

OFFERING CIRCULAR



Primary Health Properties

Primary Health Properties PLC

(incorporated with limited liability in England and Wales with registered number 3033634)

Up to £75,000,000 5.375 per cent. Bonds due 23 July 2019

Issue price: 100 per cent.

Up to £75,000,000 5.375 per cent. Bonds due 23 July 2019 (the **Bonds**) will be issued by Primary Health Properties PLC (the **Issuer**). The Bonds bear interest from and including 23 July 2012 at a rate of 5.375 per cent. per annum, payable semi-annually in arrear. The Bonds mature on 23 July 2019.

The Issuer may, at its option, redeem all, but not some only, of the Bonds at any time at a price which shall be the higher of their principal amount and an amount calculated by reference to the yield of the relevant United Kingdom Government Stock, together with accrued interest, as described under "*Conditions of the Bonds - 5.3 Redemption at the Option of the Issuer*". Also, the Issuer may, at its option, redeem all, but not some only, of the Bonds at any time at par plus accrued interest, in the event of certain tax changes as described under "*Conditions of the Bonds - 5.2 Redemption for Taxation Reasons*".

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UK Listing Authority**) for the Bonds to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange plc (the **London Stock Exchange**) for the Bonds to be admitted to trading on the London Stock Exchange's Regulated Market and through the electronic order book for retail bonds (**ORB**) of the London Stock Exchange. The London Stock Exchange's Regulated Market is a regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**).

The Bonds will initially be represented by a temporary global bond (the **Temporary Global Bond**), without interest coupons, which will be deposited on or about 23 July 2012 (the **Closing Date**) with a common depositary for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) and will be made eligible for Euroclear UK & Ireland (formerly known as CRESTCo Limited) (**CREST**) through the issuance of dematerialised depositary interests (**CREST Depositary Interests** or **CDIs**). Interests in the Temporary Global Bond will be exchangeable for interests in a permanent global bond (the **Permanent Global Bond** and, together with the Temporary Global Bond, the **Global Bonds**), without interest coupons, on or after 2 September 2012 (the **Exchange Date**), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Bond will be exchangeable for definitive Bonds only in certain limited circumstances - see "*Summary of Provisions relating to the Bonds while represented by the Global Bonds*".

Any person (an **Investor**) intending to acquire or acquiring any securities from any person (an **Offeror**) should be aware that, in the context of an offer to the public as defined in section 102B of the Financial Services and Markets Act 2000 (**FSMA**), the Issuer may be responsible to the Investor for the Offering Circular under section 90 of FSMA only if the Issuer has authorised that Offeror to make the offer to the Investor. Each Investor should therefore enquire whether the Offeror is so authorised by the Issuer. If the Offeror is not authorised by the Issuer, the Investor should check with the Offeror whether anyone is responsible for the Offering Circular for the purposes of section 90 of FSMA in the context of the offer to the public and, if so, who that person is. If the Investor is in any doubt about whether it can rely on the Offering Circular and/or who is responsible for its contents it should take legal advice.

An investment in Bonds involves certain risks. Prospective investors should have regard to the factors described under the heading "Risk Factors" on page 12.

Lead Manager

Independent Debt Capital Markets LLP

The date of this Offering Circular is 29 June 2012

This Offering Circular comprises a prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the **Prospectus Directive**) which requires a prospectus to be published when securities are offered to the public or admitted to trading, and for the purpose of giving information with regard to the Issuer and the Issuer and its subsidiaries taken as a whole (the **Group**) and the Bonds which, according to the particular nature of the Issuer and the Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

The Issuer (the **Responsible Person**) accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Issuer having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The previous paragraph should be read in conjunction with the fifth paragraph on the cover page of this Offering Circular.

The Issuer, having made all reasonable enquiries, confirms that this Offering Circular contains all material information with respect to the Issuer and the Bonds (including all information which, according to the particular nature of the Issuer and of the Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Bonds), that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading. The Issuer accepts responsibility accordingly.

Independent Debt Capital Markets LLP (the **Lead Manager**) is an appointed representative of Mirabaud Securities LLP, which is authorised and regulated by the Financial Services Authority. The only persons authorised to use this Offering Circular in connection with the offering of the Bonds are the Lead Manager and any Financial Intermediaries (as defined in "*Subscription and Sale – Public Offer*").

AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY OF THE BONDS FROM AN OFFEROR WILL DO SO, AND OFFERS AND SALES OF THE BONDS TO AN INVESTOR BY AN OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH INVESTORS (OTHER THAN THE LEAD MANAGER) IN CONNECTION WITH THE OFFER OR SALE OF THE BONDS AND, ACCORDINGLY, THIS OFFERING CIRCULAR DOES NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION. THE ISSUER HAS NO RESPONSIBILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Offering Circular should be read and construed on the basis that such documents are incorporated into and form part of the Offering Circular.

Neither the Lead Manager (as described under "*Subscription and Sale*", below) nor the Trustee has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Lead Manager or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer in connection with the offering of the Bonds. The Lead Manager accepts no liability in relation to the information contained or incorporated by

reference in this Offering Circular or any other information provided by the Issuer in connection with the offering of the Bonds or their distribution.

No person is or has been authorised by the Issuer or the Trustee to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the offering of the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Lead the Manager or the Trustee.

Neither this Offering Circular nor any other information supplied in connection with the offering of the Bonds (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Lead Manager or the Trustee that any recipient of this Offering Circular or any other information supplied in connection with the offering of the Bonds should purchase any Bonds. Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the offering of the Bonds constitutes an offer or invitation by or on behalf of the Issuer, the Lead Manager or the Trustee to any person to subscribe for or to purchase any Bonds.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of the Bonds shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Offering of the Bonds is correct as of any time subsequent to the date indicated in the document containing the same. The Lead Manager and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Bonds or to advise any investor in the Bonds of any information coming to their attention. The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended, (the **Securities Act**) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Bonds and on distribution of this document, see "*Subscription and Sale*" below.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy the Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Bonds may be restricted by law in certain jurisdictions. The Issuer, the Lead Manager and the Trustee do not represent that this Offering Circular may be lawfully distributed, or that the Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, except as indicated in the "*Subscription and Sale – Public Offer*" section below, no action has been taken by the Issuer, the Lead Manager or the Trustee which is intended to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Bonds may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Bonds. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Bonds in the United States, the European Economic Area (including the United Kingdom), Jersey and Guernsey, see "*Subscription and Sale*".

This Offering Circular has been prepared on the basis that any offer of Bonds in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) other than offers (the **Permitted Public Offers**) which are made prior to the Issue Date, and which are

contemplated in this Offering Circular in the United Kingdom once the Offering Circular has been approved by the competent authority and published in accordance with the Prospectus Directive, will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Bonds. Accordingly any person making or intending to make an offer in that Relevant Member State of Bonds which are the subject of the offering contemplated in this Offering Circular, other than the Permitted Public Offers, may only do so in circumstances in which no obligation arises for the Issuer or the Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor the Lead Manager have authorised, nor do they authorise, the making of any offer (other than Permitted Public Offers) of Bonds in circumstances in which an obligation arises for the Issuer or the Lead Manager to publish or supplement a prospectus for such offer.

Investors may hold interests in the Bonds through CREST through the issuance of CREST Depository Interests issued, held, settled and transferred through CREST, representing interests in the Bonds underlying the CDIs (the **Underlying Bonds**). CREST Depository Interests are independent securities constituted under English law and transferred through CREST and will be issued by CREST Depository Limited (the **CREST Depository**) pursuant to the global deed poll dated 25 June 2001 (as subsequently modified, supplemented and/or restated) the **CREST Deed Poll**).

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

It is advisable that each potential investor in the Bonds determines the suitability of that investment in light of its own circumstances. In particular, it is advisable that a potential investor should not invest in the Bonds unless it is able to evaluate (either alone or with a financial adviser) how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

All references in this document to **Sterling** and **£** refer to the currency of the United Kingdom.

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SUMMARY

This Summary must be read as an introduction to this Offering Circular and any decision to invest in the Bonds should be based on a consideration of this Offering Circular as a whole, including the documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area, no civil liability will attach to the Responsible Person in any such Member State in respect of this Summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Offering Circular. Where a claim relating to information contained in this Offering Circular is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this Offering Circular before the legal proceedings are initiated.

Words and expressions defined in "*Conditions of the Bonds*" shall have the same meanings in this Summary.

Issuer:

Primary Health Properties PLC

The Issuer specialises in the ownership of freehold or long leasehold interests in modern purpose-built healthcare facilities only, the majority of which are leased to general practitioners and other associated healthcare users.

Risk Factors:

There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Bonds. These are set out under "*Risk Factors*" below and include general economic, financial and legal uncertainty; illiquidity in property assets; the risk of impact on the Group's reliance on property valuations; the risk of the inability of the Group to re-let properties; the risk in acquiring real estate assets; the risk associated with environmental liabilities resulting from the ownership of properties; the risk of refurbishment and improvement of the Group's properties; the exposure of the Group to uninsured losses; the risk of being reliant on United Kingdom government policy in relation to the primary care market and the rental reimbursement mechanisms currently in place with general practitioners by the National Health Service; the risk of the impact of the implementation of the Health and Social Care Act 2012; the risk of being reliant on the joint managers; the risk associated with failing to comply with the UK-REIT conditions or changes in the UK-REIT regime; the reliance on the receipt of distributions from subsidiaries and the ongoing solvency of its subsidiaries and the risk associated with using gearing through borrowings from third party lenders. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Bonds. These are set out under "*Risk Factors*" and include the fact that the Bonds may not be a suitable investment for all investors, certain risks relating to the structure of the Bonds (including the absence of any formal credit ratings) and certain market risks.

Description of Bonds:	Up to £75,000,000 5.375 per cent. Bonds due 23 July 2019 (the Bonds), to be issued by the Issuer on 23 July 2012 (the Issue Date).
Trustee:	Prudential Trustee Company Limited
Principal Paying Agent:	The Bank of New York Mellon, London Branch
Lead Manager:	Independent Debt Capital Markets LLP
Interest:	The Bonds bear interest from and including 23 July 2012 at the rate of 5.375 per cent. per annum, payable semi-annually in arrear in equal instalments of £2.69 per Calculation Amount on 31 July and 31 January in each year. The first payment (for the period from and including 23 July 2012 to but excluding 31 January 2013 and amounting to £2.83 per Calculation Amount) shall be made on 31 January 2013.
Redemption for Taxation Reasons:	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders, at their principal amount together with accrued interest, if: (a) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay additional amounts as provided or referred to in Condition 6 as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of such laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective on or after the Issue Date; and (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice or redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Bonds then due, in the circumstances and subject to the conditions described in Condition 5.2.
Optional Redemption by the Issuer:	The Bonds may be redeemed in whole by the Issuer, at its option, at any time at a price which shall be the higher of their principal amount and an amount calculated by reference to the yield of the relevant United Kingdom Government stock plus a margin of 0.50 per cent., together with accrued interest, as described under " <i>Conditions - 5.3 Redemption at the Option of the Issuer</i> ".
Redemption at the Option of the Holders:	A Change of Control Put Event will be deemed to have

occurred if:

- (a) any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers), other than a holding company (as defined in Section 1159 of the Companies Act 2006 as amended) whose shareholders are or are to be substantially similar to the pre-existing shareholders of the Issuer, and any person(s) acting on behalf of any such person(s), at any time is/are or become(s) interested (within the meaning of Part 22 of the Companies Act 2006), in (A) more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or (B) shares in the capital of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer; or
- (b) any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers), other than a holding company (as defined in Section 1159 of the Companies Act 2006 as amended) whose shareholders are or are to be substantially similar to the pre-existing shareholders of any direct or indirect holding company of the Issuer, and any person(s) acting on behalf of any such person(s), at any time is/are or become(s) interested (within the meaning of Part 22 of the Companies Act 2006), in (A) more than 50 per cent. of the issued or allotted ordinary share capital of any direct or indirect holding company of the Issuer or (B) shares in the capital of any direct or indirect holding company of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of any such direct or indirect holding company of the Issuer.

Upon the occurrence of a Change of Control Put Event each Bondholder shall have the option to require the Issuer to redeem the relevant Bonds on the Put Date at their principal amount outstanding, together with interest accrued to, but excluding, the Put Date, as further described under "*Conditions - 5.4 Redemption at the Option of the Holders*".

Events of Default:

Events of Default under the Bonds include (a) non-payment by the Issuer of principal or any interest when due and where such failure continues for a period of 7 days in the case of principal or 14 days in the case of interest; (b) non-performance or non-observation of other obligations under the Conditions or the Trust Deed by the Issuer which continues for 30 days following service of notice requiring the same to be remedied; (c)(i) any Indebtedness for Borrowed Moneys of the Issuer or any of its Subsidiaries is declared due and repayable prematurely by reason of an event of default, (ii) failure to make payment in respect of any Indebtedness for Borrowed Money when due within any applicable grace period; (iii) commencement of enforcement proceedings in respect of any security granted by the Issuer or any of its Subsidiaries; or (iv) default is made by the Issuer or any of its Subsidiaries in making any payment due under a guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person (provided that an event described in (c)(i), (ii), (iii) or (iv) shall only constitute an Event of Default if the aggregate amount of the relevant indebtedness, guarantees and indemnities and/or amounts secured equals or exceeds an amount in pounds sterling or its equivalent in any other currency or currencies that is equal to 1.5 per cent. of the total gross assets of the Issuer as shown in the latest audited consolidated financial statements of the Issuer prepared in accordance with International Financial Reporting Standards); (d) the Issuer ceases or threatens to cease to carry on the whole or substantially the whole of its business (save for in certain circumstances) or the Issuer or any of its Material Subsidiaries stops or threatens to stop payment or admits or being or is unable to pay its debts as they fall due; and (e) certain events related to insolvency or winding up of the Issuer or any Material Subsidiary, each in the circumstances and subject to the conditions described in Condition 8.

