

THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 ("FSMA") if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you sell or have sold or otherwise transferred all of your Existing Ordinary Shares in certificated form before the date upon which the Ordinary Shares are marked as ex-entitlement to the Open Offer by the London Stock Exchange ("ex-entitlement date"), please send this document, together with the Form of Proxy and Application Form, if and when received, to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of the registration or any other local securities laws or regulations. If you sell or have sold or otherwise transferred all or some of your Existing Ordinary Shares held in uncertificated form before the ex-entitlement date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Basic Entitlements and Excess CREST Open Offer Entitlements to the purchaser or transferee. If you have sold or transferred part of your holding of Existing Ordinary Shares prior to the ex-entitlement date, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected and, in the case of Qualifying Non-CREST Shareholders, refer to the instructions regarding split applications set out in the Application Form.



Primary Health Properties

Primary Health Properties PLC

(incorporated in England & Wales under the Companies Act 1985 with registered number 03033634)

Proposed Firm Placing of 60,000,000 new Ordinary Shares and proposed Placing, Open Offer and Offer for Subscription of up to 60,000,000 new Ordinary Shares with the ability to increase the size of the Issue up to 150,000,000 new Ordinary Shares in aggregate, each at an Issue Price of 100 pence per share

and

Notice of General Meeting

Numis

Numis Securities Limited

Sponsor, Joint Bookrunner and Joint Broker

PEEL HUNT

Peel Hunt LLP

Joint Bookrunner and Joint Broker

The whole of this document (in particular the section headed "Risk Factors" set out on pages 16 to 23 of this document) should be read together with the documents incorporated by reference in their entirety. Shareholders and any other persons contemplating a purchase of New Shares should review the risk factors set out on pages 16 to 23 of this document for a discussion of certain factors that should be considered when deciding on what action to take in relation to the Capital Raising or deciding whether or not to purchase New Shares. In making an investment decision, each investor must rely on its own examination, analysis and enquiry of the Company and the terms of the Capital Raising, including the merits and risks involved.

The latest time and date for acceptance and payment in full for the New Shares under the Open Offer is expected to be 11.00 a.m. on 12 April 2016 and the procedures for application and payment are set out in Appendix 2 of this document and, where relevant, in the Application Form. Qualifying CREST Shareholders should refer to paragraph 2.2 of Appendix 2 of this document. The latest time and date for acceptance and payment in full for the New Shares under the Offer for Subscription is expected to be 11.00 a.m. on 12 April 2016 and the procedures for application and payment are set out in Appendix 4 of this document and, where relevant, in the Subscription Form.

This document, which comprises: (a) a circular prepared in compliance with the Listing Rules of the Financial Conduct Authority for the purposes of the General Meeting convened pursuant to the Notice of General Meeting contained in this document; and (b) a prospectus relating to the Capital Raising prepared in accordance with the Prospectus Rules of the Financial Conduct Authority made under Section 73A of FSMA, has been approved by the Financial Conduct Authority (the "FCA") in accordance with Section 85 of FSMA and made available to the public in accordance with Rule 3.2 of the Prospectus Rules.

The Company and each of the Directors, whose names appear on page 30 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Existing Ordinary Shares are listed on the premium segment of the Official List of the Financial Conduct Authority and admitted to trading on the London Stock Exchange's main market for listed securities. Application will be made to the Financial Conduct Authority and to the London Stock Exchange for the New Shares to be admitted to the premium segment of the Official List of the Financial Conduct Authority and to trading on the main market for listed securities of the London Stock Exchange, respectively. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Shares issued pursuant to the Capital Raising will commence at 8.00 a.m. (London time) on 14 April 2016. No application is currently intended to be made for the Existing Ordinary Shares or the New Shares to be admitted to listing or dealing on any other exchange.

Numis Securities Limited ("Numis"), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for PHP and no-one else in connection with the Capital Raising and Admission and will not regard any other person (whether or not a recipient of this document) as its client in relation to the Capital Raising or Admission and will not be responsible to anyone other than PHP for providing the protections afforded to its clients or for providing advice in relation to the Capital Raising or Admission or any matters referred to in this document.

Peel Hunt LLP ("Peel Hunt"), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for PHP and no-one else in connection with the Capital Raising and Admission and will not regard any other person (whether or not a recipient of this document) as its client in relation to the Capital Raising or Admission and will not be responsible to anyone other than PHP for providing the protections afforded to its clients or for providing advice in relation to the Capital Raising or Admission or any matters referred to in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on Numis or Peel Hunt by FSMA or the regulatory regime established thereunder, neither Numis nor Peel Hunt accept any responsibility whatsoever for, or make any warranty or representation, express or implied, in respect of, the contents of this document, including its accuracy, completeness or verification or concerning any other statement made or purported to be made by it, or on its behalf, in connection with PHP, the New Shares, the Capital Raising or Admission and nothing in this document is or shall be relied upon as a promise or representation in this respect, whether as to the past or to the future. Each of Numis and Peel Hunt accordingly disclaims to the fullest extent permitted by law all or any responsibility or liability whether arising in tort, contract or otherwise (save as referred to herein) which it might otherwise have in respect of such statement.

Notice of a General Meeting of the company to be held at Nabarro LLP, 125 London Wall, London EC2Y 5AL at 10.00 a.m. on 13 April 2016 is set out at the end of this document. The Form of Proxy for use at the General Meeting accompanies this document and, to be valid, should be completed and returned in accordance with the instructions set out thereon as soon as possible but, in any event, so as to reach the Company's Registrars, Equiniti, not later than 10.00 a.m. on 11 April 2016. Completion and posting of the Form of Proxy does not prevent a Shareholder from attending and voting in person at the General Meeting.

Qualifying Non-CREST Shareholders will find an Application Form enclosed with this document. It is expected that Qualifying CREST Shareholders (none of whom will receive an Application Form) will receive a credit to their appropriate stock accounts in CREST in respect of their Basic Entitlements and Excess CREST Open Offer Entitlements, which will be enabled for settlement on 23 March 2016. Applications under the Open Offer may only be made by a Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim arising out of a sale or transfer of Ordinary Shares prior to the ex-entitlement date. If the Basic Entitlements and Excess CREST Open Offer Entitlements are for any reason not enabled by 5.00 p.m. on 23 March 2016 or such later time as the Company may decide, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for Basic Entitlements and Excess CREST Open Offer Entitlements credited to stock accounts in CREST. Qualifying CREST Shareholders who are CREST-sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

The attention of Overseas Shareholders and other recipients of this document who are residents or citizens of territories other than the United Kingdom (including, without limitation, a nominee or trustee who has a contractual or legal obligation to forward this document or any other document if and when received, to a jurisdiction outside the United Kingdom) is drawn to paragraph 6 of Appendix 2 of this document and paragraph 5 of Appendix 4 of this document.

Notice to Overseas Shareholders in the United States and Canada

Applications under the Open Offer may only be made by Qualifying Shareholders. Subject to certain limited exceptions at the discretion of the Company, Shareholders with addresses in the United States and Canada are non-Qualifying Shareholders and may not participate in the Open Offer.

Notice to Overseas Applicants and Placees in the United States

The New Shares have not been, and will not be, registered under the US Securities Act or under any securities laws of any state or other jurisdiction of the United States. The New Shares may not be offered, directly or indirectly, into or within the United States, except pursuant to an applicable exemption from, or a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offering of the New Shares in the United States. As part of the Firm Placing and Placing, New Shares are being offered in the United States only to a limited number of persons that are all reasonably believed to be “qualified institutional buyers” or “QIBs” (as defined under Rule 144A under the US Securities Act) that (unless otherwise agreed by the Company) are not ERISA Entities in transactions exempt from, or not subject to, the registration requirements under the US Securities Act. The New Shares are being offered and sold outside the United States in reliance on Regulation S under the US Securities Act (“**Regulation S**”).

If you are a QIB, in order to acquire any New Shares pursuant to the Firm Placing and Placing, you must sign and deliver an investor letter to the Company, Peel Hunt and Numis. In signing and delivering such an investor letter, you will be, among other things, representing that: (a) you, and any account for which you are acquiring the New Shares, are a QIB; (b) no assets of retirement plans or pensions plans subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended, or Section 4975 of the United States Internal Revenue Code of 1986, as amended, are being used to invest in the New Shares; (c) you are agreeing not to reoffer, sell, pledge or otherwise transfer the New Shares, except: (i) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the US Securities Act; or (ii) pursuant to Rule 144 under the US Securities Act (if available); or (iii) pursuant to an effective registration statement under the US Securities Act, and, in each case, in compliance with any applicable securities law of any state or other jurisdiction of the United States; and (d) you are agreeing not to deposit the New Shares into any unrestricted American depository receipt facility maintained by a depository bank.

No representation has been, or will be, made by the Company, Peel Hunt, or Numis as to the availability of Rule 144 under the US Securities Act or any other exemption under the US Securities Act or any state securities laws for the reoffer, pledge or transfer of the New Shares.

Any envelope containing a Subscription Form and post-marked from the United States will not be valid unless it contains a duly executed investor letter in the appropriate form as described above. Similarly, any Subscription Form in which the exercising holder requests New Shares to be issued in registered form and gives an address in the United States will not be valid unless it contains a duly executed investor letter.

Any payment made in respect of a Subscription Form that does not meet the foregoing criteria will be returned without interest.

Any person in the United States who obtains a copy of this document and who is not a QIB is required to disregard it.

None of the securities referred to in this document have been approved or disapproved by the US Securities and Exchange Commission (the “**SEC**”), any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or determined the adequacy or accuracy of this document. Any representation to the contrary is a criminal offence in the United States.

The financial information included in this document has been prepared in accordance with International Financial Reporting Standards (“**IFRS**”). Generally accepted accounting principles in the United States (“**US GAAP**”) differ in certain significant respects from IFRS. None of the financial information in this document has been audited in accordance with auditing standards generally accepted in the United States or the auditing standards of the Public Company Accounting Oversight Board (United States).

This document is being furnished by the Company in connection with an offering exempt from the registration requirements of the US Securities Act, solely for the purpose of enabling a prospective investor to consider the subscription for New Shares described herein. The information contained in this document has been provided by the Company and other sources identified herein. This document is being furnished on a confidential basis only to persons reasonably believed to be QIBs in the United States and other eligible persons outside of the United States. Any reproduction or distribution of this document in whole or in part, in the United States and any disclosure of its contents or use of any information herein in the United States for any purpose, other than in considering an investment by the recipient in the New Shares offered hereby, is prohibited. Each prospective investor in the New Shares, by accepting delivery of this document agrees to the foregoing.

Enforceability of US judgments

The Company is a public limited company incorporated under the laws of England and Wales. All of the Directors and executive officers of the Company reside outside the United States. In addition, all or substantially all of the assets of the Company, the Directors and the Company’s executive officers are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon any of the Company, the Directors or executive officers of the Company located outside of the United States or to enforce against them any judgments of US courts, including judgments predicated upon civil liabilities under the securities laws of the United States or any state or territory within the United States. There is substantial doubt as to the enforceability in the United Kingdom in original actions, or in actions for enforcement of judgments of US courts, based on the civil liability provisions of US federal securities laws. In addition, punitive damages in actions brought in the United States or elsewhere may be unenforceable in England and Wales.

Notice to Overseas Applicants and Placees in Canada

The New Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. The Company is not a reporting issuer in any province or territory of Canada, there currently is no public market in Canada for the Ordinary Shares and one may never develop. Any resale of the Ordinary Shares must therefore be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable Canadian securities laws. These resale restrictions may under certain circumstances apply to resales of the securities outside of Canada.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this document (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal adviser.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the agents, to the extent applicable, are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the Capital Raising.

In addition to the foregoing, by purchasing the New Shares, investors in Canada will also be deemed to have acknowledged and consented to disclosure regarding their purchase of the New Shares that may be required to be provided to the applicable Canadian securities regulators.

Upon receipt of this document, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the New Shares described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

Date of this document

The date of this document is 22 March 2016.

TABLE OF CONTENTS

	<i>Page</i>
Summary	4
Risk Factors.....	16
Important Information	24
Capital Raising.....	28
Expected Timetable of Principal Events.....	29
Directors, Company Secretary, Registered Office and Advisers.....	30
Part 1 Letter from the Chairman.....	31
Part 2 Information on PHP.....	48
Part 3 Operating and Financial Review	56
Part 4 Historical Financial Information on PHP	73
Part 5 Property Valuation Report.....	74
Part 6 Unaudited Pro Forma Financial Information of the Group.....	79
Part 7 Additional Information	83
Part 8 Documentation Incorporated by Reference.....	132
Part 9 Definitions	133
Part 10 Notice of General Meeting	142
Appendix 1 Questions and Answers on the Open Offer.....	146
Appendix 2 Terms and Conditions of the Open Offer.....	151
Appendix 3 Terms and Conditions of the Firm Placing and the Placing.....	170
Appendix 4 Terms and Conditions of the Offer for Subscription	180

SUMMARY

Summaries are made up of disclosure requirements known as ‘Elements’. These Elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of ‘not applicable’.

Section A – Introduction and warnings		
A.1	Warning	This summary should be read as an introduction to this document. Any decision to invest in the securities should be based on consideration of this document as a whole by the investor. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Union, have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or it does not provide, when read together with the other parts of this document, key information in order to aid investors when considering whether to invest in such securities.
A2	Subsequent resale of securities or final placement of securities through financial intermediaries	Not applicable. There is no subsequent resale or final placement of securities by any financial intermediary.
Section B – Company and any guarantor		
B.1	Legal and Commercial Name	The Company’s legal and commercial name is Primary Health Properties PLC (the “ Company ”).
B.2	Domicile/Legal Form/ Legislation/Country of Incorporation	The Company was incorporated in England and Wales on 16 March 1995 under the Companies Act 1985 as a public limited company with registered number 03033634.
B.3	Key factors of Company’s current operations and principal activities	<p>The Group works in partnership with its stakeholders to create and maintain a portfolio of fit for purpose healthcare properties that provide a long term home for local healthcare provision and that are easily adapted to meet the changing needs of a community. The Group’s property portfolio comprises completed and committed properties, which are primarily let to GP practices, NHS and other governmental bodies in the UK and the HSE and GPs in the Republic of Ireland.</p> <p>The Company is the principal company of a UK-REIT group of companies. All of the Group’s completed properties are held for long-term investment. The Group’s strategy is to acquire the freehold or</p>

		<p>long leasehold interests of mainly modern, purpose-built primary healthcare properties on the basis that each property purchased by the Group will have been evaluated for its income and asset value growth potential.</p>
B.4a	Significant trends	<p>The demand for healthcare services is ever increasing as populations grow and age and, for example, the incidence of chronic disease increases. As a result, the overall cost of providing healthcare services has also increased. Primary care is the foundation of the NHS in the UK and the GP continues to be the first point of access to healthcare services for UK residents, other than acute emergency care. More than 1.3 million patients visit their GP practice each day, representing 90 per cent. of all NHS patient contacts.</p> <p>NHS England plans to invest more in primary care and provide more services within the local community. The UK government has a stated objective to improve access to GPs and move to a 24/7 service. A large part of the primary care estate across the UK is comprised of ageing, converted residential properties, which are inadequate for GPs to deliver the range of services they would like.</p> <p>The Department of Health in Ireland plans to implement its objective of a single-tier health service, including the introduction of universal primary care. The Health Service Executive in Ireland has recognised the role that modern, flexible premises can play in providing extended integrated care.</p> <p>The primary care premises market is tightly controlled by the NHS in the UK and largely influenced by the HSE in the Republic of Ireland, meaning there is little or no speculative development of new modern, flexible facilities. Against this, initial lease terms are longer than in general commercial markets, more than 20 years on average. In the UK, income benefits from a shorter rent review cycle, typically three yearly on an upwards only basis. Together with leases direct to the NHS, the sector benefits from a very strong underlying rental covenant. In the Republic of Ireland, the HSE makes a strong commitment to each primary care centre in order to create an integrated healthcare system alongside GP services. The HSE presence represents 60 per cent. to 75 per cent. of rent received at a centre. Rent reviews tend to be index linked and applied on a five yearly cycle.</p> <p>These factors combine to create a long term, low risk income environment where over the medium term rental growth has broadly tracked inflation.</p>
B.5	Group structure	<p>The Company is the parent of 50 principal subsidiaries, all of which are, directly or indirectly, 100 per cent. owned by the Company.</p> <p>The principal subsidiaries specialise in the ownership of freehold or long leasehold interests in modern purpose-built primary healthcare facilities, the majority of which are leased to general practitioners and other associated healthcare users.</p>

B.6	Notifiable interests	As at 21 March 2016 (being the latest practicable date prior to the publication of this document), the Company had been notified of or was otherwise aware of the following Shareholders who were directly or indirectly interested in 3 per cent. or more of the issued Ordinary Shares:				
		As at 21 March 2016				
				Percentage of		
		Name	Ordinary Shares	existing issued	share capital	
		Unicorn Asset Management	24,305,720		5.44	
		BlackRock	23,827,282		5.33	
		Investec Wealth & Investment	22,093,393		4.95	
		CCLA Investment Management	19,999,380		4.48	
		Charles Stanley	19,849,430		4.44	
		Troy Asset Management	18,880,000		4.23	
		Brooks Macdonald Asset Management	17,866,076		4.00	
		Nexus Group Holdings Limited ⁽¹⁾	16,000,000 ⁽²⁾		3.58	
		Hargreaves Lansdown	14,027,827		3.14	
		(1) Nexus Group Holdings Limited is connected to Harry Hyman.				
		(2) These Ordinary Shares are subject to a debenture and fixed charge over all of Nexus Group Holdings Limited's assets to its bank.				
		Save as disclosed above, the Company is not aware of any person who, as at 21 March 2016 (being the latest practicable date prior to the publication of this document), directly or indirectly, has a holding which exceeds 3 per cent. (and in the case of a fund management holding company, 5 per cent.) of the total voting rights attaching to its issued share capital.				
		None of the Shareholders referred to above have different voting rights from any other holder of Ordinary Shares in respect of such shares held by them.				
		As at 21 March 2016 (being the latest practicable date prior to the publication of this document), the Company had been notified of or was otherwise aware of the following interests of Directors and their connected persons:				
			As at 21 March 2016		Immediately following the date of Admission ⁽¹⁾	
			Number of	Percentage of	Number of	Percentage
		Name	Ordinary	existing issued	Ordinary	of Enlarged
			Shares	share capital	Shares	Ordinary
						share capital
Alun Jones	90,000	0.02	110,000	0.02		
Harry Hyman	16,322,725 ⁽²⁾	3.65	16,401,644	2.89		
Mark Creedy	50,540 ⁽³⁾	0.01	55,340	0.01		
James Hambro	195,428	0.04	195,428	0.03		
William Hemmings	26,725	0.01	26,725	0.00		
Ian Rutter	42,780 ⁽⁴⁾	0.01	56,058	0.01		
Phil Holland	34,104 ⁽⁵⁾	0.01	64,104	0.01		
Steven Owen	37,080	0.01	52,788	0.01		
(1) Assuming the Issue size pursuant to the Capital Raising on Admission is £120 million.						
(2) This includes 33,527 Ordinary Shares held by Anita Hyman, and 16,000,000 Ordinary Shares held by Nexus Group Holdings Limited.						
(3) This includes 2,540 Ordinary Shares held by Ann Mogridge.						
(4) This includes 1,962 Ordinary Shares held by Susan Tear.						
(5) This includes 21,168 Ordinary Shares held by Catherine Holland.						

B.7	Historical financial information	The Group's consolidated financial information set out below has been extracted without material adjustment from the financial information set out in Part 3: "Operating and Financial Review".			
		CONSOLIDATED INCOME STATEMENT DATA:			
		Year ended 31 December			
		2015	2014	2013	
		£'000	£'000	£'000	
	Rental income	63,115	59,985	41,895	
	Finance lease income	–	–	87	
	Direct property expenses	(852)	(723)	(398)	
	Net rental income	62,263	59,262	41,584	
	Administrative expenses	(6,807)	(6,782)	(6,080)	
	Net result on property portfolio	39,767	29,204	2,313	
	Finance income	737	977	434	
	Finance costs	(34,464)	(35,252)	(26,450)	
	Early loan repayment fees	–	(1,187)	(950)	
	Fair value gain/(loss) on derivative financial instruments	1,005	(2,454)	11,432	
	Fair value loss on Convertible Bond	(6,469)	(4,462)	–	
	Non-recurring expenses	–	(2,426)	(2,702)	
	Profit on termination of finance lease	–	–	638	
	Profit before taxation	56,032	36,880	20,219	
	Taxation charge	–	–	1	
	Profit for the year	56,032	36,880	20,220	
	Earnings per share – basic	12.6p	8.3p ⁽¹⁾	5.7p ⁽¹⁾	
	EPRA earnings per share	4.9p	4.1p ⁽¹⁾	1.9p ⁽¹⁾	
	(1) Figures updated to reflect the Share Sub-division undertaken in November 2015.				
	The above relates wholly to continuing operations and is wholly attributable to shareholders of the Company.				
	BALANCE SHEET DATA:				
		Year ended 31 December			
		2015	2014	2013	
		£'000	£'000	£'000	
	Investment properties	1,100,612	1,026,207	941,548	
	Total assets	1,107,655	1,043,972	956,072	
	Total liabilities	(762,295)	(734,842)	(653,687)	
	Net Assets	345,360	309,130	302,385	
	Net asset value per share – basic	77.4p	69.5p ⁽¹⁾	68.5p ⁽¹⁾	
	EPRA net asset value per share	87.7p	79.7p ⁽¹⁾	75.0p ⁽¹⁾	
	(1) Figures updated to reflect the Share Sub-division undertaken in November 2015.				
	There has been no significant change in the financial condition or operating results of the Group since 31 December 2015, the date to which the last audited consolidated financial information of the Group was prepared.				
	As at 31 December 2015, the Group owned 273 properties with a total value of £1.1 billion (including developments on site as completed), an increase of 77 per cent. since 1 January 2013. Over the last three years,				

		<p>the PHP Group has acquired 92 properties for a total consideration of £390 million. These assets added £23.5 million to the Group's annualised rent roll, which, together with contributions from rental growth and asset management projects, has grown by 63 per cent. over the period.</p> <p>EPRA earnings per share have grown by 145 per cent. from 1.9 pence per share (following adjustment to reflect the Share Sub-division undertaken in November 2015) to 4.9 pence per share. PHP has continued to grow its dividend in each of these three years, with an overall increase of 8.1 per cent. (following adjustment to reflect the Share Sub-division undertaken in November 2015). Importantly, the increase in earnings has seen the Company's dividend payments become fully covered, from 56 per cent. cover in 2012.</p> <p>EPRA NAV per share has risen over the review period by 15 per cent. to 87.7 pence as at 31 December 2015 (following adjustment to reflect the Share Sub-division undertaken in November 2015). Adding this growth to dividends per share paid, the three year period generated a total accounting return of 34.2 per cent. (following adjustment to reflect the Share Sub-division undertaken in November 2015).</p> <p>The Group has reduced its operating costs over the same three year period, lowering its EPRA cost ratio from 16.2 per cent. for 2012 to 11.5 per cent. for 2015. This has been achieved through a combination of the impact of the reducing fee scale rate as the portfolio has grown and the consolidation of administrative services provided by the Adviser for a fixed annual fee not related to the value of the Group's gross property assets.</p> <p>Debt facilities have been actively managed, widening the range of providers and structure of facilities. PHP has accessed the retail bond market (£75 million unsecured issue), institutional bond market (£70 million secured issue) and in 2014 issued an £82.5 million unsecured convertible bond. At 31 December 2015, 23 per cent. of Group debt outstanding was funded on an unsecured basis.</p> <p>The mix of debt instrument and secured and unsecured facilities has enabled the Group's cost of debt to be reduced as secured loan to value ratios have been lowered. As a result of these refinancings, average debt costs fell to 4.67 per cent. for the year to 31 December 2015 from 5.82 per cent. for the 2012 financial year. Overall Group loan to value stood at 62.7 per cent. as at 31 December 2015 (31 December 2012: 61.6 per cent.).</p>
B.8	Pro forma financial information	<p>The pro forma financial information has been prepared to illustrate the effect on the consolidated net assets of the Group as if the Firm Placing had taken place on 31 December 2015.</p> <p>The unaudited pro forma, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position.</p>

		Group Note 1 £'000	Firm Placing Note 2 £'000	Pro forma Total £'000
	Non current assets			
	Investment properties	1,100,612	–	1,100,612
	Derivative interest rate swaps	9	–	9
	Non-current assets	1,100,621	–	1,100,621
	Current assets			
	Trade and other receivables	4,153	–	4,153
	Cash and cash equivalents	2,881	–	2,881
	Current assets	7,034	–	7,034
	Total assets	1,107,655	–	1,107,655
	Current liabilities			
	Term loans	(862)	–	(862)
	Derivative interest rate swaps	(4,734)	–	(4,734)
	Trade and other payables	(16,099)	–	(16,099)
	Deferred rental income	(13,169)	–	(13,169)
	Current liabilities	(34,864)	–	(34,864)
	Non current liabilities			
	Term loans	(460,550)	57,557	(402,994)
	Bonds	(236,328)	–	(236,328)
	Derivative interest rate swaps	(30,553)	–	(30,553)
	Non current liabilities	(727,431)	57,557	(669,875)
	Total liabilities	(762,295)	57,557	(704,739)
	Net assets	345,360	57,557	402,917
	Notes:			
	(1) The net assets of the Group as at 31 December 2015 have been extracted without material adjustment from the audited consolidated financial statements of the Group for the year ended 31 December 2015.			
	(2) Adjustment to reflect the net proceeds from the Firm Placing receivable by the Company of £57.6 million (being gross proceeds of £60.0 million less estimated fees relating to the Firm Placing of £2.4 million). If the maximum Capital Raising is achieved, the net proceeds receivable by the Company will be £116.2 million (being gross proceeds of £120.0 million less estimated fees relating to the Capital Raising of £3.8). If the Board exercises its discretion to increase the size of the Issue by a maximum of 25.0 per cent. the net proceeds receivable by the Company will be £145.6 million (being gross proceeds of £150.0 million less estimated fees relating to the Capital Raising of £4.4 million).			
	(3) The unaudited pro forma financial information does not take into account trading of the Group subsequent to the year end balance sheet date of 31 December 2015.			
B.9	Profit forecast	Not applicable – no profit forecasts or estimates have been made.		
B.10	Qualifications in the audit report	Not applicable – there are no qualifications made in the audit report.		
B.11	Insufficient working capital	Not applicable – after taking into account existing bank facilities available to the Group and the net proceeds of the Firm Placing, the working capital available to the Group is sufficient for its present requirements, that is, for at least the 12 months following the date of this document.		

Section C – Securities		
C.1	Type and class of securities being offered	<p>The Company intends to issue 120,000,000 New Shares. The Directors have the ability to increase the size of the Issue by up to 25.0 per cent., representing approximately up to a further 30,000,000 shares.</p> <p>When admitted to trading, the Ordinary Shares will be registered with ISIN (International Securities Identifying Number) GB00BYRJ5J14 and SEDOL (Stock Exchange Daily Official List) number BYRJ5J1.</p> <p>The ticker for the Ordinary Shares on the London Stock Exchange is PHP.</p>
C.2	Currency of the securities issue	Pounds Sterling.
C.3	Issued Share Capital	<p>The issued and fully paid share capital of the Company as at 21 March 2016 was 446,627,017 Ordinary Shares (all of which are fully paid up or credited as fully paid up).</p> <p>The nominal value of the issued ordinary share capital of the Company is £55,828,377.13 divided into 446,627,017 ordinary shares of 12.5 pence each.</p>
C.4	Description of the rights attaching to the securities	The New Shares will, when issued and fully paid, rank equally in all respects with Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid, or declared, if any, by reference to a record date after the date of their issue. The New Shares will not qualify for the dividend to be declared on or about 31 March 2016 payable to Shareholders on the Company's register as at or about 8 April 2016.
C.5	Restrictions on the free transferability of the securities	The New Shares and Ordinary Shares are freely transferable, subject to the restrictions in articles 30 to 36 of the Articles.
C.6	Admission	<p>Applications will be made to the FCA and to the London Stock Exchange, respectively, for the New Shares to be admitted to the listing on the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities.</p> <p>Subject to the conditions to the Capital Raising having been satisfied (or, if applicable, waived) it is expected that Admission will occur at 8.00 a.m. (London time) on or around 14 April 2016.</p>
C.7	Dividend policy	The Company intends to continue to pay on a quarterly basis substantially all of its earnings as dividends in line with current dividend policy, though there can be no guarantee of the level of future dividends, if any.
Section D – Risks		
D.1	Key information on the key risks specific to the Group or its Industry	<ul style="list-style-type: none"> Commercial property and commercial property related assets are inherently difficult to value due to the individual nature of each property. The performance of the Group may be adversely affected by a downturn in the UK commercial property market in terms of capital value or a weakening of rental yields.

		<ul style="list-style-type: none"> • 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 Company 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 or requirements may be extended. • The Company has no influence over the future direction of healthcare initiatives in the public sector, and there can be no assurance that the UK government's healthcare budget will not decline or that growth will stay at present levels. • 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. • The Company is dependent on its Directors and advisers and may be adversely affected if their services or the respective services of any of their key employees are terminated. • Should the Company refinance certain debt facilities, as may be required in the longer term, any such prevailing mark to market position relating to selected swaps may need to be closed, which could adversely impact the financial condition and cash flows of the Group.
D.3	Key information on the key risks specific to the securities	<ul style="list-style-type: none"> • Although the Existing Ordinary Shares and the New Shares are to be listed on the Official List and admitted to trading on the Main Market, and will be freely transferable, the ability of Shareholders to sell their New Shares in the market, and the price which they may receive, will depend on market conditions. • The market value of, and the income derived from, the Ordinary Shares can fluctuate and may not always reflect the prevailing Net Asset Value per Ordinary Share.
Section E – Offer		
E.1	Net proceeds and costs of the offer	Assuming that the gross proceeds of the Issue will be £120.0 million (based on the assumption that 120,000,000 New Shares will be issued at 100 pence per New Share), the net proceeds from the Capital Raising receivable by the Company are estimated to be £116.2 million. These net proceeds are calculated after deduction of the estimated expenses of the Capital Raising. If the Directors increase the size of the Issue by 25.0 per cent., the gross proceeds will be approximately £150.0 million, in which case the net proceeds will be £145.6 million.
E.2a	Reason for offer and use of proceeds	It is the intention of the Board that over the medium term the net proceeds of the Capital Raising will be used to enable the Group to continue its strategy of making property acquisitions whilst maintaining a prudent overall level of gearing within its portfolio. The Board's medium to long term target is to operate with leverage in the range of 45 per cent. to 65 per cent. of gross property value and in the short to medium term no higher than 60 per cent..

		<p>The proceeds will be selectively applied alongside existing and future debt facilities to generate a growing return and to maintain a progressive dividend policy, including:</p> <ul style="list-style-type: none"> initially, where possible, to pay down sums drawn on the Group's revolving debt, totalling £70.0 million as at 31 December 2015, maximising treasury management efficiency and allowing the Group to re-draw sums as necessary to fund existing acquisition and development commitments, and further as investment opportunities require; to fund existing development projects and purchase contracts totalling £24.3 million; and to fund transactions from PHP's current acquisition pipeline totalling some £115.5 million in the UK and some €53.9 million in the Republic of Ireland. <p>In addition, the Board will continue to monitor the Group's interest rate swap portfolio and consider the redemption or restructuring of all or elements of the contracts should prevailing market conditions and pricing make it efficient to do so.</p>
E.3	Terms and conditions of the offer	<p>The New Shares will be issued pursuant to the Firm Placing and the Placing, the Open Offer and the Offer for Subscription (together, the "Capital Raising").</p> <p>The New Shares may be offered: (a) to certain institutional and qualified professional investors in the United Kingdom and elsewhere; and (b) in the United States only to a limited number of persons that are all reasonably believed to be QIBs that (unless otherwise agreed by the Company) are not ERISA Entities in reliance on an exemption from the registration requirements of the US Securities Act or otherwise in transactions exempt from, or not subject to, the registration requirements under the US Securities Act. The New Shares are being offered and sold outside the United States in reliance on Regulation S under the US Securities Act. There will be no public offering of the New Shares in the United States.</p> <p>Assuming that the size of the Issue is approximately £120.0 million, the Capital Raising will comprise up to 120,000,000 New Shares to be issued at a price of 100 pence each (comprising 60,000,000 New Shares issued through the Firm Placing and 60,000,000 New Shares issued through the Placing, Open Offer and Offer for Subscription). If the Directors increase the size of the Issue by 25.0 per cent., this represents a further 30,000,000 New Shares to be issued at a price of 100 pence each. The actual number of New Shares to be issued pursuant to the Capital Raising will be notified by the Company via a Regulatory Information Service announcement prior to Admission.</p> <p>New Shares will be issued at a price of 100 pence each. New Shares will be allocated to Qualifying Shareholders under the Open Offer on a pre-emptive basis in accordance with the Articles.</p> <p>The Capital Raising is conditional, <i>inter alia</i>, upon:</p> <ul style="list-style-type: none"> the passing of the Resolutions without amendment to be proposed at the General Meeting to be held on 13 April 2016;

	<ul style="list-style-type: none"> the Placing Agreement having become unconditional in all respects save for the condition relating to Admission and not being terminated in accordance with its terms before Admission occurs; and Admission occurring by not later than 8.00 a.m. (London time) on 14 April 2016 (or such later time and date as the Company, Numis and Peel Hunt may agree, not being later than 8.00 a.m. (London time) on 28 April 2016). <p>The Firm Placing</p> <p>The Firm Placees have conditionally agreed to subscribe for in aggregate 60,000,000 New Shares at the Issue Price (representing gross proceeds of approximately £60,000,000 million). The Firm Placed Shares are not subject to clawback to satisfy valid applications by Qualifying Shareholders under the Open Offer and are not part of the Placing, Open Offer or Offer for Subscription. The Firm Placing is underwritten by Numis and Peel Hunt.</p> <p>The Open Offer</p> <p>The Open Offer will be made to holders of Ordinary Shares on the register of members of the Company at the Record Date with the exclusion (subject to certain exceptions) of Overseas Shareholders (“Qualifying Shareholders”) at the Issue Price, on the terms and subject to the conditions of the Open Offer, on the basis of:</p> <p style="text-align: center;">1 Open Offer Share for every 10 Existing Ordinary Shares</p> <p>Qualifying Shareholders that take up all of their Basic Entitlements may also apply under the Excess Application Facility for additional New Shares that they would otherwise not be entitled to. The Excess Application Facility will comprise Open Offer Shares which are not taken up by Qualifying Shareholders pursuant to their Basic Entitlements and any New Shares that the Directors determine should be reallocated from the Placing and/or the Offer for Subscription to satisfy demand from Qualifying Shareholders in preference to new investors under the Placing and/or the Offer for Subscription.</p> <p>The Placing</p> <p>New Shares are being allocated to Non-Firm Placees pursuant to the Placing Agreement. The Placing is not underwritten and may be scaled back in favour of either the Open Offer or the Offer for Subscription.</p> <p>Offer for Subscription</p> <p>To the extent that any New Shares remain unallocated via the Excess Application Facility and are not allocated to the Placing, New Shares will be made available under the Offer for Subscription. The Offer for Subscription may be scaled back in favour of the Open Offer and/or the Placing.</p> <p>Admission</p> <p>It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Shares issued pursuant to the Capital Raising will commence at 8.00 a.m. (London time) on 14 April 2016.</p>
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		No application is currently intended to be made for the Existing Ordinary Shares or the New Shares to be admitted to listing or dealing on any other exchange.
E.4	Material interests	Not applicable – no interest is material to the Capital Raising.
E.5	Name of person selling securities/lock up agreements	Not applicable – there are no persons selling securities nor are there any lock up agreements in relation to the Capital Raising.
E.6	Dilution	<p>Assuming that the size of the Issue is approximately £120.0 million, if a Qualifying Shareholder does not take up his Basic Entitlements in full, such Qualifying Shareholder's holding will be diluted by up to approximately 21.2 per cent. as a result of the Firm Placing, the Placing, the Open Offer and the Offer for Subscription. A Qualifying Shareholder who takes up his Basic Entitlements in full in respect of the Open Offer (but does not receive any other New Shares pursuant to the Capital Raising) will suffer dilution of approximately 13.3 per cent. to his shareholding in the Company as a result of the Firm Placing.</p> <p>If the Directors increase the Issue by 25.0 per cent., the size of the Issue will be approximately £150.0 million and if a Qualifying Shareholder does not take up his Basic Entitlements in full, such Qualifying Shareholder's holding will be diluted by up to approximately 25.1 per cent. as a result of the Firm Placing, the Placing, Open Offer and Offer for Subscription. A Qualifying Shareholder who takes up his Basic Entitlements in full in respect of the Open Offer (but does not receive any other New Shares pursuant to the Capital Raising) will suffer dilution of approximately 17.7 per cent. to his shareholding in the Company as a result of the Firm Placing and the increase in size of the Issue.</p> <p>Shareholders who are not Qualifying Shareholders, subject to certain exceptions, will be diluted by approximately 21.2 per cent., assuming the size of the Issue is approximately £120.0 million, or 25.1 per cent. if the Directors increase the size of the Issue to approximately £150 million.</p>
E.7	Expenses charged to the Investor	Not applicable – there are no commissions, fees or expenses to be charged to investors by the Company.

RISK FACTORS

Any investment in shares is subject to a number of risks. Prior to investing in Ordinary Shares, prospective investors should carefully consider all the information in this document, including the risks described below. The risks below are all those which the Directors are aware of and which they consider material. However, additional risks and uncertainties not currently known to the Directors, or that the Directors currently consider immaterial, may also adversely affect the Group's business, results of operations or financial condition. If any or a combination of the following risks materialise, the Group's business, financial condition and/or operational performance could be materially adversely affected. In that case, the trading price of the Ordinary Shares may decline and investors may lose all or part of the value of their investment.

1. GROUP SPECIFIC RISKS

1.1 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 Company will have to meet a minimum distribution test for each year that it is the principal company of a UK-REIT group. The minimum distribution test requires the Company 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 the worldwide rental business of UK resident companies and the UK rental business of non-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 Company 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 Company to exit the UK-REIT regime if:

- it regards a breach of the conditions or an attempt to obtain a tax advantage, as sufficiently serious;
- the Company or Group fails to satisfy the conditions relating to the REIT regime;
- the Group has committed a certain number of minor or inadvertent breaches of the REIT regime in a specified period; or
- HMRC has given the Group at least two notices in relation to the avoidance of tax within a ten year period.

In addition, if the conditions for UK-REIT status relating to the share capital of the Company or the prohibition on entering into loans with abnormal returns are breached, or the Company ceases to be UK resident, becomes dual resident or an open ended investment company, the Group will automatically lose its UK-REIT status. The Group could therefore lose its status as a UK-REIT group 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. Alternatively, the Group may voluntarily give notice to cease to be a REIT.

If the Group 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 Group is treated as exiting the UK-REIT regime. Members of the Group may also be subject to an increased tax charge.

1.2 Borrowing

The Group is a long term investor in property and finances its activities through a combination of shareholder equity and borrowing. Accordingly it is exposed to long term cyclical movements in property valuations. In the short and medium term the Company believes the Group has a prudent level of headroom on its existing debt facilities. However, in the longer term, if property valuations were to fall to a level such that the respective Group company was required to repay all or part of its borrowings, either as a result of a breach of a covenant during the course of the term or because of an inability to repay at the end of the term, a scenario which the Directors currently believe is

unlikely, the relevant subsidiary and/or other Group companies may be forced to sell various assets. 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 realisation proceeds are reduced due to a downturn in commercial property values generally or because there is limited time to market the property. As a consequence the net asset value of the Company could be adversely affected and the level of dividends which the Company is able to pay may also be reduced.

The Group has also granted security to certain lenders and the Company has guaranteed the obligations of a number of its subsidiaries under various financing agreements. Should any fall in the underlying asset value or expected revenues result in the Company or Group company breaching the financial and property covenants contractually agreed with its lenders, the Company or Group company 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 the Company's ability to pay a dividend may be restricted and the financial condition of the Company adversely impacted. Furthermore, the Company has guaranteed the performance of a number of its subsidiaries under various development and financing agreements so the Company may be liable for any breach by a subsidiary of its obligations under any such agreements. The Company believes the level of headroom under the existing debt arrangements is prudent; however there can be no certainty with regard to long-term asset valuations and revenue generation.

Prospective investors should be aware that, whilst the use of borrowings, in certain circumstances, should enhance the net asset value of the Ordinary Shares where the value of the Group's underlying assets is rising, it would have the opposite effect where the underlying asset value is falling.

1.3 Currency risk

The proceeds of the Issue will be denominated in Pounds Sterling which is also the main trading currency of the Group. However, certain of the assets that the Company proposes to invest in will be located in the Republic of Ireland, and their value and the income derived from and expenses related to those assets will be denominated in Euros. In addition, the Group may wish to finance its investments in the Republic of Ireland partly through the use of Euro denominated debt. Accordingly, the value of such assets, income and expenses, loans and related fees and interest costs may be affected favourably or unfavourably by fluctuations in currency rates.

In addition, Shareholders based outside the UK may be exposed to fluctuations in currency rates in connection with their holdings of Ordinary Shares. The Ordinary Shares will be priced in Pounds Sterling and will be quoted and traded in Pounds Sterling. Accordingly, the value of dividends received by Shareholders resident outside the UK may be affected favourably or unfavourably by fluctuations in currency rates, which may reduce the value of the Ordinary Shares, as well as that of any dividends paid by the Company.

1.4 Interest rate risk

The Group borrows monies on a variable rate basis from some of its lenders and has the ability to enter, and has entered, into interest rate swaps and other derivative instruments to mitigate the risk to it of increased interest rates. Increases in underlying interest rates may otherwise reduce the profitability of the Group and its ability to pay dividends. To the extent that the relevant members of the Group do not enter into hedging arrangements or if such arrangements are no longer available or are only available at increased costs, the Group may be exposed to interest rate risk.

The current low interest rate environment has given rise to a significant mark to market valuation of the interest rate swaps that is recognised as a reduction in net assets, although this does not represent a cash liability. In addition, should the Group refinance certain debt facilities, as may be required in the longer term, any such prevailing mark to market position relating to selected swaps may need to be closed, which could adversely impact the financial condition and cash-flow of the Group.

1.5 Access to debt financing in the future will depend on suitable market conditions

The Group is dependent upon access to debt funding to grow and maintain its property portfolio. Access to debt financing in the future will depend on suitable market conditions. If conditions in

credit markets are unfavourable at the time when sources of financing expire or when the Group is looking to refinance them, the Group may not be able to obtain new sources of financing or may only be able to obtain new sources of financing at higher costs or on more restrictive terms. In such circumstances the Company may have to limit investment activity and the level of dividends the Company is able to pay may be reduced.

1.6 Ability to continue to pay dividends

Under UK law, a company can only pay cash dividends to the extent that it has distributable reserves and cash available for this purpose. All of the assets of the Group are owned by subsidiaries of the Company. Accordingly, the ability of the Company to continue to pay dividends is dependent on receipt by the Company of distributions from its subsidiaries, and therefore dependent on the continued operation and solvency of its subsidiaries.

The Company can give no assurances that it will be able to pay a dividend in the future.

1.7 The Group may incur additional compliance costs if certain European Directives apply to REITs

The Company continues to monitor closely the requirements of the European Directive regulating Alternative Fund Managers. The Company has been advised by its solicitors that this Directive does not currently apply to the PHP Group. There can be no assurance, however, that amendments to the Directive or further such legislation would not impact PHP or cause the Group to be classified as an Alternative Investment Fund. If the Directive did apply then there could be material compliance costs for the Company in implementing its provisions and its ability to market its Ordinary Shares in certain jurisdictions may be restricted.

In addition, the Company is monitoring closely the potential impact of a European Directive regulating Derivatives and Market Infrastructure. Whilst it is not currently anticipated that this Directive will apply to the Group, it is as yet unclear and there can be no assurance that amendments to the Directive, or further such legislation, would not change this. If the Directive did apply there could be material compliance costs for the Company and the Group in implementing their provisions.

1.8 Legislative and regulatory requirements

Governmental, legal or regulatory restrictions may have a negative impact on the Group's profitability by restricting the Group's ability to operate in a competitive manner, thus having a detrimental impact on its business and reputation. In particular, 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 Group.

1.9 Management

The Company and the Group is managed by the Board. The Group has no employees. The Company appoints specialist third party advisers to assist it with the day to day running of the Group. Nexus Tradeco Limited ("Nexus" or the "Adviser") has been appointed as an adviser to the Board with regard to property management, financial management and administrative services. A termination of the advisory contract with Nexus could adversely affect the Board's ability to manage day to day Group operations effectively.

The failure of the Adviser to retain and/or recruit suitably qualified or experienced employees and properly maintain appropriate financial, accounting, management and other information and support IT systems could also have a material adverse effect on the Group's operations and results. Any such failure may lead to lost revenue and profitability and/or the Group incurring significant consequential and remedial costs.

2. RISKS RELATING TO THE CAPITAL RAISING

2.1 Market price fluctuation

The market price of the New Shares and/or the Existing Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the New Shares and/or the Existing Ordinary Shares (or similar securities). Such risks depend on the market's perception of the likelihood of completion of the Capital Raising, and/or in response to various facts and events,

including any regulatory changes affecting PHP's operations, variations in PHP's operating results and business developments of the Group and/or its competitors. Stock markets have, from time to time, experienced significant price and volume fluctuations that have affected the market prices for securities and which may be unrelated to PHP's operating performance or prospects. Furthermore, PHP's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the New Shares and/or the Existing Ordinary Shares.

2.2 Shareholders will experience dilution in their ownership of the Company

Regardless of whether a Qualifying Shareholder takes up his Basic Entitlements under the Open Offer, the effect of the Firm Placing will be a reduction of his proportionate ownership and voting interests in PHP. Assuming that the size of the Issue is approximately £120.0 million, if a Qualifying Shareholder does not take up his Basic Entitlements in full, such Qualifying Shareholder's holding will be diluted by up to approximately 21.2 per cent. as a result of the Firm Placing and the Placing, the Open Offer and the Offer for Subscription. A Qualifying Shareholder who takes up his Basic Entitlements in full in respect of the Open Offer (but does not subscribe for any other New Shares pursuant to the Capital Raising) will suffer dilution of approximately 13.3 per cent. to his shareholding in the Company as a result of the Firm Placing. However, Qualifying Shareholders have the opportunity to limit dilution by making an application under the Excess Application Facility or the Offer for Subscription.

Shareholders who are not Qualifying Shareholders, subject to certain exceptions, will not be able to participate in the Capital Raising and will be diluted by approximately 21.2 per cent., assuming the size of the Issue is approximately £120.0 million.

2.3 Overseas Shareholders may not be eligible to participate in the Capital Raising

Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Overseas Shareholders in the Firm Placing, Placing, Open Offer and Offer for Subscription. In particular, subject to certain limited exceptions at the discretion of the Company, Shareholders with addresses in the United States and Canada are non-Qualifying Shareholders and may not participate in the Open Offer. The New Shares have not been and will not be registered under the US Securities Act or any state securities laws of the United States and may only be offered or sold absent registration in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act. Securities laws of certain other jurisdictions may restrict the Company's ability to allow participation by Shareholders in such jurisdictions in any future issue of shares carried out by the Company. Qualifying Shareholders who have a registered address in or who are resident in, or who are citizens of, countries other than the UK should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to apply for and/or receive New Shares.

2.4 Shareholders outside the United Kingdom may not be able to participate in future equity offerings

The Companies Act provides for pre-emptive rights to be granted to Shareholders, unless such rights are disapplied by a special resolution in accordance with the Articles. However, the securities laws of certain jurisdictions may restrict the Company's ability to allow the participation of Shareholders in future offerings. In particular, Shareholders in the United States may not be entitled to exercise those pre-emptive rights unless a registration statement under the US Securities Act is declared effective with respect to those rights, or an exemption from the registration requirements under the US Securities Act is otherwise available. The Company does not intend to file any such registration statement, and the Company cannot assure prospective US investors that any exemption from the registration requirements under the US Securities Act or applicable non-US securities law would be available to enable US or other non-UK holders to exercise such pre-emption rights or, if available, that the Company will utilise any such exemption. Any Shareholder who is unable to participate in future equity offerings may suffer dilution.

2.5 There will be no public market for the Ordinary Shares in the United States or elsewhere outside the United Kingdom

Following Admission, there will be no public market for the Ordinary Shares, including the New Shares, in the United States or elsewhere outside the United Kingdom. The New Shares have not been, and will not be, registered under the US Securities Act or any state securities laws of the United States and will be subject to significant restrictions on resale in the United States. The Company does not intend to apply for listing of the Ordinary Shares on a securities exchange or automated quotation system in the United States or elsewhere outside the United Kingdom. As a consequence, an active trading market is not expected to develop for the Ordinary Shares outside the United Kingdom and investors outside the United Kingdom may not be able to sell them at an acceptable price or at all.

2.6 The ability of Overseas Shareholders to bring actions or enforce judgments against the Company or the Directors may be limited

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England and Wales. The rights of holders of Ordinary Shares are governed by English law and by the Articles. These rights differ from the rights of shareholders in public United States corporations and some other non-UK corporations. An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors. The Directors and executive officers of the Company are residents of the UK. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Company, Directors and executive officers within the Overseas Shareholder's country of residence or to enforce against the Company, Directors and executive officers judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the UK against the Company, Directors and executive officers or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Company, Directors and executive officers in any original action based solely on foreign securities laws brought against the Company or the Directors and executive officers in a court of competent jurisdiction in England or other countries. US investors should refer to the section headed "Enforceability of US judgments" on page 2 of this document for further information.

2.7 The Company is not an "investment company" as defined by, and will not be registered under, the United States Investment Company Act of 1940

The Company is not registered, and does not intend to register, as an investment company under the United States Investment Company Act of 1940, as amended (the "**US Investment Company Act**"), and related rules. The US Investment Company Act and related rules provide certain protections to investors and impose certain restrictions on companies that are registered as investment companies (which, among other things, require investment companies to have a majority of disinterested directors, provide limitations on leverage and limit transactions between investment companies and their affiliates). None of these protections or restrictions is or will be applicable to the Company.

3. UK AND IRISH HEALTHCARE MARKET AND HEALTHCARE REAL ESTATE

3.1 Focus on healthcare premises

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

3.2 Funding of medical centre GP tenants in the UK

The majority of the Group's income is derived from occupational leases with counterparties who are GP practices based in the UK which benefit from rental and premises costs reimbursement under

the Cost Directions and their equivalent in Scotland, Wales and Northern Ireland. 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 underlying covenant strength that derives from the Cost Directions and their equivalent in Scotland, Wales and Northern Ireland. Should the NHS cease or reduce reimbursement, the Group's rental income could be diminished.

3.3 Funding of medical centre GP tenants in the Republic of Ireland

The majority of the Group's income in the Republic of Ireland is likely to be derived from occupational leases with the Irish government's Health Service Executive ("HSE") as its counterparty. Cuts in the funding of the HSE may reduce funds available to meet the costs of accommodation provided by the Group or impact on the underlying covenant strength that derives from the HSE and could lead to the Group's rental income being diminished.

3.4 Health and Social Care Act 2012 – abolition of Primary Care Trusts

Primary Care Trusts ("PCTs") represented a proportion of the Group's tenants until they were abolished on 1 April 2013 pursuant to the Health and Social Care Act 2012 (the "HSC Act"). NHS Property Services Limited ("NHS PS"), a limited liability company wholly owned by the Secretary of State, now holds the majority of the leases which were previously held by PCTs. The transfers took place on 1 April 2013 pursuant to statutory transfer schemes. There is no binding obligation on the Secretary of State to take action to protect landlords' interests if NHS PS no longer exists and it is possible that, in the future, NHS PS' interest in such leases may be transferred to a third party (or that, in the future, NHS PS itself will no longer be owned by the Secretary of State). However, the Secretary of State has provided NHS PS with an irrevocable indemnity to provide funds for NHS PS to meet its obligations as they fall due and has provided written assurances to primary care landlords that it will ensure that NHS PS meets its lease obligations and that any future third party assignee or owner will offer at least the same covenant strength as NHS PS.

4. INDUSTRY SPECIFIC RISKS

4.1 The commercial property market

The Company's strategy is founded upon the basis that suitable properties will be available for investment by the Group at prices and upon terms and conditions (including financing) that the Board (having taken into consideration the recommendations of the Adviser) considers favourable to the Company. No assurance can be given that such properties will be available.

The performance of the Company may be adversely affected by a downturn in the UK or Irish commercial property markets in terms of capital values or a weakening of rental yields. This may have a material adverse effect on the value of properties and any rental uplift achieved from rent reviews.

The valuation of commercial property and commercial property related assets is inherently subjective and is subject to uncertainty. There are no assurances that valuations of properties will reflect actual sale prices that may be achievable.

Rental income and the market value for properties are generally affected by overall conditions in the national and local economy, such as growth in GDP, employment trends, inflation and changes in interest rates. Changes in GDP may also impact employment levels, which in turn may impact the demand for premises.

Both rental income and property values may also be affected by other factors specific to the commercial property market, such as competition from other property owners, the perceptions of prospective tenants of the attractiveness of properties, the inability to collect rents because of the bankruptcy or insolvency of tenants or otherwise, the periodic need to renovate, repair and re-lease space and the costs thereof, the costs of maintenance and insurance, and increased operating costs.

Returns from an investment in commercial property depend largely upon the amount of rental income generated from the property and the expenses incurred in the development or redevelopment

and management of the property, as well as upon changes in its market value. If in the longer term the Group's commercial property portfolio does not generate income sufficient to meet operating expenses, including borrowings, interest payments and/or capital expenditure, the Company's earnings and capacity to pay dividends may be adversely affected.

4.2 Competition

The Directors consider that the Company's main competitors in the UK comprise Medicx Fund Ltd, Assura plc and a number of other unquoted companies including GPI Ltd (part of the GP Group). The Company is aware that Medicx Fund Ltd has recently transacted to fund and acquire assets in the Republic of Ireland and that other investors and developers are active in the Irish healthcare real estate market. If competition increases the price of new investments, the Company may be unable to grow as presently envisaged, or have to pay more than it would like for new investments, which could materially affect the Company's profitability going forwards.

4.3 Default by an occupational tenant

In the event of default by an occupational tenant, the Group will suffer a rental shortfall and incur additional cost including legal expenses, maintenance and insurance and managing the property until it is re-let.

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

The occupational leases entered into by members of the Group with their tenants are typically for an initial term in excess of 20 years. There can be no assurance, however, 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. 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.

4.5 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 Company'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.

4.6 Environmental liabilities resulting from ownership of property

The Board views the assessment of environmental risk as an important element of the due diligence process when the Group acquires 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.

