Primary Health Properties PLC

Interim results for the six months ended 30 June 2023

Organic rental growth continuing to drive performance and dividend fully covered at 102%

Primary Health Properties PLC ("PHP", the "Group" or the "Company"), a leading investor in modern primary health facilities, announces its interim results for the six months ended 30 June 2023 (the "period").

Harry Hyman, **Chief Executive of PHP, commented:**

"We are encouraged by the improvement in rental growth experienced in the first half of the year and expect to deliver over £4 million of extra income during 2023, another record and continuing the trend seen in recent years. We believe PHP will be a beneficiary of both the current inflationary environment and the significant rise in construction costs seen in recent years both through open market and index-linked reviews. Furthermore, with 97% of PHP's debt either fixed or hedged for a weighted average period of just under seven years, a strong control on costs and just one development on site we have limited exposure to further cost increases and development risk.

"The security and longevity of our income, near full occupancy together with stronger rental growth are the key drivers of our predictable cash-flows and underpin our progressive dividend policy with 27 years of continued growth."

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Income statement and financial metrics	**Six months to 30 June 2023**	Six months to 30 June 2022	Change
Net rental income[1]	**£75.5m**	£71.1m	**+6.2%**
Adjusted earnings[1,2]	**£45.9m**	£44.7m	**+2.7%**
Adjusted earnings per share[1,2]	**3.4p**	3.4p	**-**
IFRS profit for the period	**£39.5m**	£107.1m	
IFRS earnings per share[2]	**3.0p**	8.0p	
Dividends			
Dividend per share[5]	**3.35p**	3.25p	**+3.1%**
Dividends paid[5]	**£44.8m**	£43.3m	**+3.5%**
Dividend cover[1]	**102%**	103%	
Balance sheet and operational metrics	**30 June 2023**	31 December 2022	Change
Adjusted NTA per share[1,3]	**111.1p**	112.6p	**-1.3%**
IFRS NTA per share[1,3]	**110.6p**	110.9p	**-0.3%**
Property portfolio			
Investment portfolio valuation[4]	**£2.783bn**	£2.796bn	**-0.4%**
Net initial yield ("NIY") [1]	**4.90%**	4.82%	
Contracted rent roll (annualised)[1,7]	**£147.4m**	£145.3m	**+1.4%**
Weighted average unexpired lease term ("WAULT")[1]	**10.6 years**	11.0 years	
Occupancy	**99.6%**	99.7%	
Rent-roll funded by government bodies[1]	**89%**	89%	
Debt			
Average cost of debt	**3.2%**	3.2%	
Loan to value ratio ("LTV")[1]	**45.6%**	45.1%	
Weighted average debt maturity	**6.9 years**	7.3 years	
Total undrawn loan facilities and cash[6]	**£314.4m**	£325.9m	

[1] Definitions for net rental income, Adjusted earnings, Adjusted earnings per share, earnings per share ("EPS"), dividend cover, loan to value ("LTV"), net tangible assets ("NTA"), rent roll, NIY, WAULT, total adjusted NTA return and net asset value ("NAV") are set out in the Glossary of Terms.
[2] See note 7, earnings per share, to the financial statements.
[3] See note 7, net asset value per share, to the financial statements. Adjusted net tangible assets, EPRA net tangible assets ("NTA"), EPRA net disposal value ("NDV") and EPRA net reinstatement value ("NRV") are considered to be alternative performance measures. The Group has determined that adjusted net tangible assets is the most relevant measure.
[4] Percentage valuation movement during the period based on the difference between opening and closing valuations of properties after allowing for acquisition costs and capital expenditure. Includes assets held for sale.
[5] See note 8, dividends, to the financial statements.
[6] After deducting the remaining cost to complete contracted acquisitions, properties under development and asset management projects.
[7] Percentage contracted rent roll increase during the period is based on the annualised uplift achieved from all completed rent reviews and asset management projects.

EARNINGS AND DIVIDEND GROWTH

- Adjusted earnings per share unchanged at 3.4p (30 June 2022: 3.4p)
- IFRS earnings per share decreased by 62.5% to 3.0p (30 June 2022: 8.0p)
- Contracted annualised rent roll increased by 1.4% to £147.4 million (31 December 2022: £145.3 million)
- Additional annualised rental income on a like-for-like basis of £2.2 million or 1.5% from rent reviews and asset management projects (H1 2022: £1.8 million or 1.3%; FY 2022: £3.3 million or 2.4%)
- EPRA cost ratio 10.1% (FY 2022: 9.9%), representing one of the lowest in the UK REIT sector
- First three quarterly dividends totalling 5.025 pence per share distributed or declared in the year-to-date, equivalent to 6.7 pence per share on an annualised basis, a 3.1% increase over 2022 (6.5 pence per share) and marking the Company's 27th consecutive year of dividend growth
- The Company intends to maintain its strategy of paying a progressive dividend fully covered by Adjusted earnings

NET ASSET VALUE AND PORTFOLIO MANAGEMENT

- Adjusted Net Tangible Assets ("NTA") per share decreased by 1.3% to 111.1 pence (31 December 2022: 112.6 pence)
- Property portfolio valued at £2.783 billion at 30 June 2023 (31 December 2022: £2.796 billion) reflecting a net initial yield of 4.90% (31 December 2022: 4.82%)
- Revaluation deficit in the period of £11.9 million (30 June 2022: surplus £51.2 million), representing a decline of -0.4% (30 June 2022: +1.8%), comprising a £45 million decline driven by NIY widening of 8bps partially offset by gains of £33 million arising from rental growth and asset management projects
- The portfolio's metrics continue to reflect the Group's secure, long-term and predictable income stream with occupancy at 99.6% (31 December 2022: 99.7%), WAULT of 10.6 years (31 December 2022: 11.0 years) and 89% (31 December 2022: 89%) of income funded by government bodies
- Portfolio in Ireland comprises 20 assets, valued at £219 million (€255 million) (31 December 2022: £231 million / €261 million) and continues to be the Group's preferred area of future investment activity with a target to grow to around 15% of the total portfolio
- The acquisition of Axis Technical Services Limited, an Irish property management business, in January 2023, gives the Group a permanent presence in Ireland and is an important strategic move as we seek out new investment, development and asset management opportunities
- Pipeline of 32 asset management projects and lease regears planned over next two years, investing £23.7 million, creating additional rental income of £1.2 million per annum and extending the weighted average

unexpired lease term (WAULT) back to over 20 years

- Disciplined approach to future investment focused on Ireland, direct developments and asset management projects are our preferred areas of future investment

FINANCIAL MANAGEMENT

- LTV ratio 45.6% (31 December 2022: 45.1%) in the middle of the Group's targeted range of between 40% to 50%
- 97% (31 December 2022: 94%) of net debt fixed or hedged for a weighted average period of just under seven years
- Weighted average debt maturity 6.9 years (31 December 2022: 7.3 years)
- Significant liquidity headroom with cash and collateralised undrawn loan facilities totaling £314.4 million (31 December 2022: £325.9 million) after capital commitments

DELIVERING STRONG TOTAL RETURNS

	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
Adjusted NTA return	**1.6%**	6.3%	2.1%
Income return	**2.7%**	2.5%	5.0%
Capital return	**(0.4%)**	1.8%	(2.2%)
Total property return[1]	**2.3%**	4.3%	2.8%

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

RESPONSIBLE BUSINESS AND ESG

- As previously announced, Net Zero Carbon ("NZC") Framework published with the five key steps to achieve the Group's ambitious target of being NZC by 2030 for all of PHP's operational, development and asset management activities
- Ongoing construction of PHP's first NZC development in West Sussex expected to achieve practical completion in Q1 2024

Presentation and webcast:

An in-person presentation for analysts will be held today, 26 July 2023 at 9.30am at the offices of Numis Securities: 45 Gresham Street, London EC2V 7BF. For those who cannot attend in person, the meeting will be accessible via live video webcast and a live conference call facility. Following the presentation, there will be a managed Q&A session. To access the briefing, please log on or dial in shortly before 9.30am via the details below:

Webcast: https://stream.brrmedia.co.uk/broadcast/648c7d6ee1ace244e084c4b0

Conference call details:

UK: +44 (0) 33 0551 0200;

USA Local: +1 786 697 3501

Password (if prompted): Quote **PHP Interim Results** when prompted by the operator.

If you would like to join the briefing, please contact Buchanan via php@buchanan.uk.com to confirm your place. A recording of the webcast will be made available from c.12.00pm on the PHP website, https://www.phpgroup.co.uk/

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

For further information contact:

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EXECUTIVE REVIEW

PHP is pleased to have continued to deliver another period of robust operational and financial performance in the first half of 2023 despite the ongoing volatility in the economic and interest rate outlook caused by both global and domestic events. The negative interest rate outlook has continued to weigh heavily on the real estate sector.

The Group's strong operational resilience throughout the period reflects the security and longevity of our income which are important drivers of our predictable income stream and underpin our progressive dividend policy and we are now in our 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 10.6 years (31 December 2022: 11.0 years), high occupancy at 99.6% (31 December 2022: 99.7%) and 89% (31 December 2022: 89%) of our rent being securely funded directly or indirectly by the UK and Irish Governments. Notwithstanding the fall in values in the period the portfolio's average lot size remains at £5.4 million (31 December 2022: £5.4 million).

We have continued to see rental growth improving with rent reviews in the six months ended 30 June 2023 generating an extra £2.2 million (six months ended 30 June 2022: £1.5 million) an uplift of 9.9% over the previous passing rent equivalent to 4.4% on annualised basis (six months ended 30 June 2022: 6.1% uplift or 3.0% annualised). Over the course of 2023 the Group continues to anticipate that rent reviews will generate in excess of £4.0 million (2022: £3.0 million) of incremental income driven by the impact of inflation on both index-linked and open market value ("OMV") reviews, continuing the positive trend in growth seen over the last couple of years. It should be noted that most of the growth on OMV rent reviews came from the period 2019 to 2021 and therefore does not yet reflect the impact of significantly higher construction costs experienced in the last two 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.

The value of the property portfolio remains broadly unchanged and currently stands at just under £2.8 billion (31 December 2022: £2.8 billion) across 513 assets (31 December 2022: 513 assets), including 20 in Ireland, with a rent roll of £147.4 million (31 December 2022: £145.3 million). As previously reported with PHP's full year 2022 results, the deteriorating interest rate environment and economic outlook caused us to reconsider our acquisition pipeline and pause investment activity until the economic and interest rate outlook becomes clearer. Our prudent strategy means 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 the increasing pressures being placed on the healthcare systems in both the UK and Ireland. We continue to maintain close relationships with our key stakeholders and GP partners to ensure we are best placed to help the NHS and Health Service Executive ("HSE"), Ireland's national health service provider, particularly in primary care, evolve and deal with the increased pressures placed on them.