Status of the Bonds:

The Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

Meetings of Bondholders:

The Conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

Modification, Waiver and Substitution:	The Trustee may, without the consent of Bondholders, agree to (i) any modification of , or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Bonds or (ii) the substitution of any Subsidiary of the Issuer or a successor company of the Issuer as principal debtor under the Bonds in place of the Issuer, in each case, in the circumstances and subject to the conditions described in Conditions 13.2 and 12 of the Conditions of the Bonds.
Withholding Tax and Additional Amounts:	The Issuer will pay such Additional Amounts as may be necessary in order that the net payment received by each Bondholder in respect of the Bonds, after withholding for any taxes imposed by tax authorities in the Relevant Jurisdiction upon payments made by or on behalf of the Issuer in respect of the Bonds, will equal the amount which would have been received in the absence of any such withholding taxes, subject to customary exceptions, as described in Condition 6 of the Conditions of the Bonds.
Listing and admission to trading:	Application will be made to the UK Listing Authority for the Bonds to be admitted to the Official List and to the London Stock Exchange for the Bonds to be admitted to trading on the London Stock Exchange's Regulated Market through ORB.
Governing Law:	The Bonds and any non-contractual obligations arising out of or in connection with the Bonds, will be governed by, and construed in accordance with, English law.
Form:	The Bonds will be issued in bearer form in denominations of £2,000 and integral multiples of £100 in excess thereof. The Bonds will initially be represented by a Temporary Global Bond, without interest coupons, which will be deposited on or about the Issue Date with a common depositary on behalf of Clearstream, Luxembourg and Euroclear. Interests in the Temporary Global Bond will be exchangeable for interests in a Permanent Global Bond without interest coupons, on or after the Exchange Date. CDI Holders will hold CDIs constituted and issued by the CREST Depositary representing indirect interests in the Bonds.
Selling Restrictions:	The Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds may be sold in other jurisdictions (including the United Kingdom and other Member States of the European Economic Area) only in compliance with applicable laws and regulations. See " <i>Subscription and Sale</i> " below.
Public Offer:	The Bonds may be offered to the public in the United

Kingdom, Jersey and Guernsey. For provisions and restrictions relating to offers of Bonds to the public in the European Economic Area, see "*Subscription and Sale–Public Offer*".

Use of Proceeds:

The net proceeds of the issue of the Bonds will be applied by the Issuer for its general corporate purposes.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Bonds. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with the Bonds are described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Bonds may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

Factors that may affect the Issuer's ability to fulfil its obligations under the Bonds

General United Kingdom commercial property industry specific risks

Economic, financial and legal uncertainty

Recent turmoil in the financial, debt and commodities markets has had a significant adverse impact on certain sectors of the economy, including property and banking. This has adversely affected the availability and pricing of credit and real estate valuations. Although at present the future effect of the present economic conditions is unclear, economic and financial uncertainty or further deterioration in the banking and property markets may adversely affect the Issuer's asset valuations, future access to finance and ultimately its revenues and the ability to meet its obligations under the Bonds.

Rental income and the market value for properties are generally affected by overall conditions in the national and local economy, such as growth in gross domestic product (**GDP**), inflation and changes in interest rates. In addition, the rent payable by tenants in the majority of the Group's investment properties are not linked to the retail prices index which may lead to a reduction in the real value of the Group's rental income and the valuation of its properties in the event of a sustained period of inflation.

Conditions within the commercial property market, changes in landlord and tenant law, changes in planning law or changes to rates or treatment of stamp duty could affect the performance of the Issuer and the Group.

Property valuation

Property and property-related assets are inherently subjective as regards value due to the individual nature of each property. As a result, valuations are subject to uncertainty. There is no assurance that the valuations of the properties will reflect actual sale prices even where any such sales occur shortly after the relevant valuation date. Any significant declines in values may have an impact on loan covenants and gearing which could affect the Group's business and availability of funding. No assurances can be given that the Group is able to dispose of properties when it wishes to do so.

Liquidity of property assets

Investments in property are relatively illiquid and may be more difficult to realise than equities or bonds. The Issuer may choose to organise its business activities such that the proceeds of selective disposals will be used to generate cash to redeem the Bonds.

The Group may be unable to let a property or re-let a property following the expiry of a tenancy

There can be no assurance that the Group's tenants will renew their leases at the end of their current tenancies or, if they do not, that new tenants of equivalent standing (or any new tenants) will be found to take up replacement leases. This is particularly the case where a property requires refurbishment or redevelopment following the expiry of a tenancy. Tenants with the benefit of contractual break rights may also exercise these to bring the lease to an end before the contractual termination date. During void periods, the Group will suffer a rental shortfall and incur additional expenses until the property is re-let. In the United Kingdom, this includes liability for rates. Even if tenant renewals or replacements are effected, there can be no assurance that such renewals or replacements will be on terms (including rental levels and rent review terms) that are as favourable to the Group as before or that new tenants will be as creditworthy as previous tenants.

Acquisitions of real estate assets

The Group intends to continue to acquire real estate assets. Acquisitions of real estate assets involve a number of risks inherent in assessing the values, strengths, weaknesses and profitability of properties including the adverse short-term effects on the Issuer's operating results, diversion of management's attention and, despite due diligence on assets prior to acquisition, risks associated with unanticipated problems and latent liabilities or contingencies such as the existence of hazardous substances or environmental problems. Additional risks inherent in acquisitions include risks that the acquired properties will not achieve anticipated rental rates or occupancy levels, and that judgments with respect to improvements to increase the financial returns of acquired properties will prove inaccurate. All or any of these risks could adversely impact the net revenues of the Group and therefore the ability of the Issuer to fulfil its obligations under the Bonds.

Environmental liabilities resulting from ownership of property

The Board views the assessment of environmental risk as an important element of its due diligence process when it acquires its properties. However there can be no guarantee that the Group will not incur unexpected liabilities such as clean-up costs and fines for environmental pollution in respect of properties owned by the Group.

Refurbishment and ongoing improvement of properties

The Group undertakes refurbishment and ongoing improvement of its property assets in order to maintain and enhance the valuation and earning capability of its property assets. The potential for the refurbishment and ongoing improvement of the properties may be adversely affected by a number of factors including constraints on location, planning legislation and the need to obtain other licences, consents and approvals and the existence of restrictive covenants affecting the title to the property, which may cause the revenues resulting from any refurbishment or enhancement work to be lower than budgeted or the cost of such work to be greater than budgeted, consequently impacting the performance of the Group and the ability of the Issuer to fulfil its obligations under the Bonds.

In order to comply with its obligations as landlord, the Group may have to incur expenses which cannot be separately recovered from its tenants and may therefore have to be deducted from the rental income from these properties. This may adversely affect the return from the properties.

Uninsured losses

The Board seeks to ensure that all of the Group's properties are adequately insured to cover casualty losses. However, changes in the costs or availability of insurance could expose the Issuer to uninsured casualty losses. In the event that any of the properties incurs a loss that is not fully covered by insurance, the value of the Group's assets will be reduced by any such uninsured loss.

United Kingdom health care market and health care real estate

Focus on primary care premises

The Issuer intends to continue its strategy of investing in just primary care premises. The Issuer has no influence over the future direction of primary care initiatives in the public sector, and there can be no assurance that the UK government's primary care budget will not decline or that growth will stay at present levels. A change in policy, moving resources away from the primary care market could materially and adversely affect the Issuer's prospects for continued profitability and rental growth.

Funding of medical centre GP tenants

The majority of the Group's income is derived from occupational leases whose counterparties are GP practices who benefit from rental and premises costs reimbursement under the National Health Services (General Medical Services Premises Costs) Direction 2004 (the Costs Direction). Cuts in the funding available for the renting of medical centres or changes to future rental reimbursement mechanisms to GPs by the NHS may reduce funds available to meet the costs of accommodation provided by the Group or impact on the covenant strength of the underlying tenants in future. Should the NHS cease or reduce reimbursement, the Group's rental income would be diminished.

Health and Social Care Act 2012 – abolition of primary care trusts

Primary care trusts (**PCTs**) currently hold a key position in funding the Group's rent roll. PCTs are due to be abolished in April 2013 pursuant to the Health and Social Care Act 2012 (the **HSC Act**) which received royal assent on 27 March 2012.

At present, PCTs are responsible for reimbursing GPs rent under the Costs Direction. As set-out above, PCTs will be abolished from April 2013 and so responsibility for reimbursement will change. It is expected that this will be transferred to another NHS body and it has been indicated that the NHS Commissioning Board will assume this responsibility; however this has not yet been confirmed. The Issuer has received written assurances from the Department of Health that the system of rent reimbursement provided for under the Costs Direction will continue.

On 25 January 2012, in anticipation of the abolition of PCTs, the Secretary of State for Health confirmed its intention to transfer certain PCT real estate interests and matters to the newly incorporated NHS property company, NHS Property Services Limited (**PropCo**), however this has not been conclusively determined. This would include occupational leases with landlords such as the Issuer's Group. If leases are transferred by way of statutory orders, then it is possible that these will negate the alienation provisions of such leases and the need for landlord's consent. PropCo is currently a limited liability company. The financial covenant strength of PropCo is uncertain however it is expected that the obligations of PropCo under the relevant leases will continue to be guaranteed under the National Health Service (Residual Liabilities) Act 1996.

Issuer specific risks

Management

The Issuer is externally managed and has no employees. Therefore the Issuer is dependent on its Directors and the Joint Managers and may be adversely affected if their services or the respective services of any of their key employees are terminated. The failure of the Joint Managers to retain and/or recruit additional or substitute senior managers and/or other key employees could also have a material adverse effect on the Issuer's operations and results.

Status as a UK Real Estate Investment Trust (under Part 12 of the Corporation Tax Act 2010) (UK-REIT)

Under the UK-REIT regime the Issuer will have to meet a minimum distribution test for each year that it is the principal company of a UK-REIT. The minimum distribution test requires the Issuer to distribute 90 per cent. of the income profits (broadly, calculated using normal tax rules) of the qualifying property rental business of the Group (being rental business in the UK of UK resident companies within a UK-REIT) for each year. Failure to meet the UK-REIT dividend requirements may mean that the Group is subject to an increased tax charge and may trigger a breach of the UK-REIT conditions

The Issuer cannot guarantee continued compliance with all of the UK-REIT conditions and there is a risk that the UK-REIT regime may cease to apply in some circumstances. HMRC may require the Issuer to exit the UK-REIT regime if:

- it regards a breach of the conditions or failure to satisfy the conditions relating to the tax-exempt business, or an attempt to obtain a tax advantage, as sufficiently serious;
- if the Issuer has committed a certain number of minor or inadvertent breaches in a specified period; or
- if HMRC has given the Issuer at least two notices in relation to the avoidance of tax within a 10 year period.

In addition, if the conditions for UK-REIT status relating to the share capital of the Issuer or the prohibition on entering into loans with abnormal returns are breached, or the Issuer ceases to be UK resident, becomes dual resident or an open ended investment company, the Issuer will automatically lose its UK-REIT status. The Issuer could therefore lose its status as a UK-REIT as a result of actions by third parties, for example, in the event of a successful takeover by a company that is not a UK-REIT.

If the Issuer were to be required to leave the UK-REIT regime within ten years of joining, HMRC has wide powers to direct how it is to be taxed, including in relation to the date on which the Issuer is treated as exiting the UK-REIT regime. The Issuer may also be subject to an increased tax charge.

Group structure

All of the assets of the Group are owned by subsidiaries of the Issuer. Accordingly, the ability of the Issuer to fulfil its obligations under the Bonds is dependent on receipt by the Issuer of distributions from its subsidiaries, and therefore dependent on the continued operation and solvency of its subsidiaries. The Issuer has guaranteed the performance of its subsidiaries under various development and financing agreements so the Issuer may be liable for any breach by a subsidiary of its obligations under any such agreements. The Issuer has also granted security to certain lenders. The security includes a floating charge to support a £175 million facility made available to the Issuer by The Royal Bank of Scotland plc and Abbey National Treasury Service plc and a £5 million overdraft facility made available to the Issuer by The Royal Bank of Scotland plc.

Gearing

There is a risk that existing borrowings will not be able to be refinanced by their respective maturity or the risk that the terms of such refinancing may not be as favourable as the terms of the existing facilities.

Prospective investors should be aware that should the Issuer breach the financial and property covenants contractually agreed with its lenders, the Issuer may be required to make early repayment of such borrowings in whole or in part together with any attendant costs, including the costs of terminating any interest rate swap instruments. In such circumstances, it is conceivable that the Group may be required to sell the assets at less than their market value, or at a time and in circumstances where the relevant the realisation proceeds are reduced due to a downturn in commercial property values generally or because there is limited time to market the property. If the Group did not take such action there would then be a risk that the relevant lender might accelerate repayment of its loan and enforces its security which might lead to a lower realisation than if the Group were selling the assets. An event of default under one lender's facility agreement would also cause an event of default under other lenders' facility agreements. In the event that each lender then enforces its security this may exacerbate the reduction of realisation of proceeds.

Factors which are material for the purpose of assessing the market risks associated with the Bonds

Optional Redemption By The Issuer

The Issuer has the option to redeem the Bonds in whole at any time at a price which shall be the higher of their principal amount and an amount calculated by reference to the yield on the relevant United Kingdom Government stock plus a margin (as described in "*Conditions – 5.3 Redemption at the Option of the Issuer*"). This optional redemption feature is likely to limit the market value of the Bonds since the market value of the Bonds generally will not rise substantially above the price at which they can be optionally redeemed.

Change of Control Put Event

Condition 5.4 of the Bonds provides that the Bonds are redeemable at the option of the Bondholders upon the occurrence of a Change of Control Put Event. See "*Conditions - 5.4 Redemption at the Option of the Holders*".

A put option may arise at times when the prevailing interest rates may be lower than at issuance. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Bonds. Once given, a Put Notice is irrevocable and Bondholders will be required to undertake in the Put Notice not to sell or transfer the relevant Bonds for the duration of the Put Period.

In the event that some, but not all, Bondholders exercise their put option, this may reduce the liquidity of any trading market for the Bonds. If more than 90 per cent. in principal amount of the Bonds originally issued is redeemed as a result of the exercise of the put option, the Issuer may redeem at its option the remaining Bonds at their principal amount outstanding together with interest accrued.