4.7 Ongoing maintenance of properties

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

4.8 **Uninsured losses**

The Board seeks to ensure that all of the Group's properties are adequately insured to cover potential losses. However, changes in the costs or availability of insurance could expose the Group to uninsured 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.

IMPORTANT INFORMATION

Notice to all investors

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering an investment in the New Shares is prohibited. By accepting delivery of this document, each offeree of the New Shares agrees to the foregoing.

The distribution of this document and/or the Application Form and/or the transfer of the New Shares into jurisdictions other than the United Kingdom may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, such documents should not be distributed, forwarded to or transmitted in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. The Application Form and the New Shares are not transferable, except in accordance with, and the distribution of this document is subject to, the restrictions set out in paragraph 6 of Appendix 2 of this document. No action has been taken by PHP or by Numis or Peel Hunt that would permit an offer of the New Shares or rights thereto or possession or distribution of this document or any other offering or publicity material or the Application Form in any jurisdiction where action for that purpose is required, other than in the United Kingdom.

Investors should only rely on the information contained in this document and contained in any documents incorporated into it by reference. No person has been authorised to give any information or make any representations other than those contained in this document and all documents incorporated by reference into it and, if given or made, such information or representations must not be relied upon as having been authorised by PHP or by Numis or Peel Hunt. No representation or warranty, express or implied, is made by PHP or by Numis or by Peel Hunt as to the accuracy or completeness of such information, and nothing contained in this document is, or shall be relied upon as, a promise or representation by PHP or by Numis or by Peel Hunt as to the past, present or future. Except to the extent imposed by FSMA and/or the Prospectus Rules and/or the Listing Rules, neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this document or that the information in this document is correct as at any time subsequent to its date.

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult their own legal, financial or tax adviser for legal, financial or tax advice.

PHP will update the information provided in this document by means of a supplement hereto if a significant new factor, material mistake or inaccuracy arises or is noted relating to the information included in this document. Any supplementary prospectus will be subject to approval by the FCA and will be made public in accordance with the Prospectus Rules.

PHP will comply with its obligation to publish supplementary prospectuses containing further updated information required by law or by any regulatory authority but assumes no further obligation to publish additional information.

Each prospective investor should consult with such advisers as it needs to in order to make its investment decision and to determine whether it is legally permitted to hold shares under applicable laws or regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

Investing in and holding the New Shares involves financial risk. Prior to investing in the New Shares, investors should carefully consider all of the information contained in this document, paying particular attention to the section entitled Risk Factors on pages 16 to 23 of this document. Investors should consider carefully whether an investment in the New Shares is suitable for them in light of the information contained in this document and their personal circumstances.

PHP or Numis or Peel Hunt and their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to the Group, for which they would have received customary fees. PHP or Numis or Peel Hunt and their respective affiliates may provide such services to the Group and any of their affiliates in the future.

Notice to Overseas Applicants and Overseas Shareholders

The New Shares have not been and will not be registered or qualified under the relevant laws of any state, province or territory of the Excluded Territories and may not be offered or sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, into or within any of the Excluded Territories except pursuant to an applicable exemption from registration or qualification requirements. Neither this document nor the Application Form is or constitutes an invitation or offer to sell or the solicitation of an invitation or an offer to buy New Shares in Japan, Australia, New Zealand or South Africa or any jurisdiction in which such offer or solicitation is unlawful. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No public offer of the New Shares is being made by virtue of this document or the Application Form in or into any jurisdiction outside the United Kingdom in which such offer would be unlawful. Subject to certain exceptions, the Application Form will not be distributed in or into any Excluded Territories, and neither this document nor the Application Form constitutes a public offer of New Shares to any person with a registered address in, or who is resident or located in (as applicable), any Excluded Territory.

US considerations

The New Shares have not been, and will not be, registered under the US Securities Act or under any securities laws of any state or other jurisdiction of the United States. The New Shares may not be offered, directly or indirectly, within the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offering of the New Shares in the United States. As part of the Firm Placing and Placing, the New Shares may be offered in the United States only to a limited number of persons that are reasonably believed to be QIBs that (unless otherwise agreed by the Company) are not ERISA Entities in transactions exempt from, or not subject to, the registration requirements under the US Securities Act. The New Shares are being offered and sold outside the United States in reliance on Regulation S.

None of the securities referred to in this document have been approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or determined the adequacy or accuracy of this document. Any representation to the contrary is a criminal offence in the United States.

The financial information included in this document has been prepared in accordance with IFRS, unless otherwise stated. US GAAP differs in certain significant respects from IFRS. Unless otherwise stated, none of the financial information in this document has been audited in accordance with auditing standards generally accepted in the United States or the auditing standards of the Public Company Accounting Oversight Board (United States).

This document is being furnished by the Company in connection with an offering exempt from the registration requirements of the US Securities Act, solely for the purpose of enabling a prospective investor to consider the subscription for New Shares described herein. The information contained in this document has been provided by the Company and other sources identified herein. This document is being furnished on a confidential basis only to persons reasonably believed to be QIBs in the United States and other eligible persons outside of the United States. Any reproduction or distribution of this document, in whole or in part, in the United States and any disclosure of its contents or use of any information herein in the United States for any purpose, other than in considering an investment by the recipient in the New Shares offered hereby, is prohibited. Each prospective investor in the New Shares, by accepting delivery of this document, agrees to the foregoing.

Exchange rate consideration

Shareholders based outside the UK may be exposed to fluctuations in currency exchange rates. The Ordinary Shares will be priced in Pounds Sterling and will be quoted and traded in Pounds Sterling. Fluctuations in the value of Pounds Sterling can be expected to significantly affect the value of the Ordinary Shares and dividend payments upon conversion into other currencies, including the US dollar. For further details of the Company's dividend policy, please see paragraph 10 in Part 1 of this document.

Canadian considerations

The New Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. The Company is not a reporting issuer in any province or territory of Canada, there currently is no public market in Canada for the Ordinary Shares and one may never develop. Any resales of the securities must therefore be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable Canadian securities laws. These resale restrictions may under certain circumstances apply to resales of the Ordinary Shares outside of Canada.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this document (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal adviser.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the agents, to the extent applicable, are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the Capital Raising.

In addition to the foregoing, by purchasing the New Shares, investors in Canada will also be deemed to have acknowledged and consented to disclosure regarding their purchase of the New Shares that may be required to be provided to the applicable Canadian securities regulators.

Upon receipt of this document, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the New Shares described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

Incorporation by reference

Certain information in relation to the Group has been incorporated by reference into this document. Please see Part 8 of this document.

No incorporation of website

Neither the content of the Company's website (www.phpgroup.co.uk) (or any other website) nor the content of any website accessible from hyperlinks on the Company's (or any other website) is incorporated into, or forms part of, this document.

Definitions

Capitalised terms have the meanings ascribed to them in Part 9 of this document.

Where to find help

Appendix 1 of this document answers some of the questions most often asked by shareholders about open offers. If you have further questions relating to the procedure for acceptance and payment under the Open Offer, please telephone the Shareholder Helpline on the numbers set out below. This helpline is available from 8.30 a.m. to 5.30 p.m. Monday to Friday (except public holidays in England and Wales).

Shareholder Helpline

If you have any questions relating to this document, and the completion and return of the Application Form, please telephone Equiniti between 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday (except public holidays in England and Wales) on 0333 207 6370 from within the UK or +44 (0) 121 415 0942 if calling from outside the UK. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes.

Please note that, for legal reasons, the Shareholder Helpline will only be able to provide information contained in this document and information relating to PHP's register of members and will be unable to give advice on the merits of the Capital Raising or to provide financial, legal tax or investment advice.

Presentation of financial information

The Company publishes its consolidated financial statements in Pounds Sterling (“£” or “Pounds Sterling”). The abbreviation “£m” represent millions of Pounds Sterling and references to “pence” and “p” represent pence in the UK.

The financial information presented in a number of tables in this document has been rounded to the nearest whole number or the nearest decimal point. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

The significant accounting policies are set out in the notes to the Group's historical consolidated financial information which are incorporated by reference into it.

Forward-looking statements

This document includes statements that are, or may be deemed to be, forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms **anticipates**, **believes**, **estimates**, **expects**, **intends**, **may**, **plans**, **projects**, **should or will**, or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include, but are not limited to, statements regarding the Company's and/or Directors' intentions, beliefs or current expectations concerning, amongst other things, the Group's results of operations, financial position, prospects, growth, strategies and expectations for the primary healthcare market.

Any forward-looking statements in this document reflect the Company's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's operations, results of operations and growth strategy. Investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision. Subject to the requirements of the Prospectus Rules, the Disclosure and Transparency Rules and the Listing Rules, none of the Company, the Directors, Numis and Peel Hunt undertake any obligation publicly to release the result of any revisions to any forward-looking statements in this document that may occur due to any change in the Company's expectations or to reflect events or circumstances after the date of this document. A number of factors could cause results and developments of the Group to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, changes in regulation, currency fluctuations, changes in its business strategy, political and economic uncertainty and other factors discussed in the sections headed “Risk Factors”, Part 1 and Appendix 2 to Appendix 4 of this document. Past performance of the Company is not necessarily indicative of future performance. Investors should note that the contents of these paragraphs relating to forward-looking statements are not intended to qualify the statements made as to sufficiency of working capital in this document.

Time

All references to time are to London time unless stated otherwise.

CAPITAL RAISING

Issue Price per New Share	100 pence
Basic Entitlements under the Open Offer ⁽¹⁾	1 Open Offer Share for every 10 Existing ordinary Shares
Number of Ordinary Shares in issue at the date of this document	446,627,017
Number of Open Offer Shares expected to be issued by the Company ⁽¹⁾⁽²⁾⁽³⁾	44,662,701
Number of Firm Placed Shares expected to be issued by the Company	60,000,000
Maximum aggregate number of New Shares expected to be issued by the Company pursuant to the Capital Raising ⁽¹⁾	120,000,000
Enlarged Ordinary Share capital immediately following completion of the Capital Raising ⁽¹⁾	566,627,017
Estimated expenses of the Capital Raising ⁽¹⁾	£3.8 million
Estimated net proceeds of the Capital Raising receivable by the Company ⁽¹⁾	£116.2 million

Notes:

(1) Calculated on the basis that the Issue size is £120.0 million.

(2) Assuming full take up of the Open Offer.

(3) To the extent that the Open Offer is not taken up in full, such New Shares shall be allocated to the Placing and the Offer for Subscription.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date for entitlements under the Open Offer	close of business on 18 March 2016
Announcement of the Capital Raising, publication and posting of this document, Form of Proxy and Application Form	22 March 2016
Ex-entitlement date for the Open Offer	22 March 2016
Basic Entitlements and Excess CREST Open Offer Entitlements credited to stock accounts of Qualifying CREST Shareholders in CREST	23 March 2016
Recommended latest time for requesting withdrawal of Basic Entitlements and Excess CREST Open Offer Entitlements from CREST	4.30 p.m. on 6 April 2016
Latest time for depositing Basic Entitlements and Excess CREST Open Offer Entitlements into CREST	3.00 p.m. on 7 April 2016
Latest time and date for splitting of Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 8 April 2016
Latest time and date for receipt of Forms of Proxy and receipt of electronic proxy appointments via the CREST system	10.00 a.m. on 11 April 2016
Latest time and date for receipt of Placing commitments	11.00 a.m. on 12 April 2016
Latest time and date for receipt of completed Application Form and payment in full under the Open Offer or settlement of relevant CREST Instruction	11.00 a.m. on 12 April 2016
Latest time and date for receipt of completed Subscription Form and payment in full under the Offer for Subscription or settlement of relevant CREST Instruction	11.00 a.m. on 12 April 2016
General Meeting	10.00 a.m. on 13 April 2016
Expected date of announcement of results of the General Meeting and the Capital Raising through a Regulatory Information Service	13 April 2016
Expected date of Admission and commencement of dealings in New Shares and CREST Members' accounts credited in respect of New Shares in uncertificated form	by 8.00 a.m. (London time) on 14 April 2016
Expected date of despatch of definitive share certificates for New Shares in certificated form	No later than 21 April 2016

Notes:

- (1) The times set out in the expected timetable of principal events above and mentioned throughout this document are times in London unless otherwise stated, and may be adjusted by the Company in consultation with or, if required, with the agreement of Numis and Peel Hunt, in which event details of the new times and dates will be notified to the Financial Conduct Authority, the London Stock Exchange and, where appropriate, Shareholders.
- (2) Subject to certain restrictions relating to certain Shareholders with registered addresses, or who are resident, outside the UK. See Appendix 2 of this document.

If you have any queries on the procedure for application and payment then please call Equiniti Shareholder Helpline on 0333 207 6370 or, if telephoning from outside the UK, on +44 (0) 121 415 0942 between 8.30 a.m. and 5.30 p.m. Monday to Friday (except public holidays in England and Wales). Calls to the Shareholder Helpline from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Equiniti cannot provide advice on the merits of the Capital Raising nor give any financial, legal or tax advice.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Alun Jones, <i>Non-Executive Chairman</i> Harry Hyman, <i>Managing Director</i> Phil Holland, <i>Finance Director</i> Mark Creedy, <i>Non-Executive Director</i> William Hemmings, <i>Non-Executive Director</i> James Hambro, <i>Non-Executive Director</i> Dr. Ian Rutter O.B.E., <i>Non-Executive Director</i> Steven Owen, <i>Non-Executive Director and Senior Independent Director</i>
Company Secretary	Nexus Management Services Limited
Registered Office and Directors' Business Address	5th Floor Greener House 66–68 Haymarket London SW1Y 4RF
Sponsor, Joint Bookrunner and Joint Broker	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
Joint Bookrunner and Joint Broker	Peel Hunt LLP Moor House 120 London Wall London EC2Y 5ET
Legal Adviser to the Company as to English and US law	Nabarro LLP 125 London Wall London EC2Y 5AL
Legal Adviser to the Sponsor, Joint Bookrunners and Joint Brokers as to English and US law	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA
Auditors	Deloitte LLP 2 New Street Square London EC4A 3BZ
Reporting Accountants in the UK	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Property Valuer	Lambert Smith Hampton Group Limited Interchange Place Edmund Street Birmingham B3 2TA
Receiving Agent and Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA

PART 1

LETTER FROM THE CHAIRMAN



Primary Health Properties

(registered in England & Wales with registered number 03033634)

Directors

Alun Jones, *Non-Executive Chairman*
Harry Hyman, *Managing Director*
Phil Holland, *Finance Director*
Mark Creedy, *Non-Executive Director*
William Hemmings, *Non-Executive Director*
James Hambro, *Non-Executive Director*
Dr. Ian Rutter, O.B.E. *Non-Executive Director*
Steven Owen, *Non-Executive Director and Senior Independent Director*

Registered Office:

5th Floor
Greener House
66–68 Haymarket
London SW1Y 4RF

22 March 2016

Dear Shareholder,

Proposed Firm Placing of 60,000,000 new Ordinary Shares and proposed Placing, Open Offer and Offer for Subscription of up to 60,000,000 new Ordinary Shares with the ability to increase the size of the Issue up to 150,000,000 new Ordinary Shares in aggregate, each at an Issue Price of 100 pence per share

and

Notice of General Meeting

1. INTRODUCTION

On 22 March 2016, the Board announced that the Company intends to raise up to £120.0 million (approximately £116.2 million net of all Capital Raising costs and expenses) in a Capital Raising by way of a Firm Placing and a Placing, Open Offer and Offer for Subscription, consisting of the issue of up to 120,000,000 New Shares at an Issue Price of 100 pence per New Share. The Board has the ability to increase the size of the Issue by up to 25.0 per cent. should there be sufficient demand. It is the Board's opinion that the Capital Raising will enable the Company to continue delivering its long-term strategy of growing the portfolio through selected property acquisitions in line with its prudent acquisition policies whilst maintaining gearing at a conservative level. The Board believes that investing the proceeds in primary care properties, in the current environment, will generate a favourable return, thus enabling the Company to maintain a progressive dividend policy.

The Issue Price was set having regard to the prevailing market conditions and the size of the Issue, and represents a discount of approximately 9.5 per cent. to the Closing Price of 110.5 pence per Ordinary Share on 21 March 2016 (being the last day before the announcement of the Capital Raising). The Board believes that both the Issue Price and the discount are appropriate having also taken into account the period of the Open Offer (21 days) and the potential for share price fluctuation during this time.

The Issue requires Shareholder approval to grant the Directors authority to allot and issue the New Shares as if the applicable statutory pre-emption rights did not apply. In addition, the Company is seeking to renew the authorities to be proposed at the 2016 annual general meeting of the Company, due to be held on 5 April 2016. Shareholders will be asked to approve the Resolutions at a General Meeting which has been convened for 10.00 a.m. on 13 April 2016 at Nabarro LLP, 125 London Wall,

London EC2Y 5AL. Details of the Resolutions are set out in more detail in paragraph 3.5 of Part 7 of this document and the Notice of General Meeting at the end of this document. If the Resolutions are not passed, the Capital Raising will not proceed.

The purpose of this document is to set out the background to and reasons for, the Capital Raising, and:

- to explain the Resolutions to be put to Shareholders at the General Meeting;
- to explain why Shareholders are being asked to vote on the Resolutions; and
- to recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting to be held on 13 April 2016.

2. BACKGROUND TO AND REASONS FOR THE CAPITAL RAISING

2.1 Overview of the Company, its objectives and investment characteristics

PHP is a long term investor in the primary healthcare real estate sector. PHP seeks to create and maintain a portfolio of fit for purpose facilities that provide a long term home for local healthcare provision and that are flexible enough to meet the changing healthcare needs of a community. Investment is targeted to assets that generate secure, long term rental income and the scope for capital growth.

PHP manages its property portfolio effectively and efficiently, working with its tenants to identify opportunities to provide additional space or reconfigure existing premises, facilitate the provision of additional services or extend the term of underlying leases that provide operational flexibility for the occupier and add income and value for PHP. This is undertaken within an efficient management structure where operating costs are tightly controlled and structured to gain economies of scale as the Group continues to grow.

This approach is principally concentrated on assets located in the United Kingdom where primary care is the foundation of NHS services. Properties are leased principally to GPs, NHS bodies and other associated healthcare users, such as pharmacies.

The Company is now taking its first steps into healthcare real estate in the Republic of Ireland. The challenges facing this country's healthcare provision are similar to those of the UK with a growing, ageing population and increasing rates of chronic illness. The Irish Health Service Executive has recognised the role that modern, flexible premises can play in providing extended integrated care and is looking to procure a substantial number of new premises to facilitate this. PHP is working with selected experienced developers of real estate in the Republic of Ireland to acquire existing modern assets and fund the development of new premises.

2.2 Healthcare real estate markets

PHP operates in two main geographical locations:

(i) *The UK primary care real estate sector*

Primary care real estate in the UK is characterised by its strong tenant covenants (where the NHS funds 90 per cent. of PHP's rental income either as tenant or through funding GP derived rental income through premises cost reimbursement).

Occupational leases offer long initial terms, typically 20-25 years or longer with no break options. Rent reviews are effectively upwards only with a mix of open market, index linked or fixed sum review mechanisms. This combination of review bases has led to rental growth rates in line with inflation over the medium term.

(ii) *The Republic of Ireland primary care real estate sector*

Primary care provision in the Republic of Ireland is the responsibility of the Health Service Executive ("HSE"). The HSE is responsible for providing access to the tax funded public health system to all persons resident in the Republic of Ireland. People may be required to pay a fee for certain healthcare services depending on age, condition etc. Macro conditions in

the Republic of Ireland have resulted in budgetary pressures for the HSE as, for instance, the population ages, resulting in increased attendances at hospitals and other care centres.

The HSE has undertaken to provide a number of modern primary care centres to house an increasing number of services away from hospitals and provide an integrated service with GPs. In doing this, the HSE is entering into lease terms of typically 25 years or more, with rent reviews linked to the Consumer Price Index (“CPI”). HSE rentals can account for up to 80 per cent. of total income from a property with the balance received from GPs, pharmacy operators or other associated users.

A large proportion of the primary care estate in the UK and the Republic of Ireland continues to be owned by GPs directly with many premises being converted residential properties where little or no investment has been made in their development in recent years such that they are no longer seen as being capable of housing modern-day healthcare provision.

PHP partners with leading developers in both jurisdictions to work together with the NHS, HSE, GP and healthcare tenants to develop purpose built properties that can house GP practices and allow them to work alongside other healthcare providers in one location in order to provide efficient integrated care.

PHP de-risks development activities by agreeing fixed price terms with its development partners providing certainty of cost and initial return.

The Directors believe that PHP has little development risk and a low risk portfolio due to its:

- strong tenant covenants, given that 91 per cent. of the Group’s UK rent roll is paid directly or indirectly by the UK government and that the HSE will be responsible for 60 per cent. to 80 per cent. of the income from Irish properties;
- long leases, with effectively upward only rent reviews in the UK and linked to CPI in Ireland; and
- minimal vacancies.

Accordingly, the Directors believe that PHP offers strong and visible cash flows to Shareholders. Historically, the increase in rents receivable achieved through the rent review process has broadly matched increases in the RPI. If this trend continues in the UK, the Directors believe that an investment in PHP will provide an effective hedge against inflation.

Macro demand drivers

In both the UK and the Republic of Ireland, GPs are considered the “gatekeepers” to healthcare systems. UK primary care experiences more than 1.3 million patient visits every day whilst in the Republic of Ireland, it is estimated that there were in excess of 14.3 million GP visits in 2015, a figure predicted to rise by 10.2 per cent. by 2025.

The population in both countries is ageing. The UK population is projected to grow to 71.0 million by 2035 with the percentage of the population aged over 70 rising by 62 per cent. and sufferers of chronic diseases will double in that time. In the Republic of Ireland, population growth is expected to be in excess of 27 per cent., rising to 5.99 million by 2036 with those aged 70 or over doubling in 20 years’ time. It is estimated that a third of the current Irish population suffer with some form of chronic disease. As a result, the demands placed on both health services are increasing.

Outside of budgetary pressures for the provision of services themselves, quite often the premises that are used are old, no longer fit for purpose and unable to provide the increasing range of services that GPs are able to and that the government wants to move into local community settings.

A 2014 Survey of GP practices by the British Medical Association (“BMA”) found that 40 per cent. of GPs felt that their premises were not fit for purpose. 70 per cent. said that their premises were not able to provide the range of services they wished.

Both governments, the NHS and the HSE are looking to move services away from hospitals into local community based primary care accommodation. There GPs can work in a more integrated manner with other health, wellbeing and social care agencies and develop new models of care that will generate cost efficiencies.

Additional funding for the NHS in England has been promised by the UK government, committing an additional £10 billion to the NHS England budget by 2021, £6 billion of which will be provided by the end of 2016/17. This comes in exchange for £22 billion of savings being delivered by the NHS in England as promised in the Five Year Forward View. The HSE has committed to provide free healthcare for all children aged six or under and all adults aged 70 or over. To fund this, savings must be made elsewhere in the HSE budget. A 2014 study carried out by Deloitte LLP for the Royal College of General Practitioners said that £5 could be saved for every £1 added to GP budgets in the UK.

In the BMA survey, more than 53 per cent. of respondents said that there had been no investment in their premises in the last ten years with 62 per cent. saying that lack of investment had been due to a lack of funding. PHP continues to invest in its portfolio working with its tenants to identify and satisfy the needs of their developing businesses. In December 2014, the Primary Care Infrastructure Fund was launched committing £1 billion of funds to be applied to GP premises to enable additional services to be provided and to facilitate extended opening hours.

The Board is confident that GPs will continue to be at the forefront of the development and delivery of integrated care models with increased numbers of services delivered from local community settings to enable both the NHS and the HSE to modernise the provision of care, meet their patient choice agendas and provide care in a cost effective manner. PHP's long standing track record of delivering flexible, modern accommodation and continuing to invest to improve and expand its facilities provides the foundation from which PHP can capitalise on the continued demand for healthcare real estate.

Improving investment opportunities

In April 2013, the Health and Social Care Act led to the abolition of Primary Care Trusts and the creation of NHS Property Services Limited. NHS England became responsible for the provision of healthcare in England. The change of NHS management structures in England resulting from this led to a reduction in the number of approvals for new primary care developments. This stasis appears to be coming to an end as evidenced by recent statements on primary care premises development and the receipt of a number of approvals by our development partners for new schemes.

The Group has also continued to see opportunities in Wales and Scotland.

In Ireland, the HSE has targeted delivering 95 per cent. of healthcare from within local communities and in June 2015, it announced its plans for the next tranche of 20 primary care centres to be developed.

The Board believes that the Adviser has considerable expertise in sourcing deals in the UK and has built a good network of contacts with developers, consultants and agents to capitalise on the Company's UK track record to secure a portfolio of assets in the Republic of Ireland.

PHP recent performance highlights

PHP's proven strategy of investing in modern, purpose built primary care premises is evident in the results and activity of the three year period ending 31 December 2015. Underpinned by long term, secure income streams, the Group's portfolio has delivered growth in both income and capital value which has been translated into increased earnings and shareholder value.

As at 31 December 2015, the Group owned 273 properties with a total value of £1.1 billion (including developments on site as completed) an increase of 77 per cent. since 1 January 2013. Over the last three years, the PHP Group has acquired 92 properties for a total consideration of £390 million. These assets added £23.5 million to the Group's annualised rent roll, which together with contributions from rental growth and asset management projects, has grown by 63 per cent. over the period.

EPRA earnings per share have grown by 145 per cent. from 1.9 pence per share (following adjustment to reflect the Share Sub-division undertaken in November 2015) to 4.9 pence per share. PHP has continued to grow its dividend in each of these three years, with an overall increase of 8.1 per cent. (following adjustment to reflect the Share Sub-division undertaken in November 2015).

Importantly, the increase in earnings has seen the Company's dividend payments become fully covered, from 56 per cent. cover in 2012.

EPRA NAV per share has risen over the review period by 15 per cent. (following adjustment to reflect the Share Sub-division undertaken in November 2015) to 87.7 pence as at 31 December 2015. Adding this growth to dividends per share paid, the three year period generated a total accounting return of 34.2 per cent. (following adjustment to reflect the Share Sub-division undertaken in November 2015).

The Group has reduced its operating costs over the same three year period, lowering its EPRA cost ratio from 16.2 per cent. for 2012 to 11.5 per cent. for 2015. This has been achieved through a combination of the impact of the reducing fee scale rate as the portfolio has grown and the consolidation of administrative services provided by the Adviser for a fixed annual fee not related to the value of the Group's gross property assets.

Debt facilities have been actively managed, widening the range of providers and structure of facilities. PHP has accessed the retail bond market (£75 million unsecured issue), institutional bond market (£70 million secured issue) and in 2014 issued an £82.5 million unsecured convertible bond. At 31 December 2015, 23 per cent. of Group debt outstanding was funded on an unsecured basis.

The mix of debt instrument and secured and unsecured facilities has enabled the cost of debt to be reduced as secured loan to value ratios have been lowered. As a result of these refinancings, average debt costs fell to 4.67 per cent. for the year to 31 December 2015 from 5.82 per cent. for the 2012 financial year. Overall Group loan to value stood at 62.7 per cent. as at 31 December 2015 (31 December 2012: 61.6 per cent.).

2.3 Reasons for the Capital Raising

Having delivered increasing returns in recent years against a backdrop of limited new centre development opportunities, the Board sees growing levels of opportunity from changing circumstances and fresh initiatives in the UK and in entering a new market in the Republic of Ireland. The Board's opinion is that the Capital Raising will enable the Company to continue delivering its long-term strategy of growing the portfolio through selected property acquisitions whilst maintaining gearing at an appropriate level and supporting its progressive dividend policy. The Board's medium to long term target is to operate with leverage in the range of 45 per cent. to 65 per cent. of gross property value and in the short to medium term no higher than 60 per cent..

The Group is in active, and in some cases advanced, negotiations with vendors of potential property acquisitions and development in both the UK and the Republic of Ireland. Some represent opportunities where the Company has agreed acquisition terms with vendors and, subject to contract, are currently in the hands of solicitors for documenting and completion whereas others are nearing that state or are at the stage where the Group is in the course of agreeing terms with vendors. The Group is under no contractual obligation and there can be no guarantee that the Group will complete the acquisition of any of these investment opportunities. The Directors consider that these assets, if completed, would benefit the Company.

Geographical region	Number of indicative pipeline opportunities*	Acquisition cost*	Rent roll*
United Kingdom			
North	6	£9.4m	£0.55m
Midlands	5	£20.3m	£0.91m
South East	18	£56.7m	£3.33m
South West	8	£26.0m	£1.61m
Scotland	1	£3.1m	£0.17m
Total – United Kingdom	38	£115.5m	£6.57m
Republic of Ireland	6	€53.9m	€3.74m

*Unaudited.

The Board believes that this pipeline is indicative of the attractive and suitable investment opportunities that currently exist and are expected to arise. This is evidenced by a number of additional acquisition opportunities that are actively being negotiated with vendors and has led the Board to conclude that now is an appropriate time to seek to raise sufficient additional capital to exploit these opportunities.

As at 31 December 2015, PHP had five assets that it had contracted to fund and acquire that were on site under development. One of these, at Kimmerfields, Swindon will cost the Group a net £10.4 million. In addition, the Group had entered into a forward purchase contract to acquire a further asset in Macclesfield upon completion of its construction. The total of these commitments remaining to be funded is £24.3 million and will in part be funded by the proceeds of the Capital Raising.

The Group has previously been successful in securing asset management and enhancement projects, generating additional rental income and extending lease terms on assets within its investment portfolio. At 31 December 2015, there were three such projects on site under construction where a total of £0.7 million will be funded through 2016.

The increased momentum for such projects following the launch of the Primary Care Transformation Fund has led to six further projects having received approval which will commit an additional £1.9 million of investment. The Adviser is progressing a further 16 schemes that will commit £10.3 million of capital. A total of £0.6 million per annum of additional rental income will be generated and an average of 12 years will be added to the applicable occupational leases.

Fulfilment of some or all of these pipeline opportunities would increase the size and rent roll of the Group's portfolio and help to enable PHP to gain further critical mass, regarded by the Directors as necessary to compete effectively with other property companies, as well as enabling it to benefit from some additional economies of scale and increase financing flexibility.

The Board also expects that the increased market capitalisation of the Company following the Capital Raising will improve the liquidity of the Ordinary Shares, to the benefit of all Shareholders.

The Board has consistently believed that, despite the secure nature of the Company's tenants and the long lease expiry profile, a conservative consolidated level of gearing of below 65 per cent. is appropriate for the Company. The effect of the Capital Raising will be to allow PHP to continue to pursue its growth strategy and maintain maximum funding flexibility on an ongoing basis.

PHP's LTV ratio as at 31 December 2015 was 62.7 per cent.. The Group has no consolidated LTV covenants within its range of debt facilities. Specific individual loan facility maximum LTV limits range from 50 per cent. to 75 per cent. and are calculated with reference to dedicated property pools that form the security for an individual facility. A proportion of the Group's property portfolio is currently unfettered with debt and the Group has the ability to transfer such properties into the security pools of its debt facilities if required.

The Company's cost structure is well-defined and efficient. The pipeline of acquisition opportunities remains significant and will be enhanced by the Group's expansion into the Republic of Ireland. The current positive gap between yields and financing costs is providing opportunities for PHP to make immediately earnings enhancing and cash generating property investments.

The Directors consider that the attractive investment characteristics of the Company and the stability of its underlying income and shareholder returns have contributed to PHP outperforming the FTSE All Share Index by 18 per cent. on price performance and 42 per cent. on total shareholder return over the five years ended 31 December 2015. The Directors believe that long leases, strong tenant covenants and little or no oversupply in the primary healthcare property market are the principal reasons why yields on the Group's portfolio have remained resilient in comparison to other sectors of the property industry.

Details of the Group's net assets on a pro forma basis, assuming the Firm Placing completed on 31 December 2015, can be found in Part 6 of this document.

3. CURRENT TRADING, TRENDS AND PROSPECTS

The Company announced the issue of its Annual Report and Accounts for the year ended 31 December 2015 on 4 February 2016. The information below is extracted from the Chairman's statement in that announcement.

"I am pleased to present the Group's Annual Report for 2015, a year in which we have continued to deliver on our strategic objectives. Further accretive property acquisitions, efficient management and lower costs of borrowing in the year enabled the Company to grow its dividend for the 19th successive year. Importantly, this was coupled with achieving one of our key goals of returning to full dividend cover in the second half of the year.

Results highlights

Profit for the year rose by 51.9 per cent. to £56.0 million (2014: £36.9 million). EPRA earnings have grown by 19.2 per cent. to £21.7 million (2014: £18.2 million), which equates to EPRA earnings per share of 4.9 pence (2014: 4.1 pence (restated to reflect the Company's four for one share sub-division undertaken in November 2015)). Net rental income increased by 5.1 per cent. due to acquisitions, completing assets under construction, enhancing and expanding existing assets and from rent reviews completed in the year.

The efficient management structure of the Group, with a reducing adviser fee rate as the portfolio grows, is once again evident. Our EPRA cost ratio fell by 50 basis points to 11.5 per cent. (2014: 12.0 per cent.) and continues to be the lowest cost ratio in the UK listed real estate sector.

Debt facilities were actively managed in the year, securing two facility extensions. We also added to our interest rate swap portfolio, lengthening the term of our protection at current market rates and lowering the average cost of the Group's debt.

Eight properties, including one forward purchase contract, were added to the Group's portfolio for a total of £44 million. The Group's property portfolio grew to £1.1 billion. With like for like capital growth of 3.9 per cent., an overall valuation surplus of £39.8 million was generated after allowing for acquisition costs.

EPRA net asset value per share increased by 10.0 per cent. to 87.7 pence (2014: 79.7 pence (restated to reflect the Company's four for one share sub-division undertaken in November 2015)) which together with dividends paid in the year produced a Total NAV Return of 16.3 per cent. (2014: 12.8 per cent.).

Dividends

A total of 5.0 pence per share was paid in dividend to shareholders in 2015, an increase of 2.6 per cent. (2014: 4.875 pence (restated to reflect the Company's four for one share sub-division undertaken in November 2015)). This continued the Company's unbroken record of dividend growth in every year since its first dividend payment in 1997. The total dividend for the year was covered 98 per cent. by EPRA earnings, increased from 84 per cent. for 2014. Importantly, following investment and debt management activity in the first part of 2015, second half year earnings covered the dividend paid in that period 107 per cent., resulting in the Company meeting a key objective of returning to full dividend cover.

When announcing the approval of the sub-division, the Board confirmed its intention to move to paying a quarterly dividend from 2016 onwards. On 4 January, the Board approved its first quarterly dividend, resolving to pay 1.28125 pence per ordinary share on 26 February 2016 to holders on the register as at close of business on 15 January 2016. We anticipate further dividend payments being made in May, August and November this year.

Outlook

After careful evaluation, we have taken our first steps to invest in primary care property in the Republic of Ireland. The challenges facing Ireland's healthcare provision are similar to those in the UK with a growing, ageing population and increasing rates of chronic illness but a disparate and outdated estate from which services are delivered.

The Irish State's Health Service Executive ("HSE") is driving forward significant change in healthcare provision in Ireland, focussed on the modernisation of the primary care sector. This is seeing the

development of a number of new primary care centres with the HSE itself as the majority occupier, providing a similar covenant to that of the NHS in the UK.

We are a leading investor in healthcare real estate in the UK and our reputation and experience will benefit our expansion into Ireland. We are well placed to provide new premises to support the modernisation of the NHS and to work alongside the HSE to reposition healthcare provision in Ireland.

The fundamentals of the sector in both the UK and Ireland provide confidence that the assets in which we invest will continue to provide strong, reliable and growing long term returns. The Group's operational structure ensures that our activities are managed efficiently, whilst active management of our debt portfolio will maintain a balanced maturity profile and an appropriate blended cost of debt. This will all be reflected in the progressive dividend that we pay to shareholders.

I would like to thank the Board and the team of advisers and managers with whom we work at PHP and who contribute to the continued success of the Group. In particular, I would like to thank Jamie Hambro and William Hemmings, who will retire from the Board following the forthcoming annual general meeting of the Company, and who have done an excellent job in helping steer the Group's impressive record over many years. We will miss their wise counsel, but anticipate being able to nominate their replacements in the near future. I look forward to working with the continuing team again in 2016 and delivering further growth of the Group."

4. PRINCIPAL TERMS OF THE CAPITAL RAISING

4.1 Structure

PHP is proposing to raise gross proceeds of up to £120.0 million (approximately £116.2 million net of expenses) by the issue of up to 120,000,000 new Ordinary Shares through the Capital Raising at 100 pence per New Share, although the Directors have the ability to increase the size of the Issue by up to 25.0 per cent. such that the gross proceeds would be approximately £150.0 million (approximately £145.6 million net of expenses). The Firm Placing is underwritten by Numis and Peel Hunt. The Board considers the Firm Placing and Placing, Open Offer and Offer for Subscription to be a suitable fundraising structure as it will allow access to a wide variety of new investors to broaden the Company's shareholder base, whilst providing existing Shareholders with the opportunity to participate in the fundraising to an extent through the Open Offer and the Offer for Subscription.

Assuming that the size of the Issue is approximately £120.0 million, 60,000,000 of the New Shares will be issued through the Firm Placing and 60,000,000 of the New Shares will be issued through the Placing, Open Offer and Offer for Subscription. The actual number of New Shares to be issued pursuant to the Issue will be notified by the Company via a Regulatory Information Service announcement prior to Admission. Qualifying Shareholders are being offered the right to subscribe for Open Offer Shares in accordance with the terms of the Open Offer. Qualifying Shareholders are not being offered the right to subscribe for the Firm Placed Shares or Placed Shares. Qualifying Shareholders applying for their Basic Entitlements, however, may also apply, under the Excess Application Facility, for Excess Shares in excess of their Basic Entitlements as described below. The Company is making the Offer for Subscription as described below in the UK only.

All elements of the Capital Raising have the same Issue Price. The Issue Price was set having regard to the prevailing market conditions and the size of the Issue, and represents a discount of approximately 9.5 per cent. to the Closing Price of 110.5 pence per Ordinary Share on 21 March 2016 (being the last Business Day before the announcement of the Capital Raising). The Board believes that both the Issue Price and the discount are appropriate having also taken into account the period of the Open Offer (21 days) and the potential for share price fluctuation during this time.

The New Shares, when issued and fully paid, will rank equally to the Existing Ordinary Shares and will rank in full for all dividends or distributions made, paid or declared if any, by reference to a record date after the date of their issue or otherwise *pari passu* in all respects with the Existing Ordinary Shares. The New Shares will not qualify for the dividend to be declared on or about 31 March 2016 payable to Shareholders on the Company's register as at or about 8 April 2016.

On the basis that the Issue size is £120.0 million, the Capital Raising is expected to result in 120,000,000 new Ordinary Shares being issued (representing approximately 26.9 per cent. of the existing issued share capital). On the basis that the Issue size is increased to a maximum of £150.0 million, the Capital Raising is expected to result in 150,000,000 new Ordinary Shares being issued (representing approximately 33.6 per cent. of the existing issued share capital).

The Capital Raising has been structured in a way that is expected to have the effect of creating distributable reserves equal to the net proceeds of the Capital Raising less the par value of the New Shares attributable to the Capital Raising issued by the Company. It should be possible for the Company to declare dividends from the aggregate distributable reserves created by the Capital Raising (together with any other distributable reserves of the Company) provided that the Company has sufficient cash resources to fund such dividends, the distributable reserves have not otherwise been reduced and the Directors consider it appropriate to declare such dividends.

The New Shares may be offered: (a) to certain institutional and qualified professional investors in the United Kingdom and elsewhere; and (b) in the United States only to a limited number of persons that are reasonably believed to be QIBs that (unless otherwise agreed by the Company) are not ERISA Entities in transactions exempt from, or not subject to, the registration requirements under the US Securities Act. The New Shares are being offered and sold outside the United States in reliance on Regulation S. There will be no public offering of the New Shares in the United States.

Some questions and answers in relation to the Open Offer, together with details of further terms and conditions of the Open Offer, including the procedure for application and payment and the procedure in respect of entitlements not taken up, are set out in Appendix 1 and Appendix 2 of this document and, where relevant, are set out in the Application Form.

Details of further terms and conditions of the Offer for Subscription, including the procedure for application and payment and the procedure in respect of Subscription Entitlements, are set out in Appendix 4 of this document and, where relevant, are set out in the Subscription Form. The Subscription Form is contained in Appendix 4 of this document and will be available on the Company's website.

4.2 Firm Placing

The Firm Placees have conditionally agreed to subscribe for in aggregate 60,000,000 New Shares at the Issue Price (representing gross proceeds of approximately £60.0 million). The Firm Placed Shares are not subject to clawback to satisfy the valid applications by Qualifying Shareholders under the Open Offer and are not part of the Placing, Open Offer or Offer for Subscription. The Firm Placing is underwritten by Numis and Peel Hunt. The terms and conditions of the Firm Placing and the Placing are contained in Appendix 3.

4.3 Open Offer

The Directors fully recognise the importance of pre-emption rights to Shareholders and consequently 44,662,701 New Shares are being offered to existing Shareholders by way of the Open Offer. The Open Offer provides an opportunity for Qualifying Shareholders to participate in the Capital Raising by both subscribing for their respective Basic Entitlements and by subscribing for Excess Shares under the Excess Application Facility, subject to availability. The Placing and the Offer for Subscription may be scaled back at the Directors' discretion (in consultation with Numis and Peel Hunt) to increase the size of the Open Offer by allocating New Shares that could otherwise be available under the Placing and/or the Offer for Subscription to be available to Qualifying Shareholders through the Excess Application Facility.

To the extent that valid applications are not received in respect of Open Offer Shares under the Open Offer, such Open Offer Shares may be allocated to Qualifying Shareholders to meet any valid applications under the Excess Application Facility.

Basic Entitlements

Qualifying Shareholders are being offered the opportunity to subscribe at the Issue Price for Open Offer Shares on the following basis:

1 Open Offer Share for every 10 Existing Ordinary Shares

registered in their name at the close of business on the Record Date.

Basic Entitlements under the Open Offer will be rounded down to the nearest whole number and any fractional entitlements to Open Offer Shares will not be allocated but will be aggregated and sold for the benefit of the Company under the Excess Application Facility and/or the Placing and/or the Offer for Subscription.

If you have sold or otherwise transferred all of your Existing Ordinary Shares before the ex-entitlement date, you are not entitled to participate in the Open Offer.

Qualifying Shareholders are also being offered the opportunity to subscribe for Excess Shares in excess of their Basic Entitlements pursuant to the Excess Application Facility as described below.

Excess Application Facility

Qualifying Shareholders may apply to subscribe for Excess Shares using the Excess Application Facility, should they wish. Qualifying Non-CREST Shareholders wishing to apply to subscribe for Excess Shares may do so by completing the relevant sections on the Application Form. Qualifying CREST Shareholders who wish to apply to subscribe for more than their Basic Entitlements will have Excess CREST Open Offer Entitlements credited to their stock account in CREST and should refer to paragraph 2.2.3 of Appendix 2 of this document for information on how to apply for Excess Shares pursuant to the Excess Application Facility.

The Excess Application Facility will be comprised of New Shares that are not taken up by Qualifying Shareholders under the Open Offer pursuant to their Basic Entitlements and any New Shares that the Directors determine should be reallocated from the Placing and/or the Offer for Subscription to satisfy demand from Qualifying Shareholders in preference to prospective new investors.

The maximum amount of New Shares to be issued under the Excess Application Facility (the “**Maximum Excess Application Number**”) will be limited to: (a) the maximum size of the Issue (as may be increased by the Directors by up to 25.0 per cent. to approximately £150.0 million); less (b) the aggregate of the Firm Placed Shares, the New Shares issued under the Open Offer pursuant to Qualifying Shareholders’ Basic Entitlements and any New Shares that the Directors determine to issue under the Placing and the Offer for Subscription. Excess Applications will therefore only be satisfied to the extent that: (a) other Qualifying Shareholders do not apply for their Basic Entitlements in full; (b) where fractional entitlements have been aggregated and made available under the Excess Application Facility; and (c) if the Directors exercise their discretion to reallocate New Shares that would otherwise have been available under the Placing and/or the Offer for Subscription to the Excess Application Facility. Qualifying Shareholders can apply for up to the Maximum Excess Application Number of New Shares under the Excess Application Facility, although applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that the applications under the Excess Application Facility by Qualifying Shareholders will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant’s risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

4.4 Placing

To the extent that any New Shares remain unallocated via the Excess Application Facility and are not allocated to the Offer for Subscription, such New Shares will be made available under the Placing. New Shares are being allocated to Non-Firm Placees pursuant to the Placing Agreement. The Placing will not be underwritten by Numis or Peel Hunt and may be scaled back in favour of the Open Offer and/or the Offer for Subscription. The terms and conditions of the Firm Placing and the Placing are contained in Appendix 3.

4.5 Offer for Subscription

To the extent that any New Shares remain unallocated via the Excess Application Facility and are not allocated to the Placing, such New Shares will be made available under the Offer for Subscription. The Offer for Subscription may be scaled back in favour of the Open Offer and/or the Placing.

The Offer for Subscription is only being made in the UK but, subject to applicable law, the Company may allot New Shares on a private placement basis to applicants in other jurisdictions. The terms and conditions of application under the Offer for Subscription are set out in Appendix 4 of this document and, where relevant, in the Subscription Form. These terms and conditions should be read carefully before an application is made. Investors should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser if they are in doubt.

4.6 Dilution

Assuming that the size of the Issue is approximately £120 million, if a Qualifying Shareholder does not take up his Basic Entitlements in full, such Qualifying Shareholder's holding will be diluted by up to approximately 21.2 per cent. as a result of the Firm Placing and the Placing, the Open Offer and the Offer for Subscription. A Qualifying Shareholder who takes up his Basic Entitlements in full in respect of the Open Offer (but does not subscribe for any other New Shares pursuant to the Capital Raising) will suffer dilution of approximately 13.3 per cent. to his shareholding in the Company as a result of the Firm Placing.

If the Directors increase the Issue by 25.0 per cent., the size of the Issue will be approximately £150.0 million and if a Qualifying Shareholder does not take up his Basic Entitlements in full, such Qualifying Shareholder's holding will be diluted by up to approximately 25.1 per cent. as a result of the Firm Placing and the Placing, the Open Offer and the Offer for Subscription. A Qualifying Shareholder who takes up his Basic Entitlements in full in respect of the Open Offer (but does not subscribe for any other New Shares pursuant to the Capital Raising) will suffer dilution of approximately 17.7 per cent. to his shareholding in the Company as a result of the Firm Placing and the increase in size of the Issue.

Shareholders who are not Qualifying Shareholders, subject to certain exceptions, will be diluted by approximately 21.2 per cent., assuming the size of the Issue is approximately £120.0 million, or 25.1 per cent. if the Directors increase the size of the Issue to approximately £150.0 million.

4.7 Fractions

Fractions of Open Offer Shares will not be allocated to Qualifying Shareholders in the Open Offer. Fractional entitlements under the Open Offer will be aggregated and sold in the market place for the benefit of the Company under the Excess Application Facility and/or the Placing and/or the Offer for Subscription.

4.8 Basis of allocation under the Capital Raising

The Placing may be scaled back in favour of the Open Offer and/or the Offer for Subscription and the Offer for Subscription may be scaled back in favour of the Placing and/or the Open Offer. The Open Offer is being made on a pre-emptive basis to Qualifying Shareholders and is not subject to scaling back in favour of either the Placing or the Offer for Subscription. The Directors have the discretion to scale back the Placing and/or the Offer for Subscription in favour of the Open Offer by reallocating New Shares that would otherwise be available under the Placing and/or the Offer for Subscription to be available to Qualifying Shareholders through the Excess Application Facility under the Open Offer. Any New Shares that are available under the Open Offer and are not taken up by Qualifying Shareholders pursuant to their Basic Entitlements and under the Excess Application Facility will be reallocated to the Placing and/or the Offer for Subscription and be available thereunder.

The Directors have the discretion to determine the basis of allotment between Qualifying Shareholders under the Excess Application Facility and any scaling back of or reallocation of Open Offer Shares to the Placing and/or the Offer for Subscription. In exercising this discretion, the Directors generally intend to give priority to existing Shareholders over prospective new Shareholders, although the Directors will seek to balance the benefits to the Company of allowing existing Shareholders to maintain or increase the size of their relative shareholdings with expanding the Shareholder base of the Company.

4.9 Conditionality

The Capital Raising is conditional, *inter alia*, upon:

- the passing of the Resolutions without amendment to be proposed at the General Meeting to be held on 13 April 2016;
- the Placing Agreement having become unconditional in all respects save for the condition relating to Admission and not being terminated in accordance with its terms before Admission occurs; and
- Admission occurring by not later than 8.00 a.m. (London time) on 14 April 2016 (or such later time and date as the Company, Numis and Peel Hunt may agree, not being later than 8.00 a.m. (London time) on 28 April 2016).

Prior to Admission, Numis and Peel Hunt may terminate the Placing Agreement in certain defined circumstances. Following Admission, the Placing Agreement cannot be terminated.

If the conditions of the Placing Agreement are not fulfilled on or before 8.00 a.m. on 28 April 2016, application monies will be returned to applicants (at the applicant's risk) without interest as soon as possible thereafter.

4.10 Important notice

The New Shares are not being made available in whole or in part to the public except under the terms of the Open Offer and the Offer for Subscription. The Open Offer and the Offer for Subscription are not being made to persons in the United States or in any jurisdiction in which such an offer or solicitation would be unlawful. Accordingly, Application Forms are not (subject to certain exceptions) being sent to, and Basic Entitlements and Excess CREST Open Offer Entitlements are not being credited to, Overseas Shareholders. The attention of Overseas Shareholders is drawn to paragraph 6 of Appendix 2 of this document and the attention of Overseas Applicants is drawn to paragraph 6 of Appendix 4 of this document.

The Open Offer is not a rights issue. Invitations to apply under the Open Offer are not transferable unless to satisfy *bona fide* market claims and the Application Form is not a document of title and cannot be traded. Qualifying Shareholders should be aware that, in the Open Offer, unlike in the case of a rights issue, any Open Offer Shares not applied for under the Open Offer will not be sold in the market or placed for the benefit of Qualifying Shareholders, but will be taken up under the Excess Application Facility, the Placing and/or the Offer for Subscription, with the proceeds retained for the benefit of the Company.

To be valid, completed Application Forms and payment in full must be received by Equiniti no later than 11.00 a.m. on 12 April 2016. Further information on the Open Offer, including the procedure for application and payment, is set out in Appendix 2 of this document and, where applicable, the Application Form.

5. USE OF PROCEEDS

It is the intention of the Board that over the medium term the net proceeds of the Capital Raising will be used to enable the Group to continue its strategy of making property acquisitions where the rental yield will generate a surplus return over its costs of borrowing and management, whilst maintaining a prudent overall level of gearing within its portfolio. The Board's medium to long term target is to operate with leverage in the range of 45 per cent. to 65 per cent. of gross property value and in the short to medium term no higher than 60 per cent..

It is the Board's belief that the Company's selective application of the net proceeds alongside existing and future debt facilities will enable the Group to generate a growing return and therefore allow the Company to maintain its progressive dividend policy.

The proceeds of the Capital Raising will initially be used, where possible, to pay down sums drawn on the Group's revolving debt. As at 31 December 2015, this amounted to £70.0 million. This will maximise treasury management efficiency and allow the Group to re-draw sums as necessary to fund existing acquisition and development commitments, and further as investment opportunities require.

The Group has newly developed properties and asset management projects currently on site under construction. These schemes have funding commitments remaining totalling £21.8 million (as at 31 December 2015). In addition, the Group had entered into a forward purchase contract for a property in Macclesfield that is anticipated to be completed during 2016. The total of these commitments remaining to be funded (including the Macclesfield forward purchase contract) is £24.3 million.

Over time, it is expected that the net proceeds of the Capital Raising will be used in full alongside existing and future lending to make property acquisitions, whilst maintaining a LTV ratio in line with the Board's stated strategy.

The Company has a pipeline of opportunities that are agreed with vendors and currently in the hands of solicitors to be documented and completed or in advanced stages of negotiation with vendors which the Company anticipate could proceed to contract during the course of 2016. These total some £115.5 million in the United Kingdom and some €53.9 million in the Republic of Ireland.

The Adviser continues to source additional opportunities and asset management projects that may be contracted during 2016.

It is anticipated that the Capital Raising will be completed on 14 April 2016 and it is noted that regardless of the eventual size of the Issue, the net proceeds of the Issue will be used for the purposes outlined above.

In addition, the Board will continue to monitor the Group's interest rate swap portfolio and will consider the redemption or restructuring of all or elements of the contracts should prevailing market conditions and pricing make it efficient to do so.

6. CAPITAL RESOURCES

The Group finances its operations through a combination of equity and debt, with the maximum ratio between them fixed by the Group's loan facilities. During 2015 the Company completed a number of debt related transactions:

- A £50 million revolving credit facility with HSBC Bank plc was extended to a new five year term with effect from 16 July 2015. All other terms of the loan remain unaltered.
- Changes to the Group's swap portfolio were made at the same time to reduce the blended cost of debt with immediate effect and secure future protection at historically low rates:
 - A swap contract for a notional £80 million of debt with a coupon of 4.805 per cent. and maturity in July 2016 was terminated, immediately reducing the Group's average cost of debt by 43 basis points;
 - A nominal value of £25 million of debt was swapped for a five year period from January 2017 at a rate of 2.47 per cent.; and
 - £75 million of debt was swapped for a five year period from January 2018 at a rate of 2.65 per cent..

These contracts will replace existing fixed rate loans and interest rate swaps as they mature that currently incur interest at rates well in excess of these.

Following the above transactions, as at 31 December 2015, debt facilities available to the Group totalled £787.7 million, of which £227.5 million is represented by bond issues, £555.2 million is on a term loan basis and £5.0 million is available on an overdraft basis.

Taking into account drawn debt of approximately £692.7 million at 31 December 2015 and further contracted commitments of approximately £21.8 million, at 31 December 2015 this left approximately £73.2 million of available debt facilities to allow the Group to continue with its acquisition policy. The Group had cash reserves of £2.9 million as at 31 December 2015. The Group's interest cover for the 12 months ended 31 December 2015 and LTV ratio as at that date were 1.9 times and 62.7 per cent., respectively.

On 7 January 2016, a loan facility provided by Barclays Bank PLC was extended by £15 million to a total of £115 million. Allied Irish Banks plc ("AIB") was introduced to the facility and will provide

this additional capital. The enlarged facility is for a new five year term from 7 January 2016. As a result, the headroom available to the Group increased by £15 million to £88.2 million.

The Group's banking facilities do not include a maximum consolidated LTV ratio, but separate debt facilities have specific maximum LTV ratio covenants with regard to specific pools of mortgaged assets ranging from 50 per cent. to 75 per cent..

