basic net asset value per Ordinary Share is based on net assets attributable to Ordinary Shareholders of £158.7 million (2011: £147.6 million) and on 76,034,208 (2011: 68,272,229) shares, being the number of shares in issue at the year end.

15. Contingent liabilities

The Company has guaranteed the performance of its subsidiaries in respect of development agreements totalling £16.3 million (2011: £11.8 million).

16. Related party transactions

Details of related party transactions are provided in the Directors' Report on page 28, Directors' Remuneration Report on page 35 and notes 4 to the Group Financial Statements on page 47. There are no employees other than the Directors, listed on pages 34 and 35.

The Company has taken advantage of the exemption available in FRS8 "Related Party Disclosures" not to disclose transactions with other members of the Group as the Company's own financial statements are presented together with its consolidated financial statements.

Shareholder Information

Financial calendar 2013

Announcement of 2012 Annual Results	28 February
2012 Annual Report posted	12 March
Second interim cash dividend payment (2012)	22 April
Annual General Meeting	15 April
Interim Management Statement for the quarter ended 31 March 2013	15 April
Half year end	30 June
Announcement of Half Year Results	August
Expected first interim cash dividend payment (2013)	October
Interim Management Statement for the quarter ended 30 September 2013	November
Financial year end	31 December

Dividends

	2012 2nd Interim	2012 1st Interim	2011 2nd Interim	2011 1st Interim
Rate per share	**9.50p**	**9.25p**	9.25p	9.00p
Ex-dividend date	**6.03.13**	**26.09.12**	7.03.12	5.10.11
Record date	**8.03.13**	**28.09.12**	9.03.12	7.10.11
Payment date	**22.04.13**	**26.10.12**	5.04.12	28.10.11

Investment Account

As described in the Directors' Report, the Company has made arrangements for an Investment Account to be made available to allow investors to purchase the Company's Ordinary Shares. The Investment Account Service is provided by Equiniti Financial Services Limited and is designed to allow lump sum and regular savings to facilitate the purchase of the Company's shares. The URL link accessing the detail and forms for the this Service can be accessed from the Company website or alternatively at: **www.shareview.co.uk/dealing**.

For details of the service please contact:
Equiniti, PO Box 4605, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA
Shareholder helpline: 0845 300 0430

Equiniti Financial Services Limited is authorised and regulated by the Financial Services Authority.

As with all stock market investments, the price of shares can go down as well as up and on sale investors may not get back the full amount they invested.

Share price

The Company's mid market share price is quoted daily in the Financial Times appearing under "Real Estate".

Payment of dividends

If you would like your dividend/interest paid directly into your bank or building society account you should write to Equiniti Registrars including details of your nominated account. Although this will enable your dividend/interest to be paid directly into your account, your tax voucher will be sent to your registered address.

Scrip Dividend Scheme

The optional Scrip Dividend Scheme enables Shareholders to receive new Ordinary Shares in PHP instead of cash dividends without incurring dealing costs, stamp duty or stamp duty reserve tax by electing to take a scrip dividend instead of a cash dividend. A circular describing the scrip dividend offer will be posted to Shareholders at the appropriate time.

Taxation status

The REIT Regulations in force require that a REIT is obliged to pay distributions equal to 90% of its exempt rental income (as calculated for tax purposes). Distributions from the Company may comprise PIDs, ordinary cash dividends or a combination of the two. No PIDs have been paid by the Group since 1 January 2007. A PID will be taxed as property letting income for Shareholders who pay tax, but this is separate from any other property letting business they may carry on. PIDs are paid out under deduction of tax at the basic rate (currently 22% withholding tax). The Regulations provide that tax is not deducted if the PID is paid to certain classes of Shareholders, in particular UK Companies, charities, local authorities and UK Pension schemes.

In order to pay a PID without withholding tax, the Company has to be satisfied that the shareholder concerned is entitled to that treatment. For that purpose the Company requires Shareholders to submit a valid form. Shareholders who wish to apply for a Tax Exemption Form should contact the registrars on 0871 384 2030* or apply in writing to: Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

* Calls to this number are charged at 8p per minute plus network extras. Lines are open 8.30am to 5.30pm Monday to Friday.

Her Majesty's Revenue and Customs ("HMRC") has produced guidance on Real Estate Investment Trusts paying PIDs to non residents and this can be found at the following web address: **http://www.hmrc.gov.uk/cnr/dt-guide-note-9.htm**.

The above is a general guide only and Shareholders who have any doubt about their tax position should consult their own appropriate independent professional adviser.

General information about the Company

General information about the Company can be found on the PHP web site at www.phpgroup.co.uk. Alternatively you may contact Harry Hyman, Phil Holland or Tim Walker-Arnott on 020 7451 7050.

Registered No. 3033634

Share dealing

Investors wishing to purchase more Ordinary Shares or dispose of all or part of their holding may do so through a stockbroker. Many banks also offer this service.

The Company's registrars are Equiniti. In the event of any queries regarding your holding of shares, please contact the registrars on 0871 384 2030*.

Changes of name or address must be notified to the registrars in writing.

Equiniti Shareview dealing services

A quick and easy share dealing service is available to either sell or buy more PHP shares. An online and telephone dealing facility is available providing Shareholders with an easy to access and simple to use service.

The table below provides you with details of the associated charges.

There is no need to pre-register and there are no complicated forms to fill in. The online and telephone dealing service allows you to trade 'real time' at a known price which will be given to you at the time you give your instruction.

To deal online or by telephone all you need is your shareholder reference number, full postcode and your date of birth. Your shareholder reference number can be found on your latest dividend statement. Please have the appropriate documents to hand when you log on or call, as this information will be needed before you can buy or sell shares.

For further information on this service, or to buy and sell shares, please contact:
• Equiniti customer services 0845 300 0430
(8.00am – 6.00pm Monday to Friday)
www.shareview.co.uk/dealing

Equiniti Shareview dealing services associated charges

	Trade value	Percentage of trade value	Minimum charge
Telephone	£0-£50,000	1.50%	£45
	£50,001+	1.50%	on first £50,000
		0.20%	on remainder
Internet		1.50%	£40

Corporate Profile and Advisers

Directors
Graeme Elliot (Chairman)
Alun Jones (Chairman of Audit Committee and Senior Independent Director)
Harry Hyman (Managing Director)
Mark Creedy
Martin Gilbert (resigned 14 June 2012)
William Hemmings (appointed 18 June 2012)
James Hambro
Dr Ian Rutter OBE

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 5612

Joint Managers
Nexus Tradeco Limited
5th Floor, Greener House
66-68 Haymarket, London SW1Y 4RP
Tel: 020 7451 7050

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 300 0430
Online dealing:
www.shareview.co.uk/dealing

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

Peel Hunt Limited
Moor House, 120 London Wall
London, EC2Y 5ET

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

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

Auditors
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1 More London Place, London SE1 2AF

Bankers
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280 Bishopsgate, London EC2M 3UR

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

Santander Corporate Banking
2 Triton Square, Regent's Place
London NW1 3AN

Clydesdale Bank PLC
5th floor, 33 Gracechurch Street
Surrey Street, London EC3V 0BT

Aviva Commercial Finance Limited
Surrey Street, Norwich NR1 3NJ

Environmental consultant
Collier & Madge
One Great Cumberland Place
London W1H 7AL

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

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PHP Primary Health Properties

Primary Health Properties PLC

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

Telephone: 020 7451 7050

www.phpgroup.co.uk