Delivering long term sustainable income

Primary Health Properties PLC
Annual Report 2022

Leading investor in flexible, modern primary healthcare accommodation across the UK and Ireland

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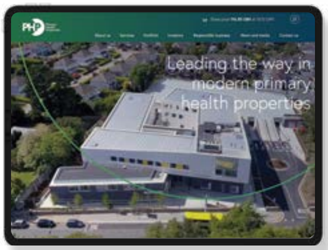
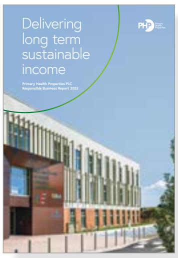
Shareholder information



Leading the way in modern primary health properties

Discover more at **phpgroup.co.uk**



Delivering long term sustainable income

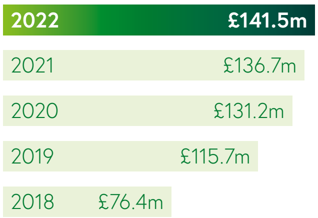
Read more about our Responsible Business Report at **phpgroup.co.uk**

Highlights

Net rental income △

£141.5m

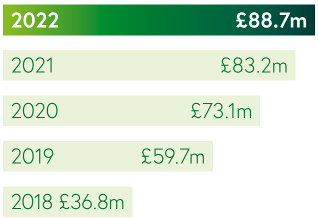
+3.5%



Adjusted earnings △

£88.7m

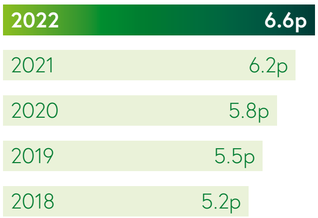
+6.6%



Adjusted earnings per share △

6.6p

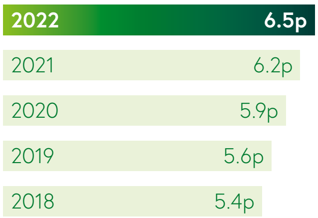
+6.5%



Dividend per share

6.5p

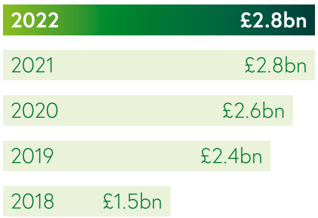
+4.8%



Total property portfolio

£2.8bn

-2.2%



Adjusted NTA per share △

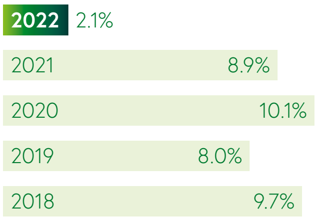
112.6p

-3.5%

Total NTA return △

2.1%

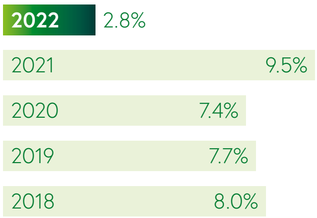
-680bps



Total property return △

2.8%

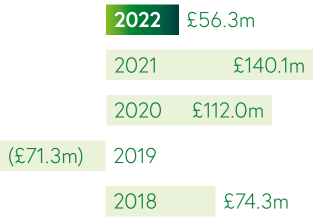
-670bps



IFRS profit/(loss) after tax

£56.3m

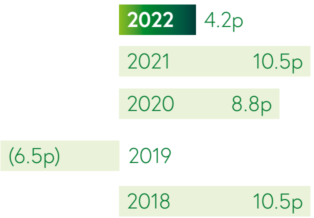
-59.8%



IFRS profit/(loss) after tax per share*

4.2p

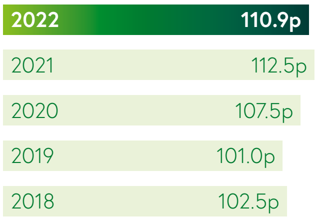
-60.0%



IFRS NTA per share

110.9p

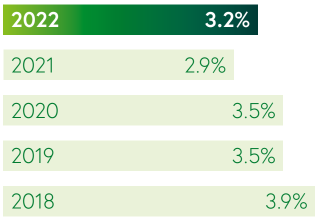
-1.4%



Average cost of debt △

3.2%

+30bps



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* The IFRS profit after tax per share as set out in the summarised results table on page 25.

△ Alternative performance measures ("APMs"): Measures with this symbol △ are APMs defined in the Glossary section on pages 178 to 180, and presented throughout this Annual Report. All measures reported on a continuing operations and 52-week comparable basis.

Who we are

We invest in flexible, modern properties for local primary healthcare, let on long term leases with a property portfolio of 513 assets in the UK and Ireland valued at £2.8 billion.

Property portfolio

513

(2021: 521)

Property value

£2.8bn

(2021: £2.8bn)

OUR PORTFOLIO IN 2022

A 140% increase in Adjusted Earnings, with dividend per share paid out to investors increasing by over 20% in the five year period.

Contracted rent roll

£145.3m

Number of properties

513

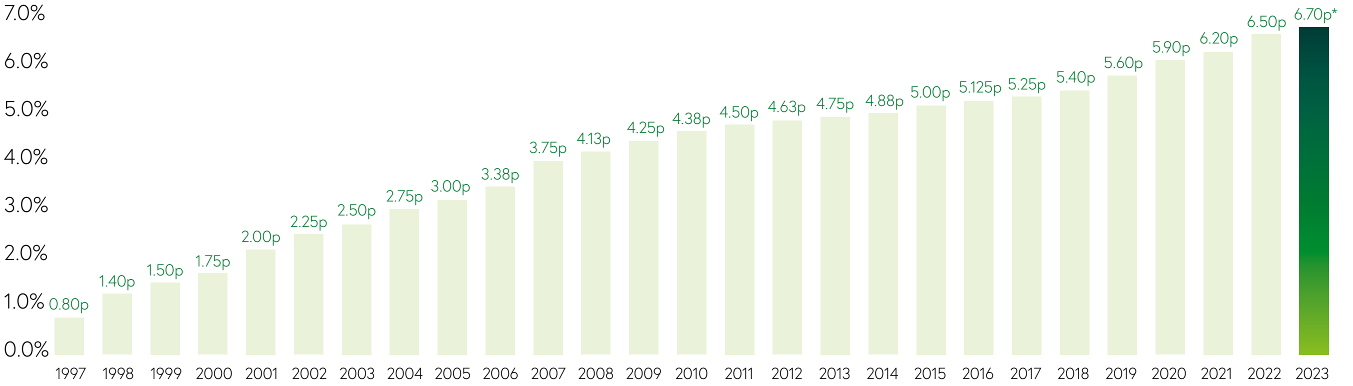
Adjusted Earnings

£88.7m

Number of tenants

1,215

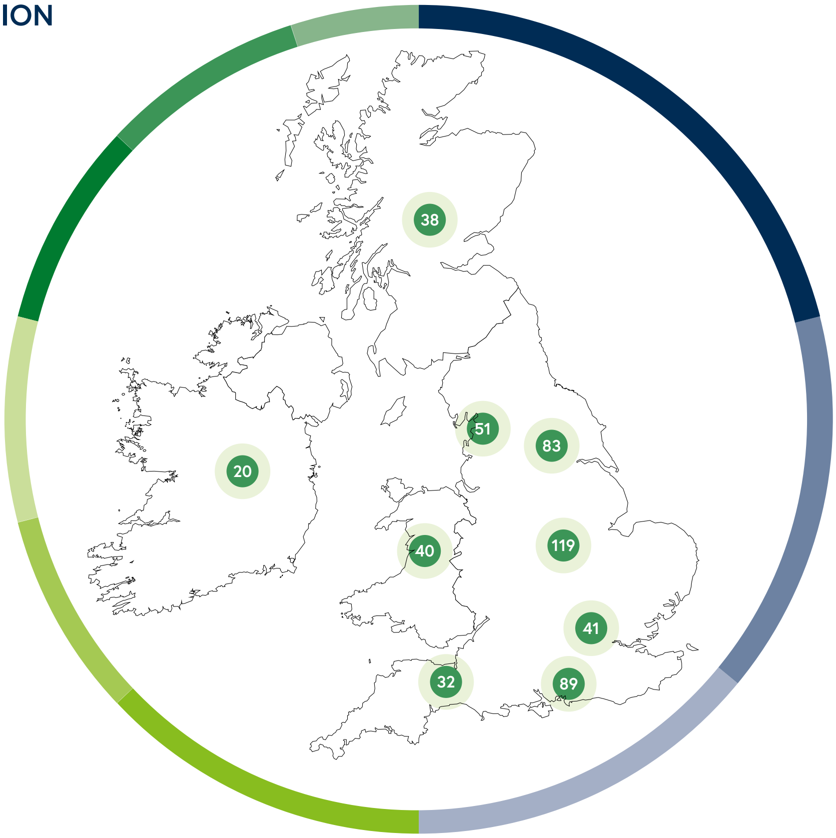
ENTERING 27 YEARS OF CONSECUTIVE DIVIDEND GROWTH



* 6.70p is an annualised amount, based on the first quarterly dividend, declared 5 January 2023.

GEOGRAPHICAL SPREAD BY VALUATION

Locations	Value	% Value
● **Midlands and East Anglia**	£604m	22%
● **North East, Yorkshire and Humberside**	£407m	15%
● **North West**	£380m	13%
● **South East**	£382m	13%
● **Wales**	£206m	7%
● **Scotland**	£208m	8%
● **Republic of Ireland**	£231m	8%
● **London**	£243m	9%
● **South West**	£132m	5%
	£2,793m	**100%**



OUR PORTFOLIO IN 2018

A 140% increase in Adjusted Earnings, with dividend per share paid out to investors increasing by over 20% in the five-year period.

Contracted rent roll	Number of properties
£79.4m	313
Adjusted Earnings	Number of tenants
£36.8m	709

"Having successfully delivered 26 years of consecutive dividend growth for our shareholders, we have firmly established ourselves as a leading investor in flexible, modern primary healthcare accommodation across the UK and Ireland."

Building on our strengths & maintaining resilience

The majority of our healthcare facilities are GP surgeries, with other properties let to NHS organisations, the HSE in Ireland, pharmacies and dentists.

Like-for-like rental growth

£3.3m

(2021: £2.4m)

Occupancy rate

99.7%

(2021: 99.7%)

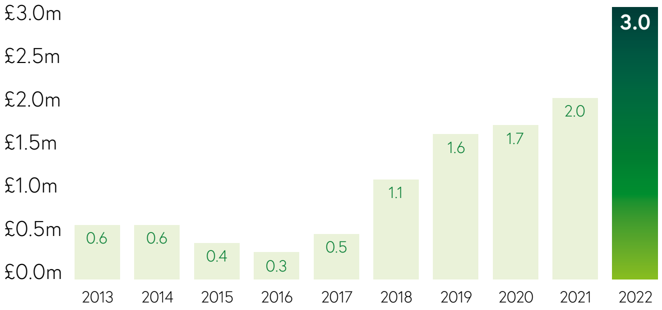
RENTAL GROWTH OUTLOOK

2022 was a record year for rental growth, with rent review completions generating £3.0 million of additional annualised income, an increase of 50% over 2021 with open market generating £1.2 million (1.5% growth) and inflationary and fixed generating £1.8 million (6.6% growth).

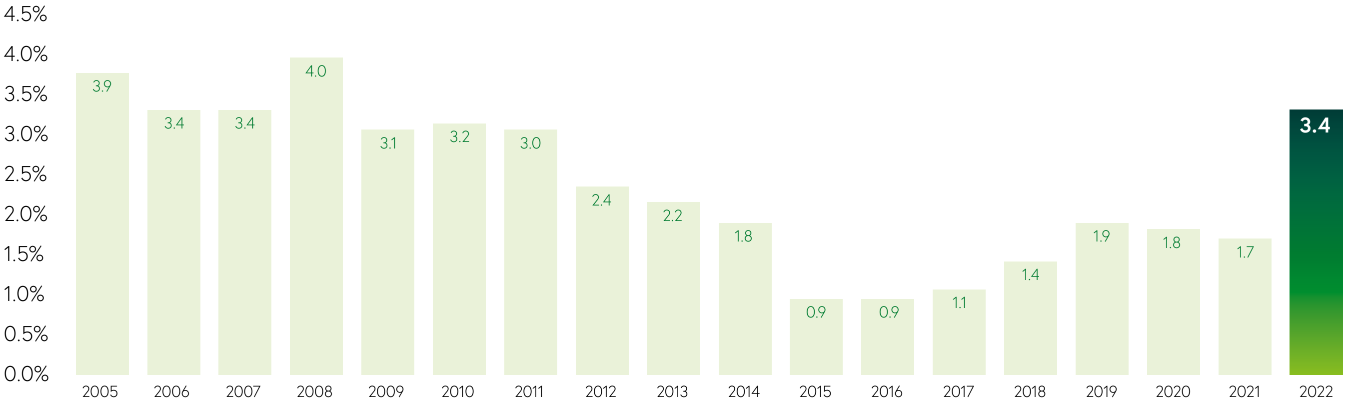
This was largely generated from rent reviews between 2018 – 2020 outstanding, so does not reflect the impact of significantly higher inflation seen in recent years.

Asset management projects completed in the year delivered £0.3 million of additional rental growth.

ADDITIONAL INCOME FROM RENT REVIEWS – GROWING MOMENTUM

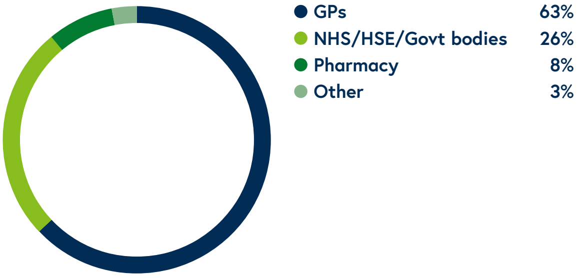


RENT REVIEW RENTAL GROWTH HISTORY*

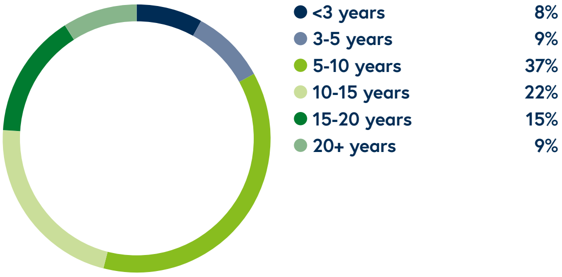


* Annualised percentage increase.

COVENANT ANALYSIS



ANALYSIS OF LEASES UNEXPIRED – WAULT 11.0 YEARS



PORTFOLIO DISTRIBUTION BY CAPITAL VALUE ANALYSIS*

* Excluding land and residential units valued at £1.3 million (2021: £1.5 million).

KEY FACTORS AFFECTING OUR MARKET

PHP's mission is to support the NHS, the HSE and other healthcare providers, by being a leading investor in modern, primary care, premises. Never has the modernisation of the primary care estate been more important as the NHS seeks to work through the backlog of treatments created by the COVID-19 pandemic, address staff shortages and recruitment issues and deal with the inadequate provision of both primary and social care in the UK.

Demographics

In the longer term, the ageing and growing demographic of western populations means that health services will be called upon to address more long-term, complex and chronic co-morbidities.

Ageing stock

Around 40% of the primary care estate are not fit for modern healthcare and require substantial investment.

Evolution of health system

As a result of the ageing population and above demographic issues, the Government need to respond and invest in new structures to deliver more healthcare in primary care and community settings and away from over-burdened hospitals. PHP stands ready to play its part in delivering and modernising the real estate infrastructure required to meet this need.

BUILDING NET ZERO CARBON DEVELOPMENTS

PHP's first NZC development at Croft, West Sussex, expected to be completed in Q3 2023.

All developments completed in the period achieved BREEAM rating of Excellent or Very Good, and all asset management projects completed met EPC of B or above.

PHP has advanced pipeline of three development projects with cost of £14.5 million, expected to be on-site in 2023.

Investing in PHP

PHP is a strong business creating progressive* returns for shareholders by investing in healthcare real estate let on long term leases, backed by a secure underlying covenant where the majority of rental income is funded directly or indirectly by a government body.

Rent roll funded by government bodies

89%

(2021: 90%)

LOW RISK, LONG TERM AND NON-CYCLICAL MARKET

- Development opportunities on-site and in immediate pipeline, with further emerging in the UK
- Opportunities in Ireland, priced attractively
- Majority of rents in both jurisdictions funded by government for long lease terms
- WAULT of 11.0 years (2021: 11.6 years)

Rental growth

+£3.3m or 2.4%

(2021: +£2.4m or 1.8%)

STRONG, HIGH QUALITY AND GROWING CASH FLOW

- Effectively upward-only or indexed rent reviews
- Positive rental growth outlook following a record year in 2022.
- Rental growth expected to be beneficiary of current inflationary environment
- Continued focus on Ireland where a positive yield gap between acquisition yield and funding costs remains
- Efficient cost structure enhances earnings

EPRA cost ratio

9.9%

(2021: 9.3%)

EFFICIENT FINANCIAL MANAGEMENT

- EPRA cost ratio continues to be the lowest in the sector
- The slightly higher EPRA cost ratio reflects an increase in rent review fees payable to agents as a result of improving rental growth, ESG costs, inflationary pressures and higher property costs. Notwithstanding this increase in costs they continue to be closely controlled and monitored

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* Progressive is where it is expected to continue to rise each year, as defined in the Glossary section on pages 178 to 180.

PHP's portfolio serves

6.0m patients

or 8.9% of UK population

SECTOR DEMAND FACTORS DICTATE CONTINUED DEVELOPMENT OF HEALTHCARE PREMISES

- Demand from population growth, ageing and suffering from more instances of chronic illness
- Unwavering political support in the UK and Ireland and promotion of integrated primary care and NHS Long Term Plans to effectively manage patient needs

Dividend per share

6.5p

(2021: 6.2p)

STABLE, INCREASING INCOME RETURNS

- Growing shareholder return through dividend and capital appreciation
- Dividend fully covered by adjusted earnings
- Strong yield characteristics and low volatility
- 26 consecutive years of dividend growth

Portfolio EPC ratings A-C

81%

(2021: 81%)

INVESTING IN ESG

- Commenced PHP's first Net Zero Carbon ("NZC") development
- NZC Framework published with the five key steps the Group is taking to achieve the ambitious target of being NZC by 2030 for all of PHP's operational, development and asset management activities
- All operational activities NZC one year ahead of our 2023 target
- Community Impact Fund implemented to support social prescribing activities at the Group's properties, donating £0.3 million in the year

Growth in the immediate future will be focused on growing income from our existing portfolio

> "The Group's continued operational and financial resilience throughout the year reflects the security and longevity of our income which are important drivers of our predictable cash-flows and underpin our progressive dividend policy as we enter the 27th year of continued dividend growth."
>
> **Steven Owen**
> Chairman

I am pleased to report that PHP delivered a robust operational and financial performance in 2022 despite the ongoing volatility in the economic and interest rate outlook caused by both global and domestic events. For the property sector the UK Government's "mini-budget" in September 2022 amplified the turmoil caused by the war in Ukraine and rising inflationary pressures and, despite the UK returning to some form of political stability in November 2022, the interest rate outlook has continued to weigh negatively on most REITs, companies and funds within the sector.

The Group's continued operational resilience throughout the year reflects the security and longevity of our income which are important drivers of our predictable income stream and underpin our progressive dividend policy as we enter the 27th year of continued dividend growth.

We continue to maintain our strong operational property metrics, with a long weighted average unexpired lease term ("WAULT") of 11.0 years (2021: 11.6 years), high occupancy at 99.7% (2021: 99.7%) and 89% (2021: 90%) of our rent which is securely funded directly or indirectly by the UK and Irish Governments. Notwithstanding the fall in values and disposal of 13 smaller assets in the second half of the year, the portfolio's average lot size remains at £5.4 million (2021: £5.4 million).

On a like-for-like basis, 2022 was a record year for absolute rental growth with £3.3 million or +2.4% (2021: £2.4 million or +1.8%) of additional annualised income created from rent reviews and asset management projects, continuing the positive trend in growth seen over the last couple of years. It should be noted that most of this growth came from rent reviews arising in the period 2018 to 2020 and therefore does not reflect the impact of significantly higher construction costs experienced in the last few years.

We are encouraged by the increasingly firmer tone of rental growth and believe PHP in the medium term will be a beneficiary of the current inflationary environment both through open market and index-linked reviews. In particular, the significant increases in construction costs, together with historically suppressed levels of open market rental growth in the sector, will be significant pull factors to future growth especially as the NHS seeks to deliver new larger primary care facilities and modernise the existing estate.

Adjusted earnings growth

+6.6%

Dividend per share growth

+4.8%

Continued investment in the UK and Ireland

+£52.9m

Sector leading EPRA cost ratio

9.9%

The property portfolio currently stands at just under £2.8 billion (2021: £2.8 billion) across 513 assets (2021: 521 assets), including 20 in Ireland, with a rent roll of £145.3 million (2021: £140.7 million). The Group selectively added just four assets in the year for £52.9 million (2021: £86.6 million across nine assets) and took advantage of the strong market conditions seen in the first half of 2022 to dispose of a portfolio of 13 assets which comprised smaller facilities significantly below our average lot size for £27.7 million (2021: £2.3 million), 13% above book value. As previously reported with PHP's interim results, in July 2022, the deteriorating interest rate and economic outlook caused us to reconsider our acquisition pipeline and pause investment activity in the second half of the year until the economic and interest rate outlook becomes clearer. We currently have just one development on site and consequently very limited exposure to further build cost inflation and development risk.

Many of our primary care facilities and occupiers will need to deal with the backlog of procedures and demand which has built up over the last three years and will be required to deliver COVID-19 vaccines for many years to come. 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, particularly in primary care, evolve and deal with the increased pressures placed on them.

We recognise that the success of the Group depends on our people and I would again like to warmly thank the Board and all of our employees for their continued commitment, dedication and professionalism in ongoing difficult and uncertain times.

Acquisition of Axis Technical Services Limited

In January 2023, the Group successfully completed the acquisition of Axis Technical Services Limited, an Irish property management business, and signed a long term development pipeline agreement providing access to a strong pipeline of future primary care projects in Ireland.

Axis Technical Services Limited currently manages a portfolio of over 30 properties, including the majority of PHP's Irish portfolio, and the acquisition gives the Group a permanent presence on the ground, further strengthening its position in the country and relationship with the Health Service Executive ("HSE"), Ireland's national health service provider. The acquired company also provides fit-out, property and facilities management services to the HSE and other businesses located across Ireland.

As part of the acquisition, PHP signed a development pipeline agreement with Axis Health Care Assets Limited ("Axis"), a related company, which gives the Group the option to acquire Axis' development pipeline over the next five years. Axis is one of Ireland's leading developers of primary care properties, having developed five properties over the last five years, all of which have been acquired by PHP. Axis also has a strong pipeline of near-term projects with an estimated gross development value of €50 million with further potential schemes beyond that.

Overview of results

PHP's Adjusted earnings increased by £5.5 million or +6.6% (2021: £10.1 million or +13.8%) to £88.7 million (2021: £83.2 million) in the year, primarily driven by strong organic rental growth from rent reviews and asset management projects together with interest cost savings arising from various refinancings completed in 2021 and the first half of 2022. Using the weighted average number of shares in issue in the year the adjusted earnings per share increased to 6.6 pence (2021: 6.2 pence), an increase of 6.5%.

A revaluation deficit, partially offset by profit on sales, of £61.5 million (2021: surplus of £110.5 million) was generated in the year from the portfolio, equivalent to -4.6 pence (2021: +8.3 pence) per share. The valuation deficit was driven by net initial yield ("NIY") widening of 18 bps in the year, equivalent to a valuation reduction of around £134 million, albeit this was partially offset by gains equivalent to £70 million arising from rental growth and asset management projects.

A gain 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 £29.7 million (2021: gain of £9.5 million) resulted in a profit before tax as reported under IFRS of £56.9 million (2021: £141.6 million).

The Group's balance sheet remains robust with a loan to value ratio of 45.1% (2021: 42.9%), which is in the middle of the targeted range of between 40% and 50%, and we have significant liquidity headroom with cash and collateralised undrawn loan facilities, after capital commitments, totalling £325.9 million (2021: £321.2 million). The Group also has significant valuation headroom across the various loan facilities with values needing to fall further by around £1.2 billion or 42% before the loan to value covenants are impacted.

→ **Read more about our culture on page 70.**

→ **Read more about our stakeholders on page 46.**

Read more about our Responsible Business Report at **phpgroup.co.uk**

Dividends

The Company distributed a total of 6.5 pence per share in 2022, an increase of 4.8% over 2021 of 6.2 pence per share. The total value of dividends distributed in the year increased by 5.2% to £86.7 million (2021: £82.4 million), which were fully covered by adjusted earnings. Dividends totalling £5.1 million were satisfied through the issuance of shares via the scrip dividend scheme. We have suspended the scrip dividend scheme in light of the fall in the share price during the year and are offering a dividend re-investment plan in its place.

A dividend of 1.675 pence per share was declared on 5 January 2023, equivalent to 6.7 pence on an annualised basis, which represents an increase of 3.1% over the dividend distributed per share in 2022. The dividend will be paid to shareholders on 23 February 2023 who were on the register at the close of business on 13 January 2023. The dividend will be paid by way of a property income distribution of 1.34 pence and normal dividend of 0.335 pence.

The Company intends to maintain its strategy of paying a progressive dividend, which the Company pays in equal quarterly instalments, that is covered by adjusted earnings in each financial year. Further dividend payments are planned to be made on a quarterly basis in May, August and November 2023 which are expected to comprise a mixture of both property income distribution and normal dividend.

Total shareholder returns

The Company's share price started the year at 151.4 pence per share and closed on 31 December 2022 at 110.8 pence, a decrease of 26.8%. Including dividends, those shareholders who held the Company's shares throughout the year achieved a Total Shareholder Return of -22.5% (2021: +3.1%).

Over the last five years and including the impact of the merger with MedicX in 2019 we have delivered a total shareholder return of +20.0%. This compares favourably to the total return delivered by UK real estate equities (FTSE EPRA Nareit UK Index) of -16.1% and the wider UK equity sector (FTSE All-Share Index) of +15.5% over the same period. During the year PHP was also announced as the winner of MSCI's Highest 10-Year Risk Adjusted Total Return Award for the UK in 2021.

Environmental, Social and Governance ("ESG")

PHP has a strong commitment to responsible business. ESG matters are at the forefront of the Board's and our various stakeholders' considerations and the Group has committed to transitioning to net zero carbon ("NZC"). We commenced construction of PHP's first NZC development which is due to achieve practical completion later in 2023 and published, at the start of 2022, a NZC Framework with the five key steps we are taking to achieve an ambitious target of being NZC by 2030 for all of PHP's operational, development and asset management activities. The NZC Framework also sets out our ambition to help our occupiers achieve NZC by 2040, five years ahead of the NHS's target of becoming the world's first net zero carbon national health system by 2045 for the emissions it can influence and ten years ahead of the UK and Irish Governments' target of 2050. Further details on our progress in the year, objectives for the future and approach to responsible business can be found on pages 32 to 47 of the 2022 Annual Report and on our website.

Board succession and changes

In December 2022, Harry Hyman, Chief Executive Officer ("CEO"), expressed his intention to retire from his role at the Company's Annual General Meeting ("AGM") in 2024. This intention is consistent with the commitment made at the time of the MedicX merger, announced in January 2019, that he would commit to managing PHP for a further five years. The Company will be commencing the search for a new CEO during 2023 with a view to making an appointment later in the year and expected to take effect from the 2024 AGM.

The search for Harry Hyman's successor will be led by me as Chairman, and after consultation with a number of the Group's major shareholders and with the agreement of the Board, I intend to remain as Chairman, subject to re-election at the 2023 AGM, until the conclusion of the 2024 AGM in order to lead the process to deal with the appointment of the new CEO and to ensure an orderly succession.

Board succession and changes continued

Having been appointed to the Board in January 2014, I have now served more than nine years and am currently not considered to be independent under the provisions of the UK Corporate Governance Code. After a review by the independent Non-executive Directors they have concluded that I continue to act independently and that the Company will benefit significantly from me leading the CEO succession process. Accordingly, I will continue to be Chairman of the Company and the Nomination Committee and a member of the ESG Committee until my proposed retirement at the 2024 AGM but ceased to be a member of the Remuneration Committee from 31 December 2022. The search for my successor as Chairman will be led by Ian Krieger, Senior Independent Non-executive Director.

Following a review of the composition of the Board in 2021, Ivonne Cantú was appointed as an independent Non-executive Director of the Company with effect from 1 January 2022.

Peter Cole, Non-executive Director and Chair of the Remuneration Committee, retired from the Board at the Company's AGM in April 2022 and Ivonne Cantú took over as Chair of the Remuneration Committee following the AGM.

The Board is grateful to Peter for his commitment and dedication to the Company and for chairing the Remuneration Committee, particularly during the process of internalising the management function in 2020 and the transition period in 2021.

Paul Wright, who has acted as Company Secretary and Chief Legal Officer since 2016 will be retiring on 28 February 2023. The Board wish him well in his retirement and is grateful for his support, commitment and dedication during a transformational period of growth for the Group. The Board expects to appoint Toby Newman, currently Company Secretary and Chief Legal Officer designate and formerly Company Secretary and General Counsel at Nuffield Health, as his successor on the same date.

Primary health and investment market update

For both the primary care and indeed most commercial property markets, the high levels of financial and interest rate volatility seen in the last quarter of 2022 and resulting economic uncertainty have encouraged a "wait and see" attitude amongst investors until the outlook settles down. The market has been in a state of flux including the wider investment property sector, and we expect prime assets which have experienced greater yield compression over the last couple of years to show an adjustment aligned more closely to gilt rate movements. However, in the longer term, we anticipate the market may improve as the outlook for interest rates becomes more certain, particularly for those assets with the strong social and sustainability credentials which are fast becoming a fundamental requirement for investors and occupiers looking to meet their ESG commitments.

Interest rate volatility will undoubtedly continue to impact the property investment market in 2023, but some hope can be drawn from the likes of 10-year gilt rates which have fallen from their peak of around 4.5% at the end of September 2022 to levels closer to 3.7% as at 31 December 2022 and 3.6% at the time of reporting. Consequently, the impact on valuations may not be as severe as first anticipated.

MARKET UPDATE AND OUTLOOK

The modernisation of the primary care estate been is becoming increasingly important as the NHS seeks to work through the backlog of treatments created by the COVID-19 pandemic, address staff shortages and recruitment issues and deal with the inadequate provision of both primary and social care in the UK, which is directing patients, who could be treated in the community, to hospitals where many then remain longer than clinically necessary because appropriate provision does not exist in the community or care sector where it is needed.

In the longer term, the ageing and growing demographic of western populations means that health services will be called upon to address more long-term, complex and chronic co-morbidities. Consequently, the Government needs to respond and invest in new structures to deliver more healthcare in primary care and community settings and away from over-burdened hospitals. PHP stands ready to play its part in delivering and modernising the real estate infrastructure required to meet this need in the community.

In July 2021, the UK Government published a draft Health and Social Care Bill setting out several reforms in order to implement the commitments of the NHS England Long Term Plan. This included the introduction of regional Integrated Care Boards and Partnerships tasked with co-ordination between NHS partners and local government services and their budgets such as those for social care and mental health, in a geographic area, for the first time – the idea being that services are then pushed to the most efficient, cost-effective part of the system (whether primary care, hospital or care home) for the best patient outcomes. We welcome these reforms and are hopeful they will lead to better outcomes for patients and to further development opportunities in primary care in the medium to long term.

PHP's mission is to support the NHS, the HSE and other healthcare providers, by being a leading investor in modern, primary care premises. We will continue to actively engage with government bodies, the NHS, the HSE in Ireland and other key stakeholders to establish, enact (where we can), support and help alleviate increased pressures and burdens currently being placed on healthcare networks.

→ **Read more about our strategy on pages 16 to 17.**

Primary health and investment market update continued

The current low levels of investment activity in the primary care investment market make it difficult for valuers to value based upon specific investment transactions and therefore valuations are to an extent based upon sentiment but also reflect investment sales that transacted earlier this year and which demonstrate the level at which the primary care investment market has been operating. Consequently, we expect that further reductions in primary care values via trading evidence are likely to be muted, with most investors likely to continue to hold their existing assets in the current market primarily because of:

- limited supplies of stock;
- very secure, rising income streams with an improving rental growth outlook;
- the main specialists in the sector (PHP, Assura and BlackRock) all having strong balance sheets so there are unlikely to be any "forced sales"; and
- a desire from investors to seek "safe haven" assets with some shifting from other property sectors.

PHP Outlook

Growth in the immediate future will be focused on increasing income from our existing portfolio and we are encouraged by the firmer tone of rental growth experienced in 2022. As already noted, we believe the favourable dynamics of higher inflation and increased build costs combined with a demand for new primary care facilities and the need to modernise the estate will continue to increase future rental settlements.

As previously reported with PHP's interim results in July 2022, the deteriorating interest rate and economic outlook caused us to reconsider our acquisition pipeline and pause investment activity in the second half of the year until the economic outlook becomes clearer. In the short term, we expect further investment activity will continue to be muted and future acquisitions and developments will only take place if accretive to earnings.

We are currently on site with just one development and consequently have very limited risk to higher construction cost pressures and supply chain delays. In our immediate development pipeline we have three projects with a total expected cost of £14.5 million and will continue to evaluate these, together with a wider medium term pipeline at various stages of progress, and seek to negotiate rents with the NHS at the level required to deliver an acceptable return.

In the current environment, Ireland continues to be the Group's preferred area of future investment activity and we have ambitions to continue to grow the portfolio there to around 15% of the total (31 December 2022: 8%). The acquisition of Axis Technical Services Limited, in January 2023, now gives the Group a permanent presence in Ireland, an important strategic move as we seek out new investment, development and asset management opportunities and try to strengthen our relationship with the HSE as the leading provider of modern primary care infrastructure in the country.

With an improving rental growth outlook, a strong control on costs resulting in the lowest EPRA cost ratio in the sector and the majority of PHP's debt either fixed or hedged for a weighted average period of just over seven years, we look forward to 2023 with confidence.

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

Steven Owen
Chairman
21 February 2023

A FOCUS ON IRELAND

- 20 assets in Ireland valued at €261 million, or £231 million.
- Irish property investment market remains attractive and accretive to earnings, being less affected than the UK by the deteriorating interest rate and economic outlook
- Acquisition of Axis Technical Services Limited post year end now gives the Group a permanent prescence in Ireland, an important strategic move
- Exclusive development pipeline agreement signed with Axis Health Care Assets Limited, with GDV of €50 million

→ Read more about our strategy on pages 15 and 17.

Rent roll

€14.8 million

(2021: €14.6 million)

Completed properties

20

(2021: 18)

Creating long term sustainable value

OUR KEY STRENGTHS

Prudent risk management:
PHP aims to operate in a relatively low risk environment to generate progressive returns to shareholders through investment in the primary healthcare real estate sector, which is less cyclical than other real estate sectors.

Long term focus:
By providing additional space facilitating the provision of additional services or extending the term of underlying leases, PHP can increase and lengthen its income streams and create the opportunity to add capital value.

Experienced and innovative management:
PHP's portfolio is managed by an experienced team within an efficient management structure, where operating costs are tightly controlled.

Appropriate capital structure:
PHP funds its portfolio with a diversified mix of equity and debt, in order to optimise risk-adjusted returns to shareholders.

KEY CHARACTERISTICS OF THE PORTFOLIO

Strong tenant covenant – 89% of rent roll paid directly/indirectly by Government bodies

31% of portfolio on fixed or indexed uplifts. 69% OMV review, typically every three years

highly visible cash flows and stable valuation yields

Occupancy rate of 99.7%

UK leases have effectively upward only rent reviews

Irish leases linked to Irish CPI

Weighted average unexpired lease length of 11.0 years

We invest in flexible, modern properties for local primary healthcare. The overall objective of the Group is to create progressive returns to shareholders through a combination of earnings growth and capital appreciation. To achieve this, PHP has invested in healthcare real estate let on long term leases, backed by a secure underlying covenant where the majority of rental income is funded directly or indirectly by a government body.

OUR STRATEGY

1
GROW
The Group looks to selectively grow its property portfolio by funding and acquiring high quality developments, newly developed facilities and investing in already completed, let properties.

2
MANAGE
PHP manages its portfolio effectively and efficiently, managing the risks faced by its business in order to achieve its strategic objectives.

3
FUND
The Group funds its portfolio with a diversified mix of equity and debt on a secured and unsecured basis, in order to optimise risk-adjusted returns to shareholders.

4
DELIVER
Positive yield gap between acquisition and funding with continued improvements in rental growth.

WIDER OUTCOMES

Social impact
PHP aims to provide modern premises located within residential communities to enable better access to an increasing range of services being delivered locally with greater accessibility than from hospitals.

Environmental impact
Environmental impact is an integral consideration in the development, design and construction of new PHP properties. Developing new premises, PHP and its development partners seek to achieve the highest BREEAM standards in the UK or nZEB in Ireland, as well as highest energy ratings.

100%
of all developments completed in the year to BREEAM rating of Excellent or Very Good and all asset management projects completed met EPC of B or above

£100 million
of sustainability linked loan facilities with HSBC raised in the year

£0.3 million
distributed from the Community Impact Programme to charities and groups focused on social prescribing and wellbeing linked to the patients and communities served by PHP's properties

Healthcare targets
The modern, flexible premises that PHP provides facilitate the provision of more wide ranging and integrated care services helping to realise the NHS target of 24/7 access to GP services and the HSE's expansion of primary care infrastructure.

Investors
Over the last five years, including the impact of our merger with MedicX in 2019, we have delivered a total NAV return of 41.2%.

Values
We employ sustainable design to develop, refurbish and upgrade our buildings to modern medical and environmental standards.

NHS/Primary healthcare
Our flexible, modern properties benefit not only our shareholders but also our occupiers, patients, the NHS and HSE, suppliers and the wider communities in both the UK and Ireland.

Patients
PHP's portfolio serves 6.0 million patients, which is expected to further increase as primary healthcare demands increase to assist with overstretched Accident & Emergency (A&E), and with the ageing and growing population.

Communities
We support initiatives that further the health, wellbeing and education of our local communities.

People
Conducting our business with integrity and investing in human capital. Full Time Employees ("FTEs") of 65 employed, investing and supporting nine employees in their professional development studies.

→ **Read more about our stakeholders on pages 46.**

Delivering our strategic priorities

1

GROW

The Group looks to selectively grow its property portfolio by funding and acquiring high quality developments, newly developed facilities and investing in already completed, let healthcare real estate.

Activity in 2022

- Selectively acquired four standing assets in the year investing £52.9 million all within the UK
- Portfolio stands at 513, including 20 in Ireland, following some strategic disposals during the year that generated profits of £2.9 million (13% above book cost)
- Total property return in the year of 2.8%, with income growth remaining strong at 5.0% offset by unfavourable movements in valuation as a result of the increased uncertainty and higher interest environment faced

Looking forward

- Sector fundamentals of long leases and government backed income continue to drive demand in sector
- In the short term, we expect investment activity will continue to be muted and will only take place if accretive to earnings
- The Group has two developments in legal due diligence, one in Ireland for £13.1 million and one in the UK for £3.5 million

Link to KPIs A B C D E F G H

Link to Risks 1 2

2

MANAGE

PHP manages its portfolio effectively and efficiently, managing the risks faced by its business in order to achieve its strategic objectives.

Activity in 2022

- £3.3 million, or 2.4% additional income from rent reviews and asset management projects
- Ten asset management projects completed in the year, with a further ten on-site, investing £17.3 million and generating £0.5 million of additional income. All asset management projects increased EPC rating to B or above
- EPRA cost ratio of 9.9% continues to be the lowest in the sector
- Twenty three lease regears completed in the year

Looking forward

- Strong pipeline of over 22 advanced asset management projects being progressed
- Continued discussions with occupiers to discuss requirements and identify new opportunities

Link to KPIs A D E F

Link to Risks 3 4 5

KPIs

- Ⓐ Adjusted earnings per share
- Ⓑ Dividend cover
- Ⓒ Total property portfolio
- Ⓓ Total property return
- Ⓔ Capital invested in asset management projects
- Ⓕ EPRA cost ratio
- Ⓖ Loan to value
- Ⓗ Average cost of debt

→ **Read more about our Key Performance Indicators on pages 18 and 19.**

Risks

- ❶ Property markets and competition
- ❷ Financing
- ❸ Lease expiry management
- ❹ People
- ❺ Responsible business
- ❻ Debt financing
- ❼ Interest rates
- ❽ Potential over-reliance on the NHS and HSE
- ❾ Foreign exchange risk

→ **Read more about our Risks on pages 56 to 62.**

3

FUND

The Group funds its portfolio with a diversified mix of equity and debt on a secured and unsecured basis, in order to optimise risk-adjusted returns to shareholders.

Activity in 2022

- Extended all debt that was due for expiry in 2023 and 2024
- £350 million of revolving credit facilities renewed in the year, all for three-year terms, which included increasing the £50 million Lloyds facility to £100 million
- €75 million private placement for twelve years at an all-in rate of 1.64% completed in February 2022
- £100 million sustainability linked loan facility renewed with HSBC
- Significant liquidity headroom with cash and collateralised undrawn loan facilities totalling £326 million (2020: £362 million) after capital commitments

Looking forward

- All short-term refinancing risk faced by the Group in the next two years eliminated in the current volatile economic environment

Link to KPIs Ⓐ Ⓑ Ⓕ Ⓖ Ⓗ

Link to Risks ❻ ❼

4

DELIVER

Positive yield gap between acquisition and funding remains for selective investments, despite the macroeconomic environment along with continued improvements in rental growth, delivering progressive shareholder returns.

Activity in 2022

- Adjusted earnings per share 6.6 pence increased by 6.5% (2021: 6.2 pence)
- Dividend per share increased by 4.8% to 6.5 pence
- Total Adjusted NTA return of 2.1%
- Strong organic rental growth from rent reviews and asset management projects together with interest cost savings from the various refinancings completed in 2021 and the first half of 2022, offset the selectively muted investment in the year

Looking forward

- New loan facilities provide significant firepower to secure new investment opportunities
- 94% of the Group's net debt is fixed or hedged protecting underlying earnings from potential interest rate rises that may result from recent and future economic and potential change

Link to KPIs Ⓐ Ⓑ Ⓒ Ⓓ Ⓔ Ⓕ Ⓖ Ⓗ

Link to Risks ❽ ❾

Our performance is measured against KPIs across each of our four strategic pillars

A

Link to strategy ① ② ③ ④

Adjusted earnings per share △

2022	**6.6p**
2021	6.2p
2020	5.8p

6.6p

+6.5%

Rationale

Adjusted earnings per share is a key measure of the Group's operational performance as it excludes all elements not relevant to the underlying net income performance of the properties.

Performance

Adjusted earnings per share increased in the year reflecting the lower cost of finance, standing investments and rental growth.

B

Link to strategy ① ③ ④

Dividend cover △

2022	**102%**
2021	101%
2020	100%

102%

+100bp

Rationale

The Group looks to maintain a progressive dividend policy which it aims to cover from its operational performance. Dividend cover looks at the proportion of dividends paid in the year that are funded by Adjusted earnings.

Performance

Dividends paid in 2022 were covered by Adjusted earnings and we intend to maintain a strategy of paying a progressive dividend that is covered by Adjusted earnings in each financial year.

C

Link to strategy ① ④

Total property portfolio

2022	**£2.8bn**
2021	£2.8bn
2020	£2.6bn

£2.8bn

-2.2%

Rationale

The Group looks to selectively grow its portfolio in order to secure the yield gap between income returns and the cost of funds.

Performance

Invested selectively in four acquistions totalling £52.9 million, and took advantage of favourable market conditions to dispose of a portfolio of thirteen smaller assets for £27.7 million.

D

Link to strategy ① ② ④

Total property return △

2022	**2.8%**
2021	9.5%
2020	7.4%

2.8%

-670bp

Rationale

The Group invests in properties that provide the opportunity for increased returns through a combination of rental and capital growth.

Performance

Income growth of 5.0% in the year was offset by unfavourable valuation movements that delivered -2.2% capital deficit, delivering a total property return of 2.8%.

Strategy

① Grow

② Manage

③ Fund

④ Deliver

→ **Read more about our Strategy on pages 16 to 17.**

E

Link to strategy ① ② ④

Capital invested in asset management projects

£17.5m

+16.7%

2022	**£17.5m**
2021	£15.0m
2020	£8.1m

Rationale

The Board is committed to keeping its assets fit for purpose and developing them to meet the needs of the Group's occupiers.

Performance

The Group completed ten asset management projects in the year, and is on-site with a further ten projects, that maintain the longevity of the use of its properties and generate enhanced income and capital growth. A strong pipeline will continue to achieve this objective.

G

Link to strategy ① ③ ④

Loan to value △

45.1%

+220bp

2022	**45.1%**
2021	42.9%
2020	41.0%

Rationale

The Board seeks to maintain an appropriate balance between the use of external debt facilities and shareholder equity in order to enhance shareholder returns whilst managing the risks associated with debt funding.

Performance

Additional low coupon debt to fund acquisitions in the year have resulted in the Group's LTV increasing to 45.1%, in the middle of the Group's targeted range of between 40% to 50%.

F

Link to strategy ① ② ③ ④

EPRA cost ratio △

9.9%

+60bp

2022	**9.9%**
2021	9.3%
2020	11.9%

Rationale

The EPRA cost ratio is used to provide an indicator of the efficiency of the management of the Group looking at total administrative costs as a proportion of net rental income.

Performance

The slightly higher EPRA cost ratio reflects an increase in rent review fees payable to agents as a result of improving rental growth, ESG costs, inflationary pressures and higher property costs. Notwithstanding this increase in costs they continue to be closely controlled and monitored.

H

Link to strategy ① ③ ④

Average cost of debt △

3.2%

+30bp

2022	**3.2%**
2021	2.9%
2020	3.5%

Rationale

The combination of a range of maturities and tenors of debt is key to the Group achieving the lowest blended cost of debt.

Performance

The Company successfully completed five debt refinances during the year, at a weighted average margin of 1.6%. Along with 94% of our debt being either fixed or hedged, this meant our average cost of debt increased by only 30bp vs over 300bp increase seen in Sonia during the year.

△ Alternative performance measures ("APMs"): Measures with this symbol △ are APMs defined in the Glossary section on pages 178 to 180, and presented throughout this Annual Report. All measures reported on a continuing operations and 52-week comparable basis.

Record year for rental growth driving performance

> "We are encouraged by the rental growth experienced in the year from rent reviews and asset management projects and believe PHP will be a beneficiary of the significant rise in construction costs seen in recent years. Furthermore, with the majority of PHP's debt either fixed or hedged for a weighted average period of just over seven years, a strong control on costs and just one development on site we have limited exposure to further cost increases and development risk."
>
> **Harry Hyman**
> Chief Executive Officer

Investment and pipeline

In the first half of 2022 the primary care investment market continued to remain robust despite the deteriorating economic outlook. Consequently, we invested selectively in four acquisitions totalling £52.9 million and took advantage of these favourable market conditions to dispose of a portfolio of 13 smaller assets for £27.7 million.

The key acquisitions in the year were a large, state-of-the- art diagnostic centre in Chiswick let to HCA Healthcare for £34.5 million, a newly refurbished drug and alcohol rehabilitation facility in Chertsey for £7.0 million and a medical centre in Newbury for £7.3 million.

In the short term, we expect further investment activity will continue to be muted and future acquisitions and developments will only take place if accretive to earnings. The Group currently has only two developments in legal due diligence, one in Ireland for £13.1 million (€14.8 million) and one in the UK £3.5 million together with 15 asset management projects in the UK at a cost of £12.7 million.

However, we continue to monitor a number of potential standing investments, direct and forward funded developments and asset management projects with a pipeline of opportunities totalling £16.3 million in the UK and £40.1 million (€45.3 million) in Ireland.

	In legal due diligence		Advanced pipeline	
Pipeline	Number	Estimated cost	Number	Estimated cost
Ireland – forward funded development	1	£13.1m (€14.8m)	2	£40.1m (€45.3m)
UK – direct development	1	£3.5m	2	£11.0m
UK – asset management	15	£12.7m	7	£5.3m
UK – investment	—	—	—	—
Total pipeline	**17**	**£29.3m**	**11**	**£56.4m**

NZC direct developments

Over the course of 2022 the Group has continued to make good progress with the construction of its first NZC development at Croft Primary Care Centre, West Sussex, with a total development cost of £6.2 million with costs remaining to complete the project of £2.8 million.

In addition, the Group has a significantly advanced pipeline across three development projects with an estimated cost of approximately £14.5 million which we expect to be on-site with in 2023, together with a wider medium term pipeline at various stages of progress across a further two projects with an estimated cost of approximately £20 million (31 December 2021: six projects/£46 million).

PHP expects that all future direct developments will be constructed to NZC standards.

Forward funded developments

During the year, the two forward funded developments in Ireland at Enniscorthy, County Wexford, and Arklow, County Wicklow achieved practical completion in March and August 2022 respectively. Both schemes have been built to nearly Zero Energy Buildings ("nZEB") standards in Ireland.

We currently do not have any forward funded developments on-site.

Rental growth

PHP's sector-leading metrics remain good 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 they continue to meet the communities' healthcare needs and improve the properties' ESG credentials.

2022 was a record year for organic rental growth from our existing portfolio with income increasing by £3.3 million (2021: £2.4 million) or 2.4% (2021: 1.8%) on a like-for-like basis. The improvement continues the improving outlook seen over the last couple of years and it should be noted that most of the increase comes from rent reviews arising in the period 2018 to 2020, a period when rental growth was muted and not reflecting the higher levels of construction cost and general inflation experienced in recent years. We have also seen the improving rental growth outlook reflected in the valuation of the portfolio with the independent valuers' assessment of estimated rental values ("ERV") increasing by 2.2% in 2022 (2021: 1.9%).

We believe the significant increases in construction costs together with suppressed levels of rental growth in the sector, seen in recent years, will be a significant pull factor to future growth especially as the NHS seeks to deliver new larger, purpose-built primary care facilities and modernise the existing estate.

Selective investment in the UK and Ireland

£52.9 million

Sector leading EPRA cost ratio

9.9%

Business review continued

Rent review performance

In the UK, the Group completed 318 (2021: 375) rent reviews with a combined rental value of £42.2 million (2021: £49.5 million), adding £2.8 million (2021: £2.0 million) and delivering an average uplift of 6.7% (2021: 4.0%) against the previous passing rent. In addition, a further 286 (2021: 236) open market reviews have been agreed in principle, which will add another £1.7 million (2021: £1.7 million) to the contracted rent roll when concluded and represents an uplift of 4.1% (2021: 4.9%) against the previous passing rent.

69% of our rents are reviewed on an open market basis which typically takes place every three years. The balance of the PHP portfolio has either indexed (25%) or fixed uplift (6%) based reviews which also provide an element of certainty to future rental growth within the portfolio. Approximately one-third of indexed linked reviews in the UK are subject to caps and collars which typically range from 2% to 4%.

In Ireland, we concluded 13 index-based reviews adding a further £0.2 million (€0.2 million), an uplift of 9.2% against the previous passing rent. In Ireland, all reviews are linked to the Irish Consumer Price Index, upwards and downwards, with reviews typically every five years. Leases to the HSE and other government bodies, which comprise 74% of the income in Ireland, have increases and decreases capped and collared at 25% over a five-year period.

The growth from reviews completed in the year, noted above, is summarised below:

Review type	Number	Previous rent (per annum) £m	Rent increase (per annum) £m	% increase total %	% increase annualised %
UK – open market[1]	186	26.2	1.2	4.6	1.5
UK – indexed	118	13.2	1.4	11.0	7.4
UK – fixed	14	2.8	0.2	6.2	3.1
UK – total	318	42.2	2.8	6.7	3.4
Ireland – indexed	13	1.8	0.2	9.2	2.6
Total – all reviews	**331**	**44.0**	**3.0**	**6.8**	**3.4**

[1] Includes 33 reviews where no uplift was achieved.

At 31 December 2022 the rent at 656 (2021: 635) tenancies, representing £90.2 million (2021: £84.9 million) 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 historical rent reviews, and the rents set on delivery of new properties into the sector. 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.

Asset Management Projects

During 2022, we completed ten asset management projects and 23 lease re-gears and have a further ten projects currently on site to enhance and extend existing assets within PHP's portfolio. These initiatives will increase rental income by £0.5 million (2021: £0.4 million) investing £17.5 million (2021: £15.0 million) and extending the leases back to 19 years.

PHP continues to work closely with its occupiers and has a strong pipeline of 22 similar projects which are at are an advanced stage and being progressed to further increase rental income and extend unexpired occupational lease terms. The asset management pipeline will require the investment of approximately £18.0 million, generating an additional £0.9 million of rental income and extending the WAULT on those premises back to an average of 20 years.

The Company will continue to invest capital in a range of physical extensions or refurbishments through asset management projects which help avoid obsolescence, including improving energy efficiency, and are key to maintaining the longevity and security of our income through long term occupier 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 2022 was £145.3 million (2021: £140.7 million), an increase of £4.6 million or +2.4% (2021: £5.5 million or +4.1%) in the year driven predominantly by organic rent reviews and asset management projects of £3.3 million (2021: £2.4 million). Acquisitions and developments in the year added a further £2.5 million (2021: £4.1 million) although this increase was offset by the sale of 13 smaller properties in the year which resulted in the loss of £1.4 million (2021: £0.1 million) of income.

The security and longevity of our income are important drivers of our predictable cash-flows and underpin our progressive dividend policy.

Security: PHP continues to benefit from secure, long term cash flows with 89% (2021: 90%) of its rent roll funded directly or indirectly by the NHS in the UK or the HSE in Ireland. The portfolio also continues to benefit from an occupancy rate of 99.7% (2021: 99.7%).

Rental collections: These continue to remain robust and as at 20 February 2023 98% had been collected in both the UK and Ireland for the first quarter of 2023. This is in line with collection rates experienced in both 2022 and 2021 which now stand at over 99% for both countries. The balance of rent due for the first quarter of 2023 is expected to be received shortly.

Longevity: The portfolio's WAULT at 31 December 2022 was 11.0 years (31 December 2021: 11.6 years). Only £11.0 million or 7.6% of our income expires over the next three years, of which. 75% is either subject to a planned asset management initiative or terms have been agreed to renew the lease. £66.5 million or 45.8% expires in over ten years. The table below sets out the current lease expiry profile of our income:

Income subject to expiry	£m	%
< 3 years	11.0	7.6
4 – 5 years	13.7	9.4
5 – 10 years	54.1	37.2
10 – 15 years	31.4	21.6
15 – 20 years	22.4	15.4
> 20 years	12.7	8.8
Total	**145.3**	**100.0**

Valuation and returns

At 31 December 2022, the Group's portfolio comprised 513 (31 December 2021: 521) assets independently valued at £2.796 billion (31 December 2021: £2.796 billion). After allowing for acquisition costs and capital expenditure on forward funded developments and asset management projects, the portfolio generated a valuation deficit of £64.4 million or -2.4% (2021: surplus of £110.2 million or +4.1%).

The valuation deficit of £64.4 million in the year was driven primarily by a loss arising from yield expansion of approximately £134 million partially offset by gains of approximately £70 million arising from an improving rental growth outlook and asset management projects.

During the year the Group's portfolio NIY has expanded by 18bps to 4.82% (31 December 2021: 4.64%) and the true equivalent yield increased to 4.89% at 31 December 2022 (31 December 2021: 4.74%).

In July 2022, the Group disposed of 13 smaller medical centres, located across England and Wales, generating a profit of £2.9 million (2021: £0.3 million) net of sales costs. The sale price was 13% above 31 December 2021 book values and represented 60bps of yield compression.