On an ongoing basis the Group is in discussions with a wide range of lenders and investors with a view to continuing to expand its range of debt providers and increase the quantum and term of its available facilities. Following completion of the Capital Raising, any additional facilities will be used alongside the proceeds of the Capital Raising to help fund further investment in the Group's property portfolio.

7. ADMISSION TO TRADING OF NEW SHARES

Applications will be made to the FCA and to the London Stock Exchange, respectively, for the New Shares to be admitted to listing on the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities.

Subject to the conditions to the Capital Raising having been satisfied (or, if applicable, waived) it is expected that Admission will occur at 8.00 a.m. (London time) on or around 14 April 2016.

Existing Ordinary Shares are already admitted to listing on the premium segment of the Official List, the London Stock Exchange's main market for listed securities and to CREST. It is expected that the New Shares, when allotted and issued, credited as fully paid, will be capable of being held and transferred by means of CREST. It is expected that the New Shares will trade under ISIN code GB00BYRJ5J14.

The Company will announce the number of New Shares to be admitted to listing and admitted to trading via a Regulatory Information Service on the Business Day prior to the date of Admission.

8. FINANCIAL IMPACT OF THE CAPITAL RAISING

On a pro forma basis and assuming that the net proceeds from the Firm Placed Shares received by the Company was £57.6 million and the Firm Placing had become effective on 31 December 2015, the Group would have had net assets of £402.9 million at that date (based on the net assets of the Group as at 31 December 2015), as extracted from the unaudited pro forma statement of the net assets of the Group at Part 6 of this document.

9. MANAGEMENT OF THE GROUP

The Group will continue to be operated and managed by the Board, as advised by experienced advisers including the Adviser. Further information on the Adviser can be found at paragraph 8 in Part 2 of this document.

10. DIVIDEND POLICY

The New Shares, when issued and fully paid, will rank equally in all respects with the Existing Ordinary Shares, for all dividends or distributions made, paid or declared, if any, by reference to a record date after the date of their issue or otherwise *pari passu* in all respects with the Existing Ordinary Shares. The New Shares will not qualify for the dividend to be declared on or about 31 March 2016 payable to Shareholders on the Company's register as at or about 8 April 2016. No PIDs have been paid since 1 January 2007, when the Board advised that dividends would either be cash, PIDs or a combination of the two.

The Company intends to continue to pay on a quarterly basis substantially all of its earnings as dividends in line with the current dividend policy, though there can be no guarantee of the level of future dividends, if any.

11. GENERAL MEETING

You will find set out at the end of this document a Notice of General Meeting convening a General Meeting to be held on 13 April 2016 at 10.00 a.m. at Nabarro LLP, 125 London Wall, London EC2Y 5AL. The full text of the Notice of General Meeting is set out in Part 10 of this document.

At the General Meeting, the Resolutions will be proposed to:

- grant the Directors authority pursuant to section 551 of the Companies Act to allot Ordinary Shares generally and in connection with the Capital Raising;
- disapply where relevant statutory pre-emption rights set out in section 561 of the Companies Act; and
- grant the Directors authority pursuant to section 701 of the Companies Act to make market purchases of Ordinary Shares.

Further detail on the Resolutions can be found in paragraph 3.5 of Part 7 of this document. The Issue will not proceed unless each of the Resolutions is passed by the requisite majority.

12. ACTION TO BE TAKEN IN RESPECT OF THE GENERAL MEETING

You will find enclosed with this document a Form of Proxy for use at the General Meeting. Whether or not you intend to be present at the General Meeting in person, it is important that you complete and return the Form of Proxy in accordance with the instructions printed on it to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, so as to arrive no later than 10.00 a.m. on 11 April 2016. Completion and return of the Form of Proxy will not preclude you from attending the General Meeting in person, if you so wish and are entitled.

You may also submit your proxies electronically at www.sharevote.co.uk using the voting ID, task ID and shareholder reference number on the Form of Proxy. If you hold shares in CREST, you may appoint a proxy by completing and transmitting a CREST proxy instruction to ID RA19 so that it is received by no later than 10.00 a.m. on 11 April 2016.

13. ACTION TO BE TAKEN IN RESPECT OF THE OPEN OFFER

If you are a Qualifying Non-CREST Shareholder, you will find enclosed with this document an Application Form to apply for Open Offer Shares under the Open Offer. If you wish to take up any or all of your entitlement to Open Offer Shares under the Open Offer, you should complete the enclosed Application Form in accordance with the procedure for application set out in paragraph 2.1 of Appendix 2 of this document and in the Application Form. In particular, Qualifying Non-CREST Shareholders who wish to subscribe for more than their Basic Entitlements should complete Boxes 4, 5, 6 and 7 in the Application Form. Completed Application Forms, accompanied by full payment in accordance with the instruction in paragraph 2.1.4 of Appendix 2 should be returned by post or by hand (during normal business hours only) to Equiniti, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, in either case as soon as possible and in any event so as to be sent by no later than 11.00 a.m. on 12 April 2016.

If you are a Qualifying CREST Shareholder, no Application Form is enclosed and you will receive a credit to your appropriate stock account in CREST in respect of your Basic Entitlements under the Open Offer and also an Excess CREST Open Offer Entitlements for use in connection with the Excess Application Facility. You should refer to the procedure for application set out in paragraph 2.2 of Appendix 2 of this document.

The latest time for applications under the Open Offer to be received whether from Qualifying Non-CREST Shareholders or from Qualifying CREST Shareholders is 11.00 a.m. on 12 April 2016. The procedure for application and payment depends on whether, at the time at which the application and payment is made, you have an Application Form in respect of your entitlement under the Open Offer or have your Basic Entitlements and Excess CREST Open Offer Entitlements credited to your stock account in CREST in respect of such entitlements. The procedures for application and payment are set out in Appendix 2 of this document. Further details also appear in the Application Forms which have been sent to Qualifying Non-CREST Shareholders.

Qualifying CREST Shareholders who are CREST Sponsored Members should refer to their CREST Sponsors regarding the action to be taken in connection with this document and the Open Offer.

The attention of Overseas Shareholders is drawn to paragraph 6 of Appendix 2 of this document.

Further details of the Open Offer are set out, in the case of Qualifying Non-CREST Shareholders, in the Application Form.

If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA immediately if you are in the United Kingdom or, if you are not, from another appropriately authorised independent professional adviser.

14. ACTION TO BE TAKEN IN RESPECT OF THE OFFER FOR SUBSCRIPTION

The terms and conditions of application under the Offer for Subscription are set out in Appendix 4 of this document and, where applicable, the Subscription Form. These terms and conditions should be read carefully before an application is made. The Subscription Form is contained in Appendix 4 of this document and will be available on the Company's website.

The latest time for applications under the Offer for Subscription is 11.00 a.m. on 12 April 2016.

If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA immediately if you are in the United Kingdom or, if you are not, from another appropriately authorised independent professional adviser.

15. OVERSEAS SHAREHOLDERS AND OVERSEAS APPLICANTS

The attention of Overseas Shareholders is drawn to the information which appears in paragraph 6 of Appendix 2 and the attention of Overseas Applicants is drawn to the information which appears in paragraph 5 of Appendix 4 of this document.

This document has been sent to all Shareholders on the register of members of the Company on the Record Date. However, this document does not constitute an offer to sell or the solicitation of an offer to purchase securities in any jurisdiction in which it may be unlawful to do so, and, in those circumstances, this document and/or an Application Form must be treated as sent for information only and should not be copied or redistributed.

16. TAXATION

Information regarding taxation in the UK in relation to the Ordinary Shares is set out in paragraph 11 of Part 7 of this document. Shareholders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult their appropriate professional adviser as soon as possible.

17. RISKS AND ADDITIONAL INFORMATION

Shareholders' attention is drawn to the risks and additional information contained in the Summary and Risk Factors sections of this document. Shareholders are advised to read the whole of the document and not rely only on the summary information presented in this letter.

18. IRREVOCABLE UNDERTAKINGS

Each of the Directors is supportive of the fundraising and as detailed below, Directors have irrevocably undertaken to subscribe or apply, in aggregate, for 50,705 New Shares under the Open Offer and have committed to acquire, in aggregate, 112,000 shares within the Firm Placing.

Harry Hyman has irrevocably undertaken to apply for his full Basic Entitlement of 28,919 Open Offer Shares in respect of his direct holding of Ordinary Shares and has committed to acquire 50,000 shares within the Finn Placing.

Dr. Ian Rutter O.B.E. has irrevocably undertaken to apply for his full Basic Entitlement of 4,278 Open Offer Shares and has committed to acquire 9,000 shares within the Firm Placing.

Alun Jones has irrevocably undertaken to apply for his full Basic Entitlement, of 9,000 Open Offer Shares and has committed to acquire 11,000 shares within the Firm Placing.

Phil Holland has committed to acquire 30,000 shares within the Firm Placing.

Mark Creedy has irrevocably undertaken to apply for his Basic Entitlement of 4,800 Open Offer Shares. Steven Owen has irrevocably undertaken to apply for his full Basic Entitlement of 3,708 Open Offer Shares and has committed to acquire 12,000 shares within the Firm Placing.

In addition, each of the Directors has irrevocably undertaken to vote in favour of all of the Resolutions in respect of his own direct holding to the extent that he has any such holding, and procure that those parties connected with him will vote in favour of all of the Resolutions in respect of their holdings, which together amount to 16,799,382 Ordinary Shares representing approximately 3.76 per cent of the Ordinary Shares in issue as at 21 March 2016 (being the latest practicable date prior to the publication of this announcement).

19. FINANCIAL ADVICE

The Board has received financial advice from Numis and Peel Hunt with respect to the Capital Raising. In providing their financial advice to the Board, Numis and Peel Hunt have each relied upon the commercial assessment of the Board.

20. RECOMMENDATION

The Board considers the Capital Raising and the passing of the Resolutions to be in the best interests of Shareholders as a whole.

Accordingly, the Board recommends unanimously that Shareholders vote in favour of the Resolutions, as each of the Directors has irrevocably undertaken to do in respect of their own beneficial holding, to the extent that they have any such holding, which together amount to 16,799,382 Ordinary Shares, representing approximately 3.76 per cent. of the Ordinary Shares in issue as at 21 March 2016 (being the latest practicable date prior to the publication of this document).

Shareholders should also be aware that if the Resolutions to be proposed at the General Meeting are not passed, the Capital Raising will lapse.

Yours sincerely,

Alun Jones
Chairman

PART 2

INFORMATION ON PHP

1. OVERVIEW

The Company is the parent company of a group of companies which specialise in the ownership of freehold or long leasehold interests in modern purpose-built primary healthcare facilities located in the UK and the Republic of Ireland.

The Group works in partnership with its stakeholders to create and maintain a portfolio of fit for purpose healthcare properties that provide a long term home for local healthcare provision and that are easily adapted to meet the changing needs of a community. The Group's property portfolio comprises both completed and committed properties which are primarily let to GP practices, NHS and other governmental bodies in the UK and the HSE and GPs in the Republic of Ireland. Areas in some properties are let to other associated healthcare users, including pharmacy operators. The Company is managed by the Board, but has no employees. The Board appoints third party specialist advisers to assist it with the day to day running of the Group. See paragraph 8 of this Part 2 below.

The information in this Part 2 is based on the financial information in the audited consolidated financial statements of the Group for the year ended 31 December 2015. As at 31 December 2015, the Group held 273 primary healthcare assets, 267 completed properties and forward funding commitments for a further six, with a total portfolio value of approximately £1.1 billion, generating an annualised rent roll of approximately £63.7 million per annum.

All of the Group's completed properties are held for long-term investment. The Group'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 Group will have been evaluated for its income and asset value growth potential.

2. HISTORY AND DEVELOPMENT

The Company was founded by Managing Director, Harry Hyman in 1994 and incorporated in 1995 following the purchase of a small portfolio of primary care premises.

The Company was listed 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 Company and its subsidiaries converted to become a UK-REIT Group on 1 January 2007.

On 6 October 2009, the Company announced the successful completion of the issue of 26,086,956 ordinary shares through a firm placing and placing and open offer. The shares were issued at 230 pence each, raising net proceeds of approximately £57.5 million.

On 8 February 2010, the Company announced the acquisition of Sinclair Montrose Properties Limited ("SMPL") which comprised a portfolio of 14 purpose built 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.

On 23 June 2010, the Company announced the acquisition of Health Investments Limited ("HI"). The HI portfolio comprised of 14 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.

On 23 July 2012 the Company issued £75,000,000 worth of 5.375 per cent. retail bonds due 23 July 2019 on an unsecured basis.

On 14 December 2012, the Company announced the acquisition of AMP. The AMP portfolio comprised of 11 completed, let investment properties and three further assets that were under construction and due to be completed in 2013. The portfolio was acquired with existing debt of £49.8 million. The net consideration paid for the entire issued share capital of AMP was £10.2 million,

funded by the issue of 1,231,395 ordinary shares at completion of the acquisition and £6.02 million in cash. £1.8 million of the cash consideration was deferred until the completion of the assets under construction.

On 12 June 2013, the Company announced the successful completion of the issue of 21,746,032 ordinary shares through a firm placing, placing, open offer and offer for subscription. The shares were issued at 315 pence per share, raising net proceeds of approximately £65.8 million.

On 2 July 2013, the Company announced the acquisition of Primary Health Care Centres Limited which comprised a portfolio of 11 standing fully let primary care properties across the UK and was acquired along with existing debt of approximately £17.8 million. The net consideration paid was approximately £10.5 million in cash.

On 4 November 2013, PHP Bond Finance plc issued £70 million worth of floating rate secured bonds due 2025 guaranteed by the Company.

On 15 November 2013, the Company announced the acquisition of PPP which comprised a portfolio of 54 healthcare facilities across the UK and was acquired along with existing debt of approximately £178.4 million. The net consideration was approximately £41.9 million and was settled by the issue of 12,577,771 ordinary shares at completion of the acquisition and an additional 518,243 ordinary shares on 28 January 2014.

On 20 May 2014, PHP Finance (Jersey) Limited issued £82.5 million worth of fixed rate unsecured convertible bonds due 2019 guaranteed by the Company.

In the period since 1 January 2014 to the date of this document, the Group has acquired 15 properties for a total consideration of £86.9 million, funded by a combination of existing cash resources and new debt facilities. These have been a mix of completed rent producing assets and the funding of the development of new properties that the Group has taken ownership of upon completion of their construction.

The Group is currently funding the development of five assets that it will own following completion of their development and has entered into one forward purchase contract to acquire a further asset upon completion of its development. The total cost to the Group of these is £31.2 million, of which £24.3 million was still to be paid by the Group as at 31 December 2015.

3. PRINCIPAL ACTIVITIES AND MARKETS

The principal activity of the Group is the generation of rental income and capital growth through the acquisition and development of healthcare property in the United Kingdom and the Republic of Ireland leased principally to GPs, NHS, HSE and other governmental bodies and other associated healthcare users. The Group's activities are carried out in the United Kingdom and the Republic of Ireland.

There are three main areas of business undertaken by the Group:

- Acquisitions: the purchase of completed, standing let, purpose built medical centres in the open market.
- Development: working with specialist development partners to develop, finance and acquire new primary care assets to be constructed.
- Proactive Management: adding value to the existing portfolio through 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.

The Group looks to minimise any risk it faces with regard to development activities, working closely with specialist primary care developers to create new investments.

The Group will not commit funding to a property development until such development has at least an approved planning consent and an agreement for lease with the GP, NHS, HSE or governmental tenants in place, together with an agreed form lease. In the UK, this will be supported by confirmation from the district valuer ("**District Valuer**") of the rent to be reimbursed to a GP practice tenant.

As at 31 December 2015, approximately 68 per cent. of the Group's rental income was derived from properties leased to GPs whose rental and premises costs are reimbursed to them under the 2004 Costs Directions and the 2013 Costs Directions. The Group also received approximately 23 per cent. of its rent from NHS and governmental bodies leading to approximately 91 per cent. of total rental income deriving directly or indirectly from the NHS or the UK government.

The Company provides or procures funding for the operations of the Group. This comprises shareholder equity through the issue of its ordinary share capital and the issue of, or provision of guarantees for the issue of, debt. Where undertaken by the Company, the proceeds of these activities are then on-lent within the Group.

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 UK properties (relative to the UK property market), as the NHS effectively reimburses approximately 90 per cent. of the rent roll as at 31 December 2015.
- 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 was 99.7 per cent. let as at 31 December 2015.
- As at 31 December 2015, gross contracted rents, including forward purchase commitments stood at £63.7 million, an increase of 4.6 per cent. through 2015 driven by acquisitions, rent reviews and asset management projects.
- The Group achieved weighted average rental growth on rent reviews completed in 2015 of 0.9 per cent. per annum.
- The majority of the Group's UK occupational leases contain upward or effectively upward only rent review clauses i.e. where the review is triggered by the landlord only. As at 31 December 2015, a total of 25 per cent. of the Group's rent roll had fixed rental uplifts or was formally linked to the Retail Prices Index ("RPI") with the remainder being reviewed to open market rents.
- Open market 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 markets.
- The weighted average unexpired lease term remaining ("WAULT") of the Group's portfolio as at 31 December 2015 was 14.7 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 any economic downturn.
- The Directors believe that the Company's earnings are further insulated from market movements as, unlike with other 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. PROPERTY PORTFOLIO

The Group's portfolio of modern purpose built primary care assets is diversely spread across the United Kingdom and the Republic of Ireland. As at 31 December 2015 the portfolio comprised of 273 assets in total, located solely within the UK. 267 were completed and rent producing, and forward funding commitments were in place for a further six, all with anticipated completion dates in 2016 and 2017. The portfolio was independently valued at 31 December 2015 at an average net initial yield of 5.32 per cent. (31 December 2014: 5.52 per cent.). The underlying longevity of the income, coupled with the strength of covenant coming from the NHS funding for the majority of the rent roll has led

to investment yields being stable and firming as investors demand for long term, secure income increases.

Geographical region	Number of assets	Value/cost (£m)*	Rent roll (£m)*
North	72	318.2	17.8
Midlands	51	219.2	12.4
South East	79	271.4	15.6
South West	16	61.3	3.3
Wales	25	111.8	6.4
Scotland	30	140.4	8.2
Total	273	1,122.3	63.7

*Unaudited.

6. STRATEGY

All of the Group's completed properties are held for long-term investment. The Group'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 Group will have been evaluated for its income and asset value growth potential.

7. MARKET OVERVIEW, TRENDS AND COMPETITION

The demand for healthcare services is ever increasing as populations grow and age and, for example, the incidence of chronic disease increases. As a result, the overall cost of providing healthcare services has also increased.

It is widely recognised internationally that primary care is the preferred setting for most healthcare provision to respond to the demands of increasing need, stabilise healthcare costs and accommodate patient preference for care close to home. The primary care arena also offers the opportunity to provide more efficient healthcare services. In 2014, the Royal College of GPs in the UK commissioned a survey by Deloitte that suggested that for every £1 increase in the GP budget, a saving of £5 could be made in other areas of NHS cost such as hospital admissions.

PHP is a long term investor in modern, flexible, purpose-built healthcare properties, working with experienced development partners, healthcare bodies and healthcare professionals to develop premises that meet the ever changing needs of primary care provision.

United Kingdom

Latest estimates place the UK population at approximately 65 million. This included 11.4 million people aged 65 or over, an increase of 300,000 people in the year to June 2014. The total population is projected to grow by 10 per cent. in the next 15 years, but the number over the age of 70 will grow by more than 45 per cent..

This is creating significant additional demand upon healthcare services. By way of example, around 15 million people in England alone have a long term condition which is managed by medicine and other treatments. These cases account for approximately half of all GP appointments. The number of people with three or more long-term conditions is predicted to rise from 1.9 million in 2008 to 2.9 million in 2018 with long term conditions being more prevalent in older people.

Primary care is the foundation of the NHS in the UK and the GP continues to be the first point of access to healthcare services for UK residents, other than acute emergency care. More than 1.3 million patients visit their GP practice each day, representing 90 per cent. of all NHS patient contacts.

In October 2014, NHS England published its Five Year Forward View ("FYFV"), its strategic plan for the development of healthcare services for England. The FYFV reiterates that "the foundation of NHS care will remain list-based primary care" and NHS England plans to invest more in primary care and provide more services within the local community. Here, these services can be delivered more cost effectively, provide greater choice to the patient and be better integrated with social care services; another stated aim of the FYFV.

The UK government has delivered on its support for the vision of the FYFV and has a stated objective to improve access to GPs and move to a 24/7 service. It has delivered on its funding pledge, announcing in the November 2015 Spending Review that an additional £10 billion would be provided to NHS England with £6 billion of funding being given to NHS England by the end of 2016/17. In exchange for this, the NHS has to deliver internal cost savings of £22 billion per annum as set out in the FYFV.

Changing models of care, the continued drive to deliver more care services in the local community, greater integration of health and care services and the objective to offer round the clock access to primary care services will require more modern, purpose built flexible premises.

A large part of the primary care estate across the UK is comprised of ageing, converted residential properties many of which need to be replaced simply to meet minimum quality standards. 40 per cent. of GPs see their existing properties as not being fit for purpose and 70 per cent. feel that their existing premises are inadequate for them to deliver the range of services they would like.

In December 2014, the UK government announced £1.1 billion in funding over four years specifically to improve GP premises, establishing the Primary Care Transformation Fund. Following a number of issues with the initial awards and access to the fund, a series of changes have been introduced to allow funds to be applied to a wider range of projects. PHP has worked with its tenants to access these funds and continues to invest in its assets to facilitate service expansion and cost efficiencies to be made. PHP is primed to fund the larger scale capital investment that is required to properly modernise the primary care estate.

The Republic of Ireland

As of April 2015, the Republic of Ireland had a population of 4.6 million people, projected to rise to 5.2 million by 2031. Currently, 9 per cent., roughly 400,000 people, are aged over 70, but this is predicted to rise to 14 per cent. in 2031, a rate of increase that is nearly double the European average.

Similar to the UK, chronic, long term disease rates are increasing. An estimated 500,000 people in Ireland have a serious lung disease, 10 per cent. of those aged over 50 has diabetes and the overall incidence of chronic disease is rising by 4 per cent. per annum.

Whilst the primary healthcare system in Ireland is based on a system of insurance and private payment, it is still led by the GP. A 2013 report estimated over 14 million visits to GPs compared to 6.3 million hospital visits, but the GP in Ireland also acts as the “gatekeeper” to secondary or specialist care.

The Department of Health in Ireland (“**DoHI**”) plans to implement its objective of a single-tier health service, to enable the population to have equal access to healthcare based on need, not income. This includes the introduction of universal primary care, including GP care without fees for all and universal hospital care.

The DoHI strategy is based on primary care services meeting the great majority of people’s day-to-day healthcare needs if they comprise of integrated team-based delivery by GPs and a wide range of other health professionals and are provided in the communities where people live. It sees the development of the capacity and range of services in primary care as a cornerstone of the changes to be made to health systems to meet the rising demand.

The DoHI and the Health Service Executive in Ireland (“**HSE**”) are in the process of rolling out an integrated portfolio of reform programmes to ensure that their core objectives to deliver safe and effective health and social care services for patients, services users, carers and families in multiple settings are met. The Irish government’s 2015 budget saw a modest increase in health spending to €13.2 billion to assist with this, a proportion of which was ear-marked for improved and expanded service delivery including the provision of free GP services for those under six and over 70.

The HSE has recognised the role that modern, flexible premises can play in providing extended integrated care and is looking to procure a substantial number of new premises to facilitate this. To support this, the HSE is typically entering into 25 year leases with CPI linked rent reviews for between 60 per cent. to 80 per cent. of the property’s rental income, providing a covenant similar to that provided by the NHS funding of 90 per cent. of the Group’s UK income. The different characteristics

of the Irish healthcare real estate sector in terms of tenant mix, location etc. provide for enhanced returns that are underpinned by the HSE covenant.

Strong underlying property characteristics

The primary care premises market is controlled by the NHS in the UK and largely influenced by the HSE in the Republic of Ireland, meaning there is little or no speculative development of new modern, flexible facilities. Buildings are often located within residential areas which can lead to restricted alternative use potential. Against this, initial lease terms are longer than in general commercial markets, more than 20 years on average.

In the UK, income benefits from a shorter rent review cycle, typically three yearly and in general on an upwards only basis. GPs form the largest tenant group, receiving reimbursement for rent, maintenance and insurance costs from the NHS, a practice set out in legislation. Together with leases direct to the NHS, the sector benefits from a very strong underlying rental covenant.

In the Republic of Ireland, the HSE makes a strong commitment to each primary care centre in order to create an integrated healthcare system alongside GP services. The HSE presence, representing 60 per cent. to 75 per cent. of rent received at a centre, will underpin the long term secure income to be received from Irish properties. Rent reviews tend to be index linked and applied on a five yearly cycle.

These factors combine to create a long term, low risk income environment where over the medium term, through a mix of index linked and open market review characteristics, rental growth has broadly tracked inflation.

Healthcare property market returns

The Company operates in a sub-section of the commercial property market which is relatively non-cyclical.

Statistics from the Investment Property Databank (“IPD”) indicate that primary care in the UK, a major constituent of the IPD UK Healthcare Index, provided an annual return of 6.9 per cent. per annum over the eight years to December 2014 which compared to 3.4 per cent. per annum for the IPD All Properties Index.

Primary care property is showing a positive yield gap above underlying funding rates.

Average investment yields in the UK primary care real estate sector are approximately 5.40 per cent. which can be compared to 10 year UK gilt yields at 1.96 per cent. (as at 31 December 2015), 10 year sterling swap rates of 1.9 per cent. (as at 31 December 2015) and three month LIBOR at 0.58 per cent. (as at 31 December 2015).

Yields in the Irish market primary care real estate sector are currently above 7 per cent. with 10 year EURIBOR swap rates at 0.9 per cent. (as at 31 December 2015), 10 year Irish gilt yields at 1.9 per cent. (as at 31 December 2015) and three month EURIBOR at –0.09 per cent. (as at 31 December 2015).

Given this backdrop, the Directors believe the current positive yield gap provides an opportunity for the Group to acquire further assets in the primary healthcare property market that will be accretive to its earnings and profitability.

Competition

The Company’s main competitors in the UK include Medicx Fund Ltd and Assura plc, both listed companies, and a number of unquoted companies including GPI Ltd (part of the GP Group). The Company is aware that Medicx Fund Ltd has recently transacted to fund and acquire assets in the Republic of Ireland and that other investors and developers are active in the Irish healthcare real estate market. Whilst the Directors believe that there is competition in the sector, the Board views the Company as one of a few listed entities that focuses purely on investment, a model which enables the Adviser to focus on a specific core business and which offers downside protection relative to competitors during periods of economic weakness.

8. ADVISER

The Group is managed by the Board. The Group has no employees. The Company appoints experienced advisers to provide property management, financial management and administrative services to the Group. Nexus has been appointed as an adviser to the Board with regard to property management, financial management and administrative services.

The relationship between the Company and the Adviser is governed by the Advisory Agreement and reflects the obligations of the Board under the Listing Rules, specifically LR 9.2.20 in relation to the appointment of, and delegation of tasks to, external advisers.

The Nexus group is a group of UK companies engaged in the provision of independent advisory 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 Group to acquire, negotiates the terms of purchase of those properties and provides property management services on behalf of the Group. All acquisitions and disposals however, are undertaken only following the exclusive approval of the Board following a review of proposals presented by Nexus. In addition, matters such as changes relating to the capital structure of the Company, major capital projects, approval of operating budgets, risk management and treasury policies are documented as matters reserved for the Board. Harry Hyman is a director and shareholder of Nexus and Phil Holland is an employee of Nexus and a director of various Nexus subsidiaries. Since 30 April 2014 Nexus has also provided administrative, accounting and company secretarial services to the Group.

Further details of the Advisory Agreement governing the relationship between the Company and the Adviser and fees payable are set out in paragraph 15.5 of Part 7 of this document.

9. INFORMATION ON THE BOARD

The Directors of the Company and their principal functions are as follows:

Name	Position
Alun Jones	Non-Executive Chairman
Harry Hyman	Managing Director
Phil Holland	Finance Director
Mark Creedy	Non-Executive Director
William Hemmings	Non-Executive Director
James Hambro	Non-Executive Director
Dr. Ian Rutter O.B.E.	Non-Executive Director
Steven Owen	Non-Executive Director and Senior Independent Director

Alun Jones – Non-Executive Chairman

Appointed to the Board in May 2007 and appointed as Chairman in April 2014, Alun Jones is a member of the Audit Committee, Nomination Committee, the Remuneration Committee and the Advisers Engagement Committee. A Chartered Accountant, Mr. Jones retired as a partner from PricewaterhouseCoopers LLP in 2006, having been a previous member of PricewaterhouseCoopers' UK and Global Supervisory Boards. He was a member of the Financial Reporting Review Panel from 2006 to 2011.

Harry Hyman – Managing Director

Harry Hyman, a Chartered Accountant and corporate treasurer, was appointed to the Board in February 1996. Harry is the founder and Managing Director of Nexus Tradeco Limited, the Adviser and the parent company of Nexus Management Services Limited, the Company Secretary of the Group. Nexus has three operating divisions, property fund management, publishing and corporate finance. The group specialises in health, education and property. He is also the non-executive chairman of Summit Germany Limited, a company registered in Guernsey and listed on AIM, Chairman of ORBIG, the Orderbook of Retail Bond Issuers Group and a director of the Quoted Companies Alliance. PHP has been a member of the Quoted Companies Alliance since 2002.

Phil Holland – Finance Director

Appointed to the Board on 17 February 2015, Mr. Holland is a Chartered Accountant who joined Nexus in November 2010. He was previously CFO of Natixis Capital Partners Limited, a private equity real estate fund manager, managing a family of funds invested in commercial real estate across Western Europe. Mr. Holland has previously held board positions within public and private property investment, development and fund management companies operating across the UK and mainland Europe. He is also a non-executive director of Network Housing Group.

Mark Creedy – Non-Executive Director

Appointed to the Board in November 2008, Mark Creedy is Chairman of the Advisers Engagement Committee and a member of the Audit, Remuneration and Nomination Committees. Until 31 December 2015, Mr. Creedy was 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. He was Managing Director of the property fund management subsidiary of Legal & General Investment Management from September 2002 until the end of 2007 and was previously Managing Director of Chartwell Land PLC, a wholly owned subsidiary of Kingfisher PLC from 1994. He was a Non-Executive Director of B&Q PLC from 1998 to 2002.

William Hemmings – Non-Executive Director

Appointed to the Board on 18 June 2012, Mr Hemmings is Head of Closed End Funds at Aberdeen Asset Managers Limited and a director of Aberdeen Fund Managers Limited. He is also a director of the Association of Investment Companies.

James Hambro – Non-Executive Director

Appointed to the Board in February 1996, Mr Hambro is Chairman of James Hambro & Partners LLP, and Chairman of J O Hambro Capital Management Holdings Limited, parent company of J O Hambro Capital Management Limited, previously a Joint Adviser and the Company Secretary of the Company. Mr. Hambro was appointed as a Joint Adviser representative prior to 1 May 2014. He is also Non-Executive Chairman of Hansteen Holdings PLC.

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

Appointed to the Board in September 2005, Ian Rutter is Chairman of the Remuneration and Nomination Committees and a member of the Audit Committee and Advisers Engagement Committee. Dr. Rutter worked as a GP in Shipley, Yorkshire for 35 years until his retirement in 2015. He is a Fellow of IHI, the Institute of Healthcare Improvement, based in Boston, USA. He is a former CEO of North Bradford and Airedale PCTs. 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. Dr Rutter was made O.B.E. for Services to Medicine in January 2000 in recognition of his contribution to general practice and numerous national organisations.

Steven Owen – Non-Executive Director and Senior Independent Director

Appointed 1 January 2014, Steven Owen is Chairman of the Audit Committee and a member of the Nomination Committee, Remuneration Committee and the Advisers Engagement Committee. A Chartered Accountant, Steven is currently CEO and Partner of Wye Valley Partners LLP and a non-executive director of the Milford Haven Port Authority since 1 December 2014. He was Deputy CEO and Finance Director of Brixton plc until 2009.

PART 3

OPERATING AND FINANCIAL REVIEW

The following discussion and analysis is based on, and should be read in conjunction with, the Group's audited consolidated financial statements as at and for the years ended 31 December 2013, 2014 and 2015, which have been prepared in accordance with IFRS.

The audited financial statements of the Group for the years ended 31 December 2013, 2014 and 2015 contained in those parts of the Annual Reports and Accounts of PHP are incorporated by reference into this document as detailed in Part 8 of this document.

Investors should read the whole of this document and use the documents cited above for reference and should not just rely on the summary information contained in this Part 3. The documents included by reference contain an extensive review of the financial periods in question on both an operating and a financial level.

1. OVERVIEW

Primary Health Properties PLC ("PHP") is a UK Real Estate Investment Trust ("REIT") and a leading investor in modern healthcare premises. The objective of the Group is to generate increased rental income and capital growth through investment in property assets leased principally to GPs, NHS organisations and other associated healthcare users.

2. SELECTED FINANCIAL INFORMATION

2.1 Introduction

This review should be read in conjunction with the audited annual report and accounts of the Group for the years ended 31 December 2015, 2014 and 2013. Together, these documents contain a discussion of the funding and treasury policies of the Group and the manner in which treasury activities are controlled, together with notes of the interest rates payable on borrowings and the use of financial instruments for hedging purposes.

A summary of the Group's principal borrowing terms can also be found in paragraph 15.6 of Part 7 of this document.

2.2 Group consolidated income statement

	Year ended 31 December		
	2015 £'000	2014 £'000	2013 £'000
Rental income	63,115	59,985	41,895
Finance lease income	–	–	87
Direct property expenses	(852)	(723)	(398)
Net rental income	62,263	59,262	41,584
Administrative expenses	(6,807)	(6,782)	(6,080)
Non-recurring expenses: Convertible bond expenses	–	(2,426)	–
Non-recurring expenses: Termination Fee	–	–	(2,485)
Non-recurring expenses: Costs associated with PPP acquisition	–	–	(217)
Profit on termination of finance lease	–	–	638
Net result on property portfolio	39,767	29,204	2,313
Operating profit	95,223	79,258	35,753
Finance income	737	977	434
Finance costs	(34,464)	(35,252)	(26,450)
Early loan repayment fees	–	(1,187)	(950)
Fair value gain/(loss) on derivative interest rate swaps and amortisation of cash flow hedge reserve	1,005	(2,454)	11,432
Fair value loss on Convertible Bond	(6,469)	(4,462)	–
Profit before taxation	56,032	36,880	20,219
Taxation charge	–	–	1
Profit for the year⁽¹⁾	56,032	36,880	20,220
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit and loss:			
Fair value gain/(loss) on interest rate swaps treated as cash flow hedges	1,420	(9,980)	12,840
Other comprehensive income/(loss) for the year net of tax⁽¹⁾	1,420	(9,980)	12,840
Total comprehensive income for the year net of tax⁽¹⁾	57,452	26,900	33,060
Earnings per share – basic	12.6p	8.3p ⁽²⁾	5.7p ⁽²⁾
Earnings per share – diluted	11.2p	7.9p ⁽²⁾	
EPRA earnings per share – basic	4.9p	4.1p ⁽²⁾	1.9p ⁽²⁾
EPRA earnings per share – diluted	4.8p	4.1p ⁽²⁾	

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

(2) Figures updated to reflect the Share Sub-division undertaken in November 2015.

The above relates wholly to continuing operations.

2.3 Group consolidated balance sheet

	As at 31 December		
	2015 £'000	2014 £'000	2013 £'000
Non-current assets			
Investment properties	1,100,612	1,026,207	941,548
Derivative interest rate swaps	9	25	472
	<u>1,100,621</u>	<u>1,026,232</u>	<u>942,020</u>
Current assets			
Trade and other receivables	4,153	5,668	4,764
Cash and cash equivalents	2,881	12,072	9,288
	<u>7,034</u>	<u>17,740</u>	<u>14,052</u>
Total assets	<u>1,107,655</u>	<u>1,043,972</u>	<u>956,072</u>
Current liabilities			
Derivative interest rate swaps	(4,734)	(5,802)	(7,566)
Corporation tax payable	–	–	(23)
Deferred rental income	(13,169)	(12,308)	(11,934)
Trade and other payables	(16,099)	(14,244)	(16,269)
Borrowings: Term loans and overdraft	(862)	(711)	(3,843)
	<u>(34,864)</u>	<u>(33,065)</u>	<u>(39,635)</u>
Non-current liabilities			
Borrowings: Term loans and overdraft	(460,550)	(437,022)	(460,185)
Borrowings: Bonds	(236,328)	(229,543)	(132,408)
Derivative interest rate swaps	(30,553)	(35,212)	(21,459)
	<u>(727,431)</u>	<u>(701,777)</u>	<u>(614,052)</u>
Total liabilities	<u>(762,295)</u>	<u>(734,842)</u>	<u>(653,687)</u>
Net assets	<u>345,360</u>	<u>309,130</u>	<u>302,385</u>
Equity			
Share capital	55,785	55,638	55,237
Share premium account	57,422	56,416	55,611
Capital reserve	1,618	1,618	1,618
Special reserve	93,063	115,438	135,483
Cash flow hedging reserve	(22,402)	(23,847)	(14,337)
Retained earnings	159,874	103,867	68,773
Total equity⁽¹⁾	<u>345,360</u>	<u>309,130</u>	<u>302,385</u>
Net asset value per share – basic	77.4p	69.5p ⁽²⁾	68.5p ⁽²⁾
EPRA net asset value per share	<u>87.7p</u>	<u>79.7p⁽²⁾</u>	<u>75.0p⁽²⁾</u>

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

(2) Figures updated to reflect the Share Sub-division undertaken in November 2015.

2.4 Group consolidated cash flow statement

	Year ended 31 December		
	2015 £'000	2014 £'000	2013 £'000
Operating activities			
Profit on ordinary activities before tax	56,032	36,880	20,219
Finance income	(737)	(977)	(434)
Finance costs	34,464	35,252	26,450
Provision for early loan repayment fee	–	1,187	950
Amortisation of cash flow hedge reserve	1,552	–	571
Fair value loss/(gain) on derivatives	(2,557)	2,454	(12,003)
Fair value loss on convertible bond	6,469	4,462	–
Operating profit before financing costs	95,223	79,258	35,753
Adjustments to reconcile Group operating profit to net cash flows from operating activities:			
Revaluation gain on property portfolio	(39,767)	(29,204)	(2,313)
Profit on termination of finance lease	–	–	(638)
Fixed rent uplift	(1,480)	(1,025)	(905)
Convertible bond issue costs	–	2,426	–
Decrease/(increase) in trade and other receivables	999	(447)	4,402
Increase/(decrease) in trade and other payables	2,170	(1,985)	383
Cash generated from operations	57,145	49,023	36,682
Taxation paid	–	(23)	(89)
Net cash flow from operating activities	57,145	49,000	36,593
Investing activities			
Payments to acquire investment properties	(17,863)	(54,921)	(44,560)
Payment to acquire Crestdown Limited	(3,869)	–	–
Payment to acquire White Horse Centre Limited	(7,745)	–	–
Proceeds from disposal of investments properties	–	525	–
Proceeds from disposal of finance lease	–	–	3,768
Subsidiaries acquired	–	–	(13,939)
Interest received on development loans	1,311	478	188
Bank interest received	12	40	48
Net cash flow used in investing activities	(28,154)	(53,878)	(54,495)
Financing activities			
Proceeds from issue of shares	–	–	68,500
Cost of share issue	(139)	(15)	(2,728)
Cost of share issue – PPP	–	–	(540)
Term bank loan drawdowns	45,750	164,922	120,718
Term bank loan repayments	(25,764)	(176,343)	(195,740)
Termination of derivative financial instruments	(3,286)	–	–
Proceeds of bond issues	–	92,500	60,000
Bond issue costs	–	(2,560)	(1,320)
Swap interest paid	(6,724)	(7,667)	(7,661)
Non utilisation fees	(875)	(990)	(1,023)
Loan arrangement fees	(270)	(3,092)	(1,274)
Interest paid	(25,791)	(24,078)	(18,328)
Breakage fee on Aviva debt	–	(14,327)	(2,380)
Equity dividends paid net of scrip dividend	(21,083)	(20,688)	(16,130)
Net cash flow from financing activities	(38,182)	7,662	2,094
(Decrease)/increase in cash and cash equivalents for the year	(9,191)	2,784	(15,808)
Cash and cash equivalents at start of year	12,072	9,288	25,096
Cash and cash equivalents at end of year	2,881	12,072	9,288

2.5 PHP key financial indicators

PHP uses the key financial indicators set out below to review the operations of its property business.

	Year ended 31 December		
	2015	2014	2013
Earnings per share – basic	12.6p	8.3p ⁽¹⁾	5.7p ⁽¹⁾
Earnings per share – EPRA	4.9p	4.1p ⁽¹⁾	1.9p ⁽¹⁾
Dividends paid during the period (per share)	5.0p	4.875p ⁽¹⁾	4.75p ⁽¹⁾
Dividend cover	98%	84%	57%
EPRA cost ratio	11.5%	12.0%	21.37%
Net assets (£'m)	345.4	309.1	302.4
Net asset value per share	77.4p	69.5p ⁽¹⁾	68.5p ⁽¹⁾
EPRA net asset value per share	87.7p	79.7p ⁽¹⁾	75.0p ⁽¹⁾
Total accounting return	16.3%	12.8%	4.6%
Portfolio owned, leased and committed (£'m)	1,122.4	1,037.5	958.7
Contracted rent roll (£'m)	63.7	60.9	57.6
Proportion of rental income derived from NHS/Government	91%	91%	91%
Weighted average unexpired lease term	<u>14.7 years</u>	<u>15.3 years</u>	<u>15.7 years</u>

(1) Figures updated to reflect the Share Sub-division undertaken in November 2015.

2.6 Property portfolio

Details of the property portfolio as at each period end.

	As at 31 December		
	2015 £'m	2014 £'m	2013 £'m
Investment properties	1,091.9	1,002.4	929.9
Properties in the course of development	<u>8.7</u>	<u>23.9</u>	<u>11.7</u>
Total properties owned and leased	1,100.6	1,026.3	941.6
Cost to complete development commitments	<u>21.8</u>	<u>11.2</u>	<u>17.1</u>
Total completed and committed	<u>1,122.4</u>	<u>1,037.5</u>	<u>958.7</u>

3. OPERATING AND FINANCIAL REVIEW

3.1 Year ended 31 December 2015

PHP achieved further growth in earnings through 2015, acquiring further properties, investing in capital projects at existing assets to increase income and the longevity of leases and securing modest growth on rent reviews in a challenging market. The proportionate cost of managing the Group was reduced and the average cost of the Group's debt lowered further.

PHP increased the dividend paid to Shareholders and achieved its objective of returning to dividend cover, which it achieved on a run rate basis in the second half of the year.

Earnings and dividends

Property acquisitions in the period added to the Group's contracted rent roll along with the delivery of some significant development properties completed in the year. Net rental income received in the year increased by 5.1 per cent. to £62.3 million (2014: £59.3 million).

Overall administrative costs remained constant whereas changes to the Group's debt and hedging portfolio lowered the average cost of the Group's debt finance. EPRA earnings increased by 19.2 per cent. to £21.7 million (2014: £18.2 million) and including another year of strong valuation growth

for the Group's property portfolio, profit before tax rose by 51.9 per cent. to £56.0 million (2014: £36.9 million).

Dividends paid in the year were increased by 2.6 per cent. to 5.0 pence per share (2014: 4.875 pence) (following adjustments to reflect the Share Sub-division undertaken in November 2015). The interim dividend paid in April 2015 was 89 per cent. covered by EPRA earnings. EPRA earnings were then increased further in the second half of 2015 such that the interim dividend paid in October was 1.07 times covered. Dividend cover for the year as a whole was 98 per cent. (2014: 84 per cent.).

Shareholder value

Yields in the healthcare property sector tightened further in the year with the independent valuation of the Group's portfolio at 31 December 2015 producing a net surplus of £39.8 million (2014: £29.2 million). This equates to an additional 8.9 pence per share of value growth.

In July, PHP completed the restructuring of an element of its interest rate swap portfolio, lengthening the overall period of this protection. This included terminating a short dated contract resulting in a breakage payment being made. This totalled £3.2 million or 0.8 pence per share (following adjustment to reflect the Share Sub-division undertaken in November 2015).

As at 31 December 2015, EPRA Net Asset Value per share stood at 87.7 pence (2014: 79.7 pence, following adjustment to reflect the Share Sub-division undertaken in November 2015), an increase of 8.0 pence or 10.0 per cent.. Adding total dividends paid to Shareholders in the year, Total NAV Return for the period was 13.0 pence per share or 16.3 per cent. (2014: 12.8 per cent.) (following adjustments to reflect the Share Sub-division undertaken in November 2015).

Property portfolio

Commercial property experienced marked yield movements in 2015 as a weight of money continued to flow into UK real estate. The valuation of primary care property has historically been much less cyclical due to the attractive qualities of the sector with its long lease lengths and the security of its income with such a large proportion derived from the NHS (directly or indirectly). These are unchanged and many investors target healthcare real estate to provide them with a stable, consistent yield.

The Group held a total of 273 property assets as at 31 December 2015. This comprised of 267 that were completed and rent producing and six that were on-site, under construction. The entire portfolio was independently valued by LSH, at market value in accordance with RICS rules.

Including development assets as complete, the aggregate value of the Group's property assets totalled £1.1 billion, generating a surplus of £39.8 million for the year, after allowing for acquisition costs and capital invested in asset management projects. This represents a valuation increase of 8.9 pence per share.

PHP's portfolio now reflects an average net initial yield of 5.32 per cent. (2014: 5.52 per cent.) and a true equivalent yield of 5.53 per cent. (2014: 5.75 per cent.).

The Group added eight properties to its portfolio in the year, comprising two standing let investments, one forward purchase commitment and five development assets for a total of £44 million. These added £2.4 million of additional rent and an average of 21 years of unexpired lease term.

The Jubilee Medical Centre, Croxteth was delivered in December 2015. Three development properties that had been contracted in 2014 were also delivered in the year, including the major investment in the new Fountains Medical Centre in Chester. In total these crystallised contracted rent of £1.5 million from modern, purpose built medical properties for an average lease term of 25 years.

At 31 December 2015, the Group's contracted rent roll had increased by 4.6 per cent. to £63.7 million (31 December 2014: £60.9 million). More than 90 per cent. of rental income is funded directly or indirectly by the NHS and the portfolio has an average unexpired lease term of 14.7 years (2014: 15.3 years).

Property management

Just over a fifth (23 per cent.) of leases in PHP's portfolio have fixed periodic rental uplifts or increases formally index linked, mostly in line with RPI. The most common review is undertaken to "open market". The weighted average uplift on 153 reviews completed in the year was 0.9 per cent. per annum, down from 1.8 per cent. on reviews completed in 2014.

In 2015, the Adviser took on all property management functions for the portfolio, replacing a small number of external managing agents who had previously managed service charges for tenants or larger scale landlord management programmes for the Group. This will provide a more cost effective service for PHP and its tenants. PHP's portfolio is substantially fully let and as at 31 December 2015, PHP's EPRA Vacancy Rate was 0.3 per cent. (2014: 0.2 per cent.).

The introduction of the Primary Care Transformation Fund provided further opportunities where GP tenants were able to secure funding from the Fund to be put alongside PHP's capital and secure larger, more wide ranging asset management projects.

PHP completed seven projects in 2015 which invested a total of £2.5 million of capital. The projects in total generated an additional £0.3 million of rental income and secured an average of 19.4 additional years of lease term.

Two further projects are currently in progress on site, with a total cost of £1.5 million, generating additional rent of £0.1 million for an average additional term of 12 years.

Operating costs

In 2014, the provision of advisory and administrative services was consolidated with the Adviser, which has resulted in further reductions in the proportionate cost of managing the Group's activities.

The total fee paid to the Adviser averaged 50 basis points of gross assets, a 9 per cent. reduction on 2014 (55 basis points). Total overhead costs were broadly consistent in 2015 with those of 2014, but with an increasing property portfolio, the Group's EPRA cost ratio fell by 50 basis points to 11.5 per cent. (2014: 12.0 per cent.).

Debt funding

In July 2015, the Group extended the maturity of its £50 million revolving credit facility with HSBC Bank plc for a new five year term. All other terms of the loan remain unaltered.

Agreed in 2015, but completed on 7 January 2016, the loan facility provided by Barclays Bank PLC was extended by £15 million, with Allied Irish Banks plc ("AIB") providing the additional capital and once again becoming a funder partner to the Group. The enlarged facility was made available for a new five year term from January 2016 and allows the Group to more efficiently use its collateral and provides additional available headroom.

A swap contract for a notional £80 million of debt with a coupon of 4.805 per cent. and maturing in July 2016 was terminated in July 2015, saving the Group interest costs of £1.7 million in 2015 and 2016.

Two forward starting interest rate swaps were procured to replace existing fixed rate loans and interest rate swaps as they mature. These will provide protection for the Group from interest rate rises expected to occur in the medium term, secured at rates that are below those currently incurred on the facilities/contracts that they will replace.

A nominal value of £25 million of debt has been swapped for a five year period from January 2017 at 2.47 per cent. and £75 million of debt has been swapped for a five year period from January 2018 at 2.65 per cent..

The principal value of debt drawn as at 31 December 2015 totalled £692.7 million. Cash balances of £2.9 million gave Group net debt of £689.8 million. 23 per cent. of the Group's debt was held on an unsecured basis. The total remaining cost of development commitments at the year-end was £21.8 million with headroom of £91.1 million from existing facilities available to the Group (2014: £116.7 million).

Group interest cover for the year was 1.90 times (2014: 1.73 times). The average maturity of the Group's debt facilities was 5.9 years as at 31 December 2015 (2014: 6.2 years). Group LTV had fallen to 62.7 per cent. at the year end (2014: 64.1 per cent.).

3.2 Year ended 31 December 2014

In 2014, PHP continued to deliver on its overarching strategic aim of delivering progressive returns to Shareholders, meeting its operating objectives of:

- (i) acquiring modern healthcare premises;
- (ii) investing in its existing property assets to generate additional income and enhance value;
- (iii) managing operating costs to make the Group more efficient; and
- (iv) securing capital resource to provide a strong longer term base from which to invest, whilst ensuring that the average cost of debt is effectively managed.

PHP achieved its objective of increasing earnings and as a result dividend cover. This was whilst paying a modestly increased dividend, but on a much larger number of shares in issue compared to that of 2013.

Earnings and dividends

The Group's earnings were significantly increased by the impact of the transactions completed in late 2013 and through 2014. The PPP portfolio, acquired in December 2013, produced a total of £14.8 million of rental income in the year, helping to increase rents received by 42.5 per cent. to £59.3 million (2013: £41.6 million). Reductions in advisory and management fee rates and the average cost of the Group's debt finance further improved earnings performance. Group profit before tax rose by 82.7 per cent. to £36.9 million (2013: £20.2 million).

Total dividends paid in the year increased by 2.6 per cent. to 4.875 pence per share (2013: 4.75 pence) (following adjustments to reflect the Share Sub-division undertaken in November 2015), but the increase in Group earnings saw dividend cover rise to 84 per cent.. This was a significant increase over that of 2013 of 57 per cent. and a critical step forward towards reaching 100 per cent. cover.

Shareholder value

The revaluation of the Group's property portfolio at 31 December 2014 produced a net surplus of £29.2 million.

As required by accounting standards, the total issue costs of the convertible bond issued in 2014, £2.45 million, were expensed in the year. The Group incurred other early repayment charges related to the refinance of the PPP debt of £1.2 million.

The net effect was to increase EPRA Net Asset Value per share overall by 4.75 pence (following adjustment to reflect the Share Sub-division undertaken in November 2015). Including the dividend paid in 2014, Total NAV Return for the period was 9.625 pence per share (following adjustment to reflect the Share Sub-division undertaken in November 2015) or 12.8 per cent. (2013: 4.6 per cent.).

Property portfolio

As at 31 December 2014, the Group held a total of 265 property assets, with 260 completed and five on-site, under construction. The entire portfolio was independently valued by LSH, at market value in accordance with RICS rules. This totalled £1.04 billion including commitments, generating a surplus of £29.2 million, after the effect of the total costs of assets purchased and asset management projects undertaken in the period. This surplus, equivalent to 6.575 pence per share, was an increase of 8.8 per cent. on opening EPRA NAV per share of 75.0 pence per share at the start of 2014 (following adjustments to reflect the Share Sub-division undertaken in November 2015).

A movement in yields in the primary care real estate sector occurred but was less pronounced than for commercial property generally. This reflects the historic stability of the sector with PHP's portfolio reflecting an average net initial yield of 5.52 per cent. (2013: 5.65 per cent.) and a true equivalent yield of 5.75 per cent. (2013: 5.92 per cent.).

The Group took delivery of five previously contracted and pre-let assets in the year, following completion of their construction. The Group also contracted to add seven further properties to its portfolio in the year, comprising three standing let investments and four development assets. These new acquisitions add £2.4 million of additional rent to the overall contracted rent roll and an average of 24 years of unexpired lease term.

At 31 December 2014, the Group's contracted rent roll had increased by 5.7 per cent. to £60.9 million (31 December 2013: £57.6 million). More than 90 per cent. of rental income was funded directly or indirectly by the NHS and the portfolio had an average unexpired lease term of 15.3 years (2013: 15.7 years).

Property management

PHP continued to secure satisfactory rental growth on review, with the weighted average uplift on 135 reviews completed in 2014 being 1.8 per cent. per annum. This was slightly reduced from that achieved in 2013 of 2.2 per cent. and reflected both the recent economic conditions and fewer new centre approvals by the NHS which normally provide more immediate support for current rental levels.

In 2014, PHP completed eight asset management projects, investing a total of £4.4 million into its existing portfolio. These projects generated total additional rental income of £0.3 million, added an average of 15.7 additional years to the unexpired lease term of the enhanced properties and produced an aggregated 42 per cent. valuation gain on capital spent.

Two further projects were in progress at the year end, with a total cost of £2.1 million. These were expected to generate £0.2 million of additional rent for an average additional term of 20 years and a valuation surplus of 35 per cent. over the capital invested.

Operating costs

The Adviser received a fee for property advisory services based on a proportion of the gross value of the Group's property assets with reduced incremental rates as the portfolio grows. Further reductions were made to fee rates with effect from May 2014 in anticipation of the portfolio moving beyond £1 billion in value.

On 1 May 2014, Nexus assumed responsibility to provide administrative and company secretarial services to the Group. Fees paid to the previous administrator were contractually calculated as a proportion of gross property asset value, but Nexus receives a greatly reduced fixed annual fee that may be varied upwards or downwards in line with RPI.

