Primary Health Properties PLC

Interim results for the six months ended 30 June 2024

28-year track record of dividend growth set to continue as new Government commits to increased investment in primary and community care

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 2024 (the "period").

Mark Davies, **Chief Executive Officer ("CEO") of PHP, commented:**

"Following my appointment as CEO earlier in the year, I am delighted to be able to announce PHP's interim results for 2024. This is another period of robust operational and financial performance and we are encouraged by the continued improvement in open market value rental growth, together with a strong control on costs resulting in one of the lowest EPRA cost ratios in the REIT sector and with the vast majority of PHP's debt either fixed or hedged for a weighted average period of six years. It's clear that PHP's competitive advantage is built on these strong fundamentals and leading position in the UK, combined with our large exposure in Ireland.

"As PHP approaches its 30-year anniversary of continuous dividend growth in 2026, the management team appreciates the importance of driving further earnings growth in the future and this continues to be an important focus of the Group's business model.

"We welcome the new Labour Government's commitment to the NHS and, specifically in the first few days of taking power, the Health Secretary's identification of increased investment in primary care. As reported in the media, there are commitments to reform GP services and wider community care in order to expand service delivery in these settings, relieving the pressures on the NHS. PHP is extremely well placed to facilitate and benefit from these objectives, creating new and modern facilities to deliver services with huge social impact.

"I will also take this opportunity to thank my predecessor, Harry Hyman, for his long and successful leadership of the Company. I look forward to working with Harry in the future, in his new role as Non-executive Chair, providing both continuity and the benefit of his unrivaled experience in the sector."

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Income statement and financial metrics	**Six months to 30 June 2024**	Six months to 30 June 2023	Change
Net rental income[1]	**£76.2m**	£75.5m	**+0.9%**
Adjusted earnings[1,2]	**£46.3m**	£45.9m	**+0.9%**
Adjusted earnings per share[1,2]	**3.5p**	3.4p	**+2.9%**
IFRS profit for the period	**£3.6m**	£39.5m	
IFRS earnings per share[2]	**0.3p**	3.0p	
Dividends			
Dividend per share[5]	**3.45p**	3.35p	**+3.0%**
Dividends paid[5]	**£46.1m**	£44.8m	**+2.9%**
Dividend cover[1]	**100%**	102%	
Balance sheet and operational metrics	**30 June 2024**	31 December 2023	Change
Adjusted NTA per share[1,3]	**105.0p**	108.0p	**-2.8%**
IFRS NTA per share[1,3]	**103.5p**	106.5p	**-2.8%**
Property portfolio			
Investment portfolio valuation[4]	**£2.750bn**	£2.779bn	**-1.4%**
Net initial yield ("NIY") [1]	**5.18%**	5.05%	**+13bps**

Contracted rent roll (annualised)[1,7]	**£152.6m**	£150.8m	**+1.2%**
Weighted average unexpired lease term ("WAULT")[1]	**9.8 years**	10.2 years	
Occupancy	**99.2%**	99.3%	
Rent-roll funded by government bodies[1]	**89%**	89%	
Debt			
Average cost of debt	**3.3%**	3.3%	
Loan to value ratio ("LTV")[1]	**48.0%**	47.0%	
Weighted average debt maturity – drawn facilities	**6.0 years**	6.6 years	
Total undrawn loan facilities and cash[6]	**£307.8m**	£321.2m	

[1] Items marked with this footnote are alternative performance measures. Refer to the Glossary of Terms for a description of these measures and a reconciliation to the nearest statutory metric where appropriate.
[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.
[5] See note 8, dividends, to the financial statements.
[6] Pro-forma 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 up 2.9% at 3.5p (30 June 2023: 3.4p)
- IFRS earnings per share decreased by 90.0% to 0.3p (30 June 2023: 3.0p) reflecting non-cashflow losses arising on the valuation of the Group's property portfolio, convertible bond and interest rate derivatives
- Contracted annualised rent roll increased by 1.2% to £152.6 million (31 December 2023: £150.8 million)
- Additional annualised rental income on a like-for-like basis of £1.8 million or 1.2% from rent reviews and asset management projects (H1 2023: £2.2 million or 1.5%; FY 2023: £4.3 million or 3.0%)
- EPRA cost ratio 10.0% (FY 2023: 10.1%) excluding PHP Axis overheads and direct vacancy costs, representing one of the lowest in the UK REIT sector, and which is expected to improve further from 2025 as a result of cost savings enacted post period end, primarily relating to reductions in staff headcount, totalling c. £1.0 million
- First three quarterly dividends totalling 5.175 pence per share distributed or declared in the year-to-date, equivalent to 6.9 pence per share on an annualised basis, a 3.0% increase over 2023 (6.7 pence per share) and marking the Company's 28th 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

- The portfolio's metrics continue to reflect the Group's secure, long-term and predictable income stream with occupancy at 99.2% (31 December 2023: 99.3%), 89% (31 December 2023: 89%) of income funded by government bodies and a WAULT of 9.8 years (31 December 2023: 10.2 years)
- Adjusted Net Tangible Assets ("NTA") per share decreased by 2.8% to 105.0 pence (31 December 2023: 108.0 pence)
- Property portfolio valued at £2.750 billion (31 December 2023: £2.779 billion) reflecting a net initial yield of 5.18% (31 December 2023: 5.05%)

- Revaluation deficit in the period of £40.0 million (30 June 2023: deficit £11.9 million), representing a decline of -1.4% (30 June 2023: -0.4%), comprising a £73 million decline driven by NIY widening of 13bps partially offset by gains of £33 million arising from rental growth and asset management projects
- Pipeline of 23 asset management projects and lease regears planned over next two years, investing £15.3 million, creating additional rental income of £0.7 million per annum and extending the weighted average unexpired lease term (WAULT) back to over 19 years on these properties
- Opportunistic acquisition of one standing let investment at Basingstoke for £4.5 million and commenced work on the Group's second development at South Kilburn, London for £3.3 million
- Portfolio in Ireland comprises 21 assets, valued at £244 million (€288 million) (31 December 2023: £245 million / €282 million). The portfolio in Ireland represents 9% (31 December 2023: 9%) of the total portfolio and Ireland continues to represent a core part of the Group's strategy and preferred area of future growth

FINANCIAL MANAGEMENT

- Significant liquidity headroom with cash and collateralised undrawn loan facilities totaling £307.8 million (31 December 2023: £321.2 million) after capital commitments providing the business with both the flexibility to execute its strategy and address any refinancing falling due in 2025
- Agreed terms or in advanced discussions to refinance and extend £320 million of revolving credit facilities mitigating the refinancing risk of debt maturities falling due in 2025
- 96% (31 December 2023: 97%) of net debt fixed or hedged for a weighted average period of six years
- LTV ratio 48.0% (31 December 2023: 47.0%) within the Group's targeted range of between 40% to 50%
- Weighted average debt maturity 6.0 years (31 December 2023: 6.6 years)

RELATIVE TOTAL RETURNS

	Six months ended 30 June 2024	Six months ended 30 June 2023	Year ended 31 December 2023
Adjusted NTA return	**0.4%**	1.6%	1.9%
Income return	**2.8%**	2.7%	5.3%
Capital return	**(1.4%)**	(0.4%)	(1.8%)
Total property return[1]	**1.4%**	2.3%	3.5%

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

RESPONSIBLE BUSINESS AND ESG

- Continued progress made on Net Zero Carbon ("NZC") Framework 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
- Completed PHP's first NZC asset management project at Long Stratton, Norfolk
- Ongoing construction of PHP's first NZC development in West Sussex expected to achieve practical completion in Q4 2024 and commenced fit-out works on PHP's second NZC development at South Kilburn, London due to achieve practical completion in Q2 2025
- Continued improvement in the portfolio's EPC rating with 46% and 86% (31 December 2023: 42% and 85%) rated A-B and A-C respectively driven by the asset management programme

Presentation and webcast:

An in-person presentation for analysts will be held today, 24 July 2024 at 10.00am (11.00am SAST) at the offices of Burson Buchanan, 107 Cheapside, London EC2V 6DN and for those who cannot attend in person, the meeting will be accessible via live video webcast and conference call facility. Following the presentation there will be a managed questions and answers session.

The presentation will be accessible via live video webcast and live conference call facility:

Webcast: **https://stream.brrmedia.co.uk/broadcast/6656fff0173fd460b8116b1e**

Telephone UK: +44 (0) 33 0551 0200

Telephone South Africa: toll free 0800 980 512

Password (if prompted): Quote **"PHP half year results"** when prompted by the operator.

If you would like to register your interest in attending the meeting please contact Burson Buchanan via php@buchanan.uk.com. A recording of the webcast will be made available from c.12.00pm (1.00pm SAST) on the PHP website, https://www.phpgroup.co.uk/

For further information contact:

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EXECUTIVE REVIEW

PHP has continued to deliver on its 28-year track record of continuous dividend growth underpinned by another period of robust operational and financial performance in the first half of 2024. The performance in the period is a testament to the quality of PHP's business model, portfolio, management team and people against the backdrop of an uncertain interest rate environment which continues to weigh heavily on the real estate sector.

The Group's 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. We have maintained our strong operational property metrics, with high occupancy at 99.2% (31 December 2023: 99.3%), 89% (31 December 2023: 89%) of our rent being securely funded directly or indirectly by the UK and Irish Governments and a long weighted average unexpired lease term ("WAULT") of 9.8 years (31 December 2023: 10.2 years).

The value of the property portfolio remains broadly unchanged and currently stands at just under £2.8 billion (31 December 2023: £2.8 billion) across 516 assets (31 December 2023: 514 assets), including 21 assets in Ireland, with a rent roll of £152.6 million (31 December 2023: £150.8 million). Notwithstanding the fall in values in the period the portfolio's average lot size is £5.3 million (31 December 2023: £5.4 million).