At 31 December 2022, the portfolio in Ireland comprised 20 standing and fully let properties with no developments currently on site, valued at £230.9 million or €260.8 million (31 December 2021: 20 assets/£213.0 million or €253.4 million). At 31 December 2022, the portfolio in Ireland has been valued at a NIY of 5.2% (31 December 2021: 5.1%).

Despite the fall in values during the year the portfolio's average lot size remained unchanged at £5.4 million (31 December 2021: £5.4 million) and 87.6% of the portfolio is valued at over £3.0 million. The Group only has five assets valued at less than £1.0 million.

	Number of properties	Valuation £m	%	Average lot size £m
> £10m	55	869.5	31.1	15.8
£5m – £10m	138	948.9	34.0	6.9
£3m – £5m	158	628.5	22.5	4.0
£1m – £3m	157	341.5	12.2	2.2
< £1m (including land £1.3m)	5	4.7	0.2	0.7
Total[1]	**513**	**2,793.1**	**100.0**	**5.4**

[1] Excludes the £3.2 million impact of IFRS 16 Leases with ground rents recognised as finance leases.

The valuation deficit and profit on sales, combined with the portfolio's growing income, resulted in a total property return of +2.8% for the year (2021: +9.5%). The total property return in the year compares with the MSCI UK Monthly Property Index of -10.4% for 2022 (2021: +20.0%).

	Year ended 31 December 2022	Year ended 31 December 2021
Income return	**5.0%**	5.2%
Capital return	**(2.2%)**	4.3%
Total return	**2.8%**	9.5%

Harry Hyman
Chief Executive Officer
21 February 2023

Organic rental growth and effective cost management drive earnings

> "PHP's Adjusted earnings increased by £5.5 million or 6.6% to £88.7 million in 2022 (2021: £83.2 million)."
>
> **Richard Howell**
> Chief Financial Officer

PHP's Adjusted earnings increased by £5.5 million or 6.6% to £88.7 million in 2022 (2021: £83.2 million). The increase reflects the continued positive rental growth from organic rent reviews and asset management projects together with interest cost savings arising from various refinancing and hedging initiatives put in place in 2021 and the early part of 2022.

Using the weighted average number of shares in issue in the year the adjusted earnings per share increased to 6.6 pence (2021: 6.2 pence), an increase of 6.5%.

A revaluation deficit of £64.4 million (2021: surplus of £110.2 million) was partially offset by a profit on sales of £2.9 million (2021: £0.3 million).

A gain 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 £29.7 million (2021: gain of £9.5 million) contributed to the profit before tax as reported under IFRS of £56.9 million (2021: £141.6 million).

Summarised results

The financial results for the Group are summarised as follows:

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Net rental income	**141.5**	136.7
Administrative expenses	**(9.6)**	(10.5)
Operating profit before revaluation and net financing costs	**131.9**	126.2
Net financing costs	**(43.2)**	(43.0)
Adjusted earnings	**88.7**	83.2
Revaluation (deficit)/surplus on property portfolio	**(64.4)**	110.2
Profit on sales	**2.9**	0.3
Fair value gain on interest rate derivatives and convertible bond	**26.8**	1.6
Amortisation of MedicX debt MtM at acquisition	**2.9**	7.9
Termination payment and impairment of goodwill on acquisition of Nexus	**—**	(35.3)
Nexus acquisition costs	**—**	(1.7)
Early termination cost on refinancing of Aviva debt	**—**	(24.6)
IFRS profit before tax	**56.9**	141.6
Corporation tax	**0.2**	(0.1)
Deferred tax provision	**(0.8)**	(1.4)
IFRS profit after tax	**56.3**	140.1

Net rental income receivable in the year increased by 3.5% or £4.8 million to £141.5 million (2021: £136.7 million).

Excluding service charge costs recoverable, property and administrative costs increased by £1.6 million or 11.8% to £15.2 million (2021: £13.6 million). The increase in costs arose as a result of additional rent review fees payable to agents arising from the improving rental growth, ESG costs, additional staff recruited, inflationary pressures and utility costs, together with £0.7 million of one-off property repairs and development abortive costs; partially offset by lower performance related pay as a result of the decreased total returns in the year. Notwithstanding the increase in costs in the year they continue to be closely controlled and monitored and the Group's EPRA cost ratio continues to be the lowest in the sector at 9.9%, a slight increase over 9.3% in 2021.

EPRA cost ratio	**Year ended 31 December 2022 £m**	Year ended 31 December 2021 £m
Gross rent less ground rent, service charge and other income	**147.0**	139.6
Direct property expense	**12.6**	8.9
Less: service charge costs recovered	**(7.0)**	(5.8)
Non-recoverable property costs	**5.6**	3.1
Administrative expenses	**9.6**	10.5
Less: ground rent	**(0.2)**	(0.2)
Less: other operating income	**(0.4)**	(0.4)
EPRA costs (including direct vacancy costs)	**14.6**	13.0
EPRA cost ratio	**9.9%**	9.3%
Total expense ratio (administrative expenses as a percentage of gross asset value)	**0.3%**	0.4%

Despite net debt increasing in the year by £61.8 million as a result of continued investment, net finance costs in the year increased by just £0.2 million to £43.2 million (2021: £43.0 million), reflecting the reductions in the average cost of debt achieved from various refinancing and hedging initiatives in both 2021 and the early part of 2022.

Shareholder value and total accounting return

The Adjusted Net Tangible Assets ("NTA") per share declined by 4.1 pence or -3.5% to 112.6 pence (31 December 2021: 116.7 pence per share) during the year with the revaluation deficit, partially offset by profit on sales, of £61.5 million or -4.6 pence per share being the main reason for the decrease. Dividends distributed in the year were 102% covered by recurring adjusted earnings resulting in a further 0.1 pence accretion to NTA. The impact of foreign exchange movements and shares issued via the scrip dividend scheme added a further 0.4 pence to NTA.

The total adjusted NTA (NAV) return per share, including dividends distributed, in the year was 2.4 pence or 2.1% (2021: 10.0 pence or 8.9%). Over the last five years, including the impact of our merger with MedicX in 2019, we have delivered a total NAV return of 41.2%.

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 Assets ("NTA") per share	**31 December 2022 pence per share**	31 December 2021 pence per share
Opening Adjusted NTA per share	**116.7**	112.9
Adjusted earnings for the year	**6.6**	6.2
Dividends paid	**(6.5)**	(6.2)
Revaluation of property portfolio and profit on sales	**(4.6)**	8.3
Shares issued	**0.1**	0.2
Foreign exchange movements	**0.3**	(0.3)
Net impact of Nexus acquisition	**—**	(2.4)
Net impact of Aviva refinancing	**—**	(1.9)
Interest rate derivative transactions	**—**	(0.1)
Closing Adjusted NTA per share	**112.6**	116.7
Fixed rate debt and swap mark-to-market value	**8.7**	(4.1)
Convertible bond fair value adjustment	**2.1**	(1.6)
Deferred tax	**(0.1)**	(0.3)
Closing EPRA NDV per share	**123.3**	110.7

Financing

During the year the Group renewed all of its shorter dated revolving credit facilities, maturing in 2023 and 2024, for a further three-year term with options to extend by a further year at both the first and second anniversaries of each facility, including Santander (£50 million), Barclays (£100 million) and HSBC (£100 million). The Lloyds revolving credit facility was also increased by £50 million to £100 million and renewed for a further three-year term. There were no increases in existing credit margins on renewal of the above facilities and the new HSBC facilities margin will potentially benefit from a sustainability linked discount.

Considering the volatile interest rate and economic outlook the above addresses any short term refinancing risk faced by the Group in the next two years.

In February 2022, the Group issued a new €75 million (£64.6 million) secured private placement loan note to MetLife for a twelve-year term at a fixed rate of 1.64%. The loan notes have the option to be increased by a further €75 million to €150 million over the next three years at the lender's discretion. The proceeds will be used to finance the Group's continued investment in Ireland.

As at 31 December 2022, total available loan facilities were £1,607.0 million (31 December 2021: £1,550.5 million) of which £1,290.4 million (31 December 2021: £1,232.9 million) had been drawn. Cash balances of £29.1 million (31 December 2021: £33.4 million) resulted in Group net debt of £1,261.3 million (31 December 2021: £1,199.5 million). Contracted capital commitments at the balance sheet date and post period end transactions totalled £19.8 million (31 December 2021: £29.8 million) and resulted in headroom available to the Group of £325.9 million (31 December 2021: £321.2 million).

Capital commitments and post period end transactions comprise costs to complete development and asset management projects on site of £2.8 million and £9.9 million respectively together with the acquisition of Axis Technical Services Limited, in January 2023, for a maximum cost of £7.1 million (€8.0 million).

Financing continued

The Group's key debt metrics are summarised in the table below:

Debt metrics	**31 December 2022**	31 December 2021
Average cost of debt – drawn	**3.2%**	2.9%
Average cost of debt – fully drawn	**3.5%**	2.7%
Loan to value	**45.1%**	42.9%
Loan to value – excluding convertible bond	**39.7%**	37.5%
Total net debt fixed or hedged	**93.7%**	100.0%
Net rental income to net interest cover	**3.3 times**	3.2 times
Weighted average debt maturity – all facilities	**6.4 years**	7.3 years
Weighted average debt maturity – drawn facilities	**7.3 years**	8.2 years
Total drawn secured debt	**£1,140.4m**	£1,082.9m
Total drawn unsecured debt	**£150.0m**	£150.0m
Total undrawn facilities and available to the Group[1]	**£325.9m**	£321.2m
Unfettered assets	**£86.7m**	£104.9m

[1] After deducting capital commitments.

Average cost of debt

The Group's average cost of debt rose as at 31 December 2022 to 3.2% (31 December 2021: 2.9%) following the recent and rapid increases in three-month SONIA interest rates during 2022 which are used to calculate interest on the unhedged element the Group's revolving credit facilities.

Interest rate exposure

The analysis of the Group's exposure to interest rate risk in its debt portfolio as at 31 December 2022 is as follows:

	Facilities		Net debt drawn	
	£m	%	£m	%
Fixed rate debt	1,082.0	67.3	1,082.0	85.8
Hedged by fixed rate interest rate swaps	100.0	6.2	100.0	7.9
Hedged by fixed to floating rate interest rate swaps	(200.0)	(12.4)	(200.0)	(15.8)
Total fixed rate debt	982.0	61.1	982.0	77.9
Hedged by interest rate caps	200.0	12.4	200.0	15.8
Floating rate debt – unhedged	425.0	26.5	79.3	6.3
Total	**1,607.0**	**100.0**	**1,261.3**	**100.0**

Interest rate swap contracts

The Group did not enter into any new interest rate hedging arrangements during the year.

Accounting standards require PHP to mark its interest rate swaps to market at each balance sheet date. During the year there was a gain of £2.7 million (2021: gain of £2.7 million) on the fair value movement of the Group's interest rate derivatives due primarily to increases in interest rates assumed in the forward yield curves used to value the interest rate swaps. As at 31 December 2022 the mark-to-market ("MtM") value of the swap and cap portfolio was an asset of £7.1 million (31 December 2021: asset of £4.4 million).

Currency exposure

The Group owns €260.8 million or £230.9 million (31 December 2021: €253.4 million or £213.0 million) of Euro denominated assets in Ireland as at 31 December 2022 and the value of these assets and rental income represented 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 2022 the Group had €196.0 million (31 December 2021: €186.5 million) 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. Given the large Euro to Sterling fluctuations seen in recent years and continued uncertainty in the interest rate market the Group entered into a nil-cost FX collar hedge (between €1.1675 and €1.1022: £1) for a two-year period to cover the approximate Euro denominated net annual income of €10 million per annum, minimising the downside risk of the Euro gaining in value above €1.1675: £1.

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

The MtM of the Group's fixed rate debt as at 31 December 2022 was an asset of £141.3 million (31 December 2021: liability of £58.9 million) equivalent to 10.6 pence per share (31 December 2021: liability of 4.4 pence). The elimination of the MtM liability and creation of an asset during the year is due primarily to the significant increases 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.

Convertible bonds

In July 2019, the Group issued for a six-year term new unsecured convertible bonds with a nominal value of £150 million 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 153.25 pence per Ordinary Share. The exchange price will be subject to adjustment, in accordance with the dividend protection provisions in the terms of issue, if dividends paid per share exceed 2.8 pence per annum and in accordance with those provisions the exchange price has been adjusted to 137.69 pence per Ordinary Share.

The conversion of the £150 million convertible bonds into new Ordinary Shares would reduce the Group's loan to value ratio by 5.4% from 45.1% to 39.7% and result in the issue of 108.9 million new Ordinary Shares.

Richard Howell
Chief Financial Officer
21 February 2023


PHARMACY
ENTRANCE


Entrance


Fire exit
Main Reception
NHS

Providing transparent information

Adjusted earnings per share △

6.6 pence, up 6.5% (2021: 6.2 pence).

Definition

Adjusted earnings is EPRA earnings excluding the MtM adjustments for fixed rate debt acquired with the merger with MedicX in 2019, divided by the weighted average number of shares in issue during the year.

Purpose

A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.

Calculation

See Note 9 to the financial statements.

EPRA earnings per share △

6.9 pence, up 46.8% (2021: 4.7 pence).

Definition

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 and one-off exceptional termination payments divided by the weighted average number of shares in issue during the year.

Purpose

A measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.

Calculation

See Note 9 to the financial statements.

Adjusted Net Tangible Assets ("NTA") per share △

112.6 pence, down 3.5% (2021: 116.7 pence).

Definition

Adjusted net tangible assets are the EPRA net tangible assets excluding the MtM adjustment of the fixed rate debt, net of amortisation, acquired on the merger with MedicX, divided by the number of shares in issue at the balance sheet date.

Purpose

Makes adjustments to IFRS net assets to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long term investment strategy.

Calculation

See Note 9 to the financial statements.

EPRA NTA per share △

110.2 pence, down 3.4% (2021: 114.1 pence).

Definition

EPRA net tangible assets are the balance sheet net assets, excluding the MtM value of derivative financial instruments and the convertible bond fair value movement, and deferred taxes divided by the number of shares in issue at the balance sheet date.

Purpose

Makes adjustments to IFRS net assets to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long term investment strategy.

Calculation

See Note 9 to the financial statements.

The Company is a member of the European Public Real Estate Association ("EPRA"). EPRA has developed a series of measures that aim to establish best practices in accounting, reporting and corporate governance and to provide transparent and comparable information to investors.

We use EPRA measures to illustrate PHP's underlying recurring performance and to enable stakeholders to benchmark the Group against other property investment companies. Set out below is a description of each measure and how PHP performed.

EPRA cost ratio △

9.9%, increase of 60bp (2021: 9.3%).

Definition

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. The Group does not have any direct vacancy costs and therefore the EPRA cost ratio (excluding vacancy costs) is the same as the EPRA cost ratio.

Purpose

A key measure to enable meaningful measurement of the changes in a company's operating costs.

Calculation

See page 25, Financial Review.

EPRA vacancy rate △

0.3%, flat (2021: 0.3%).

Definition

EPRA vacancy rate is, as a percentage, the Estimated Rental Value ("ERV") of vacant space in the Group's property portfolio divided by ERV of the whole portfolio.

Purpose

A "pure" (%) measure of investment property space that is vacant, based on ERV.

Calculation

	2022 £m	2021 £m
ERV of vacant space	**0.4**	0.5
ERV of completed property portfolio	**145.3**	140.7
EPRA vacancy rate	**0.3%**	0.3%

EPRA net initial yield △

4.82%, increase of 18bp (2021: 4.64%).

Definition

Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchaser's costs.

Purpose

A comparable measure for portfolio valuations. This measure should make it easier for investors to judge for themselves how the valuation of the Group's portfolio compares with others.

Calculation

	2022 £m	2021 £m
Investment property (excluding those under construction)	**2,793.9**	2,777.5
Estimated purchaser's costs and capital commitments	**198.9**	197.4
Grossed-up completed property portfolio valuation (B)	**2,992.8**	2,974.9
Annualised passing rental income	**145.0**	139.2
Property outgoings	**(0.8)**	(1.1)
Annualised net rents (A)	**144.2**	138.1
EPRA net initial yield (A/B)*	**4.82%**	4.64%

EPRA LTV △

45.9%, increase of 300bp (2021: 42.9%).

Definition

Net debt at nominal value, including all borrowings and net payables, divided by the fair value of properties and net receivables.

Purpose

A comparable measure to assess gearing.

Calculation

	2022 £m	2021 £m
Net debt	**1,283.2**	1,200.3
Total property value	**2,796.3**	2,795.9
EPRA LTV	**45.9%**	42.9%

△ Alternative performance measures ("APMs"): Measures with this symbol △ are APMs defined in the Glossary section on pages 178 to 180, and presented throughout this Annual Report. All measures reported on a continuing operations and 52-week comparable basis.

* The Group does not have any rent free periods and therefore the EPRA "Topped-up" NIY is the same as the EPRA net initial yield.

Towards net zero

PHP is committed to transitioning to Net Zero Carbon ("NZC") across its operations and property portfolio. Last year we set out the five key steps to achieve this across our operational, development and asset management activities by 2030 and to help our occupiers achieve NZC by 2040.

HIGHLIGHTS 2022

Development
On site with our first NZC development building (operational and embodied carbon)

Investment
All-electric net zero ready refurbishment Benton House acquired in Newcastle

Asset management
EPC A and B refurbishments and agreement for first net zero ready project

Tenants and operations
100% renewable energy and 300% increase in portfolio energy data

Projects
Assessed six sites for solar PV roll-out with potential for 400 MWh of generation

NET ZERO CARBON FRAMEWORK

By 2023 – operations net zero

- Reduce emissions from offices, transport and assets where we procure energy for tenants
- Procure 100% renewable energy where PHP controls supplies
- Offset residual emissions via high quality projects

By 2025 – all new developments net zero

- Continually reduce energy use intensity of new buildings and ensure they can operate with net zero emissions
- Measure, minimise, benchmark and improve embodied carbon performance for all new developments, setting incrementally more challenging targets for reduction
- Offset residual embodied carbon emissions via high quality projects

By 2030 – EPC B and lower energy use intensity

- Across the portfolio all properties to have an EPC rating of B or better where economically feasible
- Achieve reductions in energy use intensity (kWh/m^2) through asset management projects and electrify buildings where feasible
- Measure, minimise and offset residual embodied carbon emissions from our asset management activities
- Collect and communicate energy performance data for all our occupiers and support them to transition to lower energy and carbon operations

By 2035 – 80% carbon reduction of the portfolio

- Continued energy demand reduction through upgrade and refurbishment
- Remove fossil fuel heating systems from all properties
- Increase proportion of renewable energy generation on our sites
- Reduce the carbon intensity of buildings compared to 2021 portfolio baseline

By 2040 – enabling a net zero portfolio

- Help occupiers to lease and operate our buildings with net zero carbon emissions
- Offset any remaining occupier residual carbon from 2040 for all properties where the lease was signed or renewed after 2035
- NZC achieved five years ahead of the NHS's target of 2045 and ten years ahead of the UK and Irish Governments' targets of 2050

2022 **2023** **2025** **2035** **2040**

Responsible business and ESG review

Premises, Health and People: investing in the health and wellbeing of our communities

Laure Duhot
Chair of the ESG Committee

Dear shareholder,

I am pleased to present my third report as Chair of the PHP Environmental, Social and Governance ("ESG") Committee. The Board agreed to create the Committee as a full Board Committee in October 2020 to drive forward the Group's ESG agenda. These are important topics and it is believed that having a Committee dedicated to considering these matters will give greater impetus to our initiatives in this area, which are described on the following pages of this report.

MEMBERS OF THE ESG COMMITTEE (THE "COMMITTEE") DURING THE YEAR

Member	Number of meetings and attendance
Laure Duhot (Chair)	3 (3)
Ivonne Cantú	3 (3)
Richard Howell	3 (3)
Harry Hyman	3 (3)
Ian Krieger	3 (3)
Steven Owen	3 (3)
Jesse Putzel	3 (3)
David Bateman (appointed 22 June 2022)	1 (1)
Peter Cole (resigned 27 April 2022)	1 (1)
Chris Santer (resigned 31 March 2022)	1 (1)

Bracketed numbers indicate the number of meetings the member was eligible to attend in 2022. The Company Secretary acts as the secretary to the Committee and attends all the meetings. Members of the senior leadership team, including Michelle Whitfield – Director: Operations & Social, David Austin – Director: Asset Management, Tony Coke – Director: Developments, and James Young – Director: Property Management are invited to attend meetings as appropriate.

Since publishing our Net Zero Carbon Framework last year we have continued to make good progress against this and our wider ESG commitments including the commencement of construction of PHP's first NZC development at Croft, West Sussex and our second NZC development at Spilsby, Lincolnshire, is expected to start on site in 2023. We have also continued to invest capital, via our asset management programme, to improve our existing portfolio, including its energy and carbon performance, and create a more sustainable healthcare infrastructure for the future.

The ESG Committee has overseen the further development of our work on energy and carbon reduction and I am pleased that we are increasing the visibility, including the sharing of information, of energy performance data for the wider portfolio, beyond just the buildings we procure energy for.

We also worked with expert advisers Willis Towers Watson to perform quantitative climate scenario analysis to help improve our understanding of climate risks and opportunities and to enhance our TCFD disclosures, which are set out on pages 48 to 53.

During the year we joined other industry peers as members of the UK Green Building Council to help improve the sustainability of the built environment.

PHP's social impact initiative is now in its second year and we have continued to work with our partner UK Community Foundations to support social prescribing activities linked to our portfolio and to review the impact this is having. Our second round of grant award was oversubscribed and we are very pleased with the quality of applications and the broad spectrum of initiatives proposed.

We have also increased our engagement with employees, focusing on professional and personal development, including working with Investors in People and specific ESG training across the Company.

I trust you find this report of the Committee helpful and informative. I would be delighted to receive any feedback or comments you may have on our approach.

Laure Duhot
Chair of the ESG Committee
21 February 2023

Our approach

PHP's approach is based around our core activities of investment, asset and property management, development and our corporate activities.

PHP supports and links its strategy to the UN Sustainable Development Goals ("SDGs"), focusing on the most relevant SDGs where can have a positive impact. Our strategy is based around three core pillars that run through our activities focused on Premises, Health and People and is supported by our ESG policies. These are:

OUR APPROACH

Approach	Purpose	Aims	Focus
1. Premises – Built environment			
Investing in and developing sustainable buildings 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	To employ sustainable design to develop, refurbish and upgrade our buildings to modern medical and environmental standards	Building a more resilient portfolio for the long term	Reducing risk by building purpose-built new developments and making quality acquisitions Working with occupiers to improve the energy efficiency of our properties and integrate more sustainable features Having a preference for reusing existing buildings, upgrading them in an energy and resource efficient way, reducing reliance on new resources Sourcing responsibly and designing for future reuse of assets and materials All new developments to be NZC by 2025
		Reducing our carbon footprint	Working with our stakeholders to improve the energy efficiency of our properties and integrate more sustainable features with a long term ambition of the whole portfolio, including occupiers' operations, being NZC by 2040
		Policies	*Sustainability; Sustainable development and refurbishment; Net Zero Carbon Framework*
2. Health – Community impact			
Engaging and enhancing the right stakeholders to drive effective decision making 3 GOOD HEALTH AND WELL-BEING 17 PARTNERSHIPS FOR THE GOALS	To support initiatives that further the health, wellbeing and education of our local communities	Meeting the healthcare needs of communities	Engaging in effective communications and collaborative practices with our occupiers
		Creating social value	Working with partners to enhance wellbeing and inclusivity through initiatives that contribute to the creation of healthy, supportive and thriving communities
		Policies	*Sustainability*
3. People – Responsible business			
Conducting our business with integrity and investing in human capital 8 DECENT WORK AND ECONOMIC GROWTH 5 GENDER EQUALITY	To create opportunities and maximise the potential of the stakeholders we work with	Providing a good place to work	Ensuring effective investment in the professional development of the Group's employees Maintaining a culture of empowerment, inclusion, development, openness and teamwork for our people
		Governing an ethical business	Being transparent and compliant in all our operations
		Policies	*Business ethics; Equality, diversity and inclusion; Anti-bribery and corruption*

PERFORMANCE AGAINST OUR COMMITMENTS

Commitments and targets	Progress 2022	Focus areas 2023
Delivering BREEAM and nZEB certified buildings. Improving portfolio EPC ratings. Increasing visibility of energy performance across the portfolio. Delivering on our net zero carbon commitments.	Construction commenced on our NZC development at Croft where embodied carbon is also being minimised and offset. Development and asset management projects all achieved/are achieving BREEAM Excellent or Very Good in the UK or nZEB and BER A3 in Ireland. The overall portfolio now has 35% A–B ratings and 81% A-C, by value. We introduced an energy monitoring and management platform, engaged tenants to share data and now have energy data for 60% of floor area (improved from 20% in 2021). 76% of PHP procured electricity is now from renewable sources and we have entered into partnership with the Woodland Trust to offset residual emissions and enhance UK biodiversity.	Continue to focus on improving EPC ratings to B and deliver net zero ready refurbished buildings via our asset management programme. Measure embodied carbon from our asset management projects to understand our performance and set targets as part of our NZC commitments. Roll out our energy monitoring and management platform, including remote metering, to buildings and tenants, supporting them to use energy efficiently. Put a programme in place to roll out solar to existing buildings.
Investing, via our community impact fund, up to £0.25 million per year, in causes which enhance health and deliver social value. Demonstrating the positive impact investment in primary healthcare can generate.	We concluded a second programme of grant giving with a total of £0.2 million awarded to organisations delivering innovative social prescribing services for communities surrounding our buildings. We conducted research with King's College London which demonstrated a positive impact of our healthcare buildings on reduced A&E attendances.	Continue to expand our social prescribing programme focusing on the most deprived communities where PHP has a strong presence and link some funding to asset management projects. Capture the positive social outcomes of our community impact fund and business activities.
Continuing to promote PHP's culture and commitment to high levels of ethics and a workplace culture of inclusion, diversity and equal opportunity. Conducting an independent annual staff survey to inform and monitor continued improvement.	We updated our Equality, Diversity and Inclusion policy and conducted training for all staff on inclusive behaviours, mentoring, appraisals and environmental sustainability. We conducted a confidential staff survey and worked with Investors in People with a view to future accreditation. We updated our staff benefits, including providing up to five days of volunteering leave and private medical insurance.	Continue to support staff with individual training and development plans and introduce a mentoring programme. Work towards achieving Investors in People accreditation. Continue to survey staff to ascertain levels of employee satisfaction and areas for improvement.

INTRODUCTION

PHP invests in flexible, modern properties for the delivery of primary healthcare to the communities they are located in. The buildings are let on long term leases where the NHS, the HSE, GPs and other healthcare operators are our principal occupiers. As at 31 December 2022, the Group owned 513 properties valued at £2.8 billion which are located across the UK and Ireland.

Responsible business reflects PHP's strong commitment to ESG matters and addresses the key areas of the ESG issues that are embedded into our investment, asset and property 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 opportunities for the benefit of our stakeholders.

We realise the importance of our assets for the local healthcare community, making it easier for our GP, NHS and HSE occupiers to deliver effective services. We are committed to creating great primary care centres by focusing on the future needs of our occupiers and thereby ensuring we are creating long term sustainable buildings.

PHP is committed to helping the NHS achieve its target to become the world's first net zero carbon national health system by 2045. PHP's Net Zero Carbon Framework sets out our plan to transition the Company's portfolio to net zero ahead of this deadline and ahead of the UK and Irish Government's net zero target date of 2050. PHP will continue to proactively engage and work with our various healthcare occupiers to also help them achieve this.

This Responsible Business Report sets out our commitment and approach to environmental and social sustainability. It is reviewed annually and approved by the Board and sets the framework for establishing objectives and targets against which we monitor and report publicly on our performance.

ARKLOW, CO. WICKLOW, IRELAND CASE STUDY:

- **Achieved BER of A3 and current nZEB standards**
- **Able to operate with net zero carbon emissions**
- **30-year lease to government bodies**

The property reached practical completion in November 2022 and is a state-of-the-art primary care centre serving the local and wider community south of Dublin. It is primarily let to the HSE and government bodies on a 30-year lease providing GP suites, dental surgeries, public health nursing, Caredoc services, mental health and network disability services.

The building has been completed to current nZEB standards, achieving a BER of A3 and incorporates energy efficient electric heating through an air source heat pump.

The building also benefits from natural ventilation and high levels of thermal insulation and allows the occupiers to operate the building with net zero carbon emissions.

1. Premises – Built environment

RESPONSIBLE INVESTMENT

Key commitments: Minimum EPC rating of C and capable of being improved to a B or better.

Environmental and sustainability performance are integral elements of PHP's approach to the acquisition of existing and funding of new primary healthcare buildings. We use detailed assessments of each location, looking at building efficiency and performance, enhanced service provision for the community and support for wider healthcare infrastructure.

We undertake detailed environmental and building surveys to assess physical environmental risks for each investment, including flooding, to ensure the risk is avoided or appropriate prevention measures are developed (see our TCFD disclosures on page 48).

During 2022 we began applying our net zero and ESG commitments to our investment activities, in particular engaging with developers and asset owners to challenge current standards and leverage our influence. We have engaged with developers to raise awareness of net zero standards and included net zero or energy related conditions in our offers.

Energy efficiency is also considered through the due diligence process and all acquisitions are required to have an EPC of C or better, or be capable of remedial action to achieve the required rating, and associated costs are now integrated into our appraisals. We also seek to include green lease clauses at acquisition where feasible.

All acquisitions completed in the year had a minimum EPC rating of C and are capable of achieving an EPC rating of at least a B when next refurbished.

BENTON HOUSE, NEWCASTLE CASE STUDY:

Net zero ready refurbishment

- **82% reduction in the carbon intensity of the building**
- **Able to operate with net zero carbon emissions**

The building was originally acquired by PHP in 2021 and following extensive refurbishment is now let on a new 30 year lease to the Cumbria, Northumberland, Tyne and Wear NHS Foundation Trust providing mental health services, office and staff facilities.

The building was originally constructed in the late 1970's and has undergone an extensive refurbishment with existing systems removed, including old inefficient air conditioning and gas heating.

A new high efficiency, all-electric system has been installed and significant fabric improvements made, including added insulation, new windows and roof. The improvements have reduced the carbon intensity of the building by 82% and will be able to be operated with net zero carbon emissions in the future.

The EPC rating has also been improved from a D to a B.

In addition, facilities for cyclists and EV charging have been added, encouraging sustainable and healthy travel choices.

RESPONSIBLE ASSET AND PROPERTY MANAGEMENT

Key commitments: Improve EPC ratings to B; procure 100% renewable energy; achieve BREEAM Very Good for refurbishments; and engage tenants on and improve the visibility of energy and carbon performance.

We are committed to creating best-in-class primary care centres, focusing on the future needs of our occupiers and thereby ensuring we are creating sustainable buildings for the long term. We invest in the portfolio of properties to generate enduring occupier and patient appeal, which provides opportunities to improve rental values, the security and longevity of income, and the quality of assets. This is a key route for PHP to deliver energy efficiency improvements and to introduce low or zero carbon measures for our occupiers and their patients.

Asset and property management will play a key role in achieving our NZC target of having a NZC portfolio by 2040 with interim commitments for all properties to have an EPC rating of at least B and NZC asset management by 2030 and an 80% reduction in portfolio emissions by 2035 via targeted improvements to buildings and occupier engagement.

During 2022 we completed ten asset management refurbishment projects, improving EPC ratings to B for all except two which achieved A ratings. We have a further ten refurbishment projects on site or committed, which include energy efficiency upgrades, installation of roof-mounted solar, air source heat pumps and thermal efficiency upgrades. All these projects have either achieved or are on track to achieve BREEAM Very Good certification for refurbishment and fit-out. We also agreed 33 new leases during the year, with all including Green Lease clauses.

During the year, we also completed design and planning work for two net zero ready refurbishments which we expect to be on site during 2023 and we will also begin to address embodied carbon in asset management projects.

Working with our occupiers is essential to improving the performance of buildings and during 2022 our property management team engaged with all of our tenants, carrying out over 1,000 site visits at which issues, including energy and utilities, are discussed.

With rising energy costs, energy security concerns and the need to reduce building emissions, we began analysing the portfolio for the potential roll-out of larger scale onsite solar power, for buildings where PHP procures energy and to enable tenants to make use of solar where they procure their own energy.

LEAMINGTON SPA CASE STUDY:
Delivering above target performance

- **The project achieved BREEAM Very Good and an EPC rating of A (improved from C)**
- **Building can be operated with net zero carbon emissions**
- **80% reduction in the carbon intensity of the building**
- **Solar PV provides up to 5,000 kWh of free, zero carbon energy generated annually**

PHP completed an extension and full refurbishment of the centre in 2022, increasing its size by 345m^2 to over 1,000m^2. The existing space was too limited to accommodate a rising local population. Working with the practice and CCG, PHP designed a solution to extend and reconfigure the existing building, avoiding the need for a new development and significantly improving its energy performance.

The reuse of existing buildings in this way is essential to avoid carbon intensive new builds and minimise embodied carbon.

The new building incorporates energy efficient electric heating, LED lighting throughout, a new energy efficient lift, improved insulation levels and solar panels and allows the occupier to operate the building with net zero carbon emissions.

The project was also designed and delivered in a sustainable way. Materials were from certified responsible sources and low carbon products were specified and used, such as for flooring and plaster board. All waste created during the project was re-cycled and diverted from landfill.

Benefits of the project on health are significant, including allowing the centre to develop local diagnostic-hub functions, increased clinical capacity in terms of new rooms and better-quality facilities, offering enhanced primary and community care services.

RESPONSIBLE DEVELOPMENT

Key commitments: All new developments to be NZC by 2025, BREEAM Excellent and Very Good for fit-outs in the UK, and nearly Zero Energy Buildings ("nZEB") and BER A3 standards in Ireland.

PHP, together with its development partners, are committed to promoting the highest possible standards of environmental and social sustainability when designing and constructing new assets. Requirements are also in place for our development partners and contractors to ensure the implementation of responsible property development practices.

Construction has now commenced on PHP's first NZC development at Croft, West Sussex. We also continue to work on our pipeline of carefully selected new developments which are being designed, built and capable of being operated as net zero carbon buildings.

We also started to work with our development partners in Ireland to integrate embodied carbon as a key requirement in the future.

CROFT, WEST SUSSEX CASE STUDY:

- **PHP's first net zero carbon development on site**
- **On-track to achieve BREEAM Excellent**

The new development at Croft, West Sussex, represents the future of sustainable primary care in the UK. PHP was appointed to develop the highly sustainable premises to consolidate and expand services locally and cater for an expected significant growth in patient numbers over the next few years.

The premises supports the national and local NHS strategies to move services away from over-stretched hospitals, providing a greater range of primary and community care services.

Currently under construction on brown field land, practical completion is scheduled later in 2023. The premises will be let for 25-years to the local GP partnership and pharmacy, allowing patients and the wider primary care network to access a range of services, including general practice, mental health assessments, occupational and physiotherapy, social prescribing and training for GPs, nurses and paramedics.

The building is targeting an EPC A rating and will be PHP's first net zero carbon development. The building is being delivered in a sustainable way, with materials from certified responsible sources, low carbon products, low waste and water and enhanced ecology on site.

PROGRESS ON ENERGY AND CARBON PERFORMANCE

As outlined above, during 2022 our investment, asset and property management and development activities continued to deliver against targets and support our net zero carbon commitments.

During 2022 we transitioned all but seven building electricity supplies procured by PHP to renewable energy and are progressing asset management projects for some of these sites to improve their energy efficiency. In line with our Net Zero Carbon commitments, in 2023 we will offset the residual emissions from these buildings and our own head office operations.

Our operational Scope 1, 2 and 3 emissions are provided on page 40 in our SECR disclosure.

A key target for 2022 was to improve the visibility of the energy and carbon performance of our portfolio, where tenants control their own energy supplies. We have made good progress, including:

- implementation of a rolling programme of data collection from Display Energy Certificates ("DECs") and engaged with tenants where DECs had expired or were not in place;
- successful agreement and sharing of data with our largest lease holder, covering the ongoing sharing of data from an additional 50 properties;
- ongoing engagement with other tenants to agree direct sharing of data; and
- implementation of an energy measurement and management platform and initial roll-out of smart metering for some sites with the aim of connecting more tenant controlled buildings.

This programme has resulted in PHP having data for over 350 sites or 60% of the portfolio by floor area (from under 20% previously). Using the energy data collected we have determined an estimated baseline of the entire portfolio's carbon emissions (for 2021 and 2022) as well as energy and carbon intensity. This will improve as we obtain more data from our tenants.

These fall under the Scope 3 category, Downstream Leased Assets and represent the most Significant and consistent source of Scope 3 emissions for PHP. During 2022 this equated to 24,980 tCO_2e. This compares to 30,494 tCO_2e in 2021 (which contained a greater number of estimates). We estimate these emissions to represent 80% of annual Scope 3 emissions. The detailed data is presented in our EPRA sustainability disclosures on our website.

SECR disclosures

PHP measures its emissions in line with the Greenhouse Gas Protocol and takes an operational control approach. Emissions are based on verified data currently reviewed by a third party, Inenco.

Data is based on metered energy use with a small proportion of estimates and miles driven by employees. Scope 1 and 2 emissions are normalised by revenue and full-time employees as these relate to our direct operations and by kWh/m² for energy supplied to tenants.

PROGRESS ON ENERGY AND CARBON PERFORMANCE CONTINUED

SECR disclosures continued

PHP's direct operations result in very limited greenhouse gas emissions. The table below shows the Scope 1 and 2 emissions directly within the operational control of the Group. Scope 1 relates to gas used in permanent offices and business travel by car and Scope 2 relates to grid electricity used at PHP's offices. Below we report Scope 3 emissions from Down Stream Leased Assets for the properties where PHP supplies energy to occupiers, which they hold operational control over. Emissions from tenant procured energy are reported in our EPRA sustainability disclosures on our website.

100% of reported Scope 1, 2 and 3 emissions in the year were based in the UK and Ireland.

	2022		2021	
Source	**tCO_2e**	**kWh**	tCO_2e	kWh
Scope 1				
Business travel (car)	**55.7**	**225,668**	28.4	115,568
Gas	**1.3**	**7,335**	3.9	21,099
Scope 2				
Electricity	**9.9**	**50,947**	5.4	25,528
Market based[1]	***0.9***	***46,150***	—	—
Total Scope 1 and 2	**67.8**	**330,101**	37.7	162,195
Market based[1]	***58.0***	**—**	—	—
Scope 3				
Landlord supplied electricity	**1,024**	**5,296,562**	1,058	4,984,324
Market based[1]	***243***		*922*	
Landlord supplied gas	**1,138**	**6,236,864**	1,153	6,294,698
Total Scope 3	**2,163**	**11,533,426**	2,211	11,279,022
Market based[1]	***1,381***	**—**	*2,075*	—
Total Scope 1, 2 and 3	**2,231**	**11,863,527**	2,154	10,920,985
Market based[1]	***1,439***	**—**	*2,112*	—
Woodland carbon code credits purchased	***(1,439)***	**—**	—	—
Net tCO_2e	**—**	**—**	—	—
Scope 1 and 2 per full time employee	**1.0**	**—**	0.6	—
Scope 1 and 2 per £m revenue	**0.4**	**—**	0.3	—
Scope 3 $kgCO_2$ per m^2	**13.8**	**73.7**	15.6	79.8
Market based[1]	***8.8***	**—**	*14.7*	—

[1] Market-based reporting reflects the emissions from the electricity being purchased, whereas location based uses national grid average emissions for the reporting year.

During 2022 absolute Scope 1 and 2 emissions have increased by 80% and intensity by 70% primarily because of the move to new head office and increased business travel following the end of COVID-19 restrictions in 2021.

Gas consumption has decreased due to the move to a new head office while electricity has increased due in part to operating two offices for part of the year and the new office being airconditioned. While using more energy, this provides a much more suitable environment for employees throughout the year. During 2022, we also returned to more normal office working following easing of COVID-19 restrictions in 2021. All office electricity is now sourced from 100% renewable sources.

Business mileage has increased during 2022, reflecting a return to normal operating practices and the high level of tenant engagement and site visits taking place across all teams. Employees are encouraged to use public transport where possible and a new employee benefit has been introduced to support take-up and use of electric and hybrid vehicles, with five members of staff already taking up the option during 2022.

We will continue to reduce energy demand from our offices and emissions from transport; however, our wider portfolio is where we aim to focus our attention.

As shown in the table above, Scope 3 emissions from landlord supplied energy have decreased on an absolute and normalised basis. Electricity consumption has increased, while gas use has decreased. In 2022 we have procured energy for more properties than in 2023 and have restated our 2021 gas consumption following updated data becoming available.

During 2022, 76% of electricity consumed was from renewable sources, meaning on a market reporting basis, there has been a 33% reduction in absolute and 40% reduction in normalised emissions. We intend to build on this going forward, through tenant engagement and asset management activities.

We have offset all residual 2022 emissions, including the energy we procure on behalf of our tenants, by purchasing £36,000 of Woodland Carbon Code Credits in partnership with the Woodland Trust and achieved the objective of our operations being net zero carbon one-year ahead of our 2023 target.

2. Health – Community impact

SOCIAL – HEALTH AND WELLBEING

PHP seeks to have a positive impact on the health and wellbeing of the communities where its assets are located and has set policies and targets to achieve this through a Community Impact Programme.

PHP is committed to supporting both the NHS and HSE in tackling the major underinvestment in primary care facilities in both the UK and Ireland. PHP's aim is to modernise and improve the ability to provide efficient and effective healthcare through the provision of modern, purpose-built properties, let to the NHS, the HSE, GPs and other healthcare operators. The facilities are predominantly located within residential communities and enable the UK and Irish population to access better health services in their local area. This is central to the Group's purpose, strategic objectives and business planning processes.

PHP's portfolio serves around 6.0 million patients or 8.9% of the UK population and our portfolio is their first point of contact with the NHS when they start their patient journey. Our interventions, when we acquire, refurbish or develop new healthcare facilities, have a significant positive social impact, whether through enhancement of experience for people using our facilities, expansion of healthcare provision locally or making healthcare more accessible to those that need it most. Modern high quality primary healthcare facilities also help to reduce pressure and costs for the secondary care system.

Our active management of the property portfolio seeks to maintain the centres as fit for purpose and systems have been established to ensure that PHP is properly monitoring its social impact and identifying and managing opportunities and risks associated with the provision of its properties.

Occupier engagement

PHP is committed to ensuring that the properties it develops and owns continue to meet its GP, NHS and HSE occupiers' requirements and provide flexibility for future change, update and expansion. Our dedicated teams of asset and property managers look after our occupiers' requirements, with a policy of regular communication and a supportive approach. It is crucial that we continually update our understanding of what issues matter to our occupiers and how the NHS and HSE are changing to meet the increasing demands on healthcare systems.

The ongoing backlog of missed procedures and appointments continues to highlight the need for purpose-built, primary care premises to provide modern healthcare to the UK and Irish populations which are growing, ageing and suffering from more instances of chronic illness. This further reinforces our objectives to continue to invest in existing and new premises for the benefit of all our stakeholders.

Having completed a tenant engagement survey for the previous three years a new approach was trialled, starting in 2022 and spanning into 2023 to survey tenants directly as part of site visits. During 2023 over 1,000 site visits were carried out and this is seen as a more effective means to engage tenants than a digital survey. Statistics from this exercise are expected to be available during 2023.

KING'S COLLEGE LONDON RESEARCH ON THE SOCIAL AND ECONOMIC BENEFITS OF PRIMARY CARE CASE STUDY:

During 2022, PHP conducted research with King's College London ("KCL") into the wider economic and social impact of modern primary care centres. Analysing circa 150 PHP medical centres built or refurbished since 2009 across England, KCL compared their A&E attendance rates against national averages before and after building completions.

The results identified reductions in secondary healthcare utilisation after a purpose-built medical centre is opened following development completion or refurbishment and the reductions are particularly prominent in areas of deprivation. The cost to visit A&E is £180 per visit compared to £39 for a GP appointment and represent savings of around 75%. One in four GP practices in England work out of old houses, which are not fit for purpose. Moving doctors and nurses into purpose-built medical centres would save NHS England £39 million a year and support those in the most deprived parts of the UK.

A copy of the detailed report is available on our website.

SOCIAL – HEALTH AND WELLBEING CONTINUED

Community Impact Fund

PHP has committed £0.25 million per annum to support social and charitable activities and services linked to the patients and communities of our occupiers, which cannot be readily accessed elsewhere. In total, PHP provided £0.2 million during 2022.

Our partnership with UK Community Foundations ("UKCF") has continued to offer grants to charities and community groups focused on social prescribing and community wellbeing that serve our properties. During 2022, we targeted funding to the North-West and North-East of England, representing some of the most deprived areas within our portfolio.

Working with two new regional community foundations, County Durham and Lancashire & Merseyside, the 2022 awards totalled £0.15 million and have been made to organisations that deliver a wide range of support for people, including on isolation and loneliness, family and parenting, addiction and mental health and living with and caring for autism.

We continue to monitor the positive impact of previous awards. Our experience and that of our award recipients, continues to demonstrate the important role social prescribing has to play in addressing direct and indirect health impacts.

PHP has also continued to support a number of charities from the Community Impact Fund during the year. This includes donations to Variety and the Children's Charity; ENO Breathe (which has been very successful in helping sufferers of long covid through classical music-based programs), Levelling Up Goals; Macmillan Cancer Support; Cancer Research; Bookmark, Stem 4, a teenage mental health charity; and the Disasters Emergency Committee in aid of the Ukraine Humanitarian Appeal. PHP also supported and became a member of The Academy of Real Assets, which engages with schools to promote and enable access for students from all backgrounds into the real estate sector.

Impact during 2022

Through UKCF, £0.15 million was distributed to Lincolnshire Community Foundation and Foundation Scotland, providing grants to 20 organisations. This funded a range of initiatives including counselling, social prescribing awareness, wellbeing workshops, friendship and cinema groups and funding core costs of services. Over 2,000 people have benefited and been supported by these initiatives to date and several of the organisations have been able to leverage PHP's funding to secure other support.

Volunteering

PHP staff benefit from five paid days per annum for volunteering activities that are personal and meaningful to them, delivering support to their local communities and benefiting from the personal development that these activities provide. Two members of staff have taken up the opportunity to volunteer and more have expressed interest in team volunteering and linking with initiatives supported by PHP's Community Impact Fund during 2023.

STRATHEARN ARTSPACE CASE STUDY:

With funding received from PHP's Community Impact Program, Strathearn Artspace has provided two weekly "Art for Wellbeing" classes for people who, for a variety of reasons, need support for their mental health and well-being. This project is one of a series of initiatives to engage more directly with the community. As of 1 December 2022, classes had been delivered to over 223 people. The classes will continue until the end of the project in February 2023.

3. People – Responsible business

PEOPLE

PHP recognises the importance of the welfare of the employees who work on behalf of the Group and are critical to its success. Their experience and contribution to the business are essential to the delivery of our business strategy and ESG commitments.

During 2022 we have undertaken an independent staff survey and received positive feedback following the London office relocation. We have also undertaken the first diagnostic assessment, also involving an independent staff survey, with Investors in People, with a view to pursuing accreditation during 2023.

The Group is highly focused with 65 employees and four Non-executive Directors which allows for a flexible and individual approach. During 2022, we continued to successfully retain a loyal team with a staff turnover rate of 11%, which we believe reflects PHP's Board's commitment to maintaining, improving and promoting the highest levels of ethics and conduct and promoting a workplace culture of:

Inclusion and communication	We have a flat management structure with clear responsibilities. We strongly encourage input on decision making from all staff and wide participation in Committee and team meetings. There is strong collaboration across teams which enables good sharing of information and ideas. Regular strategy and performance updates are provided to employees from the Executive Directors and senior management team.
Modern, flexible working practices	We have implemented more flexible working arrangements covering improved systems to enable home working and flexible dress code.
Fair remuneration	Employee remuneration is aligned to personal, Company and ESG performance with longer term incentive plans in place that replicate arrangements for Executive Directors. All employees receive a variety of benefits which are noted later in this section.
Diversity and equal opportunity	We promote diversity across knowledge, experience, gender, age and ethnicity with a published Equality, Diversity and Inclusion policy in place. Whilst overall female employee representation is good, we recognised that we needed to specifically promote greater gender diversity. Our female Board representation is now 33% and, in the year, we continued to support the training and professional development of several female members of the property and finance teams. Recognising the significant diversity imbalance in the real estate sector, we continue to support the promotion of diversity both internally and externally.
Employee development and training	An appraisal process is undertaken twice a year where career progression, training needs and performance are discussed. We actively encourage training and we continue to monitor our staff training each year focusing on professional, including ESG, and personal development. During 2023 we will launch a mentoring programme to provide further support.
Health and safety	Health and safety remains central to the execution of PHP's business strategy and we take our responsibilities very seriously and are committed to continued improvement but have an excellent record. See page 45 for further details on health and safety.
Wellbeing and employee satisfaction	At the start of 2022 we moved to new, significantly improved office space in London as well as carrying out an anonymous survey of our employees. The results of our 2022 employee survey are shown later in this section and reflect continued high levels of employee satisfaction. Laure Duhot, the Company's designated workforce Non-executive Director, continues to be closely involved in monitoring employee satisfaction.

Laure Duhot is the designated workforce Non-executive Director. In the year she considered the results of the staff survey and held meetings in the London and Stratford-upon-Avon offices, which were open to all employees. The sessions aimed to gather feedback and ideas from different areas of the Company, to discuss how people feel and their experiences of working at PHP, with feedback reported back to the Board.

PEOPLE CONTINUED

Employee satisfaction survey

In May 2022, we undertook an annual employee survey (managed by an independent third party) to track staff satisfaction. In total, we asked 34 questions receiving responses from employees on an anonymous basis. The survey focused on a number of key areas and in total we had 64 responses across the organisation with engagement from 96% of employees.

Overall, the results of the survey were positive with employees responding that they consider:

- overall employees were satisfied and enjoyed working for PHP;
- the Company's image is of a high quality organisation;
- the Company performs its business operations to a high standard;
- the relationship between management and employees is good;
- employees understood the link between their personal and the Company's objectives;
- employees felt they had job security, there was a friendly and supportive culture with a good working environment and that the Company cared about its employees; and
- the Company acts as a responsible business contributing to reduce its environmental impact, is committed to equal opportunities and supports its local communities.

The main areas for further improvement were career progression opportunities and the desire to be more involved in decisions which impact day-to-day work.

The Company has been successful in getting everyone back into the office and has enjoyed the benefits this brings. Overall, we believe there are significant benefits from working collaboratively and we are stronger together, but people are empowered to work from home for two days per week.

Employee benefits

In addition to fair remuneration which is aligned to personal and Company performance, including ESG related targets, and as part of our ongoing commitment to supporting employees and attracting and retaining talent, the Company offers the following benefits to all staff:

- enhanced Company pension contributions of 6% of salary;
- private medical insurance, health cash benefit, income protection and critical illness insurance;
- 25 days of annual leave plus an additional day of annual leave for each year of continuous service up to a maximum of five days;
- a green car salary sacrifice benefit to help individuals move to low carbon electric and hybrid personal vehicles;
- life assurance given to all employees at four times salary;
- cycle to work and season ticket loan schemes; and
- all employees are eligible to participate in the PHP Sharesave plan.

Employee development

PHP's human capital is essential to the success of the business and delivery of outstanding services to our occupiers in the healthcare sector. Attracting, retaining and developing employees is therefore a key commitment for the business.

PHP has undertaken the first step to achieving Investors in People accreditation by undergoing the diagnostic process and survey in May 2022 to gauge our existing performance against the Investors in People indicator framework. Initial feedback has been positive and we have taken positive steps to improve our scores to enable us to achieve accreditation during 2023.

The training programme for 2022 has continued to focus on professional along with personal development, including training on diversity and inclusion, introduction to mentoring (ahead of launching a programme in 2023) and enhancing environmental sustainability knowledge. The training focus has been evolved in response to the Investors in People framework, encouraging performance based on high levels of engagement, collaboration, self-awareness and vision.

PHP also supported funding and facilitation of professional qualifications for nine employees and recruited two graduates. The supportive culture of PHP means those training for qualifications are mentored and assisted by more experienced colleagues. During 2022, three graduate employees completed their qualifications successfully.

PHP worked with its partners Bisarto and The Inclusive Group to deliver sessions to all staff on personal development including: MBTI self-awareness, time management, communications, inclusive behaviour, hybrid inclusion, appraisal training and mentoring.

> "From the top down, the business has supported me with my professional qualifications, providing funding and importantly time and insights. I was blown away by how willing people are to help, from colleagues providing technical and industry knowledge, to reviewing and critiquing my work against their own experience and APC requirements. The fact people at all levels of seniority are able and encouraged to spend this time supporting is a great benefit."
>
> **Will Spencer**
> *Qualified Surveyor, Asset Management*

PEOPLE CONTINUED

Employee development continued

PHP also signed up to the Supply Chain Sustainability School and became a member of the UK Green Building Council. Through both, staff have access to a range of learning and development resources, including e-learning. Training has been promoted to all employees, on subjects including sustainable development, business ethics, modern slavery, climate change and net zero, social value, circular economy and sustainable procurement.

A total of 620 personal development training hours have been delivered across the Group during 2022 and the Company invested a total of £73,000 or an average £1,200 per employee on professional and personal development.

All employees received ESG related training during the year, including face to face and e-learning modules.

Diversity and equal opportunity

We promote diversity across knowledge, experience, gender, age and ethnicity with a published Equality, Diversity and Inclusion policy in place. Whilst overall female employee representation is good, we recognised that we needed to specifically promote greater gender diversity. Following the appointment of Ivonne Cantú, effective from 1 January 2022, we have further increased female and ethnic Board representation.

Recognising the significant diversity imbalance in the real estate sector, we continue to support and promote diversity both internally and externally.

Employee gender diversity as at 31 December 2022

Number of employees	Male	Female	Total
Board of Directors	4/67%	2/33%	6
Executive Committee	2/100%	—/—	2
Directors	6/86%	1/14%	7
Associate Directors	2/22%	7/78%	9
Associates & Senior Surveyors	10/62%	6/38%	16
Other	12/41%	17/59%	29
Total	**36/52%**	**33/48%**	**69**

Employee ethnicity as at 31 December 2022

	2022		
Ethnic origin	No.	%	ONS[1]
White – British, English, Welsh, Irish, Other	**59**	**86%**	82%
Asian – Indian, Pakistani, Other	**4**	**6%**	9%
Black – African, Caribbean, Other	**1**	**1%**	4%
Mixed heritage	**3**	**4%**	3%
Other	**2**	**3%**	2%
Total	**69**	**100%**	100%

[1] Office for National Statistics: Census 2021 data for England and Wales published June 2022.

Gender pay gap as at 31 December 2022

PHP pays employees equally for doing equivalent jobs across the business and any pay gaps are the result of our employee profile and do not represent pay discrimination. PHP is not required to publish details of gender pay gap; however, we view this as an important metric to ensure equal and fair treatment regardless of gender.

	Gender pay gap			Bonus pay gap		
	Male	Female	Pay gap	Male	Female	Pay gap
Board – NEDs	65%	35%	47%	—	—	—
Board – Executive	100%	—	100%	100%	—	100%
Executive Committee	100%	—	100%	100%	—	100%
Directors	58%	42%	27%	72%	28%	61%
Associate Directors	54%	46%	14%	46%	54%	(19)%
Associate & Senior surveyors	48%	52%	(9)%	60%	40%	34%
Other	49%	51%	(5)%	49%	51%	(6)%
Total	**69%**	**31%**	**54%**	**83%**	**17%**	**79%**

Health and safety

Health and safety remains central to the execution of PHP's business strategy and we take our responsibilities very seriously and are committed to continued improvement but have an excellent record. The Board is responsible for ensuring appropriate health and safety procedures are in place and during 2022 we maintained a regime of inspections utilising both third-party agents, including two risk management solutions providers, and in-house resources to support the portfolio.