The net impact of these changes was to lower the fees paid by the Group to its advisers (Nexus and JOHCML) to an average of 55 basis points of gross assets, a 22.5 per cent. reduction on 2013 when this average was 71 basis points. Including other overhead costs, the Group's total expense ratio reduced to 69 basis points (2013: 88 basis points).

Debt funding

As part of the acquisition of the PPP portfolio in December 2013, the Group assumed £178 million of existing Aviva debt secured on those assets. An allowance of £13.7 million toward the cost of refinancing these facilities was made in the acquisition pricing and this debt was fully refinanced during 2014 as follows:

- In February 2014, the purchase price allowance was used to re-set the interest rate on the PPP Aviva loans to 5.04 per cent. from the average upon purchase of 5.9 per cent.. This interest rate was applied from 1 January 2014. A capital repayment of £15 million was also made at this time, funded from the Group's available headroom on existing facilities.
- In April 2014, a new £50 million, five year revolving debt facility was completed with HSBC Bank plc at an initial margin of 200 basis points over LIBOR. The first drawing from the HSBC facility upon its completion was used to repay £25 million of the outstanding PPP Aviva debt. A further £25 million of the PPP Aviva debt was repaid in April following the transfer of applicable collateral from Aviva to existing Group facilities.

- The remaining £113 million of PPP debt was refinanced with Aviva in August 2014 with the creation of two facilities. These comprised a £50 million, 10 year interest only, bullet repayment facility and a £63 million 15 year loan, interest only for five years with an element of amortisation from year six onwards and a final bullet repayment. Both loans carry a fixed interest rate of 4.91 per cent. for their duration, further reducing the cost to the Group.

The Group successfully issued an £82.5 million unsecured convertible bond on 20 May 2014, which it listed on the Channel Islands Stock Exchange. The unsecured bond is for a five year term with a coupon of 4.25 per cent. per annum payable semi-annually. The initial conversion price applicable to the bond was 97.5 pence per share (following adjustment to reflect the Share Sub-division undertaken in November 2015), a premium of 16 per cent. to the volume weighted share price on the day of pricing.

Two further amendments to the Group's debt portfolio were completed in August 2014:

- the loan with Barclays Bank PLC was increased by £30 million to an overall £100 million facility, consisting of a £40 million term loan and a £60 million revolving facility. This was agreed for a new five year term and the interest margin reduced from 220 basis points to an initial 170 basis points; and
- the Group's £165 million Club facility with RBS and Santander was re-advanced for a new three year term, an additional 18 months on the remaining original term. PHP used an element of the proceeds of the unsecured convertible bond, to lower the LTV within this facility and secure a reduction in the lending margin for this debt of 65 basis points to 185 basis points.

The principal value of debt drawn as at 31 December 2014 totalled £670.1 million. After Group cash balances of £12.0 million, Group net debt stood at £658.1 million. Allowing for funding the cost to complete development commitments at the year-end of £11.2 million, headroom on existing facilities of £116.7 million was available to the Group (2013: £67.2 million).

Group loan to value was 64.1 per cent. (31 December 2013: 61.6 per cent.) with unsecured debt facilities representing 24 per cent. of the Group's debt portfolio. Group interest cover for the year was 1.73 times (2013: 1.60 times). All debt facility covenants were met throughout 2014.

The average maturity of the Group's debt facilities as at 31 December 2013, excluding the PPP loans, was 5.8 years. The transactions set out above increased the weighted average facility maturity to 6.2 years at 31 December 2014.

3.3 Year ended 31 December 2013

2013 was a year in which the PHP Group was highly acquisitive adding over £300 million of assets to the Group's portfolio, contributing to another successful year of earnings and capital growth for the Group.

The year saw the Company raise fresh equity finance and diversify and lengthen the Group's lending sources, accessing low interest rates that prevailed throughout the year. With additional resource secured, PHP demonstrated its ability to invest successfully increasing rental income and earnings to make progress toward meeting a key Board objective of restoring dividend cover.

Earnings and dividends

Rental income received in the year grew 27 per cent. to £42.0 million (31 December 2012: £33.2 million) as the impact of prior acquisitions was realised, rent commenced upon the delivery of new stock and rent review increases were achieved. The rate of rental growth for the year at 2.2 per cent. was lower than that of 2.4 per cent. achieved in 2012.

Operating profit grew 19 per cent. to £35.8 million (2012: £27.6 million) and advisory fees for the year fell to an average rate of 0.71 per cent. of gross assets (2012: 0.75 per cent.). Net debt costs increased to £26.0 million (2012: £20.2 million) reflecting the higher average debt outstanding through the year as the property portfolio grew and also a full year impact of the higher borrowing margins imposed on the Group in April 2012. EPRA earnings were £6.8 million (2012: £7.4 million).

PHP paid a total of 4.75 pence per share (following adjustment to reflect the Share Sub-division undertaken in November 2015) in dividends to Shareholders in the year, the seventeenth successive year of dividend growth. Dividend cover improved marginally to 57 per cent. (2012: 56 per cent.) with the activity of 2013 set to positively impact earnings in 2014, which together with reduced fee rates for advisory services and debt costs for the PPP loans would see further improved dividend cover going forward.

Shareholder value

The property portfolio saw a valuation surplus of £2.3 million for the year, a like for like increase of 3.5 per cent..

In June 2013, £65.8 million of equity, net of costs, was raised through the issuance of 21.7 million shares at 78.75 pence each (following adjustment to reflect the Share Sub-division undertaken in November 2015). A further 12.86 million shares were issued at an agreed value of 80 pence (following adjustment to reflect the Share Sub-division undertaken in November 2015) to the vendors as consideration for the PPP portfolio, an initial 12.58 million issued on completion and 0.28 million issued in January 2014 as the completion accounts were finalised.

EPRA net assets per share fell by 1.6 per cent. to 75.0 pence per share (31 December 2012: 76.25 pence per share) (following adjustment to reflect the Share Sub-division undertaken in November 2015) due to the reduced dividend cover and costs made to terminate JOHCML's appointment under the Advisory Agreement.

Property portfolio

During 2013 the Group acquired or committed to develop and acquire a total of 77 properties in transactions representing a gross acquisition value of more than £300 million. At 31 December 2013, the portfolio comprised of 259 primary care centres which included seven properties under construction at the year-end, that all completed in 2014. The total value of the portfolio, including properties under construction as complete was £958.7 million (31 December 2012: £645.4 million).

On 1 July 2013, PHP acquired the entire share capital of Primary Health Care Centres Limited ("PHCC") for cash. The PHCC portfolio comprised of 11 fully occupied, standing let investment properties. The assets were acquired for a total cost of £29 million, with a contracted rent roll of £1.7 million and a WAULT of 19.3 years. PHCC was acquired at its net asset value with PHP assuming net debt facilities totalling £16.3 million.

On 3 December 2013, PHP completed the acquisition of Prime Public Partnerships (Holdings) Limited ("PPP"). The acquisition of the entire share capital of PPP was undertaken for a consideration of £42.6 million being wholly satisfied by the issue of 12.86 million PHP ordinary shares to the vendors.

The PPP portfolio comprised 54 fully let primary care assets with an acquisition value of £233 million. The portfolio had a contracted rent roll of £14.4 million with a WAULT of 17 years. A total of £178.4 million of fixed rate debt was acquired with the transaction, secured by the PPP assets. A provision of £13.7 million was allowed by the vendor for the estimated cost of repaying the debt early, reducing net asset value in arriving at the purchase consideration. In addition to the acquisition of PPP, a five year development pipeline agreement was entered into with Prime plc, a sister company owned by the vendors of PPP. Prime plc is a successful, long term developer of primary care assets and the agreement will provide a valuable source of future investment opportunities for PHP.

A further 12 assets were acquired in the period for a total of £41 million with a contracted rent roll of £2.6 million.

The Group's property portfolio as at 31 December 2013 comprised of a total of 259 assets, 252 of which were completed, let investments and seven that were on site under construction (31 December 2012: total 183, 176 completed, six under construction, one deferred completion).

LSH independently valued the portfolio at that date at market value (as defined by RICS), on the basis that all committed development properties and the deferred contract had complete at a total of

£958.7 million. The valuation reflected an average net initial yield of 5.65 per cent. (31 December 2012: 5.72 per cent.) with a true equivalent yield of 5.92 per cent. (31 December 2012: 6.05 per cent.).

The valuation and tightening of yield in 2013 reflected the prime nature of the assets, underpinned by a WAULT of 16 years (31 December 2012: 16 years) and strong UK government covenant.

Property management

In 2013, three asset management projects were completed with a total cost of £0.4 million, adding an average of 17 years to the lease terms of these properties. A further three projects were contracted during 2013, committing £4.1 million of capital expenditure, adding an average of 21 years to the existing lease durations at these assets and securing additional rent of £0.32 million per annum on completion.

The largest of these projects is the development of PHP's centre in Aylesbury. The existing medical centre comprised 725 square metres that was fully let to the occupying GPs for a remaining term of ten years. Working with the practice to crystallise a transaction that benefitted all parties, PHP acquired an adjoining land plot and developed a further 743 square metres of clinical space. The entire enlarged building, upon completion in October 2014, was let on a new 24 year lease. The transaction secured an additional £0.15 million of income for PHP which represents a yield on cost of 6.5 per cent., but as importantly extended the term of the lease at this property by over 14 years.

A total of £3.0 million was committed and unpaid as at 31 December 2013 with regard to asset management projects.

The contracted rent roll from the portfolio as at 31 December 2013 totalled £57.6 million, an increase of more than 48 per cent. over that as at 31 December 2012, £38.9 million. A large proportion of this increase resulted from the acquisitions detailed above, but growth achieved from rent reviews also contributed a satisfactory level in what were still difficult economic conditions. A total of 79 reviews were completed in the year, adding £0.57 million to contracted rent roll, an average annual rate of growth of 2.2 per cent., down from 2.4 per cent. in 2012.

Operating costs

Expenses were largely represented by advisory fees paid to Nexus and JOHCML. In 2013, the fees for all advisory services were calculated on the basis of the gross asset value of the Group. With the fee rate applied reducing as gross assets increased, the average fee rate paid to Nexus and JOHCML for 2013 fell to 0.71 per cent. (2012: 0.75 per cent.). The impact of the reducing advisory fee could also be seen in overall operating costs which represented 0.88 per cent. of average gross assets in 2013, a reduction from 0.93 per cent. in 2012.

Through 2013, Nexus provided property advisory and management services to the Group with JOHCML providing administrative and accounting services, as well as acting as the Company Secretary.

On 26 September 2013, PHP announced the termination of the JOHCML appointment with effect from 30 April 2014, when Nexus assumed responsibility for the administrative services JOHCML provided. The change removed the link to gross assets for the cost of administrative services. Nexus will instead receive an agreed fixed annual fee in relation to these services which may be increased or decreased by up to 5 per cent. per annum, subject to movements in the Retail Price Index (or such other appropriate independent index agreed by Nexus and the Company).

JOHCML continued to provide its services for the period up to 30 April 2014 and were remunerated in accordance with its service agreement. JOHCML then received a contractual termination payment of £2.5 million in lieu of the remainder of its two year notice period. As required by accounting standards, the termination fee was charged to the income statement in 2013.

Debt funding

In March 2013 PHP completed the refinance of the debt assumed with the acquisition of the Apollo portfolio in December 2012. This saw a new £70 million four year facility arranged with Barclays Bank PLC.

In November 2013, a wholly owned subsidiary of PHP issued a twelve year secured, corporate bond to a single institutional bond investor. The issue was for a total of £70 million with a maturity of 30 December 2025. An initial tranche of the proceeds, totalling £60 million was received on issue and the remaining £10 million was received on 30 June 2014. The bonds incur interest on the paid up amount at an annualised rate of 220 basis points above six month LIBOR, payable semi-annually.

The PPP acquisition saw the Group assume debt facilities totalling £178.4 million secured upon the PPP assets. A provision of £13.7 million was agreed with the vendors as a reduction to the net asset value of PPP to allow for the estimated costs of repaying the debt taken on. The average term of these facilities was 17 years at acquisition and the debt carried a weighted average coupon of 5.9 per cent.. These facilities were refinanced and the interest rates re-set in 2014.

Net debt outstanding as at 31 December 2013 totalled £580 million (31 December 2012: £381 million) including the £178 million acquired with the PPP portfolio. Headroom on debt facilities was £75 million. Adding cash balances of £9.3 million and allocating headroom to fund the cost to complete development commitments of £17.1 million reduced net headroom to £67.2 million. Group loan to value was 61.6 per cent. (31 December 2012: 60.9 per cent.).

4. CAPITAL RESOURCES AND LIQUIDITY

4.1 Cash flow management

As part of regular financial management, the Directors review the Group's detailed cash flow projections. These cash flow projections include capital expenditure proposals and take into account bank and other financing facilities available to PHP and assess the cash flow adequacy of the Company on a short, medium and long term basis.

4.2 Borrowings and financing

The Group is funded by equity, debt and retained profits. Cash that is not required for investments is used to repay revolving debt facilities wherever possible, maximising the efficiency of paying down loans that are available to be redrawn as needed. Any cash that is held is normally placed on interest bearing accounts. The Adviser monitors closely the sources of cash as part of the overall management of the portfolio and the payment of liabilities as they fall due. Debt funding has grown in line with increases in the Company's capital base.

On 31 January 2013, the Company fully repaid a £27 million loan provided by AIB. This loan agreement has now been terminated.

On 25 March 2013, the Company completed a new £50 million, four year revolving facility with Barclays Bank PLC. This facility was utilised to refinance the debt assumed with the AMP portfolio. The Barclays facility was increased to £70 million by way of deed of amendment on 17 May 2013.

In November 2013, the Group issued a 12 year £70 million secured variable rate bond that it listed on the main market of the London Stock Exchange. This transaction demonstrated PHP's ability to access a wide range of debt capital markets, underlining the attraction of the long term, high covenant quality income characteristics of the property portfolio.

The Group added debt facilities totalling £178.4 million with its acquisition of the PPP assets in December 2013, upon which the assumed loans were secured. The average term of these facilities was 17 years at acquisition and the debt carried a weighted average coupon of 5.9 per cent.. These facilities were fully refinanced and the interest rates re-set in 2014.

In February 2014, the purchase price allowance of £13.7 million was used to re-set the interest rate on the PPP Aviva loans to 5.04 per cent..

In April 2014, a new £50 million, five year revolving debt facility was completed with HSBC Bank plc and £25 million drawn on this was used to repay part of the outstanding PPP debt. A further £25 million of the PPP debt was repaid at this time from existing Group facilities.

The remaining £113 million of PPP debt was refinanced with Aviva in August 2014 with the creation of two new facilities. These comprised a £50 million, 10 year interest only, bullet repayment facility

and a £63 million 15 year loan, interest only for five years with an element of amortisation from year six onwards and a final bullet repayment. Both loans carry a fixed interest rate of 4.91 per cent. for their duration, further reducing the cost to the Group.

In May 2014, the Group successfully issued an £82.5 million unsecured convertible bond, listed on the Channel Islands Stock Exchange. The bond is for a five year term with a coupon of 4.25 per cent. per annum payable semi-annually. The initial conversion price applicable to the bond was 97.5 pence per share (following adjustment to reflect the Share Sub-division undertaken in November 2015), a premium of 16 per cent. to the volume weighted share price on the day of pricing.

In August 2014 the loan with Barclays Bank PLC was increased by £30 million to an overall £100 million facility, split between a £40 million term loan and a £60 million revolving facility. This was agreed for a new five year term and the interest margin reduced from 220 basis points to an initial 170 basis points.

Also in August 2014, the £165 million Club facility with RBS and Santander was re-advanced for a new three year term, an additional 18 months on the remaining original term. PHP used an element of the proceeds of the unsecured convertible bond, to lower the LTV within this facility and secure a reduction in the lending margin for this debt of 65 basis points to 185 basis points.

In July 2015, the £50 million revolving credit facility with HSBC Bank plc was extended to a new five year term. All other terms of the loan remain unaltered.

On 7 January 2016 the loan facility provided by Barclays Bank PLC was extended by £15 million to £115 million in total and advanced for a new five year term. AIB were introduced to the enlarged facility to provide the additional sum. All other terms of the facility were unchanged.

Provider	Maturity	Facility Maximum £m
RBS (overdraft)	March 2016	5.0
RBS/Santander	August 2017	165.0
RBS	November 2028	2.5
Barclays/AIB	January 2021	115.0
HSBC	July 2020	50.0
Aviva	November 2018	75.0
Aviva	December 2022	25.0
Aviva	January 2032 ⁽¹⁾	24.7
Aviva	August 2024	50.0
Aviva	August 2029	63.0
Retail Bond	July 2019	75.0
Secured Bond	Dec 2025	70.0
Convertible Bond	May 2019	82.5
Total		802.7

(1) Includes 19 underlying loan tranches each with annual amortisation requirements. The maturities of individual tranches range from April 2022 to January 2032.

Further details of the Group's bank facilities can be found in paragraph 15.6 of Part 7.

The principal financial covenants in the Group's term loan facilities relate to a maximum LTV ratio and interest cover, which is calculated as the ratio of gross rental income to net interest payable. The maximum allowable levels of the LTV and income cover ratios vary between facilities and range between 50 per cent. and 75 per cent. and 1.3 times and 1.5 times respectively. The Group met all covenant requirements as at 31 December 2015.

For each of the financial periods under review, the consolidated group LTV and interest cover ratios were as follows:

	As at 31 December		
	2015	2014	2013
LTV ratio	62.7%	64.1%	61.6%
Interest cover	1.90	1.73	1.60

4.3 Future sources of finance and management of the capital base

The Directors' policy is to maintain a strong capital base within the Group so as to maintain investor and creditor protection, and to sustain the future development potential of the Group. The Directors monitor net assets, gearing, interest cover, LTV ratios and these benchmarks of performance are used to manage and report performance within PHP. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. There were no material changes in PHP's approach to capital management during the operating and financial period under review.

The Board's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation in its operations. Future sources of finance will be from a combination of debt and equity having regard to the Group's covenants.

4.4 Treasury

The Group's financial instruments comprise its Convertible Bonds, Secured Bonds, Retail Bonds, bank borrowings, interest rate swaps, development loans and some cash and other items such as trade debtors and creditors that arise directly from its property holding operations.

The Group's treasury operations are co-ordinated and managed in accordance with policies and procedures approved by the Board. They are designed to mitigate the financial risks faced by the Group, which primarily relate to funding, liquidity, interest rate exposure, property and gearing. The Group's policy is to enter into interest rate swaps or caps as necessary to hedge cash flow risk on the Group's floating rate borrowing requirements over the long term, including bank loans and its Secured Bonds. The Group's floating rate financial assets comprise cash at bank on which interest is earned at monthly rates and development loans on which interest is typically charged at between 3.5 per cent. and 5 per cent. above LIBOR. The other financial instruments of the Group either incur interest at fixed rates or are non-interest bearing and are therefore not subject to material interest rate risk.

Interest rate swaps and caps have been entered into at various dates to hedge the Group's exposure to higher interest rates and manage cash flow. The mark to market value fluctuates with movements in term interest rates and, in the case of cancellable swaps, with market volatility. The mark to market valuation of interest rate hedging instruments represent unrealised adjustments and do not affect cash flow.

Further details of interest rate swaps, key funding policies with respect to liquidity and interest rate risks can be found in the Annual Report for the year ended 31 December 2015 and are incorporated into this section by reference.

4.5 Equity

PHP has one type of equity being the Ordinary Shares. At a General Meeting on 11 November 2015, Shareholders resolved to sub-divide each issued 50p Ordinary Share into four Ordinary Shares of 12.5 pence each (the "**Share Sub-division**"). The amendment of 50p Ordinary Shares with ISIN GB0007015521 to Ordinary Shares with ISIN GB00BYRJ5J14 became effective at 8.00 a.m. on 12 November 2015.

At 31 December 2015, PHP had 446,281,348 Ordinary Shares issued compared to 445,106,648 Ordinary Shares as at 31 December 2014 and 441,896,920 Ordinary Shares as at 31 December 2013 (the 2014 and 2013 numbers being pro forma numbers on the basis that the Share Sub-division had taken place at such time).

4.6 Cash flows

Details of PHP's cash flows for the years ended 31 December 2015, 2014 and 2013 are set out in paragraph 2.4 of this Part 3.

5. VALUATION POLICY

The properties in the Group's portfolio are valued on the following basis:

- All committed and completed properties are re-valued semi-annually;
- All properties are externally valued on the basis of open market value by professionally qualified valuers in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors (the Red Book) and during the financial period under review;
- In valuing investment properties under construction, the external valuers use the special assumption that, as at the valuation date, the developments have been completed satisfactorily;
- In arriving at the fair value of investment properties under construction to be included in the financial statements, management deducts the outstanding cost to the Group through to the completion of construction; and
- The investment properties' value disclosed by the Company in its financial results is reviewed or audited by the Company's auditors.

The net asset value attributable to the Ordinary Shares is published at the time of publication of the Company's interim and annual financial results, based on the properties' most recent valuation and calculated in accordance with IFRS, through a regulatory information service provider to the London Stock Exchange as soon as practicable after review by the Board.

The Company also publishes a measure of net asset value calculated in accordance with EPRA guidance.

6. DIVIDENDS AND DIVIDEND POLICY

Since paying its first dividend in 1997, the Company has increased its dividend per share at a compound annual growth rate of approximately 10.7 per cent., from 0.80 pence per Ordinary Share for the year ended June 1997, to 5.0 pence per Ordinary Share paid during the year ended 31 December 2015 (such numbers being pro forma numbers on the basis that the Share Sub-division had taken place at such time).

The UK-REIT regime also imposes certain requirements in relation to the amount of dividends paid.

As set out below, the Company has paid dividends to eligible Shareholders during the financial periods under review, being the years ended 31 December 2013, 2014 and 2015. The Board has decided in order to accelerate the timing of cash flow to Shareholders to pay interim rather than final dividends at the present time.

	Year ended 31 December ⁽¹⁾		
	2015	2014	2013
Interim dividend per share	2.50p	2.4375p	2.375p
Number of qualifying shares	445,106,728	443,969,892	304,136,832
Further interim dividend per share	2.50p	2.4375p	2.375p
Number of qualifying shares	445,513,044	444,296,108	391,377,104
Total dividend per share relating to the year	<u>5.00p</u>	<u>4.875p</u>	<u>4.75p</u>

(1) Pro forma numbers on the basis that the Share Sub-division had taken place.

The Company intends to pay substantially all of its earnings as dividends in line with its current dividend policy though there can be no guarantee of the level of future dividends, if any. Following the Share Sub-Division in November 2015, the number of Ordinary Shares in issue was increased by a multiple of four. Accordingly, the rate of dividend to be paid will be divided by four. Also, from February 2016, the Company has paid its dividends on a quarterly basis. The first dividend to be paid on this basis was declared on 4 January 2016 and was paid to Shareholders on the Company's register as at 15 January 2016.

7. STATEMENT OF CAPITALISATION AND INDEBTEDNESS

Set out below is a statement of capitalisation and indebtedness of the Group at 31 December 2015.

	As at 31 December 2015 £m
Capitalisation	
Share capital – allotted, called up and fully paid	55.8
Share premium	57.4
Capital reserve	1.6
Special reserve	93.1
Capital and reserves⁽¹⁾⁽²⁾	207.9
Indebtedness⁽³⁾	
Current debt	
Secured ⁽⁴⁾	0.9
Unsecured ⁽⁵⁾	–
Total current debt⁽³⁾	0.9
Non-current debt (excluding current portion of long term debt)	
Secured ⁽⁴⁾	534.3
Unsecured ⁽⁵⁾	157.5
Total non-current debt⁽³⁾	691.8
Total indebtedness^{(2),(3)}	692.7
Net financial indebtedness	
Cash	
Cash and cash equivalents	2.9
Liquidity	2.9
Current financial liabilities	
Current bank debt	–
Current portion of non-current debt	(0.9)
Current financial debt ⁽³⁾	(0.9)
Net current financial indebtedness	2.0
Non-current bank loans	(464.3)
Bonds issued	(227.5)
Non current financial indebtedness⁽²⁾⁽³⁾	(691.8)
Net financial indebtedness	(689.8)

Notes:

- (1) Capital and reserves excludes retained earnings and cash flow hedging reserves.
- (2) The Group holds a derivative financial instrument portfolio that hedges the cash flows of certain borrowings. As at 31 December 2015, the mark-to-model valuation of these instruments was a net liability of £35.3 million. This sum is not reflected in the indebtedness analysis. The cash flow hedging reserve associated with these derivative financial instruments is £22.4 million. The balance of this mark-to-model valuation has been charged to retained earnings.
- (3) The Group's debt is shown gross of unamortised issue costs.
- (4) Secured debt relates to the Group's term loans and bonds that may be secured by fixed and floating charges over properties owned by the Group.
- (5) Unsecured debt relates to the Group's £82.5 million Convertible Bond and £75 million Retail Bond.

PART 4

HISTORICAL FINANCIAL INFORMATION ON PHP

HISTORICAL FINANCIAL INFORMATION OF PHP

The audited consolidated financial statements of PHP and its subsidiaries included in the Annual Report and Accounts of PHP for the years ended 31 December 2013, 2014 and 2015 are incorporated by reference into this document, as detailed in Part 8 of this document.

Deloitte LLP of 2 New Street Square, London EC4A 3BZ is a member of the Institute of Chartered Accountants in England and Wales and has issued unqualified audit opinions on the consolidated financial statements of PHP and its subsidiaries included in the Annual Report and Accounts of PHP for the years ended 31 December 2013, 2014 and 2015.

PART 5

PROPERTY VALUATION REPORT

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The Directors
Primary Health Properties PLC (“Company”)
5th Floor
Greener House
66-68 Haymarket
London SW1Y 4RF

Lambert Smith Hampton
Interchange Place
Edmund Street
Birmingham
B3 2TA

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

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

22 March 2016

Dear Sirs,

PROPERTY PORTFOLIO VALUATION

1. INTRODUCTION

In accordance with our instructions we have considered the properties owned by Primary Health Properties PLC (“PHP”) in order to advise you of our opinion of the Market Value of the freehold and leasehold interests of the properties held as investments as at 31 December 2015. We have not found it necessary to qualify the definition of Market Value, as stated below, within this report. We have also provided an estimate of net annual rents receivable as at 31 December 2015.

The valuation has been prepared in accordance with paragraph 130 of ESMA’s update to the CESR recommendations for the consistent implementation of the Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive (the “**ESMA Guidelines**”), to which we refer below. Each property has been valued individually and not as part of a portfolio.

Our valuation has been carried out in accordance with The Royal Institution of Chartered Surveyors Valuation – Professional Standards UK January 2014 (revised April 2015) (the “**Red Book**”) and in accordance with the Prospectus Rule 5.6.5 and paragraph 128-130 of the ESMA Guidelines. It has been undertaken by External Valuers, as defined in the Red Book (independent experts for the purposes of paragraph 130 of the ESMA Guidelines).

We understand that our valuation is required in connection with the Prospectus to be published in connection with the proposed firm placing, placing, open offer and offer for subscription of up to 120,000,000 new Ordinary Shares of 12.5 pence each in the capital of the Company (“**New Shares**”) and the admission of the New Shares to the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange PLC’s main market for listed securities.

In accordance with Practice Statement 5 we confirm that Lambert Smith Hampton (“LSH”) has held a fee earning relationship with PHP for approximately 15 years with the signatory to this report having signed annual and interim valuation reports for the client for nine years. We confirm that in the preceding year the proportion of the total fees payable by PHP to the total fee income of LSH is less than 5 per cent.

The RICS consider it good practice to rotate the valuer responsible when a series of valuations is provided over a period of time and we confirm that LSH follow this practice.

We do not consider that any conflict of interest arises for us in preparing our valuation, and the Company has confirmed to us that it also considers this to be the case.

We confirm that we do not have any material interest in the Company or any of the properties.

The properties were inspected on various dates in 2013, 2014 and 2015, in accordance with an agreed three year rolling programme of inspections, by Mark Weller MRICS, Roger Buncombe MRICS, Sarah Everall MRICS, and Timothy Sandford MRICS. Timothy Sandford MRICS has undertaken this Valuation Report and is qualified for the purposes of this instruction.

2. BASIS OF VALUATION

In accordance with the Red Book and the Listing Rules (LR), our valuation has been prepared on the basis of Market Value, which under Practice Statement PS 3.2, the Red Book defines as:

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

We have had no reason to qualify this definition.

Special Assumptions

Primary Health Properties PLC is currently committed to acquiring various properties which are in the course of development and in various stages of construction. We understand that investment property under construction is now to be brought into the scope of IAS 40 Investment Property. Therefore we have provided Market Values of these properties on the following *Special Assumptions*:

- *That all works to construct the proposed developments have been completed fully and to an acceptable standard in accordance with plans and specifications provided to us;*
- *The leases to the various occupiers have been completed in accordance with the agreed lease terms you have provided to us;*
- *The rent and other tenant obligations under the leases commence on the Valuation Date.*

Our valuations are also carried out in accordance with the definitions, assumptions and comments as detailed within our “Terms of Engagement”.

3. SCOPE OF REPORT

The scope of this report extends to the properties owned as at 31 December 2015 and those within the course of construction with a legal commitment to purchase.

4. TENURE AND TENANCIES

Our valuations have been based upon the details of tenure and tenancies and other information provided by PHP. In addition, we have previously been provided with Certificates of Title supplied to us by PHP’s solicitors. Where possible this information has been confirmed during our inspections of the properties and individual leases.

In considering the covenant strength of individual tenants we have not carried out any recent credit enquiries on their financial status. We have, however, reflected in our valuations our general understanding of purchasers’ likely perceptions of tenants’ financial status.

5. NET ANNUAL RENTS

When assessing values of the properties we have had regard to the annual rents receivable for each property. We have had regard to the definition of “net annual rent” given in LR Appendix 1. This defines “net annual rent” as the current income or income estimated by the valuer:

- (1) Ignoring any special receipts or deductions arising from the properties;
- (2) Excluding Value Added Tax and before Taxation (including tax on profits and allowances for interest on capital and loans);
- (3) After making deductions for superior rents (but not for amortisation), and any disbursements including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent; and
- (4) Where premises are let on effective full repairing and insuring leases, the net annual rents receivable stated in the Schedule are the presently contracted rents payable under those leases without any deductions for the cost of management or any other expenses.

6. FLOOR AREAS

We have clarified the floor areas of the properties in the preparation of our valuations which have been prepared strictly in accordance with the RICS Professional Statement – RICS Property Measurement, 1st Edition, May 2015.

We have not carried out measured site surveys but site areas have been calculated from observed site boundaries and with reference to the appropriate Ordnance Survey extracts.

We confirm that all of the properties have been measured by Lambert Smith Hampton other than those under construction. All of the properties have been inspected (other than the residential elements) within the last 36 months under an agreed rolling programme of inspections.

7. CONDITION AND REPAIR

We have not undertaken a structural survey of any of the properties, or arranged for any tests or inspections to be carried out on any of the service installations. Furthermore, no detailed examinations have been carried out to determine whether any deleterious materials such as high alumina cement, woodwool slab or blue asbestos have been used in the construction of any of the buildings and the valuations are therefore made on the assumption that no such materials exist.

We have not made exhaustive enquiries of the statutory authorities and would point out that the complexity of building regulations and other statutory enactments often have a material effect on the way in which a building is planned and used upon the cost of consequential works.

Unless otherwise stated in the Certificate of Title we have assumed that each property has a valid and up to date Fire Certificate and that it complies with the Health & Safety Act 1974, Building Regulations and all other statutory enactments. We have further assumed that there are no outstanding liabilities arising out of the provisions of the Defective Premises Act 1972.

8. ENVIRONMENTAL PROTECTION ACT

Our valuations have been prepared on the basis that the properties have not been used for any purpose which may at a later stage be regarded as contaminative and that no contamination exists. Should it, however, be subsequently established that such contamination exists at any of the properties or any adjoining land or that any premises have been or are being put to contaminative use, this may be found to have a detrimental effect on the value reported.

9. PLANT AND MACHINERY

We have included in our valuation plant and machinery items normally regarded as forming part of the “building” service installation.

10. TOWN PLANNING

Oral enquiries of the planning and other relevant local authorities have been made in respect of each property and we have made all such enquiries as are appropriate to particular local conditions. We have assumed, except where stated to the contrary that all buildings are currently used in accordance with the relevant local authority approval and all conditions imposed on such consents have been adhered to.

Primary Health Properties PLC has confirmed to us in writing that all properties referred to in this Report have all the relevant planning permissions in accordance with the relevant local authority approval and all conditions imposed on such consents have been adhered to.

11. GENERAL COMMENTS

We have assumed that all the properties are capable of unrestricted transfer to third party purchasers (in the case of leasehold property, subject to the lessor's consent, not to be unreasonably withheld) and have made no allowance to reflect the balance of outstanding mortgages which may exist, either in respect of the capital or interest rolled up thereon.

No allowances have been made in our valuations for any expenses of realisation, neither have we reflected any element of "marriage value" or "special purchaser value" which could possibly be realised by a merger of interests or by a sale to an owner or occupier of an adjoining property.

No allowance has been made for any liability which may arise for payment of corporation tax or capital gains tax or any other property related tax, whether existing or which may arise on development or disposal, deemed or otherwise. We would also specifically draw your attention to the fact that the valuations stated within this report are exclusive of any value added tax liability which may be incurred.

To the extent that we have been supplied with information by Primary Health Properties PLC and/or its solicitors or by other professional advisers, we have assumed in preparing the valuations that such information is accurate in all respects.

In the valuation of the portfolio, we have valued each property separately and not as part of the portfolio. Accordingly, we have made no allowance, either positive or negative, in the aggregate value reported to reflect the possibility of the whole or part of the portfolio being placed on the market at any one time.

For each individual valuation we have made an allowance for hypothetical purchasers' costs of acquisition.

12. VALUATION

Subject to the comments and assumptions set out in this report and subject to the comments in the LSH "Terms of Engagement for Valuation Services", we are of the opinion that the aggregate Market Value of the freehold and long leasehold interests in the investment properties as at 31 December 2015, is:

£1,122,345,000

(One Billion, One Hundred and Twenty Two Million, Three Hundred and Forty Five Thousand Pounds)

made up as follows:

Category of Property	Number of properties owned as at 31 December 2015	Value of properties owned as at 31 December 2015 (£'000)
Freehold/Heritable		
Properties held as investments	227	904,435
Leasehold		
Properties held as investments	40	187,225
Properties which are in the course of construction		
Properties to be held as investments	6	30,685
Total	<u>273</u>	<u>1,122,345</u>

We are not aware of any material change in circumstances between the date of the valuation and the date of this valuation report that would affect the valuation.

The total valuation stated above is the same as that of the valuation undertaken for PHP for the purposes of its Annual Report as at 31 December 2015. The aggregate value disclosed in the PHP group's consolidated balance sheet at 31 December 2015, however, is £21,733,000 lower than that set out in this valuation report due to the PHP group's accounting policy of deducting the outstanding cost to complete development projects on-site under construction at the balance sheet date from the valuation. The fair value included in its Annual Report as at 31 December 2015 therefore stood at £1,100,612,000.

13. GEOGRAPHICAL SPLIT OF PROPERTIES

A typical property will comprise a purpose built two storey medical centre with on site parking for both staff and patients. Internally the building will be arranged to provide reception area, consulting rooms, offices and normal facilities associated with a surgery. Some sites also have a pharmacy and possibly a convenience store in separate buildings.

Total in number	Geographical region	Combined Net Annual Rent £'m pa	Combined Market Value £'m
72	North	17.8	318.2
51	Midlands	12.4	219.2
79	South East	15.6	271.4
16	South West	3.3	61.3
25	Wales	6.4	111.8
30	Scotland	8.2	140.4
273		63.7	1,122.3

This valuation has been prepared for inclusion in the Prospectus.

For the purpose of Prospectus Rule 5.5.3R(2)(f), we accept responsibility for the information within this report and valuation and declare that we have taken all reasonable care to ensure that the information contained in this report and valuation is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully



T D Sandford, MRICS
Director

For and on behalf of Lambert Smith Hampton

PART 6

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Section A – Unaudited Pro Forma Financial Information

The unaudited pro forma financial information of the Group in this Part 6 is based on the consolidated net assets of the Group set out in the audited consolidated financial statements of the Group for the year ended 31 December 2015. The pro forma financial information has been prepared to illustrate the effect on the consolidated net assets of the Group as if the Firm Placing had taken place on 31 December 2015.

The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position.

The unaudited pro forma financial information has been prepared on the basis set out in the notes below and in accordance with the requirements of item 7 of Annex II to the PD Regulation. The unaudited pro forma financial information has been prepared on the basis of the accounting policies adopted by the Company in preparing the audited consolidated financial statements of the Group for the year ended 31 December 2015.

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

	Consolidated net assets of the Group at 31 December 2015 Note 1 £'000	Firm Placing – Proceeds of the issue, net of expenses Note 2 £'000	Pro forma consolidated net assets at 31 December 2015 Total £'000
Non current assets			
Investment properties	1,100,612	–	1,100,612
Derivative interest rate swaps	9	–	9
Non-current assets	1,100,621	–	1,100,621
Current assets			
Trade and other receivables	4,153	–	4,153
Cash and cash equivalents	2,881	–	2,881
Current assets	7,034	–	7,034
Total assets	1,107,655	–	1,107,655
Current liabilities			
Term loans	(862)	–	(862)
Derivative interest rate swaps	(4,734)	–	(4,734)
Trade and other payables	(16,099)	–	(16,099)
Deferred rental income	(13,169)	–	(13,169)
Current liabilities	(34,864)	–	(34,864)
Non current liabilities			
Term loans	(460,550)	57,557	402,994
Bonds	(236,328)	–	(236,328)
Derivative interest rate swaps	(30,553)	–	(30,553)
Non current liabilities	(727,431)	57,557	(669,875)
Total liabilities	(762,295)	57,557	(704,739)
Net assets	345,360	57,557	402,917

Notes:

- (1) The net assets of the Group as at 31 December 2015 have been extracted without material adjustment from the audited consolidated financial statements of the Group for the year ended 31 December 2015, as incorporated by reference in Part 8 of this document.
- (2) Adjustment to reflect the net proceeds from the Firm Placing receivable by the Company of £57.6 million (being gross proceeds of £60.0 million less estimated fees relating to the Firm Placing of £2.4 million). If the maximum Capital Raising is achieved, the net proceeds receivable by the Company will be £116.2 million (being gross proceeds of £120.0 million less estimated fees relating to the Capital Raising of £3.8). If the Board exercises its discretion to increase the size of the Issue by a maximum of 25.0 per cent. the net proceeds receivable by the Company will be £145.6 million (being gross proceeds of £150.6 million less estimated fees relating to the Capital Raising of £4.4 million).
- (3) The unaudited pro forma financial information does not take into account trading of the Group subsequent to the year end balance sheet date of 31 December 2015.

Section B – Accountants’ Report on Unaudited Pro Forma Financial Information

The Directors
Primary Health Properties PLC
5th Floor
Greener House
66-68 Haymarket
London SW1Y 4RF

Numis Securities Limited
10 Paternoster Square
London
EC4M 7LT

22 March 2016

Dear Sirs

PRIMARY HEALTH PROPERTIES PLC (the “Company”)

We report on the unaudited pro forma financial information (the “**Pro Forma Financial Information**”) set out in Section A of Part 6 of the Company’s combined circular and prospectus dated 22 March 2016 (the “**Prospectus**”) which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the Firm Placing might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 31 December 2015. This report is required by item 7 of Annex II to the PD Regulation and is given for the purpose of complying with that PD Regulation and for no other purpose.

RESPONSIBILITIES

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with Annex II of the PD regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II to the PD Regulation as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Prospectus.

BASIS OF OPINION

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information

has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

OPINION

In our opinion:

- the Pro Forma Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Company.

DECLARATION

For the purposes of Prospectus Rule 5.5.3 R(2)(f) we are responsible for this report as part of the Prospectus and we declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART 7

ADDITIONAL INFORMATION

1. RESPONSIBILITY

- 1.1 The Company and each of the Directors, whose names are set out on page 30 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The Property Valuer accepts responsibility for the information contained in the Property Valuation Report set out in Part 5 of this document. To the best of the knowledge and belief of the Property Valuer, and having taken all reasonable care to ensure that such is the case, the information contained in the Property Valuation Report is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. INCORPORATION AND REGISTERED OFFICE OF PHP

- 2.1 PHP was incorporated in England and Wales on 16 March 1995 under the Companies Act 1985, as a public company limited by shares with the name Richadvance PLC with registered number 03033634. On 21 July 1995 the name of the Company was changed to Primary Health Properties PLC.
- 2.2 The Company 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.
- 2.3 The Company is domiciled in the UK. Its registered office is at 5th Floor, Greener House, 66-68 Haymarket, London SW1Y 4RF and the telephone number is +44 (0)20 7104 5599.
- 2.4 On 1 January 2007 the Company and its subsidiaries converted into a UK-REIT Group.
- 2.5 The principal legislation under which PHP operates, and under which the Ordinary Shares were created, is the Companies Act and subordinated legislation made under it.
- 2.6 As a company with its shares admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities as a primary listing, the Company is subject to the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules and to the rules of the London Stock Exchange.
- 2.7 Deloitte LLP, whose address is 2 New Street Square, London EC4A 3BZ, are the auditors of PHP. Deloitte LLP is a member of the Institute of Chartered Accountants in England and Wales.

3. SHARE CAPITAL OF PHP

- 3.1 As at 21 March 2016 (being the latest practicable date prior to the issue of this document) the issued and fully paid share capital of the Company was as follows:

Class of Share	Issued and fully paid	
	Number	Amount
Ordinary shares of 12.5 pence each	446,627,017	£55,828,377.13

- 3.2 The issued and fully paid Ordinary Share capital of the Company, immediately following completion of the Capital Raising is expected to be as follows:

Class of Share	Following completion	
	Number	Amount*
Issued and fully paid ordinary shares of 12.5 pence each	566,627,017	£70,828,377

* The number of Ordinary Shares in issue immediately following completion assumes that the Issue size in connection with the Capital Raising is £120.0 million and that no further Ordinary Shares will be issued between the publication of this document and completion.

-
- 3.3 The number of Ordinary Shares outstanding at the beginning and end of the last financial year is as follows:

	Issued and fully paid
1 January 2015	445,106,648*
31 December 2015	446,281,348

*Pro forma number on the basis that the Share Sub-division had taken place.

3.4 **History of Ordinary Share capital**

- (a) There have been the following material changes in the amount of the issued share capital of the Company during the three years preceding the date of this document:
- (i) on 13 June 2013, in connection with a firm placing and placing, open offer and offer for subscription the Company issued 21,746,032 50p Ordinary Shares;
 - (ii) on 3 December 2013, in connection with the acquisition of PPP, the Company issued 12,577,771 50p Ordinary Shares in consideration for the acquisition;
 - (iii) on 28 January 2014, in connection with the acquisition of PPP, the Company issued a further 518,243 50p Ordinary Shares as additional consideration; and
 - (iv) on 12 November 2015, the Company completed the Share Sub-division, as a result of which each issued 50p Ordinary Share was sub-divided into four Ordinary Shares with nominal value of 12.5p on that date.
- (b) No Ordinary Shares are held by or on behalf of the Company (including in treasury) or by its subsidiaries.
- (c) By an ordinary resolution passed on 22 April 2015 the Directors have been authorised in accordance with section 551 of the Companies Act to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £18,546,113. Such authority expires at the conclusion of the next annual general meeting of the Company or if earlier on the date which is 15 months after the date of the resolution.
- (d) By an ordinary resolution passed on 22 April 2015 the Directors have been authorised to allot equity securities (within the meaning of section 560 of the Companies Act) up to an additional aggregate nominal amount of £18,546,113. The power is limited to the allotment of equity securities in connection with a rights issue. Such authority expires at the conclusion of the next annual general meeting of the Company or if earlier on the date which is 15 months after the date of the resolution.
- (e) By a special resolution of the Company passed on 22 April 2015 the Directors have been empowered (in accordance with sections 570 and 573 of the Companies Act) to allot equity securities (within the meaning of section 560(1) of the Companies Act) for cash pursuant to the authorities described in paragraphs 3.4(c) and 3.4(d) above or by way of sale of treasury shares as if section 561(1) of the Companies Act did not apply to such allotment, provided that this power is limited to the allotment of equity securities in connection with a rights issue or pursuant to any other *pro rata* offer to Shareholders (but in the case of the authority described in paragraph 3.4(d) above by way of a rights issue only) and otherwise to the allotment of equity securities for cash up to an aggregate nominal amount of £2,781,917. Such authority expires at the conclusion of the next annual general meeting of the Company or if earlier on the date which is 15 months after the date of the resolution.
- (f) By a special resolution of the Company passed on 22 April 2015 the Directors have been authorised in accordance with section 701 of the Companies Act, to make market purchases (within the meaning of section 693(4) of the Companies Act) of 50p Ordinary Shares. The maximum number of 50p Ordinary Shares which may be purchased is
-

11,127,668. The minimum price which may be paid for a 50p Ordinary Share is 50 pence and the maximum price cannot be more than the higher of: (i) an amount equal to 105 per cent. of the average market value for the five Business Days immediately preceding the day on which the 50p Ordinary Share is purchased; and (ii) the value of a 50p Ordinary Share calculated on the basis of the higher of the last independent trade of, or the highest current independent bid for any number of 50p Ordinary Shares on the trading venue where the market purchase by the Company will be carried out. Such authority expires at the end of the next annual general meeting of the Company.

3.5 Shareholder authorities to be proposed at the General Meeting

At the General Meeting the Resolutions will be voted on by the Shareholders for the purposes of facilitating the Capital Raising. The Notice of General Meeting, which sets out the Resolutions in full, is set out in Part 10 of this document, and a summary of the Resolutions follows below.

Resolution 1 proposes that: (a) the Directors be authorised to allot and issue New Shares with a nominal value of up to £18,750,000 pursuant to the Capital Raising for a period expiring three months after the date the resolution is passed; and (b) the authority proposed to be given to Directors at the 2016 annual general meeting (due to be held on 5 April 2016) be refreshed to authorise the Directors to allot and issue Ordinary Shares with a nominal value of up to £24,859,459, and a further £24,859,459 in the case of a rights issue, without the prior consent of Shareholders for a period expiring at the conclusion of the next annual general meeting of the Company of, if earlier, the date falling 15 months after the date on which the resolution is passed.

The proposed new authority will allow the Directors to allot up to 68,468,918 Ordinary Shares in total, being an amount of up to approximately 123 per cent. of the Company's issued share capital at 21 March 2016 (being the latest practicable date prior to the publication of this document). The proposed new authority under parts (b) and (c) of Resolution 1 will allow the Directors to allot up to approximately one third, or two thirds in the case of a fully pre-emptive rights issue only, of the Company's issued share capital following the Capital Raising (assuming 150,000,000 New Shares are issued pursuant to the Capital Raising).

The Directors have no present intention to allot shares, other than in relation to the proposed Capital Raising or in connection with the Company's scrip dividend scheme.

Resolution 2 proposes that: (a) the Directors be authorised to allot and issue the New Shares approved pursuant to Resolution 1(a) without first being required to offer such shares to existing Shareholders for a period expiring three months after the date the resolution is passed; and (b) the authority proposed to be given to Directors at the 2016 annual general meeting (due to be held on 5 April 2016) be refreshed to authorise the Directors to allot equity securities in relation to a pre-emptive rights issues or in any other case up to a maximum nominal amount of £3,728,918 for cash or by way of sale of treasury shares without first being required to offer such shares to existing Shareholders for a period expiring at the conclusion of the next annual general meeting of the Company or, if earlier, the date falling 15 months after the date on which the resolution is passed. Resolution 2 is conditional on the passing of Resolution 1.

The new authority proposed by part (a) of Resolution 2 and the £3,728,918 nominal amount of equity securities proposed by part (b) will allow the Directors to allot up to 179,831,344 Ordinary Shares for cash or by way of sale of treasury shares, representing approximately 40 per cent. of the Company's issued share capital at 21 March 2016 (being the latest practicable date prior to the publication of this document). The £3,728,918 nominal amount of equity securities proposed by part (b) represents approximately 5 per cent. of the issued share capital of the Company following the Capital Raising (assuming 150,000,000 New Shares are issued pursuant to the Capital Raising).

The Directors have no current intention of exercising this authority, other than in relation to the proposed Capital Raising or in connection with the Company's scrip dividend scheme. In accordance with the Statement of Principles issued by the Pre-emption Group, as updated in March 2015, the Directors will ensure that they will not allot shares for cash on a non pre-emptive basis pursuant to the authority in Resolution 2(b):

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- (i) in excess of an amount equal to 5 per cent. of the total issued ordinary share capital of the Company (excluding treasury shares); or
 - (ii) in excess of an amount equal to 7.5 per cent. of the total issued ordinary share capital of the Company (excluding treasury shares) within a rolling three year period without prior consultation with Shareholders,

in each case other than in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding six month period and is disclosed in the announcement of the allotment.

Resolution 3 proposes that the Company be authorised to purchase 59,662,702 Ordinary Shares in the market, representing approximately 10 per cent. of the issued share capital of the Company following the Capital Raising (assuming 150,000,000 New Shares are issued pursuant to the Capital Raising). The Resolution also sets out a minimum price of 12.5 pence for each Ordinary Share, being the nominal value of each share, and a maximum price which the Company may pay for those shares. Any shares purchased under this authority will be cancelled (and the number of Ordinary Shares in issue reduced accordingly) or held in treasury. The Directors will have regard to any guidelines published by investor groups at the time of any such purchase, holding or resale of treasury shares.

Resolution 3 is conditional on the passing of Resolutions 1 and 2. The authority under Resolution 3 will expire at the conclusion of the next annual general meeting of the Company. Purchases will be made within guidelines set by the Board and using available reserves. The Directors intend to exercise this authority when they believe that the effect of such purchases will be to increase the underlying value per Ordinary Share having regard to the interests of Shareholders generally, and do not have a current intention to exercise the authority granted by Resolution 3.

As at 21 March 2016 (being the latest practicable date prior to the publication of this document), there were no warrants or options to subscribe for Ordinary Shares that are outstanding.

4. SUMMARY OF THE ARTICLES OF ASSOCIATION OF PHP

The Articles are available for inspection at the address specified in paragraph 2.3 of this Part 7.

4.1 Articles

The articles of association adopted by a special resolution on 6 October 2009 (the “**Articles**”) contain (amongst other things) provisions to the following effect:

(a) *Votes of members*

Subject to any special terms as to voting upon which any share may be issued, or may for the time being be held, upon a show of hands every member present in person and entitled to vote has one vote and every proxy who has been duly appointed by a member entitled to vote has one vote and upon a poll every member present in person or by proxy and entitled to vote shall have one vote for every share of which he is the registered holder.

No member shall be entitled to be present or to be counted in the quorum at any general meeting unless he shall be the holder of one or more shares giving right to attend thereat upon which all calls or other monies due and payable in respect of the same shall have been paid and no member shall be entitled to vote at any general meeting on a poll or show of hands either personally or by proxy in respect of any share upon which any call or other monies due and payable have not been paid.

(b) *Transmission of Shares*

Save as otherwise provided by or in accordance with the Articles, a person becoming entitled to a share in consequence of the death or bankruptcy of a member shall (upon supplying to the Company such evidence as the board may reasonably require as to his

title to the share) be entitled to receive, and may give a discharge for, all benefits arising or accruing on or in respect of the share and the same dividends and other advantages to which he would be entitled if he were the registered holder of the share except that he shall not be entitled in respect thereof to exercise any right conferred by membership in relation to meetings until he shall have been registered as a member in respect of the share, provided always that the board may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share and if within 60 days the notice is not complied with such person shall be deemed to have elected to be registered as a member in respect thereof and may be registered accordingly.

(c) ***Disclosure of interests in shares***

No member shall, unless the board otherwise determines, be entitled in respect of any share or shares held by him to vote (either in person or by representative or proxy) at any general meeting or at any separate meeting of the holders of any class of shares or to exercise any other right conferred by membership in relation to any such meeting of the Company if he or any other person appearing to be interested in such share or shares has been duly served with a notice under section 793 of the Companies Act (or under any other statutory provision or provision of the Articles for the time being in force enabling the Company by notice in writing to require any persons to give any information regarding that share or those shares) which requires him or such other person to give information to the Company in accordance with such section or provision and:

- (i) he or any such person is in default in supplying to the Company the information thereby required within: (A) 14 days after service of the notice (or such longer period as may be specified in such notice) if the shares specified in such notice represent at least 0.25 per cent. of the shares of the class to which such shares belong in issue on the date of service of such notice; or (B) 28 days after service of the notice (or such longer period as may be specified in such notice) in any other case; or
- (ii) in purported compliance with such notice, he or any such person has made a statement which, in the opinion of the board, is false or misleading in any material particular (and in the latter case he or any such person has failed to correct such statement within a further period of 14 days after service of a further notice in writing requiring him so to correct it).

(d) ***Dividends***

Subject to any preferential or other special rights for the time being attached to any special class of shares, the profits of the Company available for dividend in accordance with the Statutes which it shall from time to time determine to distribute by way of dividend shall be applied in payment of dividends upon the shares of the Company to the members at the date of record in accordance with their respective rights and priorities.

The Company in a general meeting may from time to time declare dividends but no such dividend shall (except as expressly authorised by the Statutes) be payable otherwise than out of the profits of the Company available for the purpose in accordance with the Statutes. No higher dividend shall be paid than is recommended by the board and the declaration of the board as to the amount of the profits at any time available for dividend shall be conclusive.

Subject to the provisions of the Statutes, the board may if it thinks fit from time to time pay to the members such interim dividends as appear to the board to be justified by the profits of the Company and in particular (but without prejudice to the generality of the foregoing) if at any time the share capital of the Company is divided into different classes, the board may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferred rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and the board may also pay half-yearly or at other suitable intervals

to be settled by it any dividend which may be payable at a fixed rate if it is of the opinion that the profits justify the payment. Provided the directors act in a *bona fide* manner they shall not incur any responsibility to the holders of shares conferring a preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferred rights.

Notwithstanding any other provision of the Articles, the board may fix a date as the record date for any dividend, distribution, allotment or issue and such record date may be on or at any time within six months before or after any date on which such dividend, distribution, allotment or issue is declared, paid or made.

With the sanction of a general meeting, dividends may be paid wholly or in part in specie and may be satisfied in whole or in part by the distribution amongst members in accordance with the rights of fully paid up shares, debentures or other securities of the Company or of any other company or of any other property suitable for distribution as aforesaid, provided that no distribution shall be made which would amount to a reduction of capital except in the manner approved by law. The board shall have full liberty to make all such valuations, adjustments and arrangements and to issue all such certificates or documents of title as may in its opinion be necessary or expedient with a view to facilitating the equitable distribution amongst the members of any dividends or portions of dividends to be satisfied as aforesaid or to giving them the benefit of their proper shares and interests in the property and no valuation, adjustment or arrangement so made shall be questioned by any member.