Risks related to the Bonds generally

Set out below is a brief description of certain risks relating to the Bonds generally:

Modification, waivers and substitution

The conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

The conditions of the Bonds also provide that the Trustee may, without the consent of Bondholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Bonds or (ii) determine without the consent of the Bondholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under the Bonds in place of the Issuer, in the circumstances described in Conditions 13 and 12.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Bond as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

Change of law

The conditions of the Bonds are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular.

Denominations involve integral multiples: definitive Bonds

The Bonds have denominations consisting of a minimum of £2,000 plus one or more higher integral multiples of £100. It is possible that the Bonds may be traded in amounts that are not integral multiples of £2,000. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than £2,000 in his account with the relevant clearing system at the relevant time may not receive a definitive Bond in respect of such holding (should definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that its holding amounts to at least £2,000 or an integral multiple.

If definitive Bonds are issued, holders should be aware that definitive Bonds which have a denomination that is not an integral multiple of £2,000 may be illiquid and difficult to trade.

Holding CREST Depositary Interests

Holders of CDIs (**CDI Holders**) will hold or have an interest in a separate legal instrument and not be the legal owners of the Underlying Bonds. The rights of CDI Holders to the Underlying Bonds are represented by the relevant entitlements against the CREST Depositary which (through the CREST Nominee) holds interests in the Underlying Bonds. Accordingly, rights under the Underlying Bonds cannot be enforced by CDI Holders except indirectly through the intermediary depositaries and custodians. The enforcement of rights under the Underlying Bonds will be subject to the local law of the relevant intermediaries. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the

Underlying Bonds in the event of any insolvency or liquidation of any of the relevant intermediaries, in particular where the Underlying Bonds held in clearing systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.

The rights of the CDI Holders will be governed by the arrangements between CREST, Euroclear, Clearstream, Luxembourg and the relevant Issuer, including the CREST Deed Poll. Potential investors should note that the provisions of the CREST Deed Poll, the CREST Manual and the CREST Rules contain indemnities, warranties, representations and undertakings to be given by CDI Holders and limitations on the liability of the CREST Depository. CDI Holders are bound by such provisions and may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the amounts originally invested by them. As a result, the rights of and returns received by CDI Holders may differ from those of holders of Bonds which are not represented by CDIs.

In addition, CDI Holders may be required to pay fees, charges, costs and expenses to the CREST Depository in connection with the use of the CREST International Settlement Links Service. These will include the fees and expenses charged by the CREST Depository in respect of the provision of services by it under the CREST Deed Poll and any taxes, duties, charges, costs or expenses which may be or become payable in connection with the holding of the Bonds through the CREST International Settlement Links Service.

Potential investors should note that none of the Issuer, the Lead Manager, the Trustee or any Paying Agents have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

For further information on the issue and holding of CDIs see the section "*Clearing and Settlement*".

No formal credit ratings

The Bonds will not be assigned a credit rating by any rating agency on issue and nor does the Issuer currently have any intention of applying for a credit rating from any credit rating agency. However, one or more independent credit rating agency may assign credit ratings to some or all of the Bonds prior to their redemption. Any such ratings may not reflect the potential impact of all risks relating to the market, additional factors discussed above and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the relevant rating agency at any time.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

The Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. The Bonds are sensitive to interest rate or market risk and are designed to meet the investment requirements of limited categories of investors. As such, the Bonds generally will have a limited secondary market. Illiquidity may have a severely adverse effect on the market value of Bonds.

Interest rate risks

Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of them.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Bonds in pounds sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than pounds sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of pounds sterling or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to pounds sterling would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Bonds and (3) the Investor's Currency-equivalent market value of the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

DOCUMENTS INCORPORATED BY REFERENCE

The following sections of the below documents which have previously been published and have been filed with the Financial Services Authority shall be incorporated in, and form part of, this Offering Circular:

- (a) pages 37 to 69 of the audited consolidated annual financial statements for the financial year ended 31 December 2010; and
- (b) pages 35 to 55 of the audited consolidated annual financial statements for the financial year ended 31 December 2011.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular. Information contained in the documents incorporated by reference into this Offering Circular, which is not itself incorporated by reference, is either not relevant for investors or otherwise is covered elsewhere in this Offering Circular. Copies of the documents incorporated by reference in this Offering Circular can be obtained from the registered office of the Issuer.

CONDITIONS OF THE BONDS

The following is the text of the Conditions of the Bonds which will be endorsed on each Bond in definitive form (if issued):

The 5.375 per cent. Bonds due 23 July 2019 (the **Bonds**, which expression shall in these Conditions, unless the context otherwise requires, include any further bonds issued pursuant to Condition 15 and forming a single series with the Bonds) of Primary Health Properties PLC (the **Issuer**) are constituted by a Trust Deed dated 23 July 2012 (the **Trust Deed**) made between the Issuer and Prudential Trustee Company Limited (the **Trustee**, which expression shall include its successor(s)) as trustee for the holders of the Bonds (the **Bondholders**) and the holders of the interest coupons appertaining to the Bonds (the **Couponholders** and the **Coupons** respectively).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement dated 23 July 2012 (the **Agency Agreement**) made between the Issuer, the initial principal paying agent, the other paying agents named therein and the Trustee will be available for inspection during normal business hours by the Bondholders and the Couponholders at the registered office for the time being of the Trustee, being at the date of issue of the Bonds at Laurence Pountney Hill, London, EC4R 0HH and at the specified office of the principal paying agent for the time being (the **Principal Paying Agent**) and each of the other paying agents for the time being (the **Paying Agents**, which expression shall include the Principal Paying Agent). The Bondholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Bonds are in bearer form, serially numbered, in the denominations of £2,000 and integral multiples of £100 in excess thereof each with Coupons attached on issue.

1.2 Title

Title to the Bonds and to the Coupons will pass by delivery.

1.3 Holder Absolute Owner

The Issuer, any Paying Agent and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Bond or Coupon as the absolute owner for all purposes (whether or not the Bond or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Bond or Coupon or any notice of previous loss or theft of the Bond or Coupon or of any trust or interest therein) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

2. STATUS

The Bonds and the Coupons are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

3. INTEREST

Interest Rate and Interest Payment Dates

The Bonds bear interest from and including 23 July 2012 at the rate of 5.375 per cent. per annum, payable semi-annually in arrear in equal instalments of £2.69 per Calculation Amount (as defined below) on 31 July and 31 January in each year (each an **Interest Payment Date**). The first payment (for the period from and including 23 July 2012 to but excluding 31 January 2013 and amounting to £2.83 per Calculation Amount) shall be made on 31 January 2013. Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

Where interest is to be calculated in respect of a period which is shorter than an Interest Period (as defined below), the day-count fraction used will be the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the product of (1) the number of days in the Interest Period in which the relevant period falls (including the first such day, but excluding the last) and (2) the number of Interest Periods normally ending in any year.

In these Conditions, the period beginning on and including 23 July 2012 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an **Interest Period**.

Interest in respect of any Bond shall be calculated per £100 in principal amount of the Bond (the **Calculation Amount**). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of 5.375 per cent., the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest penny (half a pence being rounded upwards).

4. PAYMENTS

4.1 Method of Payment

Payments of principal and interest will be made against presentation and surrender (or, in the case of a partial payment, endorsement) of Bonds or the appropriate Coupons (as the case may be) at the specified office outside the United States of any Paying Agent by pounds sterling cheque drawn on, or by transfer to pound sterling account maintained by the payee with, a bank in London. Payments of interest due in respect of any Bond other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Bond.

4.2 Missing Unmatured Coupons

Each Bond should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and

surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 6) in respect of the relevant Bond (whether or not the Coupon would otherwise have become void pursuant to Condition 7) or, if later, five years after the date on which the Coupon would have become due, but not thereafter.

4.3 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Bonds are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 6.

4.4 Payment only on a Presentation Date

A holder shall be entitled to present a Bond or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 3, be entitled to any further interest or other payment if a Presentation Date is after the due date.

Presentation Date means a day which (subject to Condition 7):

- (a) is or falls after the relevant due date;
- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Bond or Coupon is presented for payment; and
- (c) in the case of payment by credit or transfer to a pound sterling account in London as referred to above), is a Business Day in London.

In this Condition, **Business Day** means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place.

4.5 Initial Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be a Principal Paying Agent;
- (b) there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having its specified office in a European city which so long as the Bonds are admitted to official listing on the London Stock Exchange shall be London or such other place as the UK Listing Authority may approve;
- (c) the Issuer undertakes to maintain a Paying Agent in a Member State of the European Union (other than the United Kingdom) that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive, and

Notice of any termination or appointment and of any changes in specified offices will be given to the Bondholders promptly by the Issuer in accordance with Condition 11.

4.6 Interpretation of Principal

Any reference in these Conditions to principal in respect of the Bonds shall be deemed to include, as applicable, any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Bonds.

5. REDEMPTION AND PURCHASE

5.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Bonds at their principal amount on 23 July 2019.

5.2 Redemption for Taxation Reasons

If the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 6), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 17 July 2012, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 6; and

- (b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 11 (which notice shall be irrevocable), redeem all the Bonds, but not some only, at any time at their principal amount together with interest accrued to but excluding the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be required to pay such additional amounts, were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a legal opinion provided by an independent legal adviser confirming that the requirement referred to in (a) above is satisfied, together with a certificate signed by two directors of the Issuer stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it, and the Trustee shall be entitled to accept the legal opinion and certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Bondholders and the Couponholders.

5.3 Redemption at the Option of the Issuer

The Issuer may at any time, having given not less than 30 nor more than 60 days' notice to the Trustee and the Bondholders in accordance with Condition 11 (which notice shall be irrevocable and shall specify the date fixed for redemption (the **Optional Redemption Date**)) redeem all, but not some only, of the Bonds at a redemption price per Bond equal to the greater of the following, in each case together with interest accrued to but excluding the Optional Redemption Date:

- (a) 100 per cent. of the principal amount of the Bond; and
- (b) the price (as reported in writing to the Issuer and the Trustee by a financial adviser (the **Financial Adviser**) appointed by the Issuer at the Issuer's expense and approved in writing by the Trustee) expressed as a percentage at which the Gross Redemption Yield on the Bonds on the Calculation Date is equal to the Gross Redemption Yield at 11.00 a.m.

(London time) on the Calculation Date of the 4.500 per cent. U.K. Government Treasury Stock 2019 (or, where the Financial Adviser advises the Issuer and the Trustee that, for reasons of illiquidity or otherwise, such stock is not appropriate for such purpose, such other government stock as such Financial Adviser may recommend for such purpose) plus 0.50 per cent.

In this Condition:

Calculation Date means the date which is the second business day in London prior to the Optional Redemption Date; and

Gross Redemption Yield means, with respect to a security, the gross redemption yield on such security, expressed as a percentage and calculated by the Financial Adviser on the basis set out by the United Kingdom Debt Management Office in the paper “Formulae for Calculating Gilt Prices from Yields”, page 4, Section One: Price/Yield Formulae “Conventional Gilts”; Double dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date” (published 8 June 1998, as amended or updated from time to time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) or on such other basis as the Trustee may approve.

5.4 Redemption at the Option of the Holders

On the occurrence of a Change of Control Put Event (as defined below), the Holder of each Bond will have the option (a **Put Option**) (unless prior to the giving of the relevant Put Event Notice (as defined below) the Issuer has given notice of redemption under Condition 5.2 or 5.3) to require the Issuer to redeem that Bond on the Put Date (as defined below) at its principal amount outstanding together with interest accrued to (but excluding) the Put Date.

Promptly upon the Issuer becoming aware that a Change of Control Put Event (as defined below) has occurred the Issuer shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested by the holders of at least one-fifth in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders, shall, (subject in each case to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction) give notice (a **Put Event Notice**) to the Bondholders in accordance with Condition 11 specifying the nature of the Change of Control Put Event and the procedure for exercising the Put Option.

To exercise the Put Option, the holder of this Bond must deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the period of 45 days (the **Put Period**) after a Put Event Notice is given, such Bond and a duly completed and signed irrevocable notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) in which the holder must undertake not to sell or transfer the relevant Bond for the duration of the Put Period and specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by this Bond or evidence satisfactory to the Paying Agent concerned that this Bond will, following delivery of the Put Notice, be held to its order or under its control. The Bond should be delivered together with all Coupons appertaining thereto maturing after the Put Date, failing which the Paying Agent will require payment from or on behalf of the Bondholder of an amount equal to the face value of any such missing Coupon. Any amount so paid will be reimbursed by the Paying Agent to the Bondholder against presentation and surrender of the relevant missing Coupon (or any replacement therefor issued pursuant to Condition 10) at any time after such payment, but before the expiry of the period of ten years from the date on which such Coupon would have become due, but not thereafter.

The Paying Agent to which such Bond and Put Notice are delivered will issue to the Bondholder concerned a non-transferable receipt in respect of the Bond so delivered or, in the case of a Bond held through Euroclear and/or Clearstream, Luxembourg, notice received. Payment in respect of any Bond so delivered will be made, if the holder duly specified a bank account in the Put Notice to which payment is to be made, on the Put Date by transfer to that bank account and, in every other case, on or after the Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent. For the purposes of these Conditions, receipts issued pursuant to this Condition shall be treated as if they were Bonds. The Issuer shall redeem the Bonds in respect of which the Put Option has been validly exercised in accordance with the provisions of this Condition on the Put Date unless previously redeemed and cancelled.

The Trustee is under no obligation to ascertain whether a Change of Control Put Event or any event which could lead to the occurrence of or could constitute a Change of Control Put Event has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Change of Control Put Event or other such event has occurred.

If more than 90 per cent. in principal amount of the Bonds originally issued has been redeemed in accordance with this Condition, the Issuer may, on not less than 30 or more than 60 days' notice to the Bondholders, redeem, at its option, on the date specified in the notice the remaining Bonds, as a whole, at the principal amount outstanding, together with interest accrued to, but excluding, the date of such redemption.