Acquisition of Axis Technical Services Limited ("Axis")

In January 2023, the Group successfully completed the acquisition of Axis, 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 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 HSE. 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, a related company not acquired by the Company, which gives the Group the option to acquire its development pipeline over the next five years. Axis Health Care Assets Limited 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 Health Care Assets Limited has a pipeline of 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 £1.2 million or 2.7% to £45.9 million (30 June 2022: £44.7 million) in the six months to 30 June 2023, driven by strong organic rental growth from rent reviews and asset management projects, plus income arising from the acquisition of Axis, partially offset by higher interest costs on the Group's variable rate debt. Using the weighted average number of shares in issue in the period the Adjusted earnings per share remained unchanged at 3.4 pence (30 June 2022: 3.4 pence).

A revaluation deficit of £11.9 million (30 June 2022: surplus £51.2 million) was generated in the period from the portfolio, equivalent to -0.9 pence per share. The valuation deficit was driven by net initial yield ("NIY") widening of 8 bps in the period, equivalent to a valuation reduction of around £45 million, albeit this was partially offset by gains equivalent to £33 million arising from rental growth and asset management projects.

A combined gain of £4.8 million (30 June 2022: gain of £11.8 million) from the fair value movements of interest rate derivatives and convertible bonds, the amortisation of the fair value adjustment on the MedicX fixed rate debt at acquisition, the amortisation of the intangible asset and write off of costs arising on the acquisition of Axis resulted in a profit before tax as reported under IFRS of £38.8 million (30 June 2022: £107.7 million).

The Group's balance sheet remains robust with a loan to value ratio of 45.6% (31 December 2022: 45.1%), 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 £314.4 million (31 December 2022: £325.9 million). The Group continues to have significant valuation headroom across the various loan facilities with values needing to fall by around £1.2 billion or 42% before the loan to value covenants are impacted.

Dividends and total shareholder return

The Company distributed a total of 3.35p per share in the six months to 30 June 2023, equivalent to 6.7 pence on an annualised basis, which represents an increase of 3.1% over the dividend per share distributed in 2022 of 6.5 pence.

A third quarterly interim dividend of 1.675 pence per share was declared on 29 June 2023. The dividend will be paid on 18 August 2023 to shareholders who were on the register at the close of business on 7 July 2023. The dividend will comprise a Property Income Distribution of 1.34 pence per share and a normal dividend of

0.335 pence. The Company intends to maintain its strategy of paying a progressive dividend, which is paid in equal quarterly instalments, and covered by underlying earnings in each financial year. A further interim dividend payment is planned to be made in November 2023, which is expected to comprise a mixture of both Property Income Distribution and normal dividend.

The total value of dividends distributed in the period increased by 3.5% to £44.8 million (30 June 2022: £43.3 million), which were fully covered by Adjusted earnings. As previously reported, we suspended the scrip dividend scheme in light of the fall in the share price in 2022 and first half of 2023 and are continuing to offer a dividend re-investment plan in its place.

The Company's share price started the year at 110.8p per share and closed on 30 June 2023 at 95.45p, a decrease of 13.9%. Including dividends, those shareholders who held the Company's shares throughout the period achieved a Total Shareholder Return of -10.8% (30 June 2022: -7.8%). This compares to the total return delivered by UK real estate equities (FTSE EPRA Nareit UK Index) of -7.6% (30 June 2022: -21.2%) and the wider UK equity sector (FTSE All-Share Index) of +2.6% (30 June 2022: -4.8%) in the period.

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 in the first quarter of 2024 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 53 of the 2022 Annual Report and on our website.

Board changes

As previously reported, Harry Hyman, Chief Executive Officer ("CEO"), intends 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 manage PHP for a further five years. The Company has now commenced the search for a new CEO which is currently ongoing and hopes to make an announcement later in the third quarter of the year with an appointment expected to take effect from the 2024 AGM.

Market update and outlook

The primary care market continues to face challenges in meeting the growing demand for healthcare services. The capacity of existing facilities remains a significant obstacle to implementing government policies aimed at expanding service delivery within general practice, including social prescribing, clinical pharmacists, physiotherapists, mental health, minor operations and other activities. The need for additional space is driven by a population that is growing, aging and suffering from increased chronic illnesses, which are placing a greater burden on healthcare systems in both the UK and Ireland. The extent of the NHS England backlog remains a significant concern, with hospitals struggling to meet objectives for cancer care and routine treatments. The number of patients waiting for treatment has reached record highs, exacerbating the need for improved and increased primary healthcare infrastructure.

There is a growing expectation that many services in the medium-term will progressively move from hospitals to primary care settings, necessitating substantial investment in facilities to accommodate these changes and alleviate the pressure on secondary care. in the years to come. The UK government's new vision for primary care premises, advocating the establishment of hubs or "super hubs" is a step in this direction. The UK government's vision is that these hubs is to promote collaboration among various primary care staff and provide a wider range of services in a single location. Larger GP practices with more staff and patients are shown to produce better outcomes. This is in line with larger purpose-built medical centres typical of PHP's portfolio.

Declining rents in real terms have made investing in the transformation of GP facilities less appealing. Construction costs have risen significantly over the past decade, surpassing the growth in primary care rents, driven by material and labour costs and increasing sustainability requirements, all of which has been compounded by Brexit and the COVID-19 pandemic. Future developments will now need a significant shift of between 20% to 30% in rental values to make them economically viable and we continue to actively engage with both the NHS, Integrated Care Boards and District Valuer for higher rent settlements.

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.

Primary care and property investment market update

The commercial property market continues to be impacted by economic turbulence but primary care asset values have continued to perform well relative to mainstream commercial property recognising the security of their government backed income, crucial role in providing sustainable healthcare infrastructure and more importantly a much stronger rental growth outlook enabling attractive reversion over the course of long leases.

The lack of recent transactions in the first half of the year has resulted in valuers, to an extent, placing reliance on sentiment to arrive at fair values.

We continue to see that for both the primary care and indeed the wider commercial property markets, the high level of financial market volatility and economic uncertainty has resulted in a 'wait-and-see' attitude amongst investors until the outlook settles down.

Rising interest rates will undoubtedly continue to impact the market. However, notwithstanding the significant increases and volatility in interest rates seen in the first half of 2023 we continue to believe further significant reductions in primary care values are likely to be muted with a stronger rental growth outlook offsetting the impact of any further yield expansion.

Additionally, the market for primary care assets is relatively small with most assets tightly held by the main specialists in the sector and consequently we anticipate most investors will likely 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 all having strong balance sheets so there are unlikely to be any "forced sales"; and
- A desire from investors to seek a "Safe Haven" with some shifting from other property sectors.

PHP Outlook

Growth in the immediate future will continue to be focused on increasing income from our existing portfolio and we are encouraged by the firmer tone of rental growth experienced both in 2022 and the first six months of 2023. 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.

We are currently on site with just one development and consequently have very limited exposure to higher construction cost pressures and supply chain delays. In our immediate development pipeline we have just three projects with a total expected cost of £15.2 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 (30 June 2023: 8%). The acquisition of Axis, in January 2023, 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 one of the lowest EPRA cost ratio in the sector and the vast majority of PHP's debt either fixed or hedged for a weighted average period of just under seven years, we look forward to the rest of 2023 with confidence.

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

Steven Owen
Chairman
25 July 2023

Harry Hyman
Chief Executive Officer

BUSINESS REVIEW

Investment and pipeline

In the first half of 2023 the Group did not acquire or dispose of any assets because of the ongoing turmoil in the wider economy. 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 one forward funded development in legal due diligence, in Ireland for £12.8 million (€14.8 million) together with 32 asset management projects in the UK at a cost of £23.7 million which will be progressed over the next two years.

However, we continue to monitor a number of potential standing investments, direct and forward funded developments, primarily in Ireland - our preferred area of investment due to higher net initial yields, larger lots sizes and cheaper cost of finance for euro denominated debt.

Pipeline	In legal due diligence		Advanced pipeline	
	Number	Cost	Number	Cost
Ireland – forward funded development	1	£12.8m (€14.8m)	2	£27.4m (€31.8m)
UK – direct development	-	-	3	£15.2m
UK – asset management	20	£16.8m	12	£6.9m
UK – investment	-	-	-	-
Total pipeline	21	£29.6m	17	£49.5m

Developments

At 30 June 2023, the Group had limited development exposure with just one project on site at Croft Primary Care Centre, West Sussex with £5.9 million of expenditure required to complete the project which is being built to NZC standards.

The Group has currently paused an advanced direct development pipeline across three schemes, with a total cost of £15.2 million, whilst negotiations with the NHS, Integrated Care Boards and District Valuer continue to increase rental levels to make these schemes economically viable. We are hopeful that previously agreed rents will be increased by around 20%-30% across the three pipeline developments.

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

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

Asset management

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 our properties continue to meet the communities' healthcare needs and improve their ESG credentials.

In the first half of 2023 we have continued to see stronger organic rental growth from our existing portfolio with income increasing by £2.2 million or 1.5% (six months ended 30 June 2022: £1.8 million or 1.3%; year ended 31 December 2022: £3.3 million or 2.4%) on a like-for-like basis. The progress continues the improving rental growth 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 2019 to 2021, a period when rental growth was muted and not reflecting the higher levels of construction cost and general inflation experienced in recent periods. 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 1.4% in the six months ended 30 June 2023 (six months ended 30 June 2022: 1.0%; year ended 31 December 2022: 2.2%).

Rent review performance

The Group completed 172 (six months ended 30 June 2022: 192; year ended 31 December 2022: 318) rent reviews with a combined rental value of £22.4 million (six months ended 30 June 2022: £24.4 million; year ended 31 December 2022: £42.2 million), adding £2.2 million and delivering an average uplift of 9.9% against the previous passing rent (six months ended 30 June 2022: £1.5 million / 6.1%; year ended 31 December 2022: £2.8 million / 6.7%).