Where risks need to be assessed under a specific duty or regulation, we ensure that an assessment is carried out and that all actions are implemented on a priority basis. The key health and safety risk areas PHP faces are:

1. Managed properties – where there are multiple occupiers in the same property, a combination of third-party advisers and internal resources are used to carry out a health and safety assessment and audits relating to the common parts.
2. Developments and forward funded developments – all our development partners are required to uphold our high standards. Procedures and processes have been developed to ensure compliance with current legislation and requirements. A Project Monitor is also appointed to oversee, manage and monitor health and safety.
3. Employees are required to uphold our high standards and separate procedures and processes in place to ensure compliance with current legislation and requirements.

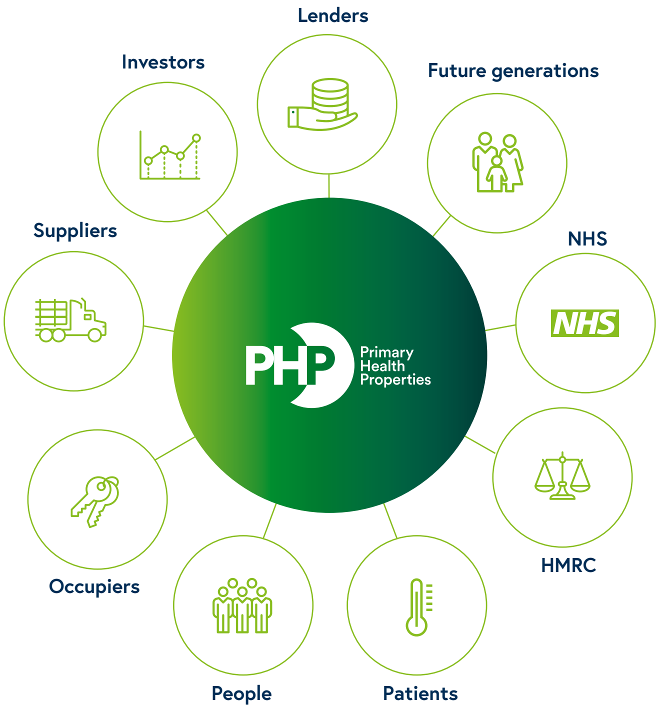
During 2022 there were no reported major accidents nor any health and safety prosecutions or enforcements (2021: no incidents). During 2022, 12 property managers completed Institute of Occupational Safety and Health ("IOSH") training, adding to the five who already hold the qualification. Our Board approved Health and Safety policy is available on the Company's website.

Responsible business continued

OTHER STAKEHOLDERS

While our investment, asset management and development activities focus on the sustainability risks and opportunities that are most material to our business there are a number of additional issues that are of lower material impact but are of interest to specific stakeholder groups:

- we are transparent and all our policies are available on our website and we expect our principal advisers, suppliers and occupiers to follow them;
- we expect organisations we employ to meet the standards we set ourselves; and
- we engage with stakeholders to ensure we are aware of, and are able to respond to, their expectations.



Contractors and suppliers

Delivering developments, forward funded developments, asset management projects and property services on time, on budget and in adherence with our high standards is a key priority. Our supply chain is checked (accredited by the SafeContractor scheme) to ensure it is high quality and robust, has a proven track record and applies appropriate standards on areas such as labour and human rights, health and safety, modern slavery and human trafficking. For developments, contractors are expected to demonstrate adherence to these requirements and our development monitoring surveyor stays close to our contractors and monitors all elements of projects as they progress. Our Modern Slavery Act Statement is available on our website and no human rights concerns arose within the year.

We have approximately 1,000 suppliers across the Group ranging from small local businesses to large multi-national companies. We also acknowledge the importance of our suppliers, which are often small businesses and sole traders, especially those involved with the upkeep and maintenance of our assets. We aim to pay all invoices and amounts due promptly and well within stated payment terms in an effort to preserve the cash flows of these small businesses.

Tax

The Group is committed to complying with tax laws in a responsible manner and has open and constructive relationships with the UK and Irish tax authorities. Whilst the Group enjoys REIT status and therefore is not directly assessable for corporation or capital gains tax on property investments, the dividends that the Group pays are assessed for income tax when they reach investors. Moreover, during 2022 the Group has directly paid £27.7 million (2021: £28.7 million) of taxes in the form of VAT, income tax, stamp duty land tax, stamp duty and National Insurance contributions to the UK and Irish Governments. The Group did not take advantage of any UK or Irish Government incentives, loans or tax deferrals made available to it as a result of the COVID-19 pandemic. The Company has also published a Tax Strategy which is available on our website.

Investors and lenders

The support of our shareholders, banking partners and lenders is crucial to sustaining our investment in the health infrastructure of the UK and Ireland and we continue to enjoy strong relationships with these partners.

During 2022 we have successfully continued to value existing and potential relationships with our investors with over 85 meetings during the course of the year. Shareholders and analysts are regularly updated about our performance and are given the opportunity to meet management throughout the year and attend presentations, physical and virtual, and site visits to gain a better understanding of our business and strategy.

Governance and business ethics

We conduct our business with integrity and require that our Directors, employees and other businesses engaged by us, including developers, contractors, suppliers and agents, do the same.

We believe that good governance practices are essential to a successful and sustainable business and therefore we ensure that they are integral to us. We are compliant with the provisions of the UK Corporate Governance Code 2018 insofar as it is applicable to PHP. We believe in transparency of our business to stakeholders ensuring we report comprehensively and fairly in our Annual and Interim Reports and engage with our stakeholders throughout the year.

Responsibility for business ethics lies with the PHP Board and Chief Executive Officer and is overseen by the ESG Committee.

We will:

- be honest, open, transparent, helpful and polite;
- obey all relevant laws and regulations;
- be prepared to admit and correct mistakes without delay and facilitate "whistleblowing" by employees and other stakeholders;
- declare any potential conflicts of interest which may compromise our business dealings;

OTHER STAKEHOLDERS CONTINUED

Governance and business ethics continued

- not give or receive illegal or inappropriate inducements in order to retain or bestow business or financial advantages; and
- at all times promote the ethical conduct of business.

These principles are supported by policies which address anti-bribery and corruption, business ethics, equality, diversity and inclusion, sustainability, sustainable development and refurbishment, whistleblowing, money laundering, prompt payment and management of the supply chain which are available on our website.

We provide training to staff on these key issues and communicate our policies to key stakeholders and our supply chain and expect them to uphold the same standards in their operations and with their own supply chains.

Anti-corruption and anti-bribery

The Group's policy is to conduct all of its business in an honest and ethical manner. The Group takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all business dealings and relationships wherever it operates and implements and enforces effective systems to counter bribery. There were no reported incidents of non-compliance during 2022 (2021: no incidents).

Enhanced disclosure and benchmarking

We have published our second disclosure against the guidance and requirements of the Task Force on Climate-related Financial Disclosures ("TCFD") which are provided on pages 48 to 53.

GRESB

GRESB – During 2022, PHP completed its third submission to the Global ESG Benchmark for Real Assets ("GRESB"). Our development benchmark score improved from 55% to 80% and to a two-star rating. Our standing asset score improved from 52% to 58% although we remained at a one-star rating. We aim for continual improvement in GRESB and view it as a useful tool. However, circa 30% of the available score is very difficult to achieve for a portfolio like PHP's, made up of a large number of smaller buildings which are largely tenant controlled.

MSCI | MSCI ESG RESEARCH LLC

MSCI – In February 2023, MSCI rated PHP as A, an improvement on the previous rating of BB. The MSCI assessments currently reflect the disclosures made in the 2021 Annual Report and does not reflect the improvements made in this report, and therefore we expect to further improve our rating in the future and we will continue to engage with MSCI to ensure our rating best reflects the actions we are taking.

CDP
DISCLOSURE INSIGHT ACTION

CDP – We responded in full for the first time to the CDP climate questionnaire. We see CDP as a key tool to disclose our performance and approach and to help us improve over time. Our first-time rating of B demonstrates we have a high quality approach to managing climate related risks and being transparent in our disclosures. As we expand our measurement of Scope 3 (wider portfolio) emissions and build up year-on-year reduction programmes, we will aim to improve our performance further.

EPRA
EUROPEAN PUBLIC REAL ESTATE ASSOCIATION

PHP has completed for the first time and made available disclosures in accordance with EPRA Sustainability Best Practices Recommendations ("sBPR"). A copy is available on the website.

Non-financial information statement

The Group has complied with the requirements of s414CB of the Companies Act 2006 by including certain non-financial information within the Strategic Report. This can be found as follows:

The Group's business model is on pages 14 and 15.

Information regarding the following matters, including policies, the due diligence process implemented in pursuance of the policies and outcomes of those policies, can be found on the following pages:

- environmental matters on pages 32 to 40;
- social matters on pages 41 to 42;
- health and safety matters on page 45;
- respect for human rights on page 46; and
- anti-corruption and anti-bribery matters on page 47.

Responsible Business and ESG matters have been identified as a principal risk and further details can be found on pages 56 to 62.

All key performance indicators of the Group are on pages 18 to 19.

The Business Review section on pages 20 to 23 includes, where appropriate, references to, and additional explanations of, amounts included in the entity's annual accounts.

Laure Duhot
Chair of the ESG Committee
21 February 2023

Task Force on Climate-related Financial Disclosures

PHP TCFD disclosure for 2022 Annual Report and Accounts

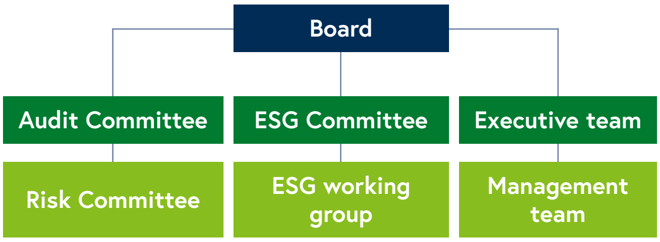
This year, we are making our second disclosure against TCFD guidelines and reporting in line with the TCFD reporting requirements for UK premium listed companies. We have outlined how climate change is incorporated into our governance processes, its impact on our business strategy and planning, our approach to risk management and climate related metrics, targets and commitments we use.

GOVERNANCE

Board oversight

The Board is responsible for the Group's risk management framework, including the consideration of climate related risks and opportunities as part of its wider oversight for Responsible Business. The Board reviews climate related risks and opportunities within our existing reporting and governance structure (as detailed on page 49) and has established a specific ESG Committee, which is made up of all members of the Board and relevant members of the Executive team to review, plan, approve and action on climate related issues. The Board and ESG Committee's review of key issues typically happens through relevant update papers presented at each meeting from the relevant members of the Executive Committee, through the ESG Committee and the Risk Committee reporting into the Audit Committee.

The Board and members of the Executive team consider climate-related issues when setting objectives, in budget setting and through the Board's annual strategic review of the business. The ESG Committee monitors progress against the business's Responsible Business objectives and key strategic climate-related workstreams, including progress towards PHP's Net Zero Carbon "NZC" commitment, see page 32, at all meetings of the ESG Committee (which meets at least three times a year). Climate-related issues are also considered by the Board and Executive team in key investment, development, asset and property management decision-making.



At the start of 2022 the ESG committee oversaw and approved PHP's Net Zero Carbon Framework. During 2022 they also approved a new ESG budget for 2023, with specific allowances made for climate related work, including energy performance measurement of the portfolio and delivering net zero carbon projects in direct and forward funded developments and asset management projects. The Board regularly reviews and approves acquisitions made by the Group and takes into consideration ESG and climate related commitments, specifically minimum EPC ratings.

Management team's role

The ESG committee monitors progress on Responsible Business matters, including climate risks. Implementation and management of Responsible Business is delegated to the Executive team with its members leading the ESG working group; other members consist of Director of ESG along with a representative from each of the investment, development, asset management and property management teams. The ESG working group met periodically during 2022 and will meet bi-monthly going forward, to consider progress and next steps. The Executive team ensures that Responsible Business and ESG targets are delivered or re-evaluated where not achieved. The Executive and management teams make it clear to relevant employees what is expected and required. Where relevant, specific actions or targets form part of both team and individual personal objectives for each year, for example improvement of EPC ratings. The Executive team also lead engagement and training across the Group on Responsible Business and ESG matters, including climate related risks.

The Executive and management teams have specific ESG and climate related performance objectives relevant to their roles and area of the business along with other personal performance objectives which are linked to bonuses to incentivise performance.

STRATEGY

At the start of 2022 we set out a NZC Framework, see page 32, which details the five key steps we are taking to achieve an ambitious target of being NZC by 2030 for all of PHP's operational, development and asset management activities and to help our occupiers achieve NZC by 2040 five years ahead of the NHS's target of becoming the world's first net zero carbon national health system by 2045 and ten years ahead of the UK and Irish Governments' targets of 2050. The Responsible Business Report on pages 32 to 47 provides further detail on our strategy, actions taken and progress made in 2022 and objectives for future years to address climate risks, such as improving EPC ratings within the portfolio.

Climate related risks and opportunities

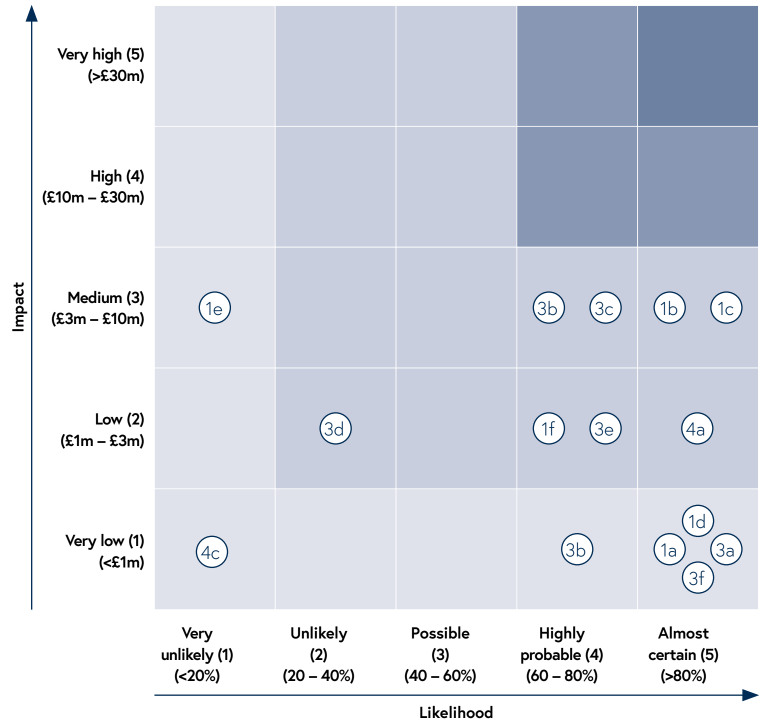
During the year, PHP updated its own analysis of climate risks and opportunities, continuing to build on and refine our Climate Risk and Opportunity Register. To increase our understanding of and response to potential risks, PHP worked with Willis Towers Watson ("WTW") to assess 28 physical and transition risks and undertake quantitative physical and transition scenario analysis. The analysis included engagement and input from across PHP's operational teams.

Transition Risks and scenario analysis have been assessed over the short (to 2025) and medium (to 2030) term. Physical risks and scenario analysis are assessed under short, medium and long term (2050–2100). We have not assessed beyond 2030 for transition risks given the high level of uncertainty in determining impacts of transition risks over the longer term.

To assess the potential impact of transition risks, an initial risk screening was carried out, based on PHPs existing identified risks and with input from WTW and in relation to relevant risks for other real estate companies. The impact of transition risks was assessed via workshops with key disciplines within PHP and analysis carried out by WTW, based on the findings. The potential annualised estimated financial impact associated with risks and opportunities has been quantified where possible and categorised using PHP's risk impact scales, which consider impacts to revenue and or the balance sheet. Risks are scored 1 (very low) to 5 (very high) with financial impact bands for each level.

Assessed range of annual impact and likelihood of Transition risks

Residual risk on medium term time horizon (2030) under a NZC 2050 1.5°C scenario



Impact	Very unlikely (1) (<20%)	Unlikely (2) (20 – 40%)	Possible (3) (40 – 60%)	Highly probable (4) (60 – 80%)	Almost certain (5) (>80%)
Very high (5) (>£30m)					
High (4) (£10m – £30m)					
Medium (3) (£3m – £10m)	1e			3b 3c	1b 1c
Low (2) (£1m – £3m)		3d		1f 3e	4a
Very low (1) (<£1m)	4c			3b	1d 1a 3a 3f

Likelihood

Technology

2a. Substitution of existing technologies to lower emissions options (unquantified)

Market

3a. Increased cost of raw materials

3b. Increased cost and availability of electricity (PHP)

3c. Increased cost and availability of electricity (tenant)

3d. Cost of capital

3e. Change in tenant demands

3f. Emissions offsets

Reputation

4a. Investment risk/opportunities

4b. Stakeholder risk/opportunities (unquantified)

4c. Employee risk/opportunities

Policy

1a. Pricing of GHG emissions (PHP)

1b. Pricing of GHG emissions (Tenant)

1c. EPC requirements

1d. Enhanced emissions reporting obligations

1e. Climate change litigation

1f. Increasingly stringent planning requirements

STRATEGY CONTINUED

Climate related risks and opportunities continued

The potential climate-related risks and opportunities we have identified that could have a material financial impact are:

Category	Risk/opportunity	Time frame	Potential £ impact	Business response/mitigation
Transition risks				
EPC requirements and change in customer demands	NHS, and the HSE, accounts for 89% of revenue and is targeting to be NZC by 2045. Costs related to meeting proposed Minimum Energy Efficiency ("MEES") regulations and fines associated with non-compliance.	Medium term	Medium (P&L and BS)	• Commitment to get all properties to a minimum of EPC B by 2030. • Group's asset management program actively targeting reductions in carbon emissions and improving energy/EPC performance. • Assets are being extended and refurbished with improvements made to the environmental performance including installation of LED lights, move away from gas heating and integration of renewable energy generation resulting in improved EPC ratings. • The additional costs are reflected in appraisals and typically supported by increased lease terms and increases in rent.
Increasing cost of energy & GHG emissions	The cost of energy has increased significantly and in the 1.5°C low carbon world scenario GHG emissions pricing will need to be implemented from 2025-2030.	Short-medium term	PHP – Low (P&L), Tenants – Medium	• PHP procures energy for a limited number of properties in the portfolio and has operational control over none of the buildings GHG emissions. • Consequently, the risk of energy and GHG pricing is minimal to PHP. • Tenants are responsible for their own energy bills and large increases in pricing have a significant impact on them, which could adversely impact the desirability of our assets. • Improving the energy efficiency and reducing the carbon emissions from buildings, we mitigate these risks, helping tenants to save money in the long term.
Restricted access to capital	Investors and debt providers only willing to invest in climate resilient businesses.	Medium-long term	Low (P&L)	• PHP has a strong and clearly articulated NZC Framework and strategy developed with clear targets for reduction of direct and indirect emissions and to reach NZC in the future. • Strong stewards of underinvested, key social infrastructure assets delivering healthcare and wellbeing to the UK and Irish populations. • Green loan framework developed for several existing and future loan facilities.
Physical risks				
Flood risk (current and future climates)	Losses from assets located in high flood risk zones, primarily the costs of repair, business interruption and reflected in increased insurance costs.	Long term	Low (Medium for potential un-insured losses under high emission scenario) (P&L)	• PHP has flood alleviation and response plans in place, is appropriately insured and assesses these risks for any new developments and acquisitions. • Under current climate conditions, 11 sites have a moderate risk and 15 sites have a very high risk from flood. This equates to under 5% of total asset value. • Our remaining assets have a very low exposure. In a future high emission climate scenario, the number of sites does not increase, but the potential frequency and severity of floods increases.

STRATEGY CONTINUED

Climate related risks and opportunities continued

Category	Risk/opportunity	Time frame	Potential £ impact	Business response/mitigation
Physical risks continued				
Increased severity and frequency of extreme weather events and windstorm	Increased costs to develop climate-resilient properties and physical damage requiring repair. Costs of business interruption and reflected in increased insurance costs.	Medium term	Low (Medium for potential un-insured losses) (P&L)	• All assets in the portfolio are insured for physical damage and loss of rent with cost of insurance predominantly recovered from occupiers. • Mitigation strategies in operation at assets with identified potential risk. • Comprehensive business continuity plan in place.
Heat stress (future climates)	The UK has very low exposure to heat stress today, increasing beyond 2050 under the 4°C scenario. Costs associated with retrofitting buildings to mitigate overheating and tenant discomfort.	Long term	Low (P&L)	• Sensitivity analysis for heat stress has determined that the overall risk is low. • Approximately 10% of PHP's buildings have air-conditioning and therefore additional cooling may be necessary in the future. • PHP also monitors instances of overheating and works with tenants to mitigate this.
Opportunity				
Change in tenant demand	NHS is aiming for net zero and primary health care tenants will increasingly covet or insist on low carbon sustainable buildings.	Short–medium term	Medium (P&L and BS)	• PHP's strategy to improve the performance of buildings via asset management and NZC developments will maximise rental income in the future. • Existing buildings brought up to modern, low carbon standards, will be best placed to achieve occupier contentment, lease renewals and attract the highest rents, performing closer to newly built properties.
Substitution of existing technologies	Potential to help tenants reduce their carbon footprint and their energy costs via introduction of new low carbon technology to buildings.	Medium	PHP – Low (P&L) Tenants – Medium	• Introducing renewable energy as part of lease regears will help PHP to secure high quality, long-term income from tenants. • Supporting and enabling tenants to make use of on site renewable energy, in particular solar, can reduce tenant costs.

Scenario analysis

In 2022, WTW undertook a physical climate risk assessment of the Company's portfolio on an asset-by-asset basis, assessing asset exposure to a range of acute and chronic climate risks and a transition risk assessment based on PHPs current corporate strategy and action planning. The Scenario analysis is based on the Representative Concentration Pathways ("RCP") designed by the IPCC in their Fifth Assessment Report ("AR5"), which are mapped to the latest IPPC AR6 report's Shared Social Economic Pathway ("SSPs") scenarios. The methodology evaluates risks and opportunities for PHP's business under three plausible climate scenarios: a 'low carbon world' 1.5°C scenario (for physical and transition risks), 2-3°C scenario and a 4°C scenario (for physical risks only)[1].

Resilience of the business to scenarios

By delivering on the strategy put in place by PHP, commitments and actions outlined in our Net Zero Carbon Framework and given the low exposure to physical climate risks and relatively low potential financial impact, the business is resilient to the assessed scenarios.

Based on our asset specific assessment of physical hazard exposure, our portfolio's exposure to all physical climate impacts is low. Our exposure to material levels of flood risk is limited to 5% of properties (by value). We regularly review flood risks of standing assets, have plans and appropriate levels of insurance in place for them and consider resilience to long term flood risk for any new acquisitions or developments.

In the post 2030 scenarios assessed, only flood and windstorm risk were assessed as somewhat 'material' and under the 4°C scenario. We view heat stress as a potential risk given the nature of our buildings and the desire to offer optimum comfort levels for our health care related buildings. PHP is already addressing instances of overheating in today's climate by working with our tenants and taking remedial action where necessary. When refurbishing buildings we consider over heating through addition of solar shading, insulation and where needed, addition of energy efficient cooling.

[1] This is in line with the Intergovernmental Panel On Climate Change ("IPCC") representative concentration and shared social economic pathways ('RCPs' mapped to 'SSPs') RCP 2.6 ("SSP1"), RCP4.5 ("SSP2") and RCP 8.5 ("SSP5") respectively.

STRATEGY CONTINUED

Resilience of the business to scenarios continued

Through our Net Zero Framework and commitments and our asset management activities, we have a robust approach to meeting energy efficiency, EPC and carbon performance requirements that are expected as part of the low carbon world 1.5°C scenario. Our strategy also supports PHP's ability to meet or surpass the NHS's net zero commitments.

Under a high emissions scenario from the 2050's, drought stress and heat stress increase and become a moderate risk which could impact water scarcity and tenant wellbeing, however in the short term or under a low emissions scenario, these risks are relatively low. We will continue to assess potential risks in due diligence for future acquisitions and to make appropriate adaptations where required.

Impact on business strategy and financial planning

Climate related risks and opportunities impact and inform PHPs business strategy for asset management and refurbishment, property management, development and acquisition of buildings.

The Group's continued focus on flexible, modern primary care properties, that generally have low energy consumption, means the overall carbon footprint of the portfolio is minimised. In addition, the Group's continued investment in asset and property management initiatives means that its typically slightly older and less energy efficient assets are being upgraded to the latest energy efficient standards achievable for these buildings.

We are improving and adapting our assets to be more resilient to climate change through maintenance, energy efficiency upgrades and the provision of renewable energy supplies for the Group's occupiers. Furthermore, whilst development is only a small part of our activities, we are focusing on the energy and carbon performance of our developments including measuring, minimising and offsetting residual embodied carbon impacts. We have commenced construction on the Group's first net zero carbon development and are aiming for all new developments to be net zero by 2025.

During our investment process, we are careful to review the locational and flood risks, the building fabric and the energy efficiency of potential acquisitions and current assets to understand the climate and carbon related risks and costs involved in mitigating those risks.

These actions will help to future proof our buildings and allow us to take advantage of opportunities with the NHS, and our other occupiers, as they shift to a low carbon environment with its 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.

By improving occupier contentment, we will enhance the desirability and value of our assets together with our reputation with the NHS and GP occupiers.

RISK MANAGEMENT

Approach to identifying and assessing climate risks

PHP assesses climate risks alongside other business risks but also specifically as part of a dedicated climate risk management process. A climate risks and opportunities register is reviewed and updated by the ESG working group and the ESG Committee along with the Risk Committee reporting to the Audit Committee.

The most material (highest scoring) risks are pulled out and action plans put in place, which are reviewed by the Risk and ESG committees. The long list of risks is revisited annually to ensure changes, such as to regulation, market or customer demand, have not altered the likelihood or potential impact of the less material risks.

In identifying and assessing the impact of risks, we consider impacts to PHPs direct operations and stakeholders, including our supply chain, partners and tenants. The size and scope of risks is assessed using internal expertise of our teams supplemented by data relating to impact where available. For example spend data, GHG emissions and energy and any associated future projections. The potential financial impact is estimated and quantified against defined impact scales and value bandings.

To supplement our approach, PHP engages with expert advisers such as WTW to further assess and understand potential risks, quantify potential impacts and consider planned and potential actions to address risks posed by climate change.

Approach to managing climate risks

The Company's overall approach to risk management, including management of climate related risks, is set out on pages 56 to 62.

Strategic risks are recorded in a risk register and are assessed and rated within a defined scoring system. The Risk Committee reports its processes of risk management and rating of identified risks to the Audit Committee. The risk register is reviewed and updated twice annually by members of the Risk Committee, and assesses inherent risks the business faces, as well as the residual risk after specific safeguards, mitigation and/or management actions have been overlaid. The risk register forms an appendix to the report which details risks that have (i) an initial high inherent risk rating, and (ii) higher residual risk ratings. The Audit Committee in turn agrees those risks that will be managed by the Executive and management and those where the Board will retain direct ownership and responsibility for managing and monitoring.

The Board has also undertaken a robust assessment of the emerging and 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. The Group has identified 'Responsible Business' as a principal risk which includes environmental issues but a specific climate change risk is still considered to be emerging within the risk management process.

RISK MANAGEMENT CONTINUED

Approach to managing climate risks continued

As a response to these risks, PHP developed and launched the NZC framework, which reduces the overall inherent risk to a much smaller residual risk, should the framework be implemented successfully over time. Business planning and strategy now takes into account the commitments set out in the framework and key decisions are made with these commitments in mind primarily decisions related to investment, development and asset management activities.

Integration with wider corporate risk management process

Responsible Business, including climate change, is one of the principal risks faced by the Group as set out on pages 56 to 62. Climate-related risks and opportunities are identified and assessed as part of our risk management framework which are considered by the Board who recognise that this is an increasingly important area.

The Executive and management teams assist the Board in its assessment and monitoring of operational and financial risks. A Risk Committee is formed of members of the senior management team and chaired by the Chief Financial Officer who is experienced in the operation and oversight of risk management processes, with independent standing invitees attending throughout the year.

The Audit Committee reviews the Group's systems of risk management and their effectiveness on behalf of the Board.

METRICS AND TARGETS

Details of PHP's target to achieve NZC across operational, development and asset management activities by 2030 and to help our occupiers achieve NZC by 2040 is set out on page 32.

Relevant material energy and carbon metrics include EPC ratings for our standing assets which are tracked and reported below along with revenue from BREEAM certified buildings and rental increase from energy efficient refurbishments. These directly link to our targets to achieve NZC, and minimum EPC and BREEAM ratings, set out in our Responsible Business Report on page 32.

We measure and disclose Scope 1, 2 and 3 emissions (for Downstream Leased Assets) on page 40 and in our EPRA Sustainability disclosures within the Responsible Business Report on our website. We believe these are the most material and consistent Scope 3 emissions, accounting for an estimated 80% of total emissions. We also measure and track flood risk across the portfolio based on asset value. These metrics are consistent with cross industry climate related metrics for GHG emissions, transition and physical risks and opportunities.

We also report our GRESB benchmark performance score and responded for the first time in 2022 to the CDP climate program with results set out in our Responsible Business Report. We will review our metrics and targets annually and update for future TCFD disclosures.

Financial category	Climate category	Metric	Unit	2022	2021
Revenues	Products & Services	Revenue BREEAM Very Good & Excellent properties	% Revenue	**15%**	14%
	Products & Services	Revenue DEC A-C rated properties	% Revenue	**44%**	27%
	Products & Services	Rent increase from completed AM projects with energy improvement measures	£ (k)	**289**	86
Assets	Energy source	Portfolio energy data coverage (by m^2)	%	**60%**	20%
	Energy source	Energy procured by PHP from renewable sources	%	**76%**	13%
	Policy & Legal	EPC A	% Asset value	**9%**	9%
		EPC B	% Asset value	**26%**	26%
		EPC C	% Asset value	**46%**	45%
		EPC D	% Asset value	**15%**	15%
		EPC E-F	% Asset value	**4%**	5%
	Extreme weather	% Portfolio value assessed as at material exposure to flood risk	%	**5%**	5%

COMPLIANCE STATEMENT

PHP confirms that:

1. We believe our climate related financial disclosures for the year ended 31 December 2022 are consistent with the Task Force on Climate-related Financial Disclosures ("TCFD") Recommendations and Recommended Disclosures (as defined in Appendix 1 of the Financial Conduct Authority Listing Rules), with the exception of 4b relating to our Scope 3 emissions where only Downstream Leased Assets are disclosed currently but which are seen as the most material and consistent source of Scope 3 emissions for the Group. Other categories of Scope 3 emissions will be disclosed in future.
2. Our annual disclosures are contained in the pages above and in the Responsible Business Report on pages 32 to 47, including commentary on data gaps and performance improvement measures. Further detail on our policies and approach to Responsible Business are also available on our website.
3. We believe that the detail of these climate related financial disclosures is conveyed in a decision-useful format to the users of this report.

COMPANIES ACT 2006 SECTION 172 STATEMENT

How does the Board consider the interests of key stakeholders?

Our responsibility to stakeholders, together with consideration of the long term consequences of our decisions and maintaining high standards of business conduct, is integral to the way the Board operates.

The Board of Directors, both individually and collectively, are required by law under Section 172 of the Companies Act 2006 to act in the way that they consider, in their good faith judgement, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole and in doing so need to take into account a number of factors, including the views of the Group's key stakeholders and describe in the Annual Report how their interests have been considered in Board discussions and decision making. The Board considers that throughout the year, it has acted in a way and made decisions that would most likely promote the success of the Group for the benefit of its members as a whole, with particular regard to:

Section 172 matter	How the matter is brought into Board decision making	Read more
a) The likely consequences of any decision in the long term	The very nature of our business model means that the Board has to have the long term consequences of its investment decisions in mind. The leases which we grant on primary care medical centres are generally over 20 years in length as these facilities form a key component in the delivery of healthcare in a locality. The practice(s) operating from these premises need modern, flexible premises from which to operate and the security of a long term commitment from the landlord to deliver their crucial front-line health services. We seek to improve and enhance existing premises so they remain fit for purpose, incorporate new technologies and meet the latest environmental standards. We strive to build lasting relationships with our occupiers and build a partnership with them. The Board undertook a comprehensive review and update of the business's long term strategy during the year.	**Our business model (page 14)** **Financial Review (page 24)** **Responsible Business (page 32)** **Corporate Governance Report (page 70)**
b) The interests of the Company's employees	The Group's employees are at the heart of the business and our people strategy focuses on delivering a culture of empowerment, inclusion, development, openness and teamwork. Staff turnover remains low and the small number of staff allows for a flexible and individual approach. Laure Duhot is the Non-executive Director representative for workforce engagement and attended three staff meetings during the year.	**Stakeholders and people (pages 43 and 47)**
c) The need to foster the Company's business relationships with suppliers, customers and others	The relationships with our occupiers, suppliers and key partners are critical to our ability to maintain our high quality, resilient rental income. Strong relationships with occupiers supports retention and we treat our suppliers fairly ensuring prompt settlement of their invoices.	**Stakeholders (page 46)** **Directors' Report (page 107)** **Corporate Governance Report (page 70)**
d) The impact of the Company's operations on the community and the environment	We have continued to support our tenants during the year in adapting their premises, where necessary, to provide COVID-19 secure facilities to their local communities. This year we continued our ESG focus to enable the Group's operational, development and asset management activities to transition to NZC by 2030 and help our occupiers achieve NZC by 2040.	**Responsible Business (page 32)** **Corporate Governance Report (page 70)**
e) The desirability of the Company maintaining a reputation for high standards of business conduct	We have a clear purpose to create outstanding spaces for primary healthcare services in our communities. We adhere to the highest standards of good governance and business conduct in interaction with all our stakeholders and seek to comply with all legal and regulatory standards.	**Responsible Business (page 32)** **Corporate Governance (page 70)**
f) The need to act fairly as between members of the Company	The Board embraces open dialogue with shareholders and engages with them through a range of channels and has communicated with them on the most important corporate events through the year, including the internalisation project, interim and full year results to understand their views.	**Stakeholders – Investors and lenders (page 46)** **Corporate Governance Report (page 70)**

Examples of how we have exercised our Section 172 duties in practice are set out in the case studies on pages 36, 37, 38 and 39.

How PHP assesses its prospects

Risk management overview

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

- investment focuses on the primary healthcare real estate sector which is traditionally much less cyclical than other real estate sectors;
- the majority of the Group's rental income is received directly or indirectly from government bodies in the UK and Ireland;
- the Group benefits from long initial lease terms, largely with upwards-only review terms, providing clear visibility of income;
- the Group has a very small (£1.5 million) exposure as a direct developer of real estate, which means that the Group is not exposed to risks that are inherent in property development;
- the Board funds its operations so as to maintain an appropriate mix of debt and equity; and
- debt funding is procured from a range of providers, maintaining a spread of maturities and a mix of terms so as to fix or hedge the majority of interest costs.

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

Approach to risk management

Risk is considered at every level of the Group's operations and is reflected in the controls and processes that have been put in place across the Group. The Group's risk management process is underpinned by strong working relationships between the Board and the Management team which enables the prompt assessment and response to risk issues that may be identified at any level of the Group's business.

The Board is responsible for effective risk management across the Group and retains ownership of the significant risks that are faced by the Group. This includes ultimate responsibility for determining and reviewing the nature and extent of the principal risks faced by the Group and assessing the Group's risk management processes and controls. These systems and controls are designed to identify, manage and mitigate risks that the Group faces but will not eliminate such risks and can provide reasonable but not absolute assurance.

The Management team assists the Board in its assessment and monitoring of operational and financial risks and PHP has in place robust systems and procedures to ensure risk management is embedded in its approach to managing the Group's portfolio and operations. PHP has established a Risk Committee that is formed of members of its senior management team and chaired by the Chief Financial Officer, who is experienced in the operation and oversight of risk management processes, with independent standing invitees attending throughout the year.

The Audit Committee reviews the Group's systems of risk management and their effectiveness on behalf of the Board. These systems and processes have been in place for the year under review and remained in place up to the date of approval of the Annual Report and Accounts.

PHP has implemented a wide-ranging system of internal controls and operational procedures that are designed to manage risk as effectively as possible, but it is recognised that risk cannot be totally eliminated. Staff employed by PHP are intrinsically involved in the identification and management of risk. Strategic risks are recorded in a risk register and are assessed and rated within a defined scoring system.

Approach to risk management continued

The Risk Committee reports its processes of risk management and rating of identified and emerging risks to the Audit Committee. The risk register is reviewed and updated twice annually by the Director: Commercial Finance and Financial Reporting assisted by members of the Risk Committee, and assesses inherent and emerging risks the business faces, as well as the residual risk after specific safeguards, mitigation and/or management actions have been overlaid.

The risk register forms an appendix to the report which details risks that have (i) an initial high inherent risk rating, and (ii) higher residual risk ratings. The Audit Committee in turn agrees those risks that will be managed by management and those where the Board will retain direct ownership and responsibility for management and monitoring those risks.

The Board recognises that it has limited ability to control a number of the external risks that the Group faces, such as government policy, but keeps the possible impact of such risks under review and considers them as part of its decision-making process.

OUR RISK MANAGEMENT STRUCTURE

Structure	Responsibility
BOARD	Sets strategic objectives and considers risk as part of this process. Determines appropriate risk appetite levels.
AUDIT COMMITTEE	Reports to the Board on the effectiveness of risk management processes and controls: • External audit • Risk surveys • Health and safety • Insurance • Internal audit
SENIOR MANAGEMENT	Implements and monitors risk mitigation processes: • Policies and procedures • Risk management and compliance • Key performance indicators • Specialist third-party reviews

Monitoring of identified and emerging risks

In completing this assessment the Board continues to monitor recently identified and emerging risks and their potential impact on the Group. The manner in which we have addressed the challenges of the last two years has demonstrated the resilience of our business model, and our robust risk management approach, to protect our business through periods of uncertainty and adapt to a rapidly changing environment.

Since the release of our 2021 full-year results, there is greater global economic uncertainty. Within the UK, the main challenges facing the economy are rising interest rates and heightened inflation, compounded by the impact of the ongoing war in Ukraine and the increasing risk of recession. The potential adverse impact of these factors on our business includes reduced demand for our assets impacting property values in the investment market, the ability for us to continue to execute our acquisition and development strategy and increased financing costs, which could impact our rental income and earnings. The Board and key Committees have overseen the Group's response to the impact of these challenges on our business and the wider economic influences throughout the year.

The Board has considered the principal risks and uncertainties as set out in this Annual Report, in light of the challenging macroeconomic environment, and do not consider that the fundamental principal risks and uncertainties facing the Group have changed. However, our current assessment is the interest rate and property market principal risks have increased. Whilst there is still much uncertainty around the future trajectory of the economy over the coming years, we have set out in our principal risk tables on the following pages, an update on the changes to our principal risks and expected impacts on our business of the macroeconomic uncertainty, and the mitigating actions and controls we have in place. The Group's continued ability to be flexible to adjust and respond to these external risks as they evolve will be fundamental to the future performance of our business.

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.

With respect to Brexit and COVID-19, the Board continues to monitor the situation but does not consider Brexit or COVID-19, in themselves, to constitute a significant risk to the business.

Risk management and principal risks continued

Mapping our key risks and residual risk movement

We use a risk-scoring matrix to ensure we take a consistent approach when assessing their overall impact. Overall, there has been an increase in the likelihood and potential impact of a number of the principal risks over the year, which has been reached considering wider economic uncertainty and other external factors, balanced against PHP's robust business model. The residual risk exposures of the Company's principal risks are shown in the heat map to the left, being the risk after mitigating actions have been taken to reduce the initial inherent risks.

Grow property portfolio

1. Property markets and competition
2. Financing

Manage effectively and efficiently

3. Lease expiry management
4. People
5. Responsible business

Diversified, long term funding

6. Debt financing
7. Interest rates

Deliver progressive returns

8. Potential over-reliance on the NHS and HSE
9. Foreign exchange risk

→ Indicates risk movement from last year

Grow property portfolio Manage effectively and efficiently Diversified, long term funding Deliver progressive returns

Principal risks and uncertainties

The Board has undertaken a robust assessment of the emerging and 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. As a result of this assessment there have been no changes to the number of principal risks faced by the business in the year which are all still deemed appropriate; however, as a result of the current macroeconomic uncertainty, we have amended risk ratings accordingly. These are set out below, presented within the strategic objective that they impact:

Inherent risk movement in the year ↑ Increased ↔ Unchanged ↓ Decreased ● Low – 0-5 ● Medium – 6-14 ● High – 15-20

GROW PROPERTY PORTFOLIO

1. Property markets and competition

↑ A C D **KPIs impacted**

The primary care property market continues to be attractive to investors attracted by the secure, government backed income, low void rates and long lease.

The emergence of new purchasers in the sector and the recent slowing in the level of approvals of new centres in the UK may restrict the ability of the Group to secure new investments.

Inherent risk rating

2 4 6 8 10 12 14 16 18 20

High
Likelihood is high and impact of occurrence could be major.

Residual risk rating

2 4 6 8 10 12 14 16 18 20

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.

Commentary on risk in the year

In terms of values, the Group has previously benefited from a flight to income as a consequence of the wider economic uncertainty seen in previous years, with demand increasing from investors seeking its long term, secure, government backed cash flows against a backdrop of limited supply.

A revaluation deficit of -£64.4 million was generated in the year, driven by NIY widening of 18 bps in the year.

Interest rate volatility, in particular gilts and bonds, have had a negative impact on the property yields in the sector, despite gilt rates stabilising in Q4. This reduces investor sentiment, competition and attractiveness of PHP's assets and consequently impacted valuations.

Mitigation

The reputation and track record of the Group in the sector mean it is able to source forward funded developments and existing standing investments from developers, investors and owner-occupiers.

As a result, the Group has several 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.

Despite the unprecedented market conditions faced, the Group continues to have a strong, identified pipeline of investment opportunities in the UK and Ireland.

Principal risks and uncertainties continued

GROW PROPERTY PORTFOLIO CONTINUED

2. Financing

↑ G H **KPIs impacted**

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 fund investment and development opportunities and implement strategy.

Furthermore, a more general lack of equity or debt available to the sector could reduce demand for healthcare assets and therefore impact values.

Inherent risk rating

2	4	6	8	10	12	14	16	18	20
						↑			

High
Likelihood is high and impact of occurrence could be major.

Residual risk rating

2	4	6	8	10	12	14	16	18	20
			↑						

Medium
The Group takes positive action to ensure continued availability of resource, maintains a prudent ratio of debt and equity funding and refinances debt facilities in advance of their maturity.

Commentary on risk in the year

The Company successfully completed five debt refinances during the year, entering into a €75 million Euro private placement, refinancing two RCFs of £100 million each with both Barclays and HSBC, a £50 million RCF with Santander, as well as extending the RCF facility with Lloyds from £50 million to £100 million.

Additionally, credit margins agreed on these new facilities remain in line with previous facilities, at a weighted average margin of 1.6% across these five refinances, reiterating the confidence in PHP's business model shown by the lending banks.

The Group's undrawn facilities mean it currently has headroom of £326 million.

All covenants have been met with regard to the Group's debt facilities and these all remain available for their contracted term.

Mitigation

Existing and new 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. Management also closely monitors debt markets to formulate its most appropriate funding structure.

The terms of the completed revolving credit facilities are three years with the option to extend for a further two years at the lender's discretion. The Euro private placement was executed for a twelve-year term, further increasing PHP's average debt maturity of drawn facilities to 7.3 years.

MANAGE EFFECTIVELY AND EFFICIENTLY

3. Lease expiry management

↔ E F **KPIs impacted**

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.

Inherent risk rating

2	4	6	8	10	12	14	16	18	20
					↑				

Medium
Likelihood of limited alternative use value is moderate but the impact of such values could be serious.

Residual risk rating

2	4	6	8	10	12	14	16	18	20
			↑						

Medium
Management employs an active asset and property management programme and has a successful track record of securing enhancement projects and securing new long term leases.

Commentary on risk in the year

Lease terms for all property assets will erode and the importance of active management to extend the use of a building remains unchanged.

Mitigation

The Asset and Property Management teams meet with occupiers on a regular basis to discuss the specific property and the tenant's aspirations and needs for its future occupation.

Twenty projects either completed or started on site in the period, enhancing income and extending occupational lease terms.

In addition, there is a strong pipeline of over 26 projects that will be progressed in 2023 and the coming years.

Only 7.6% of the Group's income expires in the next three years and management is actively managing these lease expiries.

Principal risks and uncertainties continued

MANAGE EFFECTIVELY AND EFFICIENTLY CONTINUED

4. People

↑ F **KPI impacted**

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.

Inherent risk rating

2	4	6	8	10	12	14	16	18	20
					↑				

Medium
Likelihood and potential impact could be medium.

Residual risk rating

2	4	6	8	10	12	14	16	18	20
			↑						

Medium
The Remuneration Committee has benchmarked remuneration with the help of remuneration consultants, and reviewed and updated policies to ensure retention and motivation of the Management team.

Commentary on risk in the year

With higher inflation forecast to continue into 2023 together with the cost-of-living crisis the risk of losing a highly skilled and specialist staff remains at an elevated state.

Despite business confidence subsiding in the latter half of 2022, the recruitment market remains competitive.

Notwithstanding the robust financial and operational results in the year, current LTIP awards are not expected to meet threshold vesting conditions set on inception.

Mitigation

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 an LTIP for Executive Directors and senior management to incentivise and motivate the team and are renewed annually and benchmarked to the market.

Notice periods are in place for key employees.

5. Responsible business

⇔ D E H **KPIs impacted**

Risk of non-compliance with Responsible Business practices and meeting stakeholders' expectations, leading to possible reduced access to debt and capital markets, weakened stakeholder relationships and reputational damage.

Inherent risk rating

2	4	6	8	10	12	14	16	18	20
							↑		

High
Likelihood is high and impact of occurrence could be major.

Residual risk rating

2	4	6	8	10	12	14	16	18	20
			↑						

Medium
The Group is committed to meeting its obligations in line with its Responsible Business Framework and feels it has introduced sufficient mitigants to continue to deliver its objectives.

Commentary on risk in the year

Properties no longer meet occupiers' expected environmental requirements.

Stakeholders including investors and debt providers see ESG as a key issue and want to see a sufficiently developed plan to decarbonise the property portfolio.

There is a risk that we may not meet the hurdles sought by stakeholders including equity and debt investors should PHP not focus enough on ESG matters, potentially impacting the funding of the business significantly.

Additionally, political and regulatory changes to the energy efficiency and net carbon neutral targets of corporates are expected to be mandated in the short to medium term, notably minimum EPC ratings.

Mitigation

PHP's ESG credentials remain at the forefront of its strategic planning and it has established an ESG Committee to review and drive the Group's ESG agenda forward. During the year PHP has:

- reviewed the ESG risk and opportunities register;
- completed the climate transition risk assessment as part of TCFD recommendations, quantifying the business impact;
- provided staff training covering individual personal development and ESG;
- continued to engage external experts WTW and Carbon Trust to review our current ESG agenda and appropriateness for a listed REIT;
- set, monitored and reported sustainability targets and hurdles to ensure acquired assets or asset management schemes meet specific ESG criteria, with these same criteria aligned to investors and debt providers;
- implemented Community Impact Fund to support social prescribing activities at the Group's properties;
- set EPC rating benchmarks to ensure compliance with the Minimum Energy Efficiency Standard ("MEES") that could otherwise impact the quality and desirability of our assets leading to higher voids, lost income and reduced liquidity; we consider environmental and climate change risk relating to our assets and commission reports; and
- worked with our occupiers to improve the resilience of our assets to climate change as well as with contractors which are required to conform to our responsible development requirements.

Principal risks and uncertainties continued

DIVERSIFIED, LONG TERM FUNDING

6. Debt financing

G H **KPIs impacted**

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.

Inherent risk rating

Medium
The likelihood of insufficient facilities is moderate but the impact of such an event would be serious.

Residual risk rating

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.

Commentary on risk in the year

Negotiations with lenders have confirmed that the Group enjoys the confidence of the lending markets both in terms of the traditional high street lenders and the bond markets.

The Company successfully completed five debt refinances during the year, entering into a €75 million Euro private placement, refinancing two RCFs of £100 million each with both Barclays and HSBC, a £50 million RCF with Santander, as well as extending the RCF facility with Lloyds from £50 million to £100 million.

Mitigation

Existing lenders remain keen to finance PHP and new entrants to debt capital markets have increased available resource. Credit margins agreed on new facilities in the year remain in line with what has been achieved in previous years, at a weighted average of 1.6% across these five refinances, reiterating the confidence in PHP's business model shown by the lending banks.

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.

7. Interest rates

A B F G H **KPIs impacted**

Adverse movement in underlying interest rates could adversely affect the Group's earnings and cash flows and could impact property valuations.

Inherent risk rating

High
The likelihood of volatility in interest rate markets is high and the potential impact if not managed adequately could be major.

Residual risk rating

Medium
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, is increasingly exposed to rising interest rate levels.

Property values are still subject to market conditions which will continue to be impacted by the interest rate environment.

Commentary on risk in the year

Interest rates have increased significantly and been volatile in the second half of the year because of greater global uncertainty and the uncertain macroeconomic/political environment in the UK.

Interest rates are widely forecast to remain at higher levels for the foreseeable future, forcing us to critically re-evaluate investment yields on acquisitions and developments, potentially limiting the Group's ability to profitably acquire investment and development opportunities and implement strategy.

Higher interest rates, in particular gilts and bonds, are likely to continue having a negative impact on property yields and consequently valuations in 2023, despite some hope being drawn from the fact that the ten-year gilt has fallen from the peak of 4.5% in Sept 2022 to 3.6% at the time of reporting.

Any new variable debt funding needs in 2023 will be subject to variable interest rates, in addition to the 6%, of unhedged variable debt as at 31 December 2022.

Mitigation

The Group holds the majority 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 94% of net debt is fixed or hedged.

MtM valuation on debt and derivative movements do not impact on the Group's cash flows and are not included in any covenant test in the Group's debt facilities.

The Group continues to monitor and consider further hedging opportunities in order to manage exposure to rising interest rates.

Principal risks and uncertainties continued

DELIVER PROGRESSIVE RETURNS

8. Potential over-reliance on the NHS and HSE

↔ D C **KPIs impacted**

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.

Inherent risk rating

2 4 6 8 10 [✓ 12] 14 16 18 20

Medium
Likelihood is low but impact of occurrence may be major.

Residual risk rating

2 4 6 [✓ 8] 10 12 14 16 18 20

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.

Commentary on risk in the year

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 focusing on greater utilisation of primary care.

Despite the UK's economic outlook and the continued backlog of treatments created by the COVID-19 pandemic, staff shortages and recruitment issues that the NHS faces, we expect the demand for health services to continue to grow, driven by demographics. Despite future government funding levels in the UK and Ireland likely being impacted by any long term, material change to economic performance, primary care remains a critical infrastructure with no indications of an area being considered for cuts.

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.

Mitigation

The commitment to primary care is a stated objective of both the UK and Irish Governments and on a cross-party basis. Never has the modernisation of the primary care estate been more important in order to reduce the huge backlog of treatments, and to avoid patients being directed to understaffed and over-burdened hospitals.

Management engages directly with government and healthcare providers in both the UK and Ireland to promote the need for continued investment in modern premises.

This continued investment provides attractive long term, secure income streams that characterises the sector, leading to stability of values.

PHP continues to appraise and invest in other adjacent, government funded healthcare related real estate assets.

9. Foreign exchange risk

↔ A B C D **KPIs impacted**

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.

Inherent risk rating

2 4 6 8 10 [✓ 12] 14 16 18 20

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 is increasing.

Residual risk rating

2 [✓ 4] 6 8 10 12 14 16 18 20

Low
PHP has implemented a natural hedging strategy to cover balance sheet exposure and has hedged out the income exposure for the period until July 2024.

Commentary on risk in the year

The Group now has 20 investments in Ireland. Asset values, funding and net income are denominated in Euros.

The wider macroeconomic and political environment across the world continues to cause exchange rate volatility.

Mitigation

The Board has funded and will continue to fund its investments in Ireland with Euros to create a natural hedge between asset values and liabilities in Ireland.

To hedge out the Euro denominated income exposure PHP has executed a zero cost Euro foreign exchange cap and collar hedging during 2022 to rates between a range of €1.1675 : £1 and €1.1022 : £1, for a two-year period to cover net annual income of €10 million per annum.

Management closely monitors the Euro to GBP currency rates with its banks to formulate a formal hedging strategy against Irish net cash flow.

Viability statement

In accordance with the 2018 UK Corporate Governance Code, the Board has assessed the prospects of the Group over the longer term, taking account of the Group's current position, business strategy, principal risks and outlook.

The Board believes the Company has strong long term prospects, being well positioned to address the need for better primary care health centres in the UK and Ireland.

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 2025. 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 and 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.

The sensitivities applied are generally the same as those used for the 31 December 2021 assessment which included a 10% decline in valuations, and 2% increase in variable interest rates. We believe these remain realistic reasonable worst case scenarios, having seen an absolute valuation decline of 4% in H2 2022. Across our various loan facilities, valuations would need to fall by a further £1.2 billion or 42% before the loan to value covenants are impacted. Despite a 375bp increase in the Bank of England base rate during 2022 and up to the time of this report, many economists and market consensus is pricing in a further 50-150bp increase during 2023, before inflation starts decreasing to a more manageable level. We therefore feel the further 200bp increase in variable interest rates should remain a sensitivity.

The sensitivities applied are as follows:

- declining attractiveness of the Group's assets or extenuating economic circumstances impact investment values – valuation parameter stress tested to provide for a one-off 10%/£282 million fall in June 2023;
- 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 2023; 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 at 31 December 2025	**31 December 2022**	Viability scenario
Loan to value ratio	**45.1%**	53.8%
Net debt	**£1,261m**	£1,443m
Interest cover ratio	**3.45x**	2.48*x*
Adjusted net assets	**£1,505m**	£1,209m
Available financial headroom	**£326m**	£158m

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 management will actively manage each of the individual loans within covenant limits and 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. See Note 15 to the financial statements for a profile of the Group's debt maturity.

Harry Hyman
Chief Executive Officer
21 February 2023

Maintaining a high level of corporate governance

"Our clear and strong governance framework remains of critical importance, and the Board continues to play a vital role in the way we do business"

Steven Owen
Non-executive Chairman

STATEMENT OF COMPLIANCE WITH THE CODE

This report sets out the Company's governance structures and practices and explains how the Board discharges its duties and applies the principles and complies with the provisions of the July 2018 UK Corporate Governance Code (the "Code"), issued by the Financial Reporting Council ("FRC") and available at www.frc.org.uk.

The Board has considered the Company's compliance with the provisions of the Code during the year ended 31 December 2022. The Board confirms that throughout the year ended 31 December 2022 and to the date of this report, the Company was compliant with all the relevant provisions as set out in the Code, other than Provision 41 as our workforce engagement this year did not cover an explanation of how executive remuneration aligns with wider company pay policy and, with effect from 1 January 2023 to the date of this report, Provision 19 relating to the tenure of the Chair which is fully explained below and in the Nomination Committee report.

DEAR SHAREHOLDER

Introduction

I am pleased to introduce the governance section of this year's Annual Report which gives more detail on the governance structures we have in place and how the Board and its Committees worked on behalf of shareholders and other stakeholders, driving the culture necessary for PHP to achieve its strategic goals.

As stewards of the Company, the Board is responsible to our shareholders, customers, employees and other stakeholders for its long term success. Our long term success in delivering excellent returns for its shareholders, many of whom are also employees, was recognised by PHP being judged the winner of MSCI's Highest Ten-Year Risk Adjusted Total Return Award.