In this Condition:

A Change of Control Put Event will be deemed to have occurred if:

- (a) any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers), other than a holding company (as defined in Section 1159 of the Companies Act 2006 as amended) whose shareholders are or are to be substantially similar to the pre-existing shareholders of the Issuer, and any person(s) acting on behalf of any such person(s), at any time is/are or become(s) interested (within the meaning of Part 22 of the Companies Act 2006), in (A) more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or (B) shares in the capital of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer; or
- (b) any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers), other than a holding company (as defined in Section 1159 of the Companies Act 2006 as amended) whose shareholders are or are to be substantially similar to the pre-existing shareholders of any direct or indirect holding company of the Issuer, and any person(s) acting on behalf of any such person(s), at any time is/are or become(s) interested (within the meaning of Part 22 of the Companies Act 2006), in (A) more than 50 per cent. of the issued or allotted ordinary share capital of any direct or indirect holding company of the Issuer or (B) shares in the capital of any direct or indirect holding company of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of any such direct or indirect holding company of the Issuer.

Put Date means the day which is 10 days after the expiration of the Put Period provided that such day is a day (other than a Saturday or Sunday) on which banks are open generally for business in London, or, if not, the next such day.

5.5 Purchases

The Issuer or any of its Subsidiaries (as defined above) may at any time purchase Bonds (provided that all unmatured Coupons appertaining to the Bonds are purchased with the Bonds) in any manner and at any price. If purchases are made by tender, tenders must be available to all Bondholders alike. All Bonds so purchased may be held, reissued or re-sold or, at the discretion of the Issuer, surrendered to the Principal Paying Agent for cancellation.

5.6 Cancellations

All Bonds which are (a) redeemed or (b) purchased by or on behalf of the Issuer or any of its Subsidiaries and surrendered for cancellation will forthwith be cancelled, together with all relative unmatured Coupons attached to the Bonds or surrendered with the Bonds, and accordingly may not be held, reissued or resold.

5.7 Notices Final

Upon the expiry of any notice as is referred to in paragraph 5.2, 5.3 or 5.4 above the Issuer shall be bound to redeem the Bonds to which the notice refers in accordance with the terms of such paragraph (in the case of paragraph 5.4 above, save as otherwise provided therein).

6. TAXATION

6.1 Payment without Withholding

All payments in respect of the Bonds by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Bondholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Bonds or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Bond or Coupon:

- (a) presented for payment by or on behalf of, a holder who is liable to the Taxes in respect of the Bond or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Bond or Coupon; or
- (b) presented for payment in the Relevant Jurisdiction; or
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Bond or Coupon to another Paying Agent in a Member State of the European Union; or
- (e) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Presentation Date (as defined in Condition 4).

6.2 Interpretation

In these Conditions:

- (a) **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Bondholders by the Issuer in accordance with Condition 11; and
- (b) **Relevant Jurisdiction** means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax.

6.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Bonds shall be deemed also to refer to any additional amounts which may be payable under this Condition 6 or under any undertakings given in addition to, or in substitution for, this Condition 6 pursuant to the Trust Deed.

7. PRESCRIPTION

Bonds and Coupons will become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Bonds or, as the case may be, the Coupons, subject to the provisions of Conditions 4 and 5.4.

8. EVENTS OF DEFAULT

8.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), (but, in the case of the happening of any of the events described in subparagraphs (b), (d) (other than the winding up or dissolution of the Issuer), and (e) to (g) inclusive below, only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Bondholders) give notice to the Issuer that the Bonds are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (**Events of Default**):

- (a) if default is made in the payment of any principal or interest due in respect of the Bonds or any of them and the default continues for a period of 7 days in the case of principal or 14 days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer or any of its Subsidiaries is declared due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer or any of its Subsidiaries fails to make payment in

respect of any Indebtedness for Borrowed Money when due within any applicable grace period; (iii) enforcement proceedings are commenced in respect of any security granted by the Issuer or any of its Subsidiaries; or (iv) default is made by the Issuer or any of its Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, provided that an event described in (i), (ii), (iii) or (iv) shall only constitute an Event of Default if the aggregate amount of the relevant indebtedness, guarantees and indemnities and/or amounts secured equals or exceeds an amount in pounds sterling or its equivalent in any other currency or currencies that is equal to 1.5 per cent. of the total gross assets of the Issuer as shown in the latest audited consolidated financial statements of the Issuer prepared in accordance with International Financial Reporting Standards; or

- (d) if any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer or any of its Material Subsidiaries, save (A) for the purposes of a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer or any other Subsidiary, or (B) in the case of Material Subsidiaries only, for the purpose of a bona fide disposal for full value on an arm's length basis of all or substantially all of the business or operations (including the disposal of shares in a Subsidiary) of a Material Subsidiary where the proceeds of such disposal are used for a Permitted Purpose; or
- (e) if the Issuer ceases or threatens to cease to carry on the whole or substantially the whole of its business, save for the purposes of a reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Bondholders, or the Issuer or any of its Material Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (f) if (i) proceedings are initiated against the Issuer or any of its Material Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Material Subsidiaries or, as the case may be, in relation to the whole or substantially the whole of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or substantially the whole of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or substantially the whole of the undertaking or assets of any of them, and (ii) in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order) is not discharged within 30 days; or
- (g) if the Issuer or any of its Material Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation (save (A) for the purposes of a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer or any other Subsidiary, or (B) in the case of Material Subsidiaries only, for the

purpose of a bona fide disposal for full value on an arm's length basis of all or substantially all of the business or operations (including the disposal of shares in a Subsidiary) of a Material Subsidiary where the proceeds of such disposal are used for a Permitted Purpose) or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

8.2 Interpretation

In these Conditions:

Group means the Issuer and its consolidated Subsidiaries;

A **Material Subsidiary** shall, at any time, mean a Subsidiary:

(i) whose:

(A) aggregate interest and dividend income and fee and other operating income (as shown in its most recent annual audited financial statements and consolidated in the case of a Subsidiary which ordinarily produces consolidated accounts) represent not less than 10 per cent. of the aggregate interest and dividend income and fee and other operating income of the consolidated financial position of the Group; or

(B) total assets (as shown in its most recent annual audited financial statements and consolidated in the case of a Subsidiary which ordinarily produces consolidated accounts) represent not less than 10 per cent. of the total assets of the Group,

calculated respectively by reference to the most recent annual audited financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated financial statements of the Issuer,

provided that in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated financial statements of the Issuer relate, for the purpose of applying each of the foregoing tests, the reference to the Issuer's latest audited consolidated financial statements shall, until consolidated accounts for the financial period in which the acquisition is made have been published, be deemed to be a reference to such financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant financial statements, adjusted as deemed appropriate by the Issuer; or

(ii) to which is transferred the whole or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (a) the transferor Material Subsidiary shall immediately upon such transfer cease to be a Material Subsidiary and (b) the transferee Subsidiary shall immediately upon such transfer become a Material Subsidiary, provided that such transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (ii) on the date on which the consolidated financial statements for the Group for the financial period current at the date of such transfer are published, but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after such date by virtue of the provisions of subparagraph (i) above,

all as more particularly defined in the Trust Deed.

The Trustee shall be entitled to rely upon a certificate signed by two directors of the Issuer that in their opinion a Subsidiary is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary without liability to any person and without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

Subsidiary means, at any particular time in relation to the Issuer, any company (i) in which the Issuer holds a majority of the voting rights or (ii) of which the Issuer is a member and has the right to appoint or remove a majority of the board of directors or (iii) of which the Issuer is a member and controls a majority of the voting rights, and includes any company which is a subsidiary of a Subsidiary.

Permitted Purpose means, (A) to purchase or permanently prepay or redeem (i) the Bonds or (ii) any Indebtedness for Borrowed Money that is secured by a lien or other security on the assets or property subject to any disposal or (B) to acquire other assets that are used or useful in (i) any business, services or activities engaged in by the Issuer or any of its Material Subsidiaries on the Issue Date, and (ii) any business, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing, or are extensions or developments of any thereof, provided that nothing herein shall prevent the Issuer from paying dividends to its shareholders in the ordinary course out of the profits received in respect of a disposal referred to in Conditions 8.1(d) and (g), which shall be deemed to be a Permitted Purpose for the purpose of this definition).

For the purposes of this Condition 8, **Indebtedness for Borrowed Money** means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any borrowed money, including without limitation, any liability under or in respect of any acceptance or acceptance credit or any notes, bonds, debentures, debenture stock, loan stock or other securities.

9. ENFORCEMENT

9.1 Enforcement by the Trustee

The Trustee may at any time, at its discretion and without notice, take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Bonds and the Coupons or otherwise, but it shall not be bound to take any such proceedings or other steps or action unless (a) it has been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least one-fifth in principal amount of the Bonds then outstanding and (b) it has been indemnified and/or secured and/or pre-funded to its satisfaction.

9.2 Limitation on Trustee actions

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

9.3 Enforcement by the Bondholders

No Bondholder or Couponholder shall be entitled to (i) take any steps or action against the Issuer to enforce the performance of any of the provisions of the Trust Deed, the Bonds or the Coupons or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or

concerning the Issuer in each case unless the Trustee, having become bound so to take any such action, steps or proceedings, fails so to do within a reasonable period and the failure shall be continuing.

10. REPLACEMENT OF BONDS AND COUPONS

Should any Bond or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Bonds or Coupons must be surrendered before replacements will be issued.

11. NOTICES

11.1 Notices to the Bondholders

All notices to the Bondholders will be valid if published in a leading English language daily newspaper published in London or such other English language daily newspaper with general circulation in Europe as the Trustee may approve. It is expected that publication will normally be made in the *Financial Times*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or the relevant authority on which the Bonds are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Bondholders in accordance with this paragraph.

11.2 Notices from the Bondholders

Notices to be given by any Bondholder shall be in writing and given by lodging the same, together with the relative Bond or Bonds, with the Principal Paying Agent or, if the Bonds are held in a clearing system, may be given through the clearing system in accordance with its standard rules and procedures.

12. SUBSTITUTION

The Trustee may, without the consent of the Bondholders or Couponholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Bonds, the Coupons and the Trust Deed, of any Subsidiary or of any Successor in Business (as defined in the Trust Deed) of the Issuer, in each case subject to:

- (a) the Trustee being satisfied that the substitution is not materially prejudicial to the interests of the Bondholders; and
- (b) certain other conditions set out in the Trust Deed being complied with.

13. MEETINGS OF BONDHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

13.1 Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution

of any of these Conditions or any of the provisions of the Trust Deed. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Bonds for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Bonds held or represented by him or them, except that, at any meeting the business of which includes any matter defined in the Trust Deed as a Basic Terms Modification, including the modification or abrogation of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than three-quarters, or at any adjourned such meeting not less than one-quarter, of the principal amount of the Bonds for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-quarters of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-quarters in principal amount of the Bonds for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-quarters in principal amount of the Bonds for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Bondholders. An Extraordinary Resolution passed by the Bondholders will be binding on all Bondholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders.

13.2 Modification, Waiver, Authorisation and Determination

The Trustee may agree, without the consent of the Bondholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven.

13.3 Trustee to have Regard to Interests of Bondholders as a Class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Bondholders as a class but shall not have regard to any interests arising from circumstances particular to individual Bondholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Bondholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Bondholder or Couponholder be entitled to claim, from the Issuer the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders or Couponholders except to the extent already provided for in Condition 6 and/or any undertaking given in addition to, or in substitution for, Condition 6 pursuant to the Trust Deed.

13.4 Notification to the Bondholders

Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on the Bondholders and the Couponholders and, unless the Trustee agrees otherwise, shall be

notified by the Issuer to the Bondholders as soon as practicable thereafter in accordance with Condition 11.

14. INDEMNIFICATION AND PROTECTION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER

14.1 Indemnification and protection of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer, the Bondholders and the Couponholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Bondholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

14.2 Trustee Contracting with the Issuer

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any Subsidiary and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any Subsidiary, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

15. FURTHER ISSUES

The Issuer is at liberty from time to time without the consent of the Bondholders or Couponholders to create and issue further notes or bonds (whether in bearer or registered form) either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding notes or bonds of any series (including the Bonds) constituted by the Trust Deed or any supplemental deed or (b) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of the issue. Any further notes or bonds which are to form a single series with the outstanding notes or bonds of any series (including the Bonds) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of notes or bonds of other series in certain circumstances where the Trustee so decides.

16. GOVERNING LAW

The Trust Deed, the Bonds and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by, and will be construed in accordance with, English law.

17. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Bond, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE REPRESENTED BY THE GLOBAL BONDS

The following is a summary of the provisions to be contained in the Trust Deed to constitute the Bonds and in the Global Bonds which will apply to, and in some cases modify, the Conditions of the Bonds while the Bonds are represented by the Global Bonds.

1. Exchange

The Permanent Global Bond will be exchangeable in whole but not in part (free of charge to the holder) for definitive Bonds only:

- (a) upon the happening of any of the events defined in the Trust Deed as "Events of Default";
- (b) if either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available; or
- (c) if the Issuer would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of Euroclear and/or Clearstream, Luxembourg which would not be suffered were the Bonds in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Trustee.

Thereupon (in the case of (a) and (b) above) the holder of the Permanent Global Bond (acting on the instructions of one or more of the Accountholders (as defined below)) or the Trustee may give notice to the Issuer and (in the case of (c) above) the Issuer may give notice to the Trustee and the Bondholders, of its intention to exchange the Permanent Global Bond for definitive Bonds on or after the Exchange Date (as defined below).

On or after the Exchange Date the holder of the Permanent Global Bond may or, in the case of (c) above, shall surrender the Permanent Global Bond to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Bond the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Bonds (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Bond), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Permanent Global Bond, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Bonds.

For these purposes, **Exchange Date** means a day specified in the notice requiring exchange falling not less than 60 days after that on which such notice is given and being a day on which banks are open for general business in the place in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to (b) above, in the place in which the relevant clearing system is located.

