Primary Health Properties PLC

Preliminary results for the year ended 31 December 2020

Continued strong performance throughout COVID-19 pandemic and successful management internalisation

Primary Health Properties PLC ("PHP", the "Group" or the "Company"), a leading investor in modern primary health facilities, announces its audited preliminary results for the year ended 31 December 2020.

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

"In early 2021, we successfully completed the internalisation of the Group's management structure which will immediately deliver material financial and operational benefits driving further earnings and dividend growth, enhancing shareholder returns, whilst simultaneously broadening our appeal to a wider investment community and underpinning the next stage of the Company's growth."

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Income statement metrics	**Year to 31 December 2020**	Year to 31 December 2019	Change
Net rental income[1]	**£131.2m**	£115.7m	**+13.4%**
Adjusted earnings[1,2]	**£73.1m**	£59.7m	**+22.4%**
Adjusted earnings per share[1,2]	**5.8p**	5.5p	**+5.5%**
IFRS profit before tax excluding MedicX exceptional adjustments[1,5]	**£109.3m**	£75.9m	**+44.0%**
IFRS profit/(loss) for the year (2019 includes £123.9m of non-cash losses)[9]	**£112.0m**	(£71.3m)	
IFRS earnings/(loss) per share[2]	**8.8p**	(6.5p)	
Dividends			
Dividend per share[6]	**5.9p**	5.6p	**+5.4%**
Dividends paid[6]	**£73.3m**	£59.4m	
Dividend cover[1]	**100%**	101%	
Balance sheet and operational metrics	**31 December 2020**	31 December 2019	Change
Adjusted NTA (NAV) per share[1,3]	**112.9p**	107.9p	**+4.6%**
IFRS NAV per share[1,3]	**107.5p**	101.0p	**+6.4%**
Property portfolio			
Investment portfolio valuation[4]	**£2.576bn**	£2.413bn	**+2.0%**
Net initial yield ("NIY") [1]	**4.81%**	4.86%	
Contracted rent roll (annualised)[1,8]	**£135.2m**	£127.7m	**+1.6%**
Weighted average unexpired lease term ("WAULT")[1]	**12.1 years**	12.8 years	
Occupancy	**99.6%**	99.5%	
Rent-roll funded by government bodies[1]	**90%**	90%	
Debt			
Average cost of debt	**3.5%**	3.5%	
Loan to value ratio[1]	**41.0%**	44.2%	
Weighted average debt maturity – drawn facilities	**6.5 years**	7.2 years	
Total undrawn loan facilities and cash[7]	**£361.5m**	£356.6m	

[1] Definitions for net rental income, adjusted earnings, adjusted earnings per share, earnings per share ("EPS"), dividend cover, loan to value ("LTV"), IFRS profit before tax excluding MedicX exceptional adjustments, net tangible assets ("NTA"), rent roll, NIY, WAULT and net asset value ("NAV") are set out in the Glossary of Terms.

[2] See note 8, earnings per share, to the financial statements.

[3] See note 8, net asset value per share, to the financial statements. From 1 January 2020 Adjusted EPRA NAV, EPRA NAV and EPRA NNNAV have been replaced with four new metrics: adjusted net tangible assets, EPRA net tangible assets ("NTA"), EPRA net disposal value ("NDV") and EPRA net reinstatement value ("NRV") which are considered to be alternative performance measures. The Group has determined that adjusted net tangible assets is the most relevant measure and hence is now reported in place of adjusted EPRA NAV.

[4] Percentage valuation movement during the year based on the difference between opening and closing valuations of properties after allowing for acquisition costs and capital expenditure.

[5] The IFRS profit before tax excluding MedicX exceptional adjustments is set-out in detail in the summarised results table on page 14.

[6] See note 9, dividends, to the financial statements.

[7] After deducting the remaining cost to complete contracted acquisitions, properties under development and asset management projects.

[8] Percentage contracted rent roll increase during the year is based on the annualised uplift achieved from all completed rent reviews and asset management projects.

[9] £123.9m of non-cash losses are composed of £138.4m exceptional revaluation loss arising on the merger with MedicX less the £14.5m exceptional transactions costs.

DELIVERING EARNINGS AND DIVIDEND GROWTH

- Adjusted earnings per share increased by 5.5% to 5.8p (2019: 5.5p)
- Notwithstanding the impact of Covid-19, average uplift of 1.8% per annum on rent reviews completed in the year, continuing the trend in rental growth (FY 2019: 1.9%; FY 2018: 1.4%)
- Additional annualised rental income on a like-for-like basis of £2.0 million or 1.6%, from rent reviews and asset management projects (FY 2019: £1.9 million or 1.5%; FY 2018: £1.3 million or 1.8%)
- Contracted annualised rent roll increased by 5.9% to £135.2 million (31 December 2019: £127.7 million)
- 23 purpose-built medical centres acquired in the year for £58.8 million with good asset management opportunities
- Four forward funded developments acquired in the year with a net development cost of £34.2 million at Arklow and Enniscorthy in Ireland, Epsom, Surrey and Llanbradach, Wales
- Post period end, successful completion of the internalisation of the Group's management structure, at a cost including fees of £35.7m, with shareholders representing 99.95% of the votes cast voting in favour of the internalisation which is anticipated to deliver annual cost savings of approximately £4.0 million.
- Quarterly dividends totalling 5.9p per share distributed in the year, a 5.4% increase over 2019 (5.6p per share)
- First quarterly dividend of 1.55p per share declared, payable on 26 February 2021, equivalent to 6.2p on an annualised basis. This represents a further 5.1% increase over the 2020 dividend per share and marks the start of the Company's 25th consecutive year of dividend growth
- The Company intends to make further dividend payments in May, August and November 2021 and maintain its strategy of paying a progressive dividend, in equal quarterly instalments, covered by underlying earnings in each financial year

DELIVERING NET ASSET VALUE GROWTH

- Adjusted Net Tangible Assets (NTA) per share increased by 4.6% to 112.9 pence (31 December 2019: 107.9 pence)
- Property portfolio at 31 December 2020 valued at £2.576 billion (31 December 2019: £2.413 billion) reflecting a net initial yield of 4.81% (31 December 2019: 4.86%). A revaluation surplus was generated in the year of £51.4 million (2019: £49.8 million), representing growth of 2.0% (2019: 2.1%)
- Portfolio in Ireland now comprises 18 assets, valued at £198 million (€221 million), including two forward funded developments currently under construction which, if valued as complete, will increase the total asset value to approximately £220 million (€246 million)
- The Group completed the forward funded developments at Athy, Bray, Rialto and Banagher in Ireland during the year and has six developments currently on site with a net development cost of £47.4 million. All sites in the UK and Ireland remain open and construction continues to progress
- Strong pipeline of targeted acquisitions and asset management projects with a value of approximately £129 million, of which £59 million is currently under offer, together with additional pipeline from Nexus Developments
- Post period end the development expertise of Nexus Developments acquired as part of the internalisation transaction together with control of an £80 million pipeline of direct development opportunities of which two

projects are at an advanced stage. This is the first time that the Company will be developing through utilising its own balance sheet

- Progression of asset management projects with 24 either completed or currently on-site, investing £8.1 million, creating additional rental income of £0.3 million per annum and extending the weighted average unexpired lease term (WAULT) for those leases back to 20 years
- The Group has a strong pipeline of over 80 incremental asset management projects which have either been approved by the Board or are in advanced negotiations. The pipeline of projects equates to investing approximately £34 million in 2021 and 2022 generating £1.1 million of additional income and extending the WAULT on those leases back to 21 years
- The portfolio's metrics continue to reflect the secure, long-term and predictable income stream with occupancy at 99.6% (31 December 2019: 99.5%) and a WAULT of 12.1 years (31 December 2019: 12.8 years)

DELIVERING FINANCIAL MANAGEMENT

- £140.0m (£136.9m net of expenses) over-subscribed equity placing in July 2020 at 145p per share or 32.9% premium to reported Adjusted NTA of 109.1p as at 30 June 2020
- Following the equity placing the Company lowered the upper range for the Group's loan to value ("LTV") ratio from 55% to 50%
- At 31 December 2020 the Group's net debt stood at £1,055.7 million (31 December 2019: £1,067.3 million) and the LTV ratio was 41.0% (31 December 2019: 44.2%)
- The Group has undrawn loan facilities and cash on deposit post capital commitments totalling £361.5 million (31 December 2019: £356.6 million) providing significant liquidity headroom. Cash on deposit totals £103.6 million
- Significant headroom in LTV and interest cover covenants in the Group's various borrowing facilities
- Low, average marginal cost of debt of 1.7% following refinancing of revolving credit facilities with Barclays and Lloyds

DELIVERING ROBUST RENTAL COLLECTION

- Of PHP's contracted rental income, 90% is paid either directly or indirectly by the UK and Irish governments, with the balance mainly coming from pharmacies co-located at our properties
- Rental collections continue to remain robust and as at 17 February 2021 99% and 94% had been collected in both the UK and Ireland respectively for the first quarter of 2021 and in-line with collection rates experienced for 2020 which now stand at over 99% for both countries. The balance of rent due for the first quarter of 2021 is expected to be received shortly
- The Group has allowed £4.8 million of annualised rents, predominantly pharmacies, to be paid by monthly instalments, given short-term rent deferrals of £1.2 million and concessions of £0.5 million

DELIVERING STRONG TOTAL RETURNS

	Year ended 31 December 2020	Year ended 31 December 2019
Increase in Adjusted NTA plus dividends paid	10.1%	8.0%
Income return	5.2%	5.2%
Capital return	2.2%	2.5%
Total property return[1]	7.4%	7.7%
MSCI UK Monthly Property Index	(0.8%)	2.2%
Out performance over MSCI	8.2%	5.5%

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

Presentation and webcast:

A virtual briefing for analysts will be held today, 18 February 2021 at 9.30am, via a live webcast and conference call facility.

The presentation will be accessible via a live conference call:

UK Toll-free: 0800 358 9473
International dial in numbers: https://event.sharefile.com/d-s7bae1d9235d495a8
Participant PIN code: 59260771#

A live listen-only webcast of the presentation will also be available via this link:

https://webcasting.brrmedia.co.uk/broadcast/5ffed6e536bc5f2c49e14d10

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

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Chairman's statement

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

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

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

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

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

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

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

Internalisation of Nexus

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

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

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

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

Overview of results

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

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

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

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

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

The portfolio's average lot size continues to grow and is now £5.0m, and we are maintaining our very strong metrics, with a long weighted average unexpired lease term ("WAULT") of 12.1 years, high occupancy at 99.6% and only 3.9% of our rent due to expire in the next three years and 57.1% expiring in over 10 years.

Dividends and total shareholder return

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

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

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

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

Environmental, Social and Governance ("ESG") Committee

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

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

Board changes

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

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

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

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

Market update and outlook

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

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

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

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

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

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

Steven Owen
Chairman

17 February 2021

BUSINESS REVIEW

Investment and development activity

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

Investment pipeline

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

Developments

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

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

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

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

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

Asset management

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

Rent reviews

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

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

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

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

In Ireland, we concluded 11 indexed and fixed uplifts resulting in £0.1m (€0.12m) of additional rental income equivalent to 1.1% per annum.

Asset Management Projects

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

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

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

Sector leading portfolio metrics

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

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

Longevity: The portfolio's WAULT at 31 December 2020 was 12.1 years (31 December 2019: 12.8 years). Only £5.3m or 3.9% of our income expires over the next three years of which £4.2m is either subject to a planned asset management initiative or terms have been agreed to renew the lease. £77.2m or 57.1% expires in over 10 years. The table below sets out the current lease expiry profile of our income:

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

Valuation and returns

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

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

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

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

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

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

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

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

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

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

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

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

The financial results for the Group are summarised as follows:

Summarised results

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

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

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

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

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

Performance incentive fee ("PIF")

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

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

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

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

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

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

Equity raise

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

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

Shareholder value

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

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

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

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

Financing

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

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

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

1 – After deducting capital commitments.

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

Average cost of debt

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

Convertible bonds

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

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

Interest rate and currency exposure

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

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

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

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

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

Interest rate swap contracts

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

Accounting standards require PHP to mark its interest rate swaps to market at each balance sheet date. During the year there was a loss of £12.9m (2019: loss £3.7m) on the fair value movement of the Group's interest rate derivatives due primarily to reductions in interest rates assumed in the forward yield curves used to value the interest rate swaps. As at the 31 December 2020 the mark-to-market ("MtM") liability of the swap portfolio was £0.1m (31 December 2019: £13.5m).