This accolade is down to the sound governance framework we have in place and the excellent work, investment discipline and dedication of our highly experienced management team, led by the CEO and founder, Harry Hyman, in delivering high quality, modern medical centres for GPs and other primary care professionals in the UK and Ireland.

Board evolution

As announced in December last year, Harry Hyman has expressed his intention to retire as CEO at the Company's Annual General Meeting in 2024.

I was appointed as Chairman of PHP in April 2018, having joined the Board as a Non-executive Director in January 2014, so that I have now served as a Director for nine years. In the normal course of events under the Code, I would retire as Chairman at the AGM this year. However, the Board has requested that, following consultation with several of our largest shareholders, I should stay on as Chairman until the 2024 Annual General Meeting to lead the process of recruiting and appointing the new CEO and to ensure an orderly succession on the Board.

Ian Krieger, our Senior Independent Director will be leading the process for the appointment of my successor at the 2024 Annual General Meeting. In reviewing the composition of our Board, we will be cognisant of forthcoming targets for representation on boards of listed companies that will apply to our next reporting period.

Board evolution continued

Although I was considered to be independent on my appointment as Chairman, as stated when we made the announcement about our succession plans, I am no longer considered to be independent under the Code and so have stood down as a member of the Remuneration Committee, but will continue to chair the Nomination Committee.

The appointment of a new CEO to replace Harry, who founded PHP and has led it with distinction since then, is an extremely important appointment. The Board will appoint independent recruitment consultants with no connections with PHP or any of its directors, to assist in running a thorough and rigorous search process to identify a diverse pool of candidates from whom we hope to identify an individual with the skills and vision necessary to continue the enviable growth record of the Company. We will report on the result of the process in due course.

Culture and strategy

Strategy and culture need to be aligned for us to achieve our corporate purpose and governance has a key role to play in establishing the culture that we want to create. We aim to be a key partner to the health services in the United Kingdom and Ireland in delivering much needed investment into primary care facilities, which have been demonstrated to improve health outcomes and reduce referral rates to over-stretched hospitals.

Accordingly, the Board culture seeks to foster an environment where we conduct our operations with honesty, integrity and respect for the many people, organisations and localities that our business touches. In addition, the Board environment encourages openness, respect, trust and fairness.

Stakeholders and sustainability

The nature of our business, from investing in and developing properties to managing and improving our spaces for the delivery of primary care, means we have a continuous dialogue with a wide group of stakeholders and we consider our environmental and social impacts in all that we do. This approach is central to our purpose and our stakeholders' views are a key consideration when making decisions which may affect them. More detail on the Board's engagement with shareholders, employees and other stakeholders can be found on page 46.

On the social side, we are in the second year of our Community Impact Fund in partnership with UK Community Foundations to offer grants to charities and community groups that are focused on social prescribing and community wellbeing. In 2022 we have focused on charities and groups serving our properties in the North West and North East of England. I am delighted that several of our employees have also taken advantage of our volunteering scheme and taken paid time off work to support a number of worthwhile charities which will benefit both the charities concerned and the individual volunteers in their personal and career development.

Our ESG Committee continued to drive forward our environmental, social and governance agenda. We provide further details on our initiatives in this important area on pages 46 to 47 and how we discharge our duties under Section 172 of the Companies Act 2006 on page 54.

Evaluation

The annual Board evaluation process is an important part of our governance process as it provides an opportunity for reflection on aspects of the Board's work that went well and consider areas for further improvement. Details of the evaluation and the main findings of the process are set out on page 79. I am pleased that the feedback confirms my view that the Board works effectively, and the Board is working in a collaborative and open way.

I am therefore able to report that following an evaluation of the performance of the Directors and their other commitments, each of the Directors standing for re-election at the Annual General Meeting on 19 April 2023 has been recommended by the Board for re-election.

AGM

We will be holding our Annual General Meeting on 19 April 2023 and the notice of the meeting, a covering letter from me about the meeting, explanatory notes for the resolutions to be put to the meeting and details of your vote are set out on pages 163 to 175 of this document.

I hope that you will be able to join us at the meeting which is a key forum for shareholders to meet with and discuss matters with the Board. If you are not able to attend, please either use the form of proxy that you should find with the Annual Report or cast your vote electronically as explained on pages 163 and 175.

Looking ahead

I would like to conclude by thanking members of the Board for their continued support and wholehearted commitment over the past year. We have all appreciated being able to hold Board meetings in person once again and have enjoyed the benefits of more informal engagement in face-to-face meetings both at Board level and with our employees.

I hope that you find the remaining pages of this Governance Report informative and useful.

Steven Owen
Chairman
21 February 2023

A proven leadership team

The Board provides leadership and direction to the business as a whole, having due regard to the views and interests of its stakeholders and the environment within which it operates.

ⒺⓃⓇⓈ

1 Steven Owen

Non-executive Chairman

Election to the Board
Steven Owen was appointed to the Board in January 2014, and following his election at the Annual General Meeting in April 2014 he took up the position of Chairman of the Audit Committee and Senior Independent Director. Steven was appointed Chairman in April 2018 and took over as Chairman of the Nomination Committee.

Career
Steven embarked on his career with KPMG before moving into property with Brixton plc where he became Finance Director and subsequently Deputy Chief Executive. He is currently the Interim Executive Chairman of Palace Capital plc, a UK REIT that owns and manages a diversified portfolio of UK regional commercial property, and was CEO and Founding Partner of Wye Valley Partners LLP, a commercial real estate asset management business.

Skills, competence and experience
Steven combines his financial skills as a Chartered Accountant with extensive experience of investment and development in commercial property in a listed company environment, having spent 24 years at Brixton plc, then a listed FTSE 250 company. Steven is also a Fellow of the Association of Corporate Treasurers.

Other listed directorships
Interim Executive Chairman of Palace Capital plc.

Independent Non-executive
As Steven has now served on the Board for over nine years he is no longer regarded as independent under the Code.

ⒺⓈ

2 Harry Hyman

Chief Executive Officer

Election to the Board
Harry Hyman founded the Company in 1996 and has served on the Board as Managing Director from that time. On completion of the internalisation on 5 January 2021, Harry Hyman was appointed as Chief Executive Officer.

Career
Harry graduated from Cambridge University and trained as a Chartered Accountant and Corporate Treasurer.

He established the Company in 1996 and was the Managing Director of Nexus Tradeco Limited ("Nexus"), which until 5 January 2021 was the Adviser to PHP.

He is a Fellow of the Institute of Chartered Accountants in England and Wales, a Fellow of the Association of Corporate Treasurers and a Fellow of the Royal Institute of Chartered Surveyors.

Skills, competence and experience
Harry has extensive experience in investing in the primary healthcare sector, having developed the Company's business from inception over 20 years ago to its current position with an investment portfolio of over £2.6 billion. He also brings entrepreneurial flair to the Board having established a number of successful private companies.

Other listed directorships
Non-executive Chairman of Biopharma Credit Plc, an externally managed investment trust which invests in the fast-growing science industry, and of TMT Acquisition PLC, an acquisition shell company, both of which are listed on the London Stock Exchange.

Independent Non-executive
Not applicable

ⒺⓈ

3 Richard Howell

Chief Financial Officer

Election to the Board
Richard Howell was appointed to the Board from 31 March 2017, having joined Nexus on 13 March 2017 and, following completion of the internalisation of the advisory and management functions previously carried out by Nexus, he was appointed Chief Financial Officer.

Career
Richard is a Chartered Accountant and has over 20 years' experience working with London-listed commercial property companies, gained principally with LondonMetric Property plc and Brixton plc. Richard was part of the senior management team that led the merger of Metric Property Investments plc and London & Stamford Property Plc in 2013 to create LondonMetric Property plc. In May 2022 he was appointed as a Non-executive Director at Life Science REIT plc, an AIM-listed externally managed real estate trust.

Skills, competence and experience
Richard has extensive finance experience, having previously held senior accounting positions within listed property companies operating across the UK. Whilst working for LondonMetric Property plc and Brixton plc, he has been involved in over £5 billion of property transactions.

Other listed directorships
Non-executive Director of Life Science REIT plc.

Independent Non-executive
Not applicable

BALANCE OF THE BOARD

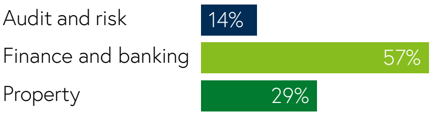
● 1 Chairman
● 2 Executive
● 3 Non-executive

GENDER

● 4 Male
● 2 Female

COMPOSITION OF THE BOARD

Board skills and experience



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4 Laure Duhot

Independent Non-executive Director

Election to the Board
Laure Duhot was appointed to the Board from 14 March 2019 following completion of the merger with MedicX Fund Limited, where she had also been a Non-executive Director. She is Chair of the ESG Committee.

Career
Laure started her career in the investment banking sector and has developed a focus on the property sector. She has held senior roles at Lehman Brothers, Macquarie Capital Partners, Sunrise Senior Living Inc., Grainger plc and Lendlease. She is a Non-executive Director of Safestore Holdings plc, NB Global Monthly Income Fund Limited and of Orpea S.A., a Paris-listed operator of retirement homes.

Skills, competence and experience
Laure brings over 30 years of senior executive level experience in the investment banking and property sectors, specialising in alternative real estate assets, and has been a Non-executive Director at a number of funds and property companies.

Other listed directorships
Non-executive Director of Safestore Holdings plc, Orpea S.A. and NB Global Monthly Income Fund Limited.

Independent Non-executive
Yes

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5 Ian Krieger

Senior Independent Non-executive Director

Election to the Board
Ian Krieger was elected a Director at the 2018 Annual General Meeting, having been appointed to the Board in February 2018, and is Chairman of the Audit Committee.

Career
Ian is a Chartered Accountant and was a Partner and Vice-Chair at Deloitte until his retirement in 2012. He is currently Senior Independent Non-executive Director and Chairman of the audit committee at Safestore Holdings plc and is Senior Independent Non-executive Director at Capital & Regional plc, where he is also the Chairman of the Audit Committee.

Skills, competence and experience
Ian qualified as and practised as a Chartered Accountant and brings a wealth of recent financial experience to the Board as well as his experience as Chairman of the Audit Committees of two other UK-listed companies in the property sector.

Other listed directorships
Non-executive Director of Safestore Holdings plc and Capital & Regional plc.

Independent Non-executive
Yes

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6 Ivonne Cantú

Independent Non-executive Director

Election to the Board
Ivonne was appointed to the Board from 1 January 2022.

Career
Ivonne has significant public company experience having spent over 20 years advising listed businesses. She is currently the Director of Investor Relations, Communications and Sustainability as well as a member of the Executive management team and the Sustainability Committee of Benchmark Holdings Limited, a biotechnology aquaculture company. She is also a Non-executive Director and Chair of the Remuneration Committee at Creo Medical Group plc.

Skills, competence and experience
Prior to taking up her position at Benchmark Holdings Limited, Ivonne spent 13 years as a Senior Corporate Finance Adviser at Cenkos Securities plc, and prior to that seven years as an Investment Banker at Merrill Lynch. She has a degree in Engineering from the Universidad Panamericana in Mexico City and an MBA from the Wharton School of Business at the University of Pennsylvania.

Other listed directorships
Non-executive Director of Creo Medical Group plc.

Independent Non-executive
Yes

Key to Committee membership

🅐 Audit Committee
🅝 Nomination Committee
🅡 Remuneration Committee
🅔 ESG Committee
🅢 Standing Committee
○ Indicates Chair of Committee

Senior Leadership Team

EXECUTIVE COMMITTEE

The team are listed opposite, along with the dates they joined the business.

Harry Hyman

Chief Executive Officer

Full biography on page 66.

Richard Howell

Chief Financial Officer

Full biography on page 66.

David Bateman

Chief Investment Officer

David was appointed Investment Director in December 2016 and subsequently promoted to the Executive team in 2021 and became Chief Investment Officer in 2022. David is responsible for managing the investment team with significant input across investor presentations, strategy and development.

Over the last 20 years David has worked across all property sectors but with an increasing focus on operational-led property and with substantial expertise in sale and leaseback, development-led transactions and investments.

Paul Wright

Company Secretary and Chief Legal Officer (Outgoing)

Paul joined the business in September 2016 and provided Company Secretary and Group legal services through Nexus, until completion of the internalisation, when he was appointed as Company Secretary. Paul is a solicitor with over 30 years' experience gained in private practice and in house. Paul has previously been Company Secretary & General Counsel at Taylor Nelson Sofres PLC (now part of WPP PLC), Playtech PLC and Cambian Group PLC.

Paul will be retiring from his role on the Executive Committee at PHP on 28 February 2023, and will be replaced by Toby Newman.

Toby Newman

Company Secretary and Chief Legal Officer (Incoming)

Toby joined PHP at the start of 2023, having, since 2017, been General Counsel & Company Secretary at national independent hospital, gym and healthcare services provider Nuffield Health, where he led a multi-disciplinary team responsible for all legal matters across its businesses. Toby is a solicitor with 20 years' experience, gained in private practice in the City specialising in M&A, capital markets and corporate governance, then focusing on the healthcare sector before moving in house.

MANAGEMENT TEAM AT PHP

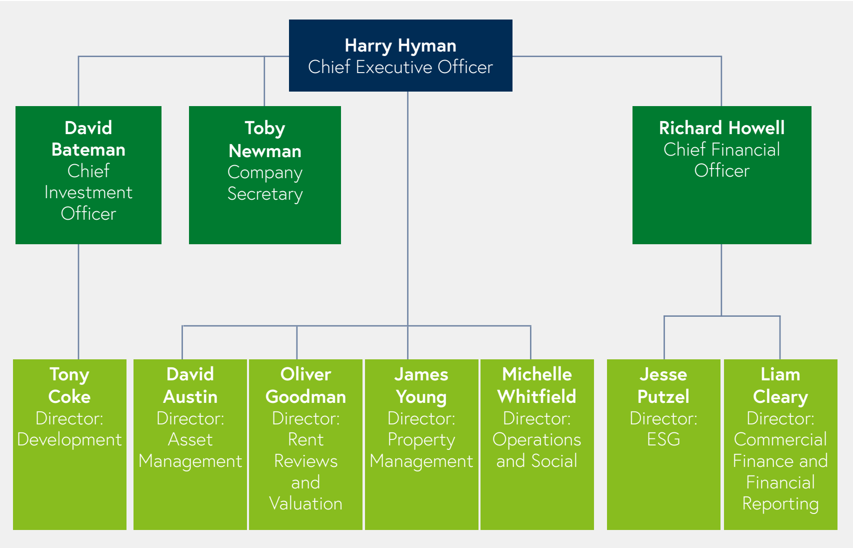
Executive and senior leadership teams

Set out below is a chart showing the structure of the Executive and senior leadership teams which managed the day-to-day operations of the business during the year. Further details of the team are set out on page 69.

The Executive team operates under the direction and leadership of the Chief Executive and meets weekly to oversee the day-to-day running of the business and progress in delivering the Board's approved strategic objectives.

The senior leadership team comprises departmental heads from all key business functions with a diverse range of skills and experience and this team has been strengthened from the start of 2022 by the recruitment of a Director dedicated to driving forward PHP's ESG agenda.

Toby Newman will replace Paul Wright as Company Secretary on 28 February 2023, with Paul retiring having worked for PHP as Company Secretary and Chief Legal Officer for the last seven years.



SENIOR MANAGEMENT

David Austin

Director: Asset Management

David has worked in the PHP business since August 2016 and was appointed to head up the asset management team in 2019 following the merger with MedicX.

David is a Chartered Surveyor with over 20 years' post qualification experience with Jones Lang LaSalle, Axa, LandSec and MWB.

Tony Coke

Director: Development

Tony is a Chartered Surveyor with over 15 years' experience in primary care development. Tony's teams have delivered some 30 new premises across the South of the UK, with a particular focus on the South East and Greater London. Tony is conversant with all aspects of primary care premises development from the initial project brief right through to achieving practical completion on the premises.

Oliver Goodman

Director: Rent Reviews and Valuation

Oliver joined following the merger with MedicX in 2019, and heads up the team responsible across the portfolio for negotiating and securing rent reviews, both when provided for under the terms of the lease and on asset management projects when the lease is re-geared. Oliver is a Chartered Surveyor and he has an in-depth understanding of the complex process of agreeing rent reviews with District Valuers in accordance with the detailed regulations that govern the reimbursement of rents on GP surgeries.

Michelle Whitfield

Director: Operations and Social

Michelle joined the business in February 2014 following the acquisition of the Prime portfolio. She has previously worked in national property and asset management for NFU Mutual Insurance Society Ltd and Halfords. She moved to specialist healthcare developer and investor Prime PLC in 1999, managing its portfolio of primary care centres. Michelle is based in our Stratford-upon-Avon office and oversees the delivery of the Group's training programme and manages the relationship with the UK Community Foundations to offer grants to charities and community groups that are focused on social prescribing and community wellbeing projects.

Liam Cleary

Director: Commercial Finance and Financial Reporting

Liam joined following the merger with MedicX in 2019, and is now responsible for commercial finance and financial reporting. Liam is a Chartered Accountant who has over 13 years' experience working in private and public companies. Before working at MedicX, Liam worked at both PwC and Deloitte Touche Tohmatsu in the UK and in Australia on a variety of capital market and merger and acquisition transactions.

James Young

Director: Property Management

James joined PHP from MedicX in 2019, where he was Head of Asset and Property Management. Following the merger, James was appointed to be responsible for property and facilities management across the enlarged portfolio in the UK. James manages a team of surveyors, who are primarily based in the Stratford-upon-Avon office.

James is a Chartered Surveyor with over 20 years' experience having worked as a Property and Asset Manager for the likes of CBRE, GVA Grimley and Herring Baker Harris.

Jesse Putzel

Director: ESG

Jesse joined PHP in January 2022 and has over 18 years' experience in the environment and sustainability field within public and private sector. Prior to joining PHP, Jesse was Head of Sustainability at BAM, a large European construction and property services enterprise and has worked with leading clients to help deliver some of the most sustainable buildings in the UK.

Jesse is a member of the Institute for Environmental Management and Assessment, Fellow of the Royal Society of Arts and Cambridge Sustainable Finance course assessor.

PART A: BOARD LEADERSHIP AND COMPANY PURPOSE

Purpose, strategy, values and culture

The Board has determined that the Company's purpose is to support the NHS in the United Kingdom and the HSE in Ireland in tackling the under investment in primary care facilities in both countries. We exist to facilitate the NHS, the HSE, GPs and our other customers in delivering health services for the communities that they serve. We are proud that our buildings serve a total patient list of over 6.0 million people in the UK, or 8.9% of the UK population. We also continually invest in our estate through asset management projects designed to improve the quality of the buildings, making them more energy efficient and increasing the number of consulting rooms and other facilities available for treatments.

As described in more detail on pages 15 to 17 of the Strategic Report, our strategy is built around four pillars: Grow, Manage, Fund and Deliver. Set out in the table below is how the decisions taken by the Board have supported the delivery of this strategy during the year.

How governance supports our strategy

Strategic objective	Board discussions, decisions and actions in the year	Links
Grow	The Board scrutinised proposals for the acquisition of four properties for a total of £52.9 million as standing let investments and for the investment in the development of two projects in the UK and Ireland spending £10.6 million in the year. In addition, the strategic disposal of thirteen assets, generating profits of £2.9 million, was approved by the Board. The Board also supported an expanded range of training programmes and mentoring opportunities for staff at all levels across the business to support their career development and personal growth.	Page 16
Manage	To enhance the capital value of the portfolio, re-gear leases and improve the energy efficiency of properties, the Board agreed capital expenditure totalling £17.5 million on asset management projects in the year and an expansion of the asset management team to undertake more projects. The Board agreed proposals to invest in new facilities' software systems to improve the maintenance of the portfolio and deliver facilities management services where PHP is required to under the terms of its leases.	Page 16
Fund	In order to secure committed facilities at historically low interest rates, the Board approved the issue a new €75 million (£64.6 million) secured private placement loan note to MetLife for a twelve-year term at a fixed rate of 1.64% to support continued investment in Ireland and renewed facilities with Santander, HSBC, Barclays and Lloyds Bank. In order to take advantage of favourable market conditions in the first half of the year, the Board agreed to dispose of a portfolio of 13 smaller assets for £27.7 million, which capital can be re-deployed in projects delivering superior anticipated returns. In light of increased volatility in the exchange rate of the £ and €, the Board took the decision to enter into a FX hedge to protect excessive fluctuation in the income derived from Ireland. The Board considered the reports of the ESG Committee after each of its meetings and approved investment required to meet the ESG targets proposed by the ESG Committee to drive forward our sustainability initiatives, details of which are set out in the Responsible Business Report, and decided to launch the PHP Community Impact Fund as part of PHP's wider ESG initiatives.	Page 17
Deliver	The Board critically reviewed the level of quarterly interim dividends for the year in light of a likely reduction in the level of revaluation reserves and increased income from rent reviews to ensure a fully covered dividend. The Board approved the payment of dividends totalling 6.5 pence per share in 2022, an increase of 4.8% over 2021 of 6.2 pence per share. The Board took the decision not to continue to offer a scrip dividend but to introduce a Dividend Re-Investment Plan for shareholders in light of the fall in the premium over net asset value in the Group's share price as a means for shareholders to increase their shareholding in a cost-effective manner.	Page 17

At the same time our strategy has delivered strong and secure returns to shareholders which has been recognised by PHP being judged the winner of MSCI's Highest Ten-Year Risk Adjusted Total Return Award. The Board believes that the Group's portfolio of properties offer long term and sustainable sources of rental income to underpin the steadily growing returns we offer to shareholders.

Culture and values

The Company's purpose is core to every decision taken by the Board. As detailed on pages 70 to 71, the Company has a framework of values and strategic measures that underpin our purpose to ensure that the strategy and culture of the Company are aligned.

PART A: BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

Purpose, strategy, values and culture continued

Culture and values continued

We recognise that, as guardian of our culture, the Board plays a vital role in defining the way in which we do business and the Board sets the tone for the Company. An appropriate governance structure for decision making, together with promoting an environment of trust, respect and accountability, is fundamental to our culture. This attitude and mindset to do what is right shapes the environment within which the Executive team and wider workforce works and the way PHP behaves towards its stakeholders.

Our strong culture supports our strategic priority of partnering with the NHS in the UK and the HSE in Ireland in the modernisation of the primary care estate and promotes employee engagement, retention and productivity. We are genuine and passionate about what we do, working collaboratively and using our expertise to find high quality solutions for our occupiers and improve the experience of the people who use our buildings.

The Board continued to monitor the culture of the Company as the business emerged from the restrictions imposed by the COVID-19 pandemic and moved into new open-plan offices near Charing Cross in Central London. The Board approved the adoption of a hybrid working model with all staff working in the office for at least three days per week.

Our size, being only 65 employees, and the regular interaction of the management committee members and senior leadership team with the remainder of the workforce, facilitates the monitoring of culture, which we do in a number of ways as follows:

- inclusion of culture and value-led questions within our employee surveys as detailed below;
- regular reporting and feedback from the Executive Directors and the designated workforce NED following staff engagement meetings, highlighting what we do well and where improvements can be made;
- regular face-to-face engagement with employees through Board site visits and exposure to the senior management team at the annual strategy session; and
- monitoring of staff turnover rates, whistleblowing and health and safety incidents.

Going forward, we will look to learn from the changes made to our business operations as a result of the COVID-19 pandemic, including the ability to successfully work remotely, as a result of improvements to the IT infrastructure and widespread use of virtual meeting platforms.

Leadership

The Board, supported by an expert management team, continues to maximise the competitive advantage of the Company by utilising the team's deep knowledge of the primary care sector to create sustainable value for shareholders. The Company is led by the Board in its entrepreneurial approach and continues to innovate to produce sector-leading healthcare facilities in both the United Kingdom and Ireland. Further details of the results of the survey can be found on page 44.

Our stakeholders and the Board's engagement with them

Our tenants

In working on the development of new facilities, or in planning asset management projects, we engage deeply with the NHS in the UK and the HSE in Ireland, as well as with local GPs and other healthcare professionals in our facilities, to understand their evolving requirements. We are looking to develop strong relationships with the newly formed integrated care boards in the NHS in England to understand their key priorities for the improvement of care in their regions and create an effective partnership with them to deliver their vision for improved primary care delivery.

The Board reviewed the results of the tenant survey conducted in November 2021 and supported proposals from the management team to revise the method of carrying out the tenant survey going forward to move away from an online questionnaire issued to all tenants, to a face-to-face interview as part of a site visit, so as to better understand the views of tenants and ensure that we are engaging with the right individuals to gain feedback on our property and facilities management.

Our communities

Our Community Impact Fund, which was launched in partnership with the UK Community Foundation during 2021, was continued in 2022 with grants being made to charities and community groups focused on delivering social prescribing and community wellbeing in the North West and North East of England. At the strategy day, the Board received an initial report on the work being carried out under the 2021 programme, which was oversubscribed, in both Lincolnshire and Scotland by 20 organisations funding a range of activities including counselling, social prescribing awareness and wellbeing workshops, in areas covered by our medical centres and to which the GP practices can refer patients. Further information on this initiative is available on page 42.

The Board also received detailed feedback from PHP's participation in the Purpose Coalition's Levelling Up Goals focused around good health and wellbeing.

Our employees

PHP undertook its annual staff engagement survey (managed by an independent third party) in May 2022 to gauge the current level of staff satisfaction following the London office relocation in February 2022. Responses were received from 96% of staff (69% in 2020) with nearly 80% of respondents happy with PHP as an employer.

This was closely followed by an Investors in People ("IIP") diagnostic survey, a first step on the route to our goal of IIP accreditation. The Board considers this would support and enhance our people strategy, future recruitment and ESG performance. The IIP survey also allows us to benchmark our performance against other organisations both within the real estate sector and more widely. The initial score from the survey was extremely encouraging for a company newly embarked on the journey to achieve IIP accreditation, with only a small margin between the score achieved and the average for all companies participating in the IIP survey.

PART A: BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

Our stakeholders and the Board's engagement with them continued

Our employees continued

Laure Duhot, as the designated NED for workforce engagement, held two face-to-face meetings during the year with staff. The first was in the London office in July and the second at our Stratford-upon-Avon office in November. These sessions ranged openly across a wide number of areas, including the feedback from the staff surveys, the move to the new offices in London and management communication in a hybrid/flexible working practice environment. Laure reported back her detailed feedback from these sessions, on a non-attributable basis, to the Board which debated proposals to address matters raised in these sessions.

In response to feedback received from the designated workforce NED's meetings and the staff surveys referred to above, the Board will focus on the following key action points in order to drive the right behaviours and support the development of employees:

- provide training and development opportunities for staff and launch a PHP mentoring programme;
- deliver an amended appraisal framework with greater focus on career pathway support and development;
- maintain and enhance current staff forum to ensure good communication and invite engagement, idea generation, involvement and feedback; and
- review and update the PHP mission and vision statements and Company values.

Our investors

Regular communication with investors continues to be a top priority for the Board, which believes that understanding the views of shareholders is an important contributor to the Company's strategic direction and success.

Ahead of our announcement regarding the succession plan for the role of the CEO, Steven Owen, in his capacity as the Chairman of the Nomination Committee, and Ian Krieger, our Senior Independent Director, presented the proposed succession and remuneration plans to ten large institutional shareholders, representing 37% of PHP's register, none of whom highlighted any major concerns with the proposals. Ivonne Cantú, the Chair of our Remuneration Committee, separately engaged with approximately 20 of our largest shareholders to discuss changes to the remuneration of the CEO and CFO.

Any shareholders wishing to raise any governance issues may contact the Chairman, or the Chair of the relevant Committee, at any time. The Senior Independent Director is also available to respond to shareholder concerns, when contact through the normal channels is not appropriate.

We want to create sustainable value for all three types of investors in our business: institutional, private and debt. It is important to us that our investors understand our strategy and equity story, so that they can support the execution of our strategy and our capital recycling.

The Board received detailed feedback from management and PHP's brokers following shareholder meetings, roadshows and results presentations and noted a generally high level of satisfaction with the performance.

PART A: BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

Our stakeholders and the Board's engagement with them continued

Our investors continued

Institutional investors

Our Executive Directors once again held a series of meetings with institutional investors as part of road shows following on our full-year and interim results. The results presentation was conducted in a hybrid format, with a physical briefing being held at Buchanan's office for the first time since the outbreak of COVID-19 and live conference call and web-cast facilities were available which were well attended.

The Board works with its brokers, Numis and Peel Hunt, to ensure that an appropriate level of communication is facilitated through a series of investor relations activities around the issue of our full-year and interim results. The feedback received by the brokers from these meetings is fed back to the Board for its review. During the year, JP Morgan Cazenove, were also appointed as brokers to increase our reach, particularly to overseas investors.

The CEO and CFO undertook an investor roadshow in the Benelux region to visit a number of existing and potential investors and also participated in a regional roadshow arranged by Capital Access in Birmingham.

These meetings are an important method of keeping investors informed of the Company's performance and plans, answering questions they may have and understanding their views. Topics discussed include the development and implementation of strategy, financial and operational performance, ESG matters, the strength of the Company's income, the debt structure and the real estate market in general.

Private investors

Private investors are an important part of our shareholder base for whom we aim to deliver progressive dividend growth and steady capital appreciation. Our private investors are encouraged to give feedback and communicate with the Board via the Company Secretary throughout the year.

We were able to hold a physical meeting for our Annual General Meeting in 2022 for the first time since 2019. The whole Board attended and were available to answer shareholder questions.

All the resolutions put to the meeting received the overwhelming support of investors. The results of the voting at all general meetings are published on our website.

We work closely with our registrars, Equiniti, to maintain an efficient share register and limited paper distributions and to address all queries that we receive from our private shareholders throughout the year.

Debt investors

Our treasury team engaged with US Bank Trustees Limited, the trustee under the £70,000,000 Floating Rate secured bonds due 2025 (the "Bonds") issued by PHP Bond Finance PLC and guaranteed by PHP in order to transition away from LIBOR to SONIA on the Bonds, and secured agreement to an amendment to the terms of the Bonds.

Regular dialogue is maintained with all our relationship banks, including meetings and or conference calls. As noted elsewhere agreement was reached with Barclays, Lloyds and HSBC banks with regard to extension of existing credit facilities.

PART B: DIVISION OF RESPONSIBILITIES

There is a clear written division of responsibilities between the Chairman (who is responsible for the leadership and effectiveness of the Board) and the Chief Executive Officer (who is responsible for the day-to-day operations of the business) and Senior Independent Director (who is responsible for supporting the Chair on all governance issues).

The Chairman has regular meetings with the Chief Executive Officer between scheduled Board meetings to keep abreast of important developments within the business and to ensure that these developments are considered by the Board.

When running Board meetings, the Chairman maintains a collaborative atmosphere and ensures that all Directors have the opportunity to contribute to the debate. The Directors are able to voice their opinions in a calm and respectful environment, allowing coherent discussion.

The Chairman meets with individual Directors outside formal Board meetings to allow for open, two-way discussion about the effectiveness of the Board, its Committees and its members. The Chairman is therefore able to remain mindful of the views of the individual Directors.

Five Committees of the Board have been operating throughout the year: the Audit, Remuneration, Nomination, ESG and Standing Committees, to which certain powers have been delegated as set out in their terms of reference which can be viewed on our website at www.phpgroup.co.uk/about-us/corporate-governance.

The reports of each of the Audit, Remuneration and Nomination Committees are set out in the following pages and the report of the ESG Committee can be found on page 33.

This governance structure set out on page 75 ensures that the Board is able to focus on strategic proposals, property acquisitions and major transactions and governance matters which affect the long term success of the business.

The Board has delegated authority for the day-to-day management of the business to the Chief Executive Officer, who is supported in discharging these duties by two standing executive committees as shown on page 75.

There is a written framework of delegated authorities setting out the financial parameters within which the Executive Directors and senior management team may act without reference to the Board, although any proposal could still be taken to the full Board for consideration and approval where this is considered appropriate.

PART B: DIVISION OF RESPONSIBILITIES CONTINUED

OUR GOVERNANCE STRUCTURE

Board of Directors

Chair: Steven Owen

- The Board sets the Group's strategic aims, ensuring that the necessary resources are available for the Group to meet its objectives, and oversees the execution of the strategy within an acceptable risk management framework

Audit Committee

Chair: Ian Krieger

- Oversees the quality of financial and narrative reporting
- Scrutinises significant judgements made by management
- Provides assurance on internal controls, risk management and audit processes
- Evaluates the performance of the external auditor
- Obtains assurance regarding the objectivity of the valuers

Members: Ian Krieger, Ivonne Cantú and Laure Duhot

Remuneration Committee

Chair: Ivonne Cantú

- Determines and implements Remuneration Policy
- Sets remuneration packages and incentives for Executive Directors and senior management team
- Approves annual bonus and LTIP targets and outcomes for the senior management team
- Oversees the operation of the PHP Sharesave plan and approves the grant of options under the plan
- Has oversight of workforce remuneration arrangements and alignment of these with the Group's strategy

Members: Ivonne Cantú, Steven Owen (stepped down 2023), Laure Duhot and Ian Krieger

Nomination Committee

Chair: Steven Owen

- Leads process for Board appointments
- Considers Board composition and succession
- Reviews balance of skills and diversity on the Board
- Oversees the annual Board evaluation process

Members: Steven Owen, Ian Krieger, Ivonne Cantú and Laure Duhot

ESG Committee

Chair: Laure Duhot

- Assists in the development of ESG strategy
- Develop and monitors policies on ESG matters
- Develops and monitors social impact initiatives
- Considers opportunities for environmental initiatives in portfolio

Members: Laure Duhot, Ivonne Cantú, Steven Owen, Ian Krieger, Harry Hyman, Richard Howell, David Bateman and Jesse Putzel

Standing Committee

Chair: Steven Owen

- Approves dividend announcements and implementation
- Approves the allotment and issue of new shares in connection with the Company's share plans or dividend plans
- Approves other formal matters that require the approval of the Board or a duly authorised committee between scheduled meetings of the Board and also acts as the disclosure committee

Members: Steven Owen, Richard Howell, Ian Krieger and Harry Hyman

OTHER NON-BOARD COMMITTEES

Management Committee

- Reviews investment opportunities for consideration by the Board and approves any investment decisions of less than £5 million
- Reviews operational performance of the business and approves proposals for asset management projects involving capital expenditure of less than £2 million
- Undertakes day-to-day management of the PHP portfolio
- Reports to the Board at each meeting through formally reporting from the CEO, CFO and CIO

Members: Harry Hyman (Chair), Richard Howell, David Bateman and Company Secretary

Risk Committee

- Reviews strategic and operational risks in achieving delivery of PHP's strategic goals
- Reviews operational risk management processes
- Recommends appropriate risk appetite levels and monitors risk exposure
- Reports to the Audit Committee at each of its meetings

Members: Richard Howell (Chair), Ian Krieger, Harry Hyman, James Young, Liam Cleary and Company Secretary

PART B: DIVISION OF RESPONSIBILITIES CONTINUED

How the Board functions

Regular Board and Committee meetings are scheduled throughout the year with five scheduled meetings held in 2022. The Board has a formal schedule of matters specifically reserved for its decisions, which includes (amongst other things) various strategic, financial and operational responsibilities. A summary of the key activities of the Board during the year can be found on page 77.

The Standing Committee has certain matters delegated to it as noted above. In addition, if the Board needs to meet to make a decision on significant investment opportunities and other matters outside of the authority of the Executive Directors that arise between scheduled meetings the Board can do so by meeting by video-conference or give unanimous approval by email, but will only do so in such situations where a detailed investment proposal has been circulated to the Board or the matter has been discussed at a previous meeting so that all the Directors are fully apprised, have had the opportunity to ask questions and are in a position to make a fully informed decision on the matter.

Care is taken to ensure that information is circulated in good time before Board and Committee meetings and that papers are presented clearly and with the appropriate level of detail to assist the Board in discharging its duties.

There is also regular informal contact between the Executive and Non-executive Directors between scheduled Board meetings. Further, the members of the senior management team regularly attend meetings of the Board and have developed a strong understanding of the Board's approach and culture.

Role	Responsibilities
Chair **Steven Owen**	• Leads the Board and ensures it runs effectively • Sets Board culture to promote boardroom debate • Regularly meets with the CEO to stay informed about developments between Board meetings • Monitors progress against strategy and performance • Ensures all stakeholders' views are considered
Senior Independent Director **Ian Krieger**	• Provides a sounding board for the Chair • Leads performance evaluation of the Chair • Is available to respond to shareholders' concerns when contact through the normal channels is not appropriate
Non-executive Directors **Ivonne Cantú** **Laure Duhot**	• Scrutinise and constructively challenge the performance of executive management • Bring independent judgement to investment decisions brought to the Board and approve decisions reserved for the Board as a whole • Contribute to developing strategy and monitor the delivery of the agreed strategy • Contribute a broad range of skills and experience
Chief Executive Officer **Harry Hyman**	• Manages the day-to-day running of the business • Manages dialogue with investors, shareholders and key stakeholders and relays views back to the Board • Helps develop and formulate strategy for the Board and is responsible for its implementation
Chief Financial Officer **Richard Howell**	• Responsible for the preparation of accounts and integrity of financial reporting • Implements decisions on financing and capital structure determined by the Board • Responsible for day-to-day treasury management • Ensures robust accounting systems and internal controls are implemented
Company Secretary **Paul Wright**	• Advises the Board and is responsible to the Chair on corporate governance matters • Ensures good flow of information to the Board and its Committees • Promotes compliance with statutory and regulatory requirements and Board procedures

PART B: DIVISION OF RESPONSIBILITIES CONTINUED

Meetings in the year

Details of the attendance of each of the Directors who served during the year are set out below:

Director	Board (total in year – 5)	Audit Committee (total in year – 4)	Nomination Committee (total in year – 2)	ESG Committee (total in year – 3)	Remuneration Committee (total in year – 5)
Steven Owen	5	—	2	3	5
Harry Hyman	5	—	—	—	—
Richard Howell	5	—	—	—	—
Ivonne Cantú	5	4	2	3	5
Peter Cole[1]	1	1	1	1	2
Laure Duhot	5	—	2	3	5
Ian Krieger	5	4	2	3	5

[1] Peter Cole retired from the Board following the conclusion of the Company's Annual General Meeting in 2022.

The table below set outs out a summary of the key issues considered by the Board at its meetings during the year:

February

- Financing growth in Ireland via issue of €75 million senior secured guaranteed notes
- Investment into a large private diagnostics centre in Chiswick
- Critical examination of the year-end property valuations
- Approval of the preliminary announcement of results and the 2021 Annual Report
- Changes to the terms of reference of the Board's Standing Committee
- Consideration of an updated statement under the Modern Slavery Act

April

- Examined the additional due diligence process to ensure the quality of the overall covenant strength in the portfolio is not diluted by a strategy of diversification in health-related assets
- Consideration of the voting at the Annual General Meeting and the reasons for any votes against resolutions
- Reviewed bids submitted for the sale of a portfolio of 13 properties and agreed to sell for over £27 million on the basis that the sale was above the carrying valuation of those assets and would provide capital to redeploy more effectively

July

- Careful consideration of the results of the interim valuation in the context of rising interest rates
- Approval of the interim results for release
- Consideration of proposals to acquire the Strawberry Hill Medical Centre, a standing let investment in Newbury
- Secured extensions to facilities of £100 million each with Barclays and Lloyds banks
- Approval of hedging of revenue FX risks
- Discussion of the results of staff engagement and Investors in People surveys

October

- Reviewed the forecast outcome for 2022 and considered the 2023 budget in the light of strategy discussions
- Agreed to pause acquisition activity given the economic headwinds and proceed cautiously with existing development projects
- Considered our tactical responses to the economic uncertainties caused by the mini-budget and affecting the property markets

December

- Continued to review the Group's strategic response to the increase in interest rates and the impact on investment activity in the UK primary care market. Reviewed and approved proposals to acquire Axis in Ireland and to enter into an agreement with Axis Healthcare Assets Limited granting the Group an option to acquire a development pipeline in Ireland
- Agreed the succession plan for the positions of the CEO and Chairman and the announcement made on 12 December 2022 via RNS
- Approved the budget for 2023 and three-year business plan for the period to the end of 2025

PART B: DIVISION OF RESPONSIBILITIES CONTINUED

Strategy meeting

The strategy meeting is held as a separate meeting outside the regular Board schedule and attended by all the Directors and the senior management team, and allows the members of the Board to meet and discuss issues relating to the business with members of the senior management team who do not attend Board meetings on a regular basis.

The 2022 strategy meeting was held in Manchester. The location of the meeting allowed the Board to visit a total of four of the Group's larger medical centres, two of which are located in Bury (Moorgate Primary Care Centre and Townside Primary Care Centre) and two in Bolton (Levers Chambers Centre for Health and Waters Meeting Health Centre). the visits gave an insight into the range of community services delivered from these properties in areas of relative deprivation. The visits also gave an opportunity to meet with and discuss with some of the healthcare workers at these facilities their requirements from the properties.

The Board had been provided in advance of the strategy day with the results of the research project undertaken with King's College London on the positive impact of investment into primary care facilities on reducing the level of patient referrals to Accident and Emergency departments. The Lever Chambers Centre for Health, which was the subject of a large refurbishment project in 2019, has shown a 22% reduction in referral rates since that investment.

These site visits reinforced the Board's view of the importance of investment in modern primary care facilities and that the Group's strategy of focusing on hub primary care centres, with a large lot size, flexible floor plans and the ability to offer a variety of healthcare services at one location, is the correct response to the evolving requirements for the delivery of primary care. The session also provided the Board with a valuable understanding of the challenges facing GPs and other healthcare workers, particularly following the pandemic, and how innovative practices have responded.

In preparation for the strategy meeting, the Board received a background reading pack that included a detailed review of the primary care property market, noting the increased investor interest in the sector with several new investors into the sector chasing the available opportunities. Papers considered the opportunities in related healthcare sectors and markets to diversify the portfolio and for the financing of the Group's capital needs. In particular, the papers included a presentation on the organic expansion of the Group's development capabilities and the further development of the Group's ESG activities and ambitions. The meetings themselves and the dinner that preceded the strategy day gave the Non-executive Directors an opportunity to meet with and discuss issues with the wider senior management team.

PART C: COMPOSITION, SUCCESSION AND EVALUATION

Board composition

The current Board of Directors of the Company consists of the Chair, three Independent Non-executive Directors and two Executive Directors. During the year the majority of the Board consisted of Independent Non-executive Directors, as the Chairman continued to be independent until the ninth anniversary of his appointment to the Board on 1 January 2023. The Board continues to comply with the Code, in that at least half of the Board are Independent Non-executive Directors. Details of the composition of the Board by gender are set out on page 67.

Biographical information on each of our Directors can be found on pages 66 and 67, which shows the breadth of strategic and financial management insight brought to our Board and that, Ivonne Cantú, Laure Duhot, and Ian Krieger are all considered to be independent.

The composition of the Board is fundamental to its success. We continue to have a strong mix of experienced individuals on the Board. The Non-executive Directors are not only able to offer an external perspective on the business, but also constructively challenge the Executive Directors, particularly when developing the Company's strategy.

We believe that a Board of six Directors is the right number for a company of the size of PHP with a clear and focused business strategy. This size of Board facilitates all members of the Board to develop a close understanding and allows the development of open debate.

Board induction and training

The Code provides that all Directors should receive a full, formal and tailored induction on joining the Board. On joining the Board new Directors are provided with an induction programme to enable them to integrate into the Board as quickly as possible and feel able to contribute to business and strategy discussions with enough background knowledge.

On joining the Board, Ivonne Cantú received a tailored induction programme delivered by the Company Secretary. The induction process included the following elements:

- meetings with the Chairman and other Board members;
- full supporting pack of relevant materials to give insight into strategy, structure and operations, as well as the Group's governance framework, policies and procedures;
- meeting with the Company's advisers, including with Korn Ferry, PHP's remuneration advisers, to understand the design and implementation of the Group's remuneration policies; and
- meetings with senior members of the management team at Burdett House.

PART C: COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

Board induction and training continued

The Directors receive regular updates in their Board papers, facilitating greater awareness and understanding of the Group's business. In July, Deloitte provided the Board with a presentation on the UK Government's proposals on restoring trust in audit and corporate governance and their implications for the Board and the Audit Committee. The session covered the potential impact of the proposals, including the proposed publication of a resilience statement and audit and assurance policy and the proposed requirement for the Directors to attest to the efficacy of internal controls.

All Directors have access to the advice and services of the Company Secretary and a procedure is in place for them to take independent professional advice at the Company's expense should this be required.

Board evaluation

Last year the Board evaluation was conducted by an external firm, Gould Consulting, who had no connection with PHP or its Board, by means of an online questionnaire that covered a combination of standard items, such as Board dynamics and relationships, and individual participation and contribution, along with more topical matters, such as consideration of stakeholder issues. The Directors were also asked to comment on the performance of the Board Committees.

This year the evaluation was conducted by the Company Secretary using a paper based questionnaire that sought to build on the prior year's survey and probe areas highlighted in the work undertaken by Gould Consulting. The results were collated by him anonymously and reviewed together with the Chair to consider any themes that had been identified ahead of discussion of these issues by the Directors at the Nomination Committee meeting held in December which also considered next steps and recommendations which are set out below. The Chair will continue his practice of having regular discussions with each of the Non-executive Directors and will base some of these discussions around the feedback and progress against the actions identified below.

The Chair conducted an evaluation of the performance of each of the individual Directors as a separate exercise. Ian Krieger, Senior Independent Non-executive Director, led an evaluation of the performance of the Chair with the individual Directors.

Overall, the results of the evaluation process reflected well on the Board and the tone set by the Chair and the Chief Executive and that they continue to have a strong, supportive relationship providing clear and effective leadership and focus that are instrumental to the long term success of the Company. The members of the Board and its Committees are seen as being engaged and committed and able to raise challenges openly while the culture remains open, respectful and constructive.

Details of the outcomes of the 2021 evaluation and the 2022 evaluation, as well as the actions taken in response to the 2021 evaluation, are set out below:

2021 evaluation outcomes	Actions in 2022	2022 evaluation outcomes
It was agreed to increase the opportunities for the Board to engage with the workforce to assess and develop the Group's culture.	The members of the Board met with a range of employees at an event to celebrate the move to new offices at Burdett House. Laure Duhot also met with staff at both the London and Stratford-upon-Avon offices as part of her work on staff engagement and reported her findings to the Board.	There was a desire to undertake a review of the internal control processes of management to ensure that these are robust, well-documented and understood ahead of any proposed legislative or regulatory changes.
There was a desire to undertake a deeper and detailed review of key areas of the business at Board meetings.	The Board undertook a deeper review of the risks and opportunities represented by the Group's development activity at the strategy meeting in October.	It was agreed to continue the practice of having a detailed examination of further key areas within the business being brought to the Board for in-depth discussion.
Further work will be undertaken to continue strengthening risk management processes, in light of climate change.	The Board commissioned a project on climate related risks from Willis Towers Watson which was presented to the ESG Committee and integrated into the Company's risk register.	Further work will be undertaken on the implication of potential changes to the NHS and the structure of primary care to ensure that the Group is well-positioned to respond strategically.

The Board intends to review the implementation of these recommendations as part of its evaluation process in 2023 and will report on progress in next year's Annual Report.

PART C: COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

Conflicts and commitment

The Board operates a policy to identify and, when appropriate, manage actual or potential conflicts of interest affecting Directors. Directors are required to submit any actual or potential conflicts of interest they may have with the Company to the Board for approval. Any conflicts of interest are recorded and reviewed by the Board at each meeting. Directors have a duty to keep the Board updated about any changes to these conflicts.

The Company Secretary maintains the register of approved conflicts of interest through this process. In certain circumstances the conflicted Directors may be required to absent themselves while such matters are being discussed. No such situations arose in the year.

The Board has delegated to the Nomination Committee the process of formally reviewing conflicts disclosed on an annual basis and the authorisations given (including such conditions as the Board may determine in each case). Any conflicts or potential conflicts considered by the Board and any authorisations given are recorded in the Board minutes and in the register referred to above.

The letters of appointment for Non-executive Directors set out the time commitment expected to be necessary to perform their duties. All Directors are aware of the need to allocate sufficient time to the Company in order to discharge their responsibilities effectively. Directors must obtain prior approval from the Board when they take on any additional responsibilities or external appointments and it is their responsibility to ensure that such appointments will not prevent them meeting their time commitments.

The Board has delegated to the Nomination Committee the review of the external commitments of the Directors and further detail on how the Nomination Committee have undertaken this work are set out in its report on pages 88 to 89.

The Company provides the Non-executive Directors with appropriate support and facilities for the consideration of the Company's strategy and performance, and dialogue with the Chair is encouraged so that any issues regarding time pressures or conflicting commitments are addressed appropriately.

Information and support

A comprehensive budgeting process is in place, with an annual budget and three-year forecast prepared and considered and approved by the Board. The Directors are provided with relevant and timely information to monitor financial performance against the budget. Defined authorisation levels regulate capital expenditure. Investment decisions that require Board approval in accordance with the authorisation matrices are governed by defined appraisal criteria, which include anticipated financial returns, the quality of the building and its environmental rating. The Board is also provided with details of the healthcare services to be delivered from the medical centre (including details of the patient numbers and the local healthcare need) and other stakeholder considerations. In this way, the Board monitors that agreed upon approaches and processes are well understood and adhered to.

The Company Secretary is responsible for ensuring good and timely information flows within the Board and its Committees and between the senior management and the Non-executive Directors and assists the Board and Committee Chairs in agreeing the agenda in sufficient time before the meeting to allow input from key stakeholders and senior executives.

The Board uses a web-based system which provides ready access to Board papers and materials. Prior to each Board meeting the Directors receive the agenda and supporting papers through this system to ensure that they have all the latest and relevant information in advance of the meeting. After each Board meeting, the Company Secretary operates a comprehensive follow-up procedure to ensure that actions are completed as agreed by the Board.

PART D: AUDIT, RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for:

- the company's risk management and internal control systems and for reviewing their effectiveness:
- the on-going processes for identifying, evaluating and managing the principal risks faced by the company;
- ensuring that the systems have been in place for the year under review and up to the date of approval of the annual report and accounts; and
- regularly reviewing these systems.

Audit Committee

The Audit Committee is responsible for monitoring the integrity of the financial statements and results announcements of the Company as well as the appointment, remuneration and effectiveness of the external auditor. The detailed Report of the Audit Committee is on pages 82 to 87.

Financial and business reporting

The Board is responsible for preparing the Annual Report and confirms in the Directors' Responsibilities Statement set out on page 111 that it believes that the Annual Report, taken as a whole, is fair, balanced, and understandable. The process for reaching this decision is outlined in the Report of the Audit Committee to whom the Board has delegated the consideration of the Annual Report. The basis on which the Company creates and preserves value over the long term is described in the Strategic Report.

Risk management

The Risk Committee is tasked with reviewing the Group's risk horizon and preparing a detailed risk register which it presents for consideration by the Audit Committee. The Audit Committee subsequently makes recommendations in respect of the Group's principal and emerging risks, risk appetite and key risk indicators to the Board which determines the extent and nature of the risks it is prepared to take in order to achieve the Company's strategic objectives. Further information on the Group's principal risks and risk management processes can be found in the risk management and principal risks section of the Strategic Report on pages 56 to 62.

During the course of its review for the year ended 31 December 2022, and to the date of this report, the Audit Committee has not identified, nor been advised of, a failing or weakness which it has determined to be significant.

PART E: REMUNERATION

The UK Corporate Governance Code requires that a board should establish a remuneration committee of at least three, or in the case of smaller companies, two, Independent Non-executive Directors. In addition the company Chair may also be a member of, but not Chair, the committee if he or she was considered independent on appointment as Chair.

Steven Owen was independent on his appointment as Chair and accordingly he was a member of the Remuneration Committee throughout the year to 31 December 2022. As Steven Owen has now served as a Non-executive Director for over nine years, he has, in accordance with the recommendation of the Code, stood down as a member of the Remuneration Committee with effect from the start of 2023.

This year has been a busy one for the Remuneration Committee. Details of this and the work of the Remuneration Committee are set out in its report on pages 90 to 92.

Audit Committee report

Ian Krieger
Chair of the Audit Committee

MEMBERS OF THE AUDIT COMMITTEE (THE "COMMITTEE")

Member	Number of meetings and attendance while in post
Ian Krieger (Chair)	4 (4)
Ivonne Cantú	4 (4)
Laure Duhot	4 (4)
Peter Cole	1 (1)*

* Peter Cole stood down as a Director at the 2022 Annual General Meeting in April 2022.

Bracketed numbers indicate the number of meetings the member was eligible to attend.

Key responsibilities

Financial reporting

- Monitors the integrity of the financial reporting process.
- Scrutinises the full and half-year financial statements.
- Considers and challenges the key financial judgements.

For further information see page 83

Risk management and internal control

- Oversees the internal control processes.
- Assesses the need for an internal audit function.
- Reviews the risk management framework.
- Ensures risks are carefully identified, assessed and mitigated.

For further information see page 83

External auditor

- Reviews the performance, independence and effectiveness of the external auditor and audit process.

For further information see page 83

Regulatory compliance

- Reviews the viability statement and going concern basis of preparation of the financial statements.
- Considers whether the Annual Report is "fair, balanced and understandable".
- Monitors compliance with applicable laws and regulations.

For further information see page 84

Dear shareholder,

I am delighted to present my report as Chair of the Audit Committee and over the coming pages you will see how the Committee has discharged its responsibilities during the year.

Composition

Membership of the Committee is restricted solely to Independent Non-executive Directors. Ivonne Cantú joined the Committee on her appointment to the Board on 2 January 2022 and Peter Cole stepped down from the Committee after the 2022 Annual General Meeting on 27 April 2022. All the members of the Committee have considerable commercial knowledge and industry experience necessary to fulfil the Committee's duties and responsibilities and receive regular updates on business, regulatory, financial reporting and accounting matters. I am the Committee's designated financial expert for the purposes of the Code.

In addition to the members of the Committee, the following individuals attended by invitation: the Chief Financial Officer and the Group Financial Controller; the Chief Executive Officer and the Chair; the audit partner and senior managers from the auditor; and representatives from PHP's valuers.

As Chair, in conjunction with the Nomination Committee, I review on an annual basis the composition of the Committee to ensure that it is comprised of members with skills and competences relevant to the primary care real estate sector and recent and relevant financial experience. The members of the Committee also evaluate the performance of the Committee during the year.

Meetings

During the year the Committee met four times: three of these meetings followed our annual programme which is aligned to the Company's financial reporting timetable and agreed at the start of the year. The additional meeting in October was to consider the results of the audit tender which we carried out in the year when the members of the Committee met with representatives of both firms which put in tenders for our audit.

At the December meeting, the Committee reviewed the risk management and internal control processes and considered the year-end audit plan and agreed that going forward we would hold four meetings each year to ensure that sufficient time can be devoted to the topic of internal controls and risk management, given the increased regulatory focus in this area.

Time is allocated for the Committee to challenge the external auditor independently of management. In addition to formal Committee meetings, I have regular contact and meetings with the Chief Financial Officer. This allows me to gain a good understanding of key and emerging issues in advance of Committee meetings, facilitating informed and constructive debate.

The Committee is satisfied that it receives sufficient, reliable and timely information and support from management and the Company's external auditor to allow it to fulfil its obligations.

At least once a year, during an Audit Committee meeting, the Committee meets separately with Deloitte without any other member of management being present.

The Committee has formal, agreed terms of reference which are available for viewing on the Company's website at www.phpgroup.co.uk/about-us/corporate-governance.

Our work in 2022

Our remit is unchanged from previous years, that is, independently to oversee and challenge the integrity of the financial reporting processes at PHP, which support and ensure the accuracy of the financial results. Alongside this, we review the valuation of the Group's portfolio at both the half year and at the year end and require the valuers to attend our meetings so that we can interrogate them on the assumptions and methodologies used in reaching their valuations.