In addition, a further 315 (31 December 2022: 286) open market reviews have been agreed in principle, which will add another £1.9 million (31 December 2022: £1.7 million) to the contracted rent roll when concluded and represents an uplift of 4.3% (31 December 2022: 4.1%) 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 index 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 £0.3 million (€0.4 million), an uplift of 15.3% 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 75% 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 period, noted above, is summarised below:

	Number	Previous rent (per annum) £ million	Rent increase (per annum) £ million	Total increase %	Annualised increase %
UK – open market[1]	83	11.0	0.7	6.2	2.0
UK – indexed	67	8.2	1.1	14.0	8.1
UK – fixed	9	1.1	0.1	6.8	2.5
UK – total	159	20.3	1.9	9.4	4.5
Ireland – indexed	13	2.1	0.3	15.3	3.4
Total – all reviews	172	22.4	2.2	9.9	4.4

[1] – includes 24 reviews where no uplift was achieved.

At 30 June 2023 the rent at 607 (31 December 2022: 656) tenancies, representing £84.6 million (31 December 2022: £90.2 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 albeit previously agreed rental values are having to be renegotiated to make a number of these viable in the current economic environment.

Asset Management Projects

During the six months ended 30 June 2023, we exchanged on four new asset management projects, four lease re-gears and one new letting. These initiatives will increase rental income by £0.2 million investing £4.3 million and extending the leases back to 17 years. In the period, seven leases expired and the units became vacant with the loss of £0.2m of income.

PHP continues to work closely with its occupiers and has a strong pipeline of 32 similar asset management projects which are at an advanced stage and are being progressed to further increase rental income and extend unexpired occupational lease terms. The asset management pipeline will require the investment of approximately £23.7 million, generating an additional £1.2 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 which 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 30 June 2023 was £147.4 million (31 December 2022: £145.3 million), an increase of £2.1 million or +1.4% in the period driven entirely by stronger organic growth from rent reviews and asset management projects of £2.2 million (six months ended 30 June 2022: £1.8 million) offset by £0.1 million loss of income arising from foreign exchange movements on our portfolio in Ireland.

The security and longevity of our income are important drivers of our secure, long term predictable income stream and enable our progressive dividend policy.

Security: PHP continues to benefit from secure, long term cash flows with 89% (31 December 2022: 89%) of its rent roll funded directly or indirectly by the NHS in the UK or HSE in Ireland. The portfolio also benefits from an occupancy rate of 99.6% (31 December 2022: 99.7%).

Rental collections: These continue to remain robust and as at 25 July 2023 98% had been collected in both the UK and Ireland for the first three quarters 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 third quarter of 2023 is expected to be received shortly.

Longevity: The portfolio's WAULT at 30 June 2023 was 10.6 years (31 December 2022: 11.0 years). Only £13.3 million or 9% of our income expires over the next three years of which c. 70% have agreed terms or are in advanced discussions to renew their lease. £65.8 million or 45% expires in over 10 years. The table below sets out the current lease expiry profile of our income:

Income subject to expiry	£m	%
< 3 years	13.3	9%
4 – 5 years	14.8	10%
5 – 10 years	53.5	36%
10 – 15 years	31.9	22%
15 – 20 years	22.6	15%
> 20 years	11.3	8%
Total	147.4	100%

Valuation and returns

During the period there were no acquisitions or disposals and as at 30 June 2023, the Group's portfolio comprised 513 (31 December 2022: 513) assets independently valued at £2.783 billion (31 December 2022: £2.796 billion). After allowing for capital expenditure on developments and asset management projects, the portfolio generated a valuation deficit of £11.9 million or -0.4% (Six months ended 30 June 2022: surplus of £51.2 million or +1.8%).

The valuation deficit of £11.9 million in the period was driven primarily by a loss arising from yield expansion of approximately £45 million partially offset by gains of approximately £33 million arising from an improving rental growth outlook and asset management projects.

During the period the Group's portfolio NIY has expanded by 8 bps to 4.90% (31 December 2022: 4.82%) and the true equivalent yield increased to 4.94% at 30 June 2023 (31 December 2022: 4.89%).

At 30 June 2023, the portfolio in Ireland comprised 20 standing and fully let properties with no developments currently on site, valued at £218.9 million or €254.8 million (31 December 2022: 20 assets/£230.9 million or €260.8 million). At 30 June 2023, the portfolio in Ireland has been valued at a NIY of 5.4% (31 December 2022: 5.2%).

Despite the fall in values during the period the portfolio's average lot size remained unchanged at £5.4 million (31 December 2022: £5.4 million) and 88% 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 £ million	%	Average lot size (£ million)
> £10m	58	886.2	32	15.3
£5m – £10m	137	928.8	34	6.8
£3m – £5m	155	615.9	22	4.0
£1m – £3m	158	344.8	12	2.2
< £1m (including land £1.3m)	5	4.7	0	0.7
Total[1]	513	2,780.4	100	5.4

[1] Excludes the £3.0 million impact of IFRS 16 *Leases* with ground rents recognised as finance leases.

The valuation deficit combined with the portfolio's growing income, resulted in a total property return of 2.3% for the period (six months ended 30 June 2022: +4.3%). The total property return in the period compares with the MSCI UK Monthly Property Index of +1.1% for the first six months of 2023 (six months ended 30 June 2022: +9.3%, year ended 31 December 2022: -10.4%).

	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
Income return	2.7%	2.5%	5.0%
Capital return	(0.4%)	1.8%	(2.2%)
Total return	2.3%	4.3%	2.8%

FINANCIAL REVIEW

PHP's Adjusted earnings increased by £1.2 million or 2.7% to £45.9 million in the six months to 30 June 2023, (30 June 2022: £44.7 million). The increase in the period reflects the improving organic rental growth from rent reviews and asset management projects in both 2022 and the first half of 2023 partially offset by increased interest costs on the Group's variable rate debt.

On 20 January 2023 the Group completed the acquisition of Axis which contributed £0.5 million and is trading in line with expectations and is forecast to generate a profit of approximately £1.0 million in 2023.

Using the weighted average number of shares in issue in the period the Adjusted earnings per share remained unchanged at 3.4p (30 June 2022: 3.4p).

The financial results for the Group are summarised as follows:

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Net rental income	**75.5**	71.1	141.5
Axis contribution	**0.5**	-	-
Administrative expenses[1]	**(6.1)**	(5.5)	(9.6)
Operating profit before revaluation gain and net financing costs	**69.9**	65.6	131.9
Net financing costs	**(24.0)**	(20.9)	(43.2)
Adjusted earnings	**45.9**	44.7	88.7
Revaluation (deficit)/surplus on property portfolio and profit on sales	**(11.9)**	51.2	(61.5)
Fair value gain on interest rate derivatives and convertible bond	**3.9**	10.4	26.8
Amortisation of MedicX debt MtM at acquisition	**1.5**	1.4	2.9
Axis amortisation of intangible asset	**(0.4)**	-	-
Axis acquisition costs	**(0.2)**	-	-
IFRS profit before tax	**38.8**	107.7	56.9
Corporation tax	**-**	0.1	0.2
Deferred tax provision	**0.7**	(0.7)	(0.8)
IFRS profit after tax	**39.5**	107.1	56.3

[1] Excludes amortisation of intangible asset and costs arising on the acquisition of Axis.

Adjusted earnings increased by £1.2 million or 2.7% in the six months to June 2023 to £45.9m (30 June 2022: £44.7m) and the movement can be summarised as follows:

	£m
Six months ended 30 June 2022	44.7
Net rental income	4.4
Axis contribution	0.5
Administrative expenses	(0.6)
Net financing costs	(3.1)
Six months ended 30 June 2023	**45.9**

Net rental income received in the six months to 30 June 2023 increased by 6.2% or £4.4 million to £75.5 million (30 June 2022: £71.7 million) reflecting £3.4 million of additional income from completed rent reviews and asset management projects, £0.8 million from the impact of acquisitions, disposals and developments completed 2022 and a £0.2 million reduction in non-recoverable property costs.

Notwithstanding the acquisition of Axis at the start of the year administration expenses continue to be tightly controlled and the Group's EPRA cost ratio remains one of the lowest in the sector at 10.1% (30 June 2022: 10.5%). The £0.6 million increase in administration costs in the period is due to £0.4 million increase in staff costs from annual pay increases and provision for performance-related pay together with an additional £0.2 million arising from the acquisition of Axis and cost of the team now based in Ireland.

EPRA cost ratio	**Six months ended 30 June 2023 £m**	Six months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Gross rent less ground rent and service charge income	**78.2**	73.5	147.0
Direct property expense	**7.9**	5.7	12.6
Less: service charge and recoverable costs	**(5.7)**	(3.2)	(7.0)
Non-recoverable property costs	**2.2**	2.5	5.6
Administrative expenses	**6.1**	5.5	9.6
Less: ground rent	**(0.1)**	(0.1)	(0.2)
Less: other operating income	**(0.3)**	(0.2)	(0.4)
EPRA costs (including direct vacancy costs)	**7.9**	7.7	14.6
EPRA cost ratio	**10.1%**	10.5%	9.9%
Total expense ratio - administrative expenses as a percentage of gross asset value (annualised)	**0.4%**	0.4%	0.3%

Net finance costs in the period increased by £3.1 million to £24.0 million (30 June 2022: £20.9 million) because of a £14.4 million increase in the Group's net debt since June 2022, the impact of increased in interest rates on the Group's unhedged debt and the loss of interest receivable on forward funded developments which completed in 2022, now income producing and accounted for as rent.

Shareholder value

The Adjusted Net Tangible Assets (NTA), per share decreased by 1.5 pence or 1.3% to 111.1 pence (31 December 2022: 112.6 pence per share) during the period with the revaluation deficit of £11.9 million or 0.9 pence per share and cost of the Axis acquisition of £7.3 million (€8.2 million) or 0.5 pence per share being the main reason for the decrease.

The adjusted NTA return per share, including dividends distributed, in the six months ended 30 June 2023 was 1.9 pence or 1.6% (30 June 2022: 7.3 pence or 6.3%).

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

Adjusted Net Tangible Asset (NTA) per share	**30 June 2023 pence per share**	30 June 2022 pence per share	31 December 2022 pence per share
Opening Adjusted NTA per share	**112.6**	116.7	116.7
Adjusted earnings for the period	**3.4**	3.4	6.6
Dividends paid	**(3.4)**	(3.2)	(6.5)
Revaluation of property portfolio and profit on sales	**(0.9)**	3.8	(4.6)
Amortisation of intangible assets	**(0.5)**	-	-
Net impact of Interest rate derivatives	**(0.1)**	-	-
Foreign exchange movements	**-**	-	0.3
Shares issued	**-**	0.1	0.1
Closing Adjusted NTA per share	**111.1**	120.8	112.6
Fixed rate debt and swap mark-to-market value	**12.6**	3.2	8.7
Convertible bond fair value adjustment	**0.4**	(0.7)	2.1
Deferred tax	**0.1**	(0.4)	(0.1)
Intangible assets	**0.5**	-	-
Closing EPRA NDV per share	**124.7**	122.9	123.3

Financing

The Group's balance sheet and financing position remains strong with cash and committed undrawn facilities totalling £314.4 million (31 December 2022: £325.9 million) after contracted capital commitments of £16.6 million (31 December 2022: £19.8 million).