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

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

Risk management and principal risks

Principal risks and uncertainties

The Board has undertaken a robust assessment of the principal risks faced by the Group that may threaten its business model, future performance, solvency or liquidity and its ability to meet the overall objective of the Group of delivering progressive returns to shareholders through a combination of earnings growth and capital appreciation. These are set out below:

Risk	Inherent risk rating	Change to risk in 2020	Commentary on risk	Mitigation	Residual risk rating
Deliver progressive returns					
Potential over-reliance on the NHS and HSE PHP invests in a niche asset sector where changes in healthcare policy, the funding of primary care, economic conditions and the availability of finance may adversely affect the Group's portfolio valuation and performance.	**Medium** Likelihood is low but impact of occurrence may be major.	Unchanged	The UK and Irish governments continue to be committed to the development of primary care services and initiatives to develop new models of care increasingly focus on greater utilisation of primary care. Despite the UK's exit from the European Union the demand for health services will continue to grow regardless, driven by demographics. Whilst the uncertainty surrounding the exit may lead to fluctuations in the value of the Group's assets, there is no evidence of this at present. Future government funding levels in the UK may be impacted by any long term, material change to economic performance as a consequence of Brexit. A fundamental change in government policy could impact how the private sector regards its investment in this asset class and its willingness to further deploy private sector resources to improve the quality of primary care facilities.	The commitment to primary care is a stated objective of both the UK and Irish governments and on a cross-party basis. Management engages directly with government and healthcare providers in both the UK and in Ireland to promote the need for continued investment in modern premises. The attractiveness of long term, secure income streams that characterise the sector leads to stability of values.	**Medium** Policy risk and general economic conditions are out of the control of the Board, but proactive measures are taken to monitor developments and to consider their possible implications for the Group.

Risk	Inherent risk rating	Change to risk in 2020	Commentary on risk	Mitigation	Residual risk rating
Foreign exchange risk Income and expenditure that will be derived from PHP's investments in Ireland will be denominated in Euros and may be affected unfavourably by fluctuations in currency rates, impacting the Group's earnings and portfolio valuation.	**Medium** Likelihood of volatility is high but the potential impact at present is relatively low due to the quantum of investment in Ireland, albeit this quantum is increasing.	Unchanged	The Group now has 18 investments in Ireland. Asset values, funding and net income is denominated in Euros. The UK's decision to leave the European Union continues to cause exchange rate volatility whilst the exit process is ongoing.	The Board has and will continue to fund its investments in Euros so as to create a natural hedge between asset values and liabilities in Ireland. Management closely monitors the Euros to GBP currency rates with its Banks to formulate a formal hedging strategy against Irish net cash flows.	**Low** PHP has implemented a hedging strategy in the form of a natural hedge so as to manage exchange rate risk.
Grow property portfolio					
Competition The emergence of new purchasers in the sector and the continuing low level of approvals of new centres in the UK may restrict the ability of the Group to secure new investments.	**High** Likelihood is high and impact of occurrence could be major.	Unchanged	In terms of values, the Group has benefited from a flight to income as a consequence of the current wider economic uncertainty – investors have been attracted to the sector due to its long term, secure, government-backed cash flows. Lack of supply, as a consequence of the low number of new development approvals in the UK, has also contributed to the increase in values. However, the same increase in demand and lack of supply has meant that the Group is facing increased competition for viable opportunities.	The reputation and track record of the Group in the sector means it is able to source forward funded developments and existing standing investments from developers, investors and owner-occupiers. The Group has a number of formal pipeline agreements and long-standing development relationships that provide an increased opportunity to secure developments that come to market in the UK and Ireland. The Group has a strong, identified pipeline of investment opportunities in the UK and Ireland.	**Medium** The Group's position within the sector and commitment to and understanding of the asset class mean PHP is aware of a high proportion of transactions in the market and potential opportunities coming to market. Active management of the property portfolio generates regular opportunities to increase income and lease terms and enhance value.

Risk	Inherent risk rating	Change to risk in 2020	Commentary on risk	Mitigation	Residual risk rating
Financing The Group uses a mix of shareholder equity and external debt to fund its operations. A restriction on the availability of funds would limit the Group's ability to invest. Furthermore, a more general lack of equity or debt available to the sector could reduce demand for healthcare assets and therefore impact values.	**High** Likelihood of a restricted supply is moderate but the potential impact of such a restriction could be major.	Unchanged	The Company successfully completed an equity issue in July 2020, raising gross proceeds of £140.0 million. In addition, in December 2020 the Group entered into two new revolving credit facilities of £100 million and £50 million with Barclays and Lloyds respectively. The Lloyds facility also has a credit approved £50 million accordion. The Group's undrawn facilities mean it currently has headroom of £361.5 million. All covenants have been met with regard to the Group's debt facilities and these all remain available for their contracted term.	Existing and new equity and debt providers are keen to provide funds to the sector and specifically to the Group, attracted by the strength of its cash flows. The Board monitors its capital structure and maintains regular contact with existing and potential equity investors and debt funders.	**Medium** The Group takes positive action to ensure continued availability of resource, maintain a prudent ratio of debt and equity funding and refinance debt facilities in advance of their maturity.
Manage effectively and efficiently					
Lease expiry management The bespoke nature of the Group's assets can lead to limited alternative use. Their continued use as fit-for-purpose medical centres is key to delivering the Group's strategic objectives.	**Medium** Likelihood of limited alternative use value is moderate but the impact of such values could be serious.	Unchanged	Lease terms for all property assets will erode and the importance of active management to extend the use of a building remains unchanged.	Management meets with occupiers to discuss the specific property and the tenant's aspirations and needs for their future occupation. 24 projects either completed or on site in the year, enhancing income and extending occupational lease terms. In addition, there is a strong pipeline of over 80 projects that will be progressed in over the next three years. Only 3.9% of the Group's income expires in the next three years and management is actively managing these lease expiries.	**Medium** Management employs an active asset management programme and has a successful track record of securing enhancement projects and securing new long term leases.

Risk	Inherent risk rating	Change to risk in 2020	Commentary on risk	Mitigation	Residual risk rating
People Following the internalisation of Management, the inability to attract, retain and develop our people to ensure we have the appropriate skill base in place in order for us to implement our strategy	**Medium** Likelihood and potential impact could be medium	New	Following the internalisation of management in January 2021 PHP now fully controls the efficient operation and management of the Group, replacing the reliance on the previous external manager Nexus.	Succession planning is in place for all key positions, and will be reviewed regularly by the Nomination Committee. Remuneration incentives are in place such as bonuses and LTIP for Executive Directors and Senior Management to incentivise and motivate the team. Notice periods are in place for key employees.	**Medium** The remuneration committee has reviewed and updated policies accordingly following the internalisation of management to ensure retention and motivation of Executive Directors and Senior Management.
COVID-19 The outbreak of COVID-19 during the year has had far reaching consequences across the UK and Ireland on valuations and the recoverability of our debtor balances. Additionally, the imposition of lockdown and other restrictive measures has directly resulted in a significant macroeconomic downturn throughout Europe, the likes of which have not been seen before.	**Medium** The likelihood of further deterioration in economic outlook is high but, if that occurred, the impact could be medium.	New	The Company has been relatively unaffected, properties held being regarded as critical infrastructure in the response to the outbreak. The Directors have assessed the impact of the current uncertainty around COVID-19 on all major aspects of the business, focussing specifically on operations and cash flows of the Group. The event has been considered and a bad debt provision of £0.5 million (31 December 2019: £0.1 million) has been provided in the financial statements in respect of rents totalling £0.7 million currently on some form of rent payment concession and reflected in the balance sheet as at 31 December 2020. We continue to carefully monitor the impact on property. As tenants in all sectors adapt to lockdown measures, virtual GP appointments have increased and will likely continue to do so as we move through this pandemic. Leases and floorspace may be required in reduced rates by the NHS/HSE and GPs in future periods.	The Group has a niche investment criterion with 90% of government backed income through the form of NHS/HSE and GP long term leases. Following successful approval of various COVID-19 vaccines, our primary care centres play a key role in immunising the population. The Group's primary care facilities continues to be of paramount importance in the time of a pandemic. The vast majority of users of primary care facilities rely on face to face appointments, which is continued to be recommended by the NHS for the vast majority of patients. Whilst the internal structure of GP practices may adapt, floorspace will continue to be required for appointments, virtual or other.	**Medium** The Group's position within the sector and commitment to and understanding of the asset class means PHP is well placed to weather the COVID-19 pandemic.
Diversified, long term funding					

Risk	Inherent risk rating	Change to risk in 2020	Commentary on risk	Mitigation	Residual risk rating
Debt financing Without appropriate confirmed debt facilities, PHP may be unable to meet current and future commitments or repay or refinance debt facilities as they become due.	**Medium** The likelihood of insufficient facilities is moderate but the impact of such an event would be serious.	Unchanged	Negotiations with lenders have confirmed that the Group enjoys the confidence of the lending markets both in terms of the traditional high street lenders, as well as the bond markets. In December 2020 the Group entered into two new revolving credit facilities of £100 million and £50 million with Barclays and Lloyds respectively.	Existing lenders remain keen to finance PHP and new entrants to debt capital markets have increased available resource. Management regularly monitors the composition of the Group's debt portfolio to ensure compliance with covenants and continued availability of funds. Management regularly reports to the Board on current debt positions and provides projections of future covenant compliance to ensure early warning of any possible issues.	**Medium** The Board regularly monitors the facilities available to the Group and looks to refinance in advance of any maturity. The Group is subject to the changing conditions of debt capital markets.
Interest rates Adverse movement in underlying interest rates could adversely affect the Group's earnings and cash flows and could impact property valuations.	**Medium** The likelihood of volatility in interest rate markets is high and the potential impact if not managed adequately could be major.	Unchanged	Term interest rate markets remained volatile during the period and this volatility is likely to continue in the near future. Over the year, term interest rates have reduced which has impacted the mark-to-market ("MtM") valuations of the Group's interest rate derivative portfolio, increasing its "out of the money" status. In September 2020 the Group repaid in full the AIB interest rate swaps and re-couponed both the HSBC and RBS remaining interest rate swaps to unprecedented current market rates. The resulting effect eliminated the "out of the money" status of its interest rate derivative portfolio, protecting cash flows and EPRA earnings in future periods.	The Group holds a proportion of its debt in long term, fixed rate loans and mitigates its exposure to interest rate movements on floating rate facilities through the use of interest rate swaps. As at the balance sheet date 100% of drawn debt is fixed or hedged. MtM valuation movements do not impact on the Group's cash flows and are not included in any covenant test in the Group's debt facilities.	**Low** The Group is currently well protected against the risk of interest rate rises but, due to its continued investment in new properties and the need to maintain available facilities, will be exposed to future interest rate levels.

Brexit

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

Climate change and environmental risk

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

COVID-19

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

Emerging risks

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

Viability statement

The Directors confirm that, as part of their strategic planning and risk management processes, they have undertaken an assessment of the viability of the Group, considering the current position and the potential impact of the principal risks and prospects over a three-year time horizon. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2023.

Although individually the Group's assets may have relatively long unexpired lease terms and will all have a defined asset management strategy, the Board has undertaken its detailed financial review over a three-year period because:

- the Group's financial review and budgetary processes cover a three-year look forward period; and
- occupational leases within the Group's property portfolio typically have a three-yearly rent review pattern and so modelling over this period allows the Group's financial projections to include a full cycle of reversion, arising from open market, fixed and index-linked rent reviews.

The Group's financial review and budgetary processes are based on an integrated model that projects performance, cash flows, position and other key performance indicators including earnings per share, leverage rates, net asset values per share and REIT compliance over the review period. In addition, the forecast model looks at the funding of the Group's activities and its compliance with the financial covenant requirements of its debt facilities. The model uses a number of key parameters in generating its forecasts that reflect the Group's strategy, operating processes and the Board's expectation of market developments in the review period. In undertaking its financial review, these parameters have been flexed to reflect severe, but realistic, scenarios both individually and collectively. Sensitivities applied are derived from the principal risks faced by the Group that could affect solvency or liquidity. Given the significant impact of COVID-19 on the macro-economic conditions in the year, additional stress-testing has been carried out on the Group's ability to continue in operation under extremely unfavourable operating conditions including a scenario where 15% of all rent is not collected for the three-year forecast period. The sensitivities applied are as follows:

- declining attractiveness of the Group's assets or extenuating economic circumstances impacts investment values – valuation parameter stress tested to provide for a one-off 10%/£261 million fall in June 2021 valuation;
- 15% tenant default rate;
- rental growth assumptions amended to see nil uplifts on open market reviews;
- variable rate interest rates rise by an immediate 2% effective from 1 January 2021; and
- tightly controlled NHS scheme approval restricts investment opportunity – investment quantum flexed to remove non-committed transactions.

We have assessed the impact of these assumptions on the Group's key financial metrics over the assessment period including profitability, net debt, loan to value ratios and available financial headroom which are as follows:

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

In making its assessment, the Board has made a number of specific assumptions that overlay the financial parameters used in the Group's models. The Board has assumed that, in addition to the specific impact of new debt facilities, the Group will be able to refinance or replace other debt facilities that mature within the review period in advance of their maturity and on terms similar to those at present.