The other important aspect of our work is that the Committee reviews the Company's risk management framework and internal control procedures in place to ensure they remain robust and are implemented effectively. There are currently proposals from the Government to reform financial reporting that are likely to place greater focus on the effectiveness of internal controls and the Committee has reviewed the plan of work being undertaken by management in preparation for these anticipated changes.

Special projects

In the year, the Committee was involved in two issues outside the usual cycle of matters for its consideration.

In the first half of the year, we considered the composition of the team of valuers which undertakes the valuation of the portfolio. Last year the Company engaged three firms to conduct its portfolio valuation: Lambert Smith Hampton and Jones Lang LaSalle in the UK; and CBRE in Ireland. As the lead partner at Lambert Smith Hampton, who had worked on the PHP portfolio for many years, announced he was retiring, it was considered an appropriate moment to seek a tender for the valuation. Four firms, Lambert Smith Hampton, CBRE, Avison Young and Knight Frank, were invited to tender for that portion of the UK valuation work currently conducted by Lambert Smith Hampton.

As Chairman of the Committee, I met with the preferred firm, Avison Young, and the members of the Committee all received a copy of its presentation. After consideration, the Committee agreed to recommend the appointment of Avison Young to conduct the valuation in the UK at the year end alongside Jones Lang LaSalle to the Board. Lambert Smith Hampton conducted the valuation at the half year with Avison Young receiving all the information provided to it by management in order for the new firm to be familiar with the portfolio and be well placed to conduct the valuation at the year end.

As reported in the report of the Committee in the 2021 Annual Report, Deloitte LLP ("Deloitte") has been in office for nine years now and during the year we conducted a process to retender the audit. the tender process complied with the requirements of the Statutory Audit Services for Large Companies Order 2014. A number of firms were approached to tender for the audit although only one other firm, Mazars LLP, a challenger firm, submitted a tender alongside our existing auditor.

The Committee held a special meeting to receive impressive presentations from both tendering firms and concluded that both of these firms had the necessary resources and capabilities to deliver a good audit. Following the review, the Committee decided that in a period of particular economic and market uncertainty and change, there were merits in having continuity of auditors. Accordingly, we have recommended to the Board the re-appointment of Deloitte at the AGM in April 2023 and a resolution to appoint them is included in the Notice of Annual General Meeting on page 165.

Regular tasks

The work undertaken this year has included the consideration, review and approval of the following:

Financial reporting:

- reviewing and monitoring the integrity of the financial statements including reviewing significant financial reporting judgements and estimates made by management, to ensure that the quality of the Company's financial reporting is maintained, in the Company's half and full-year financial statements;
- reviewing and commenting on the alternative performance measures, not defined under IFRS or "non-GAAP" measures, to ensure these were consistent with how management measures and judges the Company's performance;
- assessing the independence and objectivity of the Group's valuers and gaining assurance around the integrity of the conduct of valuation processes at the year end and at the half year;
- reviewing the process undertaken to ensure that the financial statements are fair, balanced and understandable;
- reviewing any feedback received from shareholders, following engagement with them around the announcement of results, and from the FRC in relation to the Group's financial statements; and
- ensuring compliance with applicable accounting standards, monitoring developments in accounting regulations as they affect the Group and reviewing the appropriateness of accounting policies and practices in place.

Risk management and internal control:

- reviewing the Group's risk register, in particular with regard to the potential impact of climate change, and principal and emerging risks including cyber security;
- challenging the effectiveness of the Group's risk management systems and considering the adequacy of the process being undertaken to identify risks and mitigate the exposure of the Group to them;
- considering the adequacy and effectiveness of the Group's internal controls and whether there was a need to establish an internal audit function; and
- ensuring the process followed to support the making of the going concern and viability statements remained robust and was correctly followed.

External audit:

- examining the performance of the external auditor and its objectivity, effectiveness and independence, as well as the terms of its engagement and scope of its audit and challenging the annual audit plan;
- monitoring the ratio and level of audit to non-audit fees paid to the external auditor and agreeing its remuneration for the year;
- reviewing and approving the plan for the conduct of an audit tender process; and
- recommending the re-appointment of Deloitte LLP as external auditor following the tender process described above.

Our work in 2022 continued

Regular tasks continued

Regulatory compliance:

- reviewing the Committee's composition, performance, terms of reference and constitution;
- overseeing matters relating to tax and any potential impact tax matters may have on the integrity of the financial statements;
- ensuring appropriate safeguards are in place for the detection of fraud and bribery and reviewing the process by which employees may raise concerns and ensuring that these were communicated to and understood by the workforce, so that concerns could be raised to me or the Company Secretary or with the lead auditor;
- reviewing the Company's REIT compliance and tax strategy;
- considering the robustness of the Group's assessment of viability over a period of three years, in particular the assumptions underlying the assessment; and
- determining the appropriateness of adopting a going concern basis for the preparation of the financial statements.

Significant issues considered in relation to the financial statements

During the year, the Committee considered key accounting matters and judgements in respect of the financial statements as detailed below:

Significant issue	Actions taken
Valuation of the property portfolio	
The Group has property assets of £2.8 billion as detailed in the Group Balance Sheet and valuation is central to the business performance. Accordingly, the key judgement in the financial statements relates to the valuation of the property portfolio which is driven by the yields and ERVs applied in the valuation process. This is a recurring risk for the Group as it is key to its IFRS profitability, balance sheet portfolio value, net asset value, total property return, and employee incentives. It also affects investment decisions. Further, the judgemental nature of the yields and ERVs used in the valuation is compounded by the uncertainty caused by increased costs of capital and the smaller volume of comparator transactions in the healthcare sector, in contrast with more mainstream property sectors, such as offices.	The portfolio is independently valued by Avison Young and Jones Lang LaSalle in the UK and by CBRE in Ireland (the "Valuers"), in accordance with IAS 40 Investment property. As described on page 83 above, Avison Young replaced Lambert Smith Hampton after the 30 June 2022 valuation following a tender process. The Committee ensured that there was a robust process in place to satisfy itself that the valuation of the property portfolio by the Valuers, all leading firms in the UK and Irish property markets, was carried out appropriately and independently. Given the significance, the Committee met twice with the Valuers to review, challenge, debate and consider the valuation process; understand any particular issues encountered in the valuation; and discuss the processes and methodologies used. This dialogue allowed the Committee to scrutinise the valuation process, and ensure the Valuers remained independent, objective and effective. The auditor also meets with the Valuers, and it uses the services of its own in-house property valuation expert to test the assumptions made. It reports to the Audit Committee on its findings. The Committee confirmed that it was satisfied that the valuation had been carried out fairly and appropriately, and in accordance with the industry valuation standards, and therefore suitable for inclusion in the financial statements.
Accounting for significant acquisitions, disposals and transactions	
The accounting treatment of significant property acquisitions, disposals, and financing and leasing transactions is a recurring risk for the Group with non-standard accounting entries required, and in some cases management judgement applied.	During the year the Group made a number of acquisitions, and disposed of a portfolio of 13 smaller properties at above their carrying valuation. The Committee reviewed management papers on key judgements, by reviewing and challenging management's papers on accounting treatments and judgements. Following a review of the accounting treatment for these significant transactions, in particular the point at which each transaction should be recognised, the Committee was satisfied that all relevant matters had been fully and adequately addressed and that the approach adopted by the Company was appropriate in each case, and in accordance with IFRS. The Committee challenged the application of the accounting policy and internal controls relating to revenue recognition and reviewed reports from the external auditor and management. The Committee concluded that the accounting treatment of the acquisitions was appropriate.

Significant issues considered in relation to the financial statements continued

Significant issue	Actions taken
Financing	
The Group uses a mixture of equity and debt finance to grow its portfolio and has a number of debt finance arrangements and swaps to hedge exposure to interest rate risk. The accounting treatment of these transactions under IFRS 9 is by its nature complex.	During the year, the Group refinanced and modified four debt facilities, the Barclays £100 million RCF, HSBC £100 million RCF, Santander £50 million RCF and Lloyds £50 million RCF that was also extended to £100 million. The Committee considered the finance team's paper on the proposed treatment of these transactions under IFRS 9 and agreed that they had been appropriately accounted for.

Financial reporting

The integrity of the financial reporting and consolidation processes and the completeness and accuracy of financial information are subject to review by the Audit Committee and the Board. In undertaking its review, the Committee considered:

- the suitability of the accounting policies adopted and whether management had made appropriate estimates and judgements;
- the systems and controls operated by management around the preparation of the accounts;
- the procedures included in these to bring relevant information to the attention of those who prepare the accounts;
- the consistency of the reports; and
- whether they are in accordance with the information provided to the Board during the year.

The Committee reviewed accounting papers prepared by management which provided details on the main financial reporting judgements. The Committee also reviewed reports by the external auditor on the full-year and half-year results which highlighted any issues with respect to the work undertaken on the year-end audit and half-year review.

The Committee paid particular attention to matters it considered important by virtue of their impact on the Group's results and remuneration, and particularly those which involved a high level of complexity, judgement or estimation by management, as noted above.

Developments in accounting regulations and best practice in financial reporting are monitored by the Company and, where appropriate, reflect in the financial statements. The Committee and the Board review the draft consolidated financial statements and the Committee receives reports from management and the auditor on significant judgements, changes in accounting policies, and other relevant matters relating to the consolidated financial statements.

Fair, balanced and understandable assessment

At the request of the Board, the Audit Committee also reviewed the Annual Report to consider whether it is fair, balanced and understandable and provides the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

The Committee was provided with, and commented on, a draft copy of the Annual Report and Financial Statements. In carrying out the process, key considerations including ensuring that there was consistency between the financial results and the narrative provided. The Committee is satisfied that alternative performance measures used, not defined under IFRS, are consistent with how management measures and judges the Group's financial performance.

After reviewing the contents of this year's Annual Report and Financial Statements and the Committee has confirmed to the Board that, in its view, the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. In forming this view, the Committee considered the overall review and confirmation process around the Annual Report and Financial Statements and going concern and viability statements.

The Audit Committee also challenged the assumptions and processes underlying the financial forecasts produced in support of the going concern and viability statements in the Annual Report and satisfied itself that the assumption were robust and the forecasts properly prepared and reasonable.

Review of risk management

The Committee is responsible for reviewing the adequacy and effectiveness of the Group's risk management processes and systems of internal controls.

Risk management is taken seriously at PHP. The preparation of a detailed risk register is the responsibility of the Risk Committee, which reports to the Committee at least twice a year on risk matters, following which the principal risks identified are brought to the Board. The Board considers the principal risks identified and whether appropriate action is being taken to remove or reduce their likelihood and impact. This is discussed in detail in the Risk Management section on pages 56 to 62.

The Board as a whole, including the Audit Committee members, considered whether the nature and extent of PHP's risk management framework were satisfactory to achieve the Group's strategic objectives. There is a culture of risk awareness embedded into the decision-making process and robust processes in place to support the identification and management of risk.

The Group has worked with Willis Towers Watson to develop a separate environmental risk register to seek to identify the main emerging physical and transition risks associated with climate change and the associated governmental policy responses; in particular, increasing legislative standards for operational building energy efficiency standards and the stated ambition of the NHS to achieve a net zero health service for direct emissions by 2040 have been identified as key risks as well as opportunities for the Group. The register was tabled and agreed by the ESG Committee, and subsequently reviewed by the Audit Committee as part of its monitoring of the risk management process of the Group.

Review of internal control processes

The Committee is responsible for reviewing the adequacy and effectiveness of internal control systems (covering all material controls, including financial, operational and compliance controls and risk management systems) on behalf of the Board.

Key features of the systems of internal control, which were reviewed and updated following completion of the internalisation transaction in 2021, include a comprehensive system of budgeting, financial reporting and business planning, formal documentation procedures and the close involvement of the Chief Executive Officer, the Chief Financial Officer and the Chief Investment Officer in all aspects of the day-to-day operations. The Committee has reviewed the adequacy of these systems through various activities including:

- reviewing the effectiveness of the risk management processes;
- reviewing and challenging management's self-assessment of the internal controls framework;
- reviewing the work undertaken by the auditor in relation to internal controls; and
- reporting of any control or fraud related whistleblowing issues.

In reviewing the periodic financial reports of the Group, the Committee is reliant on the policies and procedures followed by management to ensure that the records accurately reflect transactions so as to facilitate the production of consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") and other applicable reporting standards.

At the time of reviewing the half-yearly and annual financial reports, the Audit Committee also receives a report from the CFO to assist the Board in assessing the adoption of policies and procedures and making the disclosures. No significant deficiencies in internal control have been identified.

The Government have published a White Paper in response to proposals from BEIS for reforms to restore trust in audit and corporate governance. We welcome the reforms as a positive change to the regulatory environment. In anticipation of significant changes, we have conducted preliminary internal readiness assessments and will review the plans of management during the coming year.

Effectiveness of external auditor

One of the key responsibilities of the Audit Committee was to assess the effectiveness of the external audit process. In turn, the effectiveness of the audit process is dependent on appropriate audit risk identification at the start of the audit cycle. Ahead of the commencement of the audit the Committee received from Deloitte LLP a detailed audit plan, identifying its assessment of these key risks. For the audit of the 31 December 2022 financial statements, the primary risks identified were in relation to the valuation of the property portfolio, given the general decline in the value of real estate assets and the shortage of comparable transactional evidence as activity in the property market reduced significantly towards the end of the year, and management override of controls. It is also standard practice for the Audit Committee to also meet privately with the external auditor to gauge the effectiveness of its processes. In addition, the Audit Committee seeks feedback from management on the effectiveness of the audit process.

Following its review of the effectiveness, independence, objectivity and expertise of Deloitte during the audit tender process, the Committee is satisfied with the effectiveness of the auditor and therefore recommended the appointment of Deloitte as external auditor for 2023.

It is the Committee's policy to ensure that there is audit partner rotation every five years to safeguard the external auditor's independence and objectivity. Sarah Tubridy was appointed as lead audit partner following the 2017 audit and has now completed her fifth year in office. Following the successful tender for the audit by Deloitte, Daryl Winstone will take over as lead audit partner for the next audit in 2023.

Auditor independence

The Group's policy on the use of its external auditor for non-audit services precludes the external auditor from being engaged to perform valuation, tax or accounting services work. More broadly, the policy prohibits the external auditor from performing services where there may be perceived to be a conflict with its role as external auditor or which may compromise its independence or objectivity.

Subject to the overriding requirement to ensure independence and objectivity of the external auditor, the Adviser may procure certain non-audit services from the external auditor up to £25,000 in value. All other proposed engagements must be submitted to the Committee for approval prior to engagement and all non-audit fees are reported to the Committee.

The Committee considers the remuneration of the external auditor at least on an annual basis and approves its remuneration. It also keeps under close review the ratio of audit to non-audit fees to ensure that the independence and objectivity of the external auditor are safeguarded.

In 2022, fees for audit services amounted to £0.6 million and the non-audit fees amounted to £0.1 million.

The non-audit fee for 2022 equates to 14% of the average audit fees of the last three years.

The table below sets out the ratio of audit to non-audit fees for each of the past three years.

	2022	2021	2020
Audit fee	**£603,000**	£510,000	£500,000
Non-audit fee	**£77,000**	£100,000	£35,000

Evaluation of the performance of the Audit Committee

The performance of the Committee was assessed as part of the externally facilitated Board review. The overall conclusion was that the Committee remained effective at meeting its objectives.

Audit tender

As a consequence of the tender process administered by the Audit Committee which is described on page 86, the Committee made a recommendation to the Board to re-appoint Deloitte as its preferred appointee.

Resolutions to re-appoint Deloitte as auditor and to authorise the Committee to agree its remuneration will be put to shareholders at the Annual General Meeting on 19 April 2023.

Internal audit

The Group does not have a separate internal audit function and the Board, at least annually, reviews the requirement for establishing one. Due to the size of the organisation, relatively simple nature of the Group's business and structure and close involvement of the senior management team in day-to-day operations, the Committee did not feel an internal audit function was either appropriate or necessary.

From time to time external advisers are engaged to carry out reviews to supplement existing arrangements and provide further assurance.

The Committee considers that this structure, with external assurance sought for any complex, specialist or high risk matters, is appropriate for the Company at this stage.

I will be delighted to receive any written questions on the work of the Committee. Please submit your questions by email to cosec@phpgroup.co.uk, or by post, marked for my attention at Burdett House, 15-16 Buckingham Street, London WC2 6DU.

Ian Krieger
Chair of the Audit Committee
21 February 2023

Nomination Committee report

Steven Owen
Chair of the Nomination Committee

MEMBERS OF THE NOMINATION COMMITTEE (THE "COMMITTEE") DURING THE YEAR

Member	Number of meetings and attendance while in post
Steven Owen (Chair)	2 (2)
Ivonne Cantú	2 (2)
Peter Cole	1 (1)
Laure Duhot	2 (2)
Ian Krieger	2 (2)

Bracketed numbers indicate the number of meetings the member was eligible to attend.

Additional attendees invited to attend meetings as appropriate:

Harry Hyman – Chief Executive Officer

Richard Howell – Chief Financial Officer

Paul Wright – Company Secretary

Key responsibilities

Board composition and succession

- Reviews and evaluates the size, structure and composition of the Board and its Committees.
- Ensures the Board comprises individuals with the necessary skills, knowledge and experience to be effective in discharging its responsibilities.
- Considers the diversity of the appointments and balance of skills, knowledge and experience of each Director.
- Considers succession planning for the Board and the senior management.

For further information see page 88

Board appointments

- Leads the process for new appointments to the Board and its Committees.
- Ensures that all new Directors receive an appropriate induction programme and reviews the training requirements of the Board.
- Ensures that all potential conflicts of interest are declared on appointment and that all disclosed potential conflicts of interest are reviewed regularly.

Diversity

- Promotes the Company's policy on diversity at Board level.

For further information see page 89

Performance evaluation

- Leads the annual Board and Committee evaluation exercise.

For further information see page 89

Re-appointment of Directors

- Reviews the time required from Non-executive Directors and their external commitments.
- Considers the annual election and re-election of Directors to the Board at the Annual General Meeting.

For further information see page 89

Dear shareholder,

I am pleased to present the Nomination Committee Report to shareholders for the year to 31 December 2022.

Last year's Nomination Committee Report reported the Committee's activity in seeking to appoint a new Non-executive Director to ensure that the Board achieved its stated intention to target compliance with the Hampton-Alexander and Parker recommendations on Board diversity by the time the Company held its AGM in 2022.

The Committee continues to play a crucial role in supporting PHP's strategy by ensuring the Board and its Committees have an appropriate balance of skills, experience and knowledge, with robust succession plans in place to ensure continuity, promote diversity for Board and senior management positions and implement a robust evaluation process to ensure the Board and Committees are working effectively.

Activities of the Committee during the year

Succession planning

One of the strategic benefits accruing from the internalisation of the management function is that it is anticipated to enhance our succession planning and operational security. In 2022, the Nomination Committee under my leadership produced a plan for the succession to the role of Chief Executive Officer, as Harry Hyman indicated that he intended to step down from this role at the Annual General Meeting in 2024, in line with the commitment he made at the time of the merger with MedicX in March 2019 to continue for a period of five years.

Accordingly, Ian Krieger and I met with a number of our largest shareholders to present and discuss our succession plans in September and October. I am pleased that this consultation indicated support for the plan which will involve me staying on as Chairman post reaching my nine-year anniversary of appointment until the AGM in 2024 in order to lead this important search. Once we have identified a suitable candidate to take over from Harry Hyman, the Committee, under Ian Krieger, will lead a search for my replacement. The Committee will use an independent external search firm to help with both these engagements, and we will report on the outcome of this process in due course.

The Committee has also widened its remit to oversee succession plans across the senior management team and has worked with the Executive Directors to develop succession plans for every member of the senior management team as a part of the annual appraisal process. This will ensure that the execution of the Company's strategy is not dependent on any one individual and improve our processes for identifying and developing our internal talent.

Appointments

It is the responsibility of the Nomination Committee to maintain an appropriate combination of skills and capabilities among our Directors. The Nomination Committee seeks to ensure that all Board appointments are made on merit and measured against objective criteria and with due regard for the benefits of diversity on the Board. The Board is committed to ensuring a broad mix of gender, age, nationality, experience and skill throughout the business.

Ivonne Cantú was appointed to the Board with effect from 1 January 2022 as we recognised the rationalisation of the overall size of our Board had resulted in a reduction in our female representation on the Board. Peter Cole, who had served as a Non-executive Director since 2018, stood down from the Board at the Annual General Meeting in 2022.

Activities of the Committee during the year continued

Diversity

The Board's policy on equality, diversity and inclusion recognises the importance of diversity in the broadest sense and the benefits it brings to the organisation in terms of skills and experience, wider perspectives and fresh ideas. We are committed to the creation of an inclusive culture where our colleagues reflect the diverse communities we serve and where each person can operate in a working environment which promotes a culture of mutual respect and inclusion throughout the organisation.

During the year, the existing policy was reviewed and it was agreed to revise this to ensure that it extended explicitly to all appointments across our organisation. In addition, the Board supported the roll-out of diversity training for employees across the Group. I am pleased that following the Annual General Meeting, our Board now consists of six members, two of whom are female and one is from a Hispanic ethnic background, and that across our workforce more generally, 48% of our workforce are female and 20% are from a non-white background. While we have some way to achieving a more equal gender balance at senior management level, we are pleased with the progress to date. Further information on the diversity of our workforce, the implementation of our policy and its linkage to our strategy is set out on page 15.

The PHP Equality, Diversity and Inclusion policy is available on the Company's website at: www.phpgroup.co.uk/responsible-business/

Independence

The Nomination Committee ensures that at appointment each Non-executive Director is independent and that they have formally declared to the Company any actual or potential conflicts of interest that may exist at the time of their appointment. Annually, the Nomination Committee reviews the formal register of Directors' interests tabled at each meeting of the Board to assess whether any circumstances or relationships exist which could affect the judgement or independence of each of the Non-executive Directors. In addition, the Nomination Committee considers their independence of character and judgement.

The Board has delegated to the Nomination Committee the review of the external commitments of the Directors. During the year, the Nomination Committee formally reviewed requests from the Directors for approval of new Board appointments and also annually reviews each of the Directors' external commitments, on both a quantitative and qualitative basis, to assess whether these commitments impact negatively on their commitment or performance. In carrying out its review, the Nomination Committee has regard to the ISS guidance on the number of external appointments that are considered appropriate, but overlays this quantitative criteria with its qualitative assessment of the demands of the external commitment.

During the year approval was given to Mr Howell taking up a position as a Non-executive Director at Life Science REIT plc after determining that there was no current conflict of interest and little risk of future conflict of interest. It was considered that as the company was externally managed, the number of meetings that he would be required to attend would not affect his ability to discharge his duties to PHP and that both PHP and he would benefit from the additional experience he would obtain.

Consideration was also given to the proposed appointment of Laure Duhot as a Non-executive Director of Orpea SA, which was also approved, as it was considered that she would continue to have sufficient time to meet her commitments to the Company.

Ian Krieger, as Senior Independent Non-executive Director led the Nomination Committee in consideration of the appointment of Steven Owen as Interim Executive Chairman of Palace Capital PLC, which was approved on the basis that the appointment was not anticipated to be a long term measure.

The Nomination Committee considered that the continuing commitment of Harry Hyman as the Non-executive Chairman of TMT Acquisition plc which was not considered to be material as TMT remains a cash shell formed to pursue opportunities to acquire businesses in the technology, media and telecom sector. It was considered that his role as Non-executive Chairman of BioPharma Credit PLC, an externally managed investment trust involving only four scheduled meetings a year, did not affect his time commitment to the Company or his ability to continue to contribute effectively.

It was also considered that the continued commitments of Ian Krieger as Chairman of the audit committees at Safestore Holdings plc and Capital & Counties plc did not affect his time commitment and brought valuable insight from other listed REIT's whose property portfolios did not compete with that of PHP. Ivonne Cantú's other commitments were also not considered to detract from the time commitment expected of her or to create any conflicts of interest.

The Nomination Committee is confident that each of the Non-executive Directors remain independent and will be in a position to discharge their duties and responsibilities in the coming year.

Directors standing for election and re-election

The appointment of Ivonne Cantú was ratified by shareholders at the Company's 2022 AGM. All the Directors will stand for re-election at the 2023 AGM. Following the annual reviews of individual Directors, it is considered that:

- each Director subject to re-election continues to operate as an effective member of the Board; and
- each Director subject to re-election has the skills, knowledge and experience that enables them to discharge their duties properly and contribute to the effective operation of the Board.

The Board, on the advice of the Committee, recommends the election or re-election of each Director and the skills and experience of each Director are available on pages 66 and 67.

Evaluation

In accordance with its terms of reference, the Nomination Committee's performance was reviewed in the context of the results of the Board annual evaluation, paying particular attention to any issues raised with respect to the composition of the Board, its skills, experience and diversity. The review found that the Committee functions effectively and should continue to develop and refresh its responsibilities.

Details of the evaluation process and its outcomes are set out in more detail on page 78.

Steven Owen
Chair of the Nomination Committee
21 February 2023

Remuneration Committee report

Ivonne Cantú
Chair of the Remuneration Committee

MEMBERS OF THE REMUNERATION COMMITTEE (THE "COMMITTEE") DURING THE YEAR

Member	Number of meetings and attendance while in post
Ivonne Cantú (Chair)	4 (4)
Steven Owen	4 (4)
Laure Duhot	4 (4)
Ian Krieger	4 (4)
Peter Cole	2 (2)

Bracketed numbers indicate the number of meetings the member was eligible to attend.

In addition to the scheduled meetings two additional meetings were held to discuss particular topics.

Additional attendees invited to attend meetings and provide assistance to the Committee as appropriate:

Harry Hyman – CEO

Korn Ferry

Paul Wright – Company Secretary

The CEO did not attend or participate in any matters that involved his own remuneration.

Key responsibilities

Policy • Setting the remuneration framework or policy for the Directors and ensuring it is aligned to the Company's purpose and values and linked to delivery of the Company's long term strategy. • Reviewing the continued appropriateness and relevance of the Company's Remuneration Policy.	For further information see page 91
Remuneration • Within the terms of the approved policy, determining the remuneration of the Directors, the Company Secretary and the senior executives. • Appointing and setting out the terms of reference for any remuneration consultants to advise the Committee. • Agreeing policy on the recovery by the Directors of expenses incurred in performance of their duties.	For further information see page 93
Reporting • Drafting the Directors' Remuneration Report and reporting to shareholders on the implementation of the Company's remuneration policy in accordance with relevant statutory and corporate governance requirements.	For further information see page 96

Dear shareholder,

On behalf of the Remuneration Committee (the "Committee"), I am pleased to provide an overview of our work for the year ended 31 December 2022, including the key decisions we have taken. I took over chairing the Committee following the retirement of Peter Cole from the Board at the 2022 AGM. Peter led the Committee during the important transition to an internally managed structure and the Committee is grateful for his contribution over this period.

We were encouraged by the very high level of support (99.3% of votes cast) for the Directors' Remuneration Report at the Annual General Meeting held in April 2022 and I would like to thank all our shareholders for their continued engagement and support on remuneration matters throughout the year.

This report is divided into three parts:

1. this Annual Statement on pages 90 to 92 in which I provide an overview of the work of the Committee during the year and the key decisions taken in relation to both Executive Director remuneration and wider workforce remuneration for the year ended 31 December 2022;
2. a summary of the Directors' Remuneration Policy (the "Policy") approved by shareholders at the Annual General Meeting on 5 January 2021 and applicable throughout the year, which details the link between Company performance and remuneration, is set out on pages 93 to 98; and
3. the Annual Report on Remuneration, which provides information on how the policy adopted at the General Meeting has been applied during the year, is set out on pages 98 to 106.

The Companies Act 2006 requires the auditor to report to the shareholders on certain parts of the Remuneration Report and to state whether, in its opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the Annual Report on Remuneration that are subject to audit are indicated in the report.

Company performance

As you will have read earlier in this Annual Report, the Company once again delivered increased income, entering a 27th consecutive year of dividend growth. The strong continuous growth of the business was highlighted by the award of MSCI's Highest Ten-Year Risk Adjusted Total Return Award. An investment of £100 in PHP shares in January 2012 would be worth £240 as at 31 December 2022, taking account of share price growth and reinvested dividends, and represents significant outperformance against the FTSE EPRA Nareit UK Index.

These excellent outcomes are, to a large extent, the result of the expertise and hard work of the Executive Directors and the senior management team.

The Remuneration Committee's activities during the year

The Committee met four times, in February, March, July and December.

In the second year since the internalisation of the management of the Company's portfolio, the Committee's activities were mostly focused on ensuring that the new remuneration structures put in place at the start of 2021 were bedded in effectively and with the unwinding of the Performance Incentive Fee ("PIF") arrangement, inherited at the time of internalisation. This included a review of the remuneration of our Executive Directors and senior management, followed by remuneration adjustments where appropriate. I am pleased to report that the Policy has been implemented effectively and is now well embedded.

In December I wrote to our major shareholders, on behalf of the Committee in 2022, to consult with them ahead of proposed changes to the remuneration of the CEO and CFO for 2023 and the introduction of an ESG target in the LTIP for 2024. I am pleased to say that those shareholders who responded were supportive of the changes and a number of constructive suggestions were received around the introduction of an ESG component into the LTIP targets, which will assist the Committee this year as it looks to implement this change.

We consulted on changes to the CFO's remuneration to bring it up to the lower quartile level following a year of further development in his role and taking into consideration his contribution and responsibilities. We agreed to increase his bonus opportunity from 125% of salary to 150% of salary, increase his basic salary by 7% in line with the average rate of increase for the workforce to £360,000. The CEO's pension contribution, as well as other higher earners in the Company, had been capped at £10,000 and it was agreed to remove this for all employees affected by the cap, including the CFO, so that he will now receive a pension allowance of 6% of his full salary, which remains in line with the wider workforce. These changes would bring his total target package to the lower quartile of the property peer group. This group comprised CLS, Workspace, Great Portland Estates, Assura, Grainger, London Metric Property, Safestore and Big Yellow with a lower quartile level of total target remuneration of £882k. This compares with the CFO's total target remuneration of £778k, before these changes, and afterwards of £898k.

This followed a separate consultation process in the autumn with our leading shareholders regarding the CEO transition arrangements. As part of these arrangements, the CEO agreed to increase his time commitment from at least 10 days a month to at least 15 days a month, which was considered necessary to ensure continuity during the succession period. Reflecting this increased commitment, and the fact that the CEO has taken on an increased number of direct reports it was proposed his annual salary will increase pro rata from £262,500 to £393,750 and that he would receive a 5% annual inflationary increase from 1 January 2023. In addition, it was proposed that he participate in the Annual Bonus Plan in 2023, following the ending of the PIF, but he will not participate in the LTIP.

Following the year end, as part of our annual processes, we reviewed the targets for the LTIP planned for 2023. In the light of signficant changes in the market environment and recognising the outlook for the sector, the Company's forecasts and market expectations, while seeking to ensure shareholder alignment and management incentivisation we decided to set slightly lower growth targets than operated in 2022. In order to address these factors, the Committee agreed to set the range for the TAR target at 4% to 8% and for EPRA EPS growth at 3% to 8%.

The other areas of focus for the Committee in 2022 were:

- approving the salary increase for Executive Directors and senior managers alongside the wider workforce salary budget;
- agreeing annual bonus targets for 2022 for the Executive Directors and senior management team;
- reviewing and approving the 2022 LTIP grant and the associated performance conditions;
- discussing and approving Executive Director and senior manager remuneration outcomes for 2022;
- considering and approving the Directors' Remuneration Report set out in the Annual Report for 2022;
- reviewing the remuneration of the Chair; and
- reviewing pay, pensions and benefits across the workforce to ensure that they continue to be aligned with executive pay and are sufficient to retain and attract quality staff. We recognise that it is critical that our employees feel valued and this needs to be reflected in fair pay.

Meetings are generally attended by a representative of Korn Ferry, the remuneration advisers to the Committee. Korn Ferry is a signatory of the Remuneration Consultants Code of Conduct and has no connection with the Company other than in the provision of advice on remuneration.

Remuneration in 2022

Base salaries

The base salaries set by the Committee (CEO: £262,500 and CFO: £336,000) applied for the whole year.

Annual bonus outcome

Targets for the 2022 annual bonus for the CFO set by the Committee were based on 70% of the total opportunity for the achievement of financial targets (adjusted earnings and total property return) and 30% on the achievement of personal targets. The rationale for selecting Adjusted earnings and total property return ("TPR") is that these are the key indicators of value creation for shareholders capturing the income received less expenses and property valuation changes.

The adjusted earnings outcome for the year was £88.7 million against a threshold target of £85.5 million and maximum of £88.3 million and the total property return in the year was 2.8% against a threshold target of 6% and maximum of 9%. The Committee assessed that 90% of the personal targets should be paid out. Full details of how this assessment was carried out are set out on page 100.

In total, the overall bonus pay-out was 62% of maximum, representing 78% of salary of which 30%, net of tax, is deferred into PHP shares to be held for a period of three years in accordance with the Policy.

The CEO did not participate in the Annual Bonus Plan in 2022, but will in 2023.

Remuneration in 2022 continued

Performance Incentive fee ("PIF")

There has been a period of transition for the two Executive Directors, as arrangements that have operated in recent years with their former employer are replaced by more standard market practice. This transition included the payment of amounts earned under arrangements with Nexus in relation to 2020 and earlier years. These are commitments that PHP inherited and has honoured following internalisation as we transitioned to more standard long term incentive arrangements.

The financial year ended 31 December 2021 was the last year that the CFO was entitled to any payment under the PIF. The CFO received the initial element of the amount due to him in 2021 of £120,000.

It was determined that, as the growth in EPRA net asset value in the year ended 31 December 2022 did not trigger a payment of the deferred element of the 2021 PIF and that the CEO had not earned an award in respect of 2022. The CEO now has no further entitlement to an award under the PIF.

Long Term Incentive Plan ("LTIP")

On 21 February 2022, Richard Howell was awarded a nil-cost option over 313,745 Ordinary Shares in PHP. In line with the Policy the award has a face value of 125% of salary and will vest after three years subject to achievement of performance targets (total accounting return: 50% and EPRA earnings per share: 50%). The award is also subject to a two-year post vesting holding period and is subject to clawback.

Full details of the performance conditions attaching to the award can be seen on page 95. No award was made to the CEO under the LTIP.

Going forward, it was agreed that for LTIP grants in 2023 a quarter of the awards would pay out on achievement of the threshold target, rather than 10%. This change aligns the LTIP to standard market practice and is in line with the Policy. In making this change the Committee was satisfied that the targets attached to the LTIP awards in 2023 were more demanding in the context of the economic environment than they were for 2022.

Planned activities for 2023

We set out below the activities which the Committee expects to undertake next year:

- our normal oversight of the annual remuneration cycle including approving Company-wide salary increases, approving the annual bonus and LTIP targets for 2023 and measuring performance against the bonus targets;
- consideration of the metrics for the inclusion of an ESG element in LTIP awards in 2024;
- review of Executive Director and senior manager salaries;
- review of wider workforce pay policies and practices and feedback from workforce engagement; and
- review of the Directors' Remuneration Policy to enable the Committee to design a new Policy, engage with investors and present it for approval by shareholders at the 2024 AGM.

Committee composition

As noted earlier in this section, Peter Cole did not stand for re-election as a Director of PHP at the Annual General Meeting in 2022 and I took over from him as the Chair of the Committee.

As he has now served for more than nine years as a Non-executive Director, the Chairman, Steven Owen, has stood down as a member of the Committee from the start of 2023 in line with best practice. He will attend by invitation as appropriate during the year.

Conclusion

I trust you find this report helpful and informative and thank you for your support and engagement during the year.

Overall, the Company has performed robustly against increasingly challenging market and economic conditions. The Committee believes that the 2022 remuneration outcomes are appropriate and reflective of the business performance and the wider economic and market context.

I believe that we have put in place appropriate remuneration structures to reward and retain the Executive Directors and senior management team during the year ahead. We always welcome feedback and hearing the views of our shareholders, so if you have any questions about this report or remuneration generally at PHP, do please contact me through our Company Secretary at cosec@phpgroup.co.uk.

I look forward to your support for the advisory resolution to approve the Directors' Remuneration Report at our forthcoming 2023 AGM.

Ivonne Cantú
Chair of the Remuneration Committee
21 February 2023

PART 1: SUMMARY OF THE DIRECTORS' REMUNERATION POLICY (THE "POLICY")

The current Policy was approved by shareholders on 4 January 2021 and became effective from that date.
The following is a summary of the Policy. The full text of the Policy, as approved by shareholders, was included in the 2020 Annual Report and is available at www.phpgroup.co.uk.

Key elements of the Policy

Pay element and purpose	Operation	Opportunity	Performance metrics, weighting and assessment
Base salary Provide a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	Salaries are reviewed annually and any changes are normally effective from the beginning of the financial year, although there is no obligation to increase salary. When determining an appropriate level of salary, the Committee considers: • remuneration practices within the Company; • the performance of the individual Executive Director; • the individual Executive Director's experience and responsibilities; • the general performance of the Company; • salaries within the ranges paid by comparable companies used for remuneration benchmarking; and • the economic environment.	Base salaries will be set at an appropriate level within a comparator group(s) of comparable companies and will normally increase in line with increases made to the wider employee workforce (save where a higher increase is appropriate to reflect a change in role/ responsibilities). Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted Policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the average until the target positioning is achieved. Executive salaries effective from 1 January 2023: • CEO – £413,438; and • CFO – £360,000.	None.

PART 1: SUMMARY OF THE DIRECTORS' REMUNERATION POLICY CONTINUED

Key elements of the Policy continued

Pay element and purpose	Operation	Opportunity	Performance metrics, weighting and assessment
Benefits Provide a market competitive level of benefits to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	The Executive Directors may receive benefits which include, but are not limited to, family private health cover, critical illness cover, life assurance cover, income protection and accident/sickness/business travel insurance (including tax payable if any). The Committee recognises the need to maintain suitable flexibility in the determination of benefits that ensure it is able to support the objective of attracting and retaining key personnel. Accordingly, the Committee would expect to be able to adopt other benefits including (but not limited to) relocation expenses, tax equalisation and support in meeting specific costs incurred by Directors. Any reasonable business related expenses can be reimbursed in accordance with the Company's expenses policy, including the tax thereon if determined to be a taxable benefit. The Executive Directors may also participate in any all-employee share plans operated by the Company.	The maximum will be set at the cost of providing the benefits described. The current CEO will not receive any additional benefits, other than life assurance cover of 4x base salary.	None.
Pensions Provide appropriate levels of pension benefits to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	The Committee has the ability to provide pension funding in the form of a salary supplement or as an employer contribution to a defined contribution pension plan. Any pension payments would not be considered "salary" when determining the extent of participation in the Company's incentive arrangements.	For existing and any future Executive Directors, the maximum pension contribution as a percentage of basic salary will be in line with the contribution level provided to the majority of the workforce (currently 6% of salary). The current CEO will not receive a pension.	None.

PART 1: SUMMARY OF THE DIRECTORS' REMUNERATION POLICY CONTINUED

Key elements of the Policy continued

Pay element and purpose	Operation	Opportunity	Performance metrics, weighting and assessment
Annual Bonus Plan The Annual Bonus Plan provides an incentive to the Executive Directors linked to achievement in delivering goals in a sustainable manner that are closely aligned with the Company's strategy and the creation of value for shareholders.	The Committee will determine the bonus payable after the year end based on performance against targets. Annual bonuses are paid in cash after the end of the financial year to which they relate. However, Executive Directors who participate in the Annual Bonus Plan will be required to defer 30% of the bonus for the 2021 and subsequent financial years, net of tax, into shares which should be held for at least three years. The Committee may award dividend equivalents on deferred shares to the extent they vest. Malus and clawback provisions will apply to the award, up to the date of the bonus determination and for three years thereafter. Bonus payments are not pensionable. Until 31 December 2022 at the latest, the current CEO will not participate in the Annual Bonus Plan but will be remunerated through the performance fee mechanism previously operated through the PIF in favour of Nexus, his former employer. The CFO participated in the Annual Bonus Plan and, until 31 December 2021, also in the PIF. The current PIF will operate until no later than in relation to the 2022 financial year.	After the operation of the PIF has ceased, the maximum bonus opportunity of the current CEO as a % of base salary will be the higher of 150% of salary and £750,000. The maximum bonus opportunity of the CFO is 150% of salary.	Discretionary bonus pay-outs will be determined on the satisfaction of a range of key financial and personal/strategic objectives set annually by the Committee. No more than 30% of the overall bonus opportunity can be based on performance against personal/strategic targets. The performance targets applied will be disclosed in the relevant Annual Report, following the end of the performance period. Discretion will apply, enabling the Committee to adjust the bonus outcome upwards or downwards, where the formulaic outcome is, in the view of the Committee, not a fair and accurate reflection of business performance. No more than 25% of the relevant portion of the bonus is payable for delivering a threshold level of performance, and no more than 50% is payable for delivering a target level of performance (where the nature of the performance metric allows such an approach).
Performance Incentive Fee ("PIF") The PIF is an existing arrangement for the remuneration of the senior management team including the Executive Directors.	The PIF's last year of operation was 2021 for the CFO and will be 2022 for the CEO. Awards made to the CEO will be in cash whilst at least half of the awards made to the CFO will be deferred in shares that should be held for three years with the remainder paid in cash. The Committee may award dividend equivalents on deferred shares to the extent they vest. Malus and clawback provisions will apply to the PIF, up to the date of any determination and for three years thereafter. The Company will honour its pre-existing commitment in respect of the awards under the PIF for the 2021 financial year.	Awards are capped at £1.08 million for the CEO in any year (being 60% of the £1.8 million cap).	The PIF will be calculated as it has in the recent past, as follows: The PIF pool is equal to 11.25% of any performance in excess of an 8% per annum increase in the Group's EPRA net asset value, plus dividends (less equity raised, net of non-cash and other necessary adjustments) paid subject to an overall cap of £1.8 million. Half of any PIF payment is deferred to the following year, with performance against the hurdle rate (both positive and negative) carried forward in a notional cumulative account with any future payment subject to the account being in a surplus position. Appropriate documentation will be put in place to ensure an adequate transition structure is in place for the period of transition from the PIF to the Annual Bonus Plan and the LTIP.

PART 1: SUMMARY OF THE DIRECTORS' REMUNERATION POLICY CONTINUED

Key elements of the Policy continued

Pay element and purpose	Operation	Opportunity	Performance metrics, weighting and assessment
Long Term Incentive Plan ("LTIP") Awards are designed to incentivise the Executive Directors to maximise returns to shareholders by successfully delivering the Company's objectives over the long term in a sustainable manner.	Awards can be granted annually to Executive Directors under the LTIP in the form of nil-cost options or conditional awards of shares. These would vest at the end of a three-year period, normally subject to: • the Executive Directors' continued employment at the date of vesting; and • satisfaction of the performance conditions. The Committee may award dividend equivalents on awards to the extent that they vest. The net of tax number of shares that vest after the end of the three-year performance period will be subject to an additional two-year holding period, during which the shares cannot be sold (irrespective of whether the individual remains employed). Malus and clawback provisions will apply to the award, up to the date of the LTIP determination and for three years thereafter.	Awards may be made up to 200% of base salary in normal circumstances. No more than 25% of the award will vest for threshold performance. 100% of the award will vest for maximum performance.	Awards vest subject to the achievement of challenging performance conditions set by the Committee prior to each grant. Discretion will apply, enabling the Committee to adjust the outcome upwards or downwards, where the formulaic outcome is, in the view of the Committee, not a fair and accurate reflection of business performance. There is no intention to award an LTIP in 2023 to the current CEO. However, the CFO will be granted awards.
All-employee share plan To encourage share ownership.	The Company does not currently operate an all-employee share plan. To the extent the Company operates an all-employee share plan, the Executive Directors will be able to participate on the same terms as other employees.	Actual participation in these plans will be disclosed in the relevant Annual Report following the implementation and participation in these plans.	None.
Shareholding requirement To support long term commitment to the Company and the alignment of Executive Director interests with those of shareholders.	The Committee has adopted formal shareholding guidelines that will encourage the Executive Directors to build up and then subsequently hold a shareholding equivalent to a multiple of their base salary. Requirements will continue for two years after an Executive Director ceases to be employed.	200% of salary.	None.
Non-executive Directors To provide a competitive fee for the performance of NED duties, sufficient to attract high calibre individuals to the role.	Fees are set in conjunction with the duties undertaken. Normally only increased when an individual takes on additional duties or where benchmarking indicated fees require realignment to remain competitive.	Overall fees will not exceed the maximum in the Company's Articles of Association.	None. The NEDs are not entitled to receive any remuneration which is performance related. As a result, there are no performance conditions.

PART 1: SUMMARY OF THE DIRECTORS' REMUNERATION POLICY CONTINUED

Key elements of the Policy continued

The table below sets out how the current Policy addresses factors set out in provision 40 of the Code, the objective of which is to ensure that the remuneration operated by the Company is aligned to all stakeholder interests, including those of shareholders.

Factor	How this is addressed
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The Policy is well understood and is clearly articulated to shareholders and the workforce through engagement exercises during the year.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The Committee is very mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. Therefore, one of the Committee's objectives is to ensure that the executive remuneration policies and practices are as simple to communicate and operate as possible, while also supporting strategy.
Risk Remuneration arrangements should ensure reputational and other risk from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The Policy is designed to ensure that inappropriate risk taking is not encouraged and will not be rewarded via: (i) the balanced use of both short and long term incentive plans which employ a blend of financial, non-financial and shareholder return targets; (ii) the significant role played by equity in the incentive plans (together with shareholding guidelines); and (iii) malus/clawback provisions.
Predictability The range of possible values of rewards to individual Directors and other limits or discretions should be identified and explained.	The incentive plans are subject to individual caps, with the share plans also subject to market standard dilution limits.
Proportionality The link between individual awards, the delivery of strategy and the long term performance of the Company should be clear, Outcomes should not reward poor performance.	There is a clear link between individual awards, delivery of strategy and long term performance. In addition, the significant role played by incentive/"at-risk" pay ensures that poor performance is not rewarded.
Alignment to culture Incentive schemes should drive behaviours consistent with the Company purpose, values and strategy.	The executive pay policies are fully aligned to the Company's culture, purpose and values.

Statement of employment conditions elsewhere in the Company

The Committee considers pay and employment conditions across the Company when reviewing the remuneration of the Executive Directors and other senior employees. Reward packages for the wider workforce consist of a combination of fixed and variable elements, including base pay, pension and bonus.

In particular, the Committee considers the range of base pay increases across the Group as well as wider workforce remuneration and related policies. The Policy for the Executive Directors is designed with regard to the policy for the workforce as a whole. The Committee receives remuneration information from across the Group regarding annual salary reviews, bonus, gender pay gap and CEO pay ratios, together with the principles that are applied in relation to broader incentive schemes operated, and how these align with culture. We recognise that it is critical for our colleagues to feel valued as well as to be paid fairly.

To provide context to our Executive Director remuneration in light of wider workforce considerations:

- average workforce salary increased at the start of the 2022 by 7%, well above inflation at that time, and has further benefited from an average increase of 7% from January 2023;
- the Executive Director and general workforce pension contributions are aligned;
- colleagues received a total of £1.1 million in bonus payments (excluding bonus payments to the Executive Directors); and
- all our colleagues can participate in our Sharesave plan oto foster the culture of ownership, reflecting our remuneration principles by rewarding colleagues for the successful execution of strategy over a multi-year horizon. We are delighted that 58% of UK colleagues are enrolled in our Sharesave plan.

Laure Duhot, who is a member of the Committee, held a series of meetings with staff at our offices in Stratford-upon-Avon and in London to discuss a wide range of employee-related matters, including pay and benefits in connection with the Board's employee engagement initiative. Through this engagement exercise the Committee is kept updated on general employment conditions and it approves the budget for annual salary increases. The Company did not formerly consult with employees in formulating the Policy.

PART 1: SUMMARY OF THE DIRECTORS' REMUNERATION POLICY CONTINUED

Consideration of shareholders' views

The Company is committed to engagement with shareholders and has undertaken an engagement exercise in relation to the proposed changes to the remuneration of the CEO and CFO this year. If any significant changes to the Policy are proposed in the future, the Company will seek to obtain major shareholders' views in advance of implementation.

As disclosed on page 64 no formal consultation with the workforce on executive pay was undertaken in the year as required by Provision 41 of the Code, but are confident that executive remuneration is aligned with the wider company pay policy.

The Chair of the Committee will attend the Annual General Meeting to hear the views of shareholders on implementation of the Policy and to answer any questions in relation to remuneration.

PART 2: ANNUAL REPORT ON REMUNERATION

On the following pages we set out the Annual Report on Remuneration for the year ended 31 December 2022 which provides details of how the Policy was applied during the year and the remuneration received by each of the Directors.

This part of the report has been prepared in accordance with the Companies Act, various company regulations, and relevant sections of the Listing Rules. The Annual Report on Remuneration will be put to an advisory shareholder vote at the 2023 AGM.

Implementation of the Policy for 2023

On the basis that the Committee feels that the approved Policy remains fit for purpose, it is not intended that there would be any change from it during 2023. The Committee is comfortable that the Policy and its overarching remuneration principles remain relevant for PHP taking account of the challenges to the business and the sector in which it operates. Implementation details for 2023 are set out below:

Summary of Policy	Implementation in the year to 31 December 2023
Base salary An Executive Director's basic salary is set on appointment and reviewed annually with changes normally taking effect from the beginning of the year or when there is a change in position or responsibility.	The basic salary of the CEO was increased from 1 January 2023 to £413,438 in the light of his greater responsibilities and time commitment, and the salary of the CFO was increased from 1 January 2023 by 7% to £360,000 which is in line with the average increases awarded generally to employees across the Group with effect from 1 January 2023.
Pension Pension funding as an employer contribution to a defined contribution pension plan or as a salary supplement. Any pension payments are not considered "salary" when determining the extent of participation in the Company's incentive arrangements.	With effect from 1 January 2023, the annual cap of £10,000 which had applied to the employer pension contribution for Richard Howell will be removed and he will receive an employer pension contribution of 6% of pensionable salary, in line with all other employees of the Group. The CEO will continue not to receive a pension contribution.
Benefits The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy.	In line with the Policy, each Executive Director receives life insurance cover. In addition, in line with the rest of the workforce, the CFO receives private health cover, income protection cover and critical illness cover. The CEO does not receive these benefits.
Annual bonus Annual bonuses are paid in cash shortly after the end of the financial year to which they relate. However, Executive Directors who participate in the Annual Bonus Plan are required to defer 30% of the bonus net of tax into shares which should be held for at least three years. Dividend equivalents will be added on deferred shares.	The maximum opportunity of Richard Howell under the bonus plan has been increased to 150% from 125% of salary, subject to a cap of £750,000. Harry Hyman will also participate in the annual bonus plan in 2023 and will have the opportunity to earn a bonus of up to 150% of salary. He did not do so in 2022. The bonus will operate as follows: (i) financial measures: 70% of opportunity, split equally between: (a) EPRA earnings as adjusted by the Committee to ensure consistency with the basis on which the targets are set; and (b) total property return; and (ii) strategy and personal measures: 30% of opportunity split between key goals of the business for the year ahead, which included ESG goals that will be cascaded through the Company. Full disclosure of the targets set and performance achieved will be made in next year's report as due to the nature of the business these targets are felt to be commercially sensitive at the current time.

PART 2: ANNUAL REPORT ON REMUNERATION CONTINUED

Implementation of the Policy for 2023 continued

Summary of Policy	Implementation in the year to 31 December 2023
Long Term Incentive Plan Awards are to be granted annually under the LTIP in the form of nil-cost options or conditional awards of shares. These awards will vest at the end of a three-year period, normally subject to continued employment at the date of vesting and achieving the performance conditions. Dividend equivalents will be added to awards to the extent that they vest. The net of tax number of shares that vest after the end of the three-year performance period will be subject to an additional two-year holding period, during which the shares cannot be sold (irrespective of whether the individual remains employed).	Richard Howell will be granted an LTIP award of shares with a value at grant of 125% of his salary. Harry Hyman will not be granted an LTIP award in 2023. Other senior executives will also be granted LTIP awards. The performance conditions of the awards have been changed from 2022. LTIP awards will vest as follows calculating the growth from the 2022 base level to the level for 2025. (see table below) Awards vest on a progressive basis for performance between the threshold and stretch targets and lapse if the threshold is not achieved. The Committee will have a discretion to change the formulaic outcome (both downwards and upwards) if it is out of line with the underlying performance of the Company.
Shareholding requirement Executive Directors are required to build up and hold a shareholding equivalent to a percentage of base salary. The requirements continue for two years after an Executive Director ceases to be employed.	The shareholding requirement remains 200% of base salary.
Non-executive Directors To provide a competitive fee for the performance of NED duties, sufficient to attract high calibre individuals to the role.	The fees payable to the NEDs and Chairman have been increased with effect from 1 January 2023 by 5%. Details of the fees payable to the NED's and the Chairman are set out on page 102.

Performance measure	Weighting	Threshold vesting (25%)	Stretch vesting (100%)
Total accounting return	50%	4% p.a. CAGR	8% p.a. CAGR
EPRA earnings per share	50%	3% p.a. CAGR	8% p.a. CAGR

Wider workforce pay

The performance of the Company during the year would not have been possible without a skilled and motivated workforce. We recognise that it is critical for our colleagues to feel valued as well as to be paid fairly. To this end we undertook a formal review of pay and benefits across the Company at the end of the year and have agreed to implement a number of significant improvements in the overall benefits package, as well as increasing basic salary across the workforce.

Following the merger with the MedicX Fund a number of employees who transferred to Nexus, which was the property adviser to PHP, enjoyed a more generous benefits package than that available to the Nexus employees at that time. Following a review of the benefits package available to staff, it was decided to harmonise the benefits package with effect from the start of 2023, so that all staff have access to private healthcare, critical illness cover and income protection, as well as death-in-service life cover.

In addition to the changes noted above, during the year we launched a salary sacrifice electric car plan operated by Octopus under which employees could enter into a lease for an electric car with the monthly lease payments being taken from salary.

Widespread share ownership is an object of the Committee as it rewards our colleagues for the successful execution of our strategy across several years and aligns their interests more closely with our shareholders. We were pleased to be able to again offer participation to our UK colleagues under our PHP Sharesave plan in July and plan to do so again in April 2023.

→ **Read more about our CEO pay ratio on page 105.**

PART 2: ANNUAL REPORT ON REMUNERATION CONTINUED

Executive Directors

Single total figure of remuneration (audited information)

The following tables detail all elements of remuneration receivable by the Executive Directors in respect of the year ended 31 December 2022 and show the comparative figures for the year ended 31 December 2021 in a separate table below.

	Salary 2022 £000	Benefits[3] 2022 £000	Pension[4] 2022 £000	Total fixed 2022 £000	Annual bonus 2022 £000	LTIP[5] 2022 £000	PIF[7] 2022 £000	SAYE[6] 2022 £000	Other 2022 £000	Total variable 2022 £000	Total 2022 £000
Harry Hyman[1]	**263**	**—**	**—**	**263**	**—**	**—**	**—**	**—**	**—**	**—**	**263**
Richard Howell[2]	**336**	**—**	**10**	**346**	**260**	**—**	**N/A**	**—**	**—**	**260**	**606**

1 The CEO is not paid a pension and he did not participate in the Annual Bonus Plan for 2022 as under the provisions of his PHP service contract he is entitled to up to 40% of the PIF payable under the advisory agreement. Following the approval of the accounts, the Committee determined that as PHP's Group EPRA net asset value for the year (plus dividends paid, less equity raised, net of non-cash and other necessary adjustments) had not exceeded the hurdle rate of 8%, and so no PIF payment is due to the CEO in respect of 2022.

2 The CFO earned an annual bonus of (£260,400); the annual bonus is set by the Committee and is discretionary, of which 30% (net of tax) is deferred into Ordinary Shares which have to be held for three years and are subject to malus and clawback.