2. Payments

On and after 2 September 2012, no payment will be made on the Temporary Global Bond unless exchange for an interest in the Permanent Global Bond is improperly withheld or refused. Payments of principal and interest in respect of Bonds represented by a Global Bond will, subject as set out below, be made against presentation for endorsement and, if no further payment falls to be made in respect of the Bonds, against surrender of such Global Bond to the order of the Principal Paying

Agent or such other Paying Agent as shall have been notified to the Bondholders for such purposes. A record of each payment made will be endorsed on the appropriate part of the schedule to the relevant Global Bond by or on behalf of the Principal Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Bonds. Payments of interest on the Temporary Global Bond (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

3. Notices

For so long as all of the Bonds are represented by one or both of the Global Bonds and such Global Bond(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Bondholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders rather than by publication as required by Condition 11, provided that, so long as the Bonds are admitted to the official list maintained by the Financial Services Authority in its capacity as the UK Listing Authority (the **UKLA**) and admitted to trading on the London Stock Exchange plc's market for listed securities, all requirements of the UKLA have been complied with. Any such notice shall be deemed to have been given to the Bondholders on the day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Bonds held by a Bondholder are represented by a Global Bond, notices to be given by such Bondholder may be given by such Bondholder (where applicable) through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Principal Paying Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

4. Accountholders

For so long as all of the Bonds are represented by one or both of the Global Bonds and such Global Bond(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Bonds (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Bonds standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Bonds for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Bondholders and giving notice to the Issuer pursuant to Condition 5.4) other than with respect to the payment of principal and interest on such principal amount of such Bonds, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Global Bond in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Bond.

5. Prescription

Claims against the Issuer in respect of principal and interest on the Bonds represented by a Global Bond will be prescribed after ten years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 6).

6. Cancellation

Cancellation of any Bond represented by a Global Bond and required by the Conditions of the Bonds to be cancelled following its redemption or purchase will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Bond on the relevant part of the schedule thereto.

7. Put Option

For so long as all of the Bonds are represented by one or both of the Global Bonds and such Global Bond(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, the option of the Bondholders provided for in Condition 5.4 may be exercised by an Accountholder giving notice to the Principal Paying Agent in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instructions by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Principal Paying Agent by electronic means) of the principal amount of the Bonds in respect of which such option is exercised and at the same time presenting or procuring the presentation of the relevant Global Bond to the Principal Paying Agent for notation accordingly within the time limits set forth in that Condition.

8. Euroclear and Clearstream, Luxembourg

References in the Global Bonds and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.

CLEARING AND SETTLEMENT

CREST Depository Interests

Following their delivery into a clearing system, interests in Bonds may be delivered, held and settled in CREST by means of the creation of CDIs representing the interests in the relevant Underlying Bonds. The CDIs will be issued by the CREST Depository to CDI Holders and will be governed by English law.

The CDIs will represent indirect interests in the interest of CREST International Nominees Limited (the **CREST Nominee**) in the Underlying Bonds. Pursuant to the CREST Manual (as defined below), Bonds held in global form by the Common Depository may be settled through CREST, and the CREST Depository will issue CDIs. The CDIs will be independent securities, constituted under English law which may be held and transferred through CREST.

Interests in the Underlying Bonds will be credited to the CREST Nominee's account with Euroclear and the CREST Nominee will hold such interests as nominee for the CREST Depository which will issue CDIs to the relevant CREST participants.

Each CDI will be treated by the CREST Depository as if it were one Underlying Bond, for the purposes of determining all rights and obligations and all amounts payable in respect thereof. The CREST Depository will pass on to CDI Holders any interest or other amounts received by it as holder of the Underlying Bonds on trust for such CDI Holder. CDI Holders will also be able to receive from the CREST Depository notices of meetings of holders of Underlying Bonds and other relevant notices issued by the Issuer.

Transfers of interests in Underlying Bonds by a CREST participant to a participant of Euroclear or Clearstream, Luxembourg will be effected by cancellation of the CDIs and transfer of an interest in such Underlying Bonds to the account of the relevant participant with Euroclear or Clearstream, Luxembourg.

The CDIs will have the same ISIN as the ISIN of the Underlying Bonds and will not require a separate listing on the Official List.

Prospective subscribers for Bonds represented by CDIs are referred to Chapter 3 of the CREST Manual which contains the form of the CREST Deed Poll to be entered into by the CREST Depository. The rights of the CDI Holders will be governed by the arrangements between CREST, Euroclear, Clearstream, Luxembourg and the Issuer including the CREST Deed Poll (in the form contained in Chapter 3 of the CREST International Manual (which forms part of the CREST Manual)) executed by the CREST Depository. These rights may be different from those of holders of Bonds which are not represented by CDIs.

If issued, CDIs will be delivered, held and settled in CREST, by means of the CREST International Settlement Links Service (the **CREST International Settlement Links Service**). The settlement of the CDIs by means of the CREST International Settlement Links Service has the following consequences for CDI Holders:

- (a) CDI Holders will not be the legal owners of the Underlying Bonds. The CDIs are separate legal bonds from the Underlying Bonds to which they relate and represent an indirect interest in such Underlying Bonds.
- (b) The Underlying Bonds themselves (as distinct from the CDIs representing indirect interests in such Underlying Bonds) will be held in an account with a custodian. The custodian will hold the Underlying Bonds through a clearing system. Rights in the Underlying Bonds will be held through custodial and depository links through the appropriate clearing systems. The legal title to the

Underlying Bonds or to interests in the Underlying Bonds will depend on the rules of the clearing system in or through which the Underlying Bonds are held.

- (c) Rights under the Underlying Bonds cannot be enforced by CDI Holders except indirectly through the intermediary depositaries and custodians described above. The enforcement of rights under the Underlying Bonds will therefore be subject to the local law of the relevant intermediary. The rights of CDI Holders to the Underlying Bonds are represented by the entitlements against the CREST Depository which (through the CREST Nominee) holds interests in the Underlying Bonds. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Bonds in the event of any insolvency or liquidation of the relevant intermediary, in particular where the Underlying Bonds held in clearing systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.
- (d) The CDIs issued to CDI Holders will be constituted and issued pursuant to the CREST Deed Poll. CDI Holders will be bound by all provisions of the CREST Deed Poll and by all provisions of or prescribed pursuant to, the CREST International Manual dated 14 April 2008 as amended, modified, varied or supplemented from time to time (the **CREST Manual**) and the CREST Rules (the **CREST Rules**) (contained in the CREST Manual) applicable to the CREST International Settlement Links Service and CDI Holders must comply in full with all obligations imposed on them by such provisions.
- (e) Potential investors should note that the provisions of the CREST Deed Poll, the CREST Manual and the CREST Rules contain indemnities, warranties, representations and undertakings to be given by CDI Holders and limitations on the liability of the issuer of the CDIs, the CREST Depository.
- (f) CDI Holders may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the money invested by them. The attention of potential investors is drawn to the terms of the CREST Deed Poll, the CREST Manual and the CREST Rules, copies of which are available from CREST at 33 Cannon Street, London EC4M 5SB or by calling +44 (0) 207 849 0000 or from the CREST website at www.euroclear.com/site/public/EUI. The contents of the CREST website shall not form part of this Prospectus.
- (g) Potential investors should note CDI Holders may be required to pay fees, charges, costs and expenses to the CREST Depository in connection with the use of the CREST International Settlement Links Service. These will include the fees and expenses charged by the CREST Depository in respect of the provision of services by it under the CREST Deed Poll and any taxes, duties, charges, costs or expenses which may be or become payable in connection with the holding of the CDI's through the CREST International Settlement Links Service.
- (h) Potential investors should note that none of the Issuer, the Lead Manager, the Trustee or any Paying Agents will have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

USE OF PROCEEDS

The net proceeds of the issue of the Bonds, to be determined following completion of the Offer Period (as defined in "*Subscription and Sale*" below), will be used by the Issuer for the general corporate purposes of the Group.

The estimated total expenses incurred in connection with the transaction will be determined following completion of the Offer Period, however at the date of this Offering Circular the estimated total expenses to be incurred in connection with the offer and issue of Bonds is £1,300,000.

DESCRIPTION OF THE ISSUER

1. OVERVIEW

- 1.1 The Issuer is the parent company of a group of companies which specialise in the ownership of freehold or long leasehold interests in modern purpose-built healthcare facilities only, the majority of which are leased to general practitioners and other associated healthcare users.
- 1.2 The Group's property portfolio comprises primary healthcare facilities in the UK, both completed and committed, which are primarily let to GP surgeries PCTs, Health Boards and pharmacy operators.
- 1.3 The Group is externally managed by Nexus Tradeco Limited (**Nexus**) and J O Hambro Capital Management Limited (**JOHCML**) (together, the **Joint Managers**).
- 1.4 As at 31 May 2012, the Group held 164 primary healthcare assets, 160 completed properties and forward funding commitments for a further four, with a total portfolio value of approximately £547 million, generating an annualised rental roll of approximately £32.9 million per annum.
- 1.5 All of the Issuer's completed properties are held for long-term investment. The Issuer's strategy is to acquire the freehold and long leaseholds of mainly modern, purpose built primary healthcare properties on the basis that each property purchased by the Issuer will have been evaluated for its income and asset value growth potential.

2. HISTORY AND DEVELOPMENT

- 2.1 The Issuer's business was founded by Managing Director Harry Hyman in 1994. The Issuer was incorporated in England and Wales on 16 March 1995 under the 1985 Act, as a public company limited by shares with the name Richadvance plc with registered number 03033634 following the purchase of a small portfolio of primary care premises. On 21 July 1995 the name of the Issuer was changed to Primary Health Properties PLC.
- 2.2 The Issuer was floated on AIM in 1996 and was admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities on 5 November 1998. The Issuer was converted into a REIT on 1 January 2007. The principal legislation under which the Issuer operates, is the Companies Acts and subordinated legislation made thereunder.
- 2.3 On 8 February 2010, the Issuer announced the acquisition of Sinclair Montrose Properties Limited (**SMPL**) which comprised a portfolio of fourteen modern medical centres located across the UK. The consideration for the entire issued share capital of SMPL totalled £23.5 million and was funded from the Group's cash resources.
- 2.4 On 23 June 2010, the Issuer announced the acquisition of Health Investments Limited (**HI**). The HI portfolio comprised of fourteen primary care properties and was acquired along with existing debt of approximately £28.1 million. The net consideration paid for the entire issued share capital of HI was £11.7 million funded by the issue of 1,005,153 ordinary shares at a value of 290 pence per share and approximately £8.8 million in cash.
- 2.5 In 2011, the Group completed the acquisition of eight properties for a total of £48.2 million. The consideration was funded by a combination of existing cash resource and new debt facilities.

- 2.6 To date in 2012, the Group has completed the acquisition of four primary care properties for a total consideration of £11.5 million funded by a combination of existing cash resource and debt drawn from existing banking facilities.
- 2.7 The Group currently has contracted commitments to acquire four assets upon completion of their development. The total cost to the Group of these is £11.3 million, of which £6.8 million is still to be paid by the Group.
- 2.8 The Issuer is domiciled in the UK. Its registered office is at Ground Floor, Ryder Court, 14 Ryder Street, London SW1Y 6QB and the telephone number is +44 (0)1483 749 020.

3. PRINCIPAL ACTIVITIES AND MARKETS

- 3.1 The principal activity of the Issuer is the generation of rental income and capital growth through investments in primary health care property in the United Kingdom leased principally to GPs, PCTs, health authorities and other associated health care users. The Group's activities are carried out entirely in the United Kingdom. The Group has no employees and relies on the services of its Joint Managers.

- 3.2 There are two main areas of business undertaken by the Issuer:

- ***Investment Acquisitions***

The purchasing of new state of the art medical centres to expand the property portfolio, either through the acquisition of completed, standing let property assets in the open market or through forward purchase development agreements.

- ***Proactive Management***

Adding value to the existing portfolio through lease renewals, rent reviews and expansion and/or modification of existing premises and lease re-gearing to maximise the investment returns, for the benefit of both shareholders and tenants.

- 3.3 The Group does not generally carry out significant development work and accordingly has little development risk. The Group works closely with specialist primary care developers to create new investments. This takes the form of:

- (a) sourcing new development opportunities; and
- (b) entering into forward purchase agreements with developers of new medical centre properties.

However, the Group will not commit any funding or buy any property unless such developments have at least an approved planning consent and an agreement for lease with the GP tenants in place, together with an agreed form lease which is supported by confirmation from the district valuer (**District Valuer**) of the rent to be reimbursed to the GPs surgeries.

- 3.4 Approximately 74 per cent. of the Group's income is derived from properties leased to GPs whose rental and premises costs are reimbursed to them under the National Health Services (General Medical Services Premises Costs) Direction 2004 (the **Costs Direction**). The Group also receives approximately 16 per cent. of its rent from PCTs, Health Boards and other NHS bodies, leading to approximately 90 per cent. of total rental income deriving directly or indirectly from the NHS.

4. RENTAL INCOME

The Group's rental income has the following characteristics:

- The Group enjoys the benefit of a strong underlying tenant covenant on its properties (relative to the UK property market), as the NHS effectively reimburses approximately 90 per cent. of the rent roll as at 31 May 2012.
- Substantially all the remaining rent roll derives from pharmacies adjacent to or within the primary care facilities, which the Directors consider represent strong covenants due to their close proximity to the primary care facility.
- The Group's portfolio of investment properties is 99.4 per cent. let as at 31 May 2012 and the Issuer has not had a medical tenant default since its incorporation in 1995.
- As at 31 May 2012, gross contracted rents stood at £32.2 million an increase of 5 per cent. in the year to date driven by acquisitions, rent reviews and asset management projects.
- The Group achieved weighted average rental growth on reviews completed in the last year of 3.0 per cent. per annum.
- Approximately 95 per cent. of the Group's rent roll is subject to triennial rent review and where these are reviewed to open market, are negotiated between the Group and the District Valuer who acts for the GPs or other NHS related tenants.
- The majority of the Group's occupational leases contain upward or effectively upward only rent review clauses i.e. where the review is triggered by the landlord only. 13.7 per cent. of the Group's rent roll has fixed rental uplifts or is formally linked to the Retail Prices Index (**RPI**) with the remainder being reviewed to market rents.
- Rent reviews are based primarily on precedents from other medical centres and build-cost inflation, rather than on a rental valuation based on comparable evidence for other nearby non-medical commercial property. In the current general property environment, the different basis for primary care property rents leads the Directors to believe that rent review prospects are better for primary care property than for the wider, non-medical, commercial property market.
- The average lease length of the Group's portfolio as at 31 May 2012 was 16 years.
- The Directors believe that these factors differentiate the primary care property market from the wider commercial property market, shielding the Group's portfolio from the worst effects of the current economic downturn.
- The Directors believe that the Issuer's earnings are further insulated from market movements as unlike in commercial property, speculative (unlet) development rarely takes place in the primary care property sector, minimising vacant space and the potential for reductions in rental and property values.