Harry Hyman

Chief Executive Officer
17 February 2021

Group statement of comprehensive income
for the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Rental income		**139.0**	121.3
Direct property expenses		**(7.8)**	(5.6)
Net rental income	3	**131.2**	115.7
Administrative expenses	4	**(13.2)**	(12.3)
Exceptional item – contract termination fee		**—**	(10.2)
Revaluation gain on property portfolio	10	**51.3**	48.4
Profit on sale of land and property	10	**0.1**	1.4
Exceptional revaluation loss arising on merger with MedicX	10	**—**	(138.4)
Total revaluation gain/(loss)		**51.4**	(88.6)
Operating profit		**169.4**	4.6
Finance income	5	**1.2**	1.4
Finance costs	6a	**(43.0)**	(42.6)
Fair value loss on derivative interest rate swaps and amortisation of hedging reserve	6b	**(12.9)**	(5.4)
Fair value gain/(loss) and issue costs on convertible bond	6c	**(2.3)**	(28.2)
Profit/(loss) before taxation		**112.4**	(70.2)
Taxation charge	7	**(0.4)**	(1.1)
Profit/(loss) after taxation[1]		**112.0**	(71.3)
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss			
Fair value gain on interest rate swaps treated as cash flow hedges and amortisation of hedging reserve	22	**4.0**	1.7
Exchange gain/(loss) on translation of foreign balances		**2.2**	(1.9)
Other comprehensive income/(loss) net of tax[1]		**6.2**	(0.2)
Total comprehensive income/(loss) net of tax[1]		**118.2**	(71.5)
IFRS earnings/(loss) per share			
Basic	8	**8.8p**	(6.5)p
Diluted	8	**8.7p**	(6.5)p
Adjusted earnings per share[2]			
Basic	8	**5.8p**	5.5p
Diluted	8	**5.7p**	5.4p

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

2 See Glossary of Terms.

The above relates wholly to continuing operations.

Group balance sheet
at 31 December 2020

	Notes	2020 £m	2019 £m
Non-current assets			
Investment properties	10	**2,576.1**	2,413.1
Derivative interest rate swaps	16	**—**	0.5
		2,576.1	2,413.6
Current assets			
Trade and other receivables	11	**17.4**	16.7
Cash and cash equivalents	12	**103.6**	143.1
		121.0	159.8
Total assets		**2,697.1**	2,573.4
Current liabilities			
Deferred rental income		**(27.0)**	(25.2)
Trade and other payables	13	**(34.7)**	(34.7)
Borrowings: term loans and overdraft	14a	**(6.4)**	(6.1)
		(68.1)	(66.0)
Non-current liabilities			
Borrowings: term loans and overdraft	14a	**(623.6)**	(682.7)
Borrowings: bonds	14b	**(582.9)**	(575.1)
Derivative interest rate swaps	16	**(0.1)**	(13.5)
Head lease liabilities	15	**(4.5)**	(4.5)
Deferred tax liability		**(3.5)**	(3.1)
		(1,214.6)	(1,278.9)
Total liabilities		**(1,282.7)**	(1,344.9)
Net assets		**1,414.4**	1,228.5
Equity			
Share capital	18	**164.4**	152.0
Share premium	19	**466.7**	338.1
Merger and other reserve	20	**400.8**	398.6
Special reserve	21	**—**	65.4
Hedging reserve	22	**(20.1)**	(24.1)
Retained earnings	23	**402.6**	298.5
Total equity[1]		**1,414.4**	1,228.5
Net asset value per share			
IFRS net assets – basic and diluted	8	**107.5p**	101.0p
Adjusted net tangible assets[2] – basic	8	**112.9p**	107.9p
Adjusted net tangible assets[2] – diluted	8	**115.4p**	111.1p

1 Wholly attributable to equity shareholders of Primary Health Properties PLC.
2 See Glossary of Terms.

These financial statements were approved by the Board of Directors on 17 February 2021 and signed on its behalf by:

Steven Owen
Chairman

Registered in England Number: 3033634

Group cash flow statement
for the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Operating activities			
Profit/(loss) on ordinary activities after tax		**112.0**	(71.3)
Taxation charge	7	**0.4**	1.1
Finance income	5	**(1.9)**	(1.4)
Finance costs	6a	**43.7**	42.6
Fair value loss on derivatives	6b	**12.9**	5.4
Fair value loss and issue costs on convertible bond	6c	**2.3**	28.2
Operating profit before financing costs		**169.4**	4.6
Adjustments to reconcile Group operating profit before financing to net cash flows from operating activities:			
Revaluation gain on property portfolio	10	**(51.3)**	(48.4)
Profit on sale of land and property	10	**(0.1)**	(1.4)
Effect of exchange rate fluctuations on operations		**(0.3)**	—
Exceptional revaluation loss arising on merger with MedicX		**—**	138.4
Fixed rent uplift		**(1.5)**	(1.7)
Tax paid		**(0.2)**	(0.1)
(Increase)/decrease in trade and other receivables		**(1.3)**	(5.2)
Increase/(decrease) in trade and other payables		**4.2**	7.8
Cash generated from operations		**118.9**	94.0
Net cash flow from operating activities		**118.9**	94.0
Investing activities			
Payments to acquire and improve investment properties		**(102.9)**	(49.9)
Receipts from disposal of properties		**0.1**	2.5
MedicX merger transaction costs		**—**	(14.5)
Cash acquired as part of MedicX merger		**—**	5.8
Interest received on development loans		**1.9**	0.3
Net cash flow used in investing activities		**(100.9)**	(55.8)
Financing activities			
Proceeds from issue of shares		**140.0**	100.0
Cost of share issues		**(3.2)**	(2.4)
Term bank loan drawdowns	14	**17.8**	132.8
Term bank loan repayments	14	**(76.2)**	(160.5)
Proceeds from bond issue		**—**	213.2
Bond repayment		**—**	(75.0)
Bond issue and loan arrangement fees		**(2.0)**	(5.7)
Termination of derivative financial instruments		**(21.8)**	(8.0)
Swap interest paid		**(0.1)**	(0.9)
Non-utilisation fees		**(1.9)**	(1.7)
Interest paid		**(42.0)**	(36.9)
Bank interest received		**0.4**	0.2
Equity dividends paid net of scrip dividend	9	**(69.1)**	(54.4)
Net cash flow from financing activities		**(58.1)**	100.7
(Decrease)/increase in cash and cash equivalents for the year		**(40.1)**	138.9
Effect of exchange rate fluctuations on Euro-denominated loans and cash equivalents		**0.6**	(1.7)
Cash and cash equivalents at start of year		**143.1**	5.9
Cash and cash equivalents at end of year	12	**103.6**	143.1

Group statement of changes in equity
for the year ended 31 December 2020

	Share capital £m	Share premium £m	Merger and other reserve £m	Special reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
1 January 2020	152.0	338.1	398.6	65.4	(24.1)	298.5	1,228.5
Profit for the year	—	—	—	—	—	112.0	112.0
Other comprehensive income							
Fair value movement on interest rate swaps	—	—	—	—	—	—	—
Reclassification to profit and loss – amortisation of hedging reserve	—	—	—	—	4.0	—	4.0
Exchange loss on translation of foreign balances	—	—	2.2	—	—	—	2.2
Total comprehensive income	—	—	2.2	—	4.0	112.0	118.2
Shares issued on conversion of convertible bonds	—	—	—	—	—	—	—
Shares issued as part of capital raise	12.1	127.9	—	—	—	—	140.0
Share issue expenses	—	(3.2)	—	—	—	—	(3.2)
Dividends paid	—	—	—	(61.2)	—	(7.9)	(69.1)
Scrip dividend in lieu of cash	0.3	3.9	—	(4.2)	—	—	—
31 December 2020	**164.4**	**466.7**	**400.8**	**0**	**(20.1)**	**402.6**	**1,414.4**

	Share capital £m	Share premium £m	Merger and other reserve £m	Special reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
1 January 2019	96.1	220.6	2.5	124.8	(25.8)	369.8	788.0
Loss for the year	—	—	—	—	—	(71.3)	(71.3)
Other comprehensive income							
Fair value movement on interest rate swaps	—	—	—	—	(1.3)	—	(1.3)
Reclassification to profit and loss – amortisation of hedging reserve	—	—	—	—	3.0	—	3.0
Exchange loss on translation of foreign balances	—	—	(1.9)	—	—	—	(1.9)
Total comprehensive income	—	—	(1.9)	—	1.7	(71.3)	(71.5)
Shares issued on conversion of convertible bonds	3.0	25.4	—	—	—	—	28.4
Shares issued as part of MedicX merger	42.6	—	398.0	—	—	—	440.6
Shares issued as part of capital raise	9.8	90.2	—	—	—	—	100.0
Share issue expenses	—	(2.6)	—	—	—	—	(2.6)
Dividends paid	—	—	—	(54.4)	—	—	(54.4)
Scrip dividend in lieu of cash	0.5	4.5	—	(5.0)	—	—	—
31 December 2019	152.0	338.1	398.6	65.4	(24.1)	298.5	1,228.5

Notes to the financial statements

1. Corporate information

The Group's financial statements for the year ended 31 December 2020 were approved by the Board of Directors on 17 February 2021 and the Group Balance Sheet was signed on the Board's behalf by the Chairman, Steven Owen. Primary Health Properties PLC is a public limited company incorporated in England and Wales and domiciled in the United Kingdom. The Company's Ordinary Shares are admitted to the Official List of the UK Listing Authority, a division of the Financial Conduct Authority, and traded on the London Stock Exchange.

2. Accounting policies

2.1 Basis of preparation

The Group's financial statements have been prepared on the historical cost basis, except for investment properties, including investment properties under construction and land and derivative financial instruments that have been measured at fair value. The Group's financial statements are prepared on the going concern basis (see pages 59 and 60 for further details) and presented in Sterling rounded to the nearest million.

Statement of compliance

The consolidated financial statements for the Group have been prepared under International Financial Reporting Standards ("IFRSs") as adopted by the European Union and applied in accordance with the Companies Act 2006 and Article 4 of the IAS Regulation.

2.2 Standards adopted during the year

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRSs effective for the Group as of 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

Amendments to IAS 1 and IAS 8 Definition of material

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments relate to the definition of material. Within IAS 1, the concept of using immaterial information to obscure material information has been included in the new definition. The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence". The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. There has been no impact on the Group for the period beginning 1 January 2020.

Amendments to references to the conceptual framework in IFRS standards

The Group has adopted the amendments included in Amendments to references to the conceptual framework in IFRS standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new framework. The standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32. There is no impact on the Group for the period beginning 1 January 2020.

2.3 Summary of significant accounting policies

Basis of consolidation

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

The individual financial statements of Primary Health Properties PLC and each of its subsidiary undertakings will be prepared under FRS 101. The use of IFRS at Group level does not affect the distributable reserves available to the Group.

Segmental reporting

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

Foreign currency transactions

Each Group company presents its individual financial statements in its functional currency. The functional currency of all UK subsidiaries (with the exception of PHP Euro Private Placement Limited and MXF Properties Ireland Limited which are Euro) is Sterling and the functional currency of Primary Health Properties ICAV and its Irish domiciled subsidiaries is Euro.

Transactions in currencies other than an individual entity's functional currency (foreign currencies) are recognised at the applicable exchange rate ruling on the transaction date. Exchange differences resulting from settling these transactions, or from retranslating monetary assets and liabilities denominated in foreign currencies, are included in the Group Statement of Comprehensive Income.

Foreign operations

In preparing the Group's consolidated financial statements, the assets and liabilities of foreign entities are translated into Sterling at exchange rates prevailing on the balance sheet date. The income, expenses and cash flows of a foreign entity are translated at the average exchange rate for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used.

The exchange rates used to translate foreign currency amounts in 2020 are as follows:

Group Balance Sheet: £1 = €1.1185 (2019: €1.1825). Group Statement of Comprehensive Income: £1 = €1.105 (2019: €1.1787).

Investment properties and investment properties under construction

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

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

Investment properties are recognised on acquisition upon completion of contract, which is when control of the asset passes to the Group. Investment properties cease to be recognised when control of the property passes to the purchaser, which is upon completion of the sales contract. Any gains and losses arising are recognised in the Group Statement of Comprehensive Income in the year of disposal.

The Group may enter into a forward funding agreement with third-party developers in respect of certain properties under development. In accordance with these agreements, the Group will make monthly stage payments to the developer based on certified works on site at that time. Interest is charged to the developer on all stage payments made during the construction period and on the cost of the land acquired by the Group at the outset of the development and taken to the Group Statement of Comprehensive Income in the year in which it accrues.

Property acquisitions and business combinations

Where a property is acquired through the acquisition of corporate interests, the Board considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. The basis of the judgement is set out in Note 2.4(b).