3 The CEO and CFO both receive life cover. From 1 January 2023, the CFO also receives private health cover, income protection cover and critical illness cover in line with the remainder of the workforce.

4 During the year the CFO received an employer pension contribution subject to a limit of £10,000 per annum. Following a review of remuneration and benefits across the workforce, it was agreed to remove the cap of £10,000 on employer pension contributions effective from 1 January 2023. The CFO receives the same employer contribution as other members of the PHP pension plan.

5 No LTIP's vested in the year as the three-year performance period has not finished.

6 Neither the CEO nor CFO applied for or were granted options to acquire Ordinary Shares in PHP under the Sharesave plan in 2022.

7 Following the approval of the accounts, the Committee determined that as PHP's Group EPRA net asset value for the year (plus dividends paid, less equity raised, net of non-cash and other necessary adjustments) had not exceeded the hurdle rate of 8%, no PIF payment had been earned.

	Salary 2021 £000	Benefits 2021 £000	Pension[3] 2021 £000	Total fixed 2021 £000	Annual bonus 2021 £000	LTIP 2021 £000	PIF[4] 2021 £000	SAYE[5] 2021 £000	Other 2021 £000	Total variable 2021 £000	Total 2021 £000
Harry Hyman[1]	247	—	—	247	—	—	589	—	—	589	836
Richard Howell[2]	320	—	1	321	216	—	240	—	—	456	777

1 Under the terms on Harry Hyman's contractual bonus provisions in his PHP service contract which was signed on 5 January 2021, he is entitled to up to 40% of the PIF payable under the advisory agreement. The maximum PIF payable is capped at a maximum of £1.8 million. This was paid to him in cash net of employer's National Insurance, half following the approval of the financial statements for the year and half in the next year. He was not paid a pension, or an annual bonus and was not made an award under the LTIP. He did not participate in the annual bonus scheme.

2 The CFO earned the following elements of variable pay in relation to 2021, some of which will be paid in subsequent years, as follows: (i) annual bonus (£216,000) – the annual bonus is set by the Committee and is discretionary, of which 30% (net of tax) is deferred in to Ordinary Shares which have to be held for three years and are subject to malus and clawback; and (ii) PIF (£240,000) – this was payable in relation to 2021 of which £120,000 is paid to him in 2022, half in cash and half in shares which must be held for a three-year period, and £120,000 paid in 2023 on the same basis. The CFO's award from the PIF is made at the discretion of the Committee. 2021 was the last year the CFO participated in the PIF.

3 Following a review of remuneration and benefits across the workforce, it was agreed to increase the employer pension contribution from 1 January 2022 for the CFO to 6%, subject to a limit of £10,000 per annum. The CFO receives the same employer contribution as employees in respect of pension.

4 Following the approval of the accounts, the Committee determined that as PHP's Group EPRA net asset value for the year (plus dividends paid, less equity raised, net of non-cash and other necessary adjustments) had exceeded the hurdle rate of 8%, a PIF payment had been earned and accordingly the payments to the CEO and the CFO set out in the table above were approved. Full details of how the PIF is determined are set out in the Policy on page 105.

5 The CEO and CFO were each granted an option to acquire up to 14,635 Ordinary Shares in the Company at a price of £1.23 per share under the PHP Sharesave plan.

2022 annual bonus outcome

The CEO did not participate in the annual bonus scheme in 2022 as he retained the right to receive a payment from the PIF.

The bonus scheme for the CFO in 2022 was based on a mixture of financial targets and personal targets. The maximum potential bonus award was 125% of salary. The table below includes details of the specific targets and the extent that they were met.

Metric	Weight	Threshold	Maximum	Outcome	Bonus achieved
Financial targets	70%				
Adjusted earnings		£85.5m	£88.3m	£88.7m	100%
Total property return		6%	9%	2.8%	0%
Personal targets	30%				
Individual targets		See below	See below	See below	See below

PART 2: ANNUAL REPORT ON REMUNERATION CONTINUED

2022 annual bonus outcome continued

Personal objectives (30% of total bonus)

The personal objectives were set based on Richard Howell's individual areas of responsibility and the main objectives are set out below:

Objective	Achievement	Committee assessment
Maintenance of an efficient capital structure and control on costs	During the year the CFO secured a €7 5 million 12 year private placement note with MetLife at a fixed rate of 1.64% and refinanced all of the Group's shorter dated facilities totalling £350 million on favourable terms. The Group's EPRA cost ratio remains the lowest in the sector at 9.9% despite inflationary pressures	The Committee assessed that the performance of the CFO had been very strong in this area, with the Euro financing providing a platform for accretive investment in the Irish market 90%
Deliver an enhanced risk management framework	The CFO led on work with Willis Towers Watson to develop and refine the Group's climate risk and opportunities register and further updated and improved the risk management framework	The CFO led on work with Willis Towers Watson to develop and refine the Group's climate risk and opportunities register and further updated and improved the risk management framework 100%
Deliver a plan showing the pathway to deliver our sustainability targets	During the year the Group commenced its first NZC development at Croft, West Sussex and our second NZC development at Spilsby, Lincolnshire, is expected to start on site in 2023. Significant investment has been made to improve the carbon and energy efficiency of our estate through asset management projects and initiatives developed to assist occupiers to reduce their energy consumption	The Committee noted the work undertaken on several initiatives and the good progress made during the year and concluded that this objective had been significantly met 80%
Deliver an effective investor relations strategy to position the Company as the leading investor in primary healthcare	The CFO oversaw the implementation of our investor relations strategy that included successfully holding over 85 meetings with our investors and potential investors during the course of the year as well as a series of meetings with analysts resulting in favourable reports to position PHP as the leading investor in the sector	The Committee considered that the delivery of the investor and analysts meetings and roadshows were a key strategic benefit for PHP in maintaining investor confidence in the stock during a turbulent period for the sector in general 90%
Through personal leadership, develop strong teams working collaboratively across the organisation	The CFO has organised and led regular all-employee virtual meetings to include staff at both the London and Stratford-upon-Avon offices to foster a collaborative work culture and team working and taken a leadership role in the implementation of improved staff training initiatives and the staff surveys during the year	The Committee considered that the CFO has demonstrated strong leadership both within the finance team, where the team ethic is strong and staff turnover was very low, as well as across the workforce as whole 100%

The Committee assessed Richard's performance against his personal targets after the year end and agreed that a bonus of 62% was payable in respect of this aspect of the Annual Bonus Plan, in light of his performance against these objectives. In reaching this conclusion the Committee determined that Richard had performed strongly during the year and had succeeded in meeting almost all of the targets set for him.

In total, the bonus payable to the CFO in light of his performance against both the financial targets and personal objectives was equivalent to 62% of the maximum payable. This resulted in a bonus award of £260,400 of which, in line with the Policy, £41,404 representing 30% of the award, after tax, will be deferred into shares to be held for three years. The deferred shares are not subject to any further conditions.

In light of the financial performance of the Company in the year in an increasingly challenging economic environment, the Committee is satisfied that the bonus pay-out is appropriate given the shareholders and other stakeholders' experience. Specifically, the Committee took account of the following factors:

- the Company achieved a strong set of financial results with solid year-on-year growth in Adjusted earnings and in Adjusted earnings per share despite a challenging environment for the property sector;
- the Company paid £86.7 million in dividends for 2022 to shareholders. The full-year dividend for the year ended 31 December 2022, which was over 100% covered, increased by 4.8% from 6.2 pence to 6.5 pence;
- the Company maintained a strong control over costs, continuing to have the lowest EPRA cost ratio in the sector; and
- the Company has significantly advanced its progress in achieving its NZC commitments.

On this basis, the Committee felt comfortable that the formulaic bonus outcome reflected the CFO's and Company performance and, as a result, the Committee determined that no overriding discretion will be applied to the bonus outcome. Accordingly, the Committee is comfortable that an overall bonus pay-out of 62% of maximum is reasonable. The Committee is comfortable that the current Policy operated as intended and that the overall 2022 remuneration paid to Executive Directors was appropriate.

The 2023 bonuses for Executive Directors will be 150% of salary and will be paid 70% in cash, with the remainder of the bonus held in shares on a net of tax basis, via an agreement with the Executives, until 2026 with malus applying for this period and clawback for three years thereafter.

PART 2: ANNUAL REPORT ON REMUNERATION CONTINUED

Share scheme interests awarded during the year

Only Richard Howell participated in the LTIP during the year.

On 21 February 2022, Richard Howell was granted a nil-cost option over 313,745 Ordinary Shares in PHP (the "Award"). In line with the Policy the Award has a face value of 125% of salary (calculated on the basis of a share price of £1.34, being the average closing price in the three dealing days prior to the date of grant) and will vest over three years subject to achievement of performance targets (total accounting return: 50% and EPRA earnings per share: 50%).

The Award is subject to the following performance targets over a three-year period to 31 December 2024:

Performance measure	Weighting	Threshold vesting (10%)	Stretch vesting (100%)
Total accounting return	50%	5% per annum CAGR	10% per annum CAGR
EPRA earnings per share	50%	5% per annum CAGR	10% per annum CAGR

The Award vests on a straight line basis for performance between the applicable threshold and stretch targets and lapses to the extent the applicable threshold is not achieved. Any fractional result shall be rounded to the nearest whole number of shares.

50% of the Award is subject to the total accounting return performance measure (i.e. change in EPRA net tangible assets per share plus dividends per share paid). 50% of the Award is subject to the EPRA earnings per share performance measure.

The rationale for selecting EPRA EPS and total accounting return (NAV per share growth plus dividends) is that these are also key indicators of value creation for shareholders out of which the dividends are paid and the share values are driven. TAR provides continuity with the way the PIF calculates value creation and reflects the impact of gearing as experienced by shareholders. Targets for these measures are proposed in the table below. They are absolute, rather than relative, because there is not felt to be a suitably large list of peer companies against which to make comparison. The inclusion of total shareholder return was considered by the Committee but potential volatility that is outside of management control and a very small peer group made the use of absolute and relative targets difficult to justify.

The Committee will determine whether and the extent to which the performance targets have been met, in accordance with the rules of the plan.

On 3 March 2022, Richard Howell also received a beneficial interest in 42,263 Ordinary Shares under the PIF and 24,897 Ordinary Shares acquired with a portion of his annual bonus in accordance with the terms of the Annual Bonus plan. Both blocks of Ordinary Shares are held for him in the PHP Employee Benefit Trust and will be released to him after three years.

The Company may fund its share incentives through a combination of new issue and/or market purchase shares. The Company monitors the level of share grants and the impact of these on the continuing requirements for shares. In accordance with guidelines set out by the Investment Association the Company can issue a maximum of 10% of its issued share capital in a rolling ten-year period to employees under all its share plans, with an inner limit of 5% applied to discretionary plans.

Non-executive

Single total figure of remuneration (audited information)

	Fees		Taxable benefits		Total	
	2022 £000	2021 £000	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Steven Owen (Chair)	**173**	165	**—**	—	**173**	165
Ian Krieger	**73**	70	**—**	—	**73**	70
Ivonne Cantú	**65**	—	**—**	—	**65**	—
Peter Cole[1]	**22**	65	**—**	—	**22**	65
Laure Duhot	**63**	60	**—**	—	**63**	60

[1] Peter Cole retired from the Board at the 2022 AGM and the figure shown above are the fees paid to him up to his retirement. Peter Cole is a majority shareholder and director of Beaumont Real Estate Partners Limited who received a fee of £30,000 for consultancy services provided to the Company in relation to its development activity following his retirement.

The Committee agreed to increase the fee paid to the Chairman by 5% with effect from 1 January 2023 at its meeting in December 2022 and the Board agreed to increase the fees payable to the remaining Non-executive Directors for 2023 by the same amount.

PART 2: ANNUAL REPORT ON REMUNERATION CONTINUED

Executive Directors: contracts

Name	Date of appointment	Date of service agreement or letter of appointment
Harry Hyman	5 February 1996	5 January 2021
Richard Howell	1 April 2017	15 April 2021

Harry Hyman entered into a contract of employment with the Company on 5 January 2021 and Richard Howell entered into a revised contract of employment with PHP Tradeco Limited on 15 April 2021 to reflect the terms of the Policy. Harry Hyman's contract was for an initial fixed period of twelve months and can be terminated by either party on giving twelve months' notice. Harry Hyman has informed the Company of his intention to retire as CEO with effect from the Annual General Meeting in 2024.

Richard Howell's service contract is a rolling contract that can be terminated by either party on giving six months' notice.

Non-executive Directors: contracts

Name	Date of appointment	Date of service agreement or letter of appointment	Length of appointment Years
Steven Owen	1 January 2014	9 December 2013	9
Ivonne Cantú	1 January 2022	14 December 2021	1
Laure Duhot	14 March 2019	14 March 2019	3
Ian Krieger	15 February 2018	15 February 2018	4

The Non-executive Directors each have specific letters of appointment, rather than service contracts. Non-executive Directors are appointed for an initial term of three years and, under normal circumstances, would be expected to serve for additional three-year terms, up to a maximum of nine years, subject to satisfactory performance, which is reviewed annually by the Nomination Committee. The Board shall have discretion to extend a term beyond nine years in order to retain specialist skills and experience which are hard to replace and provided always that the individual is considered to remain independent.

The appointment of the Chair and any Non-executive Directors may be terminated immediately if they are not re-appointed by shareholders or if they are removed by the Board under the Company's Articles of Association or if they resign and not offer themselves for re-election. In addition, appointments may be terminated by either the individual or the Company giving three months' written notice of termination.

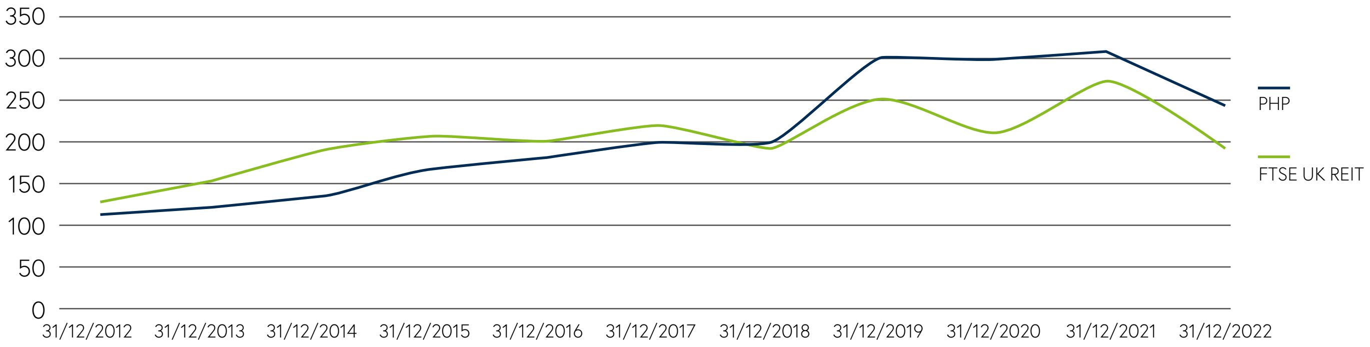
In accordance with the Code, the Company requires that all Directors are re-elected at each Annual General Meeting.

The Company's performance

The following graph compares the total shareholder return of the Company's Ordinary Shares relative to a return on a hypothetical holding over the same period in the FTSE All-Share Real Estate Investment Trust Index. This Index has been chosen by the Board as the Company is a constituent member of that Index. Total shareholder return is the measure of returns provided by a company to shareholders reflecting share price movements and assuming reinvestment of dividends.

For the year ended 31 December 2022, the highest and lowest mid-market prices of the Company's Ordinary Shares were 151.75 pence and 98.75 pence respectively.

Total Shareholder Return Performance %



PART 2: ANNUAL REPORT ON REMUNERATION CONTINUED

CEO pay

This table shows how pay for the role of the CEO has changed in the last two years. This table will be expanded over future periods until a ten-year history has been provided.

	2022 **£000**	2021 £000	2020 £000
Incumbent	**Harry Hyman**	Harry Hyman	Harry Hyman
Single figure of remuneration	**263**	836	574
% of max. bonus earned*	**n/a**	n/a	n/a
% of max. LTIP awards vesting*	**n/a**	n/a	n/a

* Harry Hyman has not participated in the LTIP or the Annual Bonus Plan in any of these periods. He received £nil, £589k and £524k in 2022, 2021 and 2020 under the PIF.

Remuneration adviser

The Remuneration Committee's appointed adviser is Korn Ferry, which provides advice on Directors' remuneration and governance. Korn Ferry has no other connection with the Company and is a signatory to the voluntary code of conduct of the Remuneration Consultants Group in relation to executive remuneration consulting. The Committee is satisfied that its advice is independent and objective. The fees paid for its services calculated on a time and materials basis during the calendar year were £31,218.

Relative importance of spend on pay

The following table shows the total remuneration paid to Directors and total management fees paid compared to the dividends paid to shareholders:

	2022 **£**	2021 £	Difference
Directors' fees	**2,236,417**	1,888,538	18%
Pay overall (including Executive Directors)	**6,136,166**	5,004,906	23%
Dividends	**86,722,491**	82,425,791	5%

Statement of Directors' shareholding and share interests (audited)

The interests of each person who served as a Director at any time during the financial year and up to the date of signing in the share capital of the Company (all of which are beneficial unless otherwise stated) and any interests of a person connected with such persons (within the meaning of Section 96B(2) of the Financial Services and Markets Act 2000) are shown below:

Director	Number of shares owned beneficially and by PCA's	% of salary held	Total interest subject to service and performance targets conditions (LTIP nil-cost awards)	Total interests subject to continued service condition only	Outstanding Sharesave options	**Total interests as at 31 December 2022**
Harry Hyman	24,404,410	10,301	n/a	n/a	14,634	**24,419,044**
Richard Howell	335,424	115	580,649	nil	14,634	**930,707**
Steven Owen	146,265	n/a	n/a	n/a	n/a	**146,265**
Ian Krieger	101,481	n/a	n/a	n/a	n/a	**101,481**
Peter Cole	75,000	n/a	n/a	n/a	n/a	**75,000**
Ivonne Cantú	nil	n/a	n/a	n/a	n/a	**nil**
Laure Duhot	23,169	n/a	n/a	n/a	n/a	**23,169**

Note: Peter Cole retired from the board following the 2022 AGM on 27 April 2022

PART 2: ANNUAL REPORT ON REMUNERATION CONTINUED

Shareholding guidelines

In accordance with the Policy, in order to ensure that the Executive Directors' interests are aligned with those of shareholders, the shareholding guideline (as a percentage of salary) for the Executive Directors is 200%. In addition, the Executive Directors are required to retain shares equal to the level of this guideline (or if they have not reached the guideline, the shares that count at that point in time) for the two years following their departure.

The guideline shareholdings for the year ended 31 December 2022 are shown below:

Executive Director	Requirement	Guideline holding	Qualifying holding	% of salary held
Harry Hyman	200%	331,126	24,404,410	over 200%
Richard Howell	200%	423,841	335,424	79%

The shareholding definition includes shares beneficially owned by the Executive Directors and their connected persons, and shares subject to a holding period, but net of tax if not yet exercised (e.g. shares which have vested but are subject to a sale restriction and vested but not exercised (net of tax)).

To the extent that there is a shortfall against the minimum holding at any time during an Executive Director's employment, he/she will be required to retain 50% of deferred bonus and LTIP shares (net of taxes and exercise costs) until such time as the guideline is satisfied.

The shareholding guidelines will continue to apply for two years post cessation of employment; however, any shares beneficially owned by the Executive Director and persons connected with him will not be subject to this restriction.

CEO pay ratio

Although PHP does not have more than 250 employees, and is thus not formally required to publish the ratio of CEO's pay to the wider UK workforce, we have decided to include this figure as good practice.

Our CEO to colleague pay ratio is set out in the table below:

Financial year	Method used	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2022	**Option A**	**3.8:1**	**2.2:1**	**1.4:1**
2021	Option A	13.6:1	6.0:1	2.3:1

The Company has chosen to use Option A as the method for calculating the CEO pay ratio. This method had been selected because PHP has a small number of employees, and this method is considered to be the most up to date and statistically accurate method of calculation. It is also recommended by the UK Government and the Investment Association.

	2022			
	CEO	**25th**	**50th**	**75th**
Basic salary	**262,500**	**51,316**	**78,400**	**105,000**
Benefits	**1,458**	**570**	**2,160**	**6,007**
Pension	**—**	**3,000**	**4,740**	**6,000**
Annual Bonus Plan	**—**	**15,000**	**35,000**	**68,250**
Total pay	**263,958**	**69,887**	**120,300**	**185,257**

CEO pay for 2022 has been calculated for the period 1 January 2022 to 31 December 2022 based on the single figure remuneration.

The calculation for the pay of employees at the different levels has been calculated as at 31 December 2022. Where relevant, full-time equivalent pay was calculated by applying a proportionate increase to the pay and benefits of any part-time employees.

For the purpose of the calculations, the following elements of pay were included in the total pay figure for the employee at each quartile in the year to 31 December 2022:

- annual basic salary;
- bonus earned in the year;
- employer pension contributions;
- Sharesave; and
- life cover.

PART 2: ANNUAL REPORT ON REMUNERATION CONTINUED

Percentage change in remuneration of the Board of Directors

The table below shows the percentage change in remuneration of the Executive and Non-executive Directors against PHP employees as a whole.

	% change 2021 to 2022			% change 2020 to 2021		
	Base salary/fees	**Benefits**	**Bonus**	Base salary/fees	Benefits	Bonus
Harry Hyman[2]	**6%**	**0%**	**(100)%**	400%	0%	12%
Richard Howell[2]	**5%**	**309%**	**(43)%**	7%	0%	(24)%
Steven Owen[3]	**5%**	**n/a**	**n/a**	32%	n/a	n/a
Ian Krieger[3]	**4%**	**n/a**	**n/a**	11%	n/a	n/a
Ivonne Cantú[3]	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a
Laure Duhot[3]	**5%**	**n/a**	**n/a**	9%	n/a	n/a
PHP employees[1]	**7%**	**135%**	**(2)%**	n/a	n/a	n/a

1 The Group had no employees in 2020. In 2021 the average increase for employees was therefore not applicable.

2 Whilst Harry Hyman and Richard Howell were not employed by any company in the PHP Group during 2020, the movement presented reflects payments made to them under their PHP contracts for 2021 and under letters of appointment for 2020.

3 The Non-executive Directors receive no benefits and do not participate in the annual bonus scheme.

Statement of shareholder voting

At the 2022 AGM, shareholder voting on the Directors' Remuneration Report was as follows:

	Number of votes	% of votes cast
Votes cast in favour	928,995,763	99.27
Votes cast against	6,846,372	0.73
Total votes cast	**935,842,135**	**—**

A General Meeting was held on 4 January 2021, at which a composite resolution (inter-alia) to approve the internalisation and the adoption of the Policy was proposed and which shareholder voting was as follows:

	Number of votes	% of votes cast
Votes cast in favour	759,002,089	99.95
Votes cast against	416,356	0.05
Total votes cast	781,849,853	—

Payments to past Directors or for loss of office

There have been no payments made to past Directors and no payments made for loss of office in the year.

Approval

The Directors' Remuneration Report has been approved by the Board of Directors.

Signed on behalf of the Board of Directors

Ivonne Cantú
Chair of the Remuneration Committee
21 February 2023

Directors' report

The Directors present their Annual Report and Accounts, together with the financial statements and the Auditor's Report, for the year ended 31 December 2022 and up to the date if signing to shareholders.

Company status

Primary Health Properties PLC is a public limited liability company incorporated under the laws of England and Wales and is the holding company of the Group, which has no branches. It has a premium listing on the London Stock Exchange Main Market for listed securities (LON:PHP) and is a constituent of the FTSE 250 Index.

Principal activity

The principal activity of the Group remains investment in primary healthcare property in the United Kingdom and Ireland.

The purpose of the Annual Report is to provide information to the members of the Company as a body, that is a fair, balanced and understandable assessment of the Group's performance, business model and strategy. A detailed review of the Group's business and performance during the year, the principal risks and uncertainties facing the Group, its approach to responsible business, an indication of future likely developments in the Company and details of important events since the year ended 31 December 2022 are contained in the Group's Strategic Report on pages 1 to 63 and should be read as part of this report.

The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. The Annual Report contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report. Nothing in this Annual Report should be construed as a profit forecast.

Tax status

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

Directors

The names and biographical information for the current Directors can be found on pages 66 and 67. Details of the Directors who served during the year and at the date of this report and the interests of the Directors and their connected persons in the Company's Ordinary Shares can be found in the Directors' Remuneration Report on page 104.

The Company's Articles ("Articles") require that Directors should submit themselves for election at the first Annual General Meeting following their appointment and thereafter for re-election at least every three years. The Company has, however, adopted the requirements of the UK Corporate Governance Code (the "Code") in requiring the annual re-election of all Directors. A proposal to re-elect such Directors is to be included within the Notice calling the 2023 AGM. The Chair confirms to shareholders that, following formal performance evaluation, all the Directors standing for re-election continue to be effective and their contribution is valuable and they demonstrate full commitment to and independence in their roles.

Appointment and removal of Directors

Unless and until otherwise determined by the Company by ordinary resolution, the number of Directors (other than any alternate Directors) shall not be less than two and there shall be no maximum number of Directors.

Dividends

The results for the year are shown in the Group Statement of Comprehensive Income on page 121.

The Company has paid four interim dividends each of 1.625 pence per Ordinary Share of 12.5 pence ("Ordinary Shares") for the year totalling 6.5 pence per share on the dates shown below, split as a property income distribution ("PID") and ordinary dividend, as follows:

Date	PID	Ordinary dividend	Total
25 February 2022	–	1.625 pence	1.625 pence
20 May 2022	–	1.625 pence	1.625 pence
19 August 2022	0.8 pence	0.825 pence	1.625 pence
25 November 2022	0.8 pence	0.825 pence	1.625 pence

On 5 January 2023, the Board declared an interim dividend of 1.675 pence per Ordinary Share, payable on 23 February 2023, to shareholders on the register at the close of business on 13 January 2023, being the first quarterly dividend in 2023 payable as to 1.34 pence as a PID and 0.335 pence as an ordinary dividend. Shareholders may elect to re-invest their cash dividend in the purchase of additional Ordinary Shares under the dividend re-investment plan offered by Equiniti Financial Services Limited.

Powers of Directors

Subject to the provisions of the Companies Act 2006 (the "Act"), the memorandum and the Articles and to any directions given by special resolution of shareholders, the business of the Company shall be managed by the Board, which may exercise all the powers of the Company.

Appointment of Directors

Subject to the Articles, and without prejudice to the power of the Company to appoint any person to be a Director, the Board has power at any time to appoint any person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board, but the total number of Directors shall not exceed any maximum number fixed in accordance with the Articles.

Any Director so appointed shall hold office only until the next Annual General Meeting of the Company following such appointment and shall then be eligible for election.

Retirement of Directors

Under the Articles at each Annual General Meeting any Director who shall have been a Director at each of the two preceding Annual General Meetings is required to stand for re-election as a Director. However, the Company has adopted the requirements of the Code in requiring the annual re-election of all Directors.

Removal of Directors

In addition to any powers of removal conferred by the Act, the Company may by special resolution remove any Director before the expiration of his period of office and may (subject to the Articles) by ordinary resolution appoint another person to act in their place.

Indemnities

The Company has procured Directors' and officers' liability insurance in respect of itself, the Directors and the directors of its subsidiaries. These indemnities are qualifying third-party indemnity provisions as defined by Section 234 of the Act.

The Company has agreed to indemnify each Director against any liability incurred in relation to acts or omissions arising in the ordinary course of their duties. The indemnity only applies to the extent permitted by law. A copy of the deed of indemnity is available for inspection at PHP's registered office and will be available at the 2023 AGM. No indemnity was provided and no payments were made pursuant to these provisions during the year.

Substantial interests

As at 17 February 2023, the Company had been notified under the Disclosure Rules or was otherwise aware of the following shareholders who were directly or indirectly interested in 3% or more of the voting rights in the Company's issued share capital:

Name	Shares	%
BlackRock	95,299,736	7.13
Vanguard Group	66,108,680	4.85
SSGA	59,648,056	4.46
Investec	59,023,875	4.42
Legal & General	40,183,942	3.00

Share capital

At the date of this report, the Company has one class of share in issue, being 1,336,493,786 Ordinary Shares and each carrying the right to one vote at general meetings of the Company and to participate in any dividends declared in accordance with the Articles. There are no Ordinary Shares held in treasury. No person has any special rights of control over the Company's share capital.

During the financial year, 3,605,601 Ordinary Shares were issued to satisfy elections for the scrip dividend alternative during the year.

At the 2022 AGM shareholders authorised the Company to make market purchases of Ordinary Shares representing up to 10% of its issued share capital at the time to allot equity securities (as defined by the Act) for cash. The Company did not purchase or acquire any of its Ordinary Shares during the year, nor did any nominee or third party with the Company's assistance acquire any shares on behalf of the Company. The authority will expire at the 2023 AGM and it is proposed to seek renewal of these authorities at the forthcoming 2023 AGM.

At the Annual General Meeting in 2022, the Directors were granted authority to allot shares up to a maximum amount of £55,537,008, representing approximately one-third of the Company's issued ordinary share capital and to allot shares up to a maximum nominal value of £8,330,551 (representing approximately 5% of the Company's issued share capital) without having to first offer those shares to existing shareholders.

The Directors were also granted authority to allot further shares up to a maximum nominal value of £8,330,551 (representing approximately 5% of the Company's issued share capital) without having to first offer those shares to existing shareholders, where such authority is used in connection with the financing (or refinancing, if the authority is to be used within six months after the original transaction) of an acquisition or specified capital investment (the "Additional Authority"). The Directors made no use of this power during the year.

Details of changes in share capital are set out in Note 19 of the financial statements.

Rights attaching to shares under the Articles

The Articles do not contain any specific restrictions on the size of a shareholder's holding.

Voting rights

Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the Articles, on a show of hands every member who is present in person or by proxy and entitled to vote has one vote and on a poll every member who is present in person or by proxy and entitled to vote has one vote for every share of which he is the holder.

Restrictions on voting

There are no restrictions on exercising voting rights save in situations where the Company is legally entitled to impose such restrictions, such as if, having been served with a notice under Section 793 of the Act, a shareholder fails to disclose details of any past or present beneficial interest. The Company is not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities or voting rights.

Transfer

There are no restrictions on the transfer of Ordinary Shares, other than certain restrictions imposed by laws and regulations which restricts Directors and persons closely associated with them from dealing in the Company's securities without prior approval under the share dealing code.

The rights and obligations attaching to the Ordinary Shares, in addition to those conferred by law, are set out in the Articles.

Amendment of the Company's Articles

Any amendments to the Articles may be made in accordance with the provisions of the Act by special resolution. There were no amendments made to the Articles in the year.

Change of control

Under the Group's financing agreements, including the terms of the £150 million 2.875% convertible bonds due 2025, the lenders or bondholders may require repayment of the outstanding amounts on a change of control. There are no agreements between the Company and the Directors providing compensation for loss of office or employment or otherwise that occurs specifically because of a change of control.

Suppliers

The Group has not signed up to any specific supplier payment code; it is PHP's policy to comply with the terms of payment agreed with its suppliers. Where specific payment terms are not agreed, the Group endeavours to adhere to the suppliers' standard payment terms aims to settle supplier accounts promptly in accordance with their individual terms of business. The number of creditor days outstanding as at 31 December 2022 was ten days (2021: ten days, 2020: two days).

Annual General Meeting

The Annual General Meeting of PHP ("AGM") will be held on 19 April 2023 at 10.30 a.m. The notice convening the AGM and explanatory notes for the resolutions sought are set out on pages 163 to 175.

Auditors

Deloitte LLP has expressed its willingness to continue in office as auditor and a resolution to re-appoint it will be put to shareholders at the AGM.

Employees

As at 31 December 2022, the Group had 65 employees.

Employees are encouraged to maximise their individual contribution to the Group. In addition to competitive remuneration packages, they participate in an annual bonus scheme which links personal contribution to the goals of the business.

In addition, all employees are eligible to participate in the PHP Sharesave plan 2021 that was approved by shareholders at the 2021 AGM and 52 employees (80% of staff) have taken up the offer to participate in the plan.

The Group is committed to the promotion of equal opportunities, supported by the Board and workforce diversity group. The Policy reflects both current legislation and best practice. It highlights the Group's obligations to race, gender, socio-economic and disability equality.

Full and fair consideration is given to applications for employment from disabled persons and appropriate training and career development are provided.

There are no agreements between the Company and its Directors providing for compensation for loss of office or employment whether through resignation, proposed redundancy, a takeover bid or otherwise.

Donations

The Group does not make any political or charitable donations.

Share service

The Shareholder Information section on page 176 provides details of the share services available.

Financial instruments

The Group's financial risk management objectives and policies are discussed in Note 18.

Post balance sheet events

Details of events occurring since the year end are given in Note 26 on page 152.

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.

As at 31 December 2022, the Group's property portfolio is 99.7% occupied with approximately 89% of its income funded directly or indirectly from government sources and the average WAULT across the Group's portfolio is 11.0 years. As at that date, the Group had £326 million of headroom on its debt facilities, after commitments to fund on properties under construction through the course of 2023 with a further £29 million of cash. The Group's weighted average unexpired loan term of drawn debt was 7.3 years.

The Group's consolidated loan to value ratio, including drawn, unsecured debt, is 45.1% 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 42% and Group income fall by approximately 60% 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.

Regulatory disclosures

Additional information which is incorporated into this report by reference, including information required in accordance with the Companies Act 2006, Listing Rule 9.8.4 and the Disclosure and Transparency Rules ("DTRs"), can be found on the following pages:

Review of business and future developments	Strategic Report	See pages 1 to 63
Principal risks	Risk Management section of the Strategic Report	See pages 56 to 62
Viability statement		See page 63
Directors' details	Directors' biographies	See pages 66 and 67
Directors' share interests	Remuneration Committee Report	See page 90
Section 172 statement	Responsible Business section of the Strategic Report	See page 54
Greenhouse gas emissions	Responsible Business section of the Strategic Report	See pages 32 and 47
Financial instruments	Note 17	See pages 145 and 146
Financial risk management policies	Risk Management section of the Strategic Report	See pages 56 to 62
Related party transactions	Note 25	See page 152
Post balance sheet events	Note 26	See page 152

All other sub-sections of LR9.8.4 are not applicable. Information that fulfils the requirements of LR9.8.6(5) and 9.8.6(6) can be found in the Corporate Governance Report on pages 70 to 81 and is incorporated into this Directors' Report by reference.

Directors' statement as to disclosure of information to auditor

The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 66 and 67. Having made enquiries of fellow Directors and of the Company's auditor, each of the Directors confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

The Directors' Report was approved by the Board on 21 February 2023.

By order of the Board

Paul Wright
Company Secretary
Primary Health Properties PLC
Registered office: 5th Floor, Burdett House, 15-16 Buckingham Street, London WC2N 6DU
Registered in England Number: 3033634

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, is fair, balanced and understandable and provides 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 21 February 2023.

For and on behalf of the Board

Steven Owen
Chairman
21 February 2023

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. Opinion

In our opinion:

- the financial statements of Primary Health Properties PLC (the 'company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the group statement of comprehensive income;
- the group and company balance sheets;
- the group and company statements of changes in equity;
- the group cash flow statement;
- the related notes 1 to 27; and
- the related notes to the company financial statements 1 to 19.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and company for the year are disclosed in note 4 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • Estimation of property yields and estimated rental values applied in the valuation of investment property. Within this report, key audit matters are identified as follows: ⌃ Increased level of risk ◇ Similar level of risk ⌄ Decreased level of risk

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS CONTINUED

3. Summary of our audit approach continued

Materiality	The materiality that we used for the group financial statements was £29.0 million which was determined on the basis of 2% of net assets. Further to net assets, we considered EPRA Earnings to be a critical financial performance measure for the group and we applied a lower threshold of £4.4 million for items affecting EPRA Earnings on the basis of 5% of EPRA Earnings.
Scoping	The scope has remained consistent with the prior year. We performed full scope audit procedures across the group. Audit work to respond to the risks of material misstatement was performed directly by the group audit engagement team.
Significant changes in our approach	There were no significant changes in our approach in the current year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of relevant controls over management's process for evaluating the group's ability to continue as a going concern, including the identification and evaluation of the financial impact of relevant business risks and the method, model and assumptions applied by management;
- obtaining an understanding of the financing facilities available to the group and company, including maturity dates, interest costs and financial covenants such as loan to value and interest cover ratios;
- testing the mathematical accuracy of management's approved going concern model, including the recalculation of current and forecast covenant compliance, together with the impact of sensitivities applied;
- performing a retrospective review of management's historical accuracy of forecast;
- challenging the key assumptions applied in management's going concern model including forecast valuation movements, rental income cash flows and capital expenditure with reference to analyst reports, market data and other external information and challenging consistency with related assumptions applied in other areas;
- evaluating management's assessment of the impact of climate change;
- challenging the appropriateness of the sensitivity analysis, including the 'additional stress-testing' performed by management with reference to analyst reports and forecasts, historical performance and other external data;
- assessing the level of headroom in the forecast with reference to both liquidity and financial covenants such as loan to value and interest cover ratios;
- assessing the outcome of the sensitivity analysis performed by management;
- assessing whether any additional facts or information have become available since the date management made their assessment; and
- evaluating the appropriateness of management's going concern disclosures.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS CONTINUED

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Estimation of property yields and estimated rental values applied in the valuation of investment property

Key audit matter description	The group owns and manages a portfolio of primary healthcare properties that are carried at fair value in the financial statements. The portfolio is valued at £2,796.3 million as at 31 December 2022 (2021: £2,795.9 million). The group uses professionally qualified external valuers to fair value the group's portfolio at six-monthly intervals. The valuers are engaged by the directors and perform their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards. The valuers used by the group have considerable experience in the markets in which the group operates. The portfolio is valued by the investment method of valuation, however with development properties a deduction is made for all costs necessary to complete the development. In determining the value of a property, the valuers consider property specific factors, most notably the Weighted Average Unexpired Lease Term ("WAULT"), together with the age and specification of the asset, including its EPC rating. These factors, in combination with prevailing market yields, comparable transactional evidence and market sentiment are then considered in determining property specific assumptions for yields and estimated rental values. The estimation of property yields and estimated rental values is inherently subjective and together with significance of the financial impact of changes in these inputs, we consider them to be a key audit matter. Furthermore, given the high level of estimation involved, we have determined that there is potential for fraud through possible manipulation of these key inputs to the valuation. Whilst the primary healthcare market has demonstrated resilience and the group's portfolio is regarded as critical infrastructure, there is a more limited volume of transactional evidence in the sector as well as increasing uncertainty caused by macro-economic conditions, increasing the risk associated with the valuations. Please see the accounting policy in note 2.3 to the financial statements. The consideration of this risk by the Audit Committee is described at page 84.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS CONTINUED

5. Key audit matters continued

5.1. Estimation of property yields and ERVs applied in the valuation of investment property continued

How the scope of our audit responded to the key audit matter	**We carried out the following audit procedures in response to the identified key audit matter:** **Understanding the market and relevant controls:** We obtained an understanding of relevant controls related to the management's processes together with their oversight and review of the work performed by the external valuers. We obtained an understanding of the market, based on meetings with management, transactional evidence, publicly available research and with the support of our internal real estate specialists, and formed a view on expected movements in the key assumptions. **Assessing the valuers' expertise and objectivity:** We assessed the competence, capabilities and objectivity of the external valuers and read their terms of engagement with the group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work. **Assumptions and estimates used by the valuers** We reviewed the external valuation reports for all properties and evaluated whether the valuation approach is in accordance with RICS guidelines and therefore suitable for use in determining the carrying value in the group balance sheet. We challenged the external valuers of the portfolio with the assistance of our internal real estate specialists. We discussed and challenged the valuation process, the market overview and the significant assumptions and critical judgements over yields and estimated rental values in the context of publicly available information, including average yields quoted by competitors and comparable property transactions. Where assumptions and critical judgements relate to ERVs, we corroborated the valuers' explanations to the lease agreements or rent reviews agreed in the year. In challenging the estimated rental values, the following procedures were undertaken: • we tested the accuracy of any rent reviews completed in 2022 to determine an expectation for unsettled rent reviews; • we tested the accuracy of management's forecasting as regards the outcome of rent reviews with reference to these completed rent reviews; and • we compared management's forecast of rent reviews to the estimated rental values adopted by the valuers. We tested the integrity of the data provided to external valuers. This included tracing a sample of information provided to the external valuers to underlying lease agreements. We also selected a sample of properties, where the yields applied in the valuation were outside our expectations, and challenged the explanations provided with reference to transactional evidence or other relevant information. We involved our internal real estate specialists to obtain an overall understanding of the primary healthcare property markets in the UK and Ireland and to support with our challenge of the work of the group's external valuers. **Disclosures:** We assessed the appropriateness of the disclosures included in the Financial Statements and considered whether the disclosures in relation to the key estimates are reasonable.
Key observations	We concluded that the assumptions applied in relation to yields and estimated rental values in arriving at the fair value of the group's property portfolio were appropriate.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS CONTINUED

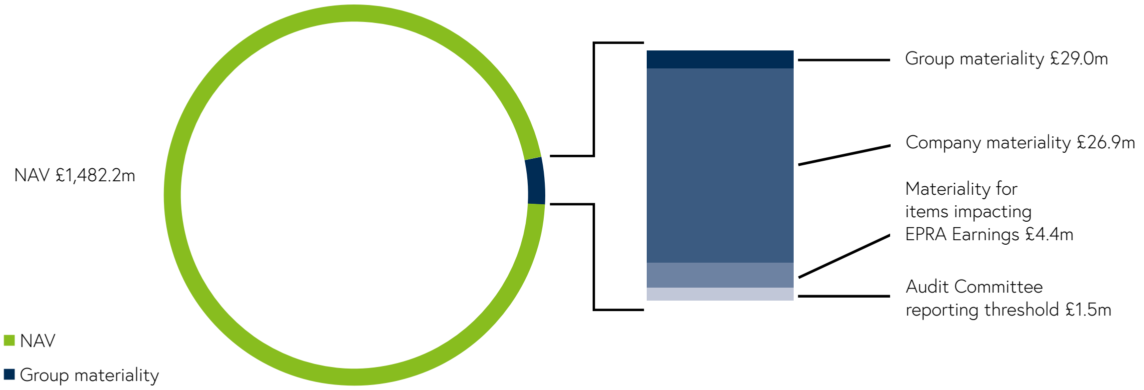
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Materiality	£29 million (2021: £29.7 million) and a lower materiality of of £4.4 million (2021: £4.1 million) for balances impacting EPRA earnings.	Materiality for the company has been determined as £26.9 million (2021: £27.3 million).
Basis for determining materiality	2% of net assets (2021: 2% of net assets) The lower materiality used for balances impacting EPRA earnings was determined using 5% (2021: 5%) of EPRA Earnings.	2% of net assets (2021: 2% of net assets). The basis of net assets remains consistent with the prior year.
Rationale for the benchmark applied	The overall level of materiality was determined using net assets because this is the primary focus of investors in listed real estate businesses. In addition to net assets, we considered EPRA Earnings to be a critical financial performance measure for the group and we applied a lower threshold of £4.4 million (2021: £4.1 million) for EPRA Earnings items.	The overall level of materiality was determined using net assets as this is determined to be the most stable base for calculation.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Company financial statements
Performance materiality	70% (2021: 70%) of group materiality.	70% (2021: 70%) of company materiality.
Basis and rationale for determining performance materiality	We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. In determining performance materiality, we considered factors including: • our risk assessment; • our assessment of the group's overall control environment; and • our past experience of the audit, which has indicated a low number of uncorrected misstatements identified in prior periods.	

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS CONTINUED

6. Our application of materiality continued

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1,450,000 (2021: £1,500,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls including the financial reporting process, and assessing the risks of material misstatement at group level. The group is audited by one audit team, led by the Senior Statutory Auditor. The audit is performed centrally as the books and records for each entity within the group are maintained at the registered office.

We also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

7.2. Our consideration of the control environment

We have obtained an understanding of the processes and controls operated in relation to certain key business cycles including the property valuations, revenue, and expenditure processes.

We evaluated the design effectiveness of relevant controls across those business cycles. We did not test the operating effectiveness of controls and note the Audit Committee's discussion of the control environment in their report commencing page 82.

7.3. Our consideration of climate-related risks

The group continues to develop its assessment of the potential impacts of climate change and set targets. In the current year, management have engaged with expert advisors to assess and understand potential risks, quantify potential impacts and consider planned and potential actions to address risks posed by climate change. Management have identified a target of net zero carbon emissions by 2030 for all of group's operational, development and asset management activities and to help the group's occupiers achieve a target of net zero carbon emissions by 2040, five years ahead of the NHS's target of becoming the world's first net zero carbon national health system by 2045 and ten years ahead of the UK and Irish Governments' target of 2050.

As a part of our audit procedures, we have obtained management's climate-related risk assessment, including the physical climate risk assessment and transition risk assessment performed by their expert advisors; and held discussions with management to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the group's financial statements. With the assistance of our climate-change specialists, we assessed the group's climate related financial disclosures against the Task Force on Climate-related Financial Disclosures ("TCFD") Recommendations including management's risk assessment of the potential impact of climate change on the group's account balances and classes of transaction and did not identify any reasonably possible risks of material misstatement. Our procedures were performed with the involvement of our climate-change specialists and included reviewing the disclosures included in the Strategic Report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit. We concur that they appropriately disclose the current risk that management has identified. We have not been engaged to provide assurance over the accuracy of these disclosures.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS CONTINUED

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, those charged with governance and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including real estate specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: the estimation of property yields and estimated rental values applied in the valuation of investment property. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, REIT legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS CONTINUED

11. Extent to which the audit was considered capable of detecting irregularities, including fraud continued

11.2. Audit response to risks identified

As a result of performing the above, we identified the estimation of property yields and estimated rental values applied in the valuation of investment property as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to that key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 109;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 63;
- the directors' statement on fair, balanced and understandable set out on page 85;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 56 to 63;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 86; and
- the section describing the work of the audit committee set out on pages 83 to 87.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS CONTINUED

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board on 1 June 2013 to audit the financial statements for the year ending 31 December 2013 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 10 years, covering the years ending 31 December 2013 to 31 December 2022. Following a competitive tender process, the audit committee has recommended to the Board that we be reappointed as auditors for the financial period ending 31 December 2023.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

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

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Sara Tubridy, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP,
Statutory Auditor
London,
United Kingdom
21 February 2023

Group statement of comprehensive income

for the year ended 31 December 2022

	Notes	**2022 £m**	2021 £m
Rental income		**154.1**	145.6
Direct property expenses		**(12.6)**	(8.9)
Net rental income	3	**141.5**	136.7
Administrative expenses	4	**(9.6)**	(10.5)
Revaluation (deficit)/gain on property portfolio	11	**(64.4)**	110.2
Profit on sale of land and property	11	**2.9**	0.3
Total revaluation (deficit)/gain		**(61.5)**	110.5
Operating profit		**70.4**	236.7
Finance income	5	**0.9**	0.8
Finance costs	6a	**(41.2)**	(35.9)
Early loan redemption finance cost	6a	**—**	(24.6)
Termination payment and goodwill impairment on acquisition of Nexus	7	**—**	(35.3)
Nexus acquisition costs	7	**—**	(1.7)
Fair value loss on derivative interest rate swaps and amortisation of hedging reserve	6b	**(1.9)**	(1.8)
Fair value gain on convertible bond	6c	**28.7**	3.4
Profit before taxation		**56.9**	141.6
Taxation charge	8	**(0.6)**	(1.5)
Profit after taxation[1]		**56.3**	140.1
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	**4.5**	4.5
Exchange gain/(loss) on translation of foreign balances		**3.2**	(3.4)
Other comprehensive income net of tax[1]		**7.7**	1.1
Total comprehensive income net of tax[1]		**64.0**	141.2
IFRS earnings per share			
Basic	9	**4.2p**	10.5p
Diluted	9	**2.2p**	9.8p
Adjusted earnings per share[2]			
Basic	9	**6.6p**	6.2p
Diluted	9	**6.4p**	6.1p

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

[2] See Glossary of Terms on pages 178 to 180.

The above relates wholly to continuing operations.

Group balance sheet

at 31 December 2022

	Notes	2022 £m	2021 £m
Non-current assets			
Investment properties	11	**2,796.3**	2,795.9
Derivative interest rate swaps	17	**19.6**	5.2
Fixed assets		**0.4**	0.3
		2,816.3	2,801.4
Current assets			
Trade and other receivables	12	**17.8**	17.6
Cash and cash equivalents	13	**29.1**	33.4
Developments work in progress		**1.3**	0.7
		48.2	51.7
Total assets		**2,864.5**	2,853.1
Current liabilities			
Deferred rental income		**(29.2)**	(28.3)
Trade and other payables	14	**(32.6)**	(40.0)
Borrowings: term loans and overdraft	15a	**(2.3)**	(2.2)
		(64.1)	(70.5)
Non-current liabilities			
Borrowings: term loans and overdraft	15a	**(682.5)**	(700.2)
Borrowings: bonds	15b	**(614.6)**	(572.8)
Derivative interest rate swaps	17	**(12.5)**	(0.8)
Head lease liabilities	16	**(3.2)**	(4.5)
Deferred tax liability		**(5.4)**	(4.4)
		(1,318.2)	(1,282.7)
Total liabilities		**(1,382.3)**	(1,353.2)
Net assets		**1,482.2**	1,499.9
Equity			
Share capital	19	**167.1**	166.6
Share premium account	20	**479.4**	474.9
Merger and other reserves	21	**416.7**	413.5
Hedging reserve	22	**(11.1)**	(15.6)
Retained earnings	23	**430.1**	460.5
Total equity[1]		**1,482.2**	1,499.9
Net asset value per share			
IFRS net assets – basic and diluted	9	**110.9p**	112.5p
Adjusted net tangible assets[2] – basic	9	**112.6p**	116.7p
Adjusted net tangible assets[2] – diluted	9	**114.5p**	118.6p

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

[2] See Glossary of Terms on pages 178 to 180.

These financial statements were approved by the Board of Directors on 21 February 2023 and signed on its behalf by:

Richard Howell
Chief Financial Officer

Registered in England Number: 3033634

Group cash flow statement

for the year ended 31 December 2022

	Notes	2022 £m	2021 £m
Operating activities			
Profit on ordinary activities after tax		**56.3**	140.1
Taxation charge	8	**0.6**	1.5
Finance income	5	**(0.9)**	(0.8)
Finance costs	6a	**41.2**	35.9
Early loan redemption finance cost	6a	**—**	24.6
Termination payment and goodwill impairment on acquisition of Nexus	7	**—**	35.3
Nexus acquisition costs	7	**—**	1.7
Fair value loss on derivatives	6b	**1.9**	1.8
Fair value gain on convertible bond	6c	**(28.7)**	(3.4)
Operating profit before financing costs		**70.4**	236.7
Adjustments to reconcile Group operating profit before financing to net cash flows from operating activities:			
Revaluation loss/(gain) on property portfolio	11	**64.4**	(110.2)
Profit on sale of land and property	11	**(2.9)**	(0.3)
Long Term Incentive Plan ("LTIP")		**—**	0.2
Effect of exchange rate fluctuations on operations		**—**	—
Fixed rent uplift		**(0.9)**	(1.2)
Tax paid		**0.2**	(0.4)
(Increase) in trade and other receivables		**(0.7)**	(0.3)
(Decrease)/increase in trade and other payables		**(12.9)**	15.9
Cash generated from operations		**117.6**	140.4
Net cash flow from operating activities		**117.6**	140.4
Investing activities			
Payments to acquire and improve investment properties		**(74.8)**	(129.6)
Receipts from disposal of properties		**27.5**	0.3
Cash paid for acquisition of Nexus, including fees		**—**	(18.2)
Cash acquired as part of merger		**—**	0.4
Interest received on development loans		**1.5**	0.7
Net cash flow used in investing activities		**(45.8)**	(146.4)
Financing activities			
Proceeds from issue of shares		**—**	—
Cost of share issues		**(0.1)**	(0.1)
Term bank loan drawdowns	15	**161.6**	335.6
Term bank loan repayments	15	**(175.7)**	(252.8)
Proceeds from bond issues		**62.9**	—
Loan arrangement fees		**(3.5)**	(2.7)
Purchase of derivative financial instruments		**—**	(1.9)
Early loan redemption finance cost	6a	**—**	(24.6)
Swap interest received		**1.4**	—
Non-utilisation fees		**(2.0)**	(1.8)
Interest paid		**(39.8)**	(40.9)
Bank interest received		**—**	—
Equity dividends paid net of scrip dividend	10	**(81.6)**	(74.4)
Net cash flow from financing activities		**(76.8)**	(63.6)
Decrease in cash and cash equivalents for the year		**(5.0)**	(69.6)
Effect of exchange rate fluctuations on Euro-denominated loans and cash equivalents		**0.7**	(0.6)
Cash and cash equivalents at start of year		**33.4**	103.6
Cash and cash equivalents at end of year	13	**29.1**	33.4

Group statement of changes in equity

for the year ended 31 December 2022

	Share capital £m	Share premium £m	Merger and other reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
1 January 2022	166.6	474.9	413.5	(15.6)	460.5	1,499.9
Profit for the year	—	—	—	—	56.3	56.3
Other comprehensive income						
Amortisation of hedging reserve	—	—	—	4.5	—	4.5
Exchange gain on translation of foreign balances	—	—	3.2	—	—	3.2
Total comprehensive income	—	—	3.2	4.5	56.3	64.0
Share issue expenses	—	(0.1)	—	—	—	(0.1)
Share-based awards ("LTIP")	—	—	—	—	—	—
Dividends paid	—	—	—	—	(81.6)	(81.6)
Scrip dividend in lieu of cash	0.5	4.6	—	—	(5.1)	—
31 December 2022	**167.1**	**479.4**	**416.7**	**(11.1)**	**430.1**	**1,482.2**

	Share capital £m	Share premium £m	Merger and other reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
1 January 2021	164.4	466.7	400.8	(20.1)	402.6	1,414.4
Profit for the year	—	—	—	—	140.1	140.1
Other comprehensive income						
Amortisation of hedging reserve	—	—	—	4.5	—	4.5
Exchange loss on translation of foreign balances	—	—	(3.4)	—	—	(3.4)
Total comprehensive income	—	—	(3.4)	4.5	140.1	141.2
Shares issued on acquisition of Nexus	1.5	—	16.1	—	—	17.6
Shares issued for other acquisitions	0.1	0.9	—	—	—	1.0
Share issue expenses	—	(0.1)	—	—	—	(0.1)
Share-based awards ("LTIP")	—	—	—	—	0.2	0.2
Dividends paid	—	—	—	—	(74.4)	(74.4)
Scrip dividend in lieu of cash	0.6	7.4	—	—	(8.0)	—
31 December 2021	166.6	474.9	413.5	(15.6)	460.5	1,499.9

Notes to the financial statements

1. Corporate information

The Group's financial statements for the year ended 31 December 2022 were approved by the Board of Directors on 21 February 2023 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, limited by shares. 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 page 109 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 in accordance with United Kingdom adopted International Accounting Standards 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.

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 is exercised if and only if an investor has all the following: power over an investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. 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 IFRSs 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.

2. Accounting policies continued

2.3 Summary of significant accounting policies continued

Foreign operations continued

The exchange rates used to translate foreign currency amounts in 2022 are as follows:

- Group Balance Sheet: £1 = €1.1295 (2021: €1.1893).
- Group Statement of Comprehensive Income: £1 = €1.1490 (2021: €1.1778).

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.

All costs associated with the purchase and construction of investment properties under construction are capitalised including attributable interest and staff costs. Interest is calculated on the expenditure by reference to the average rate of interest on the Group's borrowings. When properties under construction are completed the capitalisation of costs ceases and they are reclassified as investment properties.