At 30 June 2023, total available loan facilities were £1,600.8 million (31 December 2022: £1,607.0 million) of which £1,272.2 million (31 December 2022: £1,290.4 million) had been drawn. Cash balances of £2.4 million (31 December 2022: £29.1 million) resulted in Group net debt of £1,269.8 million (31 December 2022: £1,261.3 million). Contracted capital commitments at the balance sheet date totalled £16.6 million (31 December 2022: £19.8 million) and comprise development expenditure of £5.9 million, asset management projects of £8.6 million and deferred consideration on the acquisition of Axis of £2.1 million.

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

Debt metrics	**30 June 2023**	31 December 2022
Average cost of debt – drawn	**3.2%**	3.2%
Average cost of debt – fully drawn	**3.8%**	3.5%
Loan to value	**45.6%**	45.1%
Loan to value – excluding convertible bond	**40.2%**	39.7%
Total net debt fixed or hedged	**96.7%**	93.7%
Net rental income to net interest cover	**3.1 times**	3.3 times
Net debt / EBITDA (annualised)	**9.1 times**	9.6 times
Weighted average debt maturity – drawn facilities	**6.9 years**	7.3 years
Weighted average debt maturity – all facilities	**5.9 years**	6.4 years
Total drawn secured debt	**£1,122.2m**	£1,140.4m
Total drawn unsecured debt	**£150.0m**	£150.0m
Total undrawn facilities and cash available to the Group[1]	**£314.4m**	£325.9m
Unfettered assets	**£80.7m**	£86.7m

[1] After deducting capital commitments.

Average cost of debt

Notwithstanding the recent and rapid increases in 3-month SONIA interest rates since the start of the year which is used to calculate interest on the unhedged element the Group's revolving credit facilities we have managed to keep the average cost of debt unchanged at 3.2% (31 December 2022: 3.2%).

Interest rate exposure

The analysis of the Group's exposure to interest rate risk in its debt portfolio as at 30 June 2023 is as follows:

	Facilities		Drawn	
	£ million	%	£ million	%
Fixed rate debt	1,075.8	67.2	1,075.8	84.5
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)	(12.5)	(200.0)	(15.7)
Total fixed rate debt	975.8	60.9	975.8	76.7
Hedged by interest rate caps	251.6	15.7	251.6	19.8
Floating rate debt – unhedged	373.4	23.4	44.8	3.5
Total	**1,600.8**	**100.0**	**1,272.2**	**100.0**

Interest rate swap contracts

On 18 April 2023, the Group converted €60.0 million (£51.6 million) of sterling equivalent denominated debt into euros across its various revolving credit facilities to cover a small unhedged euro denominated balance sheet exposure which had arisen primarily because of historic valuation gains and retained earnings arising on our portfolio in Ireland. As part of the transaction the Group took advantage of cheaper euro denominated interest rates and purchased 2.0% caps on €60 million nominal value for a period of 2.5 years for an all-in premium of £1.9 million (€2.2 million). The transaction increased the proportion of net debt that is fixed or hedged to 97% (31 December 2022: 94%).

Accounting standards require PHP to mark its interest rate swaps to market at each balance sheet date. During the six months to 30 June 2023 there was an increase of £2.1 million (30 June 2022: £0.9 million) on the fair value movement of the Group's interest rate derivatives due primarily due to the €60 million caps purchased in the period for £1.9 million along with increases in interest rates assumed in the forward yield curves used to value the interest rate swaps. The mark-to-market ("MtM") asset value of the swap portfolio is £9.2 million (31 December 2022: asset £7.1 million).

Currency exposure

The Group owns €254.8 million or £218.9 million (31 December 2022: €260.8 million / £230.9 million) of Euro denominated assets in Ireland as at 30 June 2023 and the value of these assets and rental income represented 8% (31 December 2022: 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 30 June 2023 the Group had €253.1 million (31 December 2022: €196.0 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 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 30 June 2023 was an asset of £171.0 million (31 December 2022: asset £141.3 million) equivalent to 12.8 pence per share (31 December 2022: asset of 10.6 pence). The movement in the period is due primarily to the significant increases in interest rates assumed in the forward yield curves used to value the debt in the period. 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 the dividend protection provisions the conversion price was adjusted on 6 July 2023 to 134.16 pence (31 December 2022: 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 45.6% to 40.2% and result in the issue of 111.8 million (31 December 2022: 108.9 million) new Ordinary Shares.

Alternative Performance Measures ("APMs")

PHP uses Adjusted earnings and adjusted net tangible assets amongst other APMs to highlight the recurring performance of the property portfolio and business. The APMs are in addition to the statutory measures from the condensed financial statements. The measures are defined and reconciled to amounts presented in the financial statements within this interim statement at note 7. The Company has used EPRA earnings and EPRA net tangible assets to measure performance and will continue to do so. However, these APMs have also been adjusted to remove the impact of the adjustments arising from the MtM on fixed debt acquired on completion of the merger with MedicX in 2019. The reasons for the Company's use of these APMs are set out in the Glossary and 2022 Annual Report.

Related party transactions

Related party transactions are disclosed in note 16 to the condensed financial statements.

Responsible business - continued progress

Environmental impact

We continue to make good progress on our net zero carbon framework commitments and achieved our first milestone of net zero operations in 2022 one year ahead of target. We are also on site with our first NZC development at Croft Medical Centre, West Sussex and continue to progress a pipeline of further NZC schemes.

We continue to modernise existing buildings and improve the environmental credentials of our existing portfolio through the asset management programme and have completed five projects in the period, improving EPC ratings to B from C and D. A further eight projects are currently on site and due to be completed this year with a long pipeline of additional schemes where we continue to evaluate options for energy efficiency, renewable energy and net zero refurbishments. 39% of assets now have an EPC rating of A or B (31 December 2022: 35%) and 84% at A to C (31 December 2022: 81%).

As part of establishing the wider carbon impact of the buildings in our portfolio, we have continued to engage with tenants and increased the visibility of their energy and carbon performance and improved the quality of data we hold, increasing this to 62% of the portfolio (31 December 2022: 60%; 31 December 2021: 8%).

Social Impact

As a leading provider of modern primary care premises, we aim to create a lasting positive social impact, particularly in the health outcomes and wellbeing for the communities into which we invest.

As part of our Community Impact Fund, we have renewed our partnership with UK Community Foundations to target grants for social prescribing in the communities around our buildings. In 2023, we are working with one large community foundation in the heart of England covering an extended area in the Midlands as well as aiming to deliver grants directly in combination with our asset management programme.

People

PHP recognises the importance of the welfare of our employees who work on behalf of the Group and are critical to its success. We have continued to support our employees' personal and professional development, improve diversity and equal opportunities within the team and promote the highest standard of ethics, conduct and inclusion. At the start of the year, we launched a mentoring programme to provide another dimension of support for personal and professional development.

Harry Hyman	**Richard Howell**
Chief Executive Officer	**Chief Financial Officer**

25 July 2023

Principal risks and uncertainties

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 health 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;
- debt funding is procured from a range of providers, maintaining a spread of maturities and a mix of terms, with interest costs either fixed or hedged across the majority of debt drawn;
- the Board funds its operations to maintain an appropriate mix of debt and equity; and
- the Group has a very small (£1.4m) exposure as a direct developer of real estate, which means that the Group is not materially exposed to risks that are inherent in property development.

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 its 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 including interest rates and inflation together with internal risks that arise from how the Group is managed and chooses to structure its operations.

Principal risks and changes in risk factors

The Board has concluded that there should be no further principal risks to be presented in the 2023 Interim Results Announcement, and that the principal risks presented in the 2022 Annual Report remain relevant for this period.

Increasing risks

The Board has continued to undertake a robust assessment of emerging and increasing risks faced by the Group.

Since the release of our 2022 full-year results, the global economic uncertainty has continued. Within the UK, the main challenges facing the economy are rising interest rates and heightened inflation and the increasing risk of recession, compounded by the impact of the ongoing war in Ukraine. 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 continued to oversee the Group's response to the impact of these challenges on our business and the wider economic influences throughout the period.

Going concern analysis

The Group's financial review and budgetary processes are based on an integrated model that projects performance, cash flows, position and other key performance indicators including earnings per share, leverage rates, net asset values per share and REIT compliance over the review period. In addition, the forecast model looks at the funding of the Group's activities and its compliance with the financial covenant requirements of its debt facilities. The model uses a number of key parameters in generating its forecasts that reflect the Group's strategy, operating processes and the Board's expectation of market developments in the review period. In undertaking its financial review, these parameters have been flexed to reflect severe, but realistic, scenarios both individually and collectively. Sensitivities applied are derived from the principal risks faced by the Group that could affect solvency or liquidity and are as follows:

- Declining attractiveness / possible obsolescence of the Group's assets as a result of ESG initiatives or otherwise or deteriorating economic circumstances impact investment values – valuation parameter stress tested to provide for a one-off 10%/£278 million fall in the December 2023 valuation.
- We have applied a 15% tenant default rate. In addition, rental growth assumptions have been amended to see nil uplifts on open market reviews.
- Variable rate interest rates rise by an immediate 2% effective from 1 July 2023, impacting the variable interest debt in the portfolio.
- Tightly controlled NHS scheme approval restricts investment opportunity – investment quantum flexed to remove non-committed transactions.
- Impact on shareholder returns of all of the above occurrences – projected dividend payments held at expected 2023 level, 6.7p per share.

A number of specific assumptions have been made that overlay the financial parameters used in the Group's models. It has been assumed that 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.

Further details on going concern are set out in note 1 to the Financial Statements.