We continue to focus on driving rental growth from both rent reviews and asset management activities which is a critical factor in the Group's business model and underpins both the earnings and dividend outlook. Importantly, we have continued to see open market value ("OMV") growth improving with reviews completed in the six months ended 30 June 2024 generating an extra £0.6 million (six months ended 30 June 2023: £0.7 million) an uplift of 6.5% (2023: 5.4%) over the previous passing rent equivalent to 2.1% (2023: 1.8%) on an annualised basis. This continues the positive trend in growth seen over the last couple of years. The improving rental growth outlook has also been reflected in the valuation of the portfolio with the independent valuers' assessment of estimated rental values ("ERV") increasing by 1.7% in the six months ended 30 June 2024 (six months ended 30 June 2023: 1.4%; year ended 31 December 2023: 2.5%).

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 and we are starting to see positive movement in some locations where the NHS need for investments in new buildings is strongest. We have recently commenced work on PHP's second development at South Kilburn, London which is an example of an Integrated Care Board ("ICB") and local authority stepping in with a capital contribution where the District Valuer's ("DV") proposals have prevented much needed schemes from progressing. This, along with the use of "top-up" rents and capital contributions, is starting to allow certain schemes to progress viably and we anticipate this will continue to accelerate.

We welcome the new Labour Government's commitment to the NHS together with its manifesto pledge to reform primary care along with a continuation of the shift of services out of hospitals and into the community and more information can be found in the statement below. Primary care will face challenges in meeting the new objectives set, with the capacity of existing facilities creating a significant obstacle to implementing the new government's policies aimed at expanding service delivery within general practice. Many of our primary care facilities and occupiers will need to deal with future reforms along with addressing the large backlog of procedures that has built up over recent years. 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, evolve and deal with the ever-increasing pressures being placed on them.

Overview of results

PHP's Adjusted earnings increased by £0.4 million or 0.9% to £46.3 million (30 June 2023: £45.9 million) in the six months to 30 June 2024, driven by organic rental growth from rent reviews and asset management projects, plus increased profit generated by PHP Axis, our Irish property management business, partially offset by higher interest costs on the Group's increased variable rate debt. Using the weighted average number of shares in issue in the period the Adjusted earnings per share increased by 2.9% at 3.5 pence (30 June 2023: 3.4 pence).

A revaluation deficit of £40.0 million (30 June 2023: deficit £11.9 million) was generated in the period from the portfolio, equivalent to -3.0 pence per share. The valuation deficit was driven by net initial yield ("NIY") widening of 13 bps in the period, equivalent to a valuation reduction of around £73 million, albeit this was partially offset by gains equivalent to £33 million arising from rental growth and asset management projects.

A combined loss of £1.8 million (30 June 2023: gain of £4.8 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 and the amortisation of the intangible asset arising on the acquisition of PHP Axis in 2023 resulted in a profit before tax as reported under IFRS of £4.5 million (30 June 2023: £38.8 million).

The Group's balance sheet remains robust with significant liquidity headroom with cash and collateralised undrawn loan facilities, after capital commitments, totalling £307.8 million (31 December 2023: £321.2 million). The loan to value ratio of 48.0% (31 December 2023: 47.0%) is in line with the targeted range of between 40% and 50% with significant valuation headroom across the various loan facilities with values needing to fall by around £1.0 billion or 38% before the loan to value covenants are impacted.

Dividends

The Company distributed a total of 3.45 pence per share in the six months to 30 June 2024, equivalent to 6.9 pence on an annualised basis, which represents an increase of 3.0% over the dividend per share distributed in 2023 of 6.7 pence. This will mark the 28th year of consecutive dividend growth for PHP.

A third quarterly interim dividend of 1.725 pence per share was declared on 27 June 2024. The dividend will be paid on 16 August 2024 to shareholders who were on the register at the close of business on 5 July 2024. The dividend will comprise a Property Income Distribution of 1.45 pence per share and a normal dividend of 0.275 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 2024, 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 2.9% to £46.1 million (30 June 2023: £44.8 million), which were fully covered by Adjusted earnings. As previously reported, we suspended the scrip dividend scheme in light of the ongoing weakness in the share price and a dividend re-investment plan is being offered in its place.

Total shareholder returns

The Company's share price started the year at 103.8 pence per share and closed on 30 June 2024 at 91.75 pence, a decrease of 11.6%. Including dividends, those shareholders who held the Company's shares throughout the period achieved a Total Shareholder Return of -8.3% (30 June 2023: -10.8%).

Board changes

As previously reported, Mark Davies took over from Harry Hyman as Chief Executive Officer ("CEO") with effect from the conclusion of the 2024 Annual General Meeting ("AGM") on 24 April 2024. At the same time, Steven Owen retired from the Board as Non-executive Chairman and Harry was appointed as Non-executive Chair.

The Board believes that Harry's appointment as Chair is in the best interests of the Group and its stakeholders, particularly as Harry's knowledge and expertise gained over nearly 30 years in the primary care property sector, which is a niche sub-sector of the real estate market, will continue to be invaluable and highly relevant to the Group's future success. Harry founded PHP in 1996 and has served on the Board as Managing Director/CEO since that time until he stood down as CEO with effect from the end of the AGM. His track record in the listed real estate sector is outstanding and he has been the key driver in PHP's success since its inception.

Following Harry's appointment as Non-executive Chair and in order to ensure that the Board consists of a majority of independent Non-executive Directors and is therefore compliant with the UK Corporate Governance Code 2024, Dr Bandhana (Bina) Rawal was appointed as a fourth independent Non-executive director of the Company with effect from 27 February 2024 and the Board has increased in size from six to seven. Dr Rawal brings a wealth of experience from senior executive and non-executive roles across healthcare, including in strategy, partnerships, governance and risk management.

The Board is grateful to Steven for his commitment and dedication to the Company since his appointment as a Non-executive director in 2014 and for subsequently Chairing the Company from 2018 to 2024, a period of transformational growth and change particularly following the merger with MedicX, the process of internalising the management function and establishing PHP as a key member of the FTSE 250 Index.

Secondary Listing

On the 24 October 2023 the Company completed a secondary listing of PHP shares on the Johannesburg Stock Exchange ("JSE"). The Board of PHP believes that the secondary listing will contribute to liquidity in the Group's shares as a result of the growing interest in the Company and its increased profile in the South African market, where a number of investors have shown strong interest in the unique healthcare property investment opportunity. Since listing on the JSE approximately six million shares, across 225 shareholders, have been transferred to date and we continue to help potential South African investors acquire PHP shares and provide further liquidity on the JSE with the objective of increasing the number of shares listed there to between 5% to 10% of the Group's total issued share capital.

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"). PHP published, at the start of 2022, a NZC Framework setting out 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.

We continue to make good progress on the delivery of our NZC framework commitments and achieved our first milestone of net zero operations in both 2022 and 2023 one year ahead of target. Additionally, the Group's first NZC development at Croft, West Sussex is due to achieve practical completion later in Q4 2024 and we have recently commenced work on a second NZC development at South Kilburn, London.

We continue to modernise existing buildings and improve the environmental credentials of our portfolio through the asset management programme and have completed two projects in the period all of which saw an improvement in the EPC ratings to a B. In the period, we also completed PHP's first net zero asset management project at Long Stratton, Norfolk where oil fired heating was replaced with air sourced heating, solar PV was installed and the residual carbon incurred was offset. A further seven projects are currently on site or committed with an advanced pipeline of additional schemes where we continue to evaluate options for energy efficiency, renewables and net zero asset management projects.

As at 30 June 2024, 46% of assets have an EPC rating of A or B (31 December 2023: 42%) and 86% at A to C (31 December 2023: 85%).

As part of establishing the wider carbon impact of the buildings and improve our access to energy performance data we have partnered with arbnco, the award-winning PropTech company addressing climate change, to increase and move towards 100% energy data coverage across the portfolio allowing us to proactively engage with and support tenants on improving their energy performance.

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 where we are invested.

Further details on our progress in the year, objectives for the future and approach to responsible business can be found in the 2023 Annual Report and on our website.

Market update and outlook

We welcome the new Labour Government's continued commitment to the NHS and its manifesto pledge to reform primary care along with three key proposals for change, in particular:

- Change so that more people can get care at home in their community;
- Changes so that the NHS has the workforce of the future, with the technology they need; and
- Changes so the focus is on prevention to reduce pressures on the NHS

Labour's policy includes a continuation of the shift of services out of hospitals and into the community with healthcare close to home and there for individuals when they need it. As part of this commitment Labour acknowledge there needs to be a reform of primary care with patients needing new and more varied opportunities to access healthcare unlocking earlier diagnosis of progressive health conditions. Amongst the proposals for primary care are:

- Improve GP access;
- Bring back the family doctor;
- Join up community health and social care services;
- Open new referral routes;
- Further expand the role of community pharmacy;
- Free-up GP appointments by boosting mental health support; and
- Create a Neighbourhood NHS Workforce

Primary care will continue to face challenges in meeting the above objectives. The growing demand for healthcare services alongside the capacity constraints of existing facilities represent a significant obstacle to implementing the new government's policies aimed at expanding service delivery within general practice and local communities. The need for additional space is compounded by a population that is growing, ageing and suffering from increased chronic illnesses, which is placing a greater burden on healthcare systems in both the UK and Ireland. The extent of the NHS backlog also remains a significant concern, with the number of patients waiting for treatment reaching record highs and hospitals struggling to meet objectives. All these factors make more urgent the need for improved and increased primary healthcare infrastructure with approximately one-third of the UK's current primary care estate in need of modernisation or replacement.

PHP stands ready to support the new Labour Government's ambition of building an NHS fit for the future but 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 have been compounded by Brexit, the COVID-19 pandemic and the volatile fiscal policy outlook.

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 health and investment market update

The commercial property market continues to be impacted by economic turbulence and the uncertainty of interest rates continues to weigh on the real estate sector. This is severely impacting liquidity across the wider real estate market especially those sub-sectors impacted by changing behaviours such as offices and retail. Conversely, structurally supported sectors such as healthcare and distribution where income security and rental growth are more assured are starting to see pricing stabilise.

We believe healthcare and in particular primary care real estate, remains a structurally supported sector and benefits from the demographic tailwinds of a population that is growing, ageing and suffering from increased chronic illnesses, which is placing a greater burden on healthcare systems in both the UK and Ireland which in turn compounds the need for both fit-for-purpose and additional space. However, 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, ICB and DV for higher rent settlements. Despite these negotiations typically becoming protracted, we are starting to see positive movement in some locations where the health system's need for investment in new buildings is strongest such as our recent development at South Kilburn, London.