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

Gains on sale of properties

Gains on sale of properties are recognised on the completion of the contract, and are calculated by reference to the carrying value at the end of the previous reporting period, adjusted for subsequent capital expenditure and sale costs.

Net rental income

Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease term. An adjustment to rental income is recognised from the rent review date of each lease in relation to unsettled rent reviews. Such adjustments are accrued at 100% (2019: 100%) of the additional rental income that is expected to result from the review. For leases which contain fixed or minimum deemed uplifts, the rental income is recognised on a straight line basis over the lease term. Incentives for lessees to enter into lease agreements are spread evenly over the lease terms, even if the payments are not made on such a basis. Rental income is measured at the fair value of the consideration receivable, excluding discounts, rebates, VAT and other sales taxes or duty.

Net rental income is the rental income receivable in the period after payment of direct property costs.

Interest income

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

Financial instruments under IFRS 9

Trade receivables

Trade receivables are recognised and carried at amortised cost as the Group's business model is to collect the contractual cash flows due from tenants. Provision is made based on the expected credit loss model which reflects the Group's historical credit loss experience over the past three years but also reflects the lifetime expected credit loss.

Cash and cash equivalents

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

Trade and other payables

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

Bank loans and borrowings

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

The interest due within the next twelve months is accrued at the end of the year and presented as a current liability within trade and other payables.

Borrowing costs

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

Convertible bond

The convertible bond is designated as “at fair value through profit or loss” and so is presented on the Group Balance Sheet at fair value with all gains and losses, including the write-off of issuance costs, recognised in the Group Statement of Comprehensive Income. The fair value of the convertible bond is assessed in accordance with level 1 valuation techniques as set out within “Fair value measurements” within these accounting policies. The interest charge in respect of the coupon rate on the bond has been recognised within the underlying component of net financing costs on an accruals basis. Refer to Note 16 for further details. The amount of the change in fair value of the financial liability designated at fair value through profit or loss that is attributable to changes in credit risk will be recognised in other comprehensive income.

De-recognition of financial assets and liabilities

Financial assets

A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognised where:

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

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

Financial liabilities

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

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

When the exchange or modification of an existing financial liability is not accounted for as an extinguishment, any costs or fees incurred adjust the liability's carrying amount and are amortised over the modified liability's remaining term and any difference in the carrying amount after modification is recognised as a modification gain or loss.

Tax

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

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

Fair value measurements

The Group measures certain financial instruments such as derivatives, and non-financial assets such as investment property, at fair value at the end of each reporting period. Also, fair values of financial instruments measured at amortised cost are disclosed in the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group must be able to access the principal or the most advantageous market at the measurement date.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques at three levels that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole:

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

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

Hedge accounting

At the inception of a transaction the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at inception and on an ongoing basis.

For cash flow hedging, the Group monitors the hedging instrument to check it continues to meet the criteria of IAS 39, having applied the practical expedient on transition, for being described as "highly effective" in offsetting changes in the fair values or cash flows of hedged items.

For net investment hedge relationships, the Group monitors the hedging instrument to check it continues to meet the criteria of IAS 39 for being described as "highly effective".

i) Derivative financial instruments ("derivatives")

The Group uses interest rate swaps to help manage its interest rate risk.

All interest rate derivatives are initially recognised at fair value at the date the derivative is entered into and are subsequently remeasured at fair value. The fair values of the Group's interest rate swaps are calculated by Chatham (formally JCRA), an independent specialist which provides treasury management services to the Group.

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

- where a derivative is designated as a hedge of the variability of a highly probable forecast transaction, such as an interest payment, the element of the gain or loss on the derivative that is an "effective" hedge is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in the cash flow hedging reserve are reclassified into the Group Statement of Comprehensive Income in the same period or periods during which the asset acquired or liability assumed affects the Group Statement of Comprehensive Income, i.e. when interest income or expense is recognised; and
- the gain or loss on derivatives that do not meet the strict criteria for being "effective" and so do not qualify for hedge accounting and the non-qualifying element of derivatives that do qualify for hedge accounting are recognised in the Group Statement of Comprehensive Income immediately. The treatment does not alter the fact that the derivatives are economic hedges of the underlying transaction.

For swaps that have been cancelled which previously qualified for hedge accounting, the remaining value within the cash flow hedging reserve at the date of cancellation is recycled to the Group Statement of Comprehensive Income on a straight line basis from the date of cancellation to the original swap expiry date where the hedged transaction is still expected to occur. If the swaps have been cancelled and the hedged transaction is no longer expected to occur, the amount accumulated in the hedging reserve is reclassified to profit and loss immediately.

Leases – Group as a lessor

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

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

2.4 Significant accounting estimates and judgements

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

a) Estimates

Fair value of investment properties

Investment properties include: (i) completed investment properties; and (ii) investment properties under construction. Completed investment properties comprise real estate held by the Group or leased by the Group under a finance lease in order to earn rental income or for capital appreciation, or both.

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

In accordance with RICS Appraisal and Valuation Standards, factors taken into account are current market conditions, annual rentals, state of repair, ground stability, contamination issues and fire and health and safety legislation. Refer to Note 10 of the financial statements which includes further information on the fair value assumptions and sensitivities.

In determining the fair value of investment properties under construction the valuer is required to consider the significant risks which are relevant to the development process including, but not limited to, construction and letting risks. The valuer takes into account any pre-lets and whether construction risk remains with the respective developer or contractor.

Fair value of derivatives

In accordance with IFRS 9, the Group values its derivative financial instruments at fair value. Fair value is estimated by JCRA (now part of Chatham) on behalf of the Group, using a number of assumptions based upon market rates and discounted future cash flows. The derivative financial instruments have been valued by reference to the mid-price of the yield curve prevailing on 31 December 2020. Fair value represents the net present value of the difference between the cash flows produced by the contracted rate and the valuation rate. Refer to Note 17 of the financial statements.

b) Judgements

Hedge effectiveness

The Group has a number of interest rate swaps that mature after the Group's bank facilities, to which they relate, are due to expire. In accordance with IAS 39, in order to apply hedge accounting in relation to these interest rate swaps, the Group has determined that it is highly probable that these bank facilities will be renegotiated on or before expiry and that variable interest rate debt finance will be in place until the expiry date of the swaps.

The Group is exposed to foreign exchange rate movements due to operations in Ireland. In accordance with IAS 39, in order to apply hedge accounting with the euro denominated cash flows, the Group has determined that it is highly probably that there will be corresponding euro bank drawdowns and that these will be renegotiated on or before expiry.

Property acquisitions during the year

The Directors have reviewed the acquisitions during the year on an individual basis in accordance with the requirements of IFRS 3(R). They consider that they all meet the criteria of asset acquisitions rather than business combinations and have accounted for them as such. Although corporate entities were acquired, they were special purpose vehicles for holding properties rather than separate business entities. This judgement was made due to the absence of business processes inherent in the entities acquired.

2.5 Standards issued but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases have not yet been adopted by the EU:

- Amendments to IAS 1 – Classification of liabilities as current or non-current
- Annual improvements to IRFS standards 2018–2020

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2021, but are not yet applicable to the Group and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

3. Rental and related income

Revenue comprises rental income receivable on property investments in the UK and Ireland, which is exclusive of VAT. Revenue is derived from one reportable operating segment and £128.2 million and £10.8 million of rental income is derived from the UK and Ireland respectively. Details of the lease income are given below.

Group as a lessor

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

	Less than one year £m	One to two years £m	Two to three years £m	Three to four years £m	Four to five years £m	More than five years £m	Total £m
2020	**134.4**	**133.6**	**131.2**	**126.0**	**121.3**	**935.5**	**1,582.0**
2019	126.9	126.8	126.2	124.0	119.3	992.1	1,615.3

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

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

4. Group operating profit is stated after charging:

	2020 £m	2019 £m
Administrative expenses including:		
Advisory fees (Note 4a)	**9.1**	8.3
Performance Incentive Fees (Note 4b)	**1.6**	1.8
Directors' fees (Note 4c)	**0.4**	0.5
Audit fees		
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	**0.3**	0.2
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries	**0.2**	0.2
Total audit fees	**0.5**	0.4
Total audit and assurance services	**0.5**	0.4

Non-audit fees		
Advisory services	**-**	0.2
Total non-audit fees	**-**	0.2
Total fees	**0.5**	0.6

Please refer to the Audit Committee Report in the Annual Report for analysis of non-audit fees.

a) Advisory fees

The advisory fees calculated and payable for the period to 31 December were as follows:

	2020	2019
	£m	£m
Nexus Tradeco Limited ("Nexus")	**9.1**	8.3

Further details on the Advisory Agreement can be found in the Corporate Governance section of the Annual Report.

As at 31 December 2020 £0.8 million was payable to Nexus (2019: £0.7 million).

Further fees paid to Nexus in accordance with the Advisory Agreement of £0.4 million (2019: £0.1 million) in respect of capital projects were capitalised in the year.

Service charge management fees paid to Nexus in the year in connection with the Group's properties totalled £0.4 million (2019: £0.3 million).

b) Performance Incentive Fee ("PIF")

Information about the Performance Incentive Fee is provided in the Corporate Governance section of the Strategic Review in the Annual Report.

A PIF of £1.3 million was paid to Nexus in the period in respect of 2019 and at 31 December 2020 the balance on the notional cumulative PIF account was £8.1 million (2019: £7.0 million), of which £1.5 million (2019: £1.3 million) will become payable on approval of the Annual Report by the Board. The balance is conditional on performance in future years and the restrictions noted in the Financial Review.

c) Remuneration of Directors

Further information about the remuneration of individual Directors is provided in the Directors' Remuneration Report in the Annual Report.

5. Finance income

	2020	2019
	£m	£m
Interest income on financial assets		
Bank interest	**0.4**	0.2
Development loan interest	**0.8**	1.2
	1.2	1.4

6. Finance costs

	2020	2019
	£m	£m
Interest expense and similar charges on financial liabilities		
a) Interest		
Bank loan interest	**26.1**	27.0
Swap interest	**0.1**	0.8
Bond interest	**16.0**	12.1
Bank facility non-utilisation fees	**1.9**	1.8
Bank charges and loan arrangement fees	**2.7**	3.4
	46.8	45.1

Interest capitalised	**(0.7)**	—
	46.1	45.1
Amortisation of MedicX debt MtM on acquisition	**(3.1)**	(2.5)
	43.0	42.6

	2020 £m	2019 £m
b) Derivatives		
Net fair value loss on interest rate swaps	**(8.5)**	(2.4)
Amortisation of cash flow hedging reserve	**(4.4)**	(3.0)
	(12.9)	(5.4)

The fair value loss on derivatives recognised in the Group Statement of Comprehensive Income has arisen from the interest rate swaps for which hedge accounting does not apply. A fair value loss on derivatives which do meet the hedge effectiveness criteria under IAS 39 of £0.4 million (2019: loss of £1.3 million) is accounted for directly in equity. An amount of £4.4 million (2019: £3.0 million) has been amortised from the cash flow hedging reserve in the year resulting from early termination of effective swap contracts (see Note 22).

Details of the fair value loss on hedges which meet the effectiveness criteria for hedge accounting under IAS 39 are set out in Note 22.

	2020 £m	2019 £m
c) Convertible bond		
Fair value loss on convertible bond fully redeemed in the year	—	(1.8)
Fair value loss on convertible bond issued in the year	—	(22.7)
Fair value loss on existing convertible bond	**(2.3)**	—
Convertible bond issue costs	—	(3.7)
	(2.3)	(28.2)

On 15 July 2019, PHP Finance (Jersey No.2) Limited (the "Issuer"), a wholly owned subsidiary of the Group, issued £150 million of 2.875% convertible bonds (the "Bonds") for a six-year term and if not previously converted, redeemed or purchased and cancelled, the Bonds will be redeemed at par on maturity in July 2025.

The fair value movement in the convertible bonds is recognised in the Group Statement of Comprehensive Income within profit before taxation and is excluded from the calculation of EPRA earnings and EPRA NAV. Refer to Note 14 for further details about the convertible bonds.