Any dividend, instalment of dividend or interest or other monies payable in cash in respect of any share may be paid by cheque or warrant payable to the order of the member entitled thereto or (in the case of joint holders) of that member whose name stands first on the register in respect of the joint holding. Every such cheque or warrant shall (unless otherwise directed) be sent by post to the last registered address of the member entitled thereto and payment of the cheque or warrant shall be a good discharge to the Company for the same. If cheques or warrants in respect of dividends are returned undelivered or are left uncashed on two consecutive occasions, or have been returned undelivered or left uncashed on one occasion and the board, on making reasonable enquiries, has failed to establish any new address of the member or person concerned, then the board may determine that the Company shall cease sending such cheques or warrants by post to the member or person concerned. The Company may, if so directed, pay any dividend, instalment of dividend or interest or other monies as aforesaid by credit transfer to a bank account nominated by the member entitled to such payment which transfer shall be a good discharge to the Company for the same. Every such cheque or warrant shall be sent and every credit transfer made at the risk of the person entitled to the money represented thereby. No unpaid dividend or interest shall bear interest as against the Company.

The board may deduct from any dividend or other monies payable in respect of any shares held by a member, either alone or jointly with any other member, all such sums of money (if any) as may be due and payable by him either alone or jointly with any other person to the Company on account of calls or otherwise in respect of shares of the Company.

All unclaimed dividends may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the payment of any such dividend into a separate account or the investment of such dividend shall not constitute the Company a trustee in respect thereof. No unclaimed dividend shall bear interest as against the Company. Any dividends which remain unclaimed for a period of 12 years from the date of declaration thereof shall at the expiration of that period be forfeited and cease to remain owing to the Company and shall thenceforth belong to the Company absolutely.

The board may, in its absolute discretion, withhold the payments of any dividend to a member in respect of any share held by him in relation to which he or any other person has been duly served with a notice under section 793 of the Companies Act (or any other

statutory provision or provision of the Articles for the time being in force enabling the Company by notice in writing to require any person to give any information regarding that share).

(e) ***Scrip dividends***

The board may, if authorised by ordinary resolution of the Company, offer any holders of ordinary shares in the Company the right to elect to receive shares credited as fully paid, instead of cash in respect of the whole (or some part) of any dividend specified by the ordinary resolution, subject to the provisions set out in full in Article 135.

(f) ***Distribution of assets on a winding-up***

If the Company shall be wound up (whether the liquidation is altogether voluntary, under supervision or by the Court) the liquidator may, with the authority of a special resolution and subject to any provision sanctioned in accordance with section 247 of the Companies Act (without prejudice to section 187 of the Insolvency Act 1986), divide among the members *in specie* the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds and may for such purposes set such value as he deems fair upon any one or more class or classes of property, and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit and the liquidation of the Company may be closed and the Company dissolved, but so that no member shall be compelled to accept any shares in respect of which there is a liability. Without prejudice to section 187 of the Insolvency Act 1986, the liquidator may make any provision referred to in and sanctioned in accordance with section 247 of the Companies Act.

(g) ***Changes in capital***

The Company may, by ordinary resolution:

- (i) consolidate all or any of its share capital into shares of larger amounts than its existing shares;
- (ii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person; and
- (iii) subject to the Companies Act, sub-divide all or any of its shares into shares of a smaller amount and may by resolution determine that the shares resulting from such sub-division may have any preferred or other special rights or be subject to any restrictions as compared with the others.

(h) ***General meetings***

An annual general meeting shall be held in each year (in addition to any other meetings which may be held in that year). All general meetings other than the annual general meeting shall be called general meetings. The board shall convene, and the Company shall hold, general meetings as annual general meetings in accordance with the provisions of the Statutes. The board may convene a general meeting whenever it thinks fit.

Two members present in person or by proxy and entitled to vote upon the business to be transacted, each being a member or a proxy or authorised representative of a corporation that is a member (including two persons who are proxies or corporate representatives for the same member) shall constitute a quorum for all purposes, save as otherwise provided in the Articles. If a quorum is not present within 15 minutes from the commencement time of the meeting, the meeting will be adjourned to the same time and place seven days thereafter, unless the meeting was convened by or on the requisition of the members, in which case it shall be dissolved.

An annual general meeting and all other general meetings shall be called by at least such minimum period as is prescribed for traded companies under the Companies Act.

(i) ***Variation of rights and class meetings***

None of the rights, privileges or conditions for the time being attached or belonging to any class of shares forming part of the issued capital for the time being of the Company shall be modified, varied or abrogated in any manner except with the consent in writing of the holders of three quarters in nominal value of the issued shares of the class or the sanction of a special resolution passed at a separate meeting of the members of that class and then only subject to the provisions of section 633 of the Companies Act. To any such separate meeting all the provisions of the Articles as to general meetings shall apply *mutatis mutandis* but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons personally present and holding or representing, either by proxy or as the duly appointed representative of a corporation which is a member, at least one third of the capital paid up on the issued shares of the class, and at any adjourned meeting, one member holding shares of the class in question or his proxy, and so that any holder of shares of the class in question present in person or by proxy may demand a poll and shall be entitled on a poll to one vote for every such share held by him. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the Articles or by the terms of issue of the shares of that class, be deemed to be modified, varied or abrogated by the creation or issue of further shares ranking *pari passu* therewith.

(j) ***Transfer of shares***

Subject to the conditions and restrictions contained in the Articles, any member may transfer all or any of his certificated shares by instrument of transfer but not more than one class of certificated shares shall be transferred by one instrument of transfer.

Every transfer must be in writing in the usual common form or in such other form as the board may approve, duly stamped, and must be lodged at the office of the registrars of the Company for the time being accompanied by the certificate of shares to be transferred (save in the case of a transfer by a nominee of a recognised investment exchange to whom no certificate was issued or a recognised person to whom no certificate was issued) and such other evidence as the board may reasonably require to prove the title of the intended transferor.

The board may refuse to register a transfer of a share unless the instrument of transfer:

- (i) is in respect of only one class of shares;
- (ii) is in favour of not more than four joint transferees;
- (iii) is duly stamped (if required); and
- (iv) is delivered for registration to the registered office of the Company or such other places as the board may decide accompanied by the share certificate and such other evidence as the board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so.

The board may impose restrictions upon the transfer of any share which is not fully paid, provided that the restrictions are not such as to prevent dealings in the shares from taking place on an open and proper basis.

The board may, in exceptional circumstances approved by the FCA and the London Stock Exchange, disapprove the transfer of any share, provided that exercise of such powers does not disturb the market.

The board may refuse to register the transfer of an uncertificated share in any circumstances permitted by the FCA, the London Stock Exchange, the CREST Regulations and the rules and practices of the operator of the relevant system.

Subject to certain exceptions, the board may, in its absolute discretion, refuse to register any transfer of shares which does not appear to it to be a transfer pursuant to an arm's

length sale and which relates to shares held by a member in relation to which he or any other person appearing to be interested in such shares has been duly served with a notice under section 793 of the Companies Act (or under any other statutory provision or provision of the Articles for the time being in force enabling the Company by notice in writing to require any person to give any information regarding those shares).

(k) ***Proceedings of the board***

The board or any committee of the board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit, and determine the quorum necessary (being at least two directors) for the transaction of business. A director shall not be counted in the quorum present at a meeting in relation to a resolution on which he is not entitled to vote but shall be counted in the quorum present in relation to all other matters or resolutions considered or voted on at the meeting. Meetings of the board or any committee of the board may take place in any part of the world and may take place via telephonic or similar means of communication, notwithstanding that the directors or committee members present may not all be meeting in one particular place.

A director may, and on the request of a director the secretary shall, at any time summon a meeting of the board. It shall be necessary to give notice (which need not be in written form) of a meeting of the board to all of the directors. Questions arising at any meeting of the board or any committee of the board shall be decided by a majority of votes. In the case of an equality of votes the Chairman shall have a second or casting vote.

The board or any committee of the board may from time to time elect a Chairman or Deputy Chairman who shall preside at its meetings. The board may choose one of its number to chair a meeting if the Chairman or Deputy Chairman has not arrived within five minutes of the appointed time of the meeting. The board may delegate any of its powers to committees consisting of such member or members as it thinks fit.

All *bona fide* acts done by any meeting of the board or a committee of the board or by any person acting as director shall, notwithstanding it to be afterwards discovered that there was some defect in the appointment of any director or person acting as aforesaid or that they or any of them were disqualified or had ceased to be directors or a director, be as valid as if every such person had been duly appointed and was qualified to be and had continued to be a director.

The board shall cause proper minutes to be made of all general meetings of the Company and also of all appointments of officers and of the proceedings of all meetings of the board and committees of the board and of the attendances thereat.

A director may hold any other office or place of profit under the Company (except that of auditor) in conjunction with his office of director. A director may hold office as a director or other officer or otherwise be interested in any other company of which the Company is a member or in which the Company is otherwise interested and, unless otherwise agreed, shall not be liable to account to the Company for any remuneration or other benefits receivable by him as a director or officer of, or by virtue of his interest in, such other company.

(l) ***Directors***

Until otherwise determined by a general meeting the number of directors shall not be less than two and there shall be no maximum number. The Company may by ordinary resolution from time to time vary the minimum and maximum number of directors.

There shall be available to be paid out of the funds of the Company to the directors as fees in each year an aggregate sum not exceeding £500,000 as the board may determine, such sum to be divided among such directors in such proportion and manner as they may agree or, in default of agreement, equally provided that any such director holding the office of director for part of a year shall, unless otherwise agreed, be entitled only to a proportionate part of such fee. The Company may by ordinary resolution increase the

amount of the fees payable under Article 82. The provisions of Article 82 shall not apply to the remuneration of any Managing Director or director holding executive office whose remuneration shall be determined in accordance with the provisions of Articles 91.1 and 91.4 or Article 84.

The directors shall also be entitled to be repaid all travelling, hotel and other expenses properly incurred by them respectively in and about the performance of their duties as directors, including their expenses of travelling to and from board or committee or general meetings.

The board (or for the avoidance of doubt a committee of the board if so authorised) may grant special remuneration to any member thereof who, being called upon, shall render any special or extra services to the Company. Such special remuneration may be made payable to such director in addition to or in substitution for his ordinary remuneration (if any) as a director, and may be payable by way of a lump sum participation in profits or otherwise as the board (or any such committee) shall determine.

(m) ***Interests of directors***

A director shall not infringe his duty to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company as a result of any such office, employment, contract, arrangement, transaction or proposal or interest detailed in Article 86.

Without prejudice to the requirements of the Statutes, a director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the board. Except as provided in the Articles, a director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he or any person connected with him (within the meaning of section 252 of the Companies Act) has any interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company in respect of which he has any duty which conflicts with his duty to the Company. A director shall not be counted in the quorum at a meeting in relation to any resolution in respect of which he is debarred from voting.

A director shall (in the absence of some other interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters namely:

- (i) the giving of any guarantee, security or indemnity to him in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting thereof;
- (iv) any proposal concerning any other company in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise howsoever provided that he (together with any person connected with him within the meaning of section 252 of the Companies Act) is not the holder of or beneficially interested in 1 per cent. or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for the purpose of Article 87 to be a material interest in all circumstances);

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- (v) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval by the board of HMRC for taxation purposes or which does not accord to any director as such any privilege or benefit not accorded to the employees to which the scheme or fund relate;
 - (vi) any contract, arrangement or proposal for the benefit of employees of the Group under which the director benefits in a similar manner as the employees or which does not accord to any director as such any privilege or benefit not accorded to the employees to which the scheme or fund relates; and
 - (vii) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of directors or for the benefit of persons including directors.

The directors may (subject to such terms and conditions, if any, as they may think fit to impose from time to time, and subject always to their right to vary or terminate such authorisation) authorise, to the fullest extent permitted by law:

- (i) any matter which would otherwise result in a director infringing his duty to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company and which may reasonably be regarded as likely to give rise to a conflict of interest (including a conflict of interest and duty or conflict of duties); and
- (ii) a director to accept or continue in any office, employment or position in addition to his office as a director of the Company and without prejudice to the generality of Article 88.1 may authorise the manner in which a conflict of interest arising out of such office, employment or position may be dealt with, either before or at the time that such a conflict of interest arises;

provided that the authorisation is only effective if:

- (iii) any requirement as to the quorum at the meeting at which the matter is considered is met without counting the director in question or any other interested director; and
- (iv) the matter was agreed to without their voting or would have been agreed to if their votes had not been counted.

If a matter, or office, employment or position, has been authorised by the directors in accordance with Article 88 then (subject to such terms and conditions, if any, as the directors may think fit to impose from time to time, and subject always to their right to vary or terminate such authorisation or the permissions set out below):

- (i) the director shall not be required to disclose any confidential information relating to such matter, or such office, employment or position, to the Company if to make such a disclosure would result in a breach of a duty or obligation of confidence owed by him in relation to or in connection with that matter, or that office, employment or position;
 - (ii) the director may absent himself from discussions, whether in meetings of the directors or otherwise, and exclude himself from information, which will or may relate to that matter, or that office, employment or position; and
 - (iii) a director shall not, by reason of his office as a director of the Company, be accountable to the Company for any benefit which he derives from any such matter, or from any such office, employment or position.
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4.2 Description of the REIT provisions included in the Articles

(a) *Introduction*

The Articles contain provisions designed to enable the Company to demonstrate to HMRC that it has taken “reasonable steps” to avoid paying a dividend (or making any other distribution) to any Substantial Shareholder (as defined in paragraph 4.3 of this Part 7).

If a distribution is paid to a Substantial Shareholder and the Company has not taken reasonable steps to avoid doing so, the Company would become subject to a tax charge.

The Articles contain a special article for this purpose (the “**Special Article**”). The text of the Special Article is set out in paragraph 4.3 of this Part 7.

The Special Article:

- (i) provides directors with powers to identify its Substantial Shareholders (if any);
- (ii) prohibits the payment of dividends on Ordinary Shares that form part of a Substantial Shareholding, unless certain conditions are met;
- (iii) allows dividends to be paid on Ordinary Shares that form part of a Substantial Shareholding where the Substantial Shareholder has disposed of its rights to dividends on its Ordinary Shares; and
- (iv) seeks to ensure that if a dividend is paid on Ordinary Shares that form part of a Substantial Shareholding and arrangements of the kind referred to in the preceding paragraph are not met, the Substantial Shareholder concerned does not become beneficially entitled to that dividend.

The effect of the Special Article is explained in more detail below.

(b) *Identification of Substantial Shareholders*

The share register of the Company records the legal owner and the number of Ordinary Shares they own but does not identify the persons who are beneficial owners of the Ordinary Shares or are entitled to control the voting rights attached to the Ordinary Shares or are beneficially entitled to dividends. While the requirements for the notification of interests in shares provided in Part 21A of the Companies Act and the board’s rights to require disclosure of such interests (pursuant to Part 22 of the Companies Act and Article 40 of the Articles) should assist in the identification of Substantial Shareholders, those provisions are not on their own sufficient.

Accordingly, the Special Article requires a Substantial Shareholder and any registered Shareholder holding Ordinary Shares on behalf of a Substantial Shareholder to notify the Company if his Ordinary Shares form part of a Substantial Shareholding. Such a notice must be given within two Business Days of becoming a Substantial Shareholder or the change in relevant particulars. The Special Article gives the board the right to require any person to provide information in relation to any Ordinary Shares in order to determine whether the shares form part of a Substantial Shareholding. If the required information is not provided within the time specified (which is seven days after a request is made or such other period as the board may decide), the board is entitled to impose sanctions, including withholding dividends (as described in paragraph 4.2(c) below) and/or requiring the transfer of the Ordinary Shares to another person who is not, and does not thereby become, a Substantial Shareholder (as described in paragraph 4.2(f) below).

(c) *Preventing payment of a dividend to a Substantial Shareholder*

The Special Article provides that a dividend will not be paid on any Ordinary Shares that the board believes may form part of a Substantial Shareholding unless the board is satisfied that the Substantial Shareholder is not beneficially entitled to the dividend.

If in these circumstances payment of a dividend is withheld, the dividend will be paid subsequently if the board is satisfied that:

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- (i) the Substantial Shareholder concerned is not beneficially entitled to the dividends (see also paragraph 4.2(d) below);
 - (ii) the shareholding is not part of a Substantial Shareholding;
 - (iii) all or some of the Ordinary Shares and the right to the dividend have been transferred to a person who is not, and does not thereby become, a Substantial Shareholder (in which case the dividends will be paid to the transferee); or
 - (iv) sufficient Ordinary Shares have been transferred (together with the right to the dividends) such that the Ordinary Shares retained are no longer part of a Substantial Shareholding (in which case the dividends will be paid on the retained Ordinary Shares).

For this purpose references to the “transfer” of a share include the disposal (by any means) of beneficial ownership of, control of voting rights in respect of and beneficial entitlement to dividends in respect of, that Ordinary Share.

(d) ***Payment of a dividend where rights to it have been transferred***

The Special Article provides that dividends may be paid on Ordinary Shares that form part of a Substantial Shareholding if the board is satisfied that the right to the dividend has been transferred to a person who is not, and does not thereby become, a Substantial Shareholder and the board may be satisfied that the right to the dividend has been transferred if it receives a certificate containing appropriate confirmations and assurances from the Substantial Shareholder. Such a certificate may apply to a particular dividend or to all future dividends in respect of Ordinary Shares forming part of a specified Substantial Shareholding, until notice rescinding the certificate is received by the Company. A certificate that deals with future dividends will include undertakings by the person providing the certificate:

- (i) to ensure that the entitlement to future dividends will be disposed of; and
- (ii) to inform the Company immediately of any circumstances which would render the certificate no longer accurate.

The directors may require that any such certificate is copied or provided to such persons as they may determine, including HMRC.

If the board believes a certificate given in these circumstances is or has become inaccurate, then it will be able to withhold payment of future dividends (as described in paragraph 4.2(c) above). In addition, the board may require a Substantial Shareholder to pay to the Company the amount of any tax payable (and other costs incurred) as a result of a dividend having been paid to a Substantial Shareholder in reliance on the inaccurate certificate. The board may require a sale of the relevant shares and retain the amount claimed from the proceeds.

Certificates provided in the circumstances described above will be of considerable importance to the Company in determining whether dividends can be paid. If the Company suffers loss as a result of any misrepresentation or breach of undertaking given in such a certificate, it may seek to recover damages directly from the person who has provided it. Any such tax may also be recovered out of dividends to which the Substantial Shareholder concerned may become entitled in the future.

The effect of these provisions is that there is no restriction on a person becoming or remaining a Substantial Shareholder provided that the person who does so makes appropriate arrangements to divest itself of the entitlement to dividends.

(e) ***Trust arrangements where rights to dividends have not been disposed of by a Substantial Shareholder***

The Special Article provides that if a dividend is in fact paid on Ordinary Shares forming part of a Substantial Shareholding (which might occur, for example, if a Substantial Shareholding is split among a number of nominees and is not notified to the Company

prior to a dividend payment date) the dividends so paid are to be held on trust by the recipient for any person (who is not a Substantial Shareholder) nominated by the Substantial Shareholder concerned. The person nominated as the beneficiary could be the purchaser of the Ordinary Shares if the Substantial Shareholder is in the process of selling down their holding so as not to cause the Company to breach the Substantial Shareholder rule. If the Substantial Shareholder does not nominate anyone within 12 years, the dividend concerned will be held on trust for the Company or such charity as the board may nominate.

If the recipient of the dividend passes it on to another without being aware that the Ordinary Shares in respect of which the dividend was paid were part of a Substantial Shareholding, the recipient will have no liability as a result. However, the Substantial Shareholder who receives the dividend should do so subject to the terms of the trust and as a result may not claim to be beneficially entitled to those dividends.

(f) ***Mandatory sale of Substantial Shareholdings***

The Special Article also allows the board to require the disposal of shares forming part of a Substantial Shareholding if:

- (i) a Substantial Shareholder has been identified and a dividend has been announced or declared and the board has not been satisfied that the Substantial Shareholder has transferred the right to the dividend (or otherwise is not beneficially entitled to it);
- (ii) there has been a failure to provide information requested by the board; or
- (iii) any information provided by any person proves materially inaccurate or misleading.

In these circumstances, if the Company incurs a charge to tax as a result of one of these events, the board may, instead of requiring the Substantial Shareholder to dispose of the Ordinary Shares, arrange for the sale of the relevant Ordinary Shares and for the Company to retain from the sale proceeds an amount equal to any tax so payable.

(g) ***Takeovers***

The Special Article does not prevent a person from acquiring control of the Company through a takeover or otherwise, although as explained above, such an event may cause the Group to cease to qualify as a UK-REIT Group.

(h) ***Other***

The Special Article also gives the Company power to require any Shareholder who applies to be paid dividends without any tax withheld to provide such certificate as the board may require to establish the Shareholder's entitlement to that treatment.

The Special Article may be amended by special resolution passed by the Shareholders in the future, including to give powers to the directors to ensure that the Company can comply with the close company condition described in paragraph 4.3 of this Part 7, which powers may include the ability to arrange for the sale of Ordinary Shares on behalf of Shareholders.

4.3 REIT Articles 158.1 to 164 (the Special Article)

“158 *Cardinal principle*

158.1 It is a cardinal principle that, for so long as the Company is the principal company in a real estate investment trust (“REIT”) for the purposes of Part 4 of the Finance Act 2006, as such Part may be modified, supplemented or replaced from time to time no member of the Group should be liable to pay tax under Regulation 10 of the Real Estate Investment Trusts (Breach of Conditions) Regulations 2006 (as such regulations may be modified, supplemented or replaced from time to time) on or in connection with the making of a Distribution.

158.2 This Article 3 supports such cardinal principle by, among other things, imposing restrictions and obligations on the shareholders of the Company and, indirectly, certain other Persons who may have an interest in the Company, and shall be construed accordingly so as to give effect to such cardinal principle.

159 *Definitions and interpretation*

159.1 For the purposes of this Article, the following words and expressions shall bear the following meanings:

“business day”	means a day (not being a Saturday or Sunday) on which banks are normally open for business in London;
“Distribution”	means any dividend or other distribution on or in respect of the shares of the Company and references to a Distribution being paid include a distribution not involving a cash payment being made;
“Distribution Transfer”	means a disposal or transfer (however effected) by a Person of his rights to a Distribution from the Company such that he is not beneficially entitled (directly or indirectly) to such a Distribution and no Person who is so entitled subsequent to such disposal or transfer (whether the immediate transferee or not) is (whether as a result of the transfer or not) a Substantial Shareholder;
“Distribution Transfer Certificate”	means a certificate in such form as the directors may specify from time to time to the effect that the relevant Person has made a Distribution Transfer, which certificate may be required by the directors to satisfy them that a Substantial Shareholder is not beneficially entitled (directly or indirectly) to a Distribution;
“Excess Charge”	means, in relation to a Distribution which is paid or payable to a Person, all tax or other amounts which the directors consider may become payable by the Company or any other member of the Group under Regulation 10 of the Real Estate Investment Trusts (Breach of Conditions) Regulations 2006 (as such regulation may be modified, supplemented or replaced from time to time) and any interest, penalties, fines or surcharge attributable to such tax as a result of such Distribution being paid to or in respect of that Person;
“Group”	means the Company and the other companies in its group for the purposes of section 134 of the Finance Act 2006 (as such section may be modified, supplemented or replaced from time to time);
“HMRC”	means HM Revenue & Customs;
“interest in the Company”	includes, without limitation, an interest in a Distribution made or to be made by the Company;
“Person”	includes a body of Persons, corporate or unincorporated, wherever domiciled;
“Relevant Registered Shareholder”	means a shareholder who holds all or some of the shares in the Company that comprise a Substantial Shareholding (whether or not a Substantial Shareholder);

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- “Reporting Obligation” means any obligation from time to time of the Company to provide information or reports to HMRC as a result of or in connection with the Company’s status as a REIT;
- “Substantial Shareholder” means any person whose interest in the Company, whether legal or beneficial, direct or indirect, may cause any member of the Group to be liable to pay tax under Regulation 10 of the Real Estate Investment Trusts (Breach of Conditions) Regulations 2006 (as such legislation may be modified, supplemented or replaced from time to time) on or in connection with the making of a distribution to or in respect of such person including, at the date of adoption of the Special Article, any holder of excessive rights as defined in the Real Estate Investment Trusts (Breach of Conditions) Regulations 2006; and
- “Substantial Shareholding” means the shares in the Company in relation to which or by virtue of which (in whole or in part) a Person is a Substantial Shareholder.

159.2 Where under this Article any certificate or declaration may be or is required to be provided by any Person (including, without limitation, a Distribution Transfer Certificate), such certificate or declaration may be required by the directors (without limitation):

- (a) to be addressed to the Company, the directors or such other Persons as the directors may determine (including HMRC);
- (b) to include such information as the directors consider is required for the Company to comply with any Reporting Obligation;
- (c) to contain such legally binding representations and obligations as the directors may determine;
- (d) to include an undertaking to notify the Company if the information in the certificate or declaration becomes incorrect, including prior to such change;
- (e) to be copied or provided to such Persons as the directors may determine (including HMRC); and
- (f) to be executed in such form (including as a deed or deed poll) as the directors may determine.

159.3 This Article shall apply notwithstanding any provisions to the contrary in any other Article (including, without limitation, Articles 126 to 135 (Dividends)).

160 *Notification of Substantial Shareholder and other status*

160.1 Each shareholder and any other relevant Person shall serve notice in writing on the Company at the Registered Office on:

- (a) him becoming a Substantial Shareholder or him being a Substantial Shareholder on the date this Article comes into effect (together with the percentage of voting rights, share capital or dividends he controls or is beneficially entitled to, details of the identity of the shareholder(s) who hold(s) the relevant Substantial Shareholding and such other information, certificates or declarations as the directors may require from time to time);
- (b) him becoming a Relevant Registered Shareholder or being a Relevant Registered Shareholder on the date this Article comes into effect (together with such details of the relevant Substantial Shareholder and such other

information, certificates or declarations as the directors may require from time to time); and

- (c) any change to the particulars contained in any such notice, including on the relevant Person ceasing to be a Substantial Shareholder or a Relevant Registered Shareholder.

Any such notice shall be delivered by the end of the second business day after the day on which the Person becomes a Substantial Shareholder or a Relevant Registered Shareholder (or the date this Article comes into effect, as the case may be) or the change in relevant particulars or within such shorter or longer period as the directors may specify from time to time.

- 160.2 The directors may at any time give notice in writing to any Person requiring him, within such period as may be specified in the notice (being seven days from the date of service of the notice or such shorter or longer period as the directors may specify in the notice), to deliver to the Company at the Registered Office such information, certificates and declarations as the directors may require to establish whether or not he is a Substantial Shareholder or a Relevant Registered Shareholder or to comply with any Reporting Obligation. Each such Person shall deliver such information, certificates and declarations within the period specified in such notice.

161 *Distributions in respect of Substantial Shareholdings*

- 161.1 In respect of any Distribution, the directors may, if the directors determine that the condition set out in Article 161.2 is satisfied in relation to any shares in the Company, withhold payment of such Distribution on or in respect of such shares. Any Distribution so withheld shall be paid as provided in Article 161.3 and until such payment the Persons who would otherwise be entitled to the Distribution shall have no right to the Distribution or its payment.

- 161.2 The condition referred to in Article 161.1 is that, in relation to any shares in the Company and any Distribution to be paid or made on and in respect of such shares:

- (a) the directors believe that such shares comprise all or part of a Substantial Shareholding of a Substantial Shareholder; and
- (b) the directors are not satisfied that such Substantial Shareholder would not be beneficially entitled to the Distribution if it was paid,

and, for the avoidance of doubt, if the shares comprise all or part of a Substantial Shareholding in respect of more than one Substantial Shareholder this condition is not satisfied unless it is satisfied in respect of all such Substantial Shareholders.

- 161.3 If a Distribution has been withheld on or in respect of any shares in the Company in accordance with Article 161.1, it shall be paid as follows:

- (a) if it is established to the satisfaction of the directors that the condition in Article 161.2 is not satisfied in relation to such shares, in which case the whole amount of the Distribution withheld shall be paid; and
 - (b) if the directors are satisfied that sufficient interests in all or some of the shares concerned have been transferred to a third party so that such transferred shares no longer form part of the Substantial Shareholding, in which case the Distribution attributable to such shares shall be paid (provided the directors are satisfied that following such transfer such shares concerned do not form part of a Substantial Shareholding); and
 - (c) if the directors are satisfied that as a result of a transfer of interests in shares referred to in (b) above the remaining shares no longer form part of a Substantial Shareholding, in which case the Distribution attributable to such shares shall be paid.
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In this Article 161.3, references to the “transfer” of a share include the disposal (by any means) of beneficial ownership of, control of voting rights in respect of and beneficial entitlement to dividends in respect of, that share.

- 161.4 A Substantial Shareholder may satisfy the directors that he is not beneficially entitled to a Distribution by providing a Distribution Transfer Certificate. The directors shall be entitled to (but shall not be bound to) accept a Distribution Transfer Certificate as evidence of the matters therein stated and the directors shall be entitled to require such other information, certifications or declarations as they think fit.
- 161.5 The directors may withhold payment of a Distribution on or in respect of any shares in the Company if any notice given by the directors pursuant to Article 160.2 in relation to such shares shall not have been complied with to the satisfaction of the directors within the period specified in such notice. Any Distribution so withheld will be paid when the notice is complied with to the satisfaction of the directors unless the directors withhold payment pursuant to 161.1 and until such payment the Persons who would otherwise be entitled to the Distribution shall have no right to the Distribution or its payment.
- 161.6 If the directors decide that payment of a Distribution should be withheld under Article 161.1 or Article 161.5, they shall within five business days give notice in writing of that decision to the Relevant Registered Shareholder.
- 161.7 If any Distribution shall be paid on a Substantial Shareholding and an Excess Charge becomes payable, the Substantial Shareholder shall pay the amount of such Excess Charge and all costs and expenses incurred by the Company in connection with the recovery of such amount to the Company on demand by the Company. Without prejudice to the right of the Company to claim such amount from the Substantial Shareholder, such recovery may be made out of the proceeds of any disposal pursuant to Article 163.2 or out of any subsequent Distribution in respect of the shares to such Person or to the shareholders of all shares in relation to or by virtue of which the directors believe that Person has an interest in the Company (whether that Person is at that time a Substantial Shareholder or not).

162 *Distribution trust*

- 162.1 If a Distribution is paid on or in respect of a Substantial Shareholding (except where the Distribution is paid in circumstances where the Substantial Shareholder is not beneficially entitled to the Distribution), the Distribution and any income arising from it shall be held by the payee or other recipient to whom the Distribution is transferred by the payee on trust absolutely for the Persons nominated by the relevant Substantial Shareholder under Article 162.2 in such proportions as the relevant Substantial Shareholder shall in the nomination direct or, subject to and in default of such nomination being validly made within 12 years after the date the Distribution is made, for the Company as may be nominated by the directors from time to time.
- 162.2 The relevant Substantial Shareholder of shares of the Company in respect of which a Distribution is paid shall be entitled to nominate in writing any two or more Persons (not being Substantial Shareholders) to be the beneficiaries of the trust on which the Distribution is held under Article 162.1 and the Substantial Shareholder may in any such nomination state the proportions in which the Distribution is to be held on trust for the nominated Persons, failing which the Distribution shall be held on trust for the nominated Persons in equal proportions. No Person may be nominated under this Articles 158.1 to 164 (inclusive) who is, or would on becoming a beneficiary in accordance with the nomination become, a Substantial Shareholder. If the Substantial Shareholder making the nomination is not by virtue of Article 162.1 the trustee of the trust, the nomination shall not take effect until it is delivered to the Person who is the trustee.

162.3 Any income arising from a Distribution which is held on trust under Article 162.1 shall until the earlier of (i) the making of a valid nomination under Article 162.2 and (ii) the expiry of the period of 12 years from the date when the Distribution is paid be accumulated as an accretion to the Distribution. Income shall be treated as arising when payable, so that no apportionment shall take place.

162.4 No Person who by virtue of Article 162.1 holds a Distribution on trust shall be under any obligation to invest the Distribution or to deposit it in an interest-bearing account.

162.5 No Person who by virtue of Article 162.1 holds a Distribution on trust shall be liable for any breach of trust unless due to his own wilful fraud or wrongdoing or, in the case of an incorporated Person, the fraud or wilful wrongdoing of its directors, officers or employees.

163 *Obligation to dispose*

163.1 If at any time, the directors believe that:

- (a) in respect of any Distribution declared or announced, the condition set out in Article 161.2 is satisfied in respect of any shares in the Company in relation to that Distribution;
- (b) a notice given by the directors pursuant to Article 160.2 in relation to any shares in the Company has not been complied with to the satisfaction of the directors within the period specified in such notice; or
- (c) any information, certificate or declaration provided by a Person in relation to any shares in the Company for the purposes of the preceding provisions of Article 158.1 to 164 (inclusive) was materially inaccurate or misleading,

the directors may give notice in writing (a “Disposal Notice”) to any Persons they believe are Relevant Registered Shareholders in respect of the relevant shares requiring such Relevant Registered Shareholders within 21 days of the date of service of the notice (or such longer or shorter time as the directors consider to be appropriate in the circumstances) to dispose of such number of shares the directors may in such notice specify or to take such other steps as will cause the condition set out in Article 161.2 no longer to be satisfied. The directors may, if they think fit, withdraw a Disposal Notice.

163.2 If:

- (a) the requirements of a Disposal Notice are not complied with to the satisfaction of the directors within the period specified in the relevant notice and the relevant Disposal Notice is not withdrawn; or
- (b) a Distribution is paid on a Substantial Shareholding and an Excess Charge becomes payable,

the directors may arrange for the Company to sell all or some of the shares to which the Disposal Notice relates or, as the case may be, that form part of the Substantial Shareholding concerned. For this purpose, the directors may make such arrangements as they deem appropriate. In particular, without limitation, they may authorise any officer or employee of the Company to execute any transfer or other document on behalf of the holder or holders of the relevant share and, in the case of a share in uncertificated form, may make such arrangements as they think fit on behalf of the relevant holder or holders to transfer title to the relevant share through a relevant system.

163.3 Any sale pursuant to Article 163.2 above shall be at the price which the directors consider is the best price reasonably obtainable and the directors shall not be liable to the holder or holders of the relevant share for any alleged deficiency in the amount of the sale proceeds or any other matter relating to the sale.

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- 163.4 The net proceeds of the sale of any share under Article 163.2 (less any amount to be retained pursuant to Article 161.7 and the expenses of sale) shall be paid over by the Company to the former holder or holders of the relevant share upon surrender of any certificate or other evidence of title relating to it, without interest. The receipt of the Company shall be a good discharge for the purchase money.
- 163.5 The title of any transferee of shares shall not be affected by an irregularity or invalidity of any actions purportedly taken pursuant to Articles 158.1 to 164 (inclusive).

164 *General*

- 164.1 The directors shall be entitled to presume without enquiry, unless any director has reason to believe otherwise, that a Person is not a Substantial Shareholder or a Relevant Registered Shareholder.
- 164.2 The directors shall not be required to give any reasons for any decision or determination (including any decision or determination not to take action in respect of a particular Person) pursuant to Articles 158.1 to 164 (inclusive) and any such determination or decision shall be final and binding on all Persons unless and until it is revoked or changed by the directors. Any disposal or transfer made or other thing done by or on behalf of the board or any director pursuant to Articles 158.1 to 164 (inclusive) shall be binding on all Persons and shall not be open to challenge on any ground whatsoever.
- 164.3 Without limiting their liability to the Company, the directors shall be under no liability to any other Person, and the Company shall be under no liability to any shareholder or any other Person, for identifying or failing to identify any Person as a Substantial Shareholder or a Relevant Registered Shareholder.
- 164.4 The directors shall not be obliged to serve any notice required under Articles 158.1 to 164 (inclusive) upon any Person if they do not know either his identity or his address. The absence of service of such a notice in such circumstances or any accidental error in or failure to give any notice to any Person upon whom notice is required to be served under Articles 158.1 to 164 (inclusive) shall not prevent the implementation of or invalidate any procedure under Articles 158.1 to 164 (inclusive).
- 164.5 The provisions of Articles 148 to 155 shall apply to the service upon any Person of any notice required by this Article. Any notice required by Articles 158.1 to 164 (inclusive) to be served upon a Person who is not a shareholder or upon a Person who is a shareholder but whose address is not within the United Kingdom and who has failed to supply to the company an address within the United Kingdom pursuant to Article 150, shall be deemed validly served if such notice is sent through the post in a pre-paid cover addressed to that Person or shareholder at the address if any, at which the directors believe him to be resident or carrying on business or, in the case of a holder of depository receipts or similar securities, to the address, if any, in the register of holders of the relevant securities. Service shall, in such a case be deemed to be effected on the day of posting and it shall be sufficient proof of service if that notice was properly addressed, stamped and posted.
- 164.6 Any notice required or permitted to be given pursuant to Articles 158.1 to 164 (inclusive) may relate to more than one share and shall specify the share or shares to which it relates.
- 164.7 The directors may require from time to time any Person who is or claims to be a Person to whom a Distribution may be paid without deduction of tax under Regulation 7 of the Real Estate Investment Trusts (Assessment and Recovery of Tax) Regulations 2006 to provide such certificates or declarations as they may require from time to time.
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164.8 These Articles may be amended by special resolution from time to time, including to give powers to the directors to take such steps as they may require in order to ensure that the Company can satisfy Condition 4 of Section 106 of the Finance Act 2006 (as such section may be modified, supplemented or replaced from time to time) which relates to close company status, which powers may include the ability to arrange for the sale of shares on behalf of shareholders.”

5. MANDATORY TAKEOVER BIDS AND SQUEEZE-OUT AND SELL-OUT RULES

5.1 Mandatory bids

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of an acquirer and its concert parties to an interest in Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending upon the circumstances, its concert parties, would be required (except with the consent of The Panel on Takeovers and Mergers) to make a cash offer for the outstanding Ordinary Shares in the Company at a price not less than the highest price paid for the Ordinary Shares in the Company by the acquirer or its concert parties during the previous 12 months. A similar obligation to make such a mandatory offer would also arise on the acquisition of Ordinary Shares by a person holding (together with its concert parties) Ordinary Shares carrying between 30 to 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

5.2 Squeeze-out

Under the Companies Act, if an offeror were to acquire, or unconditionally contract to acquire 90 per cent. of the shares to which the offer relates and 90 per cent. of the voting rights attached to those shares, within three months of the last day on which its offer can be accepted, it could compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

5.3 Sell-out

The Companies Act also gives minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares to which the offer relates, any holder of shares to which the offer related who had not accepted the offer could, by a written communication to the offeror, require it to acquire those shares.

The offeror would be required to give any Shareholder notice of his right to be bought out within one month of the right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

5.4 Takeover bids

No public takeover bid has been made in relation to the Company during the last financial year or the current financial year.

6. DIRECTORS OF THE COMPANY

6.1 The Directors, and their principal functions are as follows:

Name	Position
Alun Jones	Non-Executive Chairman
Harry Hyman	Managing Director
Phil Holland	Finance Director
Mark Creedy	Non-Executive Director
William Hemmings	Non-Executive Director
James Hambro	Non-Executive Director
Ian Rutter	Non-Executive Director
Steven Owen	Non-Executive Director and Senior Independent Director

6.2 The business address of each of the Directors is 5th Floor, Greener House, 66-68 Haymarket, London SW1Y 4RF (Tel: +44 (0)20 7104 5599).

6.3 The biographical details of the Directors are set out in paragraph 9 of Part 2 of this document.

6.4 In addition to their directorships of PHP and companies in the PHP Group, the Directors hold or have held the following directorships and/or have been partners of the following partnerships in the five years before the date of this document:

(i) ***Alun Richard Jones***

Current

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Former

—

(ii) ***Harry Abraham Hyman***

Current

EducationInvestor Limited
HealthInvestor Asia Limited
HealthInvestor Limited
Investor Publishing Limited
Nexus Central Management Services Ltd
Nexus Code Limited
Nexus Code New York Limited
Nexus Consulting (UK) Limited
Nexus Corporate Finance II Limited
Nexus Corporate Finance Limited
Nexus Fund Management Limited
Nexus General Partner Limited
Nexus Group Holdings Limited
Nexus Health Finance Limited
Nexus Investco Limited
Nexus Investment Ventures Limited
Nexus Management Services Limited
Nexus PHP Management Limited
Nexus PINE (Management) Limited
Nexus Property Management Services Limited
Nexus Tradeco Holdings Limited
Nexus Tradeco Limited
ORBIG Limited
Pine Property Services Limited
Q1Care Limited
Summit Germany Limited
The Healthcare REIT Limited
The Opera Awards Foundation
The Opera Awards Limited
The Quoted Companies Alliance
Vintage Wine Sellers Limited

Former

Barrett's Oesophagus Campaign
Cashew Holdings Limited
General Medical Clinics Limited
Griffin House (2011) Ltd (dissolved 2012)
I Value PLC (dissolved 2014)
Landor Productions Limited (dissolved 2013)
Nexus Structured Finance Limited (dissolved 2014)
NHR Acquisitions Limited (dissolved 2014)
Oak Tree Nursery Investments Limited
UK Israel Business

(iii) ***Philip John Holland***

Current

FISH Asset Management Limited
Network Living Limited
Nexus Property Management Services Limited

Former

Calverglade (Peterborough) Limited
(dissolved 2016)
Clipstone Logistics REIT PLC
Network Stadium Housing Association Limited
Nexus Investment Ventures Limited
Nexus PHP Management Limited
NHR Acquisitions Limited (dissolved 2014)

(iv) ***Mark Peter Creedy***

Current

—

Former

LSAV (GP) Limited

(v) ***William John Hemmings***

Current

Aberdeen Fund Managers Limited
Association of Investment Companies

Former

Aberdeen Asset Fund Management Limited
Aberdeen Asset Management Cayman Limited
Aberdeen Asset Managers France
Aberdeen General Partner CAPELP Limited
Aberdeen General Partner CGPLP Limited
Aberdeen General Partner CMENAPELP Limited
Aberdeen General Partner CPELP II Limited
Aberdeen General Partner CPELP Limited
Aberdeen Investment Strategies Limited
Novus Global Credit Opportunities Strategy (Euro) Limited
Novus Global Credit Opportunities Strategy (Sterling) Limited
Novus Global Credit Opportunities Strategy Limited
Novus Global Emerging Markets Strategy (Euro) Limited
Novus Global Emerging Markets Strategy (Sterling) Limited
Novus Global Emerging Markets Strategy Limited
Novus Global Special Situations Strategy (Euro) Limited
Novus Global Special Situations Strategy (Singapore Dollar) Limited
Novus Global Special Situations Strategy (Sterling Closed-Ended) Limited
Novus Global Special Situations Strategy Limited
Novus Natural Resources Strategy (Euro) Limited
Novus Natural Resources Strategy (Sterling) Limited
Novus Natural Resources Strategy Limited
Orbita Asian Growth Strategy (Euro) Limited
Orbita Asian Growth Strategy (Sterling) Limited
Orbita Asian Growth Strategy Limited
Orbita Capital Return Strategy (Euro) Limited
Orbita Capital Return Strategy (Sterling) Limited
Orbita Capital Return Strategy Limited
Orbita European Growth Strategy (Dollar) Limited
Orbita European Growth Strategy (Sterling) Limited
Orbita European Growth Strategy Limited
Orbita Global Opportunities Strategy (Euro) Limited

(v) **William John Hemmings** (*continued*)

Current

Former

Orbita Global Opportunities Strategy (Sterling) Limited
Orbita Global Opportunities Strategy Limited
Orbita North American Growth Strategy (Euro) Limited
Orbita North American Growth Strategy (Singapore Dollar) Limited
Orbita North American Growth Strategy (Sterling) Limited
Orbita North American Growth Strategy Limited
Orbita Universal Strategies Limited
OUS Dollar Subsidiary Limited
OUS Euro Subsidiary Limited
OUS Sterling Subsidiary Limited
Select International Funds plc

(vi) **James Daryl Hambro**

Current

Former

Circle Property Management Limited
Circle Property Trading Limited (in liquidation)
Circle Property Trading (Maidstone) Limited
Franco's Limited
Hansteen Holdings PLC
Henniker Mews Residents' Association Limited
I Hennig & Co Limited
James Hambro & Company Limited
James Hambro & Partners LLP
JH & P Holdings Limited
J O Hambro Capital Management Holdings Limited
Runnall Limited
Rydal Estates Limited
The Guide Dogs for the Blind Association
Wilton (St. James's) Limited
Wiltons Holdings Limited

Amati VCT 2 PLC
Barratt & Cooke Limited
CCH Advisers Limited (dissolved 2015)
Enterprise Capital Trust PLC (dissolved 2012)
Harwood Capital Management Limited
Harwood Holdco Limited
Harwood Real Estate Limited
J O Hambro Capital Limited (dissolved 2012)
J O Hambro Capital Management Limited
J O Hambro Capital Management Unit Trust Managers Limited (dissolved 2012)
J O Hambro Unit Trust Managers Limited (dissolved 2012)
JOHCMG Share Trustee Limited (dissolved 2013)
Merchant Properties General Partner Limited
Merchant Properties Nominees Limited
Merchant Properties Two General Partner Limited (dissolved 2015)
Merchant Properties Two Nominee 1 Limited (dissolved 2015)
Merchant Properties Two Nominee 2 Limited (dissolved 2015)

(vii) **Ian Paul Rutter**

Current

Former

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Aaicann Limited (dissolved 2013)
Selective Networks Ltd
Westcliffe Pharma Ltd

(viii) **Steven Jonathan Owen**

Current

Former

Milford Haven Port Authority
Wales in London Limited
Wye Valley Partners LLP

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6.7 The following Directors have been associated with the following bankruptcies, receiverships or liquidations in the last five years:

(a) ***Harry Hyman***

- (i) Harry Hyman was a director of Landor Productions Limited when liquidators were appointed on 28 February 2013 pursuant to a members' voluntary winding up. The company was dissolved on 16 October 2013.
- (ii) Harry Hyman was a director of I Value PLC when liquidators were appointed on 10 June 2004 pursuant to a members' voluntary winding up. The company was dissolved on 12 December 2014.
- (iii) Harry Hyman was a director of Nexus Structured Finance Limited when liquidators were appointed on 9 July 2013 pursuant to a members' voluntary winding up. The company was dissolved on 27 April 2014.
- (iv) Harry Hyman was a director of Griffin House (2011) Ltd when liquidators were appointed on 5 December 2011 pursuant to a members' voluntary winding up. The Company was dissolved on 14 September 2012.

(b) ***James Hambro***

- (i) James Hambro was and is a director of Circle Property Trading Limited over which liquidators were appointed on 7 July 2015 pursuant to a members' voluntary winding up. The liquidation is ongoing.
- (ii) James Hambro was a director of Enterprise Capital Trust plc when liquidators were appointed on 18 May 2001 pursuant to a members' voluntary winding up. The Company was dissolved on 8 March 2012.
- (iii) James Hambro was a director of JO Hambro Capital Management Unit Trust Managers Limited when liquidators were appointed on 15 July 2011 pursuant to a members' voluntary winding up. The Company was dissolved on 13 January 2012.

6.8 Save as disclosed in this paragraph 6 of this Part 7 and at the date of this document none of the Directors of PHP has at any time in the five years preceding the date of this document:

- (a) been a director or partner of any companies or partnerships; or
- (b) had any convictions in relation to fraudulent offences (whether spent or unspent); or
- (c) been adjudged bankrupt or entered into an individual voluntary arrangement; or
- (d) been a director of a company which has been placed into receivership, compulsory liquidation, creditors' voluntary liquidation or administration, or which entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or with any class of its creditors, at any time while he was a director of that company or within 12 months after his ceasing to be a director; or
- (e) been a partner or senior manager in a partnership which, while he was a partner or senior manager or within 12 months of his ceasing to be a partner or senior manager, was put into compulsory liquidation or administration or entered into any partnership voluntary arrangement or had a receiver appointed over any partnership asset; or
- (f) had a receiver appointed with respect to any assets belonging to him or a partnership of which he has been a partner; or
- (g) been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) or been disqualified by a court from acting as a director or other officer of a company or from acting in the management or conduct of the affairs of any company.

6.9 None of the Directors has any family relationship with another Director. Save as disclosed in paragraph 7.9 below, none of the Directors has any potential conflicts of interest between their duties to the Company and their private interests or other duties.

7. TERMS OF APPOINTMENT, REMUNERATION AND BENEFITS OF DIRECTORS

- 7.1 No director has a service contract with the Company nor are they appointed for a specific term of office.
- 7.2 The contracts for the services of Harry Hyman and Phil Holland are with Nexus pursuant to the Advisory Agreement which is summarised in paragraph 15.5 of this Part 7.
- 7.3 There are letters of appointment in place for the six other Directors. These provide, subject to the appointment and any re-appointment being in accordance with the terms of the Articles, and to retirement by rotation, that such appointment can be terminated upon either party giving not less than three months' prior written notice, with no compensation for loss of office.
- 7.4 In accordance with the requirements of the Corporate Governance Code, all of the Directors retire as directors at the Company's general meeting each year and stand for re-election. James Hambro and William Hemmings have indicated that they will not be standing for re-election at the Company's next annual general meeting, and their term of office will therefore terminate on 5 April 2016. The Company has commenced a process to identify, assess and nominate two new non-executive directors to replace James Hambro and William Hemmings.
- 7.5 Directors' fees are determined by the Company's remuneration committee subject to the limits set out in the Articles. Fee increases are reviewed by the remuneration committee annually most recently from 1 April 2016. Directors' fees are currently £35,000 per annum for the Directors and £46,667 per annum for the Chairman, and are due to increase to £38,000 per annum for the Directors and £60,000 per annum for the Chairman from 1 April 2016. In addition, Steven Owen receives a fee of £7,000 per annum, reviewed annually, in respect of his services as chairman of the audit committee.
- 7.6 There are no outstanding loans granted by the Company or its subsidiaries to the Directors.
- 7.7 There are no guarantees provided by the Company or its subsidiaries entered into for the benefit of any Director.
- 7.8 No amounts have been set aside or accrued by the Group to provide pension, retirement or similar benefits to the Directors.
- 7.9 Harry Hyman is a director of Nexus and a director and shareholder of Nexus Group Holdings Limited. Phil Holland is an employee of Nexus and a director of various Nexus subsidiaries. Harry Hyman and Phil Holland are therefore deemed to have an interest in the Advisory Agreement, further details of which are set out in paragraph 15.5 of this Part 7 which may give rise to a conflict of interest when the Board considers any matter relating to the Adviser or any matter that may impact on the fee payable to the Adviser (which is dependent on the gross asset value of the Group). The Articles provide that the Directors may authorise such conflicts of interest, but that, except in relation to certain limited matters, Directors shall not vote or be counted in the quorum in respect of any contract or arrangement or any other proposal in which he or any person connected with him has any interest otherwise than by virtue of his interest in shares in the Company or in respect of which he has any duty which conflicts with his duty to the Company. Harry Hyman and Phil Holland are therefore required to abstain from voting on any matters relating to the Adviser and may absent themselves from any discussions in relation to the Adviser or its fee.

- 7.10 The aggregate remuneration paid to the Directors for the year ended 31 December 2015 was as follows:

	Year ended 31 December 2015 (£)
Harry Hyman ⁽¹⁾	33,750
Alun Jones	45,000
James Hambro	33,750
William Hemmings ⁽²⁾	33,750
Ian Rutter	33,750
Mark Creedy	33,750
Phil Holland (appointed 17 February 2015)	Nil
Steven Owen ⁽³⁾	40,500
	254,250

Notes:

(1) Paid to Nexus Tradeco Limited.

(2) Paid to Aberdeen Asset Management PLC.

(3) Of which £33,750 paid to Oakland Ventures Limited.

No Director received any benefits in kind.

- 7.11 The estimated aggregate remuneration likely to be paid to the Directors for the financial period of the Company ending on 31 December 2016 is £279,667. This estimated amount includes proposed fees for two new non-executive directors to replace James Hambro and William Hemmings.

8. INTERESTS OF DIRECTORS IN THE COMPANY

Save as set out in paragraphs 8.1 and 8.2 below, no Director has any interests (beneficial or non-beneficial) in the share capital of the Company or any of its subsidiaries.

8.1 Directors' shareholdings

The interests (all of which are beneficial unless otherwise stated) of the Directors (as well as their immediate families) in the share capital of the Company or (so far as is known or could with reasonable due diligence be ascertained by the relevant Director) interests of a person connected (within the meaning of the Disclosure and Transparency Rules) with a Director and the existence of which was known to or could, with reasonable diligence, be ascertained by the Directors as at 21 March 2016 (the latest practicable date prior to the publication of this document), together with such interests as are expected to be held immediately following Admission are as follows:

Name	As at 21 March 2016		Immediately following the date of Admission ⁽¹⁾	
	Number of Ordinary Shares	Percentage of existing issued share capital	Number of Ordinary Shares	Percentage of Enlarged Ordinary share capital
Alun Jones	90,000	0.02	110,000	0.02
Harry Hyman	16,322,725 ⁽²⁾	3.65	16,401,644	2.89
Mark Creedy	50,540 ⁽³⁾	0.01	55,340	0.01
James Hambro	195,428	0.04	195,428	0.03
William Hemmings	26,725	0.01	26,725	0.00
Ian Rutter	42,780 ⁽⁴⁾	0.01	56,058	0.01
Phil Holland	34,104 ⁽⁵⁾	0.01	64,104	0.01
Steven Owen	37,080	0.01	52,788	0.01

Notes:

(1) Assuming the Issue size pursuant to the Capital Raising on Admission is £120.0 million.

(2) This includes 33,527 Ordinary Shares held by Anita Hyman, and 16,000,000 Ordinary Shares held by Nexus Group Holdings Limited.

(3) This includes 2,540 Ordinary Shares held by Ann Mogridge.

(4) This includes 1,962 Ordinary Shares held by Susan Tear.

(5) This includes 21,168 Ordinary Shares held by Catherine Holland.

Taken together, the combined percentage interest of the Directors in the issued ordinary share capital of the Company as at 21 March 2016 (being the latest practicable date prior to the publication of this document) was approximately 3.76 per cent. Taken together the combined percentage interest in the issued ordinary share capital of the Company of the Directors immediately following Admission is expected to be approximately 2.99 per cent. assuming the Issue size pursuant to the Capital Raising is £120.0 million.

The interests set out in this paragraph 8.1 are based upon the interests of Directors in Ordinary Shares, which:

- (a) have been notified by each Director pursuant to Chapter 3 of the Disclosure and Transparency Rules before 21 March 2016 (being the latest practicable date prior to the publication of this document); or
- (b) are interests of a connected person (within the meaning of the Disclosure and Transparency Rules) of a Director who have been notified to the Company by each such connected person pursuant to Chapter 3 of the Disclosure and Transparency Rules.