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. Where any excess of the purchase price of business combinations over the fair value of the assets, liabilities and contingent liabilities is acquired, goodwill is recognised. This is recognised as an asset and is reviewed for impairment immediately, and then at least annually. Any impairment is recognised immediately in the income statement.

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% (2021: 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).

2. Accounting policies continued

2.3 Summary of significant accounting policies continued

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 15b 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; or
- 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; or
- 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
- 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.

2. Accounting policies continued

2.3 Summary of significant accounting policies continued

De-recognition of financial assets and liabilities continued

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.

2. Accounting policies continued

2.3 Summary of significant accounting policies continued

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 (the "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.
- 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.

Employee costs

Defined contribution pension plans

Obligations for contributions to defined contribution pension plans are charged to the income statement as incurred.

Share-based employee remuneration

The fair value of equity-settled share-based payments to employees is determined with reference to the fair value of the equity instruments at the date of grant and is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares or options that will eventually vest. The fair value of awards is equal to the market value at grant date.

Capitalised salaries

Certain internal staff and associated costs directly attributable to the management of major projects are capitalised. Internal staff costs are capitalised from the start of the project until the date of practical completion.

2. Accounting policies continued

2.3 Summary of significant accounting policies continued

Properties held for sale

Investment property (and disposal groups) classified as held for sale are measured at fair value consistent with other investment properties.

Investment property and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Capitalised costs

A capitalised cost is an expense added to the cost basis of a fixed asset on the Balance Sheet. Capitalised costs are incurred when purchasing fixed assets following matching principle of accounting to record expenses in the same period as related revenues or useful life of an asset. The historical costs are recorded on the Balance Sheet and depreciated over the useful life of an asset.

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 11 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 Chatham (formerly JCRA) 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 2022. 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 probable 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). Where corporate entities were acquired through special purpose vehicles for holding properties rather than separate business entities, these were accounted for as asset acquisitions. Where business processes inherent in the entities were acquired, these were accounted for as a business combination.

2. Accounting policies continued

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 UK:

- amendments to IAS 1 Classification of liabilities as current or non-current;
- amendments to IAS 1 Non-current liabilities with covenants;
- amendments to IFRS 16 Lease Liability in a Sale and Leaseback;
- amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- IAS 8 Definition of accounting estimates; and
- annual improvements to IFRS 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 2023, 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 £132.0 million and £13.0 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
2022	**142.9**	**138.1**	**133.9**	**129.6**	**122.7**	**910.2**	**1,577.4**
2021	138.6	136.1	130.8	126.3	121.0	859.1	1,511.9

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

	2022 £m	2021 £m
Administrative expenses including:		
Advisory fees (Note 4a)	**—**	0.1
Staff costs (Note 4b)	**5.4**	5.2
Performance Incentive Fees (Note 4c)	**—**	1.0
Directors' fees	**0.4**	0.4
Audit fees		
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	**0.5**	0.4
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries	**0.1**	0.1
Total audit fees	**0.6**	0.5
Total audit and assurance services	**0.6**	0.5
Non-audit fees		
Fees payable to the Company's auditor and its associates for the interim review	**0.1**	0.1
Advisory services	**—**	—
Total non-audit fees	**0.1**	0.1
Total fees	**0.7**	0.6

Please refer to page 87 of the Audit Committee Report for analysis of non-audit fees.

4. Group operating profit is stated after charging continued

a) Advisory fees

On 5 January 2021 the Group completed the acquisition of Nexus and internalised the management arrangements and consequently payments ceased at this date with no further amounts payable in relation to advisory fees to Nexus.

The advisory fees calculated and payable in the year of acquisition to 31 December 2021 were £0.1 million.

The Group shares certain operational services with Nexus. Amounts paid during the year in relation to these shared services totalled £0.1 million (2021: £0.1 million).

Refer to Note 7 for further information on the Nexus acquisition.

b) Staff costs

	2022 £m	2021 £m
Wages and salaries	**6.0**	5.6
Less staff costs capitalised in respect of development and asset management projects	**(1.4)**	(1.3)
Social security costs	**0.6**	0.5
Pension costs	**0.2**	0.1
Equity-settled share-based payments	**—**	0.3
	5.4	5.2

The Group operates a defined contribution pension scheme for all employees. The Group contribution to the scheme during the year was £0.2 million (2021: £0.1 million), which represents the total expense recognised through the income statement. As at 31 December 2022, there were no contributions (2021: £nil) due in respect of the reporting period that had not been paid over to the plan.

The average monthly number of Group employees during the year was 67 which included 64 full time and 3 part time employees (2021: 59 which included 56 full time and 3 part time), and as at 31 December 2022 was 65 (2021: 62).

The Executive Directors and Non-executive Directors are the key management personnel. Full disclosure of Directors' emoluments, as required by the Companies Act 2006, can be found in the Remuneration Report on pages 93 to 96.

The Group's equity-settled share-based payments comprise the following:

Scheme	**Fair value measure**
Long Term Incentive Plan ("LTIP")	Face value at grant date
Save As You Earn ("SAYE")	Face value at grant date

The Group expenses an estimate of how many shares are likely to vest based on the market price at the date of grant, taking account of expected performance against the relevant performance targets and service periods, which are discussed in further detail in the Remuneration Report.

c) Performance Incentive Fee ("PIF")

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

A PIF of £1.2 million was paid in the period in respect of 2021 and at 31 December 2022 the balance on the notional cumulative PIF account was £nil (2021: £9.2 million), of which £nil (2021: £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 on pages 24 to 28.

5. Finance income

	2022 £m	2021 £m
Interest income on financial assets		
Bank interest	**—**	—
Development loan interest	**0.9**	0.8
	0.9	0.8

6. Finance costs

	2022 £m	2021 £m
Interest expense and similar charges on financial liabilities		
a) Interest		
Bank loan interest	**23.0**	24.0
Swap interest	**(1.4)**	(0.3)
Bond interest	**17.5**	15.5
Bank facility non-utilisation fees	**2.0**	1.9
Early loan redemption finance cost	**—**	24.6
Bank charges and loan arrangement fees	**3.0**	2.7
	44.1	68.4
Interest capitalised	**—**	—
	44.1	68.4
Amortisation of MedicX debt MtM on acquisition	**(2.9)**	(7.9)
	41.2	60.5

	2022 £m	2021 £m
b) Derivatives		
Net fair value gain on interest rate swaps	**2.6**	2.7
Amortisation of cash flow hedging reserve	**(4.5)**	(4.5)
	(1.9)	(1.8)

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. There was no fair value gain or loss accounted for directly in equity on derivatives which do meet the hedge effectiveness criteria under IAS 39 (2021: £nil). An amount of £4.5 million (2021: £4.5 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.

	2022 £m	2021 £m
c) Convertible bond		
Fair value loss on convertible bond fully redeemed in the year	**—**	—
Fair value loss on convertible bond issued in the year	**—**	—
Fair value gain on existing convertible bond	**28.7**	3.4
Convertible bond issue costs	**—**	—
	28.7	3.4

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 NTA (replacing EPRA NAV). Refer to Note 15 for further details about the convertible bonds.

	2022 £m	2021 £m
Net finance costs		
Finance income (Note 5)	**0.9**	0.8
Finance costs (as per above)	**(41.2)**	(68.4)
	(40.3)	(67.6)
Interest capitalised	**—**	—
	(40.3)	(67.6)
Amortisation of MedicX debt MtM on acquisition	**(2.9)**	7.9
	(43.2)	(59.7)

7. Business combination

On 5 January 2021 the Group's management function was internalised by acquiring PHP Tradeco Holdings Limited (formerly Nexus Tradeco Holdings Limited), which is the holding company of its long-standing external property adviser, PHP Tradeco Limited (formerly Nexus Tradeco Limited), and certain subsidiaries, including the primary care development business ("Nexus"). Primary Health Properties PLC acquired the entire issued ordinary share capital of PHP Tradeco Holdings Limited at a total cost of £34.1 million, including a termination payment of £29.0 million.

The total cost was met by £16.5 million payment in cash, and £17.6 million satisfied by the issue of 11,485,080 new Ordinary Shares of 12.5 pence each in the share capital of PHP at the quoted market price on completion of 152.8 pence per share.

The acquisition of PHP Tradeco Holdings Limited for a total fair value of consideration of £5.1 million resulted in the transfer of certain assets and liabilities and the fair value of the net liabilities acquired was £1.2 million, resulting in a goodwill on acquisition of £6.3 million.

The acquisition resulted in the termination of the advisory agreement. The total cost of terminating the Nexus agreement and goodwill on acquisition was calculated to be £35.3 million (fair value of consideration paid £34.1 million plus fair value of net liabilities acquired £1.2 million) when taking into account the consideration and the net assets with fair value adjustments. The goodwill on acquisition of £35.3 million was to effect the termination of the management agreement with Nexus and reflects the termination notice period, approximately 2 years and 2.5 months under the management agreement totalling £29.0 million. The remaining £6.3 million represents a discretionary payment on account of the acquisition of principally the management team, assembled workforce, systems, operational platform and know-how which were "re-branded" from Nexus to PHP.

	Book value £m	Adjustments to fair value £m	Total fair value £m
Cash consideration	16.5	—	16.5
Equity instruments	17.6	—	17.6
Total cost	**34.1**	**—**	**34.1**
Less: termination payment	—	—	(29.0)
Fair value of consideration paid	**—**	**—**	**5.1**
Fair value of net assets acquired			
Tangible fixed assets	0.1	—	0.1
Cash and cash equivalents	0.4	—	0.4
Trade and other debtors	1.2	—	1.2
Total assets	**1.7**	**—**	**1.7**
Trade creditors and other creditors	(1.4)	(1.1)	(2.5)
Amounts due to HMRC	(0.4)	—	(0.4)
Total liabilities	**(1.8)**	**(1.1)**	**(2.9)**
Fair value of net assets acquired	**(0.1)**	**(1.1)**	**(1.2)**
Termination payment and goodwill arising on acquisition			**35.3**
Net cash flow arising on acquisition			
Cash consideration			16.5
Acquisition costs			1.7
Less: cash and cash equivalent balances acquired			(0.4)
			17.8

Acquisition of the Nexus entities contributed £nil revenue and a cost saving of approximately £3.9 million to the Group's profit for the period between the date of acquisition and 31 December 2021. If the acquisition had completed on the first day of the prior financial year, the impact on Group revenues for that year would have been £nil and the impact on Group profit would have been a cost saving of approximately £4.0 million.

8. Taxation

a) Taxation charge in the Group Statement of Comprehensive Income

The taxation charge is made up as follows:

	2022 **£m**	2021 £m
Current tax		
UK corporation tax	—	—
Irish corporation tax	**(0.2)**	0.1
Deferred tax on Irish activities	**0.8**	1.4
Total tax	**0.6**	1.5

The UK corporation tax rate of 19% (2021: 19%) and the Irish corporation tax rate of 19% (2021: 20%) have been applied in the measurement of the Group's UK and Ireland related activities tax liability at 31 December 2022.

b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than (2021: lower than) the standard rate of corporation tax in the UK. The differences are explained below:

	2022 **£m**	2021 £m
Profit on ordinary activities before taxation	**56.9**	141.6
Theoretical tax at UK corporation tax rate of 19% (2021: 19%)	**10.8**	26.9
REIT exempt income	**(11.2)**	(36.4)
Transfer pricing adjustment	**7.1**	4.7
Termination payment and goodwill impairment on acquisition of Nexus	**—**	7.0
Fair value loss on convertible bond	**(5.4)**	(0.6)
Non-taxable items	**—**	(0.6)
Losses brought forward utilised	**(0.6)**	(0.2)
Difference in Irish tax rates	**(0.1)**	0.7
Taxation charge (Note 8a)	**0.6**	1.5

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% (2021: 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 2022.

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.

Notes to the financial statements continued

9. Earnings per share

Performance measures

In the tables below, we present earnings per share and net assets per share calculated in accordance with IFRSs, 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

	2022			2021		
	IFRS earnings £m	**Adjusted earnings £m**	**EPRA earnings £m**	IFRS earnings £m	Adjusted earnings £m	EPRA earnings £m
Profit after taxation	**56.3**	**56.3**	**56.3**	140.1	140.1	140.1
Adjustments to remove:						
Revaluation gain on property portfolio	**—**	**64.4**	**64.4**	—	(110.2)	(110.2)
Profit on sale of land and property	**—**	**(2.9)**	**(2.9)**	—	(0.3)	(0.3)
Fair value movement on derivatives	**—**	**1.9**	**1.9**	—	1.8	1.8
Fair value movement and issue costs on convertible bond	**—**	**(28.7)**	**(28.7)**	—	(3.4)	(3.4)
Taxation charge	**—**	**0.6**	**0.6**	—	1.5	1.5
Termination payment and goodwill impairment on acquisition of Nexus	**—**	**—**	**—**	—	35.3	6.3
Nexus acquisition costs	**—**	**—**	**—**	—	1.7	1.7
Early termination fees on bank debt	**—**	**—**	**—**		24.6	24.6
MtM write-off on early termination of bank debt	**—**	**—**	**—**		(4.7)	—
Amortisation of MtM loss on debt acquired	**—**	**(2.9)**	**—**	—	(3.2)	—
Basic earnings	**56.3**	**88.7**	**91.6**	140.1	83.2	62.1
Dilutive effect of convertible bond	**(24.3)**	**4.3**	**4.3**	0.9	4.3	4.3
Diluted earnings	**32.0**	**93.0**	**95.9**	141.0	87.5	66.4

Number of shares

	2022 weighted average			2021 weighted average		
	million	**million**	**million**	million	million	million
Ordinary Shares	**1,334.8**	**1,334.8**	**1,334.8**	1,330.4	1,330.4	1,330.4
Dilutive effect of convertible bond	**108.9**	**108.9**	**108.9**	105.4	105.4	105.4
Diluted Ordinary Shares	**1,443.7**	**1,443.7**	**1,443.7**	1,435.8	1,435.8	1,435.8

Profit/(loss) per share attributable to shareholders:

	2022			2021		
	IFRS pence	**Adjusted pence**	**EPRA pence**	IFRS pence	Adjusted pence	EPRA pence
Basic	**4.2**	**6.6**	**6.9**	10.5	6.2	4.7
Diluted	**2.2**	**6.4**	**6.6**	9.8	6.1	4.6

9. Earnings per share continued

Net assets per share

	31 December 2022			31 December 2021		
	IFRS pence	**Adjusted pence**	**EPRA pence**	IFRS pence	Adjusted pence	EPRA pence
Net assets attributable to shareholders	**1,482.2**	**1,482.2**	**1,482.2**	1,499.9	1,499.9	1,499.9
Derivative interest rate swaps liability	**—**	**(7.1)**	**(7.1)**	—	(4.4)	(4.4)
Deferred tax	**—**	**5.4**	**5.4**	—	4.4	4.4
Cumulative convertible bond fair value movement	**—**	**(7.1)**	**(7.1)**	—	21.6	21.6
MtM on MedicX loans net of amortisation	**—**	**31.4**	**—**	—	34.4	—
Net tangible assets ("NTA")	**1,482.2**	**1,504.8**	**1,473.4**	1,499.9	1,555.9	1,521.5
Real estate transfer taxes	**—**	**—**	**189.1**	—	—	189.0
Net reinstatement value ("NRV")	**—**	**—**	**1,662.5**	—	—	1,710.5
Fixed rate debt and swap MtM value	**—**	**—**	**172.7**	—	—	(20.1)
Deferred tax	**—**	**—**	**(5.4)**	—	—	(4.4)
Cumulative convertible bond fair value movement	**—**	**—**	**7.1**	—	—	(21.6)
Real estate transfer taxes	**—**	**—**	**(189.1)**	—	—	(189.0)
Net disposal value ("NDV")	**1,482.2**	**1,504.8**	**1,647.8**	1,499.9	1,555.9	1,475.4

Ordinary Shares

	31 December 2022			31 December 2021		
	million	**million**	**million**	million	million	million
Issued share capital	**1,336.5**	**1,336.5**	**1,336.5**	1,332.9	1,332.9	1,332.9

Basic net asset value per share[1]

	31 December 2022			31 December 2021		
	IFRS pence	**Adjusted pence**	**EPRA pence**	IFRS pence	Adjusted pence	EPRA pence
Net tangible assets ("NTA")	**110.9**	**112.6**	**110.2**	112.5	116.7	114.1
Net reinstatement value ("NRV")	**—**	**—**	**124.4**	—	—	128.3
Net disposal value ("NDV")	**—**	**—**	**123.3**	—	—	110.7

[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 2022			31 December 2021		
	IFRS pence	**Adjusted pence**	**EPRA pence**	IFRS pence	Adjusted pence	EPRA pence
Net tangible assets ("NTA")	**112.9**	**114.5**	**112.3**	114.7	118.6	116.2
Net reinstatement value ("NRV")	**—**	**—**	**125.4**	—	—	129.4
Net disposal value ("NDV")	**—**	**—**	**124.4**	—	—	113.0

[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 137.69 pence (31 December 2021: 142.29 pence).

Conversion of the convertible bond would result in the issue of 108.9 million (31 December 2021: 105.4 million) new Ordinary Shares. The IFRS net asset value and EPRA NDV would increase by £142.9 million (31 December 2021: £171.6 million) and the EPRA NTA, adjusted NTA and EPRA NRV would increase by £150.0 million (31 December 2021: £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.

10. Dividends

Amounts recognised as distributions to equity holders in the year:

	2022 **£m**	2021 £m
Quarterly interim dividend paid 25 February 2022	**21.0**	—
Scrip dividend in lieu of quarterly cash dividend paid 25 February 2022	**0.6**	—
Quarterly interim dividend paid 20 May 2022	**20.6**	—
Scrip dividend in lieu of quarterly cash dividend paid 20 May 2022	**1.1**	—
Quarterly interim dividend paid 19 August 2022	**18.1**	—
Scrip dividend in lieu of quarterly cash dividend paid 19 August 2022	**3.4**	—
Quarterly interim dividend paid 25 November 2022	**21.9**	—
Scrip dividend in lieu of quarterly cash dividend paid 25 November 2022	**—**	—
Quarterly interim dividend paid 26 February 2021	**—**	18.7
Scrip dividend in lieu of quarterly cash dividend paid 26 February 2021	**—**	1.8
Quarterly interim dividend paid 21 May 2021	**—**	17.7
Scrip dividend in lieu of quarterly cash dividend paid 21 May 2021	**—**	2.9
Quarterly interim dividend paid 20 August 2021	**—**	18.3
Scrip dividend in lieu of quarterly cash dividend paid 20 August 2021	**—**	2.4
Quarterly interim dividend paid 26 November 2021	**—**	19.7
Scrip dividend in lieu of quarterly cash dividend paid 26 November 2021	**—**	0.9
Total dividends distributed in the year	**86.7**	82.4
Per share	**6.5p**	6.2p

On 5 January 2023, the Board declared an interim dividend of 1.675 pence per Ordinary Share with regard to the year ended 31 December 2022, payable on 23 February 2023. This dividend will comprise wholly of a ordinary dividend of 0.335 pence and Property Income Dividend ("PID") of 1.340 pence.

11. Investment properties and investment properties under construction

Properties have been independently valued at fair value by Avison Young (UK) Limited, 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 2022 (the "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 properties are 99.7% let (2021: 99.7%). The valuations reflected a 4.82% (2021: 4.64%) net initial yield and a 4.89% (2021: 4.74%) 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 £2.8 million (2021: £9.0 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 £9.9 million (2021: £19.0 million) which have not been provided for in the financial statements.

A fair value increase of £0.6 million (2021: £0.4 million) in respect of investment property under construction has been recognised in the Group Statement of Comprehensive Income, as part of the overall total net valuation loss on the property portfolio in the year of £64.4 million (2021: £110.2 million gain).

Of the £2,793.1 million (2021: £2,791.4 million) valuation, £2,562.2 million (91.7%) (2021: £2,578.4 million) relates to investment properties in the UK and £230.9 million (8.3%) (2021: £213.0 million) relates to investment properties in Ireland.

In line with accounting policies, the Group has assessed whether the acquisitions during the year were asset purchases or business combinations.

11. Investment properties and investment properties under construction continued

	Investment properties – freehold[1] £m	Investment properties – long leasehold £m	Investment properties – under construction £m	Total £m
As at 1 January 2022	2,208.4	568.3	19.2	2,795.9
Property additions	66.8	0.7	10.6	78.1
Property disposals	(23.4)	(1.2)	—	(24.6)
Reclassification of freehold and leasehold	(27.5)	27.5	—	—
Transfer from properties under construction	26.4	—	(26.4)	—
Impact of lease incentive adjustment	0.8	0.3	—	1.1
Foreign exchange movements	8.9	2.1	0.5	11.5
Lease ground rent adjustment	(1.3)	—	—	(1.3)
	2,259.1	597.7	3.9	2,860.7
Revaluations for the year	(44.6)	(20.4)	0.6	(64.4)
As at 31 December 2022	**2,214.5**	**577.3**	**4.5**	**2,796.3**
As at 1 January 2021	2,061.3	491.4	23.4	2,576.1
Property additions	52.4	48.1	22.4	122.9
Property disposals	(2.0)	—	—	(2.0)
Impact of lease incentive adjustment	0.7	0.4	—	1.1
Transfer from properties under construction	23.4	2.9	(26.3)	—
Foreign exchange movements	(9.7)	(2.0)	(0.7)	(12.4)
	2,126.1	540.8	18.8	2,685.7
Revaluations for the year	82.3	27.5	0.4	110.2
As at 31 December 2021	2,208.4	568.3	19.2	2,795.9

[1] Includes development land held at £0.7 million (31 December 2021: £0.9 million).

Bank borrowings, bonds and interest rate swaps are secured on investment properties with a value of £2,706.5 million (2021: £2,515.4 million).

Right of use assets

In accordance with IFRS 16 Leases, the Group has recognised a £3.2 million head lease liability and an equal and opposite finance lease 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 2022 and 31 December 2021. There were no transfers between levels during the year or during 2021. 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."

11. Investment properties and investment properties under construction continued

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.

	2022	2021
ERV – range of the portfolio	**£26,500–£1,515,482 per annum**	£30,000–£1,433,486 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.

	2022	2021
True equivalent yield – range of the portfolio	**2.52%–17.50%**	3.23%–19.58%

Unobservable input: physical condition of the property

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

Unobservable input: net initial yield

The NIY is the annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchaser's costs.

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

During 2022 the Group experiences an 18bps increase in the portfolio Net initial yield, reducing investment property by £134 million (4.7% reduction), before reflecting gains as a result of rental growth and asset management projects. We have therefore applied the following sensitivities:

- A decrease in the estimated annual rent will decrease the fair value. A 1% decrease/increase in annual rent would have an approximately £28 million decrease/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 an approximately £59 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 Net initial yield will decrease fair value. A further 10bp shift in the Net initial yield would have approximately £57 million impact on the investment property valuation.
- An increase in the rental growth will increase the fair value.

12. Trade and other receivables

	2022 £m	2021 £m
Trade receivables (net of provision for doubtful debts)	**11.6**	11.6
Prepayments and accrued income	**6.0**	5.4
Other debtors	**0.2**	0.6
	17.8	17.6

The expected credit losses are estimated using a provision matrix by reference to past experience and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor on the recoverability, general economic conditions of the industry and an assessment of both the current and the forecast direction of conditions at the reporting date. Payment default is where PHP assesses there could be a probable failure of a tenant making a contractual payment of rent. 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.

13. Cash and cash equivalents

	2022 £m	2021 £m
Cash held at bank	**29.1**	33.4
	29.1	33.4

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.

14. Trade and other payables

	2022 £m	2021 £m
Trade payables	**3.3**	0.6
Bank and bond loan interest accrual	**6.8**	6.3
Other payables	**9.1**	9.1
VAT	**5.9**	6.6
Accruals	**7.5**	17.4
	32.6	40.0

15. 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	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Current							
RBS overdraft	Jun 2023	**5.0**	5.0	**—**	—	**5.0**	5.0
Aviva MXF loan	Sep 2033	**2.3**	2.2	**2.3**	2.2	**—**	—
		7.3	7.2	**2.3**	2.2	**5.0**	5.0
Non-current							
Aviva AV loan	Oct 2036	**200.0**	200.0	**200.0**	200.0	**—**	—
Aviva loan	Nov 2028	**75.0**	75.0	**75.0**	75.0	**—**	—
Barclays loan	Sep 2025	**100.0**	100.0	**—**	—	**100.0**	100.0
HSBC loan	Nov 2025	**100.0**	100.0	**25.5**	25.5	**74.5**	74.5
Lloyds loan	Dec 2025	**100.0**	50.0	**32.5**	38.7	**67.5**	11.3
NatWest loan	Oct 2025	**100.0**	100.0	**41.8**	86.3	**58.2**	13.7
Santander	Jan 2025	**50.0**	—	**38.6**	—	**11.4**	—
Aviva MXF loan	Sep 2033	**222.9**	225.2	**222.9**	225.2	**—**	—
Aviva MXF loan	Sep 2028	**30.8**	30.8	**30.8**	30.8	**—**	—
		978.7	881.0	**667.1**	681.5	**311.6**	199.5
Total		**986.0**	888.2	**669.4**	683.7	**316.6**	204.5

15. Borrowings continued

a) Term loans and overdrafts continued

	2022 £m	2021 £m
Balance as at 1 January	**702.4**	630.0
Changes from financing activities		
Term bank loan drawdowns	**161.6**	335.6
New loan facilities drawn	**161.6**	335.6
Repayments of mortgage principal	**(2.2)**	(20.4)
Repayments of term bank loans	**(173.5)**	(232.4)
Repayments of term loan borrowings	**(175.7)**	(252.8)
Loan issue costs for new facilities/refinancing	**(3.4)**	(2.7)
Total changes from financing cash flows	**(17.5)**	80.1
Other non-cash changes		
MtM on loans net of amortisation	**(2.3)**	(7.2)
Amortisation of loan issue costs	**2.5**	2.2
Exchange (gain) on translation of foreign balances	**(0.3)**	(2.7)
Total other changes	**(0.1)**	(7.7)
Balance as at 31 December	**684.8**	702.4

At 31 December 2022, total facilities of £1,607.0 million (2021: £1,437.4 million) were available to the Group. This included a £70.0 million secured bond, a £100.0 million secured bond, a £150.0 million nominal value convertible bond, £44.5 million, £62.5 million and £66.4 million Euro-denominated bonds, a £50.0 million Ignis loan note, a £77.5 million Standard Life loan note and a £5.0 million overdraft facility. Of these facilities, as at 31 December 2022, £1,290.4 million was drawn (2021: £1,232.9 million).

On 6 January 2022, the Group refinanced a £50.0 million revolving credit facility with Santander. The facility can be drawn in Sterling and Euros and has an interest rate of 1.65% plus SONIA or EURIBOR.

On 10 October 2022, the Group has renewed its existing £100.0 million revolving credit facility with Barclays for a further three-year term with options to extend by a further year on the first and second anniversaries of the new facility.

On 3 November 2022, the existing NatWest facility was extended for another year to October 2025.

On 16 December 2022, the Group has renewed its existing £100.0 million revolving credit facility with HSBC for a further three-year term with options to extend by a further year on the first and second anniversaries of the new facility.

On 22 December 2022, the Group exercised an increase in facility size to the existing Lloyds facility, increasing the revolving credit facility to £100.0 million, and extending the facility for a further three-year term to December 2025.

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:

	2022 £m	2021 £m
Term loans drawn: due within one year	**2.3**	2.2
Term loans drawn: due in greater than one year	**667.1**	681.5
Total terms loans drawn	**669.4**	683.7
Plus: MtM on loans net of amortisation	**27.1**	29.3
Less: unamortised borrowing costs	**(11.7)**	(10.6)
Total term loans per the Group Balance Sheet	**684.8**	702.4

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 18e.

The Group has entered into interest rate swaps to manage its exposure to interest rate fluctuations. These are set out in Note 17.

15. Borrowings continued

b) Bonds

	2022 £m	2021 £m
Unsecured:		
Convertible bond July 2025 at fair value	**142.9**	171.6
Less: unamortised costs	**—**	—
Total unsecured bonds	**142.9**	171.6
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	**45.1**	42.9
€70 million secured bond (Euro private placement) September 2031	**62.0**	58.8
€75 million secured bond (Euro private placement) February 2034	**66.4**	—
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)**	(3.1)
Plus: MtM on loans net of amortisation	**4.3**	5.1
Total secured bonds	**471.7**	401.2
Total bonds	**614.6**	572.8

There were no bond conversions during the year (2021: £nil).

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 £70.0 million and mature on 3 December 2025. The Secured Bonds incur interest at an annualised rate of 220bps plus a credit spread adjustment of 28bps above six-month SONIA, payable semi-annually in arrears.

On 21 March 2017, a £100.0 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 €51.0 million (£42.9 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:

- €40.0 million 2.46% senior notes due December 2028; and
- €11.0 million 2.633% senior notes due December 2030.

On 16 September 2019, new senior secured notes for a total of €70.0 million (£58.8 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.

On 11 February 2022, the Group issued a new €75.0 million (£66.4 million) secured private placement loan note to MetLife for a twelve-year term at a fixed rate of 1.64%. The loan notes have the option to be increased by a further €75 million to €150 million over the next three years at MetLife's discretion.

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, £50.0 million and £27.5 million at fixed coupon rates of 3.84% and 3.00% respectively. Interest is payable semi-annually in arrears.

Notes to the financial statements continued

15. Borrowings continued

b) Bonds continued

Convertible bond

On 15 July 2019, PHP Finance (Jersey No.2) Limited (the "Issuer"), a wholly owned subsidiary of the Group, issued £150.0 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 £75.0 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 137.69 pence as at 31 December 2022 (2021: 142.29 pence).

	2022 £m	2021 £m
Opening balance – fair value	**171.6**	175.0
Issued in the year	**—**	—
Cumulative fair value movement in convertible bond	**(28.7)**	(3.4)
Closing balance – fair value	**142.9**	171.6

The fair value of the Bonds at 31 December 2022 and 31 December 2021 was established by obtaining quoted market prices. The fair value movement is recognised in the Group Statement of Comprehensive Income within profit before taxation and is excluded from the calculation of EPRA earnings and EPRA NTA (replacing EPRA NAV).

c) Total borrowings

	2022 £m	2021 £m
Current liabilities:		
Term loans and overdrafts	**2.3**	2.2
Bonds	**—**	—
Total current liabilities	**2.3**	2.2
Non-current liabilities:		
Term loan and overdrafts	**667.1**	681.5
MtM on loans net of amortisation	**27.1**	29.3
Less: unamortised loan issue costs	**(11.7)**	(10.6)
Total non-current liabilities	**682.5**	700.2
Bonds	**621.0**	549.2
MtM on bonds net of amortisation	**4.3**	5.1
MtM on convertible bond	**(7.1)**	21.6
Less: unamortised bond issue costs	**(3.6)**	(3.1)
Total non-current bonds	**614.6**	572.8
Total borrowings	**1,299.4**	1,275.2

16. 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.

	2022 £m	2021 £m
Due within one year	**0.1**	0.1
Due after one year	**3.1**	4.4
Closing balance – fair value	**3.2**	4.5

17. Derivatives and other financial instruments

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

	2022 **£m**	2021 £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	**19.6**	5.2
Non-current liabilities	**(12.5)**	(0.8)
	7.1	4.4
Total fair value of interest rate swaps	**7.1**	4.4
Shown in the balance sheet as:		
Total non-current assets	**19.6**	5.2
Total non-current liabilities	**(12.5)**	(0.8)

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 2022 was a £4.5 million gain (2021: £4.5 million gain), including the amortisation of the cash flow hedging reserve of £4.5 million (2021: £4.5 million).

Interest rate swaps and caps with a contract value of £100.0 million (2021: £188.0 million) were in effect at 31 December 2022. Details of all floating to fixed rate interest rate swap contracts held are as follows:

Contract value	Product	Start date	Maturity	Fixed interest per annum %
2022				
£100.0 million	**Swap**	**October 2021**	**November 2024**	**0.0699**
£(66.0) million	**Reverse swap**	**October 2021**	**November 2024**	**2.5200**
£66.0 million	**Cap**	**October 2021**	**November 2024**	**1.2500**
£(67.0) million	**Reverse swap**	**October 2021**	**November 2024**	**2.5200**
£67.0 million	**Cap**	**October 2021**	**November 2024**	**1.2500**
£(67.0) million	**Reverse swap**	**October 2021**	**November 2024**	**2.5200**
£67.0 million	**Cap**	**October 2021**	**November 2024**	**1.2500**
£100.0 million				
2021				
£88.0 million	Swap	September 2020	March 2022	0.0397
£100.0 million	Swap	October 2021	November 2024	0.0699
£(66.0) million	Reverse swap	October 2021	November 2024	2.5200
£66.0 million	Cap	October 2021	November 2024	1.2500
£(67.0) million	Reverse swap	October 2021	November 2024	2.5200
£67.0 million	Cap	October 2021	November 2024	1.2500
£(67.0) million	Reverse swap	October 2021	November 2024	2.5200
£67.0 million	Cap	October 2021	November 2024	1.2500
£188.0 million				

On 28 October 2021 the HSBC £100.0 million variable leg of the LIBOR swap was converted to SONIA. The term and fixed rate were unchanged at November 2024 expiry and 0.0699%.

17. Derivatives and other financial instruments continued

On 27 October 2021 three new swap agreements were entered into totalling £200.0 million. All are effective until 29 November 2024 and receive a fixed rate of 2.52%, with variable rates payable. These included a £66.0 million swap agreement with HSBC paying a variable of SONIA + 1.6275%, a £67.0 million swap agreement with Barclays paying a variable of SONIA + 1.575% and a £67.0 million swap agreement with NatWest paying a variable of SONIA + 1.5849%. A one-off payment of £1.8 million across all three new swap agreements was made to cap SONIA at 1.25% for the length of the agreement, equivalent to 0.1 pence per share on an adjusted net tangible asset value basis.

18. 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 17 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
2022				
Sterling Overnight Index Average Rate	Increase of 50 basis points	**120.1**	**5.0**	**125.1**
Sterling Overnight Index Average Rate	Decrease of 50 basis points	**120.1**	**(5.0)**	**125.1**
2021				
London Interbank Offered Rate	Increase of 50 basis points	5.5	6.0	11.5
London Interbank Offered Rate	Decrease of 50 basis points	(5.5)	(6.0)	(11.5)

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 12).

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.

18. Financial risk management continued

Financial risk factors continued

b) Credit risk continued

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 is 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
2022						
Interest-bearing loans and borrowings	**—**	**11.3**	**34.4**	**489.7**	**1,017.4**	**1,552.8**
Interest rate swaps (net)	**—**	**—**	**—**	**—**	**—**	**—**
Trade and other payables	**2.7**	**22.5**	**3.5**	**1.8**	**2.1**	**32.6**
	2.7	**33.8**	**37.9**	**491.5**	**1,019.5**	**1,585.4**
2021						
Interest-bearing loans and borrowings	—	9.8	29.7	514.6	1,001.4	1,555.5
Interest rate swaps (net)	—	—	—	—	—	—
Trade and other payables	1.6	29.6	3.2	2.9	2.0	39.3
	1.6	39.4	32.9	517.5	1,003.4	1,594.8

The Group's borrowings have financial covenants which, if breached, could result in the borrowings becoming repayable immediately. Details of the covenants are given under (e) Capital risk management and are disclosed to the facility providers on a quarterly basis. There have been no breaches during the year (2021: 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 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 17), as it does not hold any equity securities or commodities.

18. Financial risk management continued

Financial risk factors continued

d) Market risk continued

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 2022 £m	Fair value 2022 £m	Book value 2021 £m	Fair value 2021 £m
Financial assets				
Trade and other receivables	**17.8**	**17.8**	17.6	17.6
Effective interest rate swaps	**—**	**—**	—	—
Ineffective interest rate swaps	**19.6**	**19.6**	5.2	5.2
Cash and short term deposits	**29.1**	**29.1**	33.4	33.4
Financial liabilities				
Interest-bearing loans and borrowings	**(1,290.4)**	**(1,149.1)**	(1,232.9)	(1,313.4)
Effective interest rate swaps	**—**	**—**	—	—
Ineffective interest rate swaps (net)	**(12.5)**	**(12.5)**	(0.8)	(0.8)
Trade and other payables	**(32.6)**	**(32.6)**	(40.0)	(40.0)

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 excludes 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 2022 were as follows:

Recurring fair value measurements	Level 1[1] £m	Level 2[2] £m	Level 3[3] £m	Total £m
Financial assets				
Derivative interest rate swaps	**—**	**19.6**	**—**	**19.6**
Financial liabilities				
Derivative interest rate swaps	**—**	**(12.5)**	**—**	**(12.5)**
Convertible bond	**(142.9)**	**—**	**—**	**(142.9)**
Fixed rate debt	**—**	**(797.8)**	**—**	**(797.8)**

[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.

18. Financial risk management continued

Financial risk factors continued

d) Market risk continued

Fair value hierarchy continued

Fair value measurements at 31 December 2021 were as follows:

Recurring fair value measurements	Level 1[1] £m	Level 2[2] £m	Level 3[3] £m	Total £m
Financial assets				
Derivative interest rate swaps	—	5.2	—	5.2
Financial liabilities				
Derivative interest rate swaps	—	(0.8)	—	(0.8)
Convertible bond	(171.6)	—	—	(171.6)
Fixed rate debt	—	(921.3)	—	(921.3)

[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 15 and 17 and the Group's equity is analysed into its various components in the Group Statement of Changes in Equity. The Board 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 (2021: 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]: 1.15 to 2.25 (2021: 1.05 to 2.25); and
- loan to value[1]: 55% to 75% (2021: 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.

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

[1] See Glossary of Terms.

18. Financial risk management continued

Financial risk factors continued

e) Capital risk management continued

Group loan to value ratio	**2022** **£m**	2021 £m
Fair value of completed investment properties	**2,788.6**	2,772.2
Fair value of development properties	**4.5**	19.2
Ground rent recognised as finance leases	**3.2**	4.5
	2,796.3	2,795.9
Interest-bearing loans and borrowings (with convertible bond at nominal value)	**1,290.4**	1,232.9
Less cash held	**(29.1)**	(33.4)
Nominal amount of interest-bearing loans and borrowings	**1,261.3**	1,199.5
Group loan to value ratio	**45.1%**	42.9%

19. Share capital

Ordinary Shares issued, authorised and fully paid at 12.5 pence each

	2022		2021	
	Number – million	**£m**	Number – million	£m
Balance at 1 January	**1,332.9**	**166.6**	1,315.6	164.4
Scrip issues in lieu of cash dividends	**3.6**	**0.5**	5.2	0.7
Share issues 5 January 2021	**—**	**—**	11.5	1.4
Share issues on other acquisitions	**—**	**—**	0.6	0.1
Balance at 31 December	**1,336.5**	**167.1**	1,332.9	166.6

Issue of shares in 2022

	Date of issue	Number of shares – million	Issue price
Scrip issue in lieu of cash dividend	25 February 2022	0.4	146.72p
Scrip issue in lieu of cash dividend	20 May 2022	0.7	149.58p
Scrip issue in lieu of cash dividend	19 August 2022	2.5	138.14p
Scrip issue in lieu of cash dividend	25 November 2022	—	—

20. Share premium

	2022 **£m**	2021 £m
Balance at 1 January	**474.9**	466.7
Scrip issues in lieu of cash dividends	**4.6**	7.4
Share issues 5 January 2021	**—**	—
Share issues on other acquisitions	**—**	0.9
Share issue expense	**(0.1)**	(0.1)
Balance at 31 December	**479.4**	**474.9**

21. 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 and the Nexus merger.

	2022 £m	2021 £m
Capital reserve		
Balance at 1 January and 31 December	**1.6**	1.6
Foreign exchange translation reserve		
Balance at 1 January	**(2.2)**	1.2
Exchange differences on translating the net assets of foreign operations	**3.2**	(3.4)
Balance at 31 December	**1.0**	(2.2)
Merger reserve		
Balance at 1 January	**414.1**	398.0
Premium on shares issued for Nexus merger	**—**	16.1
Balance at 31 December	**414.1**	414.1
Balance of merger and other reserves at 31 December	**416.7**	413.5

22. Cash flow hedging reserve

Information on the Group's hedging policy and interest rate swaps is provided in Note 17.

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:

	2022 £m	2021 £m
Balance at 1 January	**(15.6)**	(20.1)
Fair value movement on cash flow hedges	**—**	—
Amortisation of cash flow hedging reserve	**4.5**	4.5
Net movement on cash flow hedges ("effective swaps") and amortisation of cash flow hedging reserve	**4.5**	4.5
Balance at 31 December	**(11.1)**	(15.6)

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

	2022 £m	2021 £m
Balance at 1 January	**460.5**	402.6
Retained profit for the year	**56.3**	140.1
Dividends paid	**(81.6)**	(74.4)
Scrip dividend in lieu of cash	**(5.1)**	(8.0)
Share-based awards ("LTIP")	**—**	0.2
Balance at 31 December	**430.1**	460.5

24. Capital commitments

As at 31 December 2022, 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 £2.8 million (2021: £9.0 million) remains to be funded with regard to these properties.

As at 31 December 2022, the Group has capital commitments totalling £9.9 million (2021: £10.0 million) being the cost to complete asset management projects on site, and £2.8 million (2021: £10.7 million) being the cost to complete investments. In addition to this we recognised a capital commitment in relation to the acquisition of Axis Technical Services Limited of £7.1 million (€8.0 million) that was subsequently acquired in January 2023.

25. Related party transactions

Harry Hyman, Chief Executive Officer, is a Director and the ultimate beneficial owner of a number of Nexus entities and is considered to be a related party. Following the acquisition of certain Nexus entities on the internalisation of management structure on 5 January 2021, the Group has continued to share certain operational services with a Nexus entity, Nexus Central Management Services Limited. Harry Hyman is a current Director and ultimate controlling party of Nexus Central Management Services Limited.

Amounts paid during the period in relation to shared services totalled £0.1 million (31 December 2021: net receipt £0.1 million). Amounts paid in relation to prior periods include an element of advisory fees up to the date of internalisation.

As at 31 December 2022, outstanding fees payable to Nexus totalled £nil (31 December 2021: £nil).

26. Subsequent events

On 23 January 2023, the Group acquired the Irish property management business, Axis Technical Services Limited ("Axis"). PHP acquired the entire issued ordinary share capital of Axis for an initial completion consideration of €5.5 million plus working capital estimated at €0.5 million, payable in cash. A further deferred cash consideration of up to €2.5 million may become payable in 2024 subject to the profit before tax for the year ended 31 December 2023 being greater than €1.3 million. If the profit before tax for 2023 is below the €1.3 million threshold then the deferred cash consideration will be reduced by €8 for every €1 the profit before tax is below €1.3 million. The €2.5 million deferred cash consideration is the maximum sum that could be payable.

27. Audit exemptions taken for subsidiaries

The following subsidiaries are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of Section 479A of the Act.

Name	Companies House registration number
Primary Health Investment Properties (No. 9) Limited	11328330
PHP Epsom Limited	12004850
GP Property One Limited	10801028
PHP SPV Limited	12256431
PHP Primary Properties (Haymarket) Limited	08304612
MXF Properties Bridlington Limited	07763871
PHP Tradeco Holdings Limited	09642987
PHP Cardiff Group Limited	10253987
PHP (Spilsby) Limited	13735391
PHP Health Solutions Limited	06949900
PHP Tradeco Limited	07685933
PHP Property Management Services Limited	02877191
PHP Primary Care Developments Limited	11862233
PHP Cardiff Limited	10254492
PHP Developments (Cardiff) Limited	04856121
PHP (Croft) Limited	13938144
PHP Chiswick Limited	OE001635

Company balance sheet

at 31 December 2022

	Notes	2022 £m	2021 (Restated) £m
Non-current assets			
Investment in subsidiaries	8	**870.9**	857.2
Fixed assets		**0.4**	0.2
Debtors: amounts falling due after more than one year	9	**844.9**	849.9
		1,716.2	1,707.2
Current assets			
Trade and other receivables	9	**0.1**	0.5
Cash at bank and in hand	10	**11.2**	5.2
		11.3	5.7
Total assets		**1,727.5**	1,712.9
Current liabilities			
Trade and other payables	11	**(229.5)**	(188.4)
Borrowings: bonds	12	**—**	—
		(229.5)	(188.4)
Non-current liabilities			
Borrowings: bonds	12	**(150.2)**	(166.6)
		(150.2)	(166.6)
Total liabilities		**(379.7)**	(355.0)
Net assets		**1,347.8**	1,357.9
Equity			
Share capital	14	**167.1**	166.6
Share premium		**479.4**	474.9
Merger and other reserves		**415.6**	416.1
Retained earnings	15	**285.7**	300.3
Total equity		**1,347.8**	1,357.9
Net asset value per share – basic	16	**101p**	102p

In accordance with the exemption allowed by Section 408(3) of the Companies Act 2006, the Company has not presented its own income statement or statement of comprehensive income.

The Company's profit for the year was £1.0 million (2021: loss of £62.5 million).

These financial statements were approved by the Board of Directors on 21 February 2023 and signed on its behalf by:

Richard Howell
Chief Financial Officer

Registered in England Number: 3033634

Company statement of changes in equity

for the year ended 31 December 2022

	Share capital £m	Share premium £m	Merger and other reserves £m	Retained earnings £m	Total equity £m
1 January 2022	166.6	474.9	416.1	300.3	1,357.9
Profit for the year	—	—	—	0.3	0.3
Dividends received	—	—	—	71.8	71.8
Exchange gain on translation of foreign balances	—	—	(0.5)	—	(0.5)
Total comprehensive income	—	—	(0.5)	72.1	71.6
Share issue expenses	—	(0.1)	—	—	(0.1)
Share-based awards ("LTIP")	—	—	—	—	—
Dividends paid	—	—	—	(81.6)	(81.6)
Scrip dividend in lieu of cash	0.5	4.6	—	(5.1)	—
31 December 2022	**167.1**	**479.4**	**415.6**	**285.7**	**1,347.8**

	Share capital £m	Share premium £m	Merger and other reserves £m	Retained earnings £m	Total equity £m
1 January 2021	164.4	466.7	397.5	297.0	1,325.6
Loss for the year	—	—	—	(62.5)	(62.5)
Dividends received	—	—	—	148.0	148.0
Exchange gain on translation of foreign balances	—	—	2.5	—	2.5
Total comprehensive income	—	—	2.5	85.5	88.0
Shares issued on acquisition of Nexus	1.5	—	16.1	—	17.6
Shares issued on other acquisitions	0.1	0.9	—	—	1.0
Share issue expenses	—	(0.1)	—	—	(0.1)
Share-based awards ("LTIP")	—	—	—	0.2	0.2
Dividends paid	—	—	—	(74.4)	(74.4)
Scrip dividend in lieu of cash	0.6	7.4	—	(8.0)	—
31 December 2021	166.6	474.9	416.1	300.3	1,357.9

Notes to the Company financial statements

1. Accounting policies

The Company is a public limited company incorporated in England and Wales in accordance with the Companies Act 2006, limited by shares. These financial statements are presented in Sterling because that is the currency of the primary economic environment in which the Company operates.

Basis of accounting/statement of compliance

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 ("FRS 100") issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 Reduced disclosure framework as issued by the Financial Reporting Council.

As permitted by FRS 101, exemptions from applying the following requirements have been adopted:

- IFRS 7 Financial instruments: disclosures;
- IFRS 13 Fair value measurement, paragraphs 91 to 99;
- IAS 1 Presentation of financial statements, paragraphs 10(d), 10(f), 38 to 40, 76, 79(d) and 134 to 136;
- IAS 7 Statement of cash flows;
- IAS 24 Related party disclosures, paragraphs 17 and 18A; and
- IAS 36 Impairment of assets, paragraphs 130(f)(ii), 130(f)(iii), 134(d) to (f) and 135(c) to (e).

The Company has also taken advantage of the exemption from the requirements in IAS 24 Related party disclosures to disclose related party transactions entered into between two or more members of the Group where those party to the transaction are wholly owned by a member of the Group.

The financial statements have been prepared under the historical cost convention.

Statement of comprehensive income

The Company has taken advantage of the exemption in the Companies Act from presenting a Company Statement of Comprehensive Income together with related notes.

Cash flow statement

The Directors have taken advantage of the exemption in FRS 101 from including a cash flow statement in the financial statements on the grounds that a Consolidated Cash Flow Statement is presented in the Group financial statements of PHP.

Income

Revenue is recognised in the financial statements as follows:

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

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

Investment in subsidiaries

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains 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.

Investments in subsidiary undertakings are stated at cost in the Company's Statement of Financial Position less any provision for permanent impairment in value. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Taxation

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

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

Employee costs

The fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares or options that will eventually vest. The fair value of awards is equal to the market value at grant date.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. No revisions were recognised in the period. There are no critical accounting judgements or key sources of estimation uncertainty in the Company's accounts.

3. Foreign currencies

The functional and presentation currency of the Company is Sterling. Transactions in currencies other than Sterling 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.

4. Revenue

The Company operates under one business segment and one geographical segment, being the holding company of subsidiaries that invest in primary healthcare property within the United Kingdom and the Republic of Ireland.

5. Staff costs

	2022 £m	2021 £m
Wages and salaries, pension and bonus	**1.8**	1.3
Social security costs	**(0.1)**	—
Equity-settled share-based payments	**—**	0.3
	1.7	1.6

The Company operates a defined contribution pension scheme for all employees. The Company contribution to the scheme during the year was £nil (2021: £nil), which represents the total expense recognised through the income statement. As at 31 December 2022, there were no contributions (2021: £nil) due in respect of the reporting period that had not been paid over to the plan.

The average monthly number of Company employees was two (2021: two).

The Executive Directors and Non-executive Directors are the key management personnel. Full disclosure of Directors' emoluments, as required by the Companies Act 2006, can be found in the Remuneration Report on pages 93 to 96.

The Company's equity-settled share-based payments comprise the following:

Scheme	**Fair value measure**
Long Term Incentive Plan ("LTIP")	Face value at grant date
Save As You Earn ("SAYE")	Face value at grant date

The Company expenses an estimate of how many shares are likely to vest based on the market price at the date of grant, taking account of expected performance against the relevant performance targets and service periods, which are discussed in further detail in the Remuneration Report.

6. Taxation

a) Taxation charge in the Group Statement of Comprehensive Income

The taxation charge is made up as follows:

	2022 £m	2021 £m
Deferred tax	**0.7**	0.6

The Company holds an investment in an Irish Collective Asset Vehicle ("ICAV"). The ICAV does not pay any Irish corporation tax on its profits but a 20% withholding tax is paid on distributions to owners.

6. Taxation continued

b) Factors affecting the tax credit for the year

The tax assessed for the year is higher than (2021: higher than) the standard rate of corporation tax in the UK. The differences are explained below:

	2022 £m	2021 £m
Loss on ordinary activities before taxation	**1.0**	(61.9)
Theoretical tax at UK corporation tax rate of 19% (2021: 19%)	**0.2**	(11.8)
REIT exempt income	**(0.3)**	—
Transfer pricing adjustments	**1.9**	1.1
Fair value loss on convertible bond	**(3.3)**	1.2
Non-taxable items	**1.6**	9.2
Impact of taxes in the Republic of Ireland	**0.7**	0.6
Loss relief	**(0.1)**	0.3
Losses generated in the year	**—**	—
Taxation charge (Note 6a)	**0.7**	0.6

7. Dividends

Amounts recognised as distributions to equity holders in the year:

	2022 £m	2021 £m
Quarterly interim dividend paid 25 February 2022	**21.0**	—
Scrip dividend in lieu of quarterly cash dividend paid 25 February 2022	**0.6**	—
Quarterly interim dividend paid 20 May 2022	**20.6**	—
Scrip dividend in lieu of quarterly cash dividend paid 20 May 2022	**1.1**	—
Quarterly interim dividend paid 19 August 2022	**18.1**	—
Scrip dividend in lieu of quarterly cash dividend paid 19 August 2022	**3.4**	—
Quarterly interim dividend paid 19 November 2022	**21.9**	—
Scrip dividend in lieu of quarterly cash dividend paid 25 November 2022	**—**	—
Quarterly interim dividend paid 26 February 2021	**—**	18.7
Scrip dividend in lieu of quarterly cash dividend paid 26 February 2021	**—**	1.8
Quarterly interim dividend paid 21 May 2021	**—**	17.7
Scrip dividend in lieu of quarterly cash dividend paid 21 May 2021	**—**	2.9
Quarterly interim dividend paid 20 August 2021	**—**	18.3
Scrip dividend in lieu of quarterly cash dividend paid 20 August 2021	**—**	2.4
Quarterly interim dividend paid 26 November 2021	**—**	19.7
Scrip dividend in lieu of quarterly cash dividend paid 26 November 2021	**—**	0.9
Total dividends distributed in the year	**86.7**	82.4
Per share	**6.5p**	6.2p

Notes to the Company financial statements continued

8. Investment in subsidiaries

	£m
As at 1 January 2022	857.2
Acquisition of PHP Chiswick Limited	9.9
Acquisition of PHP (Croft) Limited	—
Acquisition of PHP (Spilsby) Limited	—
Disposal of Primary Health Investment Properties (No.8) Limited	—
Acquisition of additional shares in PHP ICAV Limited	4.6
Impairment of subsidiary undertakings	(0.8)
As at 31 December 2022	**870.9**
As at 1 January 2021	739.2
Acquisition of PHP Tradeco Limited	—
Acquisition of PHP Cardiff Group Limited	2.7
Acquisition of PHP Health Solutions Limited	3.6
Acquisition of additional shares in PHP Healthcare (Holdings) Limited	110.8
Acquisition of additional shares in PHP ICAV Limited	12.0
Impairment of subsidiary undertakings	(11.1)
As at 31 December 2021	857.2

All subsidiaries of the Company are 100% owned and listed opposite. All are incorporated in the UK and their registered office is Burdett House, 15-16 Buckingham Street, London WC2N 6DU, except as noted.