INDEPENDENT REVIEW REPORT TO PRIMARY HEALTH PROPERTIES PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises the Condensed Group Statement of Comprehensive Income, the Condensed Group Balance Sheet, the Condensed Group Statement of Changes in Equity, the Condensed Group Cash Flow Statement and related notes 1 to 19.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the group will be prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the group'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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the group a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP

Statutory Auditor

London, United Kingdom

25 July 2023

Condensed Group Statement of Comprehensive Income
For the six months ended 30 June 2023

	Notes	**Six months ended 30 June 2023 £m (unaudited)**	Six months ended 30 June 2022 £m (unaudited)	Year ended 31 December 2022 £m (audited)
Rental and related income	2	**83.9**	76.8	154.1
Direct property expenses		**(7.9)**	(5.7)	(12.6)
Net rental and related income		**76.0**	71.1	141.5
Administrative expenses		**(6.1)**	(5.5)	(9.6)
Amortisation of intangible assets		**(0.4)**	-	-
Axis acquisition costs		**(0.2)**	-	-
Total administrative expenses	3	**(6.7)**	(5.5)	(9.6)
Revaluation (deficit)/ gain on property portfolio	9	**(11.9)**	51.2	(64.4)
Profit on sale of land and properties		**-**	-	2.9
Total revaluation (deficit)/ gain		**(11.9)**	51.2	(61.5)
Operating profit	3	**57.4**	116.8	70.4
Finance income	4	**-**	0.5	0.9
Finance costs	5	**(22.5)**	(20.0)	(41.2)
Fair value loss on derivative interest rate swaps and amortisation of cash flow hedging reserve	5	**(1.7)**	(1.4)	(1.9)
Fair value gain on convertible bond	5	**5.6**	11.8	28.7
Profit before taxation		**38.8**	107.7	56.9
Taxation credit/ (charge)	6	**0.7**	(0.6)	(0.6)
Profit after taxation for the period/year[1]		**39.5**	107.1	56.3
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Fair value gain on interest rate swaps treated as cash flow hedges and amortisation of hedging reserve		**1.9**	2.3	4.5
Exchange (loss)/ gain on translation of foreign balances		**(0.1)**	1.3	3.2
Other comprehensive income for the period net of tax[1]		**1.8**	3.6	7.7
Total comprehensive income for the period net of tax[1]		**41.3**	110.7	64.0
IFRS earnings per share				
Basic	7	3.0p	8.0p	4.2p
Diluted	7	2.5p	6.8p	2.2p
Adjusted earnings per share[2]				
Basic	7	3.4p	3.4p	6.6p
Diluted	7	3.3p	3.3p	6.4p

[1] Wholly attributable to equity shareholders of Primary Health Properties PLC

[2] See Glossary of Terms on pages 50 to 52.

The above relates wholly to continuing operations.

Condensed Group Balance Sheet
As at 30 June 2023

	Notes	30 June 2023 £m (unaudited)	30 June 2022 £m (unaudited)	31 December 2022 £m (audited)
Non-current assets				
Investment properties	9	**2,783.4**	2,887.2	2,796.3
Derivative interest rate swaps	14	**22.6**	13.1	19.6
Intangible assets		**6.6**	-	-
Fixed assets		**0.6**	0.5	0.4
		2,813.2	2,900.8	2,816.3
Current assets				
Trade and other receivables		**22.6**	18.3	17.8
Cash and cash equivalents	10	**2.4**	29.7	29.1
Assets held for sale		**-**	25.0	-
Development work in progress		**1.4**	0.8	1.3
		26.4	73.8	48.2
Total assets		**2,839.6**	2,974.6	2,864.5
Current liabilities				
Deferred rental income		**(30.3)**	(29.6)	(29.2)
Trade and other payables		**(34.1)**	(45.5)	(32.6)
Borrowings: term loans and overdraft	11	**(2.3)**	(2.2)	(2.3)
		(66.7)	(77.3)	(64.1)
Non-current liabilities				
Borrowings: term loans and overdraft	11	**(669.5)**	(684.1)	(682.5)
Borrowings: bonds	12	**(603.8)**	(626.7)	(614.6)
Derivative interest rate swaps	14	**(13.4)**	(7.8)	(12.5)
Head lease liabilities	13	**(3.0)**	(4.5)	(3.2)
Deferred tax liability		**(4.5)**	(5.3)	(5.4)
		(1,294.2)	(1,328.4)	(1,318.2)
Total liabilities		**(1,360.9)**	(1,405.7)	(1,382.3)
Net assets		**1,478.7**	1,568.9	1,482.2
Equity				
Share capital	17	**167.1**	166.8	167.1
Share premium account		**479.4**	476.3	474.9
Merger and other reserves	18	**416.6**	414.8	416.7
Hedging reserve		**(9.2)**	(13.3)	(11.1)
Retained earnings		**424.8**	524.3	430.1
Total equity[1]		**1,478.7**	1,568.9	1,482.2
Basic net asset value per share				
IFRS net assets – basic and diluted	7	**110.6**	117.6	110.9p
Adjusted net tangible assets[2] – basic	7	**111.1**	120.8	112.6p
Adjusted net tangible assets[2] – diluted	7	**113.1**	122.4	114.5p

[1] Wholly attributable to equity shareholders of Primary Health Properties PLC.
[2] See Glossary of Terms on pages 50 to 52.

Condensed Group Cash Flow Statement
For the six months ended 30 June 2023

	Notes	**Six months ended 30 June 2023 £m (unaudited)**	Six months ended 30 June 2022 £m (unaudited)	Year ended 31 December 2022 £m (audited)
Operating activities				
Profit on ordinary activities after tax		**39.5**	107.1	56.3
Taxation (credit) / charge	6	**(0.7)**	0.6	0.6
Finance income	4	**-**	(0.5)	(0.9)
Finance costs	5	**22.5**	20.0	41.2
Fair value loss on derivatives		**1.7**	1.4	1.9
Fair value gain on convertible bond		**(5.6)**	(11.8)	(28.7)
Operating profit before financing costs		**57.4**	116.8	70.4
Adjustments to reconcile Group operating profit to net cash flows from operating activities:				
Revaluation deficit / (gain) on property portfolio	9	**11.9**	(51.2)	64.4
Profit on sale of land and property		**-**	-	(2.9)
Amortisation of intangible assets		**0.4**	-	-
Long term incentive plan (LTIP)		**-**	0.1	-
Effect of exchange rate fluctuations on operations		**(0.1)**	-	-
Fixed rent uplift		**(0.4)**	(0.5)	(0.9)
Tax (paid) / received		**(0.1)**	0.1	0.2
(Increase) / decrease in trade and other receivables		**(4.5)**	(0.2)	(0.7)
Increase / (decrease) in trade and other payables		**1.7**	(15.1)	(12.9)
Cash generated from operations		**66.3**	50.0	117.6
Net cash flow from operating activities		**66.3**	50.0	117.6
Investing activities				
Payments to acquire and improve properties and fixed assets		**(5.6)**	(39.1)	(74.8)
Receipts from disposal of properties		**-**	-	27.5
Cash paid for acquisition of Axis		**(5.2)**	-	-
Interest received on development loans		**-**	0.4	1.5
Net cash flow used in investing activities		**(10.8)**	(38.7)	(45.8)
Financing activities				
Costs of share issues		**-**	(0.1)	(0.1)
Term bank loan drawdowns		**126.8**	88.9	161.6
Term bank loan repayments		**(138.7)**	(103.5)	(175.7)
Proceeds from bond issue		**-**	62.9	62.9
Loan arrangement fees		**(0.9)**	(2.5)	(3.5)
Premium paid on derivatives financial instruments		**(1.9)**	-	-
Non-utilisation fees		**(1.1)**	(1.1)	(2.0)
Interest paid		**(22.8)**	(19.1)	(39.8)
Swap interest received		**1.4**	0.9	1.4
Equity dividends paid net of scrip dividend	8	**(44.8)**	(41.6)	(81.6)
Net cash flow used in financing activities		**(82.0)**	(15.2)	(76.8)
Increase in cash and cash equivalents		**(26.5)**	(3.9)	(5.0)
Effect of exchange rate fluctuations on Euro denominated loans and cash equivalents		**(0.2)**	0.2	0.7
Cash and cash equivalents at start of period / year		**29.1**	33.4	33.4
Cash and cash equivalents at end of period / year	10	**2.4**	29.7	29.1

Condensed Group Statement of Changes in Equity
For the six months ended 30 June 2023 (unaudited)

Six months ended 30 June 2023 (unaudited)

	Share capital £m	Share premium £m	Merger & other reserves £m	Hedging reserve £m	Retained earnings £m	Total £m
1 January 2023	167.1	479.4	416.7	(11.1)	430.1	1,482.2
Profit for the period	-	-	-	-	39.5	39.5
Other comprehensive income						
Exchange gain on translation of foreign balances	-	-	(0.1)	-	-	(0.1)
Amortisation of hedging reserve	-	-	-	1.9	-	1.9
Total comprehensive income	-	-	(0.1)	1.9	39.5	41.3
Share issue expenses	-	-	-	-	-	-
Shares based awards (LTIP)	-	-	-	-	-	-
Dividends paid	-	-	-	-	(44.8)	(44.8)
Scrip dividend in lieu of cash	-	-	-	-	-	-
30 June 2023	**167.1**	**479.4**	**416.6**	**(9.2)**	**424.8**	**1,478.7**

Six months ended 30 June 2022 (unaudited)

	Share capital £m	Share premium £m	Merger & other reserves £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 period	-	-	-	-	107.1	107.1
Other comprehensive income						
Exchange gain on translation of foreign balances	-	-	1.3	-	-	1.3
Amortisation of hedging reserve	-	-	-	2.3	-	2.3
Total comprehensive income	-	-	1.3	2.3	107.1	110.7
Share issue expenses	-	(0.1)	-	-	-	(0.1)
Shares based awards (LTIP)	-	-	-	-	-	-
Dividends paid	-	-	-	-	(41.6)	(41.6)
Scrip dividend in lieu of cash	0.2	1.5	-	-	(1.7)	-
30 June 2022	**166.8**	**476.3**	**414.8**	**(13.3)**	**524.3**	**1,568.9**

Condensed Group Statement of Changes in Equity (continued)

Year ended 31 December 2022 (audited)

	Share capital £m	Share premium £m	Merger & other reserves £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 period	-	-	-	-	56.3	56.3
Other comprehensive income						
Exchange gain on translation of foreign balances	-	-	3.2	-	-	3.2
Amortisation of hedging reserve	-	-	-	4.5	-	4.5
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**

Notes to the condensed financial statements

1. Accounting policies

General information

The financial information set out in this report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2022 have been filed with the Registrar of Companies. The Auditor's Report on these condensed consolidated interim financial statements was unqualified and did not contain a statement under Sections 498(2) or 498(3) of the Companies Act 2006.

The condensed consolidated interim financial statements of the Group are unaudited but have been formally reviewed by the auditor and its report to the Company is included on pages 21 to 22. These condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023 were approved and authorised for issue by the Board on 25 July 2023.