There are no outstanding loans or guarantees granted or provided by PHP or any of its subsidiaries for the benefit of any of the Directors.

8.2 Pledges of Ordinary Shares

As at 21 March 2016 (the latest practicable date prior to the publication of this document), the 16,000,000 Ordinary Shares held by Nexus Group Holdings Limited are subject to a debenture and fixed charge over all of that company's assets to its bank. The Company has been informed that Nexus Group Holdings Limited, which has drawn down approximately £3.1 million of its term loan with its bank, is not currently in default in any of its banking commitments and has no current intention of selling any of its shares in the Group.

8.3 Directors' options and awards

As at 21 March 2016 (being the latest practicable date prior to the publication of this document), the Directors held no options or awards to subscribe for Ordinary Shares under any share plans which may be satisfied by a subscription for Ordinary Shares.

9. INTERESTS OF SIGNIFICANT SHAREHOLDERS IN THE COMPANY

- 9.1 As at 21 March 2016 (being the latest practicable date prior to the publication of this document), the Company had been notified of or was otherwise aware of the following Shareholders who were directly or indirectly interested in 3 per cent. or more of the issued Ordinary Shares:

Name	As at 21 March 2016	
	Ordinary Shares	Percentage of existing issued share capital
Unicorn Asset Management	24,305,720	5.44
BlackRock	23,827,282	5.33
Investec Wealth & Investment	22,093,393	4.95
CCLA Investment Management	19,999,380	4.48
Charles Stanley	19,849,430	4.44
Troy Asset Management	18,880,000	4.23
Brooks Macdonald Asset Management	17,866,076	4.00
Nexus Group Holdings Limited ⁽¹⁾	16,000,000 ⁽²⁾	3.58
Hargreaves Lansdown	14,027,827	3.14

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

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

- 9.2 Save as disclosed in this paragraph 9, the Company is not aware of any person who, as at 21 March 2016 (being the latest practicable date prior to the publication of this document), directly or indirectly, has a holding which exceeds 3 per cent. (and in the case of a fund

management holding company, 5 per cent.) of the total voting rights attaching to its issued share capital.

- 9.3 The Company is not aware of any person who, as at 21 March 2016 (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 Company, nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 9.4 None of the Shareholders referred to in this paragraph 9 has different voting rights from any other holder of Ordinary Shares in respect of such shares held by them.

10. CORPORATE GOVERNANCE AND SHAREHOLDERS' SAFEGUARDS

10.1 General

The Corporate Governance 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 Corporate Governance Code, and either to confirm that they have complied with the Corporate Governance Code's provisions or, where they have not, to provide an explanation.

Throughout the financial year ended 31 December 2015 and up to and including the date of this document the Company considers that it has complied with the Corporate Governance Code with the exception that certain Directors have served on the Board for more than three terms of three years.

However, all Directors have been subject to rigorous review, performance evaluation and annual election.

The Corporate Governance Code provides that the board of directors of a United Kingdom company should include a balance of executive and non-executive directors, with independent non-executive directors (excluding the Chairman) comprising at least one half of the board.

The Board comprises the Chairman, Managing Director, Finance Director and five Non-Executive Directors, four of whom are considered by the Board to be independent. Details of the Chairman, the Directors and their individual roles are shown in paragraph 9 of Part 2. Their biographical details demonstrate a range of corporate, financial, property, investment and NHS experience relevant to the Group's business and demonstrate sufficient calibre to bring independent judgement on issues of strategy and performance of the Group.

The roles of the Chairman and the Managing Director are distinct and have been agreed by the Board. The Chairman chairs the Board and general meetings of the Company, sets the agenda of such meetings and promotes the highest standards of integrity, probity and corporate governance throughout the Group, particularly at Board level. He ensures that the Board receives accurate, timely and clear information, communicates effectively with shareholders and facilitates the effective contribution of Non-Executive Directors and constructive relations between Executive and Non-Executive Directors. He also ensures that any new directors participate in a full, formal and tailored induction programme and that the performance of the Board, its Committees and individual Directors are evaluated at least once a year. There is a clear structure for the effective running of Board committees. The Managing Director is accountable for the management of the Group with the Adviser as set out in the Advisory Agreement.

The Corporate Governance Code states that the board should determine whether a director is independent in character and judgement and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. As part of its annual self-assessment, the Board critically evaluates the independence of individual Directors and has concluded that all of the Directors continue to act independently in both character and judgement, taking account of the interest of all shareholders. Alun Jones, Ian Rutter, Mark Creedy and Steven Owen meet the independence criteria set out in the Corporate Governance Code, whilst James Hambro has been on the Board longer than ten years and so does not meet these criteria. The Board considers that William Hemmings meets the criteria of independence

in spirit; however, having acted as an alternate Director since March 2000, he is not considered independent under the Corporate Governance Code.

The Corporate Governance Code recommends that a board of directors should appoint one of its independent non-executive directors to be the Senior Independent Director. Steven Owen is the Senior Independent Director. He is available to Shareholders if they have any concerns that cannot be resolved through the normal channels. His role is to support the Chairman and act as his sounding board when required and, if necessary, to act as an intermediary for the other Directors.

10.2 **Board Diversity**

The Board believes that it must include the right blend of individuals whose skills and experience have been derived from a variety of backgrounds. Directors must demonstrate independence of mind, integrity and willingness to challenge constructively. Appointments are made first and foremost on the basis of merit using objective criteria and taking into account the recognised benefits of all types of diversity. The Board will continue to ensure that diversity is taken into account when considering any new appointments.

10.3 **Committees**

The Board is currently assisted in fulfilling its responsibilities by five committees, being the audit, remuneration, nomination, advisers engagement and standing committees. The terms of reference for these committees are set out below.

(a) ***Audit committee***

The audit committee comprises Steven Owen (Chairman), Alun Jones, Ian Rutter and Mark Creedy, though other directors may be invited to attend. The committee meets at least twice each year and the committee holds regular meetings with representatives of the Adviser, and with the external auditors.

The committee's main objectives are, *inter alia*: to monitor the integrity of the Group's financial statements and the robustness of the financial, operational, compliance controls and systems of risk management relied on by the Group.

The committee also reviews any matters raised by the external auditors. The external auditors are invited to attend meetings regularly. The external auditors have unrestricted access to the members of the audit committee, and the committee ensures that meetings are used as an open avenue of communication between the external auditors and the Board. The committee receives regular updates and monitors the status of actions taken by management to address issues raised. The Adviser provides risk management reports to the audit committee on risk assessment and internal controls in place. The Adviser also meets with the audit committee to review the audit plans and progress, accounting processes and early drafts of the financial reports.

The audit committee is responsible for recommending the appointment and dismissal of external auditors and their terms of engagement; assessing their performance; receiving regular reports, independently of the Adviser where necessary; determining the external auditors' independence; approving the external auditors' fees and conducting an audit tender process when appropriate.

(b) ***Nomination committee***

The nomination committee comprises Ian Rutter (Chairman), Alun Jones, Steven Owen and Mark Creedy. It reviews from time to time the combination and balance of experience, core competencies and other attributes which the non-executive directors should bring to the Board in discharging its role in nominating any new directors and in considering succession planning.

(c) ***Remuneration committee***

The remuneration committee comprises Ian Rutter (Chairman), Alun Jones, Steven Owen and Mark Creedy. It determines appropriate levels of remuneration for Directors. The

remuneration committee currently reviews the Directors' fees for increases on an annual basis.

(d) *Advisers engagement committee*

The advisers engagement committee comprises Mark Creedy (Chairman), Alun Jones, Steven Owen and Ian Rutter and meets at least annually to review the terms of the Advisory Agreement and the performance of the Adviser.

(e) *Standing committee*

The standing committee consists of Alun Jones, Harry Hyman (who may be represented by Phil Holland as his alternate) and any Non-Executive Director. The committee has the authority to and sets procedures to deal with the implementation of board decisions, routine business and to deal with any urgent items arising between scheduled board meetings not requiring debate.

11. UK TAXATION

11.1 General

The following statements are intended to apply only as a general guide to current UK tax law and to the current published practice of HMRC (which is not binding), both of which are subject to change at any time, possibly with retrospective effect. They are intended to apply only to Shareholders who are resident (and in the case of individuals, domiciled) in the UK for UK tax purposes, who hold the Ordinary Shares as investments and not as securities to be realised in the course of a trade, who have not (and are deemed not to have) acquired their Ordinary Shares by virtue of an office or employment (whether current, historic or prospective) and are not officers or employees of any member of the Group, and who are the beneficial owners of the Ordinary Shares (and the Ordinary Shares are not held through an Individual Savings Account or a Self Invested Personal Pension). The statements may not apply to certain classes of Shareholders such as dealers in securities. Any Shareholders who are in any doubt as to their tax position regarding the acquisition, ownership or disposal of the Ordinary Shares or New Shares, or who are subject to tax in a jurisdiction other than the UK, should consult their own tax advisers.

11.2 Capital gains

(a) *New Shares acquired pursuant to the Open Offer*

No liability to UK taxation on chargeable gains should arise in respect of the issue of New Shares to the extent that a Qualifying Shareholder takes up his Basic Entitlements and/or subscribes for any Excess Shares (whether through the Excess CREST Open Offer Entitlement or the Excess Application Facility).

As a matter of UK law, the issue of Open Offer Shares to UK-tax resident Qualifying Shareholders pursuant to the Open Offer will not be regarded as a reorganisation of the share capital of the Company for the purposes of UK taxation of chargeable gains. The published practice of HMRC to date has been to treat an acquisition of shares by an existing shareholder up to his *pro rata* entitlement pursuant to the terms of an open offer as a reorganisation but it is understood that HMRC may not apply this practice in circumstances where an open offer is not made to all Shareholders, as is the case under the Open Offer. Specific confirmation as to whether the Open Offer will be treated as a reorganisation has not been requested from HMRC.

If, or to the extent that, the acquisition of Open Offer Shares under the Open Offer is not regarded by HMRC as a reorganisation, the Open Offer Shares acquired by each Qualifying Shareholder under the Open Offer will, for the purposes of UK taxation of chargeable gains, be treated as acquired as part of a separate acquisition of Ordinary Shares when computing any gain or loss on any subsequent disposal. When computing any gain or loss on a disposal of Ordinary Shares, for UK chargeable gains purposes, HMRC's share identification provisions will need to be taken into consideration.

If, or to the extent that, the issue of the New Shares by the Company will be regarded as a reorganisation of the Company's share capital for the purposes of UK taxation on chargeable gains, a Shareholder will not be treated as acquiring a new asset nor will it be treated as making a disposal of any part of his corresponding holding of Ordinary Shares by reason of taking up all or part of his entitlements to New Shares.

The New Shares will be treated as having been acquired at the same time as the Qualifying Shareholder's existing holding was acquired. The amount of subscription monies paid for such New Shares will be added to the allowable expenditure for the Qualifying Shareholder's existing holding(s) for the purpose of calculating the capital gain arising on any future disposal of shares. In the case of a corporate Qualifying Shareholder, indexation allowance will apply to the new amount paid for such New Shares only from the date the monies for the New Shares are paid or liable to be paid.

(b) ***New Shares acquired pursuant to the Firm Placing, Placing, or the Offer for Subscription***

The issue of New Shares under the Firm Placing, Placing or the Offer for Subscription which are not subject to the Open Offer will not constitute a reorganisation of share capital for the purposes of the UK taxation of chargeable gains and, accordingly, any New Shares acquired pursuant to the Firm Placing, Placing or the Offer for Subscription will be treated as acquired as part of a separate acquisition of Ordinary Shares.

(c) ***Disposal of New Shares***

The disposal (or deemed disposal) by a Shareholder of all or part of the New Shares issued to him under the Open Offer may, depending on the Shareholder's circumstances, render him liable to UK tax on capital gains.

A disposal by a Shareholder within the charge to UK capital gains tax, such as an individual, trustee or personal representative, will, subject to the availability to the Shareholder of any exemptions, reliefs and/or allowable losses, be subject to tax on any gain. The Government announced in the March 2016 Budget that the CGT rate from 6 April 2016 will be 10 per cent. (2015/2016) or 20 per cent. (2015/2016), depending on whether the Shareholder is a basic rate or higher or additional rate tax payer.

Individuals who are temporarily non-UK resident may, in certain circumstances, be subject to tax in respect of gains realised whilst they are not resident in the UK.

A disposal by a Shareholder within the charge to UK corporation tax, such as a company or unincorporated association other than a partnership will, subject to the availability to the Shareholder of any exemptions, reliefs and/or allowable losses, be subject to tax on any gain at the Company's rate of corporation tax for the accounting period in which the gain accrued.

11.3 Dividends

A REIT may distribute property income distribution ("**PID**") dividends (which may include share capital issued in lieu of dividends) and non property income ("**Non PID**") dividends. The tax treatment may vary in each case.

(a) ***PID dividends***

(i) ***Withholding tax***

(A) ***General***

Subject to certain exemptions, the Company is required to withhold income tax at source at the basic rate (currently 20 per cent.) from its PIDs. The Company must on request provide Shareholders with a certificate setting out the gross amount of the PID, the amount of tax withheld and the net amount of the PID. A reduced treaty rate must be reclaimed by the recipient.

(B) *Shareholders solely resident and ordinarily resident in the UK*

Where tax has been withheld at source, Shareholders who are individuals may, depending on their individual circumstances, either be liable to further tax on their PID at their applicable marginal rate, or be entitled to claim repayment of some or all of the tax withheld on their PID. Shareholders who are corporates will in general, depending on their individual circumstances, be liable to pay corporation tax (currently 20 per cent.) on their PID and if income tax has been withheld at source that tax can be set against the liability to corporation tax in the period in which the PID is received.

(C) *Shareholders who are not resident for tax purposes in the UK*

It is not possible for a Shareholder to make a claim under a double taxation treaty for a PID to be paid by the Company gross or at a reduced rate. The right of a Shareholder to claim repayment of any part of the tax withheld from a PID will depend on the existence and terms of any double tax convention between the UK and the country in which the Shareholder is resident. Any refund claim under a double tax treaty would need to be made to HMRC.

(D) *Exceptions to requirement to withhold income tax*

Shareholders should note that in certain circumstances the Company must not withhold income tax at source from a PID. These (as set out in regulation 7 of the Real Estate Investment Trusts (Assessment and Recovery of Tax) Regulations 2006) include where the Company reasonably believes that the person beneficially entitled to the PID is a company resident for tax purposes in the UK (or a company resident for tax purposes outside the UK which is trading through a permanent establishment in the UK) or a charity or a body mentioned in section 468 of the Corporation Tax Act 2010 which is allowed the same exemption from tax as charities. They also include where the Company reasonably believes that the PID is paid to the scheme administrator of a registered pension scheme, or the sub-scheme administrator of certain pension sub-schemes, the account manager of an Individual Savings Account (ISA), or the account provider for a child trust fund, in each case, provided the Company reasonably believes that the PID will be applied for the purposes of the relevant fund, scheme, account or plan.

The Company will also not be required to withhold income tax at source from a PID where the Company reasonably believes that the body beneficially entitled to the PID is a partnership each member of which is a body described in the paragraph above. In order to pay a PID without withholding tax, the Company will need to be satisfied that the Shareholder concerned is entitled to that treatment. For that purpose, the Company will require such Shareholders to submit a valid claim form (copies of which may be obtained on request) from the Company's Registrars. Shareholders should note that the Company may seek recovery from Shareholders if the statements made in their claim form are incorrect and the Company suffers tax as a result. The Company will, in some circumstances, suffer tax if its reasonable belief as to the status of the Shareholder turns out to have been mistaken.

(ii) *Individuals*

Subject to certain exceptions, a PID will generally be treated in the hands of Shareholders who are individuals as the profit of a single UK property business (as defined in section 264 of the Income Tax (Trading and other Income) Act 2005). A PID is, together with any property income distributions from any other company which is within the REIT regime, treated as a separate UK property business from any other UK property business (a "different UK property business") carried on by

the relevant Shareholder. This means that surplus expenses from a Shareholder's different UK property business cannot be off-set against a PID as part of a single calculation of the profits of the Shareholder's UK property business. Please also refer to the paragraph above relating to withholding tax.

(iii) *Companies*

Subject to certain exceptions, a PID will generally be treated in the hands of Shareholders who are within the charge to corporation tax as profit of a property business (as defined in section 205 of the Corporation Taxes Act 2009). This means that, subject to the availability of any exemptions or reliefs, such Shareholders should be liable to corporate tax on income on the entire amount of their PID. A PID is, together with any property income distribution from any other company which is within the REIT regime, treated as separate from any other property business (a "different property business") carried on by the relevant Shareholder. This means that any surplus expenses from a Shareholder's different property business cannot be offset against a PID as part of a single calculation of the Shareholder's property profits. A withholding will not generally be made on a PID paid to a Shareholder within the charge to corporation tax (but please also refer to paragraph (i)(D) above relating to exceptions to the requirement to withhold tax).

(iv) *Non-residents*

Where a Shareholder who is resident outside the UK receives a PID, the PID will generally be chargeable to UK income tax as profit of a UK property business and this tax will generally be collected by way of a withholding (please refer to the paragraph relating to withholding tax above). Such Shareholders may also be subject to tax on such PIDs under any law to which they are subject outside the UK. Such Shareholders should consult their own tax adviser concerning their tax liabilities on any PIDs received from the Company.

(b) ***Non-PID Dividends***

(i) *Withholding tax*

Under current UK tax law, the Company will not be required to withhold tax at source from Non-PID Dividend payments it makes.

(ii) *Individuals: current position*

Under current UK law, an individual Shareholder who is resident in the UK for tax purposes and who receives a Non-PID Dividend from the Company will be entitled to a tax credit which may be set off against his total income tax liability on the Non-PID Dividend. However, in accordance with draft legislation published on 9 December 2015, this is likely to change with effect from 6 April 2016 (see paragraph (iii) below). Under the current rules, an individual Shareholder's liability to income tax is calculated on the aggregate of the Non-PID Dividend and the tax credit (the gross dividend) which will be regarded as the top slice of the individual's income. The tax credit will be equal to 10 per cent. of the gross dividend (i.e. the tax credit will be one-ninth of the amount of the cash Non-PID Dividend received).

A UK resident individual Shareholder who is not liable to income tax in respect of the gross dividend will not be entitled to any payment from HMRC in respect of any part of the tax credit. A UK resident individual Shareholder who is liable to income tax at a rate not exceeding the basic rate will be subject to income tax on the Non-PID Dividend at the rate of 10 per cent. of the gross Non-PID Dividend so that the tax credit will satisfy in full such Shareholder's liability to income tax on the Non-PID Dividend. A UK resident individual Shareholder liable to income tax at the higher rate will be subject to income tax on the gross dividend at 32.5 per cent. but will be able to set the tax credit off against part of this liability. The effect of that set-off of the tax credit is that such a Shareholder will have to account for

additional tax equal to 22.5 per cent. of the gross dividend (which is also equal to 25 per cent. of the cash Non-PID Dividend received).

UK tax resident individual Shareholders who have taxable income above £150,000 will be liable to income tax at the additional rate of 37.5 per cent. The effective rate of tax to a higher rate taxpayer is 30 and 5/9 per cent. of the cash dividend received.

(iii) *Individuals: position from 6 April 2016*

Following announcements in the July 2015 Budget and 2015 Autumn Statement and Spending Review, on 9 December 2015, the UK government published draft legislation to abolish the dividend tax credit and replace it, for individuals, with a new tax-free £5,000 dividend allowance, from 6 April 2016. These changes are expected to be given effect by the Finance Act 2016. The allowance will exempt the first £5,000 of a taxpayer's dividend income (including any Non-PID Dividend received from the Company), but will not reduce total taxable income. As a result, dividends within the allowance will count as taxable income when determining how much of the basic rate band or higher rate band has been used.

Dividend income in excess of the tax-free allowance will be taxed at 7.5 per cent. where it falls within an individual's basic rate band, 32.5 per cent. where it falls within an individual's higher rate band and 38.1 per cent. where it is taxed as additional rate income.

The effects of the changes will depend on an individual taxpayer's precise circumstances but, in general, higher and additional rate taxpayers with modest amounts of dividend income will pay less income tax than under the current rules, while those with small amounts of other income but significant dividend income will pay more.

(iv) *Companies*

Non-PID Dividends received by a UK company from another UK resident company are taxable subject to a number of exemptions. It is expected that generally one of these exemptions would apply to exempt a UK resident corporate Shareholder from tax on the receipt of any Non-PID Dividend received from the Company in respect of the New Shares.

(v) *Non-residents*

Non-UK resident Shareholders may be liable to foreign taxation on Non-PID Dividends paid by the Company. Shareholders who are not resident in the UK will not generally be able to claim repayment from HMRC of any part of the tax credit attaching to Non-PID Dividends paid by the Company (and in any event, the dividend tax credit is likely to be abolished with effect from 6 April 2016 – please see paragraph (iii) above). Such Shareholders should consult their own tax advisers concerning their tax liabilities on Non-PID Dividends received from the Company.

(vi) *Pension funds*

UK pension funds will not be entitled to any payment from HMRC in respect of the tax credit attaching to any Non-PID Dividend paid by the Company (and in any event, the dividend tax credit is likely to be abolished with effect from 6 April 2016 – please see paragraph (iii) above).

(vii) *Future changes to the taxation of dividends*

In addition to the issue of draft legislation to abolish the dividend tax credit and introduce the £5,000 dividend allowance, the UK government also launched a consultation on 9 December 2015 on the taxation of company distributions in general. Responses to this consultation have not yet been published. The consultation could result in further changes to the taxation of dividends beyond those referred to above.

11.4 Stamp duty and SDRT

Where Ordinary Shares are issued there is generally no charge to stamp duty or SDRT, subject to the special rules referred to below.

Subject to an exemption for certain low value transactions, the transfer or sale of Ordinary Shares will be liable to *ad valorem* stamp duty, generally at the rate of 0.5 per cent. (rounded up to the next multiple of five pounds (£5)) of the consideration paid. Stamp duty is normally the responsibility of the purchaser or transferee of the Ordinary Shares. An unconditional agreement to transfer such shares will normally give rise to SDRT, at the rate of 0.5 per cent. of the amount or value of the consideration paid for such shares, but such liability will be cancelled, or any SDRT paid refunded, if the agreement is completed by a duly stamped transfer within six years of the agreement having become unconditional. SDRT is normally the liability of the purchaser or transferee of the Ordinary Shares.

Under the CREST system for paperless share transfers, no stamp duty or SDRT will arise on a transfer of shares into the system, unless the transfer into CREST is itself for consideration in money or money's worth, in which case a liability to SDRT will arise, usually at the rate of 0.5 per cent. of the amount or value of consideration given. Transfers of shares within CREST are generally liable to SDRT (at a rate of 0.5 per cent. of the consideration paid) rather than stamp duty, and SDRT on relevant transactions settled within the system or reported through it for regulatory purposes will be collected and accounted for to HMRC by Euroclear.

The above statements are intended as a general guide to the current stamp duty and SDRT position. Certain categories of person, including market makers, brokers, dealers and persons connected with depositary arrangements and clearance services, may not be liable to stamp duty or SDRT and others including persons connected with depositary arrangements and clearance services, may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

11.5 US tax

All prospective purchasers of New Shares are urged to consult with their own tax advisers concerning the US federal income tax considerations associated with acquiring, owning and disposing of Ordinary Shares in light of their particular circumstances, as well as any considerations arising under the laws of any non-US state, local or other taxing jurisdiction.

Certain material US Federal Income Tax consequences

To ensure compliance with Treasury Department Circular 230, holders and/or purchasers of Ordinary Shares are hereby notified that: (a) any discussion of federal tax issues in this document is not intended or written to be relied upon, and cannot be relied upon, by holders and/or purchasers for the purpose of avoiding penalties that may be imposed on holders and/or purchasers under applicable tax law; (b) such discussion is included in this document by the issuer in connection with the promotion or marketing (within the meaning of Circular 230) by the issuer of the transactions or matters addressed in this document; and (c) holders and/or purchasers should seek advice based on their particular circumstances from an independent tax adviser.

12. SUBSIDIARY UNDERTAKINGS

The Company is the holding company of the Group and has the following principal subsidiaries and associated undertakings each of which is directly or indirectly owned by the Company and is considered by the Company to be likely to have a significant effect on the assessment of the assets and liabilities, the financial position and/or the profits and losses of the Group. In each case the issued share capital is fully paid.

Subsidiary	Holding	Percentage of equity and voting rights held	Country of incorporation	Principal activity
Primary Health Investment Properties Limited	Ordinary shares	100	England and Wales	Property investment
Primary Health Investment Properties (No. 2) Limited	Ordinary shares	100	England and Wales	Property investment
Primary Health Investment Properties (No. 3) Limited	Ordinary shares	100	England and Wales	Property investment
Primary Health Investment Properties (No. 4) Limited	Ordinary shares	100	England and Wales	Non-trading
PHP Empire Holdings Limited	Ordinary shares	100	England and Wales	Property investment
PHIP (5) Limited	Ordinary shares	100*	England and Wales	Property investment
PHP Bond Finance PLC	Ordinary shares	100	England and Wales	Non-trading
Gracemount Medical Centre Limited	Ordinary shares	100*	Scotland	Property investment
PHP Primary Properties (Haymarket) Limited	Ordinary shares	100	England and Wales	Property investment
PatientFirst Partnerships Limited	Ordinary shares	100*	England and Wales	Property investment
PHP Primary Properties Limited	Ordinary shares	100*	England and Wales	Property investment
PHP Medical Investments Limited	Ordinary shares	100	England and Wales	Property investment
PatientFirst (Hinckley) Limited	Ordinary shares	100*	England and Wales	Property investment
PatientFirst (Burnley) Limited	Ordinary shares	100*	England and Wales	Property investment
PHP Investments No 1 Limited	Ordinary shares	100*	England and Wales	Property investment
PHP Investments No 2 Limited	Ordinary shares	100*	England and Wales	Property investment
Health Investments Limited	Ordinary shares	100	England and Wales	Property investment
Motorstep Limited	Ordinary shares	100*	England and Wales	Property investment
PHP Investments (2011) Limited	Ordinary shares	100	England and Wales	Property investment
PHP AssetCo (2011) Limited	Ordinary shares	100*	England and Wales	Property investment
PHP Healthcare Investments Limited	Ordinary shares	100*	England and Wales	Property investment
PHP Finance (Jersey) Limited	Ordinary shares	100	Jersey	Non-trading
PHP Glen Spean Limited	Ordinary shares	100*	England and Wales	Property investment
PHP Medical Properties Limited	Ordinary shares	100*	England and Wales	Property investment
PHP Clinics Limited	Ordinary shares	100*	England and Wales	Property investment
PHP (Project Finance) Limited	Ordinary shares	100*	England and Wales	Property investment
PHP St. Johns Limited	Ordinary shares	100*	England and Wales	Property investment
PHIP (Stourbridge) Limited	Ordinary shares	100*	England and Wales	Property investment
PHIP (Gorse Stacks) Limited	Ordinary shares	100	England and Wales	Property investment
Anchor Meadow Limited	Ordinary shares	100	England and Wales	Property investment
Leighton Health Limited	Ordinary shares	100*	England and Wales	Property investment
Crestdown Limited	Ordinary shares	100	England and Wales	Property investment
PHIP CH Limited	Ordinary shares	100	England and Wales	Property investment
PHP Healthcare (Holdings) Limited	Ordinary shares	100	England and Wales	Property investment
White Horse Centre Limited	Ordinary shares	100	England and Wales	Property investment
PHP 2013 Holdings Limited	Ordinary shares	100	England and Wales	Property investment
Apollo (Ipswich) Limited	Ordinary shares	100	England and Wales	Property investment
SPCD (Northwich) Limited	Ordinary shares	100*	England and Wales	Property investment
SPCD (Shavington) Limited	Ordinary shares	100*	England and Wales	Property investment
AHG (2006) Limited	Ordinary shares	100*	England and Wales	Property investment
PHIP (Hoddesdon) Limited	Ordinary shares	100*	England and Wales	Property investment
PHIP (Milton Keynes) Limited	Ordinary shares	100*	England and Wales	Property investment
PHIP (RHL) Limited	Ordinary shares	100*	England and Wales	Property investment
PHIP (Sheerness) Limited	Ordinary shares	100*	England and Wales	Property investment
PHP Healthcare Investments (Holdings) Limited	Ordinary shares	100*	England and Wales	Property investment
PHP (Portsmouth) Limited	Ordinary shares	100*	England and Wales	Property investment
PHP (Chandler's Ford) Limited	Ordinary shares	100*	England and Wales	Property investment
PHP (FRMC) Limited	Ordinary shares	100*	England and Wales	Property investment
PHP (Basingstoke) Limited	Ordinary shares	100*	England and Wales	Property investment
Primary Health Properties ICAV	Ordinary shares	100	Republic of Ireland	Property investment

* Indicates subsidiary indirectly held by the Company.

Save for the material subsidiaries disclosed in this paragraph 12 above the Company does not hold capital in any other undertakings that have a significant effect on the assessment of the Company's assets and liabilities, financial position or profits and losses.

13. EMPLOYEES

The Group has never employed any employees.

14. KEYMAN INSURANCE

Nexus Central Management Services Limited, a wholly owned subsidiary of Nexus, maintains a keyman life insurance policy in respect of Harry Hyman.

15. MATERIAL CONTRACTS

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 PHP or any member of the Group:

- (a) within the two years immediately preceding the date of this document which are, or may be, material to the Group; or
- (b) at any time and contains obligations or entitlements which are, or may be, material to the Group, as at the date of this document.

15.1 Placing Agreement

The Company has entered into a Placing Agreement dated 22 March 2016 with Numis and Peel Hunt. Under the terms of the Placing Agreement, Numis and Peel Hunt have been appointed as the Company's agents in relation to the Capital Raising and joint underwriters in relation to the Firm Placing and Numis has been appointed as the Company's sponsor for the purposes of the Listing Rules in relation to the Capital Raising.

Under the terms of the Placing Agreement, subject to certain customary conditions, Numis and Peel Hunt have agreed to use their respective reasonable endeavours to procure subscribers for, or failing which to subscribe as principal for, the Firm Placed Shares. Numis and Peel Hunt have agreed to use their respective reasonable endeavours to procure subscribers for, but not underwrite, the Placed Shares.

The Company has agreed to pay:

- (a) a corporate finance success fee of £175,000 payable to Numis only upon Admission in respect of Numis' work as the Company's sponsor under the Listing Rules in connection with the Capital Raising;
- (b) a fee equal to 2.00 per cent. of the gross proceeds raised in the Capital Raising payable only upon Admission and to be split equally between Numis and Peel Hunt; and
- (c) a fee of up to 0.25 per cent. of the gross proceeds raised in the Capital Raising payable only upon Admission and to be split between Numis and Peel Hunt at the Company's sole discretion.

In addition, the Company will pay or reimburse Numis' and Peel Hunt's costs, charges and expenses of, or incidental to, the Firm Placing, the Placing, the Open Offer and the Offer for Subscription. Should the payment or reimbursement of the relevant cost or expense by the Company to Numis or Peel Hunt be deemed to be in respect of an exempt supply by Numis or Peel Hunt pursuant to the Firm Placing, Placing, Open Offer and Offer for Subscription for VAT purposes, it is noted that Numis or Peel Hunt will not be able to recover any applicable VAT on the cost or expense incurred by them. Accordingly in this event, the Company agrees to pay or reimburse Numis or Peel Hunt the full amount of the cost or expense inclusive of such irrecoverable VAT. Such costs or expenses will be invoiced by Numis or Peel Hunt to the Company on a periodic basis.

The Company has given certain customary warranties and undertakings to Numis and Peel Hunt including, amongst others, warranties in relation to the business, the accounting records and the legal compliance of the Company and in relation to the information contained in this document. The Company has agreed to indemnify Numis and Peel Hunt against certain liabilities, including,

in respect of the accuracy of the information contained in this document, losses arising from a breach of the Placing Agreement and in respect of certain other losses suffered or incurred in connection with the Capital Raising and Admission. The liability of the Company under the Placing Agreement is not limited in time or amount.

The Company has agreed that it will not without the prior approval of Numis and Peel Hunt, for a period of 120 days from Admission (subject to certain exceptions), directly or indirectly, issue, allot, offer, pledge, sell, contract to sell, grant any option, right or warrant to purchase, transfer or otherwise dispose of any Ordinary Shares or securities convertible into or exchangeable for Ordinary Shares or other shares in the Company, or do anything with the same economic effect as the foregoing.

15.2 **Receiving Agent Agreement**

Pursuant to a receiving agent agreement dated 22 March 2016 between the Company, the Receiving Agent, Newco, Numis and Peel Hunt (the “**Receiving Agent Agreement**”), the Receiving Agent agrees to provide receiving agent services to the Company in relation to the Capital Raising. Under the Receiving Agent Agreement, the Company agrees to indemnify and hold the Receiving Agent harmless against all loss, liability or expense, including any costs and expenses of defending any claim or liability incurred in connection with the Receiving Agent’s functions under the Receiving Agent Agreement, other than with respect to any loss, liability or expense arising as a result of the Receiving Agent’s wilful default, negligence or bad faith. The Receiving Agent agrees to indemnify and hold harmless the Company, Newco, Numis and Peel Hunt against any direct loss, liability or expense, including the costs and expenses of investigating, preparing for or defending any, or any threatened or pending, claims or liability incurred arising out of a breach by the Receiving Agent of its obligations in connection with the Receiving Agent Agreement or its wilful default, fraud, negligence or bad faith or material breach of the Receiving Agent Agreement up to four times the total charges payable for provision of services under the Receiving Agent Agreement (whether such liability arises under any express or implied terms, in tort, for misrepresentation, for breach of contract, or in any other way).

15.3 **Subscription and Transfer Agreements**

In connection with the Capital Raising the Company, Newco and the Newco Subscribers, have entered into a subscription and transfer agreement and an initial subscription and put and call option agreement (together, the “**Subscription and Transfer Agreements**”) each dated 22 March 2016 in respect of the subscription and transfer of ordinary shares and redeemable preference shares in Newco. Under the terms of the Subscription and Transfer Agreements:

- (a) the Company and the Newco Subscribers have agreed to subscribe for ordinary shares in Newco and enter into put and call options in respect of the ordinary shares in Newco subscribed for by the Newco Subscribers that are exercisable if the Capital Raising does not proceed;
- (b) following the Placing Agreement becoming unconditional, payments received from Qualifying Shareholders subscribing for New Shares under the Open Offer and Offer for Subscription shall be held by the Receiving Agent on behalf of the Newco Subscribers, and payments received by Numis and Peel Hunt from investors subscribing for New Shares under the Firm Placing and/or the Placing shall be held by Numis and Peel Hunt as the Newco Subscribers, in each case solely for the purpose of enabling the Newco Subscribers to subscribe for redeemable preference shares in the capital of Newco to an aggregate value equal to such monies, after deduction of the amount of certain commissions and expenses; and
- (c) the Company will allot and issue the New Shares conditional on Admission to those persons entitled thereto in consideration of the Newco Subscribers transferring their respective holdings of redeemable preference shares pursuant to the terms of the Capital Raising and ordinary shares in the capital of Newco to the Company.

Accordingly, instead of receiving cash as consideration for the issue of the New Shares, at the conclusion of the Capital Raising, the Company will own the entire issued ordinary and

redeemable preference share capital of Newco whose only assets will be its cash reserves, which will represent an amount equivalent to the net proceeds of the Capital Raising. The Company will be able to utilise this amount by exercising its right of redemption over the redeemable preference shares it will hold in Newco and, during any interim period prior to redemption, by procuring that Newco lends the amount to the Company (or one of the Company's subsidiaries).

Qualifying Shareholders are not party to these arrangements and so will not acquire any direct right against the Newco Subscribers pursuant to these arrangements. The Company will be responsible for enforcing the Newco Subscribers' obligations thereunder.

15.4 Bond Documents

(a) *Retail Bonds*

On 23 July 2012 the Company issued £75,000,000 5.375 per cent. bonds due 23 July 2019 (the "**Retail Bonds**"). The Retail Bonds are constituted by a trust deed dated 23 July 2012 made between the Company and Prudential Trustee Company Limited (the "**Trustee**"). Interest on the Retail Bonds is payable semi-annually in arrears, commencing on 31 January 2013. The Retail Bonds are direct, unconditional, unsubordinated and unsecured obligations of the Company.

The Company may, at its option, redeem all, but not some only, of the Retail 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" in the offering circular dated 29 June 2012 (the "**Offering Circular**"). Additionally, the Company may, at its option, redeem all, but not some only, of the Retail 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".

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

An event of default, such as non-payment of any principal or interest due in respect of the Retail Bonds, would trigger the right of the holder of each Retail Bond to request the Trustee to give notice to the Company for the repayment of the Retail Bonds and interest thereon.

The net proceeds from the Retail Bonds were to be used for the general corporate purposes of the Company.

In connection with the issue of the Retail Bonds, the Company entered into a subscription agreement dated 17 July 2012 with Mirabaud Securities LLP, acting where permitted through its registered representative Independent Debt Capital Markets LLP. Pursuant to the subscription agreement, Mirabaud Securities LLP agreed to procure subscribers for the Retail Bonds and the Company agreed to pay Mirabaud Securities LLP an arrangement and management fee and a total distribution fee. The Company also made certain representations and warranties regarding, amongst other things, the Company and the Offering Circular.

(b) *Secured Bonds*

On 4 November 2013, PHP Bond Finance plc ("**PHP Bond Finance**") issued £70,000,000 floating rate secured bonds due 2025 guaranteed by the Company (the "**Secured Bonds**"). The proceeds of the Secured Bonds were receivable in two tranches, with approximately £60 million paid on 4 November 2013 and the second tranche of approximately £10 million paid on 30 June 2014. The Secured Bonds are constituted by a trust deed dated 4 November 2013 made between PHP Bond Finance, the Company, certain

subsidiaries of PHP Bond Finance (the “**Original Charging Subsidiaries**”) and U.S. Bank Trustees Limited (the “**Secured Bond Trustee**”). Interest on the Secured Bonds is payable semi annually in arrears, commencing on 30 June 2014. The Secured Bonds are direct, secured obligations of PHP Bond Finance and the guarantee in respect of the Secured Bonds is a direct, unconditional and unsecured obligation of the Company.

The obligations of PHP Bond Finance, the Company and the Original Charging Subsidiaries in respect of the Secured Bonds and under the trust deed are secured by security granted by PHP Bond Finance, the Company and the Original Charging Subsidiaries, including legal mortgages over certain properties owned by the Original Charging Subsidiaries, fixed and floating charges over certain assets owned by PHP Bond Finance and the Original Charging Subsidiaries, assignments by PHP Bond Finance and the Original Charging Subsidiaries of their rights, title and interest in certain agreements and a fixed charge over the Company’s rights, title and interest in the share capital of PHP Bond Finance.

PHP Bond Finance may, at its option, redeem all, but not some only, of the Secured Bonds on any interest payment date on or after 30 June 2014 at a price which shall be the higher of their outstanding principal amount and an amount calculated by reference to the interpolated mid swap rate in respect of the number of years to the maturity of the Secured Bonds. Additionally, PHP Bond Finance may, at its option, redeem all, but not some only, of the Secured Bonds on any interest payment date at par, in the event of certain tax changes as described under “Conditions of the Bonds – 11.2 Redemption for Taxation Reasons” in the prospectus dated 13 December 2013 (the “**Bond Prospectus**”).

On the occurrence of a change of control of the Company, the holder of each Secured Bond will have the option to require PHP Bond Finance to redeem that Secured Bond at its outstanding principal amount together with interests accrued thereon.

An event of default, such as non payment of any principal or interest due in respect of the Secured Bonds or the breach of certain asset cover covenants and income cover covenants set out in the Bond Prospectus, would trigger the right of bondholders to request the Secured Bond Trustee to give notice to PHP Bond Finance for the repayment of the Secured Bonds and interest thereon.

The net proceeds from the Secured Bonds were advanced by PHP Bond Finance to the Original Charging Subsidiaries to be applied for their general corporate purposes and/or to repay existing indebtedness.

In connection with the issue of the Secured Bonds, PHP Bond Finance, the Company and the Original Charging Subsidiaries entered into a purchase agreement dated 4 November 2013 with Mirabaud Securities LLP, acting where permitted through its appointed representative Independent Debt Capital Markets LLP. Pursuant to the purchase agreement, Mirabaud Securities LLP agreed to procure subscribers for the Secured Bonds and PHP Bond Finance and the Company agreed to pay Mirabaud Securities LLP a combined selling and management fee. PHP Bond Finance, the Company and the Original Charging Subsidiaries also made certain representations and warranties regarding, amongst other things, PHP Bond Finance, the Company, the Original Charging Subsidiaries and the Bond Prospectus.

(c) ***Convertible Bonds***

On 20 May 2014 PHP Finance (Jersey) Limited (“**PHP Finance Jersey**”) issued £82,500,000 4.25 per cent. bonds due 20 May 2019 guaranteed by the Company and convertible (subject to a cash alternative election) into preference shares in PHP Finance Jersey which shall be exchanged immediately into Ordinary Shares (the “**Convertible Bonds**”). The Convertible Bonds are constituted by a trust deed dated 20 May 2014 made between PHP Finance Jersey, the Company and U.S. Bank Trustees Limited (the “**Convertible Bond Trustee**”). Interest on the Convertible Bonds is payable semi-annually in arrears, commencing on 20 November 2014. The Convertible Bonds are direct, unconditional, unsubordinated and unsecured obligations of PHP Finance Jersey and the

guarantee in respect of the Convertible Bonds is a direct, unconditional, unsubordinated and unsecured obligation of the Company.

Holders of the Convertible Bonds may exercise conversion rights at any time: (i) from 30 June 2014 to 20 June 2017 when the parity value of the Convertible Bonds is greater than £100,000 for a certain period; (ii) from 20 June 2017 to 10 May 2019, (iii) when PHP Finance Jersey has called for early redemption of the Convertible Bonds; (iv) where the fair market value of any distribution to Shareholders is greater than 20 per cent. of the average price of the Ordinary Shares; (v) in the case of a change of control of the Company; (vi) following the occurrence of an event of default; or (vii) where the price per £100,000 principal amount of the Convertible Bonds is less than the adjusted parity value in effect for the Convertible Bonds for a certain period. Further details on the terms for conversion, and the price at which the Convertible Bonds may convert (and how adjustments to that price are calculated) can be found under “Terms and Conditions of the Bonds – 6 Conversion of Bonds” in the listing particulars dated 14 August 2014 (the “**Listing Particulars**”).

PHP Finance Jersey may, at its option, redeem all, but not some only, of the Convertible Bonds at their principal amount, together with accrued but unpaid interest: (i) on or after 20 June 2017, if the parity value of the Convertible Bonds exceeds £130,000; or (ii) at any time if conversion rights have been exercised and/or purchases and/or redemptions effected in respect of 85 per cent. or more in principal amount of the Convertible Bonds originally issued, as described under “Terms and Conditions of the Bonds – 7(b) Redemption at the Option of the Issuer” of the Listing Particulars. Additionally, PHP Finance Jersey may, at its option, redeem all, but not some only, of the Convertible Bonds at any time at their principal amount together with accrued but unpaid interest, in the event of certain tax changes as described under “Terms and Conditions of the Bonds – 7(c) Redemption for Taxation Reasons” of the Listing Particulars.

On the occurrence of a change of control of the Company, the holder of each Convertible Bond will have the right to require PHP Finance Jersey to redeem that Convertible Bond at its principal amount together with accrued but unpaid interest.

An event of default, such as non-payment of any principal or interest due in respect of the Convertible Bonds, would trigger the right of the holder of each Convertible Bond to request the Trustee to give notice to the Company for the repayment of the Convertible Bonds and interest thereon.

The net proceeds from the Convertible Bonds were to be used to repay existing revolving debt facilities and, ultimately, to provide funds for the Group’s portfolio growth programme and for costs and expenses of the Group.

In connection with the issue of the Convertible Bonds, PHP Finance Jersey and the Company entered into a placing agreement dated 13 May 2014 with ISM Capital LLP, RBS and Peel Hunt. Pursuant to the placing agreement, ISM Capital LLP agreed to procure subscribers for the Convertible Bonds and the Company agreed to pay ISM Capital LLP, RBS and Peel Hunt a commission and to reimburse their expenses. PHP Finance Jersey and the Company also made certain representations and warranties regarding, amongst other things, PHP Finance Jersey, the Company and Listing Particulars.

15.5 **Advisory Agreement**

Pursuant to an advisory agreement dated 14 March 1996 (as amended, restated and novated from time to time and last amended and restated on 17 November 2014) (the “**Advisory Agreement**”) originally between the Company, JOHCML and the Adviser and since 30 April 2014 solely between the Company and the Adviser, the Company appointed Nexus to provide property advisory, management, administrative and accounting services, the services of the Managing Director of the Company and company secretarial services.

The Adviser has the continuing right to appoint and remove one person as a Director of the Company and receive a Director’s fee (currently £35,000 per annum).

The current annual fee payable to the Adviser is calculated as a percentage of the gross asset value of the Group as follows:

Gross Assets	Total Fee
First £250 million	0.5000 per cent.
Between £250 million and £500 million	0.4750 per cent.
Between £500 million and £750 million	0.4000 per cent.
Between £750 million and £1 billion	0.3750 per cent.
Between £1 billion and £1.25 billion	0.3250 per cent.
Above £1.25 billion	0.3000 per cent.

In addition, the Company has agreed to pay Nexus a fixed annual fee of £748,621 in relation to the administrative, accounting and company secretarial services (the “**Admin Fee**”) for a period of two years from 1 May 2014 (or such earlier date as the parties may agree) (the “**Effective Date**”) and an annual fee of £935,776 after that date. The Admin Fee may be increased or decreased by up to 5 per cent. subject to movements in RPI (or such other appropriate independent index agreed by Nexus and the Company).

Nexus is also entitled to a performance incentive fee (“**PIF**”) equal to 11.25 per cent. of any performance in excess of an 8 per cent. per annum increase in the Group’s “Total Return” (as derived from the audited accounts for the immediately preceding financial period prior to the date of payment). Total Return is determined by calculating the change in the net asset value per Ordinary Share, on a fully diluted basis, after any adjustment for any increase or reduction in the issued share capital and adding back gross dividends paid per Ordinary Share. No PIF was paid in 2015, 2014 or 2013.

The Advisory Agreement contains a provision giving the Company the ability to pay Nexus a payment in lieu of notice in the event that the Company 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 they are contractually entitled to receive. The Advisory Agreement is terminable by not less than two years’ written notice, save that the administrative, accounting and company secretarial services shall continue for a period of two years from the Effective Date and thereafter the notice period to terminate such services shall be 12 months given by Nexus or the Company.

Additional payments may be made to Nexus for non-standard real estate related services which have been capped at 10 per cent. of the total annual fee payable to Nexus.

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

15.6 Banking facilities

RBS and Santander Facility Agreement

The Company and certain of its UK subsidiaries entered into a facility agreement with RBS and Santander dated 16 March 2012 under which RBS and Santander granted PHP Properties Limited a secured term loan facility for a maximum principal amount of £125,000,000 (“**Facility A**”), a secured revolving credit facility for a maximum principal amount of £50,000,000 (“**Facility B**”) and an overdraft facility for a maximum principal amount of £5,000,000 (“**Overdraft Facility**”). The repayment date for Facility A was originally 16 March 2016. Each loan made under Facility B must be repaid on the last day of its interest period and any amounts repaid under Facility B are available for redrawing. The final repayment date for Facility B was originally 16 March 2016. Each loan made under the Overdraft Facility must be repaid on the last day of its interest period or otherwise on demand by the lender. Interest is payable on the principal amount outstanding under each facility at a rate of 2.50 per cent. per annum plus LIBOR and mandatory cost (if any). Certain fees and expenses, including a commitment fee, arrangement fee, agent’s and security agent’s fee and overdraft fee are also payable. The facilities are secured by fixed and floating charges granted by, among others, PHP Properties Limited and also the Company which is a guarantor of the facilities. Legal mortgages have also been granted over a designated pool of property assets. The facility agreement requires

PHP Properties Limited to comply with financial covenants including: (i) a minimum net rental income to interest cover ratio of 140 per cent.; and (ii) a maximum loan to value ratio of 65 per cent.. The Company undertakes that during the term of the loan the ratio of consolidated rental income to group interest paid is at least 130 per cent.. The facility agreement contains customary representations, covenants and events of default.

On 4 March 2014, the parties to the facility agreement agreed to amend certain provisions of the facility agreement by way of an amendment and restatement agreement, to inter alia, remove the provision of the Overdraft Facility and reduce the principal amount available under the Facility A loan to £115,000,000. All other terms of the facility remained materially the same.

On 21 August 2014, the parties to the facility agreement agreed to further amend certain provisions of the facility agreement by way of an amendment and restatement agreement to, inter alia, extend the term of the facility until 21 August 2017, reduce the base margin under both Facility A and Facility B to 1.85 per cent. per annum and reduce the LTV covenant test on drawdown to 50 per cent.. All other terms of the facility remained materially the same.

Barclays Bank Facility Agreement

The Company and certain of its UK subsidiaries entered into a facility agreement with Barclays Bank PLC (“**Barclays**”) dated 25 March 2013 under which Barclays granted Primary Health Investment Properties (No.4) Limited a revolving credit facility for a maximum principal amount of £50,000,000. The repayment date was originally 25 March 2017. Interest is payable on the principal amount outstanding at a rate of 2.20 per cent. per annum plus LIBOR and mandatory cost (if any). A commitment fee is payable on the undrawn balance of the facility. Certain other fees and expenses, including an arrangement fee, management fee and cancellation fee are also payable. The facility agreement contains a number of financial covenants including: (i) that the loan shall not at any time exceed 60 per cent. of the market value of the property in accordance with the latest valuation; and (ii) the ratio of net rental income to financing costs must exceed 1.5x at all times. The facility agreement contains customary representations, covenants and events of default. The facility is secured by fixed and floating charges including legal mortgages over a designated pool of property assets. The Company is a guarantor of the facility and has entered into a full interest and capital guarantee in favour of Barclays.

On 17 May 2013, the parties to the facility agreement agreed to increase the facility from £50,000,000 to £70,000,000 by way of a deed of amendment. All other terms of the facility remained materially the same.

On 20 August 2014, the parties to the facility agreement agreed to further amend the terms of the facility agreement by way of an amendment and restatement deed to, inter alia, document the incorporation of additional properties into the collateral pool (and additional guarantors), extend the maturity date of the facility agreement to 25 March 2018 and split the facility into a Tranche A Facility of £40,000,000 and a Tranche B Facility of £60,000,000 increasing the overall facility to £100,000,000. The interest payable was reduced from a rate of 2.20 per cent. per annum to 1.9 per cent. per annum in relation to the Tranche A Facility and 1.7 per cent. per annum in relation to the Tranche B Facility. Furthermore, amendments were made to the commitment and utilisation fees due and payable. All other material terms of the facility remained materially the same.

On 7 January 2016, the parties to the facility agreement agreed to further amend the terms of the facility agreement by way of an amendment and restatement deed to, inter alia, provide for the accession of AIB as an additional lender and PHP Empire Holdings Limited as an additional guarantor. PHP Empire Holdings Limited has also charged a number of properties under the existing debenture. Under the amended facility agreement, AIB provided a Tranche A Facility of £15,000,000, increasing the total commitments to £115,000,000. The repayment date of the loan was amended to 6 January 2021 and an accordion option was inserted, allowing the borrower to request that the facilities are increased for a period of 36 months from the effective date of the amendment and restatement of the facility agreement. A new agency fee and security agency fee was due under the facility agreement. All other terms of the facility remained materially the same.

HSBC Bank Plc Facility Agreement

The Company and certain of its UK subsidiaries entered into a facility agreement with HSBC Bank Plc (“**HSBC**”) dated 16 April 2014 under which HSBC granted PHP Medical Investments Limited and others a single currency revolving credit facility for a maximum principal amount of £50,000,000. The facility is to be drawn either as an investment facility to refinance the costs associated with acquiring the pool of properties or as a development facility for financing an approved development. The aggregate amount of loans in respect of the development facility must not exceed £15,000,000 at any time. The repayment date was originally 16 April 2019. Interest is payable on the principal amount outstanding at a rate of 2.25 per cent. per annum (where LTV is equal to or greater than 50 per cent.) and at a rate of 2.00 per cent. per annum (where LTV is less than 50 per cent.) plus LIBOR. A commitment fee is payable on the undrawn balance of the facility. Certain other fees and expenses, including an arrangement fee are also payable. The facility agreement contains a number of financial covenants including: (i) that the loan shall not at any time exceed 55 per cent. of the market value of the property in accordance with the latest valuation; (ii) that at all times prior to practical completion of an approved development, the ratio of the Loan to Cost of that approved development does not exceed 55 per cent.; and (iii) the EBIT to total debt costs in respect of any period of six or 12 months ending on the last day of the financial half year or financial year (as applicable) is at least 130 per cent.. The facility agreement contains customary representations, covenants and events of default. The facility is secured by fixed and floating charges including legal mortgages over a designated pool of property assets. The Company is a guarantor of the facility and has charged the shares in the Borrower.

On 16 July 2015, the parties to the facility agreement agreed to amend the terms of the facility agreement by way of an amendment and restatement deed to *inter alia* extend the termination date of the facility to 15 July 2020 and modify the hedging provisions. All other terms of the facility remained materially the same.