Subsidiaries held directly by the Company

Name	Principal activity	Name	Principal activity
Primary Health Investment Properties Limited	Property investment	PHP Bond Finance PLC	Property investment
Primary Health Investment Properties (No. 2) Limited	Property investment	PHP Medical Investments Limited	Property investment/ financing company
PHP Healthcare (Holdings) Limited	Investment holding	PHIP (Milton Keynes) Limited	Dormant
Primary Health Investment Properties (No. 4) Limited	Investment holding/ financing company	Primary Health Properties ICAV[2]	Property investment/ investment holding
PHIP (5) Limited	Property investment/ financing company	Carden Medical Investments Limited[4]	Property investment
Primary Health Investment Properties (No. 9) Limited	Property investment	Chelmsley Associates Limited	Property investment
PHP Finance (Jersey No.2) Limited[1]	Issuer of bonds	PHP STL Limited	Investment holding/ financing company
PHP Euro Private Placement ML Ltd	Property investment	PHP Euro Private Placement Limited	Issuer of bonds
PHP SPV Limited	Property investment	PHP Liverpool Holding Company Limited	Investment holding
MXF Fund Limited[5]	Investment holding	PHP Primary Properties (Haymarket)Limited	Property investment
PHP Epsom Limited	Property investment	PHP Tradeco Holdings Limited	Investment holding
PHP Cardiff Group Limited	Investment holding	PHP (Spilsby) Limited	Property investment
PHP Chiswick Limited	Property investment	MXF Bridlington Limited	Property investment
PHP (Croft) Limited	Property investment	PHPI Navan Road Limited[3]	Property investment

8. Investment in subsidiaries continued

Subsidiaries held indirectly by the Company

Name	Principal activity	Name	Principal activity
PHP (Bingham) Limited	Property investment	PHP Investments No.2 Limited	Property investment
Anchor Meadow Limited	Property investment	Leighton Health Limited	Property investment
PHP (Ipswich) Limited	Property investment	PHP Healthcare Investments Limited	Property investment
PHPAV Lending Limited	Investment holding	PHP St. Johns Limited	Property investment
PHP Investments No.1 Limited	Property investment	PHP Clinics Limited	Property investment
PHP (Project Finance) Limited	Property investment	PHIP (Stourbridge) Limited	Property investment
PHP Medical Properties Limited	Property investment/ investment holding	Gracemount Medical Centre Limited[4]	Property investment
PHP Glen Spean Limited	Property investment	PHP AssetCo (2011) Limited	Property investment
PHP Empire Holdings Limited	Property investment	PHP Primary Properties Limited	Property investment
Health Investments Limited	Property investment/ investment holding	Crestdown Limited	Property investment
PatientFirst Partnerships Limited	Property investment	Primary Health Investment Properties (No. 6) Limited	Property investment
PatientFirst (Hinckley) Limited	Property investment	Jellia Holdings Limited[3]	Investment holding
PatientFirst (Burnley) Limited	Property investment	PHPI Newbridge Limited[3]	Property investment
PHP Investments (2011) Limited	Property investment		
PHPI Celbridge Limited[3]	Property investment	GP Property One Limited	Property investment
MXF Properties I Limited[5]	Property investment	MXF Properties II Limited[5]	Property investment
MXF Properties III Limited	Property investment	MXF Properties IV Limited	Property investment
MXF Properties V Limited	Property investment/ investment holding	MXF Properties VI Limited[5]	Property investment/ issuer of bonds
MXF Properties VII Limited[5]	Property investment/ investment holding	MXF Properties VIII Limited[5]	Property investment/ issuer of bonds
Primary Medical Property Investments Ltd	Property investment	MXF GPG Holdings Limited[5]	Property investment/ issuer of bonds
MXF Properties Ireland Limited[5]	Property investment	MXF (Fakenham) Limited	Property investment
MXF Properties IX Limited	Holding and finance company	PHP Tradeco Limited	Operations management
PHP Property Management Services Limited	Operations management	PHP Primary Care Developments Limited	Property investment
PHP Cardiff Limited	Property investment	PHP Developments (Cardiff) Limited	Property investment

[1] Subsidiary company registered in Jersey. Registered office: 3rd Floor, 44 Esplanade, St Helier, Jersey JE4 9WG.

[2] An Irish Collective Asset Management Vehicle established in Ireland.

[3] Subsidiary company registered in Ireland. Registered office: Riverside 1, Sir John Rogerson's Quay, Dublin 2, Ireland.

[4] Subsidiary company registered in Scotland. Registered office: 3rd Floor, 1 West Regent Street, Glasgow, Scotland G2 1RW.

[5] Subsidiary company registered in Guernsey. Registered office: Oak House, Hirzel Street, St Peter Port, Guernsey GY1 1NP.

100% of all voting rights and Ordinary Shares are held directly or indirectly by the Company.

Notes to the Company financial statements continued

9. Trade and other receivables

	2022 £m	2021 £m
Non-current		
Amounts due from Group undertakings	**844.9**	849.9
Current		
Amounts due from Group undertakings	**—**	—
Other receivables	**0.1**	0.5
	850.0	850.4

Based on the IFRS 9 expected credit loss model no impairment provision was recognised on amounts due from Group undertakings.

Amounts due from Group undertakings are unsecured, interest free and repayable on demand.

Restated balance breakdowns have been disclosed in Note 1 to the accounts.

10. Cash at bank and in hand

	2022 £m	2021 £m
Cash at bank and in hand	**11.2**	5.2

11. Trade and other payables

	2022 £m	2021 £m
Current		
Amounts owed to Group undertakings	**221.9**	181.7
Trade and other payables	**7.6**	1.7
Accruals and deferred income	**—**	5.0
	229.5	188.4

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

Restated balance breakdowns have been disclosed in Note 1 to the accounts.

12. Borrowings

	2022 £m	2021 £m
Intra-group loan with PHP Finance (Jersey No.2) Limited (Note 13)	**147.5**	146.6
Option to convert (Note 13)	**2.7**	20.0
	150.2	166.6

13. Intra-group loan with PHP Finance (Jersey No.2) Limited

On 15 July 2019, PHP Finance (Jersey No.2) Limited (the "Issuer"), a wholly owned subsidiary of the Group, issued £150.0 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 proceeds have been loaned to the Company and the Company has unconditionally and irrevocably guaranteed the due and punctual performance by the Issuer of all of its obligations (including payments) in respect of the Bonds.

Subject to their terms, the Bonds are/were convertible into preference shares of the Issuer which are/were automatically transferred to the Company in exchange for Ordinary Shares in the Company or, at the Company's election, any combination of Ordinary Shares and cash.

The intra-group loan between the Issuer and the Company arising from the transfer of the loan proceeds was initially recognised at fair value, net of capitalised issue costs, and is accounted for using the amortised cost method.

In addition to the intra-group loan, the Company has effectively entered into a derivative contract due to its guarantee of the obligations of the Issuer in respect of the Bonds and the commitment to provide shares or a combination of shares and cash on conversion of the Bonds. This derivative contract is included within the balance sheet as a liability carried at fair value through profit and loss.

See Note 15 in the Group financial statements for further details about the convertible bond.

14. Share capital

Issued and fully paid at 12.5 pence each

	2022		2021	
	Number – million	**£m**	Number – million	£m
As at 1 January	**1,332.9**	**166.6**	1,315.6	164.4
Scrip issues in lieu of cash dividends	**3.6**	**0.5**	5.2	0.6
Share issues for Nexus acquisition	**—**	**—**	11.5	1.5
Share issues for other acquisitions	**—**	**—**	0.6	0.1
As at 31 December	**1,336.5**	**167.1**	1,332.9	166.6

Issue of shares in 2022

	Date of issue	Number of shares – million	Issue price
Scrip issue in lieu of first quarterly cash dividend	25 February 2022	0.4	146.72p
Scrip issue in lieu of second quarterly cash dividend	20 May 2022	0.7	149.58p
Scrip issue in lieu of third quarterly cash dividend	19 August 2022	2.5	138.14p
Scrip issue in lieu of fourth quarterly cash dividend	25 November 2022	—	—

15. Retained earnings

	2022 £m	2021 £m
As at 1 January	**300.3**	297.0
Profit/(loss) for the year	**0.3**	(62.5)
Dividends received	**71.8**	148.0
Dividends paid	**(81.6)**	(74.4)
Scrip issues in lieu of cash dividends	**(5.1)**	(8.0)
Long Term Incentive Plan	**—**	0.2
As at 31 December	**285.7**	300.3

16. Net asset value per Ordinary Share

	2022 pence	2021 pence
Basic and diluted	**101**	102

The basic net asset value per Ordinary Share is based on net assets attributable to Ordinary Shareholders of £1,347.8 million (2021: £1,357.9 million) and on 1,336.5 million shares (2021: 1,332.9 million shares), being the number of shares in issue at the year end.

17. Contingent liabilities

The Company has guaranteed the performance of its subsidiaries in respect of development agreements totalling £nil (2021: £nil).

18. Related party transactions

Details of related party transactions are provided in the Directors' Report, the Directors' Remuneration Report and Note 25 to the Group financial statements on page 152. The Directors are listed in the Board of Directors section.

The Company has also taken advantage of the exemption from the requirements in IAS 24 Related party disclosures to disclose related party transactions entered into between two or more members of the Group where those party to the transaction are wholly owned by a member of the Group.

19. Subsequent events

On 23 January 2023, the Group acquired the Irish property management business, Axis Technical Services Limited ("Axis"). PHP acquired the entire issued ordinary share capital of Axis for an initial completion consideration of €5.5 million plus working capital estimated at €0.5 million, payable in cash. A further deferred cash consideration of up to €2.5 million may become payable in 2024 subject to the profit before tax for the year ended 31 December 2023 being greater than €1.3 million. If the profit before tax for 2023 is below the €1.3 million threshold then the deferred cash consideration will be reduced by €8 for every €1 the profit before tax is below €1.3 million. The €2.5 million deferred cash consideration is the maximum sum that could be payable.

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Notice of Annual General Meeting 2023

Wednesday 19 April 2023 at 10:30 a.m.

To be held at the offices of CMS Cameron McKenna Nabarro Olswang LLP at Cannon Place, 78 Cannon Street, London EC4N 6AF

THIS DOCUMENT AND THE ENCLOSED FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the contents of this document or about what action you should take, you should seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your Ordinary Shares, please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the Ordinary Shares.

Whether or not you propose to attend the Annual General Meeting, please complete and submit a Form of Proxy in accordance with the instructions printed on the enclosed form.

The Form of Proxy must be received by the Registrar, Equiniti, by no later than 10:30 a.m. on 17 April 2023.

Primary Health Properties PLC
(incorporated and registered in England and Wales under number 03033634)

A map showing the location of the venue and how to get there is set out opposite.

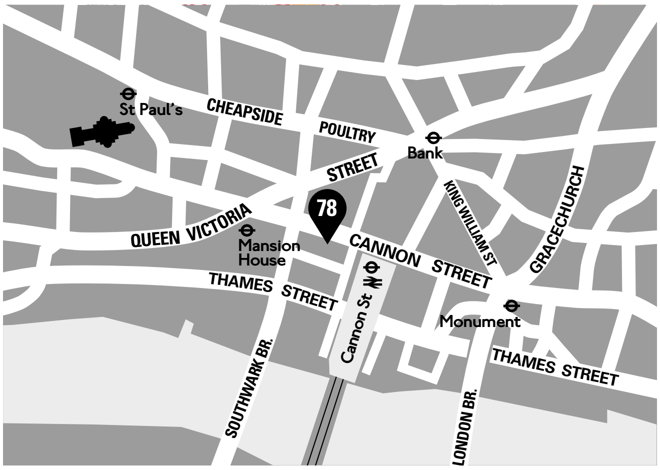
Venue

The offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF.

Travel information

Underground and rail
By train: Cannon Street station is serviced by the Southeastern train line.

By London Underground (tube)/Docklands Light Railway ("**DLR**"): It is approximately a three-minute walk from Bank Station underground (tube) station on the Central, Waterloo & City and Northern lines. Bank is also a DLR station. It is above Cannon Street underground (tube) station on the Circle and District lines.



LETTER FROM THE CHAIRMAN

To all shareholders

15 March 2023

Notice of Annual General Meeting

Dear shareholder,

I am pleased to invite you to our 2023 Annual General Meeting (**"AGM"**) which will be held on Wednesday, 19 April at 10:30 a.m. at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF.

The formal Notice of AGM, which sets out the resolutions to be proposed, can be found on pages 165 to 167. An explanation of the resolutions can be found on pages 168 to 172. A copy of our 2022 Annual Report which includes this Notice of AGM can also be found on our website (www.phpgroup.co.uk/investors).

Your vote and participation in the AGM are important to us. We strongly encourage you to vote on all resolutions either electronically, in advance of the meeting, or by appointing the Chairman as your proxy. If you cast your vote by proxy in advance this will not prevent you from voting on the day. (A proxy form for your use (**"Form of Proxy"**) is enclosed with this document or can be downloaded from our website www.phpgroup.co.uk/investors).

Actions to be taken in respect of the AGM

If you are unable to attend the AGM and vote on the day, the ways to vote are as follows:

1. Register your vote electronically by logging into Equiniti Limited's (**"Equiniti"**) website www.sharevote.co.uk. If you have already registered with Equiniti's online portfolio service, Shareview, you can submit your proxy by logging on to your portfolio at www.shareview.co.uk and following the instructions. Please note that votes submitted electronically in this manner should be submitted by no later than 10:30 a.m. on 17 April 2023.
2. Appoint a proxy to vote on your behalf. Fill in the Proxy Form and return it to Equiniti as detailed in Note 4 on page 173, or appoint your proxy electronically as detailed in Note 4 on page 173, or if you are a CREST member, appoint your proxy through the CREST proxy appointment service as detailed in Note 5 on page 173. Shareholders who wish to appoint a proxy are recommended to appoint the Chairman of the meeting as their proxy.
3. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by Equiniti. For further information regarding Proxymity, please go to www.proxymity.io. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

Proxy appointments should be completed as soon as possible and must be received by 10:30 a.m. on 17 April 2023, whether this is via Proxymity or otherwise.

Voting electronically or the completion and return of the Form of Proxy will not prevent you from attending and voting at the AGM, or any adjournment of the AGM, in person, should you wish to do so. As all our resolutions at the AGM will be taken on a poll vote, so as to accurately record all votes made either at the meeting or via proxy, shareholders attending the meeting will be asked to vote their shares by poll. Full guidance will be given on the day. The results of the AGM will be notified to the London Stock Exchange and posted on our website as soon as possible after the AGM.

Recommendation

The Directors consider that the resolutions are in the best interests of the Company and are most likely to promote the success of the Company for the benefit of shareholders as a whole. Accordingly, the Directors unanimously recommend that you vote in favour of all the resolutions, as they intend to do so in respect of their own beneficial holdings (and the beneficial holdings which are under their control and those of their close relations), which, as at 14 March 2023 (being the last practicable date prior to publication of this document), amount in aggregate to 25,010,851 Ordinary Shares, representing approximately 1.87%. of the Ordinary Shares currently in issue.

On behalf of the Board, I thank you for your continued support.

Yours sincerely,

Steven Owen
Chairman

NOTICE OF ANNUAL GENERAL MEETING

PRIMARY HEALTH PROPERTIES PLC

(incorporated and registered in England and Wales with registered number 03033634)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Primary Health Properties PLC (the **"Company"**) will be held at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF on 19 April 2023 at 10:30 a.m. (the **"AGM"**). Shareholders will be asked to consider and, if thought fit, pass the resolutions as set out below (the **"Resolutions"**). Resolutions 14 to 17 (inclusive) will be proposed as special resolutions. All other Resolutions will be proposed as ordinary resolutions. Voting on the Resolutions will be by way of a poll.

Ordinary Resolutions

Resolution 1: Annual report and accounts

To receive the Company's Annual Accounts and the Reports of the Directors of the Company (**"Directors"**) and of the auditors to the Company for the financial year ended 31 December 2022.

Resolution 2: Directors' Remuneration Report

To approve the Directors' Remuneration Report (excluding the Directors' remuneration policy) as contained in the Company's annual accounts and reports for the financial year ended 31 December 2022.

Resolution 3: Dividend policy

To approve the Company's dividend policy, as set out in the explanatory notes that accompany this Notice of AGM.

Resolution 4: Re-appointment of the auditors

To re-appoint Deloitte LLP as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which accounts are laid before the Company.

Resolution 5: Auditor's remuneration

To authorise the Audit Committee of the Company, for and on behalf of the Directors, to determine the remuneration of the auditors.

Resolution 6: Re-election of Steven Owen

To re-elect Steven Owen as a Director of the Company.

Resolution 7: Re-election of Harry Hyman

To re-elect Harry Hyman as a Director of the Company.

Resolution 8: Re-election of Richard Howell

To re-elect Richard Howell as a Director of the Company.

Resolution 9: Re-election of Laure Duhot

To re-elect Laure Duhot as a Director of the Company.

Resolution 10: Re-election of Ian Krieger

To re-elect Ian Krieger as a Director of the Company.

Resolution 11: Election of Ivonne Cantú

To re-elect Ivonne Cantú as a Director of the Company.

Resolution 12: Political expenditure or donations

To authorise the Company and all companies that are its subsidiaries at any time during the period for which this Resolution 12 has effect for the purposes of Sections 366 and 367 of the Companies Act 2006 (**"2006 Act"**) to:

(A) make political donations to political parties or independent election candidates (as such terms are defined in the 2006 Act), not exceeding £40,000 in aggregate;

(B) make political donations to political organisations other than political parties (as such terms are defined in the 2006 Act), not exceeding £40,000 in aggregate; and

(C) incur political expenditure (as such term is defined in the 2006 Act), not exceeding £40,000 in aggregate,

during the period beginning with the date of the passing of this Resolution 12 and ending with the conclusion of the next annual general meeting of the Company (or, if earlier, on the date which is 15 months after the date of the AGM), provided that the maximum amounts referred to in (A), (B) and (C) may comprise one or more sums in different currencies which shall be converted at such rate as the Board of Directors of the Company (**"Board"**) may in its absolute discretion determine to be appropriate.

Resolution 13: Authority to allot shares

That the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the 2006 Act, in substitution for all existing authorities:

(A) to exercise all the powers of the Company to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (together **"Relevant Securities"**) up to an aggregate nominal amount of £55,687,241; and

(B) to exercise all the powers of the Company to allot equity securities (as defined in Section 560(1) of the 2006 Act) up to an additional aggregate nominal amount of £55,687,241 provided that this authority may only be used in connection with a rights issue in favour of holders of Ordinary Shares of 12.5 pence each in the capital of the Company (**"Ordinary Shares"**) and other persons entitled to participate therein, where the equity securities respectively attributable to the interests of all those persons at such record dates as the Directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities, subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange by virtue of shares being represented by depositary receipts or any other matter whatsoever.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Ordinary Resolutions continued

Resolution 13: Authority to allot shares continued

PROVIDED that such authorities shall expire (unless renewed, varied or revoked by the Company in a general meeting) at the conclusion of the next annual general meeting of the Company after the passing of this Resolution or, if earlier, on the date which is 15 months after the date of the AGM, but in each case, prior to its expiry, the Company may make offers and enter into agreements which would, or might, require Relevant Securities or equity securities as the case may be to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot Relevant Securities or equity securities (and sell treasury shares) in pursuance of any such offer or agreement as if the authority in question had not expired.

Special Resolutions

Resolution 14: Disapplication of pre-emption rights

That, subject to the passing of Resolution 13, the Directors be and are hereby authorised, to allot equity securities (as defined in Section 560(1) of the 2006 Act) for cash under the authority given by Resolution 13 and/or to sell Ordinary Shares held by the Company as treasury shares for cash as if Section 561 of the 2006 Act did not apply to any such allotment or sale, provided that this power shall be limited to:

(A) the allotment of equity securities and/or sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities made to (but in the case of the authority conferred by Resolution 13(B), by way of a rights issue only) to holders of Ordinary Shares at such record dates as the Directors may determine in proportion (as nearly as may be practicable) to their existing holdings and to holders of other equity securities as required by the rights of those securities or, if the Directors otherwise consider necessary, as permitted by the rights of those securities, and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter;

(B) the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (A) above) up to an aggregate nominal amount of £16,706,172 and

(C) the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (A) or paragraph (B) above) up to a nominal amount equal to 20%. of any allotment of equity securities or sale of treasury shares from time to time under paragraph (B) above, such authority to be used only for the purposes of making a follow-on offer which the Board determines to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

and shall expire at the conclusion of the next annual general meeting of the Company after the passing of this Resolution or, if earlier, on the date which is 15 months after the date of the AGM but in each case, prior to its expiry, the Company may make offers and enter into agreements, which would, or might, require Relevant Securities or equity securities as the case may be to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) in pursuance of any such offer or agreement as if the authority in question had not expired.

Resolution 15: Further Disapplication

That subject to the passing of Resolution 13, the Directors be and are hereby authorised, in addition to any authority granted under Resolution 14, to allot equity securities (as defined in Section 560(1) of the 2006 Act) for cash under the authority given by Resolution 13 and/or to sell Ordinary Shares held by the Company as treasury shares for cash as if Section 561 of the 2006 Act did not apply to any such allotment or sale, provided that this power shall be limited to:

(A) the allotment of equity securities or sale of treasury shares up to an aggregate nominal amount of £16,706,172 and used only for the purposes of financing (or refinancing, if the authority is to be used within twelve months after the original transaction) a transaction which the Board determines to be either an acquisition or a specified capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice; and

(B) the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (A) above) up to a nominal amount equal to 20%. of any allotment of equity securities or sale of treasury shares from time to time under paragraph (A) above, such authority to be used only for the purposes of making a follow-on offer which the Board determines to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

and shall expire at the conclusion of the next annual general meeting of the Company after the passing of this Resolution or, if earlier, on the date which is 15 months after the date of the AGM but in each case, prior to its expiry, the Company may make offers and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) in pursuance of any such offer or agreement as if the authority in question had not expired.

Resolution 16: Notice of general meetings

That the Company is authorised to call any general meeting of the Company, other than an annual general meeting, on not less than 14 clear days' notice during the period beginning on the date of the passing of this Resolution and ending on the conclusion of the next annual general meeting of the Company.

NOTICE OF ANNUAL GENERAL MEETING
CONTINUED

Special Resolutions continued

Resolution 17: Purchase of own shares

That the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 693(4) of the 2006 Act) of Ordinary Shares on such terms and in such manner as the Directors may from time to time determine, provided that:

(A) the maximum aggregate number of Ordinary Shares that may be purchased is 133,649,378 (representing approximately 10% of the issued ordinary share capital of the Company as at the latest practicable date prior to publication of this document);

(B) the minimum price (excluding expenses payable by the Company) which may be paid for each Ordinary Share is 12.5 pence;

(C) the maximum price (excluding expenses payable by the Company) which may be paid for each Ordinary Share is the higher of: i) an amount equal to 105% of the average of the middle market quotations for an Ordinary Share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately prior to the day the purchase is made; and ii) an amount equal to the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share as derived from the London Stock Exchange Trading System; and

(D) this authority shall expire at the conclusion of the Company's next annual general meeting after the passing of this Resolution or, if earlier, on the date which is 15 months after the date of the AGM, save that the Company may, before the expiry of this authority, enter into a contract to purchase Ordinary Shares which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of Ordinary Shares in pursuance of any such contract.

By order of the Board

Toby Newman
Company Secretary
15 March 2023

Primary Health Properties PLC
Registered office: 5th Floor, Burdett House, 15-16 Buckingham Street, London WC2N 6DU
Registered in England & Wales No: 03033634

Important notes regarding your general right to appoint a proxy and voting can be found on pages 173 to 175.

Notice of Annual General Meeting 2023 continued

EXPLANATORY NOTES TO THE RESOLUTIONS

These notes are intended to explain the business to be transacted at the AGM to be held at 10:30 a.m. on 19 April 2023 at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF(the **"AGM"**). Resolutions 14 to 17 (inclusive) are proposed as special resolutions. This means that for each of those Resolutions to be passed, at least three-quarters of the votes cast must be in favour of the Resolution. All other Resolutions are proposed as ordinary resolutions, so that for each of those Resolutions to be passed, more than half of the votes cast must be in favour of the Resolution.

Accounts (Resolution 1)

By company law the Directors must present to the AGM the Annual Report 2022 for adoption. The Board will welcome any questions and discussion on the Annual Report 2022 at the AGM.

Directors' Remuneration Report (Resolution 2)

Resolution 2 seeks shareholders' approval for the Directors' Remuneration Report as contained on pages 93 to 106 of the Annual Report 2022 which gives details of Directors' remuneration paid for the year ended 31 December 2022 in accordance with the remuneration policy approved by shareholders. The Auditor has audited those parts of the Directors' Remuneration Report that are required to be audited.

This Resolution is proposed as an ordinary resolution. The vote is advisory in nature which means that the Directors' entitlement to remuneration is not conditional on it.

Dividend policy (Resolution 3)

Resolution 3 is proposed to seek shareholders' approval of the Company's dividend policy. Despite the uncertainty and volatility in the economic environment caused by the war in Ukraine and rising levels of inflation, we have continued to deliver a strong and robust operational and financial performance over the course of 2022. This has allowed the Company to continue to pay an increasing level of dividend to its shareholders over the last 26 years.

The Company's policy is to make all of its dividend payments (currently four per annum) as interim dividends. This enables the fourth dividend payment to be made approximately two months earlier than would be the case if that dividend were categorised as a 'final dividend' and therefore have to await shareholder approval at the Annual General Meeting. This arrangement is made in the interests of shareholders, enabling them to benefit from the earlier receipt of the fourth dividend. As we believe it is important for shareholders to have an opportunity to consider this policy annually, and in accordance with the principles of good corporate governance, a resolution to approve the Company's dividend policy is included as Resolution 3 in the accompanying Notice of AGM.

Re-appointment and remuneration of auditors (Resolutions 4 and 5)

Resolution 4 proposes to re-appoint Deloitte LLP as auditors of the Company to hold office from the conclusion of the AGM until the conclusion of the next general meeting of the Company at which accounts are laid.

Resolution 5 proposes to authorise the Audit Committee, for and on behalf of the Directors, to determine the remuneration of the auditors.

Re-election of Directors (Resolutions 6 to 11)

In accordance with the recommendations of the UK Corporate Governance Code, all the Directors have resolved that they will offer themselves for re-election by shareholders at the AGM.

Separate Resolutions are being proposed to re-elect each of the Directors standing for re-election. Resolutions 6 to 11 are being proposed as ordinary resolutions.

Re-election of Steven Owen (Resolution 6)

Chairman: Appointed as a Non-executive Director on 1 January 2014 and as Chairman on 18 April 2018.

Biography

Details of Steven's background and experience are set out on page 66 of the Annual Report.

Other external relationships

Palace Capital plc and Wye Valley Partners LLP.

Contribution and reasons for re-election

Steven brings to the Board strong leadership skills combined with in-depth financial skills as a Chartered Accountant and former Finance Director and extensive expertise of investment and development in commercial property, in a listed company environment. This combination of skills, knowledge and experience makes Steven a very effective Chairman.

Although Steven has now served for nine years as a Director and is no longer considered independent, after consultation with several of the Company's largest shareholders, the Board considers that, because of his position and understanding of the Company, he should remain as Chairman until the next annual general meeting and lead the process over the coming months for recruitment of a new Chief Executive Officer. More details of the succession process are set out on pages 10 to 11 of the Annual Report.

Independent No

Re-election of Harry Hyman (Resolution 7)

Chief Executive Officer: Founder of the Company and Director since 1996.

Biography

Details of Harry's background and experience are set out on page 66 of the Annual Report.

Other external relationships

Harry is the Non-executive Chairman of Biopharma Credit PLC, an externally managed investment trust and TMT Acquisition plc a shell acquisition company.

Contribution and reasons for re-election

Harry has extensive experience in investing in the primary healthcare sector, and the value of his contribution to the Company is demonstrated by his having developed the Company's business from inception 25 years ago to its current position in the FTSE 250, with an investment portfolio of over £2.5 billion. Harry brings to the Board a unique combination of experience in the primary healthcare sector, a background in finance and entrepreneurial flair having established a number of successful private companies.

Independent No

EXPLANATORY NOTES TO THE RESOLUTIONS CONTINUED

Re-election of Richard Howell (Resolution 8)

Chief Financial Officer: Appointed as a Director from 1 April 2017.

Biography

Details of Richard's background and experience are set out on page 66 of the Annual Report.

Other external relationships

Non-executive Director of Life Science REIT plc.

Contribution and reasons for re-election.

Richard has been Chief Financial Officer during a time of significant change for the Company's corporate Group and has played a key role in effectively managing the Company's corporate Group's capital raising activities from both financial institutions and the public markets. Richard's extensive finance experience, and deep understanding of the markets in which the Company operates, having previously held senior accounting positions within listed property companies operating across the UK, means he continues to contribute greatly to the long-term success of the Company.

Independent No

Re-election of Laure Duhot (Resolution 9)

Non-executive Director: Appointed as a Director on 14 March 2019.

Biography

Details of Laure's background and experience are set out on page 67 of the Annual Report.

Other external relationships

Non-executive Director at Safestore Holdings plc, Orpea S.A. and NB Global Monthly Income Fund Limited.

Contribution and reasons for re-election

Laure brings over 30 years of property and finance experience to the Board: in particular, she brings insights from her international property investment experience. Laure has specialised in investment in alternative real estate assets and was a Non-executive Director at MedicX Fund Limited. Laure makes an effective and valuable contribution to the Board, including through her role as the Chair of the former Adviser Engagement Committee and now as Chair of the ESG Committee. Laure has demonstrated commitment, including devoting an appropriate amount of time, to the role.

Independent Yes

Re-election of Ian Krieger (Resolution 10)

Senior Independent Non-executive Director: Appointed as a Director on 15 February 2018.

Biography

Details of Ian's background and experience are set out on page 67 of the Annual Report.

Other external relationships

Senior Independent Non-executive Director and Chairman of the Audit Committee at Safestore Holdings plc.

Non-executive Director at Capital & Regional plc, and Chairman of the Audit Committee.

Contribution and reasons for re-election

Ian brings to the Board a wealth of specialised financial and accounting skills and expertise from his experience in the audit profession and in chairing the Audit Committees of two other listed companies in the property sector. His extensive financial expertise, coupled with his insight and governance experience on other listed companies, make him ideally placed to serve as Chairman of the Audit Committee. Ian makes an effective and valuable contribution to the Board, including through his role of Chairman of the Audit Committee, and demonstrates a high degree of commitment, including devoting an appropriate amount of time, to the role.

Independent Yes

Re-election of Ivonne Cantú (Resolution 11)

Independent Non-executive Director: Appointed as a Director on 1 January 2022.

Biography

Details of Ivonne's background and experience are set out on page 67 of the Annual Report.

Other external relationships

Creo Medical Group plc.

Contribution and reasons for election

Ivonne has significant public company and corporate finance experience having spent over 20 years advising listed businesses. She is currently the Director of Investor Relations, Communications and Sustainability as well as a member of the Executive management team and the Sustainability Committee of Benchmark Holdings Limited, a biotechnology aquaculture company. She is also a Non-executive Director and Chair of the Remuneration Committee at Creo Medical Group plc. Ivonne makes an effective contribution to the Board, including as Chair of the Remuneration Committee, and demonstrates commitment and devotes sufficient time to discharging her duties.

Independent Yes

Political donations and expenditure (Resolution 12)

Under the 2006 Act, political donations made by a company and its subsidiaries to political parties, to other political organisations or to an independent election candidate, or political expenditure incurred by a company of more than £5,000 in any twelve-month period, is prohibited unless they have been authorised in advance to make donations by the Company's shareholders.

It is the policy of the Company not to make donations to political parties, other political organisations or independent election candidates and the Directors have no intention of changing that policy.

However, as a result of the wide definition of political organisations under the 2006 Act, normal expenditure (such as expenditure on organisations concerned with matters of public policy, law reform and representation of the business community) and business activities (such as communicating with the Government and political parties at local, national and European level) might be construed as political expenditure or as a donation to a political party or other political organisation and therefore fall within the restrictions of the 2006 Act.

Notice of Annual General Meeting 2023 continued

EXPLANATORY NOTES TO THE RESOLUTIONS CONTINUED

Political donations and expenditure (Resolution 12) continued

Consequently, the Directors have concluded that, in common with many other listed companies, it would be prudent to seek authority from shareholders to allow them to make political donations and incur political expenditure (up to £40,000 in the specified period) to ensure that the Group does not inadvertently breach the Companies Act 2006. Any political donation made or political expenditure incurred which is in excess of £200 will be disclosed in the Company's annual report and accounts for next year, as required by the 2006 Act.

Resolution 12 will not be used to make political donations within the normal meaning of that expression.

Directors' authority to allot securities (Resolution 13)

Further to the Articles of Association of the Company (the **"Articles"**) and the provisions of the 2006 Act, the Directors may only allot Ordinary Shares or grant rights over Ordinary Shares if authorised to do so by the shareholders.

Accordingly, the authority in Resolution 13, paragraph (A) will allow the Directors to allot shares or grant rights to subscribe for, or convert any security into, shares in the Company, up to a maximum nominal amount of £55,687,241, representing approximately one-third of the Company's issued ordinary share capital calculated as at 14 March 2023 (being the latest practicable date prior to publication of this document). The authority in Resolution 13, paragraph (B) will allow the Directors, only in connection with a pre-emptive rights issue, to allot shares or grant rights to subscribe for, or convert any securities into, shares in the Company, up to a maximum nominal amount of £55,687,241 in addition to the nominal amount of any shares allotted or rights granted to subscribe for, or to convert any security into, shares under paragraph (A), together representing approximately two-thirds of the Company's issued ordinary share capital calculated as at 14 March 2023 (being the latest practicable date prior to publication of this document). This is in line with corporate governance guidelines.

This authority will last until the conclusion of the next annual general meeting of the Company or, if earlier, on the date which is 15 months after the date of the AGM. The Directors intend to renew this authority annually at each annual general meeting of the Company. The Directors have no present intention of exercising this authority other than pursuant to legally binding obligations to do so, or, if applicable, on conversion of the 2.875% Guaranteed convertible bonds due 2025 (the **"Convertible Bonds"**) issued by the Company's subsidiary PHP Finance (Jersey No 2) Limited. However, it is considered prudent to maintain the flexibility that this authority provides.

As at 14 March 2023 (being the latest practicable date prior to the publication of this document), the Company held no Ordinary Shares in treasury and there were £150,000,000 Convertible Bonds outstanding, which at the current exercise price would require the issue of 108,940,373 Ordinary Shares if all the outstanding Convertible Bonds exercised the right to convert.

Directors' authority to dis-apply pre-emption rights (Resolutions 14 and 15)

Under the 2006 Act, when new shares are proposed to be issued for cash, other than in connection with a company share option plan, they must first be offered to existing shareholders pro-rata to their percentage holdings at such time, unless shareholders have waived this right either generally or in respect of a particular issue. The Directors consider it desirable to have the maximum flexibility permitted by corporate governance guidelines to respond to market developments and to enable allotments to take place to finance business opportunities without making a pre-emptive offer to existing shareholders. The purpose of Resolution 14 therefore is to enable shareholders to waive their pre-emption rights and allow the Directors to allot shares for cash without such shares being first offered to existing shareholders.

The Pre-emption Group revised its Statement of Principles in November 2022. The updated Statement of Principles follows the report of the UK Secondary Capital Raising Review, which recommended (among other things) that the allowance for non-pre-emptive issues set out in the Statement of Principles be increased from 5% to 10% for non-pre-emptive issues for an unrestricted purpose, and from an additional 5% to 10% for non-pre-emptive issues to be used only in connection with an acquisition or specified capital investment. In addition, the updated Statement of Principles allows companies to seek a further disapplication of up to 2% in each case for the purposes of a "follow-on offer", as defined in paragraph 3 of Section 2B of the Statement of Principles. This disapplication is designed to facilitate participation by retail investors in secondary issuances. In summary, this constitutes an offer announced at the same time as, or as soon as reasonably practicable after, the non-pre-emptive placing, of shares not exceeding 20% of those issued in the non-pre-emptive placing, made only to existing shareholders as at a record date prior to announcement of the non-pre-emptive placing (excluding any shareholder allocated shares in that placing), entitling them to subscribe for shares up to a monetary cap of £30,000 per ultimate beneficial owner, at a price which is equal to, or less than, the offer price in the non-pre-emptive placing.

Accordingly, Resolution 14 will, if passed by special resolution, give the Directors authority to allot shares pursuant to the authority granted in Resolution 13 for cash on a non-pre-emptive basis. This authority will permit the Directors to allot shares for cash: (A) in connection with a rights issue or any other pre-emptive offer concerning equity securities, or (B) otherwise than in connection with a rights issue or any other pre-emptive offer for shares in the Company up to a maximum nominal value of £16,706,172, representing approximately 10% of the Company's issued ordinary share capital as at 14 March 2023 (being the latest practicable date prior to the publication of this document).

EXPLANATORY NOTES TO THE RESOLUTIONS CONTINUED

Directors' authority to dis-apply pre-emption rights (Resolutions 14 and 15) continued

Resolution 14(C) will, if passed by special resolution, facilitate participation by retail investors in secondary issuances and give the Directors authority to allot shares (or sell treasury shares) pursuant to the authority granted in Resolution 13 for cash on a non-pre-emptive basis up to a maximum nominal value representing approximately 20%. of any allotment of equity securities (or sale of treasury shares) made from time to time pursuant to the authority granted in Resolution 14(B) to be used only for a follow-on offer which the Board determines to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group.

For the purposes of Resolution 14, the nominal amount of any securities shall be taken to be, in the case of rights to subscribe for or convert any securities into shares of the Company, the nominal amount of such shares which may be allotted pursuant to such rights.

Resolution 15 additionally authorises the Directors to allot new shares (or sell treasury shares) for cash, without the shares being offered first to existing shareholders, in connection with the financing (or refinancing, if the authority is to be used within twelve months after the original transaction) of an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding twelve-month period and is disclosed in the announcement of the allotment. The authority under Resolution 15 is limited to a nominal value of £16,706,172, representing approximately 10% of the Company's issued ordinary share capital as at 14 March 2023 (being the latest practicable date prior to the publication of this document).

Resolution 15(B) also will, if passed by special resolution, give the Directors authority to allot shares (or sell treasury shares) pursuant to the authority granted in Resolution 13 for cash on a non-pre-emptive basis, provided that such allotment or sale is up to a maximum nominal value representing approximately 20% of any allotment of equity securities (or sale of treasury shares) made from time to time pursuant to the authority granted in Resolution 15(A) to be used only for a follow-on offer which the Board determines to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group.

The Board intends to adhere to the provisions in the Pre-Emption Group's Statement of Principles, as updated in November 2022, and will seek to limit the discount applied to any non-pre-emptive issue to 5%, including expenses. Notwithstanding the above, the Directors consider it desirable and believe it appropriate to have the maximum flexibility permitted by corporate governance guidelines to enable non-pre-emptive allotments to take place to finance business opportunities.

The provisions of Resolutions 14 and 15 comply with the Share Capital Management Guidelines issued by the Investment Association and the disapplication of pre-emption rights Resolutions follow the resolution templates issued by the Pre-Emption Group in November 2022.

If Resolutions 14 and 15 are passed, the authorities will expire at the conclusion of the next annual general meeting of the Company or, if earlier, on the date which is 15 months after the date of the AGM. The Directors intend to renew this authority annually at each AGM of the Company. The Directors have no immediate plans to make use of this authority, other than in connection with the issue of Ordinary Shares, if applicable, on conversion of the Convertible Bonds.

As at 14 March 2023 (being the latest practicable date prior to the publication of this document), the Company did not hold any treasury shares. If the Company were to create treasury shares, for example through the market purchase of its own shares, the subsequent sale of any treasury shares would be counted as equivalent to the issue of new shares for the purpose of the limitations on the issue of new shares included in Resolution 13.

Notice of General Meetings, other than Annual General Meetings (Resolution 16)

Under the 2006 Act, the minimum notice period for publicly listed company general meetings is 21 clear days, but with an ability for companies to reduce this period to 14 clear days (other than for annual general meetings) provided that two conditions are met: (i) the Company offers a facility for shareholders to vote by electronic means (which is met if the Company offers a facility, accessible to all shareholders, to appoint a proxy by means of a website); and (ii) there is an annual resolution of shareholders approving the reduction of the minimum notice period from 21 days to 14 days.

The Board is therefore proposing, in common with many other listed companies, Resolution 16 as a special resolution to approve 14 days as the minimum period of notice for all general meetings other than annual general meetings. The approval will be effective until the Company's next annual general meeting, when it is intended that the approval be renewed. The Board will consider on a case-by-case basis whether the use of the flexibility offered by the shorter notice period is merited. The shorter notice period will be used in accordance with all relevant corporate governance guidelines applicable at the time. In particular, it will only be used where flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole.

Notice of Annual General Meeting 2023 continued

EXPLANATORY NOTES TO THE RESOLUTIONS CONTINUED

Purchase of own shares (Resolution 17)

Resolution 17 seeks authority for the Company to make market purchases of its own Ordinary Shares as permitted by the 2006 Act and is proposed as a special resolution. If passed, the Resolution gives authority for the Company to purchase up to 133,649,378 of its Ordinary Shares, representing approximately 10% of the Company's issued ordinary share capital as at 14 March 2023 (being the latest practicable date prior to the publication of this document).

This authority is commonly sought by listed companies and the Board considers it prudent to obtain the flexibility this Resolution provides. In considering whether to use this authority, the Board will take into account factors including the financial resources of the Company, the Company's share price and future funding opportunities. It will be exercised only if the Board believes that to do so would result in an increase in earnings per share and would in the best interests of shareholders generally and that the purchase can be expected to result in an increase in earnings per Ordinary Share.

The Directors have no present intention of exercising the authority granted by Resolution 17.

The Resolution specifies the minimum and maximum prices which may be paid for any Ordinary Shares purchased under this authority. The authority will expire at the conclusion of the next annual general meeting of the Company or, if earlier, on the date which is 15 months after the date of the AGM.

The Company may either cancel any Ordinary Shares it purchases under this authority or transfer them into treasury (and subsequently sell or transfer them out of treasury or cancel them). No dividends are paid on shares in treasury and no voting rights attach to treasury shares. If the Ordinary Shares that the Company buys back under this authority are held in treasury, this would give the Company the ability to re-issue treasury shares quickly and cost-effectively, providing the Company with additional flexibility in the management of its capital.

As at 14 March 2023 (being the latest practicable date prior to the publication of this document), save for the options over 225,728 Ordinary Shares under the 2021 Sharesave Plan and £150,000,000 Convertible Bonds outstanding, there are no warrants or options to subscribe for Ordinary Shares that are outstanding.

GUIDANCE NOTES FOR THE AGM AND ON APPOINTMENT OF PROXIES

1. General

A copy of this Notice of AGM and other information regarding the AGM, required by Section 311A of the 2006 Act (including a copy of the Annual Report 2022 posted to shareholders with this notice) is available from the Company's website at www.phpgroup.co.uk. Shareholders who have not elected to receive these documents in printed form may obtain copies by writing to the Company Secretary at the Company's registered office. Shareholders who wish to receive the printed annual report and accounts for future years should write to the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA.

2. Entitlement to vote

Under the Articles the holders of Ordinary Shares are entitled to attend the AGM and to speak and vote at the AGM. Duly appointed proxies are entitled also to attend, speak and vote at the AGM.

Only those holders of Ordinary Shares registered in the register of members of the Company as at 6:30 p.m. on Monday 17 April 2023 (or, if the AGM is adjourned, 6:30 p.m. on the day that is 48 hours before any adjourned meeting) (excluding any part of any day that is not a working day) shall be entitled to attend (either in person or by proxy) and vote at the AGM, or any adjourned meeting, in respect of the number of shares registered in their names at that time. Any changes to the register of members after the relevant deadline shall be disregarded in determining the right of any person to attend and vote at the AGM or an adjourned meeting.

3. Entitlement to appoint proxies

Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the AGM. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. If a proxy is submitted without indicating how the proxy should vote on any Resolution, the proxy will exercise his or her discretion as to whether and, if so, how to vote. To appoint more than one proxy you may photocopy the Form of Proxy. A proxy need not be a shareholder of the Company.

The Form of Proxy which may be used to make such appointment and give proxy instructions accompanies this Notice of AGM. If you do not have a Form of Proxy and believe that you should have one, or if you require additional forms, please contact Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA.

The return of a completed Form of Proxy, or other such instrument or any CREST Proxy Instruction (as described in Note 5 below) will not prevent a shareholder attending the AGM and voting.

In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated and the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority will be determined by the order in which the names stand in the register of members in respect of the shares.

4. Validity of proxies

To be valid a Form of Proxy or other instrument appointing a proxy must be received by one of the following methods:

a. by posting the reply-paid proxy or otherwise by post (in which case postage will be payable) or (during normal business hours only) by hand at Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA; or

b. in the case of CREST members, by utilising the CREST electronic proxy appointment services in accordance with the procedures set out in paragraph 5 below; or

c. as an alternative to completing and returning the printed Form of Proxy, you may submit your proxy electronically by accessing the Sharevote website provided by Equiniti. Shareholders may submit an electronic proxy online, using the reference numbers printed on the Form of Proxy, at www.sharevote.co.uk where details of the voting procedures are shown.

IMPORTANT: in any case, the Form of Proxy must be received by 10:30 a.m. on Monday 17 April 2023 (or, if the AGM is adjourned, not later than 48 hours before the time fixed for the adjourned meeting) (excluding any part of any day that is not a working day).

5. Electronic proxy appointment

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available via www.euroclear.com). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a **"CREST Proxy Instruction"**) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number RA19) not later than 10:30 a.m. on Monday 17 April 2023 (or, if the AGM is adjourned, not later than 48 hours before the time fixed for the adjourned meeting) (excluding any part of any day that is not a working day). For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

GUIDANCE NOTES FOR THE AGM AND ON APPOINTMENT OF PROXIES continued

5. Electronic proxy appointment continued

CREST members and, where applicable, their CREST sponsors, or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s)), to procure that his/her CREST sponsor or voting service provider(s) take(s), such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the CREST Regulations.

If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by Equiniti. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by not later than 10:30 a.m. on Monday 17 April 2023 (or, if the AGM is adjourned, not later than 48 hours before the time fixed for the adjourned meeting) in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

6. Corporate representatives

Any corporation which is a member may by resolution of its directors or other governing body authorise one or more person(s) to act as its representative who may exercise, on its behalf, all its powers as a member, provided that they do not do so in relation to the same shares. A certified copy of any such resolution must be deposited at the registered office of the Company not less than 48 hours before the time appointed for the AGM to be valid (excluding any part of any day that is not a working day).

7. Nominated persons

Any person to whom this document is sent who is a person nominated under Section 146 of the 2006 Act to enjoy information rights (a **"Nominated Person"**) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

The statement of the rights of shareholders in relation to the appointment of proxies at Notes 2, 3, 4, and 5 above does not apply to Nominated Persons. The rights described in those paragraphs can only be exercised by shareholders of the Company. If you have been nominated to receive general shareholder communications directly from the Company, it is important to remember that your main contact in terms of your investment remains the registered shareholder or custodian or broker who administers the investment on your behalf. Therefore, any changes or queries relating to your personal details and holding (including any administration) must continue to be directed to your existing contact at your investment manager or custodian. The Company cannot guarantee to deal with matters that are directed to them in error. The only exception to this is where the Company, in exercising one of its powers under the 2006 Act, writes to you directly for a response.

8. Electronic communication

Please note that the Company takes all reasonable precautions to ensure no viruses are present in any electronic communication it sends out but the Company cannot accept responsibility for loss or damage arising from the opening or use of any email or attachments from the Company and recommends that the shareholders subject all messages to virus checking procedures prior to use. Any electronic communication received by the Company, including the lodgement of an electronic proxy form, that is found to contain any virus, will not be accepted.

9. Voting and voting rights

As at 5:00 p.m. on 14 March 2023 (being the latest business day prior to the publication of this document), the Company's issued share capital consists of 1,336,493,786 Ordinary Shares, carrying one vote each. Therefore, the total number of voting rights in the Company as at 5:00 p.m. on 14 March 2023 is 1,336,493,786. The website referred to in Note 1 will include information on the number of Ordinary Shares and voting rights.

Voting on the Resolutions will be conducted by way of a poll rather than on a show of hands as this is considered by the Board to reflect the views of shareholders more accurately. As soon as practicable, following the AGM the results of voting at the AGM and the numbers of proxy votes cast for and against and the number of votes actively withheld in respect of each Resolution will be announced via a Regulatory Information Service and also placed on the Company's website referred to in Note 1 above.

10. Right to ask questions

Any shareholder attending the AGM has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if:

- to do so would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information; or
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

GUIDANCE NOTES FOR THE AGM AND ON APPOINTMENT OF PROXIES continued

11. Audit concerns

Under Section 527 of the 2006 Act a shareholder or shareholders meeting the threshold requirements set out in that Section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the 2006 Act. The Company cannot require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under Section 527 of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the 2006 Act to publish on a website.

The request may be in hard copy form or in electronic form (stating your name and address and in the case of an electronic communication stating Annual General Meeting in the subject line of the e-mail); either setting out the statement in full or, if supporting a statement sent by another shareholder, clearly identifying the statement which is being supported; must be authenticated by the person or persons making it; and be received by the Company at least one week before the AGM.

12. Communication with the Company

You may not use any electronic address provided either in this Notice of AGM or any related documents (including the Form of Proxy accompanying this document) to communicate with the Company for any purposes other than those expressly stated. All communication with the Company in relation to the AGM should be by writing to Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA or to the Company Secretary at the registered office of the Company set out at the foot of the Notice of AGM.

13. Inspection of documents

The following documents, which are available for inspection at an agreed time during normal business hours at the registered office of the Company on any weekday (Saturdays, Sundays and public holidays excluded), will also be available for inspection at the place of the AGM from 9:30 a.m. on the day of the AGM until the end of the meeting:

i. copies of the service contracts of the Executive Directors under which they are employed by the Company and the letters of appointment (and other related documents) of the Non-executive Directors; and

ii. the Articles of Association of the Company.

Shareholder information

Corporate calendar 2023

Annual General Meeting	19 April 2023
AGM	19 April 2023
Announcement of half year results	27 July 2023

Dividends

The Company intends to make quarterly dividend payments to shareholders in February, May, August and November. The first quarterly dividend in 2023 (for which the record date was 13 January 2023) was paid on 24 February 2023.

Further distributions are expected to be paid in May, August and November 2023.

Distributions from the Company may comprise PIDs (see below), ordinary cash dividends or a combination of the two. PIDs have been paid by the Group since 1 January 2007.

Payment of dividends

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

Dividend Re-Investment Plan ("DRIP")

The Company offers a DRIP, provided by Equiniti Financial Services Limited, enabling shareholders to use their cash dividend to buy further Ordinary Shares. For information on how to apply for the DRIP, as well as its terms and conditions, please visit www.shareview.co.uk.

Scrip dividend scheme

The optional scrip dividend scheme previously offered to shareholders has been suspended.

Investment account

The Company has made arrangements for Equiniti Financial Services Limited to provide an investment account to allow lump sum and regular savings to facilitate the purchase of the Company's Ordinary Shares. Details and the forms required for this service can be accessed from the Company's website or alternatively at: www.shareview.co.uk/dealing.

For details of the service please contact: Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Shareholder helpline: 0371 384 2030.

Equiniti Financial Services Limited is authorised and regulated by the Financial Conduct Authority. As with all stock market investments, the price of shares can go down as well as up and on sale investors may not get back the full amount they invested.

Taxation status

The REIT Regulations require an REIT to distribute at least 90% of its exempt rental income (as calculated for tax purposes) as a PID.

PIDs are paid out under deduction of withholding tax at the basic rate, currently 20%. Certain classes of shareholders, including UK companies, charities, local authorities and UK pension schemes, may receive PIDs without deduction of withholding tax, if a valid claim is lodged with the Company by a qualifying shareholder. Shareholders who wish to apply for a tax exemption form should contact the registrar.

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

Registrar

The Company's registrar is Equiniti. In the event of any queries regarding your holding of shares, please contact the registrar free of charge on 0371 384 2030 (lines are open 8.30 a.m. to 5.30 p.m. Monday to Friday), or in writing to: Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

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

Equiniti Shareview dealing services

A quick and easy share dealing service is available to either sell or buy PHP shares. To deal online or by telephone all you need is your shareholder reference number, full postcode and date of birth. Your shareholder reference number can be found on your latest dividend statement. For further information on this service, or to buy and sell shares, please contact Equiniti customer services on 0371 384 2030 (8.30 a.m. to 5.30 p.m. Monday to Friday) or access www.shareview.co.uk/dealing.

Forward-looking statements

This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking in nature and are subject to risks and uncertainties. Actual future results may differ materially from those expressed in or implied by these statements. Many of these risks and uncertainties relate to factors that are beyond PHP's ability to control or estimate precisely, such as future market conditions, the behaviour of other market participants, the actions of governmental regulators and other risk factors such as the Company's ability to continue to obtain financing to meet its liquidity needs, and changes in the political, social and regulatory framework in which the Company operates or in economic or technological trends or conditions, including inflation and consumer confidence, on a global, regional or national basis. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. PHP does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document.

Information contained in this document relating to the Company should not be relied upon as a guide to future performance.

Advisers and bankers

Stockbrokers

Numis Securities Limited

45 Gresham Street
London EC2V 7BF

Peel Hunt LLP

7th Floor
100 Liverpool Street
London EC2M 2AT

JP Morgan Cazenove

25 Bank Street
London EC3M 7AU

Solicitors

CMS Cameron McKenna Nabarro Olswang LLP

Cannon Place
78 Cannon Street
London EC4N 6AF

Shepherd and Wedderburn LLP

1 Exchange Crescent
Conference Square
Edinburgh, Lothian EH3 8UL

Gowling WLG (UK) LLP

4 More London Riverside
London SE1 2AU

TLT LLP

20 Gresham Street
London EC2V 7JE

McCann FitzGerald

Riverside One
Sir John Rogerson's Quay
Dublin 2
D02 X576

Pinsent Masons

30 Crown Place
Earl Street
London
EC24 4ES

Eversheds Sutherland

One Earlsfort Centre
Earlsfort Terrace
Saint Kevin's
Dublin 2
Ireland

Auditor

Deloitte LLP

1 New Street Square
London EC4A 3HQ

Bankers

Allied Irish Bank PLC

St Helens
1 Undershaft
London EC3A 8AB

Aviva Public Private Finance Limited

St Helens
1 Undershaft
London EC3P 3DQ

Barclays Bank PLC

1 Churchill Place
London E14 5HP

HSBC Bank PLC

8 Canada Square
London E14 5HQ

Lloyds Bank PLC

25 Gresham Street
London EC2V 7HN

Santander UK PLC

2 Triton Square
Regent's Place
London NW1 3AN

The Royal Bank of Scotland PLC

250 Bishopsgate
London EC2M 4AA

Building and environmental consultant

Simpson Hilder Associates Limited

67a High Street, Lyndhurst
Hampshire SO43 7BE

Property valuers

Avison Young (UK) Limited

65 Gresham Street
London EC2V 7NQ

Jones Lang LaSalle Limited

30 Warwick Street
London W1B 5NH

CBRE

Connaught House
Number One Burlington Road
Dublin 4

Financial risk management consultant

Chatham

12 St James's Square, St James's
London SW1Y 4LB

Glossary of terms

Adjusted earnings is EPRA earnings excluding the 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.

Adjusted NTA per share is adjusted NTA divided by the number of shares in issue at the balance sheet date.

Adviser is PHP 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.

Average cost of debt is the total interest cost of drawn debt and swaps, divided by the amount of drawn debt.

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

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

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

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

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

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

EPC is an Energy Performance Certificate.

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") is 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 9.

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 9.

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 9.

EPRA net tangible assets ("NTA") (which has replaced the former EPRA net asset value alternative performance measure) is 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 9.

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 9.

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 valuers' 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.

IASs are International Accounting Standards as adopted by the United Kingdom.

IFRSs are International Financial Reporting Standards as adopted by the United Kingdom.

IFRS or **Basic net asset value per share ("IFRS NAV")** is 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.

Like-for-like compares prior year to current year excluding acquisitions, disposals and developments

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 properties.

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 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.

Net zero carbon refers to the point at which a process, activity or system, etc. produces net zero carbon emissions, through emissions reduction, use of low or zero carbon energy and removal or offsetting of residual emissions. In the context of buildings and activities associated with the construction, refurbishment, maintenance and operation of buildings, PHP refers to the UK Green Building Council's "Net zero carbon, a framework definition".

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.

Occupancy is the level of units occupied, after deducting the ERV vacancy rate

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

Progressive returns is where it is expected to continue to rise each year.

Progressive dividends is where it is expected to continue to rise each year on a per share basis.

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.

Glossary of terms continued

Special reserve is a distributable reserve.

Sterling Overnight Interbank Average Rate ("SONIA") is the effective overnight interest rate paid by banks for unsecured transactions in the British Sterling market.

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 (A)	141.5
Revaluation deficit and profit on sales (B)	(61.5)
Total return (C)	80.0
Opening property assets	2,795.9
Weighted additions in the period	45.3
Total weighted average closing property assets (D)	2,841.2
Income return (A/D)	5.0%
Property return (B/D)	(2.2)%
Total property return (C/D)	2.8%

Total NTA 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.

	Adjusted NTA per share
At 31 December 2021	116.7p
At 31 December 2022	**112.6p**
Increase/(decrease)	**(4.1)**
Add: dividends paid	
Q1 interim	1.625
Q2 interim	1.625
Q3 interim	1.625
Q4 interim	1.625
Total NTA return	**2.1%**

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.

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