Primary care asset values have continued to perform well relative to mainstream commercial property due to recognition of the security of their government backed income, crucial role in providing sustainable healthcare infrastructure and more importantly a stronger rental growth outlook enabling attractive reversion over the course of long leases.

The continued lack of recent transactions in the year has resulted in valuers continuing to place reliance primarily on sentiment to arrive at fair values. Yields adopted by the Group's valuers have moved out by 13bps to 5.18% as at 30 June 2024 (31 December 2023: 5.05%) to reflect perceived market sentiment for the sector. We believe further significant reductions in primary care values are likely to be limited with a stronger rental growth outlook offsetting the impact of any further yield expansion.

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 over the last couple of years. We believe the dynamics of inflation in recent years, including significantly increased build costs combined with demand for new primary care facilities and the need to modernise the estate will continue to drive future rental settlements.

We are currently on site with just two developments with costs to complete of £3.3 million and consequently have very limited exposure to higher construction cost pressures and supply chain delays. In our immediate pipeline we have one development and 23 asset management projects with a total expected cost of £15.3 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.

With an improving rental growth outlook, a strong control on costs resulting in one of the lowest EPRA cost ratios in the sector and the vast majority of the Group's debt either fixed or hedged for a weighted average period of six years we are well positioned for the future. These factors, along with the encouraging Labour Government commitments to increased investment in primary and community care, enable us to look forward to the rest of 2024 with confidence.

Harry Hyman
Chair
23 July 2024

Mark Davies
Chief Executive Officer

BUSINESS REVIEW

Rental growth

PHP's sector-leading metrics remain robust 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 their communities' healthcare needs and improve their ESG credentials.

In the first half of 2024 we have continued to see strong organic rental growth from our existing portfolio with income increasing by £1.8 million or 1.2% (six months ended 30 June 2023: £2.2 million or 1.5%; years ended 31 December 2023 and 2022: £4.3 million or 3.0% and £3.3 million or 2.4% respectively) 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 primarily in the periods prior to 2022, 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 1.7% in the six months ended 30 June 2024 (six months ended 30 June 2023: 1.4%; years ended 31 December 2023 and 2022: 2.5% and 2.2% respectively).

Rent review performance

The Group completed 165 (six months ended 30 June 2023: 172; year ended 31 December 2023: 331) rent reviews with a combined rental value of £20.1 million (six months ended 30 June 2023: £22.4 million; year ended 31 December 2023: £42.4 million), adding £1.6 million and delivering an average uplift of 7.8% against the previous passing rent (six months ended 30 June 2023: £2.2 million / 9.9%; year ended 31 December 2023: £3.6 million / 8.5%).

68% 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 (27%) or fixed uplift (5%) 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 6% to 12% over a three-year review cycle.

In Ireland, we concluded seven (six months ended 30 June 2023: 13; year ended 31 December 2023: 18) index-based reviews, adding a further £0.1 million / €0.1 million (six months ended 30 June 2023: £0.3 million / €0.3 million; year ended 31 December 2023: £0.4 million / €0.4 million), an uplift of 14.4% (year ended 31 December 2023: 15.2%) against the previous passing rent. In Ireland, all reviews are linked to the Irish Consumer Price Index, upwards and downwards, with reviews typically every five years. Leases to the HSE and other government bodies, which comprise 79% of the income in Ireland, have increases and decreases capped and collared at 25% over a five-year review cycle.

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]	74	9.6	0.6	6.5	2.1
UK – indexed	78	7.1	0.7	9.8	4.8
UK – fixed	6	2.7	0.2	5.5	2.8
UK – total	158	19.4	1.5	7.6	3.2
Ireland – indexed	7	0.7	0.1	14.4	4.6
Total – all reviews	165	20.1	1.6	7.8	3.2

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

At 30 June 2024 589 (31 December 2023: 585) open market rent reviews representing £86.7 million (31 December 2023: £84.9 million) of passing rent, were outstanding out of which 302 (31 December 2023: 334) have been triggered to date and are expected to add another £2.1 million (31 December 2023: £2.2 million) to the contracted rent roll when concluded and represent an uplift of 4.8% (31 December 2023: 4.5%) against the previous passing rent. The balance of the outstanding reviews will be actioned when there is further comparative evidence to support the estimated rental values.

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. NHS initiatives to modernise the primary care estate will result in previously agreed rental values having to be renegotiated to make a number of these projects viable in the current economic environment.

Asset Management Projects

In the UK, we exchanged on three new asset management projects, seven lease re-gears and three lettings during the six months ended 30 June 2024. These initiatives will increase rental income by £0.2 million investing £4.3 million and extending the leases back to 18 years.

In the period, £0.3 million of income was lost to voids following the insolvency of Lloyds pharmacy at three units in the UK and the surrender of two pharmacy leases in Ireland where the space is to be relet to the HSE in the future as part of an asset management initiative.

PHP continues to work closely with its occupiers and has a strong pipeline of 23 similar asset management projects which are currently in legal due diligence and are being progressed to further increase rental income and extend unexpired occupational lease terms. The immediate asset management pipeline will require the investment of approximately £15.3 million, generating an additional £0.7 million of rental income and extending the WAULT on those premises back to an average of 19 years. Additionally, we continue to progress an advanced pipeline of further asset management initiatives across 18 projects.

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.

Robust portfolio metrics

The portfolio's annualised contracted rent roll at 30 June 2024 was £152.6 million (31 December 2023: £150.8 million), an increase of £1.8 million or +1.2% in the period driven by organic growth from rent reviews and asset management projects of £1.8 million (six months ended 30 June 2023 £2.2 million). The acquisition of Basingstoke and the development at South Kilburn, London added a further £0.5 million of income although these gains were offset by the loss of income arising from foreign exchange movements of £0.2 million on our portfolio in Ireland and UK lease surrenders and voids of £0.3 million.

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 2023: 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 99.2% (31 December 2023: 99.3%).

Rental collections: These continue to remain robust and as at 23 July 2023 93% had been collected in both the UK and Ireland for the first three quarters of 2024. This is in line with collection rates experienced in both 2023 and 2022 which now stand at over 99% for both countries. The balance of rent due for the third quarter of 2024 is expected to be received shortly.

Longevity: The portfolio's WAULT at 30 June 2024 was 9.8 years (31 December 2023: 10.2 years). £19.8 million or 13.0% of our income is currently holding over expires over the next three years of which c. 70% have agreed terms or are in advanced discussions to renew their lease. £62.7 million or 41.0% expires in over 10 years. The table below sets out the current lease expiry profile of our income:

Income subject to expiry	£m	%
Holding over	6.6	4.3%
< 3 years	13.2	8.7%
4 – 5 years	18.7	12.3%
5 – 10 years	51.4	33.7%
10 – 15 years	29.5	19.3%
15 – 20 years	21.5	14.1%
> 20 years	11.7	7.6%
Total	152.6	100.0%

Investment and pipeline

In the first half of 2024, the Group selectively completed the opportunistic acquisition of one primary health centre at Basingstoke for a total consideration of £4.5 million. The property is fully let to a GP practice, pharmacy and dentist and benefits from a long WAULT of 17 years and three-yearly open market value rent reviews.

We continue to monitor a number of potential standing investments, direct and forward funded developments and asset management projects with an advanced pipeline across a number of opportunities in both the UK and Ireland but will only be progressed if accretive to earnings.

The immediate pipeline of opportunities in legal due diligence continues to be focused predominantly on PHP's existing portfolio through asset management projects.

Pipeline	In legal due diligence		Advanced pipeline	
	Number	Cost	Number	Cost
UK – asset management	23	£15.3m	18	£16.9m
Ireland – asset management	-	-	1	0 (€0m)
UK – direct development	-	-	1	£4.1m
Ireland – forward funded development	-	-	2	£42.4m (€50.0m)
Total pipeline	23	£15.3m	22	£63.4m

Developments

At 30 June 2024, the Group had limited development exposure with two projects on site and £3.3 million of expenditure required to complete them.

- Croft Primary Care Centre, West Sussex, being built to NZC standards and due to complete later in Q4 2024 with £1.4 million of expenditure required to complete the project
- In July 2024 the Group also commenced work on a second development scheme at South Kilburn, London where we have worked with both the local council and ICB, each contributing £0.5 million, to make the scheme economically viable. The scheme comprises the fit-out of a shell unit, being constructed to NZC standards, for a total cost of £3.3 million net of the £1.0 million capital contribution which equates to a 26% uplift in the rent originally set by the DV. The scheme is expected to achieve practical completion in Q2 2025 with £1.9 million of expenditure remaining.

The Group has currently paused any further direct development activity whilst negotiations with the NHS, ICBs and DVs continue in order to increase rental levels to make schemes economically viable with rental values needing to increase by around 20%-30%. Without these necessary increases in rent primary care development will remain paralysed in the UK.

We currently do not have any forward funded developments on-site in Ireland although continue to progress a near-term pipeline with an estimated gross development value of approximately €50m.

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

Valuation and returns

As at 30 June 2024, the Group's portfolio comprised 516 (31 December 2023: 514) assets independently valued at £2.750 billion (31 December 2023: £2.779 billion). After allowing for acquisition costs and capital expenditure on developments and asset management projects, the portfolio generated a valuation deficit of £40.0 million or -1.4% (Six months ended 30 June 2023: deficit of £11.9 million or -0.4%).

The valuation deficit of £40.0 million in the period was driven primarily by a loss arising from yield expansion of approximately £73 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 13 bps to 5.18% (31 December 2023: 5.05%) and the reversionary yield increased to 5.5% at 30 June 2024 (31 December 2023: 5.4%).

At 30 June 2024, the portfolio in Ireland comprised 21 standing and fully let properties with no developments currently on site, valued at £244.4 million or €288.5 million (31 December 2023: 21 assets/£244.6 million or €282.2 million). The portfolio in Ireland has been valued at a NIY of 5.3% (31 December 2023: 5.4%).