	2020 £m	2019 £m
Net finance costs		
Finance income (Note 5)	**1.2**	1.4
Finance costs (as per above)	**(46.8)**	(45.1)
	(45.6)	(43.7)
Interest capitalised	**0.7**	—
	(44.9)	(43.7)
Amortisation of MedicX debt MtM on acquisition	**3.1**	2.5
	(41.8)	(41.2)

7. Taxation

a) Taxation charge in the Group Statement of Comprehensive Income

The taxation charge is made up as follows:

	2020 £m	2019 £m
Current tax		
UK corporation tax	**—**	—
Irish corporation tax	**0.1**	0.2
Deferred tax on Irish activities	**0.3**	0.9
Total tax	**0.4**	1.1

The UK corporation tax rate of 19% (2019: 19%) and the Irish corporation tax rate of 20% (2019: 20%) have been applied in the measurement of the Group's UK and Ireland related activities tax liability at 31 December 2020.

b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK. The differences are explained below:

	2020 £m	2019 £m
Profit/(loss) on ordinary activities before taxation	**112.4**	(70.2)
Theoretical tax at UK corporation tax rate of 19% (2019: 19%)	**21.4**	(13.3)
REIT exempt income	**(25.7)**	(23.0)
Transfer pricing adjustment	**4.1**	4.8
Non-taxable items	**0.7**	31.5
Irish corporation tax	**0.7**	0.2
Deferred tax on Irish activities	**(0.8)**	0.9
Taxation charge (Note 7a)	**0.4**	1.1

The UK REIT rules exempt the profits of the Group's property rental business from corporation tax.

c) Basis of taxation

The Group elected to be treated as a UK REIT with effect from 1 January 2007. The UK REIT rules exempt the profits of the Group's property rental business from corporation tax. Gains on properties are also exempt from tax, provided they are not held for trading or sold in the three years post completion of development. The Group will otherwise be subject to corporation tax at 19% (2019: 19%).

Acquired companies are effectively converted to UK REIT status from the date on which they become a member of the Group.

As a UK REIT, the Company is required to pay Property Income Distributions ("PIDs") equal to at least 90% of the Group's rental profit calculated by reference to tax rules rather than accounting standards.

To remain as a UK REIT there are a number of conditions to be met in respect of the principal company of the Group, the Group's qualifying activities and the balance of its business. The Group remains compliant as at 31 December 2020.

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

8. Earnings per share

Performance measures

In the tables below, we present earnings per share and net assets per share calculated in accordance with IFRS, together with our own adjusted measure and certain measures defined by the European Public Real Estate Association ("EPRA"), which have been included to assist comparison between European property companies. Two of the Group's key financial performance measures are adjusted earnings per share and adjusted net tangible assets per share.

Adjusted earnings, which is a tax adjusted measure of revenue profit, is the basis for the calculation of adjusted earnings per share. We believe adjusted earnings and adjusted earnings per share provide further insight into the results of the Group's operational performance to stakeholders as they focus on the net rental income performance of the business and exclude capital and other items which can vary significantly from year to year.

Earnings per share

	2020			2019		
	IFRS earnings £m	**Adjusted earnings £m**	**EPRA earnings £m**	IFRS earnings £m	Adjusted earnings £m	EPRA earnings £m
Profit/(loss) after taxation	**112.0**	**112.0**	**112.0**	(71.3)	(71.3)	(71.3)
Adjustments to remove:						
Revaluation gain on property portfolio	**—**	**(51.3)**	**(51.3)**	—	(48.4)	(48.4)
Profit on sale of land and property	**—**	**(0.1)**	**(0.1)**	—	(1.4)	(1.4)
Fair value movement on derivatives	**—**	**12.9**	**12.9**	—	5.4	5.4
Fair value movement and issue costs on convertible bond	**—**	**2.3**	**2.3**	—	28.2	28.2
Taxation charge	**—**	**0.4**	**0.4**	—	1.1	1.1
Exceptional revaluation loss arising on acquisition of MedicX	**—**	**—**	**—**	—	138.4	138.4
Exceptional items – contract termination fee	**—**	**—**	**—**	—	10.2	—
Amortisation of MtM loss on debt acquired	**—**	**(3.1)**	**—**	—	(2.5)	—
Basic earnings/(loss)	**112.0**	**73.1**	**76.2**	(71.3)	59.7	52.0
Dilutive effect of convertible bond	**6.6**	**4.3**	**4.3**	—	2.0	2.0
Diluted earnings/(loss)	**118.6**	**77.4**	**80.5**	(71.3)	61.7	54.0

Number of shares

	2020 weighted average			2019 weighted average		
	million	**million**	**million**	million	million	million
Ordinary Shares	**1,266.4**	**1,266.4**	**1,266.4**	1,092.0	1,092.0	1,092.0
Dilutive effect of convertible bond	**102.0**	**102.0**	**102.0**	—	46.5	46.5
Diluted Ordinary Shares	**1,368.4**	**1,368.4**	**1,368.4**	1,092.0	1,138.5	1,138.5

Profit/(loss) per share attributable to shareholders:

	IFRS pence	**Adjusted pence**	**EPRA pence**	IFRS pence	Adjusted pence	EPRA pence
Basic	**8.8**	**5.8**	**6.0**	(6.5)	5.5	4.8
Diluted	**8.7**	**5.7**	**5.9**	(6.5)	5.4	4.7

In the year ended 31 December 2019 the effect of the convertible bond has been excluded from the diluted loss and weighted average diluted number of shares when calculating IFRS diluted loss per share because they are not dilutive.

Net assets per share

	31 December 2020			31 December 2019		
	IFRS £m	**Adjusted £m**	**EPRA £m**	IFRS £m	Adjusted £m	EPRA £m
Net assets attributable to shareholders	**1,414.4**	**1,414.4**	**1,414.4**	1,228.5	1,228.5	1,228.5
Derivative interest rate swaps liability		**0.1**	**0.1**		13.0	13.0
Deferred tax		**3.5**	**3.5**		3.1	3.1
Cumulative convertible bond fair value movement		**25.0**	**25.0**		22.7	22.7
MtM on MedicX loans net of amortisation		**42.3**	**—**		45.5	—
Net tangible assets ("NTA")		**1,485.3**	**1,443.0**		1,312.8	1,267.3
Real estate transfer taxes			**174.7**			160.4
Net reinstatement value ("NRV")			**1,617.7**			1,427.7
Fixed rate debt and swap mark-to-market value			**(88.0)**			(62.0)
Deferred tax			**(3.5)**			(3.1)
Cumulative convertible bond fair value movement			**(25.0)**			(22.7)
Real estate transfer taxes			**(174.7)**			(160.4)
Net disposal value ("NDV")			**1,326.5**			1,179.5

Ordinary Shares

	million	**million**	**million**	million	million	million
Issued share capital	**1,315.6**	**1,315.6**	**1,315.6**	1,216.3	1,216.3	1,216.3

Basic net asset value per share[1]

	IFRS pence	**Adjusted pence**	**EPRA pence**	IFRS pence	Adjusted pence	EPRA pence
Net tangible assets ("NTA")	**107.5**	**112.9**	**109.7**	101.0	107.9	104.2
Net reinstatement value ("NRV")			**123.0**			117.4
Net disposal value ("NDV")			**100.8**			97.0

1 The above are calculated on a "basic" basis without the adjustment for the impact of the convertible bond which is shown in the diluted basis table below.

Diluted net asset value per share[2]

	31 December 2020			31 December 2019		
	IFRS pence	**Adjusted pence**	**EPRA pence**	IFRS pence	Adjusted pence	EPRA pence
Net tangible assets ("NTA")	**110.4**	**115.4**	**112.4**	101.0	111.1	107.6
Net reinstatement value ("NRV")			**124.7**			119.8
Net disposal value ("NDV")			**104.2**			102.7

2 The Company assesses the dilutive impact of the unsecured convertible bond, issued by the Group on 15 July 2019, on its net asset value per share with a current exchange price of 147.10 pence (31 December 2019: 149.39 pence).

Conversion of the convertible bond would result in the issue of 102.0 million (31 December 2019: 100.4 million) new Ordinary Shares. The IFRS net asset value and EPRA NDV would increase by £175.0 million (31 December 2019: £172.7 million) and the EPRA NTA, Adjusted NTA and EPRA NRV would increase by £150.0 million (31 December 2019: £150.0 million). The resulting diluted net asset values per share are anti-dilutive to all measures and are set out in the table above.

During the year the Group has adopted the new EPRA Best Practice Recommendations Guidelines as issued by EPRA in October 2019, effective for periods beginning 1 January 2020. The Best Practice Recommendations have replaced the previous EPRA NAV and EPRA NNNAV metrics with three new metrics, EPRA NTA, EPRA NDV and EPRA NRV; refer to the Glossary of Terms for further details.

9. Dividends

Amounts recognised as distributions to equity holders in the year:

	2020 £m	2019 £m
Quarterly interim dividend paid 21 February 2020	**16.9**	—
Scrip dividend in lieu of quarterly cash dividend 21 February 2020	**1.0**	—
Quarterly interim dividend paid 22 May 2020	**16.9**	—
Scrip dividend in lieu of quarterly cash dividend 22 May 2020	**1.1**	—
Quarterly interim dividend paid 21 August 2020	**16.4**	—
Scrip dividend in lieu of quarterly cash dividend 21 August 2020	**1.5**	—
Quarterly interim dividend paid 20 November 2020	**18.9**	—
Scrip dividend in lieu of quarterly cash dividend 20 November 2020	**0.6**	—
Quarterly interim dividend paid 22 February 2019	—	9.9
Scrip dividend in lieu of quarterly cash dividend 22 February 2019	—	0.9
Quarterly interim dividend paid 24 May 2019	—	14.4
Scrip dividend in lieu of quarterly cash dividend 24 May 2019	—	1.5
Quarterly interim dividend paid 23 August 2019	—	15.8
Scrip dividend in lieu of quarterly cash dividend 23 August 2019	—	0.1
Quarterly interim dividend paid 22 November 2019	—	14.3
Scrip dividend in lieu of quarterly cash dividend 22 November 2019	—	2.5
Total dividends distributed in the year	**73.3**	59.4
Per share	**5.9p**	5.6p

On 6 January 2021, the Board declared an interim dividend of 1.55 pence per Ordinary Share with regard to the year ended 31 December 2020, payable on 26 February 2021. This dividend will comprise wholly of a Property Income Distribution ("PID") of 1.55 pence and no ordinary dividend.

10. Investment properties and investment properties under construction

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

The COVID-19 pandemic has led to a heightened degree of uncertainty surrounding the valuation of certain property sub-sectors. Despite this, neither UK nor Irish valuers have included a material uncertainty clause in the valuation report at 31 December 2020.

The properties are 99.6% let (2019: 99.5%). The valuations reflected a 4.81% net initial yield (2019: 4.86%) and a 4.84% (2019: 5.04%) true equivalent yield. Where properties have outstanding rent reviews, an estimate is made of the likely rent on review in line with market expectations and the knowledge of the valuers.

In accordance with IAS 40, investment properties under construction have also been valued at fair value by the valuers. In determining the fair value, the valuer is required to value development property as if complete, deduct the costs remaining to be paid to complete the development and consider the significant risks which are relevant to the development process including, but not limited to, construction and letting risks and the impact they may have on fair value. In the case of the Group's portfolio under construction, where the sites are pre-let and construction risk remains with the builder/developer, the valuer has deemed that the residual risk to the Group is minimal. As required by the Red Book, the valuers have deducted the outstanding cost to the Group through to the completion of construction of £32.1 million (2019: £25.4 million) in arriving at the fair value to be included in the financial statements.

In addition to the above, capital commitments have been entered into amounting to £7.5 million (2019: £2.7 million) which have not been provided for in the financial statements.

A fair value increase of £0.2 million (2019: £0.9 million) in respect of investment property under construction has been recognised in the Group Statement of Comprehensive Income, as part of the total net valuation gain on property portfolio in the year of £51.3 million (2019: £48.4 million).

Of the £2,571.6 million (2019: £2,408.6 million) valuation, £2,373.9 million (92.3%) (2019: £2,248.6 million) relates to investment properties in the UK and £197.7 million (7.7%) (2019: £160.0 million) relates to investment properties in Ireland.

In line with accounting policies, the Group has treated the acquisitions during the year as asset purchases rather than business combinations as they were judged to be acquisitions of properties rather than businesses.

	Investment properties freehold[1] £m	Investment properties long leasehold £m	Investment properties under construction £m	Total £m
As at 1 January 2020	1,902.2	476.9	34.0	2,413.1
Property additions	66.3	0.4	33.3	100.0
Property disposals	0.1	—	—	0.1
Impact of lease incentive adjustment	0.9	0.6	—	1.5
Transfer from properties under construction	46.8	—	(46.8)	—
Interest capitalised	—	—	0.7	0.7
Foreign exchange movements	7.0	0.4	2.0	9.4
	2,023.3	478.3	23.2	2,524.8
Revaluations for the year	38.0	13.1	0.2	51.3
As at 31 December 2020	**2,061.3**	**491.4**	**23.4**	**2,576.1**
As at 1 January 2019	1,212.5	284.4	6.0	1,502.9
Acquisition of MedicX portfolio				
Consideration (including transaction costs)	728.3	197.2	17.2	942.7
Less: exceptional revaluation loss arising on acquisition	(107.0)	(28.9)	(2.5)	(138.4)
Fair value of MedicX portfolio acquired	621.3	168.3	14.7	804.3
Property additions	26.3	—	31.2	57.5
Property disposals	(1.1)	—	—	(1.1)
Adoption of IFRS 16 – ground rents recognised as finance leases	—	4.5	—	4.5
Impact of lease incentive adjustment	1.0	2.5	—	3.5
Transfer from properties under construction	7.1	7.9	(15.0)	—
Foreign exchange movements	(3.1)	—	(3.8)	(6.9)
	1,864.0	467.6	33.1	2,364.7
Revaluations for the year	38.2	9.3	0.9	48.4
As at 31 December 2019	1,902.2	476.9	34.0	2,413.1

1 Includes development land held at £0.9 million (31 December 2019: £1.6 million).

Bank borrowings, bonds and interest rate swaps are secured on investment properties with a value of £2,483 million (2019: £2,376 million).