5. MARKET OVERVIEW, TRENDS AND COMPETITION

There are approximately 40,000 GPs and approximately 10,000 practices in the UK and one million patient visits to GP premises every working day. The Issuer's estimated market share of all primary care properties in the UK as at 31 May 2012 was approximately two per cent, with a total of approximately 1.65 million patients from the UK population registered to its medical centres. GPs

typically lease their properties, a structure which is likely to remain popular as it facilitates a flexible solution to property needs, provides ease of assignability between partners, and enables GPs to maintain stability and control of their own destiny.

The market for the Group is the primary health care property market in the UK. The demand for modern, fit for purpose medical centre properties is being driven by a market shift from secondary care (hospitals) towards primary and community care as encouraged by the Government. The Directors believe that the current economic conditions give the Issuer the opportunity of buying properties with relatively stable yields at historically low finance rates.

The Group's and the Joint Managers' long term trading relationships with developers have resulted in a quantifiable pipeline of investment opportunities. The Board remains confident in the outlook for primary care property, and believes that despite the current weakness in the wider commercial property market, the specialist nature of the primary care sector and the continued demographic and political drivers behind the underlying provision of primary care will result in continued investment opportunities on which it can capitalise. Further, the combination of historically low interest rates and the stability of rental yields widened the positive yield gap (rental yields compared to financing yields) resulting in investments made in the current climate being, in the Board's view, likely to have an immediate and positive impact on the Group's cashflow and returns on capital.

5.1 *Primary care*

Within healthcare, the traditional NHS model has revolved around GPs as the gatekeepers to specialist services located in large centralised hospitals. Increasingly, however, technological developments are reducing the size and complexity of the equipment required to diagnose and treat many illnesses and injuries. Combined with specialist GP training, this is allowing more procedures and diagnostics to be performed in community primary care facilities rather than in centralised major facilities such as hospitals, increasing patient access and choice, reducing costs and increasing efficiency. As a result of this there is a stable demand for modern, specialised, fit for purpose premises from which primary care and ancillary services can be efficiently delivered.

UK government policy reflects this changing landscape. The 2006 White Paper "Our Health, our care, our say" restated the 2002 Wanless Report rationale and intent for increased investment in primary care and integration between primary care and secondary care, and paved the way for the transition of certain therapeutic functions into primary care. This rationale was rearticulated in Lord Darzi's report in June 2008.

The HSC Act reinforced the primacy of care by transferring budgetary and commissioning responsibilities to GPs and local clinicians through the planned establishment of clinical commissioning groups. The Directors' believe that this shift in the responsibility for commissioning and funding patient care will lead to an increased number of opportunities to fund and acquire new medical centre properties as GPs and clinicians look to provide more care facilities in local communities.

5.2 *The UK primary care property market*

The Issuer operates in a sub-section of the UK commercial property market which is relatively non-cyclical. Statistics from the Investment Property Databank (IPD) indicate that Primary Care, a major constituent of the IPD Healthcare Index, provided an annual return of 6.3 per cent. per annum over the 5 years to December 2011 which compares to minus 0.7 per cent/ per annum for the IPD All Properties Index. According to IPD the 'peak to trough' comparative fall in property values over the three years to December 2011 is 34.5 per cent. for general commercial property, 15.8 per cent. for residential and just 4.4 per cent. for healthcare.

Primary care property is showing a positive yield gap above underlying funding rates. Average investment yields in the sector are approximately 5.75 per cent. which should be compared to 10 year gilt yields at 1.75 per cent. (as at 20 June 2012), 10 year sterling swap rates of 1.94 per cent. (as at 20 June 2012) and one year LIBOR at 1.72 per cent. (as at 20 June 2012). Given this backdrop, the Directors believe the current positive yield gap provides an opportunity for the Issuer to acquire further assets in the primary health care property market that will be accretive to its earnings and profitability.

5.3 *Competition*

The Issuer's main competitors include Medix Fund Ltd and Assura Group Limited, both listed companies, and a number of unquoted companies including GPI Ltd (part of the GP Group) and Prime plc. Whilst the Directors believe that there is competition in the sector, the Board views the Issuer as one of a few listed entities that focuses purely on investment, a model which enables the Joint Managers to focus on a specific core business and which offers downside protection relative to competitors during periods of economic weakness.

6. ADMINISTRATION AND MANAGEMENT

6.1 The Group is jointly managed by Nexus and JOHCML.

6.2 The Nexus group is a group of UK companies engaged in the provision of independent advice and financial services to organisations operating in the public and private sectors, with particular emphasis on health, education and property. Nexus identifies suitable properties for the Issuer to acquire, negotiates the terms of purchase of those properties and provides property management services on behalf of the Group. It also provides the services of the Managing Director. On 5 December 2011, Nexus Group Holdings Limited, the previous holding company of Nexus Property Management Limited, carried out a statutory demerger following which the participation in the Management Agreement was novated to Nexus, which is now one of the Joint Managers. The personnel responsible for managing the Issuer are unchanged.

6.3 JOHCML (a wholly owned subsidiary of J O Hambro Capital Management Holdings Limited (**Holdings**), in turn a wholly owned subsidiary of BTIM UK Limited), provides administrative and accounting services to the Group and is Company Secretary. JOHCML has offices in London, Prague and Singapore. On 26 October 2011, JOHCML was acquired ultimately by BT Investment Management Limited (**BTIM**), an Australian fund manager, based in Sydney and listed on the Australian Stock Exchange. Following this transaction, JOHCML operates as a stand alone boutique in the BTIM Group. Mr James Hambro is chairman of Holdings. JOHCML provides investment management services to open ended investment companies, segregated mandates and other public funds. JOHCML is authorised and regulated by the Financial Services Authority in the conduct of its investment business.

6.4 Details of the Management Agreement governing the relationship between the Issuer and the Joint Managers and fees payable are set out in paragraph 13.2 below.

6.5 The directors of the Issuer (the **Directors**) and their principal functions are as follows:

<i>Name</i>	<i>Position</i>
Graeme Elliot	Non-Executive Chairman
Alun Jones	SID and Chairman of Audit Committee
Harry Hyman	Managing Director

<i>Name</i>	<i>Position</i>
Mark Creedy	Non-Executive Director
William Hemmings	Non-Executive Director
James Hambro	Non-Executive Director
Dr. Ian Rutter O.B.E.	Non-Executive Director

6.6 *Graeme Elliot – Non-Executive Chairman*

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

6.7 *Alun Jones – SID and Chairman of Audit Committee*

Appointed 1 May 2007. Non-Executive Director and Senior Independent Director. Chairman of the Audit Committee and a member of the Remuneration, Nomination and Management Engagement Committees. Mr Jones retired as a partner from PricewaterhouseCoopers in 2006, having been a previous member of PwC's and global Supervisory Board.

6.8 *Harry Hyman – Managing Director*

Managing Director. Appointed February 1996. A Chartered Accountant and Corporate Treasurer, Mr Hyman is Managing Director of Nexus, a group of companies engaged in the provision of independent advice and financial services to organisations operating in the public and private sectors, with particular emphasis on health, education and property. He is also a Non-Executive Director of a number of other companies including General Medical Clinics PLC and a director of the Quoted Companies Alliance.

6.9 *Mark Creedy – Non Executive Director*

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

6.10 *William Hemmings – Non-Executive Director*

Appointed 18 June 2012, Mr Hemmings is Head of Closed End Funds at Aberdeen Asset Managers Limited, a Director of a number of subsidiary companies of Aberdeen Asset Management PLC and an alternate Director of the Irish listed Select Funds International plc.

6.11 *James Hambro – Non-Executive Director*

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

6.12 *Dr. Ian Rutter O.B.E. – Non-Executive Director*

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

- 6.13 The business address of each of the Directors is Ground Floor, Ryder Court, 14 Ryder Street, London SW1Y 6QB (Tel: +44 (0)20 7451 7050).
- 6.14 Mr Hyman is a director and shareholder of Nexus and Nexus Group Holdings Limited. Mr Hambro is a director of Holdings. Both Nexus and JOHCML are Joint Managers to the Group and Messrs Hyman and Hambro are therefore deemed to have an interest in the Management Agreement (defined below) and are thus related parties with regard to the fees paid under the Management Agreement.
- 6.15 As at the date of this Offering Circular, other than as disclosed in paragraph 6.15 above, there are no potential conflicts between any duties of the Directors to the Issuer and their private interests and/or other duties.

7. SHARE CAPITAL OF THE ISSUER

As at 28 June 2012 (being the latest practicable date prior to the issue of this document), the issued and fully paid share capital of the Issuer was as follows:

<i>Class of Share</i>	<i>Issued and fully paid</i>	
	<i>Number</i>	<i>Amount (£)</i>
Ordinary Shares of 50 pence each	74,609,071	37,304,535.50

8. MAJOR SHAREHOLDERS

- 8.1 As at 28 June 2012 (being the last practicable date prior to the publication of this document), the Issuer had been notified of or was otherwise aware of the following Shareholders who were directly or indirectly interested in three per cent. or more of the issued Ordinary Shares:

<i>Name</i>	<i>As at 28 June 2012</i>	
	<i>Ordinary Shares</i>	<i>Percentage of existing issued share capital</i>
Nexus Group Holdings Limited ^(a) (direct)	3,989,680 ^(b)	5.35
Blackrock Inc.	3,035,591	4.07

(a) Nexus Group Holdings Limited is connected to Harry Hyman.

(b) These Ordinary Shares are subject to a debenture and fixed charge over all of Nexus Group Holdings Limited's assets to its bank.

- 8.2 The interests of the Directors (as set out in paragraph 9 below) together represent approximately 6.25 per cent. of the issued ordinary share capital of the Issuer as at 28 June 2012 (being the latest practicable date prior to the publication of this document) as set out in paragraph 7 above.
- 8.3 The Issuer is not aware of any person who, as at 28 June 2012 (being the latest practicable date prior to the publication of this document), directly or indirectly, jointly or severally, exercises or could

exercise control over the Issuer, nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Issuer.

- 8.4 None of the Shareholders referred to in paragraph 8 above has different voting rights from any other holder of Ordinary Shares in respect of such shares held by them.

9. INTERESTS OF DIRECTORS IN THE ISSUER

- 9.1 Save as set out in paragraph 9.2 below, no Director has any interests (beneficial or non- beneficial) in the share capital of the Issuer or any of its subsidiaries.

9.2 *Directors' shareholdings*

The interests (all of which are direct and beneficial unless otherwise stated) of the Directors and any interests of a person connected with a Director (indicated as indirect) in the share capital of the Issuer and the existence of which was known to or could, with reasonable diligence, be ascertained by the Directors as at 28 June 2012 (the latest practicable date prior to the publication of this document), are as follows:

<i>Name</i>	<i>Number of Ordinary Shares</i>
Graeme Elliot	15,000
Alun Jones	19,177
Harry Hyman	64,798
Harry Hyman (indirect)	3,989,680
Mark Creedy	12,000
Mark Creedy (non-beneficial)	635
James Hambro	44,416
James Hambro (indirect)	501,464
William Hemmings	4,070
Ian Rutter	8,282

10. UNRESTRICTED OBJECTS OF THE ISSUER

At a general meeting of the Issuer held on 6 October 2009, the Issuer resolved to amend its articles of association by deleting all the provisions of the Issuer's memorandum of association (including the objects) which, by virtue of the Companies Act 2006, were treated as provisions of the articles of association. Accordingly, the objects of the Issuer are unrestricted.

11. CORPORATE GOVERNANCE

11.1 *General*

The UK Corporate Governance Code (**Code**) sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. Listed companies are required to report on how they have applied the main principles of the Code, and either to confirm that they have complied with the Code's provisions or, where they have not, to provide an explanation.

The Board considers that it has complied with the Code throughout the previous financial year and the period up to the date of this Offering Circular with the exception that:

- (a) It does not have an internal audit function, and
- (b) non-executive directors are not appointed for a specific term; and
- (c) certain Directors have served on the Board for more than three terms of three years.

The Board believes that, due to the size of the Group, non-compliance with these provisions of the Code is not necessary to ensure that the Board and the Group operates consistently with the overriding principles of good corporate governance encompassed in the Code. All Directors are subject to rigorous review and performance evaluation procedures and will be subject to annual re-election.

11.2 *Audit Committee*

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

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

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

12. **SUBSIDIARY UNDERTAKINGS**

The Issuer is the parent company of the Group. The following table contains a list of the subsidiaries of the Issuer:

<i>Subsidiary</i>	<i>Country of Incorporation</i>	<i>Principal Activity</i>	<i>Ownership Interest (%)</i>
Primary Health Investment Properties Limited (PHIP)*	UK	Property investment	100
Primary Health Investment Properties (No. 2) Limited (PHIP No. 2)*	UK	Property investment	100
Primary Health Investment Properties (No. 3) Limited (PHIP No. 3)*	UK	Property investment	100
Primary Health Investment Properties (No. 4) Limited (PHIP No. 4)	UK	Non trading	100
PHP Empire Holdings Limited*	UK	Property investment	100

<i>Subsidiary</i>	<i>Country of Incorporation</i>	<i>Principal Activity</i>	<i>Ownership Interest (%)</i>
PHIP (5) Limited*	UK	Property investment	100
PHIP (6) Limited	UK	Property investment	100
PHIP CHH Limited	UK	Property investment	100
PHIP CH Limited	UK	Property investment	100
PatientFirst Partnership Limited	UK	Property investment	100
PatientFirst (Wingate) Limited	UK	Property investment	100
PatientFirst (Leamington Spa) Limited	UK	Property investment	100
PatientFirst (Hinckley) Limited	UK	Property investment	100
PatientFirst (Burnley) Limited	UK	Property investment	100
PHP Investments No 1 Limited*	UK	Property investment	100
PHP Investments No 2 Limited*	UK	Property investment	100
Health Investments Limited*	UK	Property investment	100
Motorstep Limited	UK	Property investment	100
PHP Investments (2011) Limited*	UK	Property investment	100
PHP AssetCo (2011) Limited*	UK	Property investment	100
PHP Healthcare Investments Limited*	UK	Property investment	100
PHP Healthcare (Holdings) Limited*	UK	Non trading	100
PHP Healthcare Investments (Holdings) Limited*	UK	Non trading	100
PatientFirst (GPFC) Holdings Limited	UK	Non trading	100
PatientFirst (RBS) Holdings Limited	UK	Non trading	100
PHIP (RHL) Limited	UK	Non trading	100
PHIP (SSG Norwich) Limited	UK	Non trading	100
PHIP (Hetherington Road) Limited	UK	Non trading	100
PHIP (Hoddesdon) Limited	UK	Non trading	100
PHIP (Milton Keynes) Limited	UK	Non trading	100
PHIP (Sheerness) Limited	UK	Non trading	100
AHG (2006) Limited	UK	Non trading	100
SPCD (Shavington) Limited	UK	Non trading	100
SPCD (Northwich) Limited	UK	Non trading	100
Anchor Meadow Limited	UK	Non trading	100

* Indicates Material Subsidiary as at the date of this Offering Circular.