Basis of preparation/statement of compliance

The condensed consolidated interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with IAS 34 'Interim Financial Reporting'. The annual financial statements of the Group will be prepared in accordance with United Kingdom adopted international accounting standards.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the statutory financial statements and should be read in conjunction with the Group's financial statements as at 31 December 2022.

Convention

The condensed interim financial statements are presented in Sterling, rounded to the nearest million.

Segmental reporting

The Directors are of the opinion that the Group currently has one operating and reportable segment, being the acquisition and development of property in the United Kingdom and Ireland leased principally to GPs, Government and Healthcare organisations and other associated healthcare users.

Going concern

The directors are required to assess the Group's ability to continue as a going concern for a period of at least the next 12 months. In assessing the appropriateness of the going concern basis used in preparing the interim report, the directors have performed a review of the Group's financial performance and position, continued access to borrowing facilities and the ability to continue to operate the Group's facilities within its financial covenants, as well the Group's budgetary model.

Notes to the condensed financial statements (continued)

Going concern (continued)

The Group's financial review and budgetary processes are based on an integrated model that projects performance, cash flows, position and other key performance indicators including earnings per share, leverage rates, net asset values per share and REIT compliance over the review period. In addition, the forecast model looks at the funding of the Group's activities and its compliance with the financial covenant requirements of its debt facilities. The model uses a number of key parameters in generating its forecasts that reflect the Group's strategy, operating processes and the Board's expectation of market developments in the review period. In undertaking its financial review, these parameters have been flexed to reflect severe, but realistic, scenarios both individually and collectively. Sensitivities applied are derived from the principal risks faced by the Group that could affect solvency or liquidity and are as follows:

- Declining attractiveness / possible obsolescence of the Group's assets as a result of ESG initiatives or otherwise, or deteriorating economic circumstances impacts investment values – valuation parameter stress tested to provide for a one-off 10%/£278m fall in December 2023 valuations.
- We have applied a 15% tenant default rate. In addition, rental growth assumptions have been amended to see nil uplifts on open market reviews.
- Variable rate interest rates rise by an immediate 2% effective from 1 July 2023, impacting the variable interest debt in the portfolio.
- Tightly controlled NHS scheme approval restricts investment opportunity – investment quantum flexed to remove non-committed transactions.
- Impact on shareholder returns of all of the above occurrences – projected dividend payments held at expected 2023 level, 6.7p per share.

The Group's property portfolio is let on long leases to tenants with strong covenants and the business is substantially cash generative. The Group's loan to-value ratio at 30 June 2023 was 45.6% (30 June 2022: 43.1%) and the Group's interest cover for the period under review was 3.1 times (30 June 2022: 3.4), well above the minimum Group banking covenant of 1.3 times (30 June 2022: 1.3).

The Board has continued to undertake a robust assessment of emerging and increasing risks faced by the Group.

Since the release of our 2022 full-year results, the global economic uncertainty has continued. Within the UK, the main challenges facing the economy are rising interest rates and heightened inflation and the increasing risk of recession, compounded by the impact of the ongoing war in Ukraine. 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 continued to oversee the Group's response to the impact of these challenges on our business and the wider economic influences throughout the period.

Taking these and others factors into account, the Directors are satisfied that the Group has sufficient resources to continue in operation for a period of not less than twelve months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

Notes to the condensed financial statements (continued)

Accounting policies

The accounting policies adopted are consistent with those of the previous financial year as set out in the Annual Report. There has been a new accounting policy adopted during the period:

Intangible assets

Contract based intangible assets comprise the value of customer contracts arising on business combinations. Intangible assets arising on business combinations are initially recognised at fair value. Intangible assets arising on business combinations are amortised on a straight line basis to the income statement over their expected useful lives, and are carried at depreciated historical cost.

2. Rental and related income

Revenue comprises rental income receivable on property investments in the UK and Ireland, which is exclusive of VAT, plus facilities and properties management income. Revenue is derived from one reportable operating segment.

3. Operating profit

Operating profit is stated after charging administrative expense of £6.1m, amortisation of intangible assets of £0.4m and Axis acquisition costs of £0.2m (30 June 2022: £5.5m). Administrative expenses as a proportion of rental and related income were 7.3% (30 June 2022: 7.2%). The Group’s EPRA cost ratio has decreased to 10.1%, compared to 10.5% for the same period in 2022.

Administrative expenses include staff costs of £3.4m (30 June 2022: £3.0m).

In the year PHP acquired Axis, an Irish property management business. In the period Axis contributed £1.3m of related income and incurred direct property expenses of £0.8m, contributing £0.5m of net related income. After the deduction of £0.2m administrative expenses Axis generated an operating profit of £0.3m.

Notes to the condensed financial statements (continued)

4. Finance income

	Six months ended 30 June 2023 £m (unaudited)	Six months ended 30 June 2022 £m (unaudited)	Year ended 31 December 2022 £m (audited)
Interest income on financial assets			
Development loan interest	-	0.5	0.9
	-	**0.5**	**0.9**

5. Finance costs

	Six months ended 30 June 2023 £m (unaudited)	Six months ended 30 June 2022 £m (unaudited)	Year ended 31 December 2022 £m (audited)
Interest expense and similar charges on financial liabilities			
(i) Interest			
Bank loan interest	13.4	11.2	23.0
Swap interest	(1.8)	(0.7)	(1.4)
Bond interest	9.8	8.4	17.5
Bank facility non utilisation fees	1.1	1.0	2.0
Bank charges and loan arrangement fees	1.6	1.5	3.0
	24.1	21.4	44.1
Interest capitalised	**(0.1)**	-	-
Amortisation of MedicX debt MtM at acquisition	**(1.5)**	(1.4)	(2.9)
	22.5	**20.0**	**41.2**

	Six months ended 30 June 2023 £m (unaudited)	Six months ended 30 June 2022 £m (unaudited)	Year ended 31 December 2022 £m (audited)
(ii) Derivatives			
Net fair value gain on interest rate swaps	0.2	0.9	2.6
Amortisation of cash flow hedging reserve	(1.9)	(2.3)	(4.5)
	(1.7)	**(1.4)**	**(1.9)**

The fair value loss on derivatives recognised in the Condensed Group Statement of Comprehensive Income has arisen from the interest rate swaps for which hedge accounting does not apply.

An amount of £1.9m (30 June 2022: £2.3m), (31 December 2022: £4.5m) has been amortised from the cash flow hedging reserve in the period.

Notes to the condensed financial statements (continued)

5. Finance costs (continued)

	Six months ended 30 June 2023 £m (unaudited)	Six months ended 30 June 2022 £m (unaudited)	Year ended 31 December 2022 £m (audited)
(iii) Convertible bond			
Fair value gain on Convertible bond	**5.6**	11.8	28.7
	5.6	11.8	28.7

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 12 for further details about the Convertible bond.

	Six months ended 30 June 2023 £m (unaudited)	Six months ended 30 June 2022 £m (unaudited)	Year ended 31 December 2022 £m (audited)
Finance income (Note 4)	**-**	0.5	0.9
Finance costs (Note 5 (i))	**(24.0)**	(21.4)	(41.2)
	(24.0)	(20.9)	(40.3)
Amortisation of MedicX debt MtM on acquisition	**1.5**	1.4	(2.9)
Net finance costs	**(22.5)**	(19.5)	(43.2)

Notes to the condensed financial statements (continued)

6. 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% (2022: 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 30 June 2023.

The Group's activities in Ireland are conducted via Irish companies or 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 ICAV does not pay any Irish Corporation Tax on its trading or capital profits but a 20% withholding tax is paid on distributions to owners.

	Six months ended 30 June 2023 £m (unaudited)	Six months ended 30 June 2022 £m (unaudited)	Year ended 31 December 2022 £m (audited)
Taxation in the Condensed Group Statement of Comprehensive Income:			
Current tax			
UK corporation tax charge on non-property income	-	-	-
Irish corporation tax charge/(credit)	-	(0.1)	(0.2)
Deferred tax on Irish activities	(0.7)	0.7	0.8
Taxation (credit)/ charge in the Condensed Group Statement of Comprehensive Income	**(0.7)**	**0.6**	**0.6**

Notes to the condensed financial statements (continued)

7. Earnings per share

Performance measures

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

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

Earnings per share

	30 June 2023 (unaudited)			30 June 2022 (unaudited)		
	IFRS earnings £m	Adjusted earnings £m	EPRA earnings £m	IFRS earnings £m	Adjusted earnings £m	EPRA earnings £m
Profit after taxation	39.5	39.5	39.5	107.1	107.1	107.1
Adjustments to remove:						
Revaluation deficit/ (gain) on property portfolio	-	11.9	11.9	-	(51.2)	(51.2)
Profit on sale of land and property	-	-	-	-	-	-
Fair value movement on derivatives	-	1.7	1.7	-	1.4	1.4
Fair value movement and issue costs on convertible bond	-	(5.6)	(5.6)	-	(11.8)	(11.8)
Taxation (credit)/ charge	-	(0.7)	(0.7)	-	0.6	0.6
Amortisation of intangible assets		0.4	0.4	-	-	-
Axis acquisition costs	-	0.2	0.2	-	-	-
Amortisation of MtM loss on debt acquired	-	(1.5)	-	-	(1.4)	-
Basic earnings	39.5	45.9	47.4	107.1	44.7	46.1
Dilutive effect of convertible bond	(3.5)	2.1	2.1	(9.6)	2.1	2.1
Diluted earnings	36.0	48.0	49.5	97.5	46.8	48.2

Number of shares

	million	million	million	million	million	million
Ordinary Shares	1,336.5	1,336.5	1,336.5	1,333.5	1,333.5	1,333.5
Dilutive effect of convertible bond	108.9	108.9	108.9	105.4	105.4	105.4
Diluted Ordinary Shares	1,445.4	1,445.4	1,445.4	1,438.9	1,438.9	1,438.9

Profit per share attributable to shareholders:

	IFRS pence	Adjusted pence	EPRA pence	IFRS pence	Adjusted pence	EPRA pence
Basic	3.0	3.4	3.5	8.0	3.4	3.5
Diluted	2.5	3.3	3.4	6.8	3.3	3.4

7. Earnings per share (continued)

Earnings per share

	31 December 2022 (audited)		
	IFRS earnings £m	Adjusted earnings £m	EPRA earnings £m
Profit after taxation	56.3	56.3	56.3
Adjustments to remove:			
Revaluation deficit on property portfolio	-	64.4	64.4
Profit on the sale of land	-	(2.9)	(2.9)
Fair value movement on derivatives	-	1.9	1.9
Fair value movement and issue costs on convertible bond	-	(28.7)	(28.7)
Taxation charge	-	0.6	0.6
Amortisation of MtM loss on debt acquired	-	(2.9)	-
Basic earnings	56.3	88.7	91.6
Dilutive effect of convertible bond	(24.3)	4.3	4.3
Diluted earnings	32.0	93.0	95.9