Right-of-use-assets

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

Fair value hierarchy

All of the Group's properties are level 3, as defined by IFRS 13, in the fair value hierarchy as at 31 December 2020 and 31 December 2019. There were no transfers between levels during the year or during 2019. Level 3 inputs used in valuing the properties are those which are unobservable, as opposed to level 1 (inputs from quoted prices) and level 2 (observable inputs either directly, i.e. as prices, or indirectly, i.e. derived from prices).

Valuation techniques used to derive level 3 fair values

The valuations have been prepared on the basis of fair market value ("FMV") which is defined in the RICS Valuation Standards as:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Valuation techniques: market comparable method

Under the market comparable method (or market comparable approach), a property's fair value is estimated based on comparable transactions and using certain unobservable inputs. These inputs are detailed below.

Unobservable input: estimated rental value ("ERV")

The rent at which space could be let in the market conditions prevailing at the date of valuation. ERV is also used in determining expected rental uplift on outstanding rent reviews.

	2020	2019
ERV – range of the portfolio	**£18,000–£1,242,000 per annum**	£27,400–£1,286,558 per annum

Unobservable input: equivalent yield

The equivalent yield is defined as the internal rate of return of the cash flow from the property, assuming a rise to ERV at the next review date, but with no further rental growth.

	2020	2019
True equivalent yield – range of the portfolio	**3.11%–19.51%**	4.00%–7.87%

Unobservable input: physical condition of the property

The properties are physically inspected by the valuer on a three-year rotating basis.

Unobservable input: rental growth

The estimated average increase in rent based on both market estimations and contractual situations.

Sensitivity of measurement of significant unobservable inputs

- A decrease in the estimated annual rent will decrease the fair value. A 1% increase in annual rent would have approximately £26 million increase in the investment property valuation.

- A decrease in the equivalent yield will increase the fair value. A 0.10% shift of equivalent yield would have approximately £52 million impact on the investment property valuation.
- A deterioration in the physical condition of the property will decrease the fair value.
- An increase in the rental growth will increase the fair value.

11. Trade and other receivables

	2020 **£m**	2019 £m
Trade receivables (net of provision for doubtful debts)	**9.8**	10.0
Prepayments and accrued income	**7.1**	5.9
Other debtors	**0.5**	0.8
	17.4	16.7

The expected credit losses are estimated using a provision matrix by reference to past default experience and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor including an impact of COVID-19 on the recoverability, general economic conditions of the industry and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has therefore not recognised a loss allowance because historical experience has indicated that the risk profile of trade receivables is deemed low.

The Group's principal customers are invoiced and pay quarterly in advance, usually on English, Scottish and Gale quarter days. There is no significant concentration of credit risk with respect to trade receivables, as the Group has a large number of tenants.

12. Cash and cash equivalents

	2020 **£m**	2019 £m
Cash held at bank	**103.6**	143.1
	103.6	143.1

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

13. Trade and other payables

	2020 **£m**	2019 £m
Trade payables	**0.7**	0.2
Bank and bond loan interest accrual	**8.0**	8.0
Other payables	**8.6**	10.0
VAT	**6.5**	5.5
Accruals	**10.9**	11.0
	34.7	34.7

14. Borrowings

a) Term loans and overdrafts

The table indicates amounts drawn and undrawn from each individual facility as at 31 December:

		Facility		Amounts drawn		Undrawn	
	Expiry date	**2020** **£m**	2019 £m	**2020** **£m**	2019 £m	**2020** **£m**	2019 £m
Current							
RBS overdraft	Jun 2021	**5.0**	5.0	**—**	—	**5.0**	5.0
Santander	Jul 2021	**30.6**	—	**—**	—	**30.6**	—
Aviva HIL loan	Jan 2032	**1.0**	0.9	**1.0**	0.9	**—**	—
Aviva loan[1]	Sep 2033	**2.0**	2.0	**2.0**	2.0	**—**	—

Aviva loan[1]	Jun 2040	**0.7**	0.6	**0.7**	0.6	**—**	—
Aviva loan	Aug 2029	**2.7**	2.6	**2.7**	2.6	**—**	—
		42.0	11.1	**6.4**	6.1	**35.6**	5.0
Non-current							
Aviva HIL loan	Jan 2032	**19.4**	20.4	**19.4**	20.4	**—**	—
Aviva loan	Dec 2022	**25.0**	25.0	**25.0**	25.0	**—**	—
Aviva loan	Nov 2028	**75.0**	75.0	**75.0**	75.0	**—**	—
Aviva loan	Aug 2024	**50.0**	50.0	**50.0**	50.0	**—**	—
Aviva loan	Aug 2029	**57.3**	60.0	**57.3**	60.0	**—**	—
Barclays loan	Dec 2023	**100.0**	115.0	**—**	55.0	**100.0**	60.0
HSBC loan	Nov 2022	**100.0**	100.0	**—**	—	**100.0**	100.0
Lloyds loan	Oct 2023	**50.0**	30.0	**28.8**	28.3	**21.2**	1.7
RBS loan	Mar 2022	**100.0**	100.0	**59.4**	55.7	**40.7**	44.3
Santander loan	Jul 2021	**—**	30.6	**—**	—	**—**	30.6
Aviva loan[1]	Sep 2033	**227.4**	229.4	**227.4**	229.4	**—**	—
Aviva loan[1]	Sep 2028	**30.8**	30.8	**30.8**	30.8	**—**	—
Aviva loan[1]	Jun 2040	**24.1**	24.8	**24.1**	24.8	**—**	—
		859.0	891.0	**597.2**	654.4	**261.9**	236.6
Total		**901.0**	902.1	**603.6**	660.5	**297.5**	241.6

1 Acquired as part of the merger with MedicX.

	2020 £m	2019 £m
Balance as at 1 January	**688.8**	361.4
Changes from financing activities		
Acquired as part of the merger with MedicX (net of amortisation fees)	**—**	315.3
Term bank loan drawdowns	**17.8**	132.8
New loan facilities drawn	**17.8**	448.1
Repayments of mortgages principal	**(3.6)**	(2.8)
Repayments of term bank loans	**(72.6)**	(157.7)
Repayments of term loan borrowings	**(76.2)**	(160.5)
Loan issue costs for new facilities/refinancing	**(1.9)**	(1.0)
Total changes from financing cash flows	**(60.3)**	286.6
Other non-cash changes		
MtM on loans net of amortisation	**(2.4)**	38.9
Amortisation of loan issue costs	**2.4**	2.4
Exchange loss/(gain) on translation of foreign balances	**1.5**	(0.5)
Total other changes	**1.5**	40.8
Balance as at 31 December	**630.0**	688.8

At 31 December 2020, total facilities of £1,456.8 million (2019: £1,452.0 million) were available to the Group. This included a £70 million secured bond, a £100 million secured bond, a £150.0 million nominal value convertible bond, £45.6 million and £62.6 million Euro-denominated bonds, a £50 million Ignis loan note, a £77.5 million Standard Life loan note and a £5 million overdraft facility. Of these facilities, as at 31 December 2020, £1.159.3 million was drawn (2019: £1,210.4 million).

On 3 December 2020, the Barclays facility was cancelled and replaced by a facility with Barclays for £100.0 million. The new facility can be drawn in Sterling or Euros. It has a variable interest rate of LIBOR plus 165bps, or SONIA plus 165bps plus a credit spread adjustment, and an expiry date of 2 November 2023.

On 7 December 2020, the Lloyds facility was refinanced and increased to £50.0 million, with a £50.0 million accordion option at the discretion of the lender. The new facility can be drawn in Sterling or Euros. It has a variable interest rate of LIBOR plus 155bps, or SONIA plus 165bps plus a credit spread adjustment, and an expiry date of 6 December 2023.

On 1 December 2020, the existing HSBC facility was extended for another year to 30 November 2023.

Costs associated with the arrangement and extension of the facilities, including legal advice and loan arrangement fees, are amortised using the effective interest rate.

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

	2020 **£m**	2019 £m
Term loans drawn: due within one year	**6.4**	6.1
Term loans drawn: due in greater than one year	**597.2**	654.4
Total terms loans drawn	**603.6**	660.5
Plus: MtM on loans net of amortisation	**36.6**	38.9
Less: unamortised borrowing costs	**(10.2)**	(10.6)
Total term loans per the Group Balance Sheet	**630.0**	688.8

The Group has been in compliance with all of the financial covenants of the above facilities as applicable through the year. Further details are shown in Note 17e.

The Group has entered into interest rate swaps to manage its exposure to interest rate fluctuations. These are set out in Note 16.

b) Bonds

	2020 **£m**	2019 £m
Unsecured:		
Convertible bond July 2025 at fair value	**175.0**	172.7
Less: unamortised costs	**—**	—
Total unsecured bonds	**175.0**	172.7
Secured:		
Secured bond December 2025	**70.0**	70.0
Secured bond March 2027	**100.0**	100.0
€51 million secured bond (Euro private placement) December 2028/30	**45.6**	43.2
€70 million secured bond (Euro private placement) September 2031	**62.6**	59.2
Ignis loan note December 2028	**50.0**	50.0
Standard Life loan note September 2028	**77.5**	77.5
Less: unamortised bond issue costs	**(3.6)**	(4.0)
Plus: MtM on loans net of amortisation	**5.8**	6.5
Total secured bonds	**407.9**	402.4
Total bonds	**582.9**	575.1

There were no bond conversions during the year (2019: £28.3 million).

Secured bonds

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

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

On 20 December 2018, senior secured notes for a total of €51 million (£45.6 million) were issued at a blended fixed rate of 2.4793% and a weighted average maturity of 10.4 years. Interest is paid semi-annually in arrears. The notes represent PHP's first Euro-denominated transaction in the private placement market. The secured notes were placed with UK and Irish institutional investors in two tranches:

€40 million 2.46% senior notes due December 2028.

€11 million 2.633% senior notes due December 2030.

On 16 September 2019, new senior secured notes for a total of €70 million (£62.6 million) were issued at a fixed rate of 1.509% and a maturity of twelve years. Interest is paid semi-annually in arrears. The secured notes are guaranteed by the Company and were placed with UK and Irish institutional investors.

Ignis and Standard Life loan notes

On 14 March 2019, the loan notes were added to the portfolio as a part of the MedicX acquisition. The Ignis loan note of £50.0 million incurs a fixed coupon of 3.99% payable semi-annually in arrears and matures on 1 December 2028.

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

Convertible bond

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

Subject to certain conditions, the Bonds will be convertible into fully paid Ordinary Shares of the Company and the initial exchange price was set at 153.25 pence, a premium of 15% above the volume weighted average price of the Company's shares on 18 June 2019, being 133.26 pence. Under the terms of the Bonds, the Company will have the right to elect to settle exercise of any conversion rights entirely in shares or cash, or with a combination of shares and cash. The exchange price is subject to adjustment if dividends paid per share exceed 2.8 pence per annum and other certain circumstances and consequently the exchange price has been adjusted to 147.10 pence as at 31 December 2020 (2019: 149.39 pence).

	2020 £m	2019 £m
Opening balance – fair value	**172.7**	—
Issued in the year	**—**	150.0
Cumulative fair value movement in convertible bond	**2.3**	22.7
Closing balance – fair value	**175.0**	172.7

The fair value of the convertible bonds at 31 December 2020 and 31 December 2019 were established by obtaining quoted market prices. The fair value movement is recognised in the Group Statement of Comprehensive Income within profit before taxation and is excluded from the calculation of EPRA earnings and EPRA NTA (replacing EPRA NAV).

c) Total borrowings

	2020 £m	2019 £m
Current liabilities:		
Term loans and overdrafts	**6.4**	6.1
Bonds	**—**	—
Total current liabilities	**6.4**	6.1
Non-current liabilities:		
Term loan and overdrafts	**597.2**	654.4
MtM on loans net of amortisation	**36.6**	38.9
Less: unamortised loan issue costs	**(10.2)**	(10.6)
	623.6	682.7
Bonds	**555.7**	549.9
MtM on loans net of amortisation	**5.8**	6.5
MtM on convertible bond	**25.0**	22.7
Less: unamortised bond issue costs	**(3.6)**	(4.0)
Total non-current bonds	**582.9**	575.1

Total borrowings	**1,212.8**	1,263.9

15. Head lease liabilities

The Group holds certain long leasehold properties which are classified as investment properties. The head leases are accounted for as finance leases. These leases typically have lease terms between 25 years and perpetuity and fixed rentals.