The portfolio's average lot size fell slightly to £5.3 million (31 December 2023: £5.4 million), reflecting the fall in values in the period, however 87% (31 December 2023: 87%) of the portfolio continues to be 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	883.0	32	15.2
£5m – £10m	127	856.6	31	6.7
£3m – £5m	165	652.2	24	4.0
£1m – £3m	161	350.0	13	2.2
< £1m (including land £1.3m)	5	4.7	0	0.7
Total[1]	516	2,746.5	100	5.3

[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 +1.4% for the period (six months ended 30 June 2023: +2.3%). The total property return in the period compares with the MSCI UK Monthly Property Index of +2.2% for the first six months of 2024 (six months ended 30 June 2023: +1.1%, year ended 31 December 2023: -0.5%).

	Six months ended 30 June 2024	Six months ended 30 June 2023	Year ended 31 December 2023
Income return	**2.8%**	2.7%	5.3%
Capital return	**(1.4%)**	(0.4%)	(1.8%)
Total return	**1.4%**	2.3%	3.5%

FINANCIAL REVIEW

PHP's Adjusted earnings increased by £0.4 million or 0.9% to £46.3 million in the six months to 30 June 2024 (30 June 2023: £45.9 million). The increase in the period reflects the improving organic rental growth from rent reviews and asset management projects in both 2023 and the first half of 2024, along with increased earnings from PHP Axis's activities in Ireland and a small reduction in PHP's administrative expenses partially offset by increased 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 increased by 2.9% to 3.5 pence (30 June 2023: 3.4 pence).

The financial results for the Group are summarised as follows:

	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Net rental income	**76.2**	75.5	149.3
PHP Axis contribution net of overheads	**0.7**	0.5	1.1
Administrative expenses[1]	**(5.9)**	(6.1)	(11.6)
Operating profit before revaluation and net financing costs	**71.0**	69.9	138.8
Net financing costs	**(24.7)**	(24.0)	(48.1)
Adjusted earnings	**46.3**	45.9	90.7
Revaluation deficit on property portfolio	**(40.0)**	(11.9)	(53.0)
Fair value gain on interest rate derivatives and convertible bond	**(2.8)**	3.9	(13.2)
Amortisation of MedicX debt MtM at acquisition	**1.5**	1.5	3.0
PHP Axis amortisation of intangible asset	**(0.5)**	(0.4)	(0.9)
PHP Axis acquisition and JSE listing costs	**-**	(0.2)	(0.5)
IFRS profit before tax	**4.5**	38.8	26.1
Corporation tax	**(0.1)**	-	(0.1)
Deferred tax provision	**(0.8)**	0.7	1.3
IFRS profit after tax	**3.6**	39.5	27.3

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

Adjusted earnings increased by £0.4 million or 0.9% in the six months to June 2023 to £46.3 million (30 June 2023: £45.9 million) and the movement can be summarised as follows:

	£m
Six months ended 30 June 2023	45.9
Net rental income	0.7
PHP Axis contribution	0.2
Administrative expenses	0.2
Net financing costs	(0.7)
Six months ended 30 June 2024	**46.3**

Net rental income received in the six months to 30 June 2024 increased by 0.9% or £0.7 million to £76.2 million (30 June 2023: £75.5 million) reflecting £1.0 million of additional income from completed rent reviews and asset management projects and £0.5m of rent arising from the acquisition of Ballincollig in Ireland in December 2023 offset by a £0.8 million increase in non-recoverable property costs which relates primarily to the write-off of development work in progress for a scheme at Colliers Wood, Merton of £0.5 million which is no longer progressing.

Administration expenses continue to be tightly controlled and the Group's EPRA cost ratio remains one of the lowest in the sector at 10.0% (30 June 2023: 10.1%) excluding PHP Axis and direct vacancy costs. The £0.2 million reduction in administration costs in the period is due primarily to the benefit of a voluntary redundancy programme completed in 2023 net of the additional staff costs arising from annual pay increases. Post period end, we have put measures in place to reduce administrative expenses by a further £1.0 million, primarily relating to reductions in staff headcount, and the benefit of these savings will begin in 2025.

EPRA cost ratio	**Six months ended 30 June 2024 £m**	Six months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Gross rent less ground rent and service charge income	**80.0**	78.2	155.8
Direct property expense	**8.7**	7.9	18.2
Less: service charge and recoverable costs	**(5.9)**	(5.7)	(13.3)
Non-recoverable property costs	**2.8**	2.2	4.9
Administrative expenses including PHP Axis	**6.3**	6.1	11.6
Less: ground rent	**(0.1)**	(0.1)	(0.2)
Less: other operating income	**(0.3)**	(0.3)	(0.5)
EPRA costs (including direct vacancy costs)	**8.7**	7.9	16.6
EPRA cost ratio	**10.9%**	10.1%	10.7%
EPRA cost ratio excluding PHP Axis overheads and direct vacancy costs	**10.0%**	9.7%	10.1%
Total expense ratio - administrative expenses as a percentage of gross asset value (annualised)	**0.3%**	0.4%	0.4%

Net finance costs in the period increased by £0.7 million to £24.7 million (30 June 2023: £24.0 million) because of a £11.8 million increase in the Group's net debt since June 2023, 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 H1 2023, now income producing and accounted for as rent.

Shareholder value

The Adjusted Net Tangible Assets (NTA), per share decreased by 3.0 pence or 2.8% to 105.0 pence (31 December 2023: 108.0 pence per share) during the period with the revaluation deficit of £40.0 million being the reason for the decrease.

The adjusted NTA return per share, including dividends distributed, in the six months ended 30 June 2024 was 0.5 pence or -0.4% (30 June 2023: 1.9 pence or 1.6%).

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 2024 pence per share**	30 June 2023 pence per share	31 December 2023 pence per share
Opening Adjusted NTA per share	**108.0**	112.6	112.6
Adjusted earnings for the period	**3.5**	3.4	6.8
Dividends paid	**(3.5)**	(3.4)	(6.7)
Revaluation of property portfolio and profit on sales	**(3.0)**	(0.9)	(4.0)
PHP Axis acquisition costs	**-**	(0.5)	(0.5)
Foreign exchange and other movements	**-**	(0.1)	(0.2)
Closing Adjusted NTA per share	**105.0**	111.1	108.0
Fixed rate debt and swap mark-to-market value	**9.4**	12.6	8.2
Convertible bond fair value adjustment	**0.2**	0.4	(0.4)
Deferred tax	**(0.3)**	0.1	0.1
Intangible assets	**0.4**	0.5	0.5
Closing EPRA NDV per share	**114.7**	124.7	116.4

Financing

In the period, the Group has addressed the refinancing risk of the debt maturities falling due in 2025 by agreeing terms or is in advanced discussions to extend and increase the amount of three revolving credit facilities with Barclays, Lloyds and Santander totaling £320 million. The new facilities provide the Group with sufficient headroom to repay both the £150 million convertible bond and £70 million variable rate bonds at or ahead of maturity in 2025. Once the new facilities have been completed in the second half of the year the next significant refinancings fall due in 2027.

The Group's balance sheet and financing position remains strong with cash and committed undrawn facilities totalling £307.8 million (31 December 2023: £321.2 million) after contracted capital commitments of £10.3 million (31 December 2023: £14.6 million).

At 30 June 2024, total available loan facilities were £1,636.6 million (31 December 2023: £1,642.5 million) of which £1,322.6 million (31 December 2023: £1,309.9 million) had been drawn. Cash balances of £4.1 million (31 December 2023: £3.2 million) resulted in Group net debt of £1,318.5 million (31 December 2023: £1,306.7 million). Contracted capital commitments at the balance sheet date totalled £10.3 million (31 December 2023: £14.6 million) and comprise asset management projects of £7.0 million and development expenditure across two schemes of £3.3 million.

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

Debt metrics	**30 June 2024**	31 December 2023
Average cost of debt – drawn	**3.3%**	3.3%
Average cost of debt – fully drawn	**4.1%**	4.1%
Loan to value	**48.0%**	47.0%
Loan to value – excluding convertible bond	**42.5%**	41.6%
Total net debt fixed or hedged	**95.7%**	97.2%
Net rental income to net interest cover	**3.1 times**	3.1 times
Net debt / EBITDA (annualised)	**9.3 times**	9.4 times
Weighted average debt maturity – drawn facilities	**6.0 years**	6.6 years
Weighted average debt maturity – all facilities	**5.2 years**	5.7 years
Total drawn secured debt	**£1,172.6m**	£1,159.9m
Total drawn unsecured debt	**£150.0m**	£150.0m
Total undrawn facilities and cash available to the Group[1]	**£307.8m**	£321.2m
Unfettered assets	**£46.6m**	£37.0m

[1] Pro-forma after deducting capital commitments.

Average cost of debt

The Group's average cost of debt has remained unchanged at 3.3% (31 December 2023: 3.3%) reflecting the protection from the proportion of the Group's net debt that is either fixed or hedged at 95.7% (31 December 2023: 97.2%).

Assuming the refinancings noted above were refinanced then the Group's average cost of debt is expected to increase by around 20 bps to 3.5% in 2025.

Interest rate exposure

The analysis of the Group's exposure to interest rate risk in its debt portfolio as at 30 June 2024 is as follows:

	Facilities		Drawn	
	£ million	%	£ million	%
Fixed rate debt	1,111.6	67.9	1,111.6	84.3
Hedged by fixed rate interest rate swaps	100.0	6.1	100.0	7.6
Hedged by fixed to floating rate interest rate swaps	(200.0)	(12.2)	(200.0)	(15.2)
Total fixed rate debt	1,011.6	61.8	1,011.6	76.7
Hedged by interest rate caps	250.8	15.3	250.8	19.0
Floating rate debt – unhedged	374.2	22.9	56.1	4.3
Total	**1,636.6**	**100.0**	**1,318.5**	**100.0**

Interest rate derivative contracts

During the period the Group did not enter into any new fixed rate debt or hedging arrangements.