Aviva Facility Agreements

- (a) PHP Primary Properties Limited (“**PHPPPL**”) entered into a facility agreement with Aviva Public Private Finance Limited (“**Aviva**”) dated 20 August 2014 under which Aviva granted PHPPPL a term loan facility for a maximum principal amount of £63,000,000 which was to be used to refinance certain acquisition facilities previously granted by Aviva. The repayment date is 20 August 2029. PHPPPL must repay £31,500,000 before the repayment date in instalments to be advised by Aviva, the first instalment being due on the first interest payment date following the fifth anniversary of the date of the facility agreement. Interest is payable on the principal amount outstanding quarterly at the rate of 4.91 per cent. per annum. Certain other fees and expenses are payable and an arrangement fee was paid at the time the facility agreement was entered into. There is an early repayment fee which is calculated as the greater of: (a) the amount of interest payable (or which would have been paid but for the early repayment); and (b) an amount sufficient fully to indemnify Aviva against the reduction in the rate of return that Aviva expects to receive on its investment in the loan as a direct or indirect result of the early repayment. The amount of the indemnity will be ascertained in accordance with Aviva’s usual method of calculation provided that if the early repayment is made prior to the fifth anniversary of the date of the facility agreement in an amount in excess of £20,000,000 (when aggregated with any early repayment made under the facility agreement described in (b) below) in aggregate in any period of 12 months, the calculation will be made on the assumption that the reinvestment of the repayment proceeds is only available in gilts. The facility agreement contains a number of financial covenants being: (A) that the rental income, adjusted where necessary for the anticipated cost to PHPPPL of repair and/or insurance, shall, for each 12 month period between test dates, be equal to or greater than 120 per cent. of the interest and capital repayments in respect of such period; (B) that at all times not less than 85 per cent. of the rental income is derived from mortgaged properties funded in accordance with the 2013 Costs Directions with the tenants in respect of not less than 85 per cent. of rental income derived from the mortgaged properties being at all times (aa) general medical practitioners, (bb) NHS PS, (cc) Community Health Partnerships Limited, (dd) Scottish and Welsh Local Health Boards or (ee) the Scottish
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Ministers; and (C) a LTV ratio of not more than 75 per cent. up to the second anniversary of the date of the facility agreement, not more than 70 per cent. for the period from the second anniversary to the fifth anniversary, not more than 65 per cent. for the period from the fifth anniversary to the tenth anniversary and not more than 55 per cent. at all times after the tenth anniversary. The facility agreement contains cure provisions should either of the financial covenants described in (A) or (C) above be breached which include repayment, the deposit of collateral or provision of new properties. The facility agreement contains customary covenants, representations and events of default. There is a provision to allow substitution of properties at the request of PHPPPL. The facility is secured by legal charges over all the properties owned by PHPPPL, including standard security over properties situated in Scotland, assignments and assignments of rental income and a share charge over the shares in PHPPPL by PHP Primary Properties (Haymarket) Limited as chargor.

- (b) PHPPPL entered into a second facility agreement with Aviva on 20 August 2014 under which Aviva made available a term loan facility for a maximum principal amount of £50,000,000 which was also to be used to refinance certain acquisition facilities that Aviva had previously granted to PHPPPL. The terms of the facility agreement are identical to those described in (a) above save for the following differences: the repayment date is 20 August 2024 and there is no requirement to make capital repayments before then. The LTV ratio is the same up to the fifth anniversary after which it shall not exceed 65 per cent. for the remainder of the term of the facility. The security provided in relation to the facility described in (a) above extends also the liabilities of PHPPPL under this facility.

RBS Facility Agreements

On 29 June 2015, PHP acquired 100 per cent. of the share capital and all assets and liabilities of Crestdown Limited, a company whose sole asset was a medical centre at Thornaby, North Yorkshire. Crestdown Limited had financed its property investment with a loan from RBS. The loan is secured by the Thornaby Medical Centre and matures in November 2028. As at acquisition, the loan principal outstanding totalled £2.6 million and is repayable in quarterly instalments of £26,750. The loan incurs interest at a margin of 1 per cent. above three month LIBOR and the company is required to ensure that rental income from the property is at all times not less than 1.1 times the aggregate of all loan repayments and interest payable in the 12 months ending on each repayment instalment date.

15.7 Interest rate swaps

Specific subsidiaries of the Company 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
Royal Bank of Scotland PLC	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	4.810%	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
Barclays Bank PLC	0.9%	25-Mar-13	25-Mar-17	28,000
HSBC Bank plc	2.47%	20-Jan-18	20-Jan-22	25,000
	2.65%	20-Jan-19	20-Jan-24	25,000

(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 three month GBP-LIBOR-BBA and are settled on a quarterly basis.

15.8 PPP Acquisition Agreement

On 14 November 2013, the Company, as purchaser, entered into a conditional agreement with Richard Laing, Peter John Sargent, Richard Williams, Leighton Chumbley, Julian Kavanagh, Julian Keyte, Robert Moore and Dr Ann Pursey, as sellers, (the “PPP Sellers”) to acquire the entire issued share capital of PPP (the “PPP Acquisition Agreement”) for consideration of approximately £41.9 million.

The consideration was settled by the issue of 12,577,771 50p Ordinary Shares on 3 December 2013 (the date of completion of the acquisition) and a further issue of 518,243 50p Ordinary Shares on 28 January 2014.

The PPP Sellers gave certain warranties, including in relation to their capacity and title to the PPP shares, the properties owned by the PPP group and the tax and financial affairs of PPP. There are monetary and time limitations on the warranties and the warranties are qualified by the disclosures given in a disclosure letter. The Company provided covenants as to its capacity to enter into the PPP Acquisition Agreement.

Each of the PPP Sellers entered into lock up arrangements under the PPP Acquisition Agreement pursuant to which they undertook, subject to certain exceptions, not to sell or dispose of their holding of Ordinary Shares for a period of 18 months following completion of the acquisition, and only to sell or dispose of their holding of Ordinary Shares through one or both of Numis and Peel Hunt for a period of five years following completion of the acquisition.

16. LEGAL AND ARBITRATION PROCEEDINGS

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 month period prior to the publication of this document, a significant effect on the Company’s and/or the Group’s financial position or profitability.

17. DIVIDENDS

The following table sets out the dividend per Ordinary Share paid or payable in respect of each of the financial periods ended 31 December 2013, 31 December 2014 and 31 December 2015:

Period ended	Dividend per Ordinary Share in pence reported ⁽¹⁾
12 months to 31 December 2015	5.00p
12 months to 31 December 2014	4.88p
12 months to 31 December 2013	4.75p

(1) Pro forma number on the basis that the Share Sub-division had taken place.

Following the Share Sub-division in November 2015, the number of Ordinary Shares in issue was increased by a multiple of four. Accordingly, the rate of dividend to be paid will be divided by four. Also, from February 2016, the Company has paid its dividends on a quarterly basis. The first dividend to be paid on this basis was declared on 4 January 2016 and was paid to Shareholders on the Company’s register as at 15 January 2016.

There are no arrangements in existence under which future dividends are to be waived or agreed to be waived.

18. WORKING CAPITAL

In the opinion of PHP, after taking into account existing bank facilities available to the Group and the net proceeds of the Firm Placing, the working capital available to the Group is sufficient for its present requirements, that is, for at least the 12 months following the date of this document.

19. NO SIGNIFICANT CHANGE

There has been no significant change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest annual report of the Group was prepared.

There has been no material change to the PHP Property Valuation Report set out in Part 5 of this document since 31 December 2015, being the effective date the PHP Property Valuation Report was prepared.

20. RELATED PARTY TRANSACTIONS

Save as disclosed in this paragraph and the financial information incorporated by reference into this document (see note 30 to the financial statements for the year ended 31 December 2013, note 28 to the financial statements for the year ended 31 December 2014 and note 27 to the financial statements for the year ended 31 December 2015) there are no related party transactions between PHP and any related party that were entered into during the aforementioned periods.

During the period between 1 January 2013 and 31 January 2016 the Company paid £18.8 million pursuant to the Advisory Agreement. This sum includes a contractual termination fee of £2.5 million paid to JO Hambro Capital Management Limited upon termination of their services on 30 April 2014.

21. STATUTORY AUDITORS AND CONSENTS

- 21.1 Deloitte LLP, whose address is 2 New Street Square, London EC4A 3BZ, and which is a member of the Institute of Chartered Accountants in England and Wales has audited and reported on the annual accounts of PHP for the financial years ended 31 December 2013, 2014 and 2015. Statutory accounts of PHP for each of the years ended 31 December 2013, 2014 and 2015 have been delivered to the Registrar of Companies in England and Wales. The auditors of PHP have made reports under the relevant provisions in English company law in respect of these statutory accounts and each report was an unqualified report.
- 21.2 PricewaterhouseCoopers LLP has given and not withdrawn its written consent to the inclusion of its report on the unaudited pro forma statement of net assets in Part 6 of this document in the form and context in which it appears and has authorised the contents of that report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.
- 21.3 Lambert Smith Hampton Limited has given and not withdrawn its written consent to the inclusion in this document of its report in Part 5 of this document and the references to its name in the form and context in which they appear and has authorised the contents of these parts of the document which comprise its reports for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.
- 21.4 Numis Securities Limited has given and not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they appear.
- 21.5 Peel Hunt LLP has given and not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they appear.

22. GENERAL

- 22.1 The total costs and expenses of, and incidental to, the Capital Raising, assuming the Issue size is £120.0 million, are estimated to be £3.8 million and are payable by PHP. Accordingly, the net proceeds of the Capital Raising are estimated to be £116.2 million.
- 22.2 The Company remains subject to the continuing obligations of the Listing Rules with regard to the issue of securities for cash and the provisions of section 561 of the Companies Act (which confers on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be paid up in cash) apply to the balance of the unissued share capital of the Company which is not the subject of a disapplication approved by the Shareholders in a General Meeting.
- 22.3 The Ordinary Shares are in registered form, are capable of being held in uncertificated form and are admitted to the Official List and are traded on the main market for listed securities of the London Stock Exchange.
- 22.4 The New Shares will be in registered form and, from the respective Admission of the New Shares, will be capable of being held in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Where New

Shares are held in certificated form, share certificates will be sent to the registered members by first-class post. Where New Shares are held in CREST, the relevant CREST stock account of the registered members will be credited. The Basic Entitlements will be admitted, with the ISIN GB00BYW8JW47, the Excess CREST Open Offer Entitlements will be admitted with the ISIN GB00BYW8JX53, the Subscription Entitlements will be admitted with the ISIN GB00BYW8JY60 and the New Shares will be admitted with the ISIN GB00BYRJ5J14, being the same ISIN under which the Existing Ordinary Shares are admitted.

- 22.5 The New Shares will be issued at 100 pence per share. This represents a premium of 87.5 pence per Ordinary Share to the nominal value of 12.5 pence per Ordinary Share.
- 22.6 The financial information contained in this document, unless otherwise stated, has been extracted from the Annual Reports and Accounts for the years ended 31 December 2013, 2014 and 2015.
- 22.7 Where information has been sourced from a third party, the Company confirms that the information has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used, the source of such information has been identified wherever it appears in this document.

23. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of PHP, 5th Floor, Greener House, 66-68 Haymarket, London SW1Y 4RF during normal business hours on any Business Day from the date of this document until close of business on 14 April 2016 and will also be available for inspection at the General Meeting for at least 15 minutes before and during the meeting:

- (a) the Articles;
- (b) the annual reports and audited consolidated accounts of the Group for the financial years ended 31 December 2013, 31 December 2014 and 31 December 2015;
- (c) the consent letters referred to in paragraph 21 of this Part 7;
- (d) the Property Valuation Report contained in Part 5 of this document;
- (e) this document; and
- (f) all documents incorporated by reference into this document.

24. ANNOUNCEMENT OF RESULTS

The Company will make (an) appropriate announcement(s) to a Regulatory Information Service giving details of the results of the Capital Raising on or about 13 April 2016.

Dated: 22 March 2016

PART 8

DOCUMENTATION INCORPORATED BY REFERENCE

The following documentation, which was sent to Shareholders at the relevant time and/or is available as described below, contains information which is relevant to the Capital Raising.

The Annual Report and Accounts of PHP for each of the financial years ended 31 December 2013, 2014 and 2015. The annual reports contain the audited consolidated financial statements of the Company for the financial years ended 31 December 2013, 2014 and 2015 prepared in accordance with IFRS, together with audit reports in respect of each such period. These documents are also available on the Company's website at www.phpgroup.co.uk.

The table below sets out the various sections of such documents which are incorporated by reference into this document so as to provide the information required under the Prospectus Rules and to ensure that Shareholders and others are aware of all information which, according to the particular nature of PHP and of the Ordinary Shares, is necessary to enable Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of PHP. Any non-incorporated parts of documents incorporated by reference in this document are either not relevant for the purposes of the Capital Raising or the relevant information is included elsewhere in this document. Any documents themselves incorporated by reference or referred or cross-referred to in these documents shall not form part of this document.

Document	Section	Pages numbers in such documents
Annual Report and Accounts for the year ended 31 December 2015	Chairman's Statement	6-7
	Director's Report	41-43
	Independent Auditors' Report	45-48
	Group Income Statement	49
	Group Balance Sheet	50
	Group Cashflow Statement	51
	Notes to the financial statements	53-77
Annual Report and Accounts for the period ended 31 December 2014	Chairman's Statement	4-5
	Director's Report	45-48
	Independent Auditors' Report	50-53
	Group Income Statement	54
	Group Balance Sheet	55
	Group Cashflow Statement	56
	Notes to the financial statements	58-83
Annual Report and Accounts for the period ended 31 December 2013	Chairman's statement	2-3
	Director's Report	30-33
	Independent Auditors' Report	46-49
	Group Income Statement	50
	Group Balance Sheet	51
	Group Cashflow Statement	52
	Notes to the financial statements	54-73

PART 9

DEFINITIONS

In this document the following expressions have the meaning ascribed to them unless the context otherwise requires:

2004 Costs Directions	the National Health Service (General Medical Services Premises Costs) Directions 2004
2013 Costs Directions	the National Health Service (General Medical Services Premises Costs) Directions 2013
50p Ordinary Shares	ordinary shares of 50 pence each in the share capital of the Company prior to the completion of the Share Sub-division
Admission	one or more admissions of the New Shares issued pursuant to the Capital Raising to the Official List becoming effective in accordance with the Listing Rules and the admission of such shares to trading on the premium segment of the London Stock Exchange's main market for listed securities becoming effective in accordance with the Admission and Disclosure Standards
Admission and Disclosure Standards	the "Admission and Disclosure Standards" of the London Stock Exchange containing, among other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange's main market for listed securities
Advisory Agreement	the advisory agreement (as amended and novated from time to time) described at paragraph 15.5 of Part 7 of this document
AIB	Allied Irish Banks PLC
AIM	the AIM market of the London Stock Exchange
AMP	PHP Medical Properties Limited (formerly Apollo Medical Partners Limited), a company incorporated in England and Wales with company number 04246742, whose registered address is at 5th Floor, Greener House, 66-68 Haymarket, London SW1Y 4RF
Applicant	a Qualifying Shareholder or a person entitled by virtue of a <i>bona fide</i> market claim who lodges an Application Form or a relevant CREST instruction under the Open Offer or Excess Application Facility
Application Form	the application form accompanying this document on which Qualifying Non-CREST Shareholders may apply for Open Offer Shares under the Open Offer (including under the Excess Application Facility)
Articles	the articles of association of the Company, details of which are set out in paragraph 4 of Part 7 of this document
Aviva	Aviva Public Private Finance Limited
Barclays	Barclays Bank PLC
Basic Entitlements	the <i>pro rata</i> entitlement of Qualifying Shareholders to subscribe for 1 Open Offer Share for every 10 Existing Ordinary Shares registered in their name as at the Record Date

Board	the Directors of PHP
Bond Prospectus	the prospectus dated 13 December 2013 relating to the Secured Bonds
Business Day	a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in the City of London for the transaction of normal banking business
Capital Raising	the Firm Placing, Placing, Open Offer and the Offer for Subscription
CCSS	the CREST Courier and Sorting Service established by Euroclear to facilitate, amongst other things, the deposit and withdrawal of securities
certificated or in certificated form	in relation to a share or other security, a share or other security which is not in uncertificated form
Closing Price	the closing middle market quotation as derived from the Daily Official List of the London Stock Exchange on a particular day
Code	the US Internal Revenue Code of 1986, as amended
Companies Act	the Companies Act 2006 as amended
Convertible Bonds	the 4.25 per cent. convertible bonds due 2019 issued by PHP Finance Jersey and guaranteed by the Company
Corporate Governance Code	the UK Corporate Governance Code published in September 2014 by the Financial Reporting Council
Costs Directions	the 2004 Costs Directions and the 2013 Costs Directions
CPI	Consumer Price Index
CREST	the relevant system, as defined in the CREST Regulations (in respect of which Euroclear is the operator as defined in the CREST Regulations)
CREST Manual	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, CCSS Operations Manual and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 and as amended since)
CREST Member	a person who has been admitted to Euroclear as a system-member (as defined in the CREST Regulations)
CREST Participant	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations)
CREST Regulations or Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), as amended
CREST Sponsor	a CREST participant admitted to CREST as a CREST sponsor
CREST Sponsored Member	a CREST Member admitted to CREST as a sponsored member
CREST Subscription Applicant	a person who applies under the Offer for Subscription through CREST
CTA 2010	the Corporation Tax Act 2010
Daily Official List	the daily record setting out the prices of all trades in shares and other securities conducted on the London Stock Exchange

Directors	the executive directors and non-executive directors of the Company, whose names appear on page 30 of this document
Disclosure and Transparency Rules	the rules relating to the disclosure of information made in accordance with section 73A(3) of the FSMA
DOHI	the Department of Health in Ireland
Effective Date	in relation to the provision of company secretarial services pursuant to the Advisory Agreement, 1 May 2014
Equiniti Shareview	a trading name for Equiniti Financial Services Limited
ERISA	the US Employee Retirement Income Security Act of 1974, as amended
ERISA Entity	any person that is: (i) an “employee benefit plan” as defined in Section 3(3) of ERISA that is subject to Title I of ERISA; (ii) a “plan” as defined in Section 4975 of the Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the Code; or (iii) an entity which is deemed to hold the assets of any of the foregoing types of plans, accounts or arrangements that is subject to Title I of ERISA or Section 4975 of the Code; or any governmental, church, non-U.S. or other employee benefit plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Code whose purchase, holding, and disposition of the New Shares could constitute or result in a non-exempt violation of any such substantially similar law
EU	the European Union
Euroclear	Euroclear UK & Ireland Limited, the operator of CREST
Excess Application Facility	the arrangement pursuant to which Qualifying Shareholders may apply for additional Open Offer Shares in excess of their Basic Entitlements in accordance with the terms and conditions of the Open Offer
Excess CREST Open Offer Entitlements	in respect of each Qualifying CREST Shareholder, the entitlement (in addition to their Basic Entitlements) to apply for Existing Ordinary Shares pursuant to the Excess Application Facility
Excess Shares	Open Offer Shares applied for by Qualifying Shareholders under the Excess Application Facility
Excluded Territories	Australia, Japan, South Africa and New Zealand and any other jurisdiction where the extension or availability of the Capital Raising (and any other transaction contemplated thereby) would breach any applicable law or regulation
ex-entitlement date	the date on which the Ordinary Shares trade ex-entitlement to participate in the Open Offer, expected to be 22 March 2016
Existing Ordinary Shares	the 446,627,017 Ordinary Shares in issue as at the date of this document
Facility A	the facility for a maximum principal amount of £125,000,000 under the facility agreement dated 16 March 2012, as amended, between the Company, certain of its UK subsidiaries, RBS and Santander and further described in paragraph 15.6 of Part 7 of this document

Facility B	the facility for a maximum principal amount of £50,000,000 under the facility agreement dated 16 March 2012, as amended, between the Company, certain of its UK subsidiaries, RBS and Santander and further described in paragraph 15.6 of Part 7 of this document
Financial Conduct Authority or FCA	the Financial Conduct Authority of the United Kingdom
Firm Placed Shares	the 60,000,000 New Shares which are to be allocated pursuant to the Firm Placing
Firm Placees	any persons who have agreed to subscribe for Firm Placed Shares pursuant to the Firm Placing
Firm Placing	the conditional placing by Numis and Peel Hunt on behalf of the Company of the Firm Placed Shares pursuant to the Placing Agreement
Form of Proxy	the form of proxy for use at the General Meeting
FPO	Financial Services and Markets Act 2000 (Financial Promotion) Order 2005
FSMA	the Financial Services and Markets Act 2000, as amended
FYFV	the NHS's Five Year Forward View
General Meeting	the general meeting of PHP to be held at 10.00 a.m. on 13 April 2016, notice of which is set out in Part 10 of this document
GDP	gross domestic product
GP	General Practitioner
HI	Health Investors Limited
HMRC	HM Revenue & Customs
HSBC	HSBC Bank plc
HSC Act	Health and Social Care Act 2012
HSE	Health Service Executive in Ireland
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board and, for the purposes of this document, as adopted by the European Union
IPD	Investment Property Databank Ltd, a company that produces an independent benchmark of property returns
ISIN	International Securities Identification Number
Issue	the issue of New Shares pursuant to the Capital Raising
Issue Price	100 pence per New Share
JOHCML	J O Hambro Capital Management Limited of Ground Floor, Ryder Court, 14 Ryder Street, London SW1Y 6QB (a wholly-owned subsidiary of J O Hambro Capital Management Group Limited)
LIBOR	London inter-bank offered rate
Listing Particulars	the listing particulars dated 14 August 2014 relating to the Convertible Bonds
Listing Rules	the Listing Rules made by the FCA under Part VI of FSMA
London Stock Exchange	London Stock Exchange PLC

LTV	loan-to-value
Maximum Excess Application Number	the maximum amount of New Shares to be issued under the Excess Application Facility
Member Account ID	the identification code or number attached to any member account in CREST
Member State	a sovereign state which is a member of the European Union
Newco	PHP Spitfire Limited
Newco Subscribers	Numis and Peel Hunt
New Shares	the new Ordinary Shares to be issued under the terms set out in this document
Nexus or the Adviser	Nexus Tradeco Limited of Greener House, 66-68 Haymarket, London SW1Y 4RF
NHS	the National Health Service
NHSE	NHS England
NHS PS	NHS Property Services Limited
Non-CREST Shareholder	a Shareholder who holds their Ordinary Shares in certificated form, that is not in CREST
Non-Firm Placees	any persons who have agreed to subscribe for Placed Shares pursuant to the Placing
Non-PID	non property income
Non-PID Dividend	any dividend of the Company other than a PID
Notice of General Meeting	the notice of the General Meeting contained in Part 10 of this document
Numis	Numis Securities Limited
Offer for Subscription	the offer for subscription to the public in the UK of the New Shares on the terms set out in this document and (where applicable) the Subscription Form
Offering Circular	the offering circular dated 29 June 2012 in relation to the Retail Bonds
Official List	the Official List of the Financial Conduct Authority pursuant to Part VI of FSMA
Open Offer	the conditional invitation to Qualifying Shareholders to subscribe for the Open Offer Shares at the Issue Price on the terms and subject to the conditions set out in this document and in the case of Qualifying Non-CREST Shareholders only, the Application Form
Open Offer Shares	the 44,662,701 New Shares being offered pursuant to the Open Offer together, where the context requires, with the Excess Application Facility
Ordinary Shares or Shares	ordinary shares of 12.5 pence each in the share capital of the Company following completion of the Share Sub-division
Original Charging Subsidiaries	certain subsidiaries of PHP Bond Finance under the terms of the Secured Bonds

Overdraft Facility	the facility for a maximum principal amount of £5,000,000 under the facility agreement dated 16 March 2012, as amended, between the Company, certain of its UK subsidiaries, RBS and Santander and further described in paragraph 15.6 of Part 7 of this document
Overseas Applicants	persons who apply for New Shares under the Offer for Subscription with registered addresses outside of the United Kingdom or who are citizens or residents of countries outside the United Kingdom
Overseas Shareholders	Shareholders with registered addresses outside the United Kingdom or who are citizens or residents of countries outside the United Kingdom
Participant ID	the identification code or membership number used in CREST to identify a particular CREST Member or other CREST Participant
PCT	Primary Care Trust
Peel Hunt	Peel Hunt LLP
PHCC	Primary Health Care Centres Limited
PHP or the Company	Primary Health Properties PLC, a public limited company incorporated in England and Wales with registered number 03033634
PHP Bond Finance	PHP Bond Finance plc
PHP Finance Jersey	PHP Finance (Jersey) Limited
PHP Group or Group	the Company and each of its subsidiaries and subsidiary undertakings from time to time
PHPPPL	PHP Primary Properties Limited
PID	property income distribution
Placed Shares	the New Shares which are the subject of the Placing
Placees	the Firm Placees and Non-Firm Placees
Placing	the conditional placing by Numis and Peel Hunt on behalf of the Company of the Placed Shares pursuant to the Placing Agreement
Placing Agreement	the placing agreement dated 22 March 2016 between the Company, Numis and Peel Hunt relating to the Capital Raising and further described in paragraph 15.1 of Part 7 of this document
Pounds Sterling or £	the lawful currency of the United Kingdom
PPP	Prime Public Partnerships (Holdings) Limited, a company incorporated in England and Wales with company number 08304612 (now named PHP Primary Properties (Haymarket) Limited), whose registered address is at 5th Floor, Greener House, 66-68 Haymarket, London SW1Y 4RF
PPP Acquisition Agreement	the acquisition agreement dated 14 November 2013 between the Company and the PPP Sellers relating to the acquisition of the entire issued share capital of PPP and further described in paragraph 15.8 of Part 7 of this document
PPP Sellers	Richard Laing, Peter John Sargent, Richard Williams, Leighton Chumbley, Julian Kavanagh, Julian Keyte, Robert Moore and Dr. Ann Pursey
Property Valuation Report	the property valuation report prepared by the Property Valuer and set out in Part 5 of this document

Property Valuer or LSH	Lambert Smith Hampton Group Limited, chartered surveyors and valuers, of Interchange Place, Edmund Street, Birmingham B3 2TA. Lambert Smith Hampton Limited is the trading name of Lambert Smith Hampton Group Limited
Prospective Directive	the Prospectus Directive (Directive 2003/71/EC)
Prospectus Rules	the Prospectus Rules published by the FCA under Section 73A of FSMA
Qualified Institutional Buyer or QIB	a “qualified institutional buyer” as defined by Rule 144A(a)(1) under the US Securities Act
Qualifying CREST Shareholders	Qualifying Shareholders holding Ordinary Shares in uncertificated form in CREST at close of business on the Record Date
Qualifying Non-CREST Shareholders	Qualifying Shareholders holding Ordinary Shares in certificated form at close of business on the Record Date
Qualifying Shareholders	holders of Ordinary Shares on the register of members of the Company at the Record Date with the exclusion (subject to certain exceptions) of Overseas Shareholders
RBS	the Royal Bank of Scotland PLC
Receiving Agent Agreement	the receiving agent agreement dated 22 March 2016 between the Company, the Receiving Agent, Newco, Numis and Peel Hunt and further described in paragraph 15.2 of Part 7 of this document
Record Date	close of business on 18 March 2016
Registrars or Receiving Agent or Equiniti	Equiniti Limited
Regulation D	Regulation D under the US Securities Act
Regulation S	Regulation S under the US Securities Act
Regulatory Information Service	one of the regulatory information services authorised by the Financial Conduct Authority to receive, process and disseminate regulatory information in respect of listed companies
REIT	Real Estate Investment Trust
Resolutions	the resolutions to be proposed at the General Meeting set out in the Notice of General Meeting
Retail Bonds	the 5.375 per cent. bonds due 23 July 2019 issued by the Company
RPI	retail price index
Santander	Santander Banking Group or Abbey National Treasury Services PLC
SDRT	stamp duty reserve tax
SEC	the United States Securities and Exchange Commission
Secured Bonds	the floating rate secured bonds due 2025 issued by PHP Bond Finance and guaranteed by the Company
Secured Bond Trustee or Convertible Bond Trustee	U.S. Bank Trustees Limited
Shareholder	a holder of Ordinary Shares from time to time
Share Sub-division	the sub-division of each 50p Ordinary Share into four Ordinary Shares, which became effective at 8.00 a.m. on 12 November 2015

SMPL	Sinclair Montrose Properties Limited
Special Article	the special article in the Articles designed to enable the Company to demonstrate to HMRC that it has taken “reasonable steps” to avoid paying a dividend to any Substantial Shareholder
Statutes	the Companies Act, CREST Regulations and every other statute or statutory instrument, rule, order or regulation for the time being in force concerning companies and affecting the Company
stock account	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited
Subscription and Transfer Agreements	the subscription and transfer agreement and initial subscription and put and call option agreement each dated 22 March 2016 between the Company, Newco and the Newco Subscribers and further described in paragraph 15.3 of Part 7 of this document
Subscription Entitlement	in respect of each CREST Subscription Applicant the entitlement to apply for New Shares pursuant to the Offer for Subscription through submission of a USE instruction in CREST
Subscription Form	the application form in Appendix 4 to this document for use in connection with the Offer for Subscription
Substantial Shareholder	means any person whose interest in the Company, whether legal or beneficial, direct or indirect, may cause any member of the Group to be liable to pay tax under Regulation 10 of the Real Estate Investment Trusts (Breach of Conditions) Regulations 2006 (as such legislation may be modified, supplemented or replaced from time to time) on or in connection with the making of a distribution to or in respect of such person including, at the date of adoption of this Article, any holder of excessive rights as defined in the Real Estate Investment Trusts (Breach of Conditions) Regulations 2006
Substantial Shareholding	the shares in the Company in relation to which or by virtue of which (in whole or in part) a person has an interest in the Company (whether beneficial, legal, direct or indirect) which may cause a member of the Group to be liable to pay tax under Regulation 10 of the Real Estate Investment Trusts (Breach of Conditions) Regulations 2006 on or in connection with the making of a distribution to or in respect of such person
Swaps	the interest rate swaps described at paragraph 15.7 of Part 7 of this document
Takeover Code	the City Code on Takeovers and Mergers
Trustee	Prudential Trustee Company Limited
UK-REIT	a real estate investment trust established in the United Kingdom to which Part 12 of the CTA 2010 applies
UK-REIT Group	a group UK-REIT within the meaning of Part 12 of the CTA 2010
uncertificated or in uncertificated form	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland
US GAAP	generally accepted accounting principles in the United States

US Investment Company Act	United States Investment Company Act of 1940, as amended
US Securities Act	the United States Securities Act of 1933, as amended
United States or US	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
VAT	value added tax
WAULT	weighted average unexpired lease term remaining

PART 10

NOTICE OF GENERAL MEETING

Primary Health Properties PLC

(incorporated in England and Wales under the Companies Act 1985 with registered number 03033634)

NOTICE IS HEREBY GIVEN that a General Meeting of Primary Health Properties PLC (the “Company”) will be held on 13 April 2016 at 10.00 a.m. at Nabarro LLP, 125 London Wall, London EC2Y 5AL for the purpose of considering, and if thought fit, passing the following Resolutions.

Unless expressly stated otherwise, terms defined in the Prospectus of the Company dated 22 March 2016 shall have the same meaning in this Notice of General Meeting.

ORDINARY RESOLUTION

1. THAT, the Directors be and they are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 in substitution for all existing authorities (but without prejudice to allotments made pursuant to those authorities) to exercise all the powers of the Company to:
 - (a) allot equity securities (within the meaning of section 560(1) of the Companies Act 2006) in the Company up to an aggregate nominal amount of £18,750,000 in connection with one or more issues of New Shares pursuant to the Capital Raising, such authority to expire on the date three months after the passing of this resolution (save that the Company may before such expiry make any offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if the authority had not expired); and
 - (b) allot shares in the Company and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (together “**Relevant Securities**”) up to an aggregate nominal amount of £24,859,459.00; and
 - (c) allot equity securities (within the meaning of section 560(1) of the Companies Act) up to an additional aggregate nominal amount of £24,859,459.00 provided that this authority may only be used in connection with a rights issue in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record date as the Directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever,

provided that the authorities in Resolutions (b) and (c) shall expire at the conclusion of the next annual general meeting of the Company after the passing of this Resolution or if earlier on the date of which is 15 months after the date on which this Resolution is passed except that the Company may before such expiry make any offer or agreement which would or might require Relevant Securities or equity securities as the case may be to be allotted after such expiry and the Directors may allot Relevant Securities or equity securities in pursuance of any such offer or agreement as if the authority in question had not expired.

SPECIAL RESOLUTIONS

2. THAT, subject to the passing of Resolution 1, the Directors be and are hereby empowered:
- (a) in accordance with sections 570 and 573 of the Companies Act 2006 to allot equity securities (within the meaning of section 560(1) of the Companies Act 2006) as if section 561(1) of the Companies Act 2006 did not apply to any allotment which is the subject of the authority conferred by Resolution 1(a) above, such power to expire on the date three months after the passing of this Resolution (save that the Company may before such expiry make any offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if the power had not expired); and
 - (b) in accordance with sections 570 and 573 of the Companies Act 2006 in substitution for all existing authorities (but without prejudice to any allotments made pursuant to that authority) to allot equity securities (within the meaning of section 560(1) of the Companies Act 2006) for cash pursuant to the authority conferred by Resolutions 1(b) and (c) above or by way of a sale of treasury shares as if section 561(1) of the Companies Act 2006 did not apply to any such allotment provided that this power shall be limited to:
 - (i) the allotment of equity securities in connection with a rights issue or other *pro rata* offer (but in the case of the authority granted by Resolution 1(c), by way of a rights issue only) in favour of the holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record date as the Directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities, subject in each case to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever; and
 - (ii) the allotment (otherwise than pursuant to Resolution 2(b)(i) above) of equity securities up to an aggregate nominal amount of £3,728,918,and shall expire upon the expiry of the general authority conferred by Resolutions 1(b) and (c) above, except that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the Directors may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offer or agreement as if the power confirmed by this Resolution had not expired.
3. THAT, the Company be and is hereby generally and unconditionally authorised, in accordance with section 701 of the Companies Act 2006, in substitution for all existing authorities, to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of ordinary shares of 12.5 pence each in the capital of the Company on such terms and in such manner as the Directors may from time to time determine provided that:
- (a) the maximum number of ordinary shares authorised to be purchased is 59,662,702;
 - (b) the minimum price which may be paid for an ordinary share is 12.5 pence (exclusive of expenses payable by the Company);
 - (c) the maximum price which may be paid for an ordinary share (exclusive of expenses payable by the Company) cannot be more than the higher of:
 - (i) 105 per cent. of the average market value of an ordinary share for the five business days prior to the day on which the ordinary share is contracted to be purchased; and
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(ii) the value of an ordinary share calculated on the basis of the higher of:

(A) the last independent trade of; or

(B) the highest current independent bid for,

any number of ordinary shares on the trading venue where the market purchase by the Company will be carried out,

and the authority conferred by this Resolution shall expire at the conclusion of the next annual general meeting of the Company except that the Company may before such expiry make a contract to purchase its own shares which will or may be completed or executed wholly or partly after such expiry.

Dated: 22 March 2016

Registered Office:

5th Floor

Greener House

66-68 Haymarket

London SW1Y 4RF

By order of the Board
Nexus Management Services Limited
Company Secretary

Notes:

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the general meeting. A shareholder may appoint more than one proxy in relation to the general meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which in aggregate should not exceed the number of shares held by you). Please indicate if the proxy instruction is one of multiple instructions being given. All proxy forms must be signed and should be returned together in the same envelope.
2. A proxy form is provided with this notice and instructions for use are shown on the proxy form. In order to be valid, a completed proxy form must be returned to the Company by one of the following methods:
 - in hard copy form by post, by courier or by hand to the Company's Registrar, Equiniti at the address shown on the proxy form to be received not less than 48 hours before the time fixed for the general meeting or any adjournment(s) thereof (excluding any part of any day that is not a working day); or
 - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below, which must be received by Equiniti not less than 48 hours before the time fixed for the general meeting or any adjournment(s) thereof (excluding any part of any day that is not a working day). Please note that any electronic communication sent to Equiniti in respect of the appointment of a proxy that is found to contain a computer virus will not be accepted.

As an alternative to completing the hard-copy proxy form, you can appoint a proxy electronically by logging onto the website www.sharevote.co.uk and entering your Voting ID, Task ID and Shareholder Reference Number shown on your proxy form. For an electronic proxy appointment to be valid your appointment must be received by Equiniti no later than 10.00 a.m. on 11 April 2016.
3. To change your proxy instructions you may return a new proxy appointment using the methods set out above. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others.
4. The return of a completed proxy form will not prevent a shareholder attending the general meeting and voting in person if he/she wishes to do so.
5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
6. In order for a proxy appointment or instruction made using a CREST service to be valid the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Equiniti agent ID RA19 no later than 48 hours (excluding any part of a day that is not a working day) before the meeting.

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7. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
 8. CREST members and where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal systems timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and where applicable, their CREST sponsors or voting service provider(s) are referred in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
 9. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Companies Act ("Nominated Persons"). The right to appoint proxies does not apply to Nominated Persons: they can only be exercised by the member. However, in accordance with section 149(2) of the Companies Act, a Nominated Person may have a right under an agreement with the registered member who has nominated him to be appointed or to have someone else appointed, as a proxy for this meeting. If a Nominated Person does not have such right, or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated Persons should contact the registered member by whom they were nominated in respect of these arrangements.
 10. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
 11. You may not use any electronic address provided either in this notice of general meeting or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.
 12. To be entitled to attend and vote at the general meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 6.00 p.m. on 11 April 2016 or, in the event of any adjournment, 6.00 p.m. on the date which is two days before the time of the adjourned meeting (excluding any part of any day that is not a working day). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting or adjourned meeting.
 13. Any member attending the general meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the general meeting but no such answer need be given if:
 - to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
 - the answer has already been given on a website in the form of an answer to a question; or
 - it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
 14. A copy of this notice, and other information required by section 311A of the Companies Act, can be found at www.phpgroup.co.uk.
 15. As at 21 March 2016 the Company's issued share capital consisted of 446,627,017 Ordinary Shares carrying one vote each and therefore the total number of voting rights is 446,627,017.
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APPENDIX 1

QUESTIONS AND ANSWERS ON THE OPEN OFFER

The questions and answers set out in this Appendix 1 are intended to be in general terms only and, as such, you should read Appendix 2 of this document for full details of what action you should take. If you are in any doubt as to what action you should take, please consult your stockbroker, bank manager, solicitor, accountant, or other independent financial adviser, duly authorised under FSMA if you are resident in the United Kingdom, or, if not, from another appropriately authorised financial adviser.

This Appendix 1 deals with general questions relating to the Open Offer and more specific questions relating to Ordinary Shares held by persons resident in the United Kingdom who hold their Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 6 of Appendix 2 of this document and you should take professional advice as to whether you are eligible and/or need to observe any formalities to enable you to take up any entitlements. If you hold your Ordinary Shares in uncertificated form (that is, through CREST), you should read Appendix 2 of this document for full details of what action you should take. If you are a CREST sponsored member, you should also consult your CREST Sponsor. If you do not know whether your Ordinary Shares are in certificated or uncertificated form, please call the Shareholder Helpline on 0333 207 6370 or if telephoning from outside the UK, on +44 (0) 121 415 0942 between 8.30 a.m. and 5.30 p.m. Monday to Friday (except on public holidays in England and Wales). Calls to the Shareholder Helpline from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.

For legal reasons, the Shareholder Helpline will be unable to give advice on the merits of the Capital Raising or to provide legal, financial, tax or investment advice.

1. WHAT IS AN OPEN OFFER?

An open offer is a way for companies to raise money. Companies do this by giving their existing shareholders a right to buy further shares in proportion to their existing shareholdings.

The offer under the Open Offer is 1 Open Offer Share for every 10 Existing Ordinary Shares at a price of 100 pence per Open Offer Share. If you held Ordinary Shares on the Record Date and did not sell them before the ex-entitlement date, and are a Qualifying Shareholder, you will be entitled to subscribe for Open Offer Shares under the Open Offer. If you hold your Ordinary Shares in certificated form, your entitlement will be set out in your Application Form.

Open Offer Shares are being offered to Qualifying Shareholders in the Open Offer at a discount to the share price on the last dealing day before the details of the Open Offer were announced on 22 March 2016. The Issue Price of 100 pence per Open Offer Share represents a discount of approximately 9.5 per cent. to the Closing Price as derived from the Daily Official List of 110.5 pence per Ordinary Share on 21 March 2016, the last Business Day prior to the date of announcement of the terms of the Open Offer.

An Open Offer is not a rights issue and therefore, if you are a Qualifying Shareholder and you do not want to buy the Open Offer Shares to which you are entitled, you will not be able to sell or transfer your entitlement to those Open Offer Shares.

Qualifying Shareholders are also being given the opportunity to apply, under the Excess Application Facility, for Excess Shares in excess of their Basic Entitlements which may be allocated in such manner as the Directors determine in their absolute discretion. As such, no assurance can be given that applications under the Excess Application Facility will be met in full or in part or at all.

2. WHAT IS AN APPLICATION FORM?

It is a form sent to those Qualifying Shareholders who hold their Existing Ordinary Shares in certificated form. It sets out your Basic Entitlement and is a form which you should complete if you want to participate in the Open Offer.

3. WHAT IF I HAVE NOT RECEIVED AN APPLICATION FORM?

If you have not received an Application Form and you do not hold your Existing Ordinary Shares in CREST, this probably means that you are not eligible to participate in the Open Offer. Some Qualifying Shareholders, however, will not receive an Application Form but may still be able to participate in the Open Offer, including:

- Qualifying CREST Shareholders; and
- Qualifying Non-CREST Shareholders who bought Ordinary Shares before the ex-entitlement date but were not registered as the holders of those Ordinary Shares at the Record Date (see below).

4. I HOLD MY ORDINARY SHARES IN CERTIFICATED FORM. HOW DO I KNOW IF I AM ABLE TO ACQUIRE OPEN OFFER SHARES UNDER THE OPEN OFFER?

If you receive an Application Form and you are a Qualifying Shareholder then you should be eligible to acquire Open Offer Shares under the Open Offer (as long as you did not sell all of your Ordinary Shares before 8.00 a.m. on 22 March 2016 (the time when the Ordinary Shares were marked “ex-entitlements” by the London Stock Exchange)).

5. I HOLD MY ORDINARY SHARES IN CERTIFICATED FORM. WHAT DO I NEED TO DO IN RELATION TO THE OPEN OFFER?

If you hold your Ordinary Shares in certificated form and are not an Overseas Shareholder, you should have received an Application Form with this document that shows:

- (a) how many Ordinary Shares you held at the close of business on 18 March 2016 (the Record Date for the Open Offer);
- (b) how many Open Offer Shares you are entitled to buy; and
- (c) how much you need to pay if you want to take up your entitlement to buy all the Open Offer Shares which you are entitled to buy.

If you are an Overseas Shareholder, subject to certain exceptions, you will not have received and will not receive an Application Form.

6. I AM A QUALIFYING SHAREHOLDER AND I HOLD MY ORDINARY SHARES IN CERTIFICATED FORM. WHAT ARE MY CHOICES AND WHAT SHOULD I DO WITH THE APPLICATION FORM?

(a) If you want to take up all of your Basic Entitlements

If you want to take up all of your Basic Entitlements to acquire Open Offer Shares, you should complete and sign your Application Form, and send this, together with your cheque or banker's draft in Pounds Sterling for the full amount of your Basic Entitlements, payable to ***Equiniti Limited re: Primary Health Properties PLC – Open Offer plc*** and crossed ***A/C Payee Only***, by post or by hand (during normal business hours only) to Equiniti, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, to arrive by no later than 11.00 a.m. on 12 April 2016. Within the UK only, you can use the reply-paid envelope which will be enclosed with the Application Form. Full instructions are set out in Appendix 2 of this document and in the Application Form.

Please note third party cheques may not be accepted other than building society cheques or banker's drafts. If payment is made by building society cheque (not being drawn on an account of the Applicant) or a banker's draft, the building society or bank must insert details of the full name of the account holder and add the building society or bank branch stamp. The name of the account holder must be the same as the name of the Applicant.

Subject to Shareholders approving the Resolutions at the General Meeting to be held on 13 April 2016 and Admission occurring thereafter, a definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you by no later than 21 April 2016.

(b) **If you want to take up more than your Basic Entitlements**

If you want to take up more than your Basic Entitlements to acquire Open Offer Shares, you should complete Boxes 4, 5, 6 and 7 of the Application Form in addition to completing the remainder of and signing the Application Form, and send this, together with your cheque or banker's draft in Pounds Sterling for the full amount of your Basic Entitlements plus the amount of Excess Shares you wish to subscribe for, in accordance with paragraph (a) above.

Please note that applications for Excess Shares will only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Entitlements in full and will be allocated as the Directors determine in their absolute discretion.

(c) **If you do not want to take up your Basic Entitlements at all**

If you do not want to take up your Basic Entitlements to Open Offer Shares, you do not need to do anything. If you do not return your Application Form subscribing for the Open Offer Shares to which you are entitled by 11.00 a.m. on 12 April 2016 and to the extent such Open Offer Shares are not taken up under the Excess Application Facility, the size of the Open Offer will be reduced. You will not receive any payment in respect of any entitlement which is not taken up by you.

(d) **If you want to take up some but not all of your Basic Entitlements**

If you want to take up some but not all of your entitlement, you should complete Boxes 4, 5, 6 and 7 on the Application Form and return it together with your cheque or banker's draft in Pounds Sterling for the full amount due, payable to *Equiniti Limited re: Primary Health Properties PLC – Open Offer a/c* and crossed *A/C Payee Only*, by post or by hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, to arrive by no later than 11.00 a.m. on 12 April 2016. Within the UK only, you can use the reply-paid envelope which will be enclosed with the Application Form. Full instructions are set out in Appendix 2 of this document and in the Application Form.

7. I ACQUIRED MY ORDINARY SHARES PRIOR TO THE RECORD DATE AND HOLD MY ORDINARY SHARES IN CERTIFICATED FORM. WHAT IF I DO NOT RECEIVE AN APPLICATION FORM?

If you have not received an Application Form with this document but hold your Ordinary Shares in certificated form, this probably means that you are not able to participate in the Open Offer. Some Qualifying Non-CREST Shareholders, however, will not receive an Application Form but may still be eligible to acquire Open Offer Shares under the Open Offer, namely:

- (a) Qualifying CREST Shareholders who held their Ordinary Shares in uncertificated form on 18 March 2016 and who have converted them to certificated form;
- (b) Shareholders who bought Ordinary Shares before 18 March 2016 and who hold such Ordinary Shares in certificated form but were not registered as the holders of those Ordinary Shares at the close of business on 18 March 2016; and
- (c) certain Overseas Shareholders.

If you have not received an Application Form but think that you should have received one, please contact the Shareholder Helpline on 0333 207 6370 within the UK or, if telephoning from outside of the UK on +44 (0) 121 415 0942 between 8.30 a.m. and 5.30 p.m. Monday to Friday (except public holidays in England and Wales). Calls to the Shareholder Helpline from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. For legal reasons, the Shareholder Helpline will only be able to provide information contained in this document (and in addition information relating to PHP's register of members) and will be unable to give advice on the merits of the Capital Raising or to provide financial, tax or investment advice.

If you bought your Ordinary Shares before the Record Date but were not the registered holder of those Ordinary Shares at close of business on the Record Date you should consult your stockbroker, bank manager or other appropriate financial adviser, or whoever arranged your share purchase to ensure you can claim your entitlement.

8. IF I BUY ORDINARY SHARES AFTER THE RECORD DATE WILL I BE ELIGIBLE TO PARTICIPATE IN THE OPEN OFFER?

If you bought Ordinary Shares after the Record Date but prior to 8.00 a.m. on 22 March 2016 (the time when the Ordinary Shares are expected to start trading ex-entitlements on the London Stock Exchange), you may be eligible to participate in the Open Offer.

If you are in any doubt, please consult your stockbroker, bank manager or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement. If you bought Ordinary Shares at or after 8.00 a.m. on 22 March 2016, you will not be eligible to participate in the Open Offer in respect of those Ordinary Shares.

9. I HOLD MY ORDINARY SHARES IN CERTIFICATED FORM. IF I TAKE UP MY ENTITLEMENT, WHEN WILL I RECEIVE THE CERTIFICATE REPRESENTING MY OPEN OFFER SHARES?

If you take up your entitlement under the Open Offer, share certificates for the Open Offer Shares are expected to be posted by no later than 21 April 2016.

10. WHAT IF THE NUMBER OF OPEN OFFER SHARES TO WHICH I AM ENTITLED IS NOT A WHOLE NUMBER, AM I ENTITLED TO FRACTIONS OF OPEN OFFER SHARES?

Your Basic Entitlements to Open Offer Shares were calculated at the Record Date (other than in the case of those who bought shares after the Record Date but prior to 8.00 a.m. on 22 March 2016 who are eligible to participate in the Open Offer). If the result is not a whole number, you will not receive an Open Offer Share in respect of the fraction of an Open Offer Share and your Basic Entitlements have been rounded down to the nearest whole number. Any fractional entitlements to Open Offer Shares will be aggregated and sold for the benefit of the Company under the Excess Application Facility and/or the Placing and/or the Offer for Subscription.

11. WILL I BE TAXED IF I TAKE UP MY ENTITLEMENT?

If you are resident in the UK for tax purposes, you should not have to pay UK tax when you take up your entitlement, although the Open Offer will affect the amount of UK tax you may pay when you subsequently sell your Ordinary Shares.

Further information for Qualifying Shareholders who are resident in the UK for tax purposes is contained in paragraph 11 of Part 7 of this document. This information is intended as a general guide to the current tax position in the UK and Qualifying Shareholders should consult their own appropriately qualified tax advisers regarding the tax treatment of the Open Offer in light of their own circumstances. Qualifying Shareholders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult an appropriate professional adviser as soon as possible. Please note that the Shareholder Helpline will not be able to assist you with taxation issues.

12. I HOLD MY ORDINARY SHARES IN CERTIFICATED FORM. WHAT IF I WANT TO SELL THE OPEN OFFER SHARES FOR WHICH I HAVE PAID?

Provided the Open Offer Shares have been paid for and Admission occurs, you will be able to sell your Open Offer Shares in the normal way. The share certificate relating to your Open Offer Shares is expected to be despatched to you by no later than 21 April 2016. Pending despatch of the share certificate, instruments of transfer will be certified by the Registrar against the register.

Further details are set out in Appendix 2 of this document.

13. WHAT SHOULD I DO IF I LIVE OUTSIDE THE UK?

Whilst you may have an entitlement to participate in the Open Offer, your ability to take up entitlements to Open Offer Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your entitlement. Shareholders with registered addresses outside the UK are not generally able to acquire Open Offer Shares under the Open Offer. Your attention is drawn to the information in paragraph 6 of Appendix 2 of this document.

14. HOW DO I TRANSFER MY ENTITLEMENT INTO THE CREST SYSTEM?

If you are a Qualifying Non-CREST Shareholder but are a CREST Member and want your Open Offer Shares to be in uncertificated form, you should complete the CREST Deposit Form (set out in Box 11 of the Application Form), and ensure they are delivered to CCSS to be received by 3.00 p.m. on 7 April 2016 at the latest. CREST Sponsored Members should arrange for their CREST Sponsors to do this.

If you have transferred your entitlement into the CREST system, you should refer to paragraph 2.2 of Appendix 2 of this document for details on how to pay for the Open Offer Shares.

15. WHAT SHOULD I DO IF I THINK MY HOLDING OF ORDINARY SHARES IS INCORRECT?

If you have bought or sold Ordinary Shares shortly before 18 March 2016, your transaction may not be entered on the register of members in time to appear on the register at the Record Date. If you are concerned about the figure in the Application Form or otherwise concerned that your holding of Ordinary Shares is incorrect, please contact the Shareholder Helpline on 0333 207 6370 within the UK or, if telephoning from outside the UK, on +44 (0) 121 415 0942 between 8.30 a.m. and 5.30 p.m. Monday to Friday (except public holidays in England and Wales). Calls to the Shareholder Helpline from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.

For legal reasons, the Shareholder Helpline will only be able to provide information contained in this document (and, in addition, information relating to PHP's register of members) and will be unable to give advice on the merits of the Capital Raising or to provide legal, financial, tax or investment advice.

APPENDIX 2

TERMS AND CONDITIONS OF THE OPEN OFFER

INTRODUCTION

As explained in the letter from the Chairman set out in Part 1 of this document, the Company is proposing to raise approximately £120.0 million (approximately £116.2 million net of expenses), with the ability to increase the size of the Issue by up to 25.0 per cent. to approximately £150.0 million, by way of the Capital Raising. Assuming an Issue size of approximately £120.0 million, of the New Shares being issued, 60,000,000 of the New Shares will be issued through the Firm Placing and 60,000,000 of the New Shares will be issued through the Placing, Open Offer and Offer for Subscription. Qualifying Shareholders are being offered the right to subscribe for Open Offer Shares in accordance with the terms of the Open Offer. Qualifying Shareholders are not being offered the right to subscribe for the Firm Placed Shares or the Placed Shares.

This Appendix 2 and, where applicable, the accompanying Application Form, contain the formal terms and conditions of the Open Offer. Your attention is drawn to the letter from the Chairman in Part 1 of this document, which sets out the background to and reasons for the Capital Raising.

The Record Date for entitlements under the Open Offer for Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders is close of business on 18 March 2016. Application Forms are expected to be posted to Qualifying Non-CREST Shareholders on the date of this document. Basic Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders in CREST on 23 March 2016. The latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) is expected to be 11.00 a.m. on 12 April 2016 with Admission and commencement of dealings in the New Shares expected to take place at 8.00 a.m. on 14 April 2016.

The Open Offer is an opportunity for Qualifying Shareholders to apply for, in aggregate, 0.10 Open Offer Shares *pro rata* to their current holdings at the Issue Price of 100 pence per share in accordance with the terms of the Open Offer.

Any Qualifying Shareholder who has sold or transferred all or part of his/her registered holding(s) of Ordinary Shares prior to close of business on 18 March 2016 is advised to consult his or her stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from him/her by the purchasers under the rules of the London Stock Exchange.

1. DETAILS OF THE OPEN OFFER

Qualifying Shareholders are hereby invited to apply for Open Offer Shares at the Issue Price, payable in full on application.

The Issue Price of 100 pence per Open Offer Share represents a discount of approximately 9.5 per cent. to the Closing Price of an Ordinary Share of 110.5 pence on 21 March 2016 (the latest practicable date prior to the announcement of the Capital Raising on 22 March 2016).

The Open Offer is made on the terms and subject to the conditions set out in this Appendix 2 and in the Application Form accompanying this document.

Qualifying Shareholders have Basic Entitlements of:

1 Open Offer Share for every 10 Existing Ordinary Shares

registered in their name at the close of business on the Record Date and so in proportion for any greater or lesser number of Ordinary Shares then held.

Where appropriate, Basic Entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of Open Offer Shares and any fractional entitlements to Open Offer Shares will not be allocated but will be aggregated and sold for the benefit of the Company under the Excess Application Facility and/or the Placing and/or the Offer for Subscription.

The Basic Entitlements, in the case of Qualifying Non-CREST Shareholders, is set out in Box 2 on their Application Form or, in the case of Qualifying CREST Shareholders, is equal to the number of Basic Entitlements standing to the credit of their stock account in CREST.

The Excess Application Facility enables Qualifying Shareholders to apply for any whole numbers of Excess Shares in excess of their Basic Entitlements. Qualifying Non-CREST Shareholders who wish to apply to subscribe for more than their Basic Entitlements should complete Boxes 4, 5, 6 and 7 on the Application Form. There is no limit on the amount of New Shares that can be applied for by Qualifying Shareholders under the Excess Application Facility, save that the maximum amount of New Shares to be allotted under the Excess Application Facility will be limited by the maximum size of Issue (as may be increased by the Directors by up to 25.0 per cent. to approximately £150.0 million) less the aggregate of the Firm Placed Shares, the New Shares issued under the Open Offer pursuant to Qualifying Shareholders' Basic Entitlements and any New Shares that the Directors determine to issue under the Placing and the Offer for Subscription.