	2020 £m	2019 £m
Due within one year	**0.1**	0.1
Due after one year	**4.4**	4.4
Closing balance – fair value	**4.5**	4.5

16. Derivatives and other financial instruments

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

	2020 £m	2019 £m
Fair value of interest rate swaps treated as cash flow hedges under IAS 39 ("effective swaps")		
Non-current liabilities	—	—
	—	—
Fair value of interest rate swaps not qualifying as cash flow hedges under IAS 39 ("ineffective swaps")		
Non-current assets	—	0.5
Non-current liabilities	**(0.1)**	(13.5)
	(0.1)	(13.0)
Total fair value of interest rate swaps	**(0.1)**	(13.0)
Shown in the balance sheet as:		
Total non-current assets	—	0.5
Total non-current liabilities	**(0.1)**	(13.5)

Changes in the fair value of the contracts that do not meet the strict IAS 39 criteria to be designated as effective hedging instruments are taken to the Group Statement of Comprehensive Income. For contracts that meet the IAS 39 criteria and are designated as "effective" cash flow hedges, the change in fair value of the contract is recognised in the Group Statement of Changes in Equity through the cash flow hedging reserve. The result recognised in the Group Statement of Comprehensive Income on "effective" cash flow hedges in 2020 was a £4.0 million gain (2019: £1.7 million gain), including the amortisation of the cash flow hedging reserve of £4.4 million (2019: £3.0 million).

Floating to fixed interest rate swaps with a contract value of £188 million (2019: £258 million) were in effect at 31 December 2020. Details of all floating to fixed rate interest rate swap contracts held are as follows:

Contract value	Start date	Maturity	Fixed interest per annum %
2020			
£88.0 million	September 2020	March 2022	0.0397
£100.0 million	September 2020	November 2024	0.0699
£188.0 million			
2019			
£50.0 million	August 2007	August 2021	0.870
£38.0 million	August 2007	August 2021	0.870
£10.0 million	June 2020	June 2026	4.810
£10.0 million	June 2020	June 2026	4.510
£10.0 million	July 2020	July 2026	4.400

£10.0 million	July 2020	July 2026	4.475
£10.0 million	July 2020	July 2026	4.455
£20.0 million	July 2020	July 2026	4.479
£100.0 million	October 2019	November 2024	0.688
£258.0 million			

On 4 September 2020, the six AIB swaps with a nominal value of £70 million were cancelled for a one-off payment of £18.5 million, equivalent to 1.40 pence per share on an adjusted net tangible asset value basis.

On 7 September 2020, the HSBC £100.0 million swap was cancelled for one-off payment of £2.6 million, equivalent to 0.2 pence per share on an adjusted net tangible asset value basis and a new swap agreement was entered into with HSBC for a contract value of £100.0 million with a fixed rate of 0.0699% effective until November 2024.

On 10 September 2020, two RBS swaps, £38.0 million and £50.0 million with a fixed rate of 0.87% effective until August 2021, were cancelled for a one-off payment of £0.7 million, equivalent to 0.1 pence per share on an adjusted net tangible asset value basis. A new swap agreement was entered into with RBS for a contract value of £88.0 million with a fixed rate of 0.0397% effective until March 2022.

The balance within the cash flow hedge reserve relating to cancelled swaps will be amortised through the Group Statement of Comprehensive Income over the remainder of the original contract period (see Note 6b).

17. Financial risk management

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

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

A review of the Group's objectives, policies and processes for managing and monitoring risk is set out in the Strategic Report. This note provides further detail on financial risk management and includes quantitative information on specific financial risks.

Financial risk factors

a) Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating rates as the Group, generally, does not hold significant cash balances, with short term borrowings being used when required. To manage its interest rate risk, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon principal amount. Note 16 provides details of interest swap contracts in effect at the year end.

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

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

		Effect on fair value of financial instruments £m	Effect on profit before taxation £m	Effect on equity £m
2020				
London Interbank Offered Rate	Increase of 50 basis points	**4.5**	**5.0**	**9.5**
London Interbank Offered Rate	Decrease of 50 basis points	**(4.5)**	**(5.0)**	**(9.5)**
2019				
London Interbank Offered Rate	Increase of 50 basis points	7.5	9.0	16.5
London Interbank Offered Rate	Decrease of 50 basis points	(7.5)	(9.0)	(16.5)

b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under financial instruments or customer contracts, leading to a financial loss. The Group is exposed to credit risk from its principal financial assets being cash and cash equivalents, and trade and other receivables (see Note 11).

Trade receivables

Trade receivables, primarily tenant rentals, are recognised and carried at amortised cost and presented in the balance sheet net of allowances for doubtful receivables and are monitored on a case-by-case basis. Impairment losses are recognised through the expected credit loss model. Credit risk is primarily managed by requiring tenants to pay rentals in advance.

The Group has policies in place to ensure that rental contracts are entered into only with lessees with an appropriate credit history, but the Group does not monitor the credit quality of receivables on an ongoing basis.

Banks and financial institutions

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

c) Liquidity risk

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

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

	On demand £m	Less than three months £m	Three to twelve months £m	One to five years £m	More than five years £m	Total £m
2020						
Interest-bearing loans and borrowings	—	**10.8**	**32.7**	**543.5**	**885.5**	**1,472.5**
Interest rate swaps (net)	—	**0.4**	**1.1**	**2.1**	—	**3.6**
Trade and other payables	**0.5**	**25.7**	**4.0**	**2.4**	**2.1**	**34.7**
	0.5	**36.9**	**37.8**	**548.0**	**887.6**	**1,510.8**
2019						
Interest-bearing loans and borrowings	—	11.4	34.5	304.2	1,136.2	1,486.3

Interest rate swaps (net)	—	0.4	2.9	20.9	1.0	25.2
Trade and other payables	2.1	23.6	4.0	2.6	3.4	35.7
	2.1	35.4	41.4	327.7	1,140.6	1,547.2

The Group's borrowings have financial covenants which, if breached, could result in the borrowings becoming repayable immediately. Details of the covenants are given below under (e) Capital risk management and are disclosed to the facility providers on a quarterly basis. There have been no breaches during the year (2019: none).

d) Market risk

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

Interest rate risk

Interest rate risk is outlined above. The Board, with the assistance of the Adviser, assesses the exposure to other price risks when making each investment decision and monitors the overall level of market risk on the investment portfolio on an ongoing basis through a discounted cash flow analysis. Details of this analysis can be found in the Strategic Report in the Annual Report.

Price risk

The Group is exposed to price risk in respect of property price risk including property rentals risk. Refer to Note 2.3. The Group has no significant exposure to price risk in respect of financial instruments other than the convertible bond and interest rate derivatives (see also Note 16), as it does not hold any equity securities or commodities.

Fair values

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

	Book value 2020 £m	**Fair value 2020 £m**	Book value 2019 £m	Fair value 2019 £m
Financial assets				
Trade and other receivables	**17.4**	**17.4**	16.7	16.7
Effective interest rate swaps	—	—	—	—
Ineffective interest rate swaps	—	—	0.5	0.5
Cash and short term deposits	**103.6**	**103.6**	143.1	143.1
Financial liabilities				
Interest-bearing loans and borrowings	**(1,159.3)**	**(1,212.8)**	(1,210.4)	(1,327.5)
Effective interest rate swaps	—	—	—	—
Ineffective interest rate swaps (net)	**(0.1)**	**(0.1)**	(13.5)	(13.5)
Trade and other payables	**(34.7)**	**(34.7)**	(34.7)	(34.7)

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

- the fair values of the Group's cash and cash equivalents and trade payables and receivables are not materially different from those at which they are carried in the financial statements due to the short term nature of these instruments;

- the fair value of floating rate borrowings is estimated by discounting future cash flows using rates currently available for instruments with similar terms and remaining maturities. The fair value approximates their carrying values, gross of unamortised transaction costs;

- the fair value of fixed rate debt is estimated using the mid yield to maturity on the reporting date. The valuations are on a clean basis, which exclude accrued interest from the previous settlement date to the reporting date; and
- the fair values of the derivative interest rate swap contracts are estimated by discounting expected future cash flows using market interest rates and yield curves over the remaining term of the instrument.

Fair value hierarchy

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

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

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

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

Fair value measurements at 31 December 2020 are as follows:

Recurring fair value measurements	**Level 1[1] £m**	**Level 2[2] £m**	**Level 3[3] £m**	**Total £m**
Financial assets				
Derivative interest rate swaps	—	—	—	—
Financial liabilities				
Derivative interest rate swaps	—	**(0.1)**	—	**(0.1)**
Convertible bond	**(175.0)**	—	—	**(175.0)**
Fixed rate debt	—	**(981.5)**	—	**(981.5)**

1 Valuation is based on unadjusted quoted prices in active markets for identical financial assets and liabilities.
2 Valuation is based on inputs (other than quoted prices included in level 1) that are observable for the financial asset or liability, either directly (i.e. as unquoted prices) or indirectly (i.e. derived from prices).
3 Valuation is based on inputs that are not based on observable market data.

Fair value measurements at 31 December 2019 are as follows:

Recurring fair value measurements	Level 1[1] £m	Level 2[2] £m	Level 3[3] £m	Total £m
Financial assets				
Derivative interest rate swaps	—	0.5	—	0.5
Financial liabilities				
Derivative interest rate swaps	—	(13.5)	—	(13.5)
Convertible bond	(172.7)	—	—	(172.7)
Fixed rate debt	—	(945.9)	—	(945.9)

1 Valuation is based on unadjusted quoted prices in active markets for identical financial assets and liabilities.
2 Valuation is based on inputs (other than quoted prices included in level 1) that are observable for the financial asset or liability, either directly (i.e. as unquoted prices) or indirectly (i.e. derived from prices).
3 Valuation is based on inputs that are not based on observable market data.

The interest rate swaps whose fair values include the use of level 2 inputs are valued by discounting expected future cash flows using market interest rates and yield curves over the remaining term of the instrument. The following inputs are used in arriving at the valuation:

- interest rates;
- yield curves;
- swaption volatility;
- observable credit spreads;
- credit default swap curve; and
- observable market data.

e) Capital risk management

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

The capital structure of the Group consists of shareholders' equity and net borrowings. The type and maturity of the Group's borrowings are analysed further in Notes 14 and 16 and the Group's equity is analysed into its various components in the Group Statement of Changes in Equity. The Board, with the assistance of the Adviser, monitors and reviews the Group's capital so as to promote the long term success of the business, to facilitate expansion and to maintain sustainable returns for shareholders.

Under several of its debt facilities, the Group is subject to a covenant whereby consolidated Group rental income must exceed Group borrowing costs by the ratio 1.3:1 (2019: 1.3:1). No debt facility has a Group loan to value covenant.

Facility-level covenants also operate with regard to specific pools of property assets provided to lenders to secure individual loan facilities. These range as follows:

- interest cover[1]: 1.05 to 1.75 (2019: 1.15 to 1.75:1); and
- loan to value[1]: 55% to 75% (2019: 55% to 75%).

UK REIT compliance tests include loan to property value and gearing tests. The Group must satisfy these tests in order to continue trading as a UK REIT. This is also an internal requirement imposed by the Articles of Association.

1 See Glossary of Terms.

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

Group loan to value ratio	**2020** **£m**	2019 £m
Fair value of completed investment properties	**2,548.2**	2,374.6
Fair value of development properties	**23.4**	34.0
Ground rent recognised as finance leases	**4.5**	4.5
	2,576.1	2,413.1
Interest-bearing loans and borrowings (with convertible bond at nominal value)	**1,159.3**	1,210.4
Less cash held	**(103.6)**	(143.1)
Nominal amount of interest-bearing loans and borrowings	**1,055.7**	1,067.3
Group loan to value ratio	**41.0%**	44.2%

18. Share capital

Ordinary Shares issued and fully paid at 12.5 pence each

	2020		2019	
	Number – million	**2020 £m**	Number – million	2019 £m
Balance at 1 January	**1,216.3**	**152.0**	769.1	96.1
Scrip issues in lieu of cash dividends	**2.7**	**0.3**	4.0	0.5
Shares issued on merger with MedicX Fund Limited	**—**	**—**	341.0	42.6
Share issue 9 July 2020 and 24 September 2019	**96.6**	**12.1**	78.1	9.8
Shares issued on bond conversions	**—**	**—**	24.1	3.0
Balance at 31 December	**1,315.6**	**164.4**	1,216.3	152.0

Issue of shares in 2020

	Date of issue	Number of shares – million	Issue price
Scrip issue in lieu of cash dividend	21 February 2020	0.6	158.2p
Scrip issue in lieu of cash dividend	22 May 2020	0.7	155.52p
Scrip issue in lieu of cash dividend	21 August 2020	0.9	154.22p
Share issue	9 July 2020	96.6	145.00p
Scrip issue in lieu of cash dividend	20 November 2020	0.5	147.6p

19. Share premium

	2020 £m	2019 £m
Balance at 1 January	**338.1**	220.6
Scrip issue in lieu of cash dividend	**3.9**	4.5
Share issue 9 July 2020 and 24 September 2019	**127.9**	90.2
Shares issued on bond conversions	**—**	25.4
Share issue expense	**(3.2)**	(2.6)
Balance at 31 December	**466.7**	338.1

20. Merger and other reserves

The merger and other reserves are made up of the capital reserve which is held to finance any proposed repurchases of Ordinary Shares, following approval of the High Court in 1998, the foreign exchange translation reserve and the premium on shares issued for the MedicX Fund Limited merger.