Accounting standards require PHP to mark its interest rate derivatives to market at each balance sheet date. During the six months to 30 June 2024 there was a decrease of £2.0 million (30 June 2023: increase of £2.1 million) on the fair value movement of the Group's interest rate derivatives due primarily due to effluxion of time along with increases in interest rates assumed in the forward yield curves used to value the interest rate swaps. The net mark-to-market ("MtM") asset value of the interest rate derivatives is £2.7 million (31 December 2023: asset £4.7 million).

Currency exposure

The Group owns €288.4 million or £244.4 million (31 December 2023: €282.2 million / £244.6 million) of Euro denominated assets in Ireland as at 30 June 2024 and the value of these assets and rental income represented 9% (31 December 2023: 9%) 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 2024, the Group had €278.0 million (31 December 2023: €281.0 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 has a nil-cost FX collar hedge (between €1.1675 and €1.1022: £1) maturing in July 2024 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. The Group expects to renew these hedging arrangements in Q3 2024.

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

The MtM of the Group's fixed rate debt as at 30 June 2024 was an asset of £125.1 million (31 December 2023: asset £106.2 million) equivalent to 9.4 pence per share (31 December 2023: asset of 7.9 pence per share). The movement in the period is due primarily to movements in interest rates assumed in the forward yield curves used to value the debt along with the effluxion of time. The MtM valuation is sensitive to movements in interest rates assumed in forward yield curves.

Convertible bonds

The Group currently has an unsecured convertible bond with a nominal value of £150 million and a fixed coupon of 2.875% per annum that matures in July 2025. The convertible bond has a current exchange price of 127.82 pence per Ordinary Share and based on the share price of 93.5 pence, as at 23 July 2024, conversion of the existing bond into new Ordinary Shares is not expected to happen. Consequently, the Group continues to consider options to refinance the existing bond including repayment at maturity from the Group's existing undrawn loan facilities totalling £307.8 million.

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 2023 Annual Report.

Related party transactions

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

Mark Davies	**Richard Howell**
Chief Executive Officer	**Chief Financial Officer**

23 July 2024

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 (£3.3m) 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 2024 Interim Results Announcement, and that the principal risks presented in the 2023 Annual Report remain relevant for this period.

Monitoring of identified and emerging risks

The Board has continued to undertake a robust assessment of identified, emerging and increasing risks and their potential impact on the Group. The way we have addressed the challenges of the last few years has demonstrated the resilience of the Group's business model and our robust risk management approach to protect our business through periods of uncertainty and adapt to a rapidly changing environment.

Since the release of our 2023 full-year results, global economic uncertainty has continued to persist and remains volatile and uncertain. Within the UK, one of the main challenge facing the economy has been continued elevated interest rates which have remained at levels higher than expected at the start of the year notwithstanding inflation in the UK having fallen to levels broadly in line with the long-term target rate of 2% per annum. The ongoing adverse impact of higher interest rates 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%/£275 million fall in the December 2024 valuation.
- We have applied a 15% tenant default rate.
- Rental growth rate assumptions have been amended to see no further uplifts on open market reviews.
- Variable rate interest rates rise by an immediate 2% effective from 1 July 2024, 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 2024 level, 6.9 pence per share.

Several specific assumptions have been made that overlay the financial parameters used in the Group's models. We have assumed the £150m convertible, that matures in July 2025, will be repaid at expiry from existing headroom within the Group's revolving credit facilities given the current depressed share price is currently restricting the Group's ability to refinance the convertible bond on sensible commercial terms.

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 2024 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 2024 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 are 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 company 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

23 July 2024

Condensed Group Statement of Comprehensive Income
For the six months ended 30 June 2024

	Notes	**Six months ended 30 June 2024 £m (unaudited)**	Six months ended 30 June 2023 £m (unaudited)	Year ended 31 December 2023 £m (audited)
Rental and related income	2	**91.9**	83.9	169.8
Direct property expenses		**(14.6)**	(7.9)	(18.8)
Net rental and related income		**77.3**	76.0	151.0
Administrative expenses		**(6.3)**	(6.1)	(12.3)
Amortisation of intangible assets		**(0.5)**	(0.4)	(0.9)
Axis acquisition costs and JSE listing fees		**-**	(0.2)	(0.5)
Total administrative expenses	3	**(6.8)**	(6.7)	(13.7)
Revaluation (deficit)/ gain on property portfolio	9	**(40.0)**	(11.9)	(53.0)
Profit on sale of land and properties		**-**	-	-
Total revaluation (deficit)/ gain		**(40.0)**	(11.9)	(53.0)
Operating profit	3	**30.5**	57.4	84.3
Finance income	4	**-**	-	0.2
Finance costs	5	**(23.2)**	(22.5)	(45.2)
Fair value loss on derivative interest rate swaps and amortisation of cash flow hedging reserve	5	**(3.3)**	(1.7)	(8.4)
Fair value gain/(loss) on convertible bond	5	**0.5**	5.6	(4.8)
Profit before taxation		**4.5**	38.8	26.1
Taxation (charge)/credit	6	**(0.9)**	0.7	1.2
Profit after taxation for the period/year[1]		**3.6**	39.5	27.3
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		**1.3**	1.9	4.1
Exchange gain /(loss) on translation of foreign balances		**0.1**	(0.1)	(0.3)
Other comprehensive income for the period net of tax[1]		**1.4**	1.8	3.8
Total comprehensive income for the period net of tax[1]		**5.0**	41.3	31.1
IFRS earnings per share				
Basic	7	0.3p	3.0p	2.0p
Diluted	7	0.3p	2.5p	2.0p
Adjusted earnings per share[2]				
Basic	7	3.5p	3.4p	6.8p
Diluted	7	3.3p	3.3p	6.6p

[1] Wholly attributable to equity shareholders of Primary Health Properties PLC
[2] See Glossary of Terms on pages 53 to 55.

The above relates wholly to continuing operations.

Condensed Group Balance Sheet
As at 30 June 2024

	Notes	30 June 2024 £m (unaudited)	30 June 2023 £m (unaudited)	31 December 2023 £m (audited)
Non-current assets				
Investment properties	9	**2,749.5**	2,783.4	2,779.3
Derivative interest rate swaps	14	**0.9**	22.6	0.9
Intangible assets		**5.8**	6.6	6.2
Property, plant & equipment		**0.5**	0.6	0.5
		2,756.7	2,813.2	2,786.9
Current assets				
Trade and other receivables		**27.4**	22.6	24.9
Cash and cash equivalents	10	**4.1**	2.4	3.2
Derivative interest rate swaps	14	**5.2**	-	10.5
Development work in progress		**0.8**	1.4	1.4
		37.5	26.4	40.0
Total assets		**2,794.2**	2,839.6	2,826.9
Current liabilities				
Deferred rental income		**(31.2)**	(30.3)	(30.4)
Trade and other payables		**(30.4)**	(34.1)	(31.7)
Borrowings: term loans and overdraft	11	**(2.5)**	(2.3)	(2.4)
Derivative interest rate swaps	14	**(3.4)**	-	(6.7)
		(67.5)	(66.7)	(71.2)
Non-current liabilities				
Borrowings: term loans and overdraft	11	**(681.2)**	(669.5)	(664.5)
Borrowings: bonds	12	**(651.2)**	(603.8)	(656.4)
Derivative interest rate swaps	14	**-**	(13.4)	-
Head lease liabilities	13	**(3.0)**	(3.0)	(3.0)
Trade and other payables		**(4.1)**	-	(4.1)
Deferred tax liability		**(4.1)**	(4.5)	(3.8)
		(1,343.6)	(1,294.2)	(1,331.8)
Total liabilities		**(1,411.1)**	(1,360.9)	(1,403.0)
Net assets		**1,383.1**	1,478.7	1,423.9
Equity				
Share capital	17	**167.1**	167.1	167.1
Share premium account		**479.4**	479.4	479.4
Merger and other reserves	18	**415.4**	416.6	415.3
Hedging reserve		**(5.7)**	(9.2)	(7.0)
Retained earnings		**326.9**	424.8	369.1
Total equity[1]		**1,383.1**	1,478.7	1,423.9
Basic net asset value per share				
IFRS net assets – basic	7	**103.5**	110.6	106.5p
IFRS net assets – diluted	7	**105.6**	112.7	108.5p
Adjusted net tangible assets[2] – basic	7	**105.0**	111.1	108.0p
Adjusted net tangible assets[2] – diluted	7	**107.0**	113.1	109.8p

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

[2] See Glossary of Terms on pages 53 to 55.

Condensed Group Cash Flow Statement
For the six months ended 30 June 2024

	Notes	**Six months ended 30 June 2024 £m (unaudited)**	Six months ended 30 June 2023 £m (unaudited)	Year ended 31 December 2023 £m (audited)
Operating activities				
Profit on ordinary activities after tax		**3.6**	39.5	27.3
Taxation (credit) / charge	6	**0.9**	(0.7)	(1.2)
Finance income	4	**-**	-	(0.2)
Finance costs	5	**23.2**	22.5	45.2
Fair value loss on derivatives and amortisation of hedging reserve		**3.3**	1.7	8.4
Fair value gain on convertible bond		**(0.5)**	(5.6)	4.8
Operating profit before financing costs		**30.5**	57.4	84.3
Adjustments to reconcile Group operating profit to net cash flows from operating activities:				
Revaluation deficit / (gain) on property portfolio	9	**40.0**	11.9	53.0
Axis acquisition costs and JSE listings fees		**-**	-	0.5
Amortisation of intangible assets		**0.5**	0.4	0.9
Effect of exchange rate fluctuations on operations		**-**	(0.1)	-
Fixed rent uplift		**(0.3)**	(0.4)	(0.7)
Tax (paid) / received		**(0.2)**	(0.1)	(0.3)
(Increase) / decrease in trade and other receivables		**(2.7)**	(4.5)	(7.1)
(Decrease) / increase in trade and other payables		**(0.4)**	1.7	3.0
Cash generated from operations		**67.4**	66.3	133.6
Net cash flow from operating activities		**67.4**	66.3	133.6
Investing activities				
Payments to acquire and improve properties and fixed assets		**(14.8)**	(5.6)	(39.5)
Cash paid for acquisition of Axis		**-**	(5.2)	(5.1)
Net cash flow used in investing activities		**(14.8)**	(10.8)	(44.6)
Financing activities				
Term bank loan drawdowns		**64.5**	126.8	282.4
Term bank loan repayments		**(46.4)**	(138.7)	(300.0)
Proceeds from bond issue		**-**	-	41.2
Loan arrangement fees		**(0.8)**	(0.9)	(1.8)
Premium paid on derivatives financial instruments		**-**	(1.9)	(1.9)
Non-utilisation fees		**(1.1)**	(1.1)	(2.2)
Interest paid		**(24.6)**	(22.8)	(47.0)
Swap interest received		**2.8**	1.4	3.9
Equity dividends paid net of scrip dividend	8	**(46.1)**	(44.8)	(89.5)
Net cash flow used in financing activities		**(51.7)**	(82.0)	(114.9)
Increase/(decrease) in cash and cash equivalents		**0.9**	(26.5)	(25.9)
Effect of exchange rate fluctuations on Euro denominated loans and cash equivalents		**-**	(0.2)	-
Cash and cash equivalents at start of period / year		**3.2**	29.1	29.1
Cash and cash equivalents at end of period / year	10	**4.1**	2.4	3.2