13. MATERIAL CONTRACTS

13.1 The following is a summary of each contract (not being a contract entered into in the ordinary course of business) that has been entered into by any member of the Group which could result in any member of the Group being under an obligation or entitlement which is material to the Issuer's ability to meet its obligations to Bondholders in respect of the Bonds as at the date of this document.

13.2 *Management Agreement*

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

- (a) Nexus to provide property advisory and management services and the services of the Managing Director of the Issuer; and

- (b) JOHCML to provide administrative and accounting services and to act as the appointed Company Secretary.

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

On 28 February 2011, the Management Agreement was amended and restated, as disclosed in last year's annual report, to change the fee payable to the Joint Managers so that the incremental fee payable to them reduces as gross assets increase above £500 million. The effective date of the revised terms was 1 January 2011. The amended fee structure will continue to be calculated as a percentage of the gross asset value of the Issuer as follows:

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

The Issuer has always been able to terminate the agreement upon notice but previously did not have the ability to terminate and make payment to the Joint Managers in lieu of notice. A provision has been added to the management agreement, giving the Issuer the ability to pay Nexus and JOHCML a payment in lieu of notice in the event that the Issuer terminates the agreement. Such payment will be calculated by reference to the unexpired notice period and the gross asset value at the time of the termination and cannot be greater than the fees that they are contractually entitled to receive. The Issuer considered it prudent to have such ability in the event it considered it to be in the best interests of the Issuer to replace one or both of the Joint Managers during the notice period. The agreement remains terminable by not less than two years' written notice.

The revised agreement also changes the terms of additional payments that may be made to Nexus only for non standard real estate related services. These have been capped at 10 per cent. of the total annual fees payable to Nexus.

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

13.3 ***Banking facilities***

A secured term loan facility for a maximum £27,000,000 originally made between, among others, the Issuer and others as borrowers and Allied Irish Banks, p.l.c dated 13 October 2004 as amended and restated from time to time and as most recently amended and restated on 2 April 2012 when the Issuer and each of the other borrowers resigned as borrowers and PHP Empire Holdings Limited acceded as the sole borrower and the facility was reduced from £30,000,000 to £27,000,000. The repayment date is 31 January 2013. The facility is secured by fixed and floating charges including legal mortgages over a designated pool of property assets owned by PHP Empire Holdings Limited. The Issuer is a guarantor of the facility and has granted a share mortgage over its shares in PHP Empire Holdings Limited.

A secured term loan facility for a maximum principal amount of £25,000,000 made between PHP Healthcare Investments Limited and The General Practice Finance Corporation Limited (since renamed Aviva Public Private Finance Limited) dated 15 December 2010. The loan is repayable in

2022, the exact date is yet to be specified. The facility is secured by fixed and floating charges and legal mortgages over the properties acquired using the facility. The facility is available for drawing until 15 December 2012. The agreement was novated to PHP Investments No.1 Limited on 4 October 2011.

A secured term loan facility for a maximum principal amount of £50,000,000 made between, among others, PHP Investments (2011) Limited and Clydesdale Bank Plc dated 28 July 2011. The repayment date is 31 July 2014. Any amount of the loan which is repaid is available for redrawing. The facility is secured by fixed and floating charges including legal mortgages over a designated pool of property assets. The Issuer is a guarantor of the facility.

A secured term loan facility for a maximum principal amount of £75,000,000 made between PHP Investments No.2 Limited and Aviva Public Private Finance Limited dated 25 November 2011. The repayment date is 25 November 2018. The facility is secured by fixed and floating charges including legal mortgages over a designated pool of property assets.

A secured term loan facility for a maximum principal amount of £125,000,000, secured revolving credit facility for a maximum principal amount of £50,000,000 and overdraft facility for a maximum principal amount of £5,000,000 made between, among others, Primary Health Investment Properties Limited, The Royal Bank of Scotland plc and Abbey National Treasury Services plc. The repayment date is 16 March 2016. Any amounts repaid under the revolving facility are available for redrawing. The facilities are secured by fixed and floating charges granted by, among others, Primary Health Investment Properties Limited and also the Issuer which is a guarantor of the facilities. Legal mortgages have also been granted over a designated pool of property assets.

13.4 *Swaps contracts*

Specific subsidiaries of the Issuer have entered into interest rate swaps (**Swaps**) in respect of senior debt facilities held by them and secured upon assets owned by those respective Subsidiaries. Below are details of the Swaps:

Counterparty	Contracted Rate	Start Date	Maturity Date	Current Notional Value £000's
Royal Bank of Scotland plc	4.805%	02-Jan-07	02-Jul-16	65,000
	4.760%	24-Jul-17	24-Jul-27	20,000
	4.740% ⁽¹⁾	20-Sep-07	11-Aug-21	38,000
	4.835% ⁽¹⁾	04-Sep-07	11-Aug-21	50,000
Allied Irish Bank plc	4.530%	31-Aug-05	28-Aug-15	10,000
	4.810%	08-Jun-06	08-Jun-26	10,000
	4.510%	07-Jun-16	08-Jun-26	10,000
	4.400%	01-Jul-16	01-Jul-26	10,000
	4.475%	04-Jul-16	02-Jul-26	10,000
	4.47875%	04-Jul-16	02-Jul-26	20,000
	4.455%	04-Jul-16	02-Jul-26	10,000

(1) These contracts are cancellable at the option of the counterparty on 11 February 2016 and each date quarterly thereafter until their termination date.

All Swaps are with reference to 3 month GBP-LIBOR-BBA and are settled on a quarterly basis.

13.5 Agreements in relation to ordinary share issues

April 2007 Placing and Open Offer

Pursuant to the terms of a placing agreement dated 15 March 2007 in connection with a placing by the Company of 9,309,376 new ordinary shares of 50 pence each the Issuer gave Numis Securities Limited certain standard warranties and indemnities to Numis Securities Limited.

March 2009 Placing

Pursuant to the terms of a placing agreement dated 24 March 2009 in connection with a placing by the Company of 1,679,354 new ordinary shares of 50 pence each the Issuer gave KBC Peel Hunt Ltd certain standard warranties and indemnities to KBC Peel Hunt Ltd.

September 2009 Firm Placing, Placing and Open Offer

Pursuant to the terms of a placing agreement dated 18 September 2009 in connection with a placing by the Company of 26,086,956 new ordinary shares of 50 pence each the Issuer gave Numis Securities Limited certain standard warranties and indemnities to Numis Securities Limited.

April 2011 Placing

Pursuant to the terms of a placing agreement dated 12 April 2011 in connection with a placing by the Company of 5,284,041 new ordinary shares of 50 pence each the Issuer gave Numis Securities Limited and Peel Hunt LLP certain standard warranties and indemnities to Numis Securities Limited and Peel Hunt LLP.

May 2012 Placing

Pursuant to the terms of a placing agreement dated 18 May 2012 in connection with a placing by the Company of 6,229,509 new ordinary shares of 50 pence each the Issuer gave Numis Securities Limited and Peel Hunt LLP certain standard warranties and indemnities to Numis Securities Limited and Peel Hunt LLP.

SELECTED FINANCIAL INFORMATION

GROUP STATEMENT OF COMPREHENSIVE INCOME*

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Rental income	30,333	26,574
Finance lease income	343	341
Rental and related income	30,676	26,915
Direct property expenses	(436)	(398)
Administrative expenses	(5,123)	(4,646)
Operating profit before revaluation result on property portfolio	25,117	21,871
Profit on sale of Available For Sale ("AFS") investments	312	-
Net revaluation result on property portfolio	10,584	22,790
Operating profit before financing costs	36,013	44,661
Finance income	414	160
Finance costs	(15,831)	(12,882)
Fair value loss on interest rate swaps and amortisation of cash flow hedging reserve	(7,947)	(4,714)
Profit on ordinary activities before taxation	12,649	27,225
Current taxation	5	36
Conversion to UK-REIT charge	-	(1,586)
Taxation credit/(expense)	5	(1,550)
Profit for the year ⁽¹⁾	12,654	25,675
Other comprehensive income being:		
Fair value movement on interest rate swaps treated as cash flow hedges	(13,613)	(6,013)
(Recycling of previously unrealised gain)/unrealised gain on current asset investment	(73)	79
Other comprehensive income for the year net of tax (1)	(13,686)	(5,934)
Total comprehensive income for the year net of tax (1)	(1,032)	19,741
Earnings per share ⁽²⁾	18.97p	41.30p
Adjusted earnings per share ^{(2) (3)}	14.54p	14.72p

The above relates wholly to continuing operations.

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

⁽²⁾ There is no difference between basic and fully diluted EPS.

⁽³⁾ Adjusted for large one-off items and movements in fair value of properties and derivatives.

* All financial information has been extracted from pages 36, 37 and 38 of the 2011 Annual Report

GROUP BALANCE SHEET*

	As at 31 December 2011 £000	As at 31 December 2010 Restated** £000
Non current assets		
Investment properties	525,586	469,290
Net investment in finance leases	3,069	3,036
Derivative interest rate swaps	24	413
	528,679	472,739
Current assets		
Current asset investments	-	555
Trade and other receivables	2,633	2,582
Net investment in finance leases	30	48
Cash and cash equivalents	77	370
	2,740	3,555
Total assets	531,419	476,294
Current liabilities		
Term loans	(592)	(3,557)
Derivative interest rate swaps	(23,866)	(16,859)
Corporation tax payable	-	(48)
UK-REIT conversion charge payable	-	(1,998)
Trade and other payables	(5,831)	(4,837)
Deferred rental income	(6,624)	(5,942)
	(36,913)	(33,241)
Non-current liabilities		
Term loans	(300,747)	(263,888)
Derivative interest rate swaps	(25,639)	(14,419)
	(326,386)	(278,307)
Total liabilities	(363,299)	(311,548)
Net assets	168,120	164,746
Equity		
Share capital	34,136	31,401
Share premium account	54,430	53,934
Capital reserve	1,618	1,618
Special reserve	57,405	44,442
Cash flow hedging reserve	(26,892)	(13,279)
Retained earnings	47,423	46,630
Total equity*	168,120	164,746
 Net asset value per share - basic	 246.25p	 262.32p
EPRA net asset value per share	318.73p	311.47p

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

** Principal repayments on Aviva fixed term loan of £0.6 million restated to current liabilities from non-current liabilities. This restatement has no impact on net assets.

* All financial information has been extracted from pages 36, 37 and 38 of the 2011 Annual Report

GROUP CASH FLOW STATEMENT*

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Operating activities		
Profit on ordinary activities before tax	12,649	27,225
Less: Finance income	(414)	(160)
Plus: Finance costs	15,831	12,882
Plus: Fair value loss on derivatives	7,947	4,714
Operating profit before financing costs	36,013	44,661
Adjustments to reconcile Group operating profit to net cash flows from operating activities:		
Revaluation gain on property portfolio	(10,584)	(22,790)
Profit on sale of AFS Investment	(312)	-
Increase in trade and other receivables (1)	(146)	(946)
Increase in trade and other payables (1)	1,095	4,003
Cash generated from operations	26,066	24,928
UK-REIT conversion charge instalments	(1,998)	(1,934)
Taxation paid (2)	(43)	(193)
Net cash flow from operating activities	24,025	22,801
Investing activities		
Payments to acquire investment properties	(45,712)	(25,234)
Disposal of AFS Investment	788	-
Payments to acquire shares in AH Medical Properties PLC	-	(476)
Payments to acquire Anchor Meadow Limited	-	(5,498)
Payments to acquire Sinclair Montrose Properties Limited	-	(23,842)
Payments to acquire Abstract Integrated Healthcare Limited (3)	-	(1,856)
Payments to acquire Charter Medinvest Limited	-	(6,787)
Payments to acquire Health Investments Limited (3)	-	(7,214)
Interest received on developments	296	134
Bank interest received	35	4
Other interest	4	8
Net cash flow used in investing activities	(44,589)	(70,761)
Financing activities		
Proceeds from issue of shares (net of expenses)	15,605	-
Term bank loan drawdowns	145,953	85,700
Term bank loan repayments	(111,007)	(15,924)
Swap interest payable	(8,833)	(8,461)
Non utilisation fee	(224)	-
Loan arrangement fees	(1,690)	(176)
Interest paid	(5,454)	(3,211)
Swap buy back costs	(2,880)	-
Dividends received	-	15
Equity dividends paid - net of scrip dividend	(11,199)	(9,825)
Net cash flow from financing activities	20,271	48,118
(Decrease)/increase in cash and cash equivalents for the year	(293)	158
Cash and cash equivalents at start of year	370	212
Cash and cash equivalents at end of year	77	370

⁽¹⁾ Asset movements include movements relating to acquisitions

⁽²⁾ Taxation was paid in the period in order to settle the outstanding liabilities in the acquired companies. All amounts payable were included in the consideration calculation.