	2020 £m	2019 £m
Capital reserve		
Balance at 1 January and 31 December	**1.6**	1.6
Foreign exchange translation reserve		
Balance at 1 January	**(1.0)**	0.9
Exchange differences on translating the net assets of foreign operations	**2.2**	(1.9)
Balance at 31 December	**1.2**	(1.0)
Merger reserve		
Balance at 1 January	**398.0**	—
Premium on shares issued for MedicX merger	**—**	398.0
Balance at 31 December	**398.0**	398.0
Balance of merger and other reserves at 31 December	**400.8**	398.6

21. Special reserve

	2020 £m	2019 £m
Balance at 1 January	**65.4**	124.8
Dividends paid	**(61.2)**	(54.4)
Scrip issue in lieu of cash dividend	**(4.2)**	(5.0)
Balance at 31 December	**—**	65.4

The special reserve has arisen on previous issues of the Company's shares. It represents the share premium on the issue of the shares, net of expenses, from issues effected by way of a cash box mechanism.

A cash box raising is a mechanism for structuring a capital raising whereby the cash proceeds from investors are invested in a subsidiary company of the Parent instead of the Parent itself. Use of a cash box mechanism has enabled the share premium arising from the issue of shares to be deemed to be a distributable reserve and has therefore been shown as a special reserve in these financial statements. Any issue costs are also deducted from the special reserve.

As the special reserve is a distributable reserve, the dividends distributed in the period have been distributed from this reserve until the balance reduced to £nil. The remaining dividends distributed in the period have been distributed from retained earnings.

22. Cash flow hedging reserve

Information on the Group's hedging policy and interest rate swaps is provided in Note 16.

The transfer to the Group Statement of Comprehensive Income and the fair value movement on cash flow hedges which meet the effectiveness criteria under IAS 39, taken to equity, can be analysed as follows:

	2020 £m	2019 £m
Balance at 1 January	**(24.1)**	(25.8)
Fair value movement on cash flow hedges	**(0.4)**	(1.3)
Amortisation of cash flow hedging reserve	**4.4**	3.0
Net movement on cash flow hedges ("effective swaps") and amortisation of cash flow hedging reserve	**4.0**	1.7
Balance at 31 December	**(20.1)**	(24.1)

On 4 September 2020, the six AIB swaps with a nominal value of £70 million were cancelled for a one-off payment of £18.5 million, equivalent to 1.4 pence per share on an adjusted net tangible asset value basis.

On 7 September 2020, the HSBC £100.0 million swap was cancelled for one-off payment of £2.6 million, equivalent to 0.2 pence per share on an adjusted net tangible asset value basis and a new swap agreement was entered into with HSBC for a contract value of £100.0 million with a fixed rate of 0.0699% effective until November 2024.

On 10 September 2020, two RBS swaps, £38.0 million and £50.0 million with a fixed rate of 0.87% effective until August 2021, were cancelled for a one-off payment of £0.7 million, equivalent to 0.1 pence per share on an adjusted net tangible asset value basis. A new swap agreement was entered into with RBS for a contract value of £88.0 million with a fixed rate of 0.0397% effective until March 2022.

The balance within the cash flow hedge reserve relating to cancelled swaps will be amortised through the Group Statement of Comprehensive Income over the remainder of the original contract period (see Note 6b).

23. Retained earnings

	2020 £m	2019 £m
Balance at 1 January	**298.5**	369.8
Retained profit for the year	**112.0**	(71.3)
Dividends paid	**(7.9)**	—
Balance at 31 December	**402.6**	298.5

24. Capital commitments

As at 31 December 2020, the Group has entered into forward funding development agreements with third parties for the development of primary healthcare properties in the UK and Ireland. The Group has acquired the land and advances funds to the developers as the construction progresses. Total consideration of £32.1 million (2019: £25.4 million) remains to be funded with regard to these properties.

As at 31 December 2020, the Group has capital commitments totalling £7.5 million (2019: £2.7 million) being the cost to complete asset management projects on site.

25. Related party transactions

The terms and conditions of the Advisory Agreement are described in the Directors' Report and the Directors' Remuneration Report.

Nexus, the Adviser, is a related party due to the Managing Director being a shareholder and Director of Nexus.

Details of the amounts paid in relation to related party transactions are provided in Note 4.

26. Subsequent events

On 5 January 2021 the Group's management function was internalised by acquiring Nexus Tradeco Holdings Limited which is the holding company of its longstanding external property adviser Nexus Tradeco Limited and certain subsidiaries, including Nexus's primary care development business (together "Nexus"). Primary Health Properties PLC acquired the entire issued ordinary share capital of Nexus Tradeco Holdings Limited for a total fair value consideration of £35.7 million, including fees of £1.6m subject to a completion net assets adjustment, made up of £16.6 million paid in cash and £17.5 million satisfied by the issue of 11,485,080 new ordinary shares of 12.5 pence each in the share capital of PHP at a price on completion of 152.8 pence per share.

Annual Report

The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 December 2020 or 2019 but is derived from those accounts. Statutory accounts for 2019 have been delivered to the Registrar of Companies and those for 2020 will be delivered in due course. The Auditor has reported on those accounts and their reports were (i) unqualified, (ii) did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

Full financial statements for the year ended 31 December 2020 will be published on the Group's website at www.phpgroup.co.uk and will be posted to shareholders in early March 2021.

Copies of this announcement can be obtained from the Company Secretary of Primary Health Properties PLC, 5th Floor, Greener House, 66-68 Haymarket, London SW1Y 4RF.

Going concern

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

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

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

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

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

Alternative Performance Measures ("APMs")

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

Directors' responsibility statement

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

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

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

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

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

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

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole;

- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 17 February 2021 and is signed on its behalf by:

For and on behalf of the Board

Steven Owen
Chairman
17 February 2021

Glossary of terms

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

Adjusted earnings per share is adjusted earnings divided by the weighted average number of shares in issue during the year.

Adjusted net tangible assets ("adjusted NTA") (which has replaced the former adjusted EPRA net asset value alternative performance measure) is EPRA net tangible asset value excluding the MtM adjustment of the fixed rate debt, net of amortisation, acquired on the merger with MedicX. The objective of the adjusted NTA measure is to highlight the value of net assets on a long term basis and excludes assets and liabilities that are not expected to crystallise in normal circumstances and continues to be used as a measure to determine the PIF payment.

Adviser is Nexus Tradeco Limited.

Annualised rental income on a like-for-like basis is the contracted rent on a per annum basis assuming a consistent number of properties between each year.

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

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

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

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

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

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

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

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

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

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

EPRA net assets ("EPRA NAV") are the balance sheet net assets excluding own shares held, the MtM value of derivative financial instruments and the convertible bond fair value movement.

EPRA NAV per share is the balance sheet net assets excluding own shares held, the MtM value of derivative financial instruments and the convertible bond fair value movement, divided by the number of shares in issue at the balance sheet date.

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

EPRA net reinstatement value ("EPRA NRV") is the balance sheet net assets including real estate transfer taxes but excluding the MtM value of derivative financial instruments, deferred tax and the convertible bond fair value movement. The aim of the metric is to reflect the value that would be required to recreate the Company through the investment markets based on its current capital and financing structure. Refer to Note 16.

EPRA NRV per share is the EPRA net reinstatement value divided by the number of shares in issue at the balance sheet date. Refer to Note 16.

EPRA net disposal value "EPRA NDV" (replacing EPRA NNNAV) is adjusted EPRA NRV including deferred tax and the MtM value of fixed rate debt and derivatives. The aim of the metric is to reflect the value that would be realised under a disposal scenario. Refer to Note 16.

EPRA net tangible assets ("NTA") (which has replaced the former EPRA net asset value alternative performance measure) are the balance sheet net assets but excluding the MtM value of derivative financial instruments, deferred tax and the convertible bond fair value movement. The aim of the metric is to reflect the fair value of the assets and liabilities of the Group that it intends to hold and does not intend in the long run to sell. Refer to Note 16.

EPRA NTA per share is the EPRA net tangible assets divided by the number of shares in issue at the balance sheet date. Refer to Note 16.

EPRA vacancy rate is, as a percentage, the ERV of vacant space in the Group's property portfolio divided by ERV of the whole portfolio.

Equivalent yield (true and nominal) is a weighted average of the net initial yield and reversionary yield and represents the return a property will produce based upon the timing of the income received. The true equivalent yield assumes rents are received quarterly in advance. The nominal equivalent assumes rents are received annually in arrears.

Estimated rental value ("ERV") is the external valuer's opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

Gross rental income is the gross accounting rent receivable.

Group is Primary Health Properties PLC ("PHP") and its subsidiaries.

HSE or **the Health Service Executive** is the executive agency of the Irish government responsible for health and social services for people living in Ireland.

IFRS is International Financial Reporting Standards as adopted by the European Union.

IFRS or **Basic net asset value per share ("IFRS NAV")** are the balance sheet net assets, excluding own shares held, divided by the number of shares in issue at the balance sheet date.

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

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

JCRA is J.C. Rathbone Associates Limited (now part of Chatham).

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

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

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

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

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

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

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

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

Net initial yield ("NIY") is the annualised rents generated by an asset, after the deduction of an estimate of annual recurring irrecoverable property outgoings, expressed as a percentage of the asset valuation (after notional purchasers' costs).

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

NHSPS is NHS Property Services Limited, the company wholly owned and funded by the Department of Health, which, as of 1 April 2013, has taken on all property obligations formerly borne by Primary Care Trusts.

Parity value is calculated based on dividing the convertible bond value by the exchange price.

Property Income Distribution ("PID") is the required distribution of income as dividends under the REIT regime. It is calculated as 90% of exempted net income.

Real Estate Investment Trust ("REIT") is a listed property company which qualifies for and has elected into a tax regime, which exempts qualifying UK profits, arising from property rental income and gains on investment property disposals, from corporation tax, but which has a number of specific requirements.

Rent reviews take place at intervals agreed in the lease and their purpose is usually to adjust the rent to the current market level at the review date.

Rent roll is the passing rent, being the total of all the contracted rents reserved under the leases.

Reversionary yield is the anticipated yield which the initial yield will rise to once the rent reaches the ERV and when the property is fully let. It is calculated by dividing the ERV by the valuation.

Retail Price Index ("RPI") is the official measure of the general level of inflation as reflected in the retail price of a basket of goods and services such as energy, food, petrol, housing, household goods, travelling fare, etc. RPI is commonly computed on a monthly and annual basis.

RICS is the Royal Institution of Chartered Surveyors.

RPI linked leases are those leases which have rent reviews which are linked to changes in the RPI.

Special reserve is a distributable reserve.

Total expense ratio ("TER") is calculated as total administrative costs for the year divided by the average total asset value during the year.

Total property return is the overall return generated by properties on a debt-free basis. It is calculated as the net rental income generated by the portfolio plus the change in market values, divided by opening property assets plus additions.

	£m
Net rental income	131.2
Revaluation surplus and profit on sales	51.4
	182.6
Opening property assets	2,413.1
Weighted additions in the period	37.6
	2,450.7
Total property return	7.4%

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

	NAV
At 31 December 2019	107.9
At 31 December 2020	**112.9**
Increase/(decrease)	**5.0**
Add: Dividends paid	
Q1 interim	1.475
Q2 interim	1.475
Q3 interim	1.475
Q4 interim	1.475
Total shareholder return	**10.9**

Total shareholder return is calculated as the movement in the share price for the period plus the dividends paid, divided by the opening share price.

Weighted average facility maturity is calculated by multiplying each tranche of Group debt by the remaining period to its maturity and dividing the result by total Group debt in issue at the year end.

Weighted average unexpired lease term ("WAULT") is the average lease term remaining to first break, or expiry, across the portfolio weighted by contracted rental income.

Yield on cost is the estimated annual rent of a completed development divided by the total cost of development, including site value and finance costs expressed as a percentage return.

Yield shift is a movement (usually expressed in basis points) in the yield of a property asset, or like-for-like portfolio over a given period. Yield compression is a commonly used term for a reduction in yields.