Condensed Group Statement of Changes in Equity
For the six months ended 30 June 2024 (unaudited)

Six months ended 30 June 2024 (unaudited)

	Share capital £m	Share premium £m	Merger & other reserves £m	Hedging reserve £m	Retained earnings £m	Total £m
1 January 2024	167.1	479.4	415.3	(7.0)	369.1	1,423.9
Profit for the period	-	-	-	-	3.6	3.6
Other comprehensive income						
Exchange gain/(loss) on translation of foreign balances	-	-	0.1	-	-	0.1
Amortisation of hedging reserve	-	-	-	1.3	-	1.3
Total comprehensive income	-	-	0.1	1.3	3.6	5.0
Shares based awards (LTIP)	-	-	-	-	0.3	0.3
Dividends paid	-	-	-	-	(46.1)	(46.1)
30 June 2024	**167.1**	**479.4**	**415.4**	**(5.7)**	**326.9**	**1,383.1**

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/(loss) 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
Shares based awards (LTIP)	-	-	-	-	-	-
Dividends paid	-	-	-	-	(44.8)	(44.8)
30 June 2023	**167.1**	**479.4**	**416.6**	**(9.2)**	**424.8**	**1,478.7**

Condensed Group Statement of Changes in Equity (continued)

Year ended 31 December 2023 (audited)

	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 year	-	-	-	-	27.3	27.3
Other comprehensive income						
Exchange gain/(loss) on translation of foreign balances	-	-	(1.4)	-	1.1	(0.3)
Amortisation of hedging reserve	-	-	-	4.1	-	4.1
Total comprehensive income	-	-	(1.4)	4.1	28.4	31.1
Share issue expenses	-	-	-	-	-	-
Share-based awards ("LTIP")	-	-	-	-	0.1	0.1
Dividends paid	-	-	-	-	(89.5)	(89.5)
31 December 2023	**167.1**	**479.4**	**415.3**	**(7.0)**	**369.1**	**1,423.9**

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 2023 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 23 to 24. These condensed consolidated interim financial statements of the Group for the six months ended 30 June 2024 were approved and authorised for issue by the Board on 23 July 2024.

Basis of preparation/statement of compliance

The condensed consolidated interim financial statements for the six months ended 30 June 2024 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 2023.

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%/£275m fall in December 2023 valuations.
- We have applied a 15% tenant default rate.
- Rental growth rate assumptions have been amended to see no further uplifts on open market reviews.
- Variable rate interest rates rise by an immediate 2% effective from 1 July 2024, 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 2024 level, 6.9p 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 2024 was 48.0% (30 June 2023: 45.6%) and the Group's interest cover for the period under review was 3.1 times (30 June 2023: 3.1), well above the minimum Group banking covenant of 1.3 times (30 June 2023: 1.3).

Several specific assumptions have been made that overlay the financial parameters used in the Group's models. We have assumed the £150m convertible, that matures in July 2025, will be repaid at expiry from existing headroom within the Group's revolving credit facilities given the current depressed share price is currently restricting the Group's ability to refinance the convertible bond on sensible commercial terms.

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

Since the release of our 2023 full-year results, global economic uncertainty has continued to persist and remains volatile and uncertain, compounded with an ever changing global political landscape and most importantly in the UK with a new Labour government. Whilst we welcome the new Labour government's commitment to the NHS, together with its pledge to increase NHS funding to pay for reform of primary care facilities, within the UK, one of the main challenges facing the economy has been continued elevated interest rates, notwithstanding inflation in the UK having fallen to levels broadly in line with the long-term target rate of 2% per annum. The ongoing adverse impact of higher interest rates on our business includes reduced demand for our assets impacting property values in the investment market, the ability for us to

Notes to the condensed financial statements (continued)

Going concern (continued)

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 to deliver robust operational and financial performance throughout the period and look forward to the rest of 2024 with confidence. 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.

Accounting policies

The accounting policies adopted are consistent with those of the previous financial year as set out in the Annual Report. There has not been any new accounting policy adopted during the period.

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 £6.3m and amortisation of intangible assets of £0.5m. Administrative expenses as a proportion of rental and related income were 6.9% (30 June 2023: 7.3%). The Group's EPRA cost ratio has increased to 10.9%, compared to 10.1% for the same period in 2023.

Administrative expenses include staff costs of £3.8m (30 June 2023: £3.4m).

In 2023 PHP acquired Axis, an Irish property management business. In the period Axis contributed £7.0m (30 June 2023: £1.3m) of related income and incurred direct property expenses of £5.9m (30 June 2023: £0.8m), contributing £1.1m (30 June 2023: £0.5m) of net related income. After the deduction of £0.4m (30 June 2023: £0.2m) administrative expenses Axis generated an operating profit of £0.7m (30 June 2023: £0.3m).

Notes to the condensed financial statements (continued)

4. Finance income

	Six months ended 30 June 2024 £m (unaudited)	Six months ended 30 June 2023 £m (unaudited)	Year ended 31 December 2023 £m (audited)
Interest income on financial assets			
Development loan interest	-	-	0.2
	-	**-**	**0.2**

5. Finance costs

	Six months ended 30 June 2024 £m (unaudited)	Six months ended 30 June 2023 £m (unaudited)	Year ended 31 December 2023 £m (audited)
Interest expense and similar charges on financial liabilities			
(i) Interest			
Bank loan interest	14.0	13.4	27.4
Swap interest	(2.8)	(1.8)	(4.6)
Bond interest	11.1	9.8	20.0
Bank facility non utilisation fees	1.1	1.1	2.2
Bank charges and loan arrangement fees	1.6	1.6	3.3
	25.0	24.1	48.3
Interest capitalised	**(0.3)**	(0.1)	(0.1)
Amortisation of MedicX debt MtM at acquisition	**(1.5)**	(1.5)	(3.0)
	23.2	**22.5**	**45.2**

	Six months ended 30 June 2024 £m (unaudited)	Six months ended 30 June 2023 £m (unaudited)	Year ended 31 December 2023 £m (audited)
(ii) Derivatives			
Net fair value (gain)/loss on interest rate swaps	2.0	(0.2)	4.3
Amortisation of cash flow hedging reserve	1.3	1.9	4.1
	3.3	**1.7**	**8.4**

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.

5. Finance costs (continued)

	Six months ended 30 June 2024 £m (unaudited)	Six months ended 30 June 2023 £m (unaudited)	Year ended 31 December 2023 £m (audited)
(iii) Convertible bond			
Fair value (gain)/loss on convertible bond	**(0.5)**	(5.6)	4.8
	(0.5)	(5.6)	4.8

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 bonds.

	Six months ended 30 June 2024 £m (unaudited)	Six months ended 30 June 2023 £m (unaudited)	Year ended 31 December 2023 £m (audited)
Finance income (Note 4)	**-**	-	0.2
Finance costs (Note 5 (i))	**(25.0)**	(24.1)	(48.3)
	(25.0)	(24.1)	(48.1)
Interest capitalised	**0.3**	0.1	0.1
Amortisation of MedicX debt MtM on acquisition	**1.5**	1.5	3.0
Net finance costs	**(23.2)**	(22.5)	(45.0)

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 25% (2023: 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 2024.

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 2024 £m (unaudited)	Six months ended 30 June 2023 £m (unaudited)	Year ended 31 December 2023 £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
Deferred tax on Irish activities	0.9	(0.7)	(1.3)
Taxation charge/(credit) in the Condensed Group Statement of Comprehensive Income	**0.9**	**(0.7)**	**(1.2)**

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 2024 (unaudited)			30 June 2023 (unaudited)		
	IFRS earnings £m	Adjusted earnings £m	EPRA earnings £m	IFRS earnings £m	Adjusted earnings £m	EPRA earnings £m
Profit after taxation	3.6	3.6	3.6	39.5	39.5	39.5
Adjustments to remove:						
Revaluation deficit/ (gain) on property portfolio	-	40.0	40.0	-	11.9	11.9
Fair value movement on derivatives	-	3.3	3.3	-	1.7	1.7
Fair value movement and issue costs on convertible bond	-	(0.5)	(0.5)	-	(5.6)	(5.6)
Taxation charge/ (credit)	-	0.9	0.9	-	(0.7)	(0.7)
Amortisation of intangible assets		0.5	0.5		0.4	0.4
Axis acquisition costs	-	-	-	-	0.2	0.2
Amortisation of MtM loss on debt acquired	-	(1.5)	-	-	(1.5)	-
Basic earnings	3.6	46.3	47.8	39.5	45.9	47.4
Dilutive effect of convertible bond	-	2.2	2.2	(3.5)	2.1	2.1
Diluted earnings	3.6	48.5	50.0	36.0	48.0	49.5

Number of shares

	million	million	million	million	million	million
Ordinary Shares	1,336.5	1,336.5	1,336.5	1,336.5	1,336.5	1,336.5
Dilutive effect of convertible bond	-	115.2	115.2	108.9	108.9	108.9
Diluted Ordinary Shares	1,336.5	1,451.7	1,451.7	1,445.4	1,445.4	1,445.4