⁽³⁾ Payment net of acquired debt commitments

* All financial information has been extracted from pages 36, 37 and 38 of the 2011 Annual Report

TAXATION

United Kingdom Taxation

The following applies only to persons who are the beneficial owners of Bonds and is a summary of the Issuer's understanding of current law and published practice in the United Kingdom relating to certain aspects of United Kingdom taxation. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. The United Kingdom tax treatment of prospective Bondholders depends on their individual circumstances and may be subject to change in the future. Prospective Bondholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

1. Interest on the Bonds

1.1 Payment of interest on the Bonds

Subject to the paragraph below, payments of interest on the Bonds may be made without deduction of or withholding on account of United Kingdom income tax provided that the Bonds continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the **Act**). The London Stock Exchange is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the FSMA) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Bonds remain so listed, interest on the Bonds will be payable without withholding or deduction on account of United Kingdom tax. Interest on the Bonds may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Bonds is paid by the Issuer and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Bonds is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that Her Majesty's Revenue & Customs (**HMRC**) has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax. In other cases, an amount must generally be withheld from payments of interest on the Bonds on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Bondholder, HMRC can issue a notice to the Issuer to pay interest to the Bondholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

1.2 Bondholders may wish to note that, in certain circumstances, HMRC has the power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Bondholder. Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Bondholder is resident for tax purposes.

1.3 EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the **Directive**), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that

period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

1.4 Further United Kingdom Income Tax Issues

Interest on the Bonds constitutes United Kingdom source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding.

However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Bondholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Bondholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Bonds are attributable (and where that Bondholder is a company, unless that Bondholder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Bonds are attributable). There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such Bondholders.

2. United Kingdom Corporation Tax Payers

- 2.1 In general, Bondholders which are within the charge to United Kingdom corporation tax will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Bonds (whether attributable to currency fluctuations or otherwise) broadly in accordance with their statutory accounting treatment.

3. Other United Kingdom Tax Payers

3.1 Taxation of Chargeable Gains

The Bonds will constitute “qualifying corporate bonds” within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal by a Bondholder of a Bond will not give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of chargeable gains.

3.2 Accrued Income Scheme

On a disposal of Bonds by a Bondholder (other than Bondholders subject to corporation tax), any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules of the accrued income scheme as set out in Part 12 of the Act, if that Bondholder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Bonds are attributable.

3.3 Individual Savings Account (ISA) eligibility

The Bonds should qualify for inclusion within a stocks and shares ISA provided that (i) they are and remain listed on a recognised stock exchange and (ii) they have more than five years left until redemption at the time when they are first held within an ISA.

UK tax resident Bondholders who acquire their investment in Bonds through an ISA and who satisfy the requirements for tax exemption in the Individual Savings Account Regulations 1998 (SI 1998/1970) will not be subject to either UK income tax or UK capital gains tax on income and gains realised from their Bonds and any losses on their investment will be disregarded for the purposes of UK capital gains tax. The current yearly subscription limit for a stocks and shares ISA (for the 2012/2013 tax year) is £11,280.

4. Stamp Duty and Stamp Duty Reserve Tax (SDRT)

No United Kingdom stamp duty or SDRT is payable on the issue of the Bonds or on a transfer by delivery of the Bonds.

SUBSCRIPTION AND SALE

Mirabaud Securities LLP, acting where permitted through its registered representative Independent Debt Capital Markets LLP has, pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 17 July 2012, agreed to procure subscribers for the Bonds at the issue price of 100 per cent. of the principal amount of Bonds, less an arrangement and management fee of 0.75 per cent. and a total distribution fee of 0.5 per cent. of the principal amount of the Bonds. The distribution fee may be shared between the Lead Manager, the Authorised Distributors and any other Additional Distributors that are appointed by the Lead Manager to procure places for and/or to distribute the Bonds (together, the **Financial Intermediaries** and each, a **Financial Intermediary**). The Issuer will also reimburse the Lead Manager in respect of certain of its expenses, and has agreed to indemnify the Lead Manager against certain liabilities, incurred in connection with the issue of the Bonds. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

United States

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

In addition, until 40 days after the commencement of the offering, an offer or sale of Bonds within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by this Offering Circular to the public in that Relevant Member State other than the offers contemplated in the Offering Circular in the United Kingdom from the time the Offering Circular has been approved by the competent authority and published in accordance with the Prospectus Directive as implemented in the United Kingdom until the Issue Date, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Bonds to the public in that Relevant Member State:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Lead Manager; or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds shall require the Issuer or the Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Bonds to the public** in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

The Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

Jersey

There shall be no circulation in Jersey of any offer for subscription, sale or exchange of the Bonds unless such offer is circulated in Jersey by a person or persons authorised to conduct investment business under the Financial Services (Jersey) Law 1998, as amended and (a) such offer does not for the purposes of Article 8 of the Control of Borrowing (Jersey) Order 1958, as amended, constitute an offer to the public; or (b) an identical offer is for the time being circulated in the United Kingdom without contravening the Financial Services and Markets Act 2000 and is, mutatis mutandis, circulated in Jersey only to persons similar to those to whom, and in a manner similar to that in which, it is for the time being circulated in the United Kingdom.

Guernsey

There shall be no marketing, offering for subscription, sale or exchange of the Bonds in or to persons resident in Guernsey other than in compliance with the licensing requirements of the Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended or any exemption therefrom.

General

Save as described in the section "*Subscription and Sale – Public Offer*" below, No action has been taken by the Issuer or the Lead Manager that would, or is intended to, permit a public offer of the Bonds in any country or jurisdiction where any such action for that purpose is required. Accordingly, the Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any Bonds or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Bonds by it will be made on the same terms.

Public Offer

An offer of the Bonds may be made by any of the Financial Intermediaries other than pursuant to Article 3(2) of the Prospectus Directive in the United Kingdom (the **Public Offer Jurisdiction**) during the period set out

in paragraph (a) below. The Bonds may only be offered or sold in any jurisdictions (including, without limitation, the Public Offer Jurisdiction), in accordance with the requirements of the relevant securities laws and regulations applicable in such jurisdiction.

(a) Offer Period:

The Offer is expected to open at 9:00 a.m. (London time) on 3 July 2012 and close at 4:00 p.m. (London time) on 16 July 2012. The total principal amount of Bonds to be subscribed pursuant to the Offer is expected to be announced on the Closing Date.

The Issuer and the Lead Manager may agree to amend the Offer Period, in which case such amendments will be published via the Regulatory News Service operated by the London Stock Exchange.

The Issuer consents to the use of this Offering Circular in connection with an offer of the Bonds only by the Financial Intermediaries and the Financial Intermediaries are only entitled to use such document during the Offer Period and only in the United Kingdom.

(b) Conditions to which the offer is subject:

The issue of the Bonds is subject to certain conditions precedent customary for transactions of this type (including the issue of the Bonds and the delivery of legal opinions and auditors comfort letters satisfactory to the Lead Manager) to be set out in the Subscription Agreement. The Lead Manager will also be entitled, in certain circumstances, to be released and discharged from its obligations to subscribe and pay for the Bonds under the Subscription Agreement prior to the issue of the Bonds.

(c) Description of the application process:

Investors intending to subscribe for any Bonds should apply through the relevant Financial Intermediary in accordance with the procedures established by such Financial Intermediary. The Financial Intermediaries may reject any subscription in their absolute discretion. The Bonds are freely transferable, subject to the selling and transfer restrictions described in this Offering Circular.

No Bonds will be offered for sale after the closing date of the Offer, being 4:00 p.m. (London time) on 16 July 2012.

Pursuant to anti-money laundering laws and regulations in force in the UK, the Financial Intermediaries or any of their authorised agents may require evidence in connection with any subscription for the Bonds, including further identification of the investor, before any Bonds are allocated.

(d) Details of the minimum and/or maximum amount of application:

The minimum subscription per investor is for a principal amount of £2,000 of the Bonds. A maximum aggregate principal amount of up to £75,000,000 of Bonds is available under the Offer.

(e) Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:

If any subscription is not accepted by the Financial Intermediaries in whole, or is accepted in part only (as a result of any *pro rata* scaling back of any part of the subscription or otherwise), the subscription monies or, as the case may be, the balance of the amount paid on application will be returned without interest by transfer to the investor's account or the relevant agent's account at the risk of the person entitled thereto.

- (f) Details of the method and time limits for paying up and delivering the Bonds:

The Bonds will be issued on the Issue Date against payment to the Issuer of the net subscription moneys by the Lead Manager. Investors will be notified by the relevant Financial Intermediary of their allocations of Bonds (if any) and the settlement arrangements in respect thereof.

- (g) Manner and date in which results of the offer are to be made public:

The aggregate principal amount of the Bonds to be issued will be determined by the Issuer on the basis of market conditions then prevailing, including supply and demand for the Bonds and other similar securities.

Once determined, the aggregate principal amount of the Bonds is expected to be published by a Regulatory Information Service (expected to be the Regulatory News Service operated by the London Stock Exchange) on or about the Closing Date.

- (h) Procedure for exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised:

Not Applicable

- (i) Categories of potential investors to which the Bonds are offered:

Offers may be made by the Financial Intermediaries to the public in the United Kingdom, Jersey and Guernsey during the Offer Period.

- (j) Process for notification to investors of the amount allotted and indication whether dealing may begin before notification is made:

Investors will be notified by the Financial Intermediaries of their allocations of Bonds in accordance with the arrangements in place between such Financial Intermediary and the prospective investor.

No steps have been taken to allow dealings in the Bonds prior to notification of the amount allotted.

- (k) Name(s) and address(es) of the placers in the various countries where the offer takes place:

Barclays Stockbrokers Limited

1 Churchill Place
London E14 5HP

Killik & Co LLP

46 Grosvenor Street
London W1K 3HN

Mirabaud Securities LLP

33 Grosvenor place
London SW1X 7HY

Redmayne-Bentley LLP

9 Bond Court
Leeds LS1 2JZ

Talos Securities Limited trading as Selftrade

Boatman's House

2 Selsdon Way
London E14 9LA

Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

Winterflood Securities Limited
Atrium Building
Cannon Bridge House
25 Dowgate Hill
London EC4R 2GA

who, at the date of the Offering Circular are specified authorised distributors who have each been appointed by the Issuer and the Lead Manager to offer and distribute the bonds to the public in the United Kingdom, Jersey and Guernsey in accordance with all prevailing regulatory requirements during the Offer Period (together, the **Authorised Distributors**).

Further Authorised Distributors may be appointed with the prior written consent of the Issuer during the Offer Period and, if so, the Issuer will announce such appointment via the Regulatory News Service operated by the London Stock Exchange.

In addition to the Authorised Distributors, the Lead Manager may appoint additional distributors to offer and distribute the Bonds to the public in the United Kingdom, Jersey and Guernsey in accordance with all prevailing regulatory requirements during the Offer Period (the **Additional Distributors**).

Additional Distributors will be appointed upon the execution by the relevant Additional Distributor of a distribution agreement with the Lead Manager. Each Additional Distributor will be required to publish on its website the fact that the Issuer has consented to its use of the Offering Circular (including the documents incorporated by reference therein) as a Financial Intermediary in connection with the offer of the Notes during the Offer Period.

Neither the Issuer nor the Lead Manager has authorised, nor will they authorise, the making of any other offer of the Notes in any other circumstances.

GENERAL INFORMATION

Authorisation

1. The issue of the Bonds was duly authorised by a resolution of the Board of Directors of the Issuer dated 29 June 2012.

Listing

2. It is expected that official listing will be granted on or about 23 July 2012 subject only to the issue of the Temporary Global Bond. Application has been made to the UK Listing Authority for the Bonds to be admitted to the Official List and to the London Stock Exchange for such Bonds to be admitted to trading on the London Stock Exchange's Regulated Market.

Yield

3. On the basis of the issue price of the Bonds of 100 per cent. of their principal amount, the yield of the Bonds is expected to be 5.375 per cent. on an annual basis. It is not an indication of future yield.

Clearing Systems

4. The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. Interests in Bonds may also be held through CREST through the issuance of CDIs representing Underlying Bonds. The ISIN for this issue is XS0795445823 and the Common Code is 079544582.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg and the address of CREST is Euroclear UK & Ireland, 33 Cannon Street, London EC4M 5SB.

No significant change

5. There has been no significant change in the financial or trading position of the Group since 31 December 2011 and there has been no material adverse change in the financial position or prospects of the Group since 31 December 2011.

Litigation

6. Neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

Auditors

7. The auditors of the Issuer and each of its Subsidiaries are Ernst & Young LLP, who have audited the Issuer's consolidated accounts, without qualification, in accordance with IFRS for each of the two financial years ended on 31 December 2010 and 2011. Ernst & Young LLP is a member of the Institute of Chartered Accountants in England and Wales. The auditors of the Issuer and each of its Subsidiaries have no material interest in the Issuer or any of the Issuer's Subsidiaries.

U.S. tax

8. The Bonds and Coupons will contain the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

Documents Available

9. For the period of 12 months following the date of this Offering Circular, copies of the following documents will be available for inspection from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London:
 - (a) the articles of association of the Issuer;
 - (b) the consolidated audited financial statements of the Issuer in respect of the financial years ended 31 December 2011 and 31 December 2010 in each case together with the audit reports in connection therewith. The Issuer currently prepares audited consolidated and non-consolidated accounts on an annual basis; and
 - (c) the Trust Deed and the Agency Agreement.

Post-issuance information

10. The Issuer does not intend to provide any post-issuance information in relation to this issue of Bonds.

Managers transacting with the Issuer

11. Certain of the Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business.

THE ISSUER

Primary Health Properties PLC
Ground Floor, Ryder Court
14 Ryder Street
London SW1 Y6QB

TRUSTEE

Prudential Trustee Company Limited
Laurence Pountney Hill
London EC4R 0HH

PRINCIPAL PAYING AGENT

The Bank of New York Mellon, London Branch
Once Canada Square
London E14 5AL

PAYING AGENT

The Bank of New York Mellon (Luxembourg) S.A.
Vertigo Building - Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg

LEAD MANAGER

Independent Debt Capital Markets LLP
33 Grosvenor Place
London SW1X 7HY

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