Number of shares

	million	million	million
Ordinary Shares	1,334.8	1,334.8	1,334.8
Dilutive effect of convertible bond	108.9	108.9	108.9
Diluted Ordinary Shares	1,443.7	1,443.7	1,443.7

Profit per share attributable to shareholders:

	IFRS pence	Adjusted pence	EPRA pence
Basic	4.2	6.6	6.9
Diluted	2.2	6.4	6.6

Notes to the condensed financial statements (continued)

7. Earnings per share (continued)

Net assets per share

	30 June 2023 (unaudited)			30 June 2022 (unaudited)		
	IFRS £m	Adjusted £m	EPRA £m	IFRS £m	Adjusted £m	EPRA £m
Net assets attributable to shareholders	1,478.7	1,478.7	1,478.7	1,568.9	1,568.9	1,568.9
Derivative interest rate swaps liability	-	(9.2)	(9.2)	-	(5.3)	(5.3)
Deferred tax	-	4.5	4.5	-	5.3	5.3
Intangible assets	-	(6.6)	(6.6)	-	-	-
Cumulative convertible bond fair value movement	-	(12.7)	(12.7)	-	9.8	9.8
MtM on MedicX loans net of amortisation	-	30.0	-	-	33.0	-
Net tangible assets ("NTA")	1,478.7	1,484.7	1,454.7	1,568.9	1,611.7	1,578.7
Intangible assets	-	-	6.6	-	-	-
Real estate transfer taxes	-	-	194.4			200.6
Net reinstatement value ("NRV")	1,478.7	1,484.7	1,655.7	1,568.9	1,611.7	1,779.3
Fixed rate debt and swap mark-to-market value	-	-	197.5	-	-	75.5
Deferred tax	-	-	(4.5)	-	-	(5.3)
Cumulative convertible bond fair value movement	-	-	12.7	-	-	(9.8)
Real estate transfer taxes	-	-	(194.4)	-	-	(200.6)
Net disposal value ("NDV")	1,478.7	1,484.7	1,667.0	1,568.9	1,611.7	1,639.1

Number of shares

	million	million	million	million	million	million
Ordinary Shares	1,336.5	1,336.5	1,336.5	1,333.5	1,333.5	1,333.5
Dilutive effect of convertible bond	108.9	108.9	108.9	105.4	105.4	105.4
Diluted Ordinary Shares	1,445.4	1,445.4	1,445.4	1,438.9	1,438.9	1,438.9

Basic net asset value per share[1]

	IFRS pence	Adjusted pence	EPRA pence	IFRS pence	Adjusted pence	EPRA pence
Net tangible assets ("NTA")	110.6	111.1	108.8	117.6	120.8	118.3
Net reinstatement value ("NRV")			123.9			133.4
Net disposal value ("NDV")			124.7			122.9

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]

	IFRS pence	Adjusted pence	EPRA pence	IFRS pence	Adjusted pence	EPRA pence
Net tangible assets ("NTA")	112.7	113.1	111.0	110.3	122.4	120.1
Net reinstatement value ("NRV")			124.9			134.0
Net disposal value ("NDV")			125.7			124.3

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 (30 June 2022: 142.29 pence) (31 December 2022: 137.69 pence).

Notes to the condensed financial statements (continued)

7. Earnings per share (continued)

Net assets per share

	31 December 2022 (audited)		
	IFRS £m	Adjusted £m	EPRA £m
Net assets attributable to shareholders	1,482.2	1,482.2	1,482.2
Derivative interest rate swaps liability	-	(7.1)	(7.1)
Deferred tax	-	5.4	5.4
Cumulative convertible bond fair value movement	-	(7.1)	(7.1)
MtM on MedicX loans net of amortisation	-	31.4	-
Net tangible assets ("NTA")	1,482.2	1,504.8	1473.4
Real estate transfer taxes			189.1
Net reinstatement value ("NRV")	1,482.2	1,504.8	1,662.5
Fixed rate debt and swap mark-to-market value	-	-	172.7
Deferred tax	-	-	(5.4)
Cumulative convertible bond fair value movement	-	-	7.1
Real estate transfer taxes	-	-	(189.1)
Net disposal value ("NDV")	1,482.2	1,504.8	1,647.8

Number of shares

	million	million	million
Ordinary Shares	1,334.8	1,334.8	1,334.8
Dilutive effect of convertible bond	108.9	108.9	108.9
Diluted Ordinary Shares	1,443.7	1,443.7	1,443.7

Basic net asset value per share[1]

	IFRS pence	Adjusted pence	EPRA pence
Net tangible assets ("NTA")	110.9	112.6	110.2
Net reinstatement value ("NRV")			124.4
Net disposal value ("NDV")			123.3

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]

	IFRS pence	Adjusted pence	EPRA pence
Net tangible assets ("NTA")	112.9	114.5	112.3
Net reinstatement value ("NRV")			125.4
Net disposal value ("NDV")			124.4

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 (30 June 2022: 142.29 pence) (31 December 2022: 137.69 pence).

Notes to the condensed financial statements (continued)

7. Earnings per share (continued)

Conversion of the convertible bond would result in the issue of 108.9 million (31 December 2022: 108.9 million) new Ordinary Shares. The IFRS net asset value and EPRA NDV would increase by £137.3 million (31 December 2022: £142.9 million) and the EPRA NTA, Adjusted NTA and EPRA NRV would increase by £150.0 million (31 December 2022: £150.0 million). The resulting diluted net asset values per share are anti-dilutive to all measures and therefore basic IFRS net assets value per share are presented above.

8. Dividends

	Six months ended 30 June 2023 £m (unaudited)	Six months ended 30 June 2022 £m (unaudited)	Year ended 31 December 2022 £m (audited)
Quarterly interim dividend paid 23 February 2023	**22.4**	-	-
Quarterly interim dividend paid 19 May 2023	**22.4**	-	-
Quarterly interim dividend paid 25 February 2022	**-**	21.0	21.0
Scrip dividend in lieu of quarterly cash dividend 25 February 2022	**-**	0.6	0.6
Quarterly interim dividend paid 20 May 2022	**-**	20.6	20.6
Scrip dividend in lieu of quarterly cash dividend 20 May 2022	**-**	1.1	1.1
Quarterly interim dividend paid 19 August 2022	**-**	-	18.1
Scrip dividend in lieu of quarterly cash dividend 19 August 2022	**-**	-	3.4
Quarterly interim dividend paid 25 November 2022	-	-	21.9
Total dividends distributed	**44.8**	**43.3**	**86.7**
Per share	**3.35p**	**3.25p**	**6.5p**

The Company will pay a third interim dividend of 1.675 pence per Ordinary Share for the year ending 31 December 2023, payable on 18 August 2023. The dividend will comprise a Property Income Distribution ("PID") of 1.340 pence per share and an ordinary dividend of 0.335 pence per share. The scrip dividend scheme was suspended in light of the falls in the share price in 2022 and first half of 2023 and the company continues to offer a dividend reinvestment plan in its place.

Notes to the condensed financial statements (continued)

9. Investment properties and investment properties under construction

	Investment properties freehold £m	Investment long leasehold £m	Investment properties under construction £m	Total £m
As at 1 January 2023 (audited)	2,214.5	577.3	4.5	2,796.3
Reclassification of land[1]	0.9	-	(0.9)	-
Property additions	5.5	0.1	-	5.6
Impact of lease incentive adjustment	0.1	0.2	-	0.3
Lease ground rent adjustment	-	(0.2)	-	(0.2)
Foreign exchange movements	(4.3)	(2.4)	-	(6.7)
Revaluations for the period	(2.8)	(5.7)	(3.4)	(11.9)
As at 30 June 2023 (unaudited)	**2,213.9**	**569.3**	**0.2**	**2,783.4**

[1] Includes development land held at £0.9m (31 December 2022: £0.7m)

	Total £m
Fair value per AY UK valuation	1,217.6
Fair value of JLL UK valuation	1,343.9
Fair value of CBRE Ireland valuation	218.9
	2,780.4
Ground rents recognised as finance leases	3.0
Fair value 30 June 2023 (unaudited)	**2,783.4**

The investment properties have been independently valued at fair value by Avison Young ("AY"), Jones Lang LaSalle ("JLL") and CBRE Chartered Surveyors and Valuers ("CBRE"), 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 Valuation Global Standards 2022 ("Red Book"). There were no changes to the valuation techniques during the period. 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 99.6% let (31 December 2022: 99.7%). The valuations reflected a 4.90% net initial yield (31 December 2022: 4.82%). Where properties have outstanding rent reviews, an estimate is made of the likely rent on review in line with market expectations and the knowledge of the valuer.

9. Investment properties and investment properties under construction (continued)

In accordance with IAS 40, investment properties under construction have also been valued at fair value by the independent 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 £6.3m (31 December 2022: £2.8m) 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 £9.2m (30 June 2022: £11.8m; 31 December 2022: £9.9m) which have not been provided for in the financial statements.

Right-of-use-assets

In accordance with IFRS 16 *Leases*, the Group has recognised a £3.0m 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 30 June 2023 and 31 December 2022. There were no transfers between levels during the period or during 2022. 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).

10. Cash and cash equivalents

	30 June 2023 £m (unaudited)	31 December 2022 £m (audited)
Cash held at bank	**2.4**	29.1

Notes to the condensed financial statements (continued)

11. Borrowings: term loans and overdrafts

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

	Expiry date	Facility		Amounts drawn		Undrawn	
		30 June 2023 £m	31 December 2022 £m	**30 June 2023 £m**	31 December 2022 £m	**30 June 2023 £m**	31 December 2022 £m
Current							
RBS Overdraft	**Jun 2024**	**5.0**	5.0	**-**	-	**5.0**	5.0
Aviva loan[1]	**Sep 2033**	**2.3**	2.3	**2.3**	2.3	**-**	-
		7.3	7.3	**2.3**	2.3	**5.0**	5.0
Non-current							
Aviva AV Lending	**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	**34.4**	25.5	**65.6**	74.5
Lloyds loan	**Dec 2025**	**100.0**	100.0	**21.7**	32.5	**78.3**	67.5
NatWest loan	**Oct 2024**	**100.0**	100.0	**32.9**	41.8	**67.1**	58.2
Santander loan	**Jan 2025**	**50.0**	50.0	**37.4**	38.6	**12.6**	11.4
Aviva loan[1]	**Sep 2033**	**221.7**	222.9	**221.7**	222.9	**-**	-
Aviva loan[1]	**Sep 2028**	**30.8**	30.8	**30.8**	30.8	**-**	-
		977.5	978.7	**653.9**	667.1	**323.6**	311.6
Total		**984.8**	**986.0**	**656.2**	**669.4**	**328.6**	**316.6**

[1] Acquired as part of the merger with MedicX.