Profit per share attributable to shareholders:

	IFRS pence	Adjusted pence	EPRA pence	IFRS pence	Adjusted pence	EPRA pence
Basic	0.3	3.5	3.6	3.0	3.4	3.5
Diluted	0.3	3.3	3.4	2.5	3.3	3.4

Notes to the condensed financial statements (continued)

7. Earnings per share (continued)

Earnings per share

	31 December 2023 (audited)		
	IFRS earnings £m	Adjusted earnings £m	EPRA earnings £m
Profit after taxation	27.3	27.3	27.3
Adjustments to remove:			
Revaluation deficit/ (gain) on property portfolio	-	53.0	53.0
Profit on the sale of land	-	-	-
Fair value movement on derivatives	-	8.4	8.4
Fair value movement and issue costs on convertible bond	-	4.8	4.8
Taxation (credit)/ charge	-	(1.2)	(1.2)
JSE listing fees	-	0.2	0.2
Amortisation of intangible assets	-	0.9	0.9
Axis acquisition costs	-	0.3	0.3
Amortisation of MtM loss on debt acquired	-	(3.0)	-
Basic earnings	27.3	90.7	93.7
Dilutive effect of convertible bond	-	4.3	4.3
Diluted earnings	27.3	95.0	98.0

Number of shares

	million	million	million
Ordinary Shares	1,336.5	1,336.5	1,336.5
Dilutive effect of convertible bond	-	113.9	113.9
Diluted Ordinary Shares	1,336.5	1,450.4	1,450.4

Profit per share attributable to shareholders:

	IFRS pence	Adjusted pence	EPRA pence
Basic	2.0	6.8	7.0
Diluted	2.0	6.6	6.8

In the period ended 30 June 2024 and year ended 31 December 2023 the effect of the convertible bond had been excluded from the diluted profit and weighted average diluted number of shares when calculating IFRS diluted profit per share because they are anti-dilutive.

Notes to the condensed financial statements (continued)

7. Earnings per share (continued)

Net assets per share

	30 June 2024 (unaudited)			30 June 2023 (unaudited)		
	IFRS £m	Adjusted £m	EPRA £m	IFRS £m	Adjusted £m	EPRA £m
Net assets attributable to shareholders	1,383.1	1,383.1	1,383.1	1,478.7	1,478.7	1,478.7
Derivative interest rate swaps liability	-	(2.7)	(2.7)	-	(9.2)	(9.2)
Deferred tax	-	4.1	4.1	-	4.5	4.5
Intangible assets	-	(5.8)	(5.8)	-	(6.6)	(6.6)
Cumulative convertible bond fair value movement	-	(2.8)	(2.8)	-	(12.7)	(12.7)
MtM on MedicX loans net of amortisation	-	27.0	-	-	30.0	-
Net tangible assets ("NTA")	1,383.1	1,402.9	1,375.9	1,478.7	1,484.7	1,454.7
Intangible assets	-	-	5.8	-	-	6.6
Real estate transfer taxes	-	-	177.9	-	-	194.4
Net reinstatement value ("NRV")	1,383.1	1,402.9	1,559.6	1,478.7	1,484.7	1,655.7
Fixed rate debt and swap mark-to-market value	-	-	152.0	-	-	197.5
Deferred tax	-	-	(4.1)	-	-	(4.5)
Cumulative convertible bond fair value movement	-	-	2.8	-	-	12.7
Real estate transfer taxes	-	-	(177.9)	-	-	(194.4)
Net disposal value ("NDV")	1,383.1	1,402.9	1,532.4	1,478.7	1,484.7	1,667.0

Number of shares

	million	million	million	million	million	million
Ordinary Shares	1,336.5	1,336.5	1,336.5	1,336.5	1,336.5	1,336.5
Dilutive effect of convertible bond	115.2	115.2	115.2	108.9	108.9	108.9
Diluted Ordinary Shares	1,451.7	1,451.7	1,451.7	1,445.4	1,445.4	1,445.4

Basic net asset value per share[1]

	IFRS pence	Adjusted pence	EPRA pence	IFRS pence	Adjusted pence	EPRA pence
Net tangible assets ("NTA")	103.5	105.0	103.0	110.6	111.1	108.8
Net reinstatement value ("NRV")	-	-	116.7	-	-	123.9
Net disposal value ("NDV")	-	-	114.7	-	-	124.7

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

Diluted net asset value per share[2]

	IFRS pence	Adjusted pence	EPRA pence	IFRS pence	Adjusted pence	EPRA pence
Net tangible assets ("NTA")	105.6	107.0	103.0	112.7	113.1	111.0
Net reinstatement value ("NRV")	-	-	116.7	-	-	124.9
Net disposal value ("NDV")	-	-	114.7	-	-	125.7

2 The Company assesses the dilutive impact of the unsecured convertible bond, issued by the Group on 15 July 2019, on its net asset value per share with a current exchange price of 130.25 pence (30 June 2023: 137.69 pence) (31 December 2023: 131.72 pence).

Notes to the condensed financial statements (continued)

7. Earnings per share (continued)

Net assets per share

	31 December 2023 (audited)		
	IFRS £m	Adjusted £m	EPRA £m
Net assets attributable to shareholders	1,423.9	1,423.9	1,423.9
Derivative interest rate swaps liability	-	(4.7)	(4.7)
Deferred tax	-	3.8	3.8
Intangible assets	-	(6.2)	(6.2)
Cumulative convertible bond fair value movement	-	(2.3)	(2.3)
MtM on MedicX loans net of amortisation	-	28.5	-
Net tangible assets ("NTA")	1,423.9	1,443.0	1,414.5
Intangible assets	-	-	6.2
Real estate transfer taxes	-	-	184.4
Net reinstatement value ("NRV")	1,423.9	1,443.0	1,605.1
Fixed rate debt and swap mark-to-market value	-	-	137.0
Deferred tax	-	-	(3.8)
Cumulative convertible bond fair value movement	-	-	2.3
Real estate transfer taxes	-	-	(184.4)
Net disposal value ("NDV")	1,423.9	1,443.0	1,556.2

Ordinary shares

	million	million	million
Issued share capital	1,336.5	1,336.5	1,336.5

Basic net asset value per share[1]

	IFRS pence	Adjusted pence	EPRA pence
Net tangible assets ("NTA")	106.5	108.0	105.8
Net reinstatement value ("NRV")	-	-	120.1
Net disposal value ("NDV")	-	-	116.4

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")	108.5	109.8	105.8
Net reinstatement value ("NRV")	-	-	120.1
Net disposal value ("NDV")	-	-	116.4

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 130.25 pence (30 June 2023: 137.69 pence) (31 December 2023: 131.72 pence).

Notes to the condensed financial statements (continued)

7. Earnings per share (continued)

Conversion of the convertible bond would result in the issue of 115.2 million (31 December 2023: 113.9 million) new Ordinary Shares. The IFRS net asset value and EPRA NDV would increase by £147.2 million (31 December 2023: £147.7 million) and the EPRA NTA, Adjusted NTA and EPRA NRV would increase by £150.0 million (31 December 2023: £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.

Headline earnings per share

The JSE listing conditions require the calculation of headline earnings (calculated in accordance with Circular 1/2021 – Headline Earnings as issued by the South African Institute of Chartered Accountants) and disclosure of a detailed reconciliation of headline earnings to the earnings numbers used in the calculation of basic earnings per share in accordance with the requirements of IAS 33 Earnings per share. Disclosure of headline earnings is not a requirement of IFRS.

	Six months ended 30 June 2024 £m (unaudited)	Six months ended 30 June 2023 £m (unaudited)	Year ended 31 December 2023 £m (audited)
Reconciliation of profit in the period to headline earnings			
Basic earnings	3.6	39.5	27.3
Adjustments to calculate headline earnings:			
JSE listing fees & Axis acquisition costs	-	0.2	0.5
Amortisation of intangible assets	0.5	0.4	0.9
Revaluation deficit/(surplus)	40.0	11.9	53.0
Deferred tax on Irish activities	0.8	(0.7)	(1.3)
Headline earnings	**44.9**	51.3	80.4
Corporation tax	0.1	-	0.1
Fair value loss/(gain) on derivative financial instruments and convertible bond	2.8	(3.9)	13.2
Non-recurring items	(1.5)	(1.5)	(3.0)
Adjusted earnings (after tax)	**46.3**	45.9	90.7
Diluted basic earnings	**5.3**	36.1	36.4
Diluted headline earnings	**46.6**	47.8	89.5
Basic earnings per share	**0.3**	3.0	2.0
Headline earnings per share	**3.4**	3.8	6.0
Adjusted earnings per share	**3.5**	3.4	6.8
Diluted basic earnings per share	**0.3**	2.5	2.0
Diluted headline earnings per share	**3.2**	3.3	6.2
Number of shares	**1,336.5**	1,366.5	1,366.5
Weighted average number of Ordinary Shares for the purpose of headline, basic and adjusted earnings per share	**1,336.5**	1,366.5	1,366.5
Weighted average number of Ordinary Shares for the purpose of diluted basic and headline earnings per share	**1,451.7**	1,445.4	1,450.4

Notes to the condensed financial statements (continued)

8. Dividends

	Six months ended 30 June 2024 £m (unaudited)	Six months ended 30 June 2023 £m (unaudited)	Year ended 31 December 2023 £m (audited)
Quarterly interim dividend paid 23 February 2023	**-**	22.4	22.4
Quarterly interim dividend paid 19 May 2023	**-**	22.4	22.4
Quarterly interim dividend paid 18 August 2023	**-**	-	22.3
Quarterly interim dividend paid 24 November 2023	**-**	-	22.4
Quarterly interim dividend paid 23 February 2024	**23.1**	-	-
Quarterly interim dividend paid 17 May 2024	**23.0**	-	-
Total dividends distributed	**46.1**	**44.8**	**89.5**
Per share	**3.45p**	**3.35p**	**6.7p**

The Company will pay a third interim dividend of 1.725 pence per Ordinary Share for the year ending 31 December 2024, payable on 16 August 2024. The dividend will comprise a Property Income Distribution ("PID") of 1.450 pence per share and an ordinary dividend of 0.275 pence per share. The scrip dividend scheme was suspended in light of the falls in the share price in 2023 and first half of 2024 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[1] £m	Investment long leasehold £m	Investment properties under construction £m	Total £m
As at 1 January 2024 (audited)	2,195.1	583.2	1.0	2,779.3
Property additions	9.1	0.2	5.6	14.9
Impact of lease incentive adjustment	0.2	0.6	-	0.8
Lease ground rent adjustment	-	-	-	-
Foreign exchange movements	(4.1)	(1.4)	-	(5.5)
Revaluations for the period	(37.4)	(2.7)	0.1	(40.0)
As at 30 June 2024 (unaudited)	**2,162.9**	**579.9**	**6.7**	**2,749.5**

[1] Includes development land held at £0.9m (31 December 2023: £0.7m)

	Total £m
Fair value per AY UK valuation	1,178.6
Fair value of JLL UK valuation	1,323.5
Fair value of CBRE Ireland valuation	244.4
	2,746.5
Ground rents recognised as finance leases	3.0
Fair value 30 June 2024 (unaudited)	**2,749.5**

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 99.2% let (31 December 2023: 99.3%). The valuations reflected a 5.18% net initial yield (31 December 2023: 5.05%). 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 £3.3m (31 December 2023: £5.4m) in arriving at the fair value to be included in the financial statements.

In addition to the above, capital commitments have been entered into amounting to £7.0m (30 June 2023: £9.2m; 31 December 2023: £7.1m) 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 2024 and 31 December 2023. There were no transfers between levels during the period or during 2023. 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 2024 **£m** **(unaudited)**	31 December 2023 £m (audited)
Cash held at bank	**4.1**	3.2

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 2024 £m	31 December 2023 £m	**30 June 2024 £m**	31 December 2023 £m	**30 June 2024 £m**	31 December 2023 £m
Current							
RBS Overdraft	**Jun 2025**	**5.0**	5.0	**-**	-	**5.0**	5.0
Aviva loan[1]	**Sep 2033**	**2.5**	2.4	**2.5**	2.4	**-**	-
		7.5	7.4	**2.5**	2.4	**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 2026**	**100.0**	100.0	**-**	-	**100.0**	100.0
HSBC loan	**Dec 2026**	**100.0**	100.0	**59.0**	64.4	**41.0**	35.6
Lloyds loan	**Dec 2025**	**100.0**	100.0	**13.6**	1.8	**86.4**	98.2
NatWest loan	**Oct 2024**	**100.0**	100.0	**44.0**	31.8	**56.0**	68.2
Santander loan	**Jan 2026**	**50.0**	50.0	**24.4**	24.4	**25.6**	25.6
Aviva loan[1]	**Sep 2033**	**219.2**	220.5	**219.2**	220.5	**-**	-
Aviva loan[1]	**Sep 2028**	**30.8**	30.8	**30.8**	30.8	**-**	-
		975.0	976.3	**666.0**	648.7	**309.0**	327.6
Total		**982.5**	**983.7**	**668.5**	**651.1**	**314.0**	**332.6**

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

At 30 June 2024, total facilities of £1,636.6m (31 December 2023: £1,642.5m) were available to the Group. This included term loan facilities and the bonds in note 12. Of these facilities, as at 30 June 2024, £1,322.6m was drawn (31 December 2023: £1,309.9m).

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

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 2024 £m (unaudited)	31 December 2023 £m (audited)
Term loans drawn: due within one year	**2.5**	2.4
Term loans drawn: due in greater than one year	**666.0**	648.7
Total term loans drawn	**668.5**	651.1
Plus: MtM on loans net of amortisation	**23.8**	24.9
Less: unamortised borrowing costs	**(8.6)**	(9.1)
Total term loans per the Condensed Group Balance Sheet	**683.7**	666.9

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

12. Borrowings: Bonds

	30 June 2024 £m (unaudited)	31 December 2023 £m (audited)
Unsecured		
Convertible bond July 2025 at fair value	**147.2**	147.7
Total unsecured bonds	**147.2**	147.7
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	**43.2**	44.2
€70 million secured bond (Euro private placement) September 2031	**59.3**	60.7
€75 million secured bond (Euro private placement) February 2034	**63.6**	65.0
€47.8 million secured bond (Euro private placement) December 2033	**40.5**	41.4
Ignis loan note December 2028	**50.0**	50.0
Standard Life loan note September 2028	**77.5**	77.5
Less: unamortised issue costs	**(3.3)**	(3.6)
Plus: MtM on loans net of amortisation	**3.2**	3.5
Total secured bonds	**504.0**	508.7
Total bonds	**651.2**	656.4

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 (£43.2 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 (£59.3 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 (£63.6 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.
On 19 December 2023, new senior secured notes for a total of €47.8 million (£40.5 million) were issued at a fixed rate of 4.195% and a maturity of ten-years. Interest is paid semi-annually in arrears. The secured notes are guaranteed by the Company and were placed with UK and Canadian institutional investors.

Ignis and Standard Life loan notes

On 14 March 2019, the loan notes were added to the portfolio as a part of the MedicX acquisition. The Ignis loan note 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 127.82 pence on 4 July 2024 (31 December 2023: 131.72 pence).

Notes to the condensed financial statements (continued)

12. Borrowings: Bonds (continued)

Convertible Bond

	30 June 2024 (unaudited) £m	31 December 2023 (audited) £m
Opening balance – fair value	**147.7**	142.9
Cumulative fair value movement in convertible bond	**(0.5)**	4.8
Closing balance – fair value	**147.2**	147.7

The fair value of the convertible bond at 30 June 2024 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 2024 (unaudited) £m	31 December 2023 (audited) £m
Due within one year	**0.1**	0.1
Due after one year	**2.9**	2.9
Closing balance – fair value	**3.0**	3.0

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:

	30 June 2024 (unaudited) £m	31 December 2023 (audited) £m
Fair value of interest rate swaps not qualifying as cash flow hedges under IAS 39:		
Current assets	**5.2**	10.5
Non-current assets	**0.9**	0.9
Current liabilities	**(3.4)**	(6.7)
Non-current liabilities	**-**	-
Closing balance – fair value	**2.7**	4.7

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 2024 (unaudited) £m	**Fair value 30 June 2024 (unaudited) £m**	Book value 31 December 2023 (audited) £m	Fair value 31 December 2023 (audited) £m
Financial assets				
Trade and other receivables	**20.0**	**20.0**	18.4	18.4
Interest rate swaps	**6.1**	**6.1**	11.4	11.4
Cash and short-term deposits	**4.1**	**4.1**	3.2	3.2
Financial liabilities				
Interest-bearing loans and borrowings	**(1,334.9)**	**(1,197.5)**	(1,323.3)	(1,203.8)
Interest rate swaps	**(3.4)**	**(3.4)**	(6.7)	(6.7)
Trade and other payables	**(26.7)**	**(26.7)**	(27.8)	(27.8)

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 financial instruments at fair value at 30 June 2024. 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 2024 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	-	6.1	-	6.1
Financial liabilities				
Derivative interest rate swaps	-	(3.4)	-	(3.4)
Convertible bond	(147.2)	-	-	(147.2)
Fixed rate debt	-	(986.5)	-	(986.5)

Fair value measurements at 31 December 2023 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	-	11.4	-	11.4
Financial liabilities				
Derivative interest rate swaps	-	(6.7)	-	(6.7)
Convertible bond	(147.7)	-	-	(147.7)
Fixed rate debt	-	(1,011.4)	-	(1,011.4)

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.

16. Related party transactions

Harry Hyman, Chair, 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 £11,306 (30 June 2023: £17,100; 31 December 2023: £38,700).

As at 30 June 2024, outstanding fees payable to Nexus totalled £nil (31 December 2023: £nil; 30 June 2023: £nil).

17. Share capital

	30 June 2024 £m (unaudited)	30 June 2023 £m (unaudited)	31 December 2023 £m (audited)
Issued and fully paid Ordinary Shares at 12.5p each	**167.1**	167.1	167.1
At beginning of year	**167.1**	167.1	167.1
Scrip issues in lieu of cash dividends	**-**	-	-
	167.1	167.1	167.1

18. Merger and other reserves

	30 June 2024 £m (unaudited)	30 June 2023 £m (unaudited)	31 December 2023 £m (audited)
At beginning of year	**415.3**	416.7	416.7
Exchange gain on translation of foreign balances	**0.1**	(0.1)	(1.4)
	415.4	416.6	415.3

19. Subsequent events

There have been no significant events affecting the Company since the period ended 30 June 2024.

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

Harry Hyman
Chair
23 July 2024

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.

Axis is Axis Technical Services Limited.

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

Glossary of terms (continued)

in the Group's property portfolio divided by ERV of the whole portfolio.

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

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

Gross rental income is the gross accounting rent receivable.

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

Headline earnings is the profit after taxation excluding investment and development property revaluations, gains/ losses on disposals and their related taxation.

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.

JSE is Johannesburg Stock Exchange, the largest stock exchange in Africa.

Like for like compares prior year to current year excluding acquisitions, disposals and developments.

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

Loan to value ("LTV") is the ratio of net debt to the total value of 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 debt is total drawn debt, less cash and cash equivalents

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 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.

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 (A)	77.3
Revaluation surplus and profit on sales (B)	(40.0)
Total return (C)	37.3
Opening property assets	2,779.3
Weighted additions in the period	4.5
Impact of foreign exchange movements	(2.8)
Total weighted average closing property assets (D)	2,781.0
Income return (A/D)	2.8%
Capital return (B/D)	(1.4%)
Total property return (C/D)	**1.4%**

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 2023	108.0p
At 30 June 2024	105.0p
Increase / (decrease)	**(3.0)p**
Add: Dividends paid	
23/02/2024 Q1 interim	1.725p
17/05/2024 Q2 interim	1.725p
Total return	**3.45p**
Total adjusted NTA return	**0.42%**

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.