At 30 June 2023, total facilities of £1,600.8m (31 December 2022: £1,607.0m) were available to the Group. This included term loan facilities and the bonds in note 12. Of these facilities, as at 30 June 2023, £1,272.2m was drawn (31 December 2022: £1,290.4m).

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

Notes to the condensed financial statements (continued)

11. Borrowings: term loans and overdrafts (continued)

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

	30 June 2023 £m (unaudited)	31 December 2022 £m (audited)
Term loans drawn: due within one year	**2.3**	2.3
Term loans drawn: due in greater than one year	**653.9**	667.1
Total term loans drawn	**656.2**	669.4
Plus: MtM on loans net of amortisation	**26.0**	27.1
Less: unamortised borrowing costs	**(10.4)**	(11.7)
Total term loans per the Condensed Group Balance Sheet	**671.8**	684.8

The Group has been in compliance with all the applicable financial covenants of the above facilities through the period.

12. Borrowings: Bonds

	30 June 2023 £m (unaudited)	31 December 2022 £m (audited)
Unsecured		
Convertible bond July 2025 at fair value	137.3	142.9
Total unsecured bonds	**137.3**	142.9
Secured		
Secured Bond December 2025	70.0	70.0
Secured Bond March 2027	100.0	100.0
€51m Secured Bond (Euro private placement) December 2028/30	43.8	45.1
€70 million secured bond (Euro private placement) September 2031	60.2	62.0
€75 million secured bond (Euro private placement) February 2034	64.4	66.4
Ignis loan note December 2028	50.0	50.0
Standard Life loan note September 2028	77.5	77.5
Less: unamortised issue costs	(3.4)	(3.6)
Plus: MtM on loans net of amortisation	4.0	4.3
Total secured bonds	466.5	471.7
Total bonds	**603.8**	614.6

Notes to the condensed financial statements (continued)

12. Borrowings: Bonds (continued)

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 £70m and mature on or about 30 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 £100m Secured Bond was issued for a 10-year term at a fixed coupon of 2.83% that matures on 21 March 2027. Interest is paid semi-annually in arrears.

On 20 December 2018, senior secured notes for a total of €51 million (£43.8 million) were issued at a blended fixed rate of 2.4793% and a weighted average maturity of 10.4 years. Interest is paid semi-annually in arrears. The notes represent PHP's first Euro-denominated transaction in the private placement market. The secured notes were placed with UK and Irish institutional investors in two tranches:

- €40 million 2.46% senior notes due December 2028.
- €11 million 2.633% senior notes due December 2030.

On 16 September 2019, new senior secured notes for a total of €70 million (£60.2 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 (£64.4 million) secured private placement loan note to MetLife for a 12-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 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 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, £50m and £27.5m at fixed coupon rates of 3.84% and 3.00% respectively. Interest is payable semi-annually in arrears.

Convertible bond

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

Subject to certain conditions, the bonds will be convertible into fully paid Ordinary Shares of the Company and the initial exchange price was set at 153.25 pence, a premium of 15% above the volume weighted average price of the Company's shares on 18 June 2019, being 133.26 pence. Under the terms of the Bonds, the Company will have the right to elect to settle exercise of any conversion rights entirely in shares or cash, or with a combination of shares and cash. The exchange price is subject to adjustment if dividends paid per share exceed 2.8 pence per annum and other certain circumstances and consequently the exchange price was adjusted to 134.16 pence on 6 July 2023 (31 December 2022: 137.69 pence).

Notes to the condensed financial statements (continued)

12. Borrowings: Bonds (continued)

Convertible Bond

	30 June 2023 (unaudited) £m	31 December 2022 (audited) £m
Opening balance – fair value	**142.9**	171.6
Cumulative fair value movement in convertible bond	**(5.6)**	(28.7)
Closing balance – fair value	**137.3**	142.9

The fair value of the convertible bond at 30 June 2023 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).

13. 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.

	30 June 2023 (unaudited) £m	31 December 2022 (audited) £m
Due within one year	**0.1**	0.1
Due after one year	**2.9**	3.1
Closing balance – fair value	**3.0**	3.2

Notes to the condensed financial statements (continued)

14. 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. 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.

The table below sets out the movements in the value of the Group's interest rate swaps during the period:

	Interest rate swaps not hedge accounted for £m
Assets	
As at 1 January 2023 (audited)	19.6
Premium on new Euro currency caps	1.9
Fair value movement in the period	1.1
As at 30 June 2023 (unaudited)	22.6
Liabilities	
As at 1 January 2023 (audited)	(12.5)
Fair value movement in the period	(0.9)
As at 30 June 2023 (unaudited)	(13.4)
Total – derivative financial instruments	
As at 1 January 2023 (audited)	7.1
Premium on new Euro currency caps	1.9
Fair value movement in the period	0.2
As at 30 June 2023 (unaudited)	9.2

On 18 April 2023, the Group converted €60.0 million (£51.6 million) of sterling equivalent denominated debt into euros across its various revolving credit facilities. The Group purchased 2.0% caps on €60m nominal value for a period of 2.5 years until October 2025 for an all-in premium of €2.2 million (£1.9 million).

Notes to the condensed financial statements (continued)

15. Financial risk management

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 30 June 2023 (unaudited) £m	**Fair value 30 June 2023 (unaudited) £m**	Book value 31 December 2022 (audited) £m	Fair value 31 December 2022 (audited) £m
Financial assets				
Trade and other receivables	**22.6**	**22.6**	17.8	17.8
Ineffective interest rate swaps	**22.6**	**22.6**	19.6	19.6
Cash and short-term deposits	**2.4**	**2.4**	29.1	29.1
Financial liabilities				
Interest-bearing loans and borrowings	**(1,272.2)**	**(1,101.2)**	(1,290.4)	(1,149.1)
Ineffective interest rate swaps	**(13.4)**	**(13.4)**	(12.5)	(12.5)
Trade and other payables	**(34.1)**	**(34.1)**	(32.6)	(32.6)

The fair value of the financial assets and liabilities is included as an estimate of the amount at which the instruments could be transferred 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 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.

The Group held the following financial instruments at fair value at 30 June 2023. The Group has no financial instruments with fair values that are determined by reference to significant unobservable inputs, i.e. those that would be classified as level 3 in the fair value hierarchy, nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

Notes to the condensed financial statements (continued)

15. Financial risk management (continued)

Fair value measurements at 30 June 2023 are as follows:

Recurring fair value measurements	Level 1[1] £m	Level 2[2] £m	Level 3[3] £m	Total £m
Financial assets				
Derivative interest rate swaps	**-**	**22.6**	**-**	**22.6**
Financial liabilities				
Derivative interest rate swaps	**-**	**(13.4)**	**-**	**(13.4)**
Convertible bond	**(137.3)**	**-**	**-**	**(137.3)**
Fixed rate debt	**-**	**(904.8)**	**-**	**(917.5)**

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

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.

Notes to the condensed financial statements (continued)

16. 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 Nexus.

Amounts paid during the period in relation to shared services totalled £35,100 (30 June 2022: £35,100; 31 December 2022: £70,200).

As at 30 June 2023, outstanding fees payable to Nexus totalled £nil (31 December 2022: £nil; 30 June 2022: £nil).

17. Share capital

	30 June 2023 £m (unaudited)	30 June 2022 £m (unaudited)	31 December 2022 £m (audited)
Issued and fully paid Ordinary Shares at 12.5p each	**167.1**	166.8	167.1
At beginning of year	**167.1**	166.6	166.6
Scrip issues in lieu of cash dividends	**-**	0.2	0.5
	167.1	166.8	167.1

18. Merger and other reserves

	30 June 2023 £m (unaudited)	30 June 2022 £m (unaudited)	31 December 2022 £m (audited)
At beginning of year	**416.7**	413.5	413.5
Exchange gain on translation of foreign balances	**(0.1)**	1.3	3.2
	416.6	414.8	416.7

19. Subsequent events

There have been no significant events affecting the Company since the period ended 30 June 2023.

Notes to the condensed financial statements (continued)

DIRECTORS' RESPONSIBILITY STATEMENT

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

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated interim financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related party transactions in the first six months and any material changes in the related party transactions described in the last Annual Report.

Shareholder information is as disclosed in the Annual Report and is also available on the PHP website, www.phpgroup.co.uk.

By order of the Board

Steven Owen
Chairman
25 July 2023

Glossary of terms

Adjusted earnings is EPRA earnings excluding the exceptional contract termination payment 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.

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.

EBITDA is operating profit excluding amortisation of intangibles, Axis acquisition costs and investment property revaluations.

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, associated close-out costs and their related taxation, and amortisation of non-monetary items such as intangible assets.

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

EPRA NAV per share is the balance sheet net assets excluding own shares held, the MtM value of derivative financial instruments, the convertible bond fair value movement and intangible assets, 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 7.

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 7.

EPRA net disposal value "EPRA NDV" (replacing EPRA NNNAV) is 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 7.

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, intangible assets 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 7.

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 7.

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.

Glossary of terms (continued)

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

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

Gross rental income is the gross accounting rent receivable.

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

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

IASs are International Accounting Standards as adopted by the United Kingdom.

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

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

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

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

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

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

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

MedicX is MXF Fund Limited 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 related income is the Related income after the payment of direct property costs that include service charge payments.

Net rental and related income is the sum of Net rental income and Net related income.

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, 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 "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 / dividend 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.

Related income is the property and service charge income generated from the Axis business.

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 and related income	76.0
Revaluation surplus and profit on sales	(11.9)
	64.1
Opening property assets	2,796.3
Weighted additions in the period	2.8
Impact of foreign exchange movements	(3.4)
	2,795.7
Total property return	**2.3%**

Total adjusted 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.

At 31 December 2022	112.6p
At 30 June 2023	111.1p
Increase / (decrease)	**(1.5)p**
Add: Dividends paid	
23/02/2023 Q1 interim	1.675p
19/05/2023 Q2 interim	1.675p
Total return	**3.35p**
Total adjusted NTA return	**1.6%**

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.