Excess applications may be allocated in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all. Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer.

Assuming that the size of the Issue is approximately £120.0 million, if a Qualifying Shareholder does not take up his Basic Entitlements in full, such Qualifying Shareholder's holding will be diluted by up to approximately 21.2 per cent. as a result of the Firm Placing and the Placing, Open Offer and Offer for Subscription. A Qualifying Shareholder who takes up his Basic Entitlements in full in respect of the Open Offer (but does not receive any other New Shares pursuant to the Capital Raising) will suffer dilution of approximately 13.3 per cent. to his shareholding in the Company as a result of the Firm Placing.

If the Directors increase the Issue by 25.0 per cent., the size of the Issue will be approximately £150.0 million and if a Qualifying Shareholder does not take up his Basic Entitlements in full, such Qualifying Shareholder's holding will be diluted by up to approximately 25.1 per cent. as a result of the Firm Placing and the Placing, Open Offer and Offer for Subscription. A Qualifying Shareholder who takes up his Basic Entitlements in full in respect of the Open Offer (but does not receive any other New Shares pursuant to the Capital Raising) will suffer dilution of approximately 17.7 per cent. to his shareholding in the Company as a result of the Firm Placing and the increase in size of the Issue.

Shareholders who are not Qualifying Shareholders subject to certain exceptions, will be diluted by approximately 21.2 per cent, assuming the size of the Issue is approximately £120.0 million, or 25.1 per cent, if the Directors increase the size of the Issue to approximately £150.0 million.

The Open Offer is not a rights issue. Qualifying CREST Shareholders should note that, although the Basic Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Basic Entitlements and Excess CREST Open Offer Entitlements may only be made by the Qualifying CREST Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by the CREST claims processing unit. Qualifying Non-CREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded. Open Offer Shares not applied for under the Open Offer will not be sold in the market for those who do not apply to take up their Basic Entitlements and Excess CREST Open Offer Entitlements. Any Open Offer Shares not applied for under the Open Offer may be taken up pursuant to the Placing and/or the Offer for Subscription and the net proceeds held for the benefit of the Company.

The attention of Overseas Shareholders is drawn to paragraph 6 of this Appendix 2.

The Open Offer will remain open for acceptance until 11.00 a.m. on 12 April 2016.

The Open Offer Shares will when issued and fully paid, rank in full for all dividends and other distributions declared, made or paid, if any, by reference to a record date after the date of their issue and otherwise *pari passu* in all respects with the Ordinary Shares. The Open Offer Shares will not qualify for the dividend to be declared on or about 31 March 2016 payable to Shareholders on the Company's register as at or about 8 April 2016. The Open Offer Shares are not being made available

in whole or in part to the public except under the terms of the Open Offer and the Offer for Subscription.

The Capital Raising is conditional on the Placing Agreement becoming or being declared unconditional in all respects and not being terminated before Admission. The principal conditions to the Placing Agreement are:

- the passing of the Resolutions without amendment to be proposed at the General Meeting to be held on 13 April 2016;
- the Placing Agreement having become unconditional in all respects save for the condition relating to Admission and not being terminated in accordance with its terms before Admission occurs; and
- Admission occurring by not later than 8.00 a.m. (London time) on 14 April 2016 (or such later time and date as the Company, Numis and Peel Hunt may agree, not being later than 8.00 a.m. (London time) on 28 April 2016).

All monies received by the Receiving Agent in respect of Open Offer Shares will be held in a separate account by the Receiving Agent.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.

2. PROCEDURE FOR APPLICATION AND WITHDRAWAL RIGHTS

If you are in any doubt as to the action you should take, or the contents of this document, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent adviser duly authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

The action to be taken by you in respect of the Open Offer depends on whether at the relevant time you have an Application Form in respect of your entitlement under the Open Offer or you have Basic Entitlements credited to your CREST stock account in respect of such entitlement.

CREST Sponsored Members should refer to their CREST Sponsor, as only their CREST Sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Basic Entitlements of such members held in CREST. CREST Members who wish to apply under the Open Offer in respect of their Basic Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

Subject to the provisions of paragraph 4 of this Appendix 2 entitled “Settlements and dealings”, Qualifying Shareholders who hold their Ordinary Shares in certificated form will be allotted Open Offer Shares in certificated form to the extent that their entitlement to the Open Offer Shares arises as a result of holding Ordinary Shares in certificated form. Qualifying Shareholders who hold part of their Ordinary Shares in uncertificated form will be allotted Open Offer Shares in uncertificated form to the extent that their entitlement to the Open Offer Shares arises as a result of holding Ordinary Shares in uncertificated form.

Qualifying Shareholders who do not want to apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form.

2.1 If you have an Application Form in respect of your entitlement under the Open Offer

2.1.1 General

Subject as provided in paragraph 6 of this Appendix 2 in relation to certain Overseas Shareholders, Qualifying Non-CREST Shareholders will have received an Application Form enclosed with this document. The Application Form shows the number of Ordinary Shares registered in your name at the close of business on the Record Date. It also shows the number of Open Offer Shares which represent your Basic Entitlement. You may apply for more than your Basic Entitlement pursuant to the Excess Application Facility should

you wish to do so (see paragraph 2.1.3 below). You may also hold such an Application Form by virtue of a *bona fide* market claim.

Your Basic Entitlement to Open Offer Shares will be rounded down to the nearest whole number. Fractional entitlements arising will not be allocated but will be aggregated and sold for the benefit of the Company under the Excess Application Facility and/or the Placing and/or the Offer for Subscription.

The instructions and other terms set out in the Application Form form part of the terms of the Open Offer in relation to Qualifying Non-CREST Shareholders.

2.1.2 *Market claims*

Applications for the Open Offer Shares may only be made on the Application Form which is personal to the Qualifying Non-CREST Shareholder named thereon, and may not be sold, assigned or transferred, except to satisfy *bona fide* market claims in relation to purchases of Ordinary Shares through the market prior to the date on which, pursuant to the Listing Rules, the Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer. Application Forms may be split, but only to satisfy *bona fide* market claims, up to 3.00 p.m. on 8 April 2016. A Qualifying Non-CREST Shareholder who has, prior to the “ex-entitlement” date, sold or otherwise transferred some or all of their Ordinary Shares should contact their stockbroker, bank or other agent authorised under FSMA through whom the sale or transfer was effected as soon as possible and refer to the instructions regarding split applications set out in the accompanying Application Form, since the invitation to subscribe for Open Offer Shares under the Open Offer may, under the Listing Rules, represent a benefit which can be claimed from them by purchasers or transferees.

If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in paragraph 2.2.7 below entitled “Deposit of Basic Entitlements into, and withdrawal from, CREST”.

2.1.3 *Excess Applications*

Qualifying Non-CREST Shareholders may apply to acquire Excess Shares using the Excess Application Facility, should they wish. Qualifying Non-CREST Shareholders wishing to apply for Excess Shares may do so by completing Boxes 4, 5, 6 and 7 of the Application Form. There is no limit on the amount of New Shares that can be applied for by Qualifying Shareholders under the Excess Application Facility, save that the maximum amount of New Shares to be allotted under the Excess Application Facility will be limited by the maximum size of Issue (as may be increased by the Directors by up to 25.0 per cent. to approximately £150.0 million) less the aggregate of the Firm Placed Shares, the New Shares issued under the Open Offer pursuant to Qualifying Shareholders’ Basic Entitlements and any New Shares that the Directors determine to issue under the Placing and the Offer for Subscription. The total number of Open Offer Shares is fixed and will not be increased in response to any excess applications. Applications for Excess Shares will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Entitlements in full. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that applications by Qualifying Non-CREST Shareholders under the Excess Application Facility will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the Applicant (at the Applicant’s risk) without interest as soon as practicable thereafter by way of cheque.

2.1.4 *Application procedures*

Qualifying Non-CREST Shareholders wishing to apply for all or any of the Open Offer Shares to which they are entitled should complete and sign the enclosed Application Form

in accordance with the instructions thereon and send or deliver it, in the reply-paid envelope provided, together with a remittance for the full amount payable, to Equiniti, either by post or by hand (during normal business hours only) to Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to arrive as soon as possible and, in any event, so as to arrive no later than 11.00 a.m. on 12 April 2016, at which time the Open Offer will close. Application Forms received after this time will not be accepted. Applications, once made, will be irrevocable (save for any statutory withdrawal rights arising after the publication of a prospectus supplementing this document) and will not be acknowledged. Multiple applications will not be accepted.

Numis, Peel Hunt and the Company reserve the right (but shall not be obliged) to treat an Application Form as valid and binding on the person(s) by whom or for whose benefit it is lodged even if such an Application Form is not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required or which otherwise does not strictly comply with the terms and conditions of the Open Offer. Numis, Peel Hunt and the Company further reserve the right (but shall not be obliged) to accept either Application Forms and remittances received after 11.00 a.m. on 12 April 2016 but not later than 2.00 p.m. on 12 April 2016 or applications in respect of which remittances are received before 2.00 p.m. on 12 April 2016 from authorised persons (as defined in FSMA) specifying the Open Offer Shares applied for and undertaking to lodge the Application Form in due course but, in any event, within two Business Days. If an Application Form is sent by post, Qualifying Non-CREST Shareholders are recommended to allow at least four working days for delivery.

2.1.5 *Payments*

All payments by Qualifying Non-CREST Shareholders must be made by cheque or banker's draft in Pounds Sterling drawn on an account at a bank or building society in the United Kingdom, the Channel Islands or the Isle of Man, which is either a settlement member of the Cheque and Credit Clearing Company Limited or of the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided for members of either of those companies, and must bear the appropriate sort code number in the top right-hand corner. Any application which does not comply with these requirements will be treated as invalid.

Cheques or banker's drafts should be made payable to “Equiniti Limited re Primary Health Properties PLC – Open Offer plc” and crossed “A/C Payee Only”.

Any person returning an Application Form with a remittance in the form of a cheque thereby warrants that the cheque will be honoured on first presentation. If cheques or banker's drafts are presented for payment before the conditions of the Open Offer are satisfied, the monies will be kept in a separate bank account until the conditions are fully met. In the event that the Capital Raising does not become unconditional by 8.00 a.m. (London time) on 14 April 2016 (or such later time and/or date, being not later than 8.00 a.m. (London time) on 28 April 2016, as Numis and Peel Hunt may agree), the Open Offer will lapse and all application monies will be returned (at the Applicant's sole risk) to Applicants as soon as practicable thereafter. If any cheque is not honoured on first presentation, the relevant application may be deemed to be invalid.

2.1.6 *Effect of application*

All documents and remittances sent by post by or to an Applicant (or as the Applicant may direct) will be sent at the Applicant's own risk. By completing and delivering an Application Form, you (as the Applicant(s)):

- (a) agree with the Company, Numis and Peel Hunt that all applications under the Open Offer, and contracts resulting therefrom, and any non-contractual obligations related thereto, shall be governed by, and construed in accordance with, the laws of England;

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- (b) confirm to the Company, Numis and Peel Hunt that in making the application you are not relying on any information or representation other than that contained in this document, and you accordingly agree that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and you further agree that, having had the opportunity to read this document, you will be deemed to have had notice of all the information concerning the Company contained herein (including information incorporated by reference);
 - (c) confirm to the Company, Numis and Peel Hunt that no person has been authorised to give any information or make any representation concerning the Company or the Group or the New Shares (other than as contained in this document) and if given or made any such information or representation should not be relied upon as having been authorised by the Company, Numis and Peel Hunt;
 - (d) represent and warrant to the Company, Numis and Peel Hunt that you are the Qualifying Shareholder originally entitled to the Basic Entitlements or, if you have received some or all of your Basic Entitlements from a person other than the Company, you are entitled to apply under the Open Offer in relation to such Basic Entitlements by virtue of a *bona fide* market claim;
 - (e) represent and warrant to the Company, Numis and Peel Hunt that you have the right, power and authority, and have taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise your rights, and perform your obligations under any contracts resulting therefrom and that you are not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
 - (f) request that the Open Offer Shares to which you will become entitled be issued to you on the terms set out in this document and the Application Form and subject to the Articles;
 - (g) represent and warrant to the Company, Numis and Peel Hunt that you are not, and you are not applying on behalf of any Shareholder who is, a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any jurisdiction outside the United Kingdom and you are not applying with a view to reoffering, reselling, transferring or delivering any of the Open Offer Shares which are the subject of this application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any jurisdiction outside the United Kingdom (in each case except where proof satisfactory to the Company, Numis and Peel Hunt has been provided to the Company that you are able to accept the invitation by the Company free of any requirement which the Company, Numis and Peel Hunt, in their absolute discretion, regard as unduly burdensome) nor are you acting on behalf of any such person on a non-discretionary basis;
 - (h) represent and warrant that you are not in the United States and you acknowledge that the offer and sale of the Open Offer Shares to you has been made outside of the United States in an “offshore transaction” as defined in, and pursuant to, Regulation S under the US Securities Act;
 - (i) represent and warrant to the Company, Numis and Peel Hunt that you are not and nor are you applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (depository receipts) or Section 96 (clearance services) of the Finance Act 1986; and
 - (j) confirm to the Company, Numis and Peel Hunt that in making the application you are not relying and have not relied on Numis or Peel Hunt or any person affiliated with Numis or Peel Hunt in connection with any investigation of the accuracy of any information contained in this document or your investment decision.
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All enquiries in connection with the procedure for application and completion of the Application Form should be addressed to Equiniti, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Please note Equiniti cannot provide financial advice on the merits of the Open Offer or as to whether you should take up your entitlement.

If you do not wish to apply for the Open Offer Shares under the Open Offer, you should take no action and should not complete or return the Application Form. You are, however, encouraged to vote at the General Meeting by completing and returning the enclosed Form of Proxy.

2.2 If your Basic Entitlements and Excess CREST Open Offer Entitlements are credited to your stock account in CREST

2.2.1 General

Subject as provided in paragraph 6 of this Appendix 2 in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his Basic Entitlements under the Open Offer plus an Excess CREST Open Offer Entitlement at a ratio of 10 Excess CREST Open Offer Entitlements for every Existing Ordinary Share held at the Record Date in order for any applications for Excess Shares to be settled through CREST. If a Qualifying Shareholder wishes to apply for more Excess Shares, such Qualifying CREST Shareholder should contact Equiniti to arrange for a further credit up to the maximum amount of New Shares to be issued under the Excess Application Facility.

Basic Entitlements to Open Offer Shares will be rounded down to the nearest whole number. Any fractional entitlements to New Shares arising will be aggregated and sold for the benefit of the Company under the Excess Application Facility and/or the Placing and/or the Offer for Subscription.

The CREST stock account to be credited will be an account under the Participant ID and Member Account ID that apply to the Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Basic Entitlements have been allocated.

If for any reason the Basic Entitlements and/or Excess CREST Open Offer Entitlements cannot be admitted to CREST by, or the stock accounts of Qualifying CREST Shareholders cannot be credited by 5.00 p.m. on 23 March 2016 or such later time as the Company may decide, an Application Form will be sent out to each Qualifying CREST Shareholder in substitution for the Basic Entitlements and Excess CREST Open Offer Entitlements which should have been credited to his stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying Non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive Application Forms.

CREST Members who wish to apply for some or all of their entitlements to Open Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact Equiniti on the telephone number set out on page 27 of this document. Please note that Equiniti cannot provide financial advice on the merits of the Open Offer or as to whether Applicants should take up their Basic Entitlements. If you are a CREST Sponsored Member you should consult your CREST Sponsor if you wish to apply for Open Offer Shares as only your CREST Sponsor will be able to take the necessary action to make this application in CREST.

2.2.2 Market claims

The Basic Entitlements will constitute a separate security for the purposes of CREST. Although Basic Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Basic Entitlements may only be made by the Qualifying CREST Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market

claim transaction. Transactions identified by the CREST claims processing unit as “cum” the Basic Entitlements will generate an appropriate market claim transaction and the relevant Basic Entitlements will thereafter be transferred accordingly.

Excess CREST Open Offer Entitlements will not be subject to Euroclear’s market claims process. Qualifying CREST Shareholders claiming Excess CREST Open Offer Entitlements by virtue of a bona fide market claim are advised to contact the Receiving Agent to request a credit of the appropriate number of entitlements to their CREST account.

2.2.3 *Excess applications*

Qualifying CREST Shareholders may apply to acquire Excess Shares using the Excess Application Facility, should they wish. The Excess Application Facility enables Qualifying CREST Shareholders to apply for Excess Shares in excess of their Basic Entitlements. There is no limit on the amount of New Shares that can be applied for by Qualifying Shareholders under the Excess Application Facility, save that the maximum amount of New Shares to be allotted under the Excess Application Facility will be limited by the maximum size of Issue (as may be increased by the Directors by up to 25.0 per cent. to approximately £150.0 million) less the aggregate of the Firm Placed Shares, the New Shares issued under the Open Offer pursuant to Qualifying Shareholders’ Basic Entitlements and any New Shares that the Directors determine to issue under the Placing and the Offer for Subscription.

Excess CREST Open Offer Entitlements may not be sold or otherwise transferred. Subject as provided in paragraph 6 of this Appendix 2 in relation to Overseas Shareholders, the CREST accounts of Qualifying CREST Shareholders will be credited with Excess CREST Open Offer Entitlements in order for any applications for Excess Shares to be settled through CREST.

Qualifying CREST Shareholders should note that, although the Basic Entitlements and the Excess CREST Open Offer Entitlements will be admitted to CREST, they will have limited settlement capabilities (for the purposes of market claims only). Neither the Basic Entitlements nor the Excess CREST Open Offer Entitlements will be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim.

To apply for Excess Shares pursuant to the Open Offer, Qualifying CREST Shareholders should follow the instructions in paragraph 2.2.6 below and must not return a paper form and cheque. Should a transaction be identified by the CREST claims processing unit as “cum” the Basic Entitlements and the relevant Basic Entitlements are transferred, the Excess CREST Open Offer Entitlements will not transfer with the Basic Entitlements claim, but will need to be claimed separately by the purchaser who is advised to contact the Receiving Agent to request a credit of the appropriate number of Excess CREST Open Offer Entitlements to their CREST account. Please note that a separate USE instruction must be sent to Euroclear in respect of any application under the Excess CREST Open Offer Entitlements.

The total number of Open Offer Shares is fixed and will not be increased in response to applications under the Excess Application Facility. Applications under the Excess Application Facility will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Entitlements in full or where fractional entitlements have been aggregated and made available under the Excess Application Facility and/or the Placing and/or the Offer for Subscription. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that the applications by Qualifying Shareholders will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the Applicant (at the Applicant’s risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

All enquiries in connection with the procedure for application to the Excess Application Facility and your Excess CREST Open Offer Entitlement should be addressed to Equiniti, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Equiniti can be contacted on 0333 207 6370 or, if telephoning from outside the UK, on +44 (0) 121 415 0942 between 8.30 a.m. and 5.30 p.m. Monday to Friday (except public holidays in England and Wales). Calls to the Shareholder Helpline from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Please note Equiniti cannot provide financial advice on the merits of the Capital Raising or as to whether you should take up your entitlement.

2.2.4 *USE instructions*

Qualifying CREST Shareholders who wish to apply for Open Offer Shares in respect of all or some of their Basic Entitlements in CREST must send (or, if they are CREST Sponsored Members, procure that their CREST Sponsor sends) an Unmatched Stock Event (“USE”) instruction to Euroclear which, on its settlement, will have the following effect:

- (a) the crediting of a stock account of Equiniti under the Participant ID and Member Account ID specified below, with Basic Entitlements corresponding to the number of Open Offer Shares applied for; and
- (b) the creation of a CREST payment, in accordance with the CREST payment arrangements, in favour of the payment bank of Equiniti in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph 2.2.4(a) above.

2.2.5 *Content of USE instructions in respect of Basic Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear’s specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (a) the number of Open Offer Shares for which application is being made (and hence the number of the Basic Entitlements being delivered to Equiniti);
- (b) the ISIN of the Basic Entitlements. This is GB00BYW8JW47;
- (c) the Participant ID of the accepting CREST Member;
- (d) the Member Account ID of the accepting CREST Member from which the Basic Entitlements is to be debited;
- (e) the Participant ID of Equiniti, in its capacity as a CREST Receiving Agent. This is 2RA44
- (f) the Member Account ID of Equiniti, in its capacity as a CREST Receiving Agent. This is RA224201;
- (g) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph 2.2.5(a) above;
- (h) the intended settlement date. This must be on or before 11.00 a.m. on 12 April 2016; and
- (i) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 12 April 2016.

In order to assist prompt settlement of the USE instruction, CREST Members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (a) a contact name and telephone number (in the free format shared note field); and
- (b) a priority of at least 80.

CREST Members and, in the case of CREST Sponsored Members, their CREST Sponsors, should note that the last time at which a USE instruction may settle on 12 April 2016 in order to be valid is 11.00 a.m. on that day.

In the event that the Capital Raising does not become unconditional by 8.00 a.m. (London time) on 14 April 2016 (or such later time and date as Numis and Peel Hunt shall agree, being not later than 8.00 a.m. (London time) on 28 April 2016), the Capital Raising will lapse, the Basic Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, within 14 days thereafter.

2.2.6 *Content of USE instruction in respect of Excess CREST Open Offer Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (a) the number of Open Offer Shares for which the application is being made (and hence the number of the Excess CREST Open Offer Entitlements being delivered to Equiniti);
- (b) the ISIN of the Excess CREST Open Offer Entitlements. This is GB00BYW8JX53;
- (c) the CREST Participant ID of the accepting CREST Member;
- (d) the CREST Member Account ID of the accepting CREST Member from which the Excess CREST Open Offer Entitlements is to be debited;
- (e) the Participant ID of Equiniti, in its capacity as a CREST Receiving Agent. This is 2RA45;
- (f) the Member Account ID of Equiniti, in its capacity as a CREST Receiving Agent. This is RA224202;
- (g) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of New Shares referred to in paragraph 2.2.6(a) above; and
- (h) the intended settlement date. This must be on or before 11.00 a.m. on 12 April 2016;
- (i) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for the application in respect of Excess CREST Open Offer Entitlements under the Open Offer to be valid, the USE instruction must comply with the requirement as to authentication and contents set out above and must settle on or before 11.00 a.m. on 12 April 2016.

In order to assist prompt settlement of the USE instruction, CREST Members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST Members and, in the case of CREST Sponsored Members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 12 April

2016 in order to be valid is 11.00 a.m. on that day. Please note that automated CREST generated claims and buyer protection will not be offered on the Excess CREST Open Offer Entitlements security.

In the event that the Capital Raising does not become unconditional by 8.00 a.m. (London time) on 14 April 2016 or such later time and date as Numis and Peel Hunt shall agree, being not later than 8.00 a.m. (London time) on 28 April 2016, the Open Offer will lapse, the Basic Entitlements and Excess CREST Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

2.2.7 Deposit of Basic Entitlements into, and withdrawal from, CREST

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Basic Entitlements set out in his Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim). Similarly, Basic Entitlements and Excess CREST Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing to deposit the entitlement set out in such form is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Basic Entitlements and the entitlement to apply under the Excess Application Facility following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 12 April 2016. After depositing their Basic Entitlements into their CREST account, CREST holders will, shortly after that, receive a credit for their Excess CREST Open Offer Entitlements.

In particular, having regard to normal processing times in CREST and on the part of Equiniti, the recommended latest time for depositing an Application Form with the CCSS, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Basic Entitlements or Excess CREST Open Offer Entitlements in CREST, is 3.00 p.m. on 7 April 2016, and the recommended latest time for receipt by Euroclear of an instruction requesting withdrawal of Basic Entitlements or Excess CREST Open Offer Entitlements from CREST is 4.30 p.m. on 6 April 2016, in either case so as to enable the person acquiring or (as appropriate) holding the Basic Entitlements or Excess CREST Open Offer Entitlements following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Basic Entitlements or Excess CREST Open Offer Entitlements prior to 11.00 a.m. on 12 April 2016.

Delivery of an Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company, Numis, Peel Hunt and Equiniti by the relevant CREST Member(s) that it/they is/are not in breach of the provisions of the notes under the paragraph headed "Instructions for depositing Open Offer entitlements into CREST" on page 2 of the Application Form, and a declaration to the Company, Numis, Peel Hunt and Equiniti from the relevant CREST Member(s) that it/they is/are not citizen(s) or resident(s) of any countries outside the United Kingdom and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST Member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

2.2.8 *Validity of application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 12 April 2016 will constitute a valid application under the Open Offer.

2.2.9 *CREST procedures and timings*

CREST Members and (where applicable) their CREST Sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST Member concerned to take (or, if the CREST Member is a CREST Sponsored Member, to procure that his CREST Sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 12 April 2016. In this connection CREST Members and (where applicable) their CREST Sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

2.2.10 *Incorrect or incomplete applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company through Equiniti reserves the right:

- (a) to reject the application in full and refund the payment to the CREST Member in question (without interest);
- (b) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST Member in question (without interest); or
- (c) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE instruction refunding any unutilised sum to the CREST Member in question (without interest).

2.2.11 *Effect of valid application*

A CREST Member who makes or is treated as making a valid application in accordance with the above procedures will thereby:

- (a) pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to Equiniti payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST Member to pay to the Company the amount payable on application);
 - (b) agree with the Company, Numis and Peel Hunt that all applications under the Open Offer and contracts resulting therefrom and any non-contractual obligations related thereto shall be governed by, and construed in accordance with, the laws of England;
 - (c) confirm to the Company, Numis and Peel Hunt that in making such application he is not relying on any information other than that contained in this document and agree that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such other information or representation not so contained and further agree that, having had the opportunity to read this document, he will be deemed to have had notice of all the information concerning the Company contained herein (including information incorporated by reference);
 - (d) confirm to the Company, Numis and Peel Hunt that no person has been authorised to give any information or make any representation concerning the Company or the
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Group or the New Shares (other than contained in this document) and if given or made any such information or representation should not be relied upon as having been authorised by the Company, Numis and Peel Hunt;

- (e) represent and warrant to the Company, Numis and Peel Hunt that he is the Qualifying CREST Shareholder originally entitled to the Basic Entitlements and Excess Open Offer Entitlements or, if he has received some or all of his Basic Entitlements and Excess Open Offer Entitlements from a person other than the Company, that he is entitled to apply under the Open Offer in relation to such Basic Entitlements and Excess Open Offer Entitlements by virtue of a *bona fide* market claim;
- (f) represent and warrant to the Company, Numis and Peel Hunt that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (g) request that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the Articles;
- (h) represent and warrant to the Company, Numis and Peel Hunt that he is not, and is not applying on behalf of any Shareholder, who is, a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any jurisdiction outside the United Kingdom and he is not applying with a view to reoffering, reselling, transferring or delivering any of the Open Offer Shares which are the subject of this application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any jurisdiction outside the United Kingdom (in each case except where proof satisfactory to the Company, Numis and Peel Hunt has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which the Company or Numis or Peel Hunt (in their absolute discretion) regard as unduly burdensome), nor is he acting on behalf of any such person on a non-discretionary basis;
- (i) represent and warrant that he is outside of the United States and acknowledges that the offer and sale of the Open Offer Shares to him has been made outside of the United States in an “offshore transaction” as defined in, and pursuant to, Regulation S under the US Securities Act;
- (j) represent and warrant to the Company, Numis and Peel Hunt that he is not, and nor is he applying as, nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (depository receipts) or Section 96 (clearance services) of the Finance Act 1986; and
- (k) confirm to the Company, Numis and Peel Hunt that in making the application he is not relying and has not relied on Numis or Peel Hunt or any person affiliated with Numis or Peel Hunt in connection with any investigation of the accuracy of any information contained in this document or his investment decision.

2.2.12 *Company’s discretion as to rejection and validity of applications*

The Company, Numis and Peel Hunt may in their sole discretion:

- (a) treat as valid and binding on the CREST Member concerned an application which does not comply in all respects with the requirements as to validity set out or referred to in this Appendix 2;
- (b) accept an alternative properly authenticated instruction from a CREST Member or (where applicable) a CREST Sponsor as constituting a valid application in

substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;

- (c) treat a properly authenticated instruction (in this sub-paragraph the “first instruction”) as not constituting a valid application if, at the time at which Equiniti receives a properly authenticated instruction giving details of the first instruction or thereafter, either the Company or Equiniti have received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (d) accept an alternative instruction or notification from a CREST Member or CREST Sponsored Member or (where applicable) a CREST Sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST Member or CREST Sponsored Member or (where applicable) CREST Sponsor, the CREST Member or CREST Sponsored Member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by Equiniti in connection with CREST.

2.3 Withdrawal rights

Persons wishing to exercise statutory withdrawal rights pursuant to section 87Q(4) of FSMA after the publication by the Company of a prospectus supplementing this document must do so by lodging a written notice of withdrawal (which shall include a notice sent by any form of electronic communication) with Equiniti, by post to Equiniti, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be sent, not later than two Business Days after the date on which the supplementary prospectus is published. Notice of withdrawal given by any other means or which is deposited with or received by the Receiving Agent after expiry of such period will not constitute a valid withdrawal.

3. MONEY LAUNDERING

3.1 Holders of Application Forms

The verification of identity requirements of the Money Laundering Regulations 2007 will apply and verification of the identity of the Applicant(s) for Open Offer Shares may be required. If an Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations 2007, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent's stamp should be inserted in the Application Form. If the value at the Issue Price of the Open Offer Shares for which you are applying does not exceed fifteen thousand euros (€15,000) (or the sterling equivalent) (and is not one of a series of linked applications, the aggregate value of which exceeds that amount), you will not be required to satisfy the verification of identity requirements described below. However, if such a value exceeds that amount, then failure to provide the necessary evidence of identity may result in your application being treated as invalid or in delaying acceptance of your application. In order to avoid this, all payments should be made by means of a cheque drawn by the person named in the Application Form (or one of such persons). If this is not practicable and you use a cheque drawn by a third party (for example, a building society cheque or banker's draft), you should:

- (a) write the name, address and date of birth of the person named on the Application Form (or one of such persons) on the back of the cheque, building society cheque or banker's draft;
- (b) if a building society cheque or banker's draft is used, ask the building society or bank to:
 - (i) insert on the cheque or banker's draft the full name and account number of the

account holder whose building society or bank account is being debited on the cheque or banker's draft; and (ii) add the building society or bank branch stamp;

- (c) if you are making the application as agent for one or more persons, indicate on the Application Form whether you are a UK or EC regulated person or institution (e.g. a bank or broker) and specify your status. If you are not a UK or EC regulated person or institution, you should contact Equiniti, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

If you deliver your Application Form personally by hand, you should ensure that you have with you evidence of your identity bearing your photograph (e.g. your passport). In any event, if it appears to Equiniti that an Applicant is acting on behalf of some other person, further verification of the identity of any person on whose behalf the Applicant appears to be acting may be required. In relation to any application in respect of which the necessary verification of the identity of the Applicant or the person on whose behalf the Applicant appears to be acting has not been received on or before 11.00 a.m. on 12 April 2016 the Company may, in their absolute discretion, elect to treat the relevant application as invalid and/or delay the allotment of the relevant number of Open Offer Shares until the necessary verification has been provided. If an Application Form is treated as invalid the money paid in respect of the application will be returned (at the Applicants' risk and without interest).

By lodging an Application Form, each Qualifying Shareholder undertakes to provide such evidence of its identity at the time of lodging the Application Form or, at the absolute discretion of the Company, Numis and Peel Hunt, at such specified time thereafter as may be requested to ensure compliance with the Money Laundering Regulations 2007.

Equiniti is entitled, in its absolute discretion, to determine whether verification of identity requirements apply to any Applicant and whether such requirements have been satisfied. Neither Equiniti, nor the Company nor Numis nor Peel Hunt shall be responsible or liable to any person for any loss or damage suffered as a result of the exercise of their discretion hereunder.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If, within a reasonable time following a request for verification of identity, Equiniti has not received evidence satisfactory to it as aforesaid, the Company or Numis or Peel Hunt may treat the relevant application as invalid, in which event the monies payable on acceptance of the Open Offer will be returned (at the acceptor's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn.

Submission of an Application Form with the appropriate remittance will constitute a warranty to each of the Company, Equiniti, Numis and Peel Hunt from the Applicant that the Money Laundering Regulations 2007 will not be breached by application of such remittance.

3.2 Basic Entitlements and Excess CREST Open Offer Entitlements in CREST

If you hold your Basic Entitlements and Excess CREST Open Offer Entitlements in CREST and apply for Open Offer Shares in respect of all or some of your Basic Entitlements and Excess CREST Open Offer Entitlements as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, Equiniti is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact Equiniti before sending any USE or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the Applicant to provide promptly to Equiniti such information as may be specified by Equiniti as being required for the purposes of the Money Laundering Regulations 2007. Pending the provision of evidence satisfactory to Equiniti as to identity, Equiniti may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory

evidence of identity has not been provided within a reasonable time, then the application for the Open Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

4. SETTLEMENTS AND DEALINGS

The result of the Open Offer is expected to be announced on 13 April 2016. Application will be made to the London Stock Exchange and the FCA for Admission. Subject to the Capital Raising becoming unconditional in all respects (save only as to Admission), it is expected that Admission will become effective and that dealings in the New Shares issued pursuant to the Capital Raising will commence at 8.00 a.m. (London time) on 14 April 2016 for normal rolling settlement.

Application has been made for the Basic Entitlements and Excess CREST Open Offer Entitlements to be admitted to CREST. The conditions to such admission having already been met, the Basic Entitlements and Excess CREST Open Offer Entitlements are expected to be admitted to CREST with effect from 23 March 2016. Basic Entitlements and Excess CREST Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 12 April 2016 (the latest date for applications under the Open Offer). If the conditions to the Open Offer described above are satisfied, Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Open Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company on the day on which such conditions are satisfied (expected to be 11.00 a.m. on 12 April 2016). On this day, Equiniti will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlements to Open Offer Shares with effect from Admission (expected to be 14 April 2016). The stock accounts to be credited will be accounts under the same Participant IDs and Member Account IDs in respect of which the USE instruction was given.

Subject to the conditions of the Open Offer being satisfied or waived, all Open Offer Shares to be issued in uncertificated form are expected to be credited to the appropriate CREST stock accounts on 14 April 2016, unless the Company exercises the right to issue such Open Offer Shares in certificated form, in which case definitive certificates are expected to be despatched by post on or before 21 April 2016. No temporary documents of title will be issued. Pending despatch of definitive share certificates, transfers of the Open Offer Shares by Qualifying Non-CREST Shareholders will be certified against the share register held by Equiniti. All documents or remittances sent by or to an Applicant (or his agent as appropriate) will (in the latter case) be sent through the post and will (in both cases) be at the risk of the Applicant. Qualifying Shareholders whose Ordinary Shares are held in CREST should note that they will be sent no confirmation of the credit of the Open Offer Shares to their CREST stock account nor any other written communication by the Company in respect of the issue of the Open Offer Shares.

Notwithstanding any other provision in this document, the Company reserves the right to send you an Application Form instead of crediting the relevant stock account with Basic Entitlements and Excess CREST Open Offer Entitlements and/or to issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST), or on the part of the facilities and systems operated by the Receiving Agent in connection with CREST.

5. TAXATION

Your attention is drawn to the section headed "UK Taxation" set out in paragraph 11 of Part 7 of this document.

6. OVERSEAS SHAREHOLDERS

The document has been approved by the FCA, being the competent authority in the United Kingdom, in accordance with Section 85 of FSMA.

6.1 General

The making of or acceptance of the Open Offer to or by persons who have registered addresses outside the United Kingdom, or who are resident in countries outside the United Kingdom, may be

affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consent or need to observe any other formalities to enable them to take up their rights.

It is also the responsibility of all persons (including, without limitation, custodians, nominees, agents and trustees) outside the United Kingdom wishing to take up their entitlements under the Open Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. **The comments set out in this paragraph 6.1 are intended as a general guide only and any Shareholders who are in doubt as to their position should consult their professional adviser without delay.**

No public offer of the New Shares is being made by virtue of this document or the Application Form in or into any jurisdiction outside the United Kingdom in which such offer would be unlawful. No action has been or will be taken by the Company, Numis, Peel Hunt or any other person to permit a public offering or distribution of this document (or any other offering or publicity materials or Application Form(s) relating to the Open Offer Shares) or the New Shares in any jurisdiction where action for that purpose may be required, other than in the United Kingdom.

Receipt of this document and/or any Application Form and/or the crediting of any Basic Entitlements and/or Excess CREST Open Offer Entitlements to a stock account in CREST will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this document and/or an Application Form must be treated as sent for information only and should not be copied or redistributed.

Application Forms will not be sent to Shareholders with registered addresses outside the United Kingdom or their agent or intermediary, except where the Company, Numis and Peel Hunt are satisfied at their absolute discretion that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction. Neither Basic Entitlements nor Excess CREST Open Offer Entitlements will be credited to the CREST accounts of Shareholders with a registered address or resident outside the United Kingdom unless the Company, Numis and Peel Hunt are satisfied at their absolute discretion such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this document and/or an Application Form and/or receiving Basic Entitlements and/or Excess CREST Open Offer Entitlements in a stock account in CREST with a bank or financial institution in any jurisdiction other than the United Kingdom may treat the same as constituting an invitation or offer to him nor should he in any event use the Application Form unless, in the relevant jurisdiction, such an invitation or offer could lawfully be made to him or the Application Form could lawfully be used or dealt with without contravention of any registration or other legal requirements. In such circumstances, this document and the Application Form are to be treated as sent for information only and should not be copied or redistributed.

None of the Company, Numis or Peel Hunt or any of their affiliates or any person acting on their behalf, is making any representation or warranty to any offeree or purchaser of the New Shares regarding the legality of an investment in the New Shares to such offeree or purchaser under the laws applicable to such offeree or purchaser.

Persons (including, without limitation, custodians, nominees and trustees) receiving a copy of this document and/or an Application Form should not, in connection with the Open Offer, distribute or send the same in or into any jurisdiction where to do so would or might contravene local security laws or regulations. If an Application Form is received by any person in any such jurisdiction, or by his agent or nominee, he must not seek to take up the Basic Entitlements referred to in the Application Form or in this document unless the Company, Numis and Peel Hunt (at their absolute discretion) determine that such actions would not violate applicable registration or other legal or regulatory requirements. Any person (including, without limitation, custodians, nominees and trustees) who does forward this document or an Application Form into any such jurisdictions (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 6.

Subject to paragraphs 6.2 and 6.3 below, any person (including, without limitation, agents, nominees and trustees) outside the United Kingdom wishing to accept his Basic Entitlements and the Excess CREST Open Offer Entitlements under the Open Offer must satisfy himself as to full observance of the applicable laws of any relevant jurisdiction, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such jurisdictions. The comments set out in this paragraph 6 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

The Company, Numis and Peel Hunt reserve the right to treat as invalid and will not be bound to allot or issue any Open Offer Shares in respect of any acceptance or purported acceptance of the offer of Open Offer Shares which:

- (a) appears to the Company or its agents to have been executed, effected or despatched from outside the United Kingdom unless the Company, Numis and Peel Hunt are satisfied that such action would not result in the contravention of any registration or other legal requirement; or
- (b) in the case of an Application Form, provides an address for delivery of the share certificates in or, in the case of a credit of Open Offer Shares in CREST, to a CREST Member or CREST Sponsored Member whose registered address would be in any jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit unless the Company, Numis and Peel Hunt are satisfied that such action would not result in the contravention of any registration or other legal requirement.

The attention of Overseas Shareholders is drawn to paragraphs 6.2 and 6.3 below.

The provisions of paragraph 6.1 above will apply to Overseas Shareholders who are not credited with Basic Entitlements or Excess CREST Open Offer Entitlements or do not or are unable to take up Open Offer Shares provisionally credited to them because such action would result in a contravention of applicable registration or other legal or regulatory requirements. Accordingly, such Shareholders will be treated as Shareholders that have not taken up their entitlement for the purposes of paragraph 6.1 above.

Despite any other provision of this document or the Application Form, the Company, Numis and Peel Hunt reserve the right to permit any Shareholder to take up under the Open Offer his entitlements if the Company, Numis and Peel Hunt in their sole and absolute discretion are satisfied that the transaction in question is exempt from or not subject to the registration or other legal or regulatory requirements giving rise to the restrictions in question.

Those Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraphs 2.1 (Qualifying Non-CREST Shareholders) and 2.2 (Qualifying CREST Shareholders) above.

Overseas Shareholders should note that all subscription monies must be in Pounds Sterling by cheque or banker's draft and should be drawn on a bank in the UK, made payable to *Equiniti Limited re: Primary Health Properties PLC – Open Offer plc* and crossed *A/C payee only*.

6.2 Representations and warranties relating to Overseas Shareholders

The attention of Overseas Shareholders is drawn to the representations and warranties set out in paragraphs 2.1.6 (in the case of Qualifying Non-CREST Shareholders) and 2.2.11 (in the case of Qualifying CREST Shareholders) of this Appendix 2.

6.3 Times and dates

The Company shall, in agreement with Numis and Peel Hunt and after consultation with its financial and legal advisers, be entitled to amend the dates that Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances notify the Financial Conduct Authority, and make an announcement on a Regulatory Information Service but Qualifying Shareholders may not receive any further written communication.

If a supplementary prospectus is issued by the Company two or fewer Business Days prior to the latest time and date for acceptance and payment in full under the Open Offer specified in this document, the latest date for acceptance under the Open Offer shall be extended to the date that is three Business Days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

6.4 Further information

Your attention is drawn to the further information set out in this document and also, in the case of Qualifying Shareholders to whom the Company has sent Application Forms, to the terms, conditions and other information printed on the accompanying Application Form.

6.5 Waiver

The provisions of this paragraph 6 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company, Numis and Peel Hunt in their absolute discretion. Subject to this, the provisions of this paragraph 6 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 6 to Shareholders shall include references to the person or persons executing an Application Form and in the event of more than one person executing an Application Form, the provisions of this paragraph 6 shall apply to them jointly and to each of them.

7. STRUCTURE OF THE CAPITAL RAISING

For technical reasons, at the conclusion of the Capital Raising, the Company will issue the New Shares attributable to the Capital Raising in consideration for the transfer to it by Numis and Peel Hunt (the “**Newco Subscribers**”) of the issued ordinary shares of Newco held by the Newco Subscribers and the entire issued redeemable preference share capital of Newco, which will result in the Company owning the entire issued share capital of Newco, the only assets of which will be its cash resources. These resources will represent the net proceeds of the Capital Raising. The Company will be able to utilise this amount by redeeming the redeemable preference shares it will then hold in Newco and, during any interim period prior to redemption, by procuring that Newco lends the amount to the Company or another member of the Group. The structure of the Capital Raising is expected to have the effect of creating distributable reserves equal to the net proceeds of the Capital Raising less the par value of the New Shares attributable to the Capital Raising. Accordingly, by applying for New Shares in the Open Offer and submitting a valid payment in respect thereof, a Qualifying Shareholder instructs the Receiving Agent to: (i) hold such payments on the Applicant’s behalf until Admission and, if Admission does not take place, to return such payment, without interest, to the Applicant; (ii) following Admission and to the extent of a successful application under the Open Offer, to apply such payment (after deduction of certain agreed fees, costs and expenses) on behalf of the Newco Subscribers solely for the purposes of acquiring preference shares in Newco; and (iii) to the extent of an unsuccessful application under the Open Offer, to return the relevant payment without interest to the Applicant.

The Board may elect to implement all or part of the Capital Raising without using the structure described above if it deems it to be in the Company’s interest to do so.

8. GOVERNING LAW

The terms and conditions of the Open Offer as set out in this Appendix 2 and the Application Form shall be governed by, and construed in accordance with, English law. The Courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this document and the Application Form.

By taking up their entitlements under the Open Offer in accordance with the instructions set out in this document and (where applicable) the Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the Courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

APPENDIX 3

TERMS AND CONDITIONS OF THE FIRM PLACING AND THE PLACING

MEMBERS OF THE PUBLIC ARE NOT ELIGIBLE TO TAKE PART IN THE FIRM PLACING OR THE PLACING. THESE TERMS AND CONDITIONS ARE FOR INFORMATION PURPOSES ONLY AND ARE DIRECTED ONLY AT: (A) PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA WHO ARE QUALIFIED PLACEEES AS DEFINED IN SECTION 86(7) OF THE FSMA, AS AMENDED (“QUALIFIED PLACEEES”), BEING PERSONS FALLING WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE INCLUDING ANY RELEVANT IMPLEMENTING DIRECTIVE MEASURE IN ANY MEMBER STATE; (B) IN THE UNITED KINGDOM, QUALIFIED PLACEEES WHO ARE PERSONS WHO: (I) FALL WITHIN ARTICLE 19(5) OF THE FPO; (II) FALL WITHIN ARTICLE 49(2)(A) TO (D) (HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC) OF THE FPO; OR (III) ARE PERSONS TO WHOM IT MAY OTHERWISE BE LAWFULLY COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THESE TERMS AND CONDITIONS MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THESE TERMS AND CONDITIONS RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

Furthermore, the Firm Placed Shares and the Placed Shares may not be offered or sold in the United States absent: (A) registration under the US Securities Act; or (B) an available exemption from the registration requirements under the US Securities Act. The Firm Placed Shares and the Placed Shares have not been, and will not be, registered under the US Securities Act and will be offered only: (A) to investors located outside of the United States in “offshore transactions” as defined in and in accordance with Regulation S; or (B) within the United States to a limited number of persons that are reasonably believed to be QIBs that (unless otherwise agreed by the Company) are not ERISA Entities pursuant to an exemption from the registration requirements under the US Securities Act in a transaction not involving any public offering.

1. DEFINITIONS

Bookrunners	means, in this Appendix 3 of this document only, Numis and/or Peel Hunt, as applicable; and
Excluded Territories	Australia, Japan, New Zealand and South Africa and any other jurisdiction where the extension or availability of the Firm Placing and/or the Placing (and any other transaction contemplated thereby) would breach any applicable law or regulation.

2. INTRODUCTION

Participation in the Firm Placing and/or the Placing is only available to persons who are invited to participate by the Bookrunners. These terms and conditions apply to persons making an offer to subscribe for Firm Placed Shares under the Firm Placing and/or Placed Shares under the Placing. The Placee hereby agrees with the Bookrunners and the Company to be bound by these terms and conditions as being the terms and conditions upon which Firm Placed Shares will be sold under the Firm Placing and Placed Shares will be sold under the Placing (as applicable). A Placee shall, without limitation, become so bound if a Bookrunner confirms its allocation of Firm Placed Shares under the Firm Placing and/or Placed Shares under the Placing (as applicable) to such Placee.

Upon being notified of its allocation of Firm Placed Shares under the Firm Placing and/or Placed Shares under the Placing, a Placee shall, subject to the provisions of paragraph 7 of this Appendix 3 with respect to the Placed Shares, be contractually committed to acquire the number of Firm Placed Shares and/or Placed Shares allocated to them at the Issue Price and to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate or otherwise withdraw from such commitment. Dealing may not begin before any notification is made.

Neither this document nor the Firm Placed Shares and Placed Shares have been or will be registered under the US Securities Act, or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from or in a transaction not subject to the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Accordingly, the Company is not making the Firm Placing and Placing into the United States unless an exemption from the registration requirements of the US Securities Act is available and, subject to certain exceptions, this document will not constitute an offer or an invitation to apply for or an offer or an invitation to acquire any Firm Placed Shares and Placed Shares in the United States. All persons applying for Firm Placed Shares and/or Placed Shares and wishing to hold such Firm Placed Shares and/or Placed Shares in registered form must provide an address for registration of the Firm Placed Shares and/or Placed Shares outside the United States.

Subject to certain exceptions, any person who applies for Firm Placed Shares and/or Placed Shares will be deemed to have declared, warranted and agreed that they are not, and that at the time of application they will not be, in the United States, or acting on a nondiscretionary basis for a person located within the United States.

The Company reserves the right to treat as invalid any application for Firm Placed Shares and/or Placed Shares, or which does not make a warranty to the effect that the person applying for Firm Placed Shares and/or Placed Shares does not have a registered address and is not otherwise located in the United States and is not applying for Firm Placed Shares and/or Placed Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of the Firm Placed Shares and/or Placed Shares in the United States or where the Company believes application for such Firm Placed Shares and/or Placed Shares may infringe applicable legal or regulatory requirements.

In addition, until 40 days after the commencement of the Firm Placing and Placing, an offer, sale or transfer of the Firm Placed Shares and/or Placed Shares within the United States by a dealer (whether or not participating in the Firm Placing and/or Placing) may violate the registration requirements of the US Securities Act.

3. AGREEMENT TO ACQUIRE FIRM PLACED SHARES AND/OR PLACED SHARES

Each of the Firm Placing and the Placing is conditional upon the following conditions:

- (I) the Resolutions being passed at the General Meeting;
- (II) the Placing Agreement having become unconditional in all respects save for the condition relating to Admission, and not being terminated in accordance with its terms before Admission becomes effective; and
- (III) Admission becoming effective by not later than 8.00 a.m. (London time) on 14 April 2016 (or such later time and/or date as the Company, Numis and Peel Hunt may agree (being no later than 28 April 2016) in accordance with the terms of the Placing Agreement).

Subject to the above conditions, a Placee agrees to become a Shareholder and agrees to acquire Firm Placed Shares and/or Placed Shares (as applicable) at the Issue Price. The number of Firm Placed Shares issued to such Placee under the Firm Placing and/or Placed Shares issued to such Placee under the Placing (as applicable) shall be in accordance with the arrangements described above, subject to the provisions of paragraph 7 of this Appendix 3 with respect to the Placed Shares.

The commitments of a Non-Firm Placee to subscribe for the number of Placed Shares allotted to them is subject to the right of the Company to clawback any or all of such Placed Shares in order to satisfy valid applications by Qualifying Shareholders under the Open Offer or the Offer for Subscription. The number of Placed Shares to be clawed back from Non-Firm Placees will be calculated *pro rata* to each Non-Firm Placees' commitment to subscribe for Placed Shares.

The Company has undertaken that the Firm Placed Shares and the Placed Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares and will have the same rights and restrictions as each Existing Ordinary Share, including in respect of any dividends or

distributions declared in respect of the New Shares following Admission. The Firm Placed Shares and the Placed Shares will not qualify for the dividend to be declared on or about 31 March 2016 payable to Shareholders on the Company's register as at on or about 8 April 2016.

4. PAYMENT FOR FIRM PLACED SHARES AND/OR PLACED SHARES

Each Placee undertakes to pay the Issue Price for the Firm Placed Shares and/or Placed Shares (as applicable) issued to such Placee in such manner as shall be directed by the Bookrunners. In the event of any failure by a Placee to pay as so directed by the Bookrunners, the relevant Placee shall be deemed hereby to have appointed the Bookrunners or any nominee of the Bookrunners to sell (in one or more transactions) any or all of the Firm Placed Shares and/or Placed Shares (as applicable) in respect of which payment shall not have been made as so directed and to have agreed to indemnify on demand the Bookrunners in respect of any liability for UK stamp duty and/or stamp duty reserve tax arising in respect of any such sale or sales.

5. REPRESENTATIONS AND WARRANTIES

By receiving this document, each Placee and, in the case of paragraph 5.19 of this Appendix 3, any person confirming his agreement to subscribe for Firm Placed Shares and/or Placed Shares on behalf of a Placee or authorising the Bookrunners to notify a Placee's name to the Registrars, is deemed to acknowledge, agree, undertake, represent and warrant to each of the Bookrunners, the Registrars and the Company that:

- 5.1 the Placee has read this document in its entirety and acknowledges that its participation in the Firm Placing and/or the Placing (as applicable) shall be made solely on the terms and subject to the conditions set out in these terms and conditions, the Placing Agreement and the Articles. Such Placee agrees that these terms and conditions and the contract note issued by the Bookrunners to such Placee represents the whole and only agreement between the Placee, the Bookrunners and the Company in relation to the Placee's participation in the Firm Placing and/or the Placing (as applicable) and supersedes any previous agreement between any of such parties in relation to such participation. Accordingly, all other terms, conditions, representations, warranties and other statements which would otherwise be implied (by law or otherwise) shall not form part of these terms and conditions. Such Placee agrees that none of the Bookrunners nor any of their officers or directors will have any liability for any such other information or representation and irrevocably and unconditionally waives any rights it may have in respect of any such other information or representation;
- 5.2 the Placee has the power and authority to subscribe for the Placed Shares under the Placing and/or the Firm Placed Shares under the Firm Placing (as applicable) and to execute and deliver all documents necessary for such subscription;
- 5.3 neither the Bookrunners nor any person affiliated with the Bookrunners or acting on their behalf is responsible for or shall have any liability for any information, representation or statement contained in this document or any information previously published by or on behalf of the Company or any member of the Group and will not be liable for any decision by a Placee to participate in the Firm Placing and/or the Placing based on any information, representation or statement contained in this document or otherwise;
- 5.4 the Placee acknowledges that the New Shares will be admitted to the Official List, and the Company is therefore required to publish certain business and financial information in accordance with the rules and practices of the FCA (collectively, the "**Exchange Information**"), which includes a description of the nature of the Company's business and the Company's most recent balance sheet and profit and loss account and that the Placee is able to obtain or access such Exchange Information without undue difficulty and is able to obtain access to such information or comparable information concerning any other publicly traded company without undue difficulty;
- 5.5 the Placee acknowledges that neither of the Bookrunners, nor any person affiliated with the Bookrunners, nor any person acting on their behalf is making any recommendations to it or advising it regarding the suitability or merits of any transaction it may enter into in connection

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- with the Firm Placing and/or the Placing, and that participation in the Firm Placing and/or the Placing is on the basis that it is not and will not be a client of the Bookrunners for the purposes of the Firm Placing and/or the Placing (as applicable) and the Placee acknowledges that neither the Bookrunners, nor any person affiliated with the Bookrunners, nor any person acting on its behalf has any duties or responsibilities to the Placee for providing the protections afforded to its clients or for providing advice in relation to the Firm Placing and/or the Placing or in respect of any representations, warranties, undertakings or indemnities contained in the Placing Agreement or for the exercise or performance of any of the Bookrunners' rights and obligations thereunder, including any right to waive or vary any condition or exercise any termination right contained therein;
- 5.6 the Placee has not relied on the Bookrunners or any person affiliated with the Bookrunner in connection with any investigation of the accuracy of any information contained in this document or their investment decision and the Placee has relied on its own investigation with respect to the Firm Placed Shares and/or the Placed Shares and the Company in connection with its investment decision;
- 5.7 in agreeing to purchase Firm Placed Shares under the Firm Placing and/or Placed Shares under the Placing (as applicable), the Placee is relying on this document and/or any supplementary prospectus issued by the Company in connection with the Capital Raising (as the case may be) or any regulatory announcement that may be issued by the Company and not on any other information or representation concerning the Group, the Firm Placing, the Placing, the Firm Placed Shares or the Placed Shares;
- 5.8 save in the event of fraud on its part (and to the extent permitted by the rules of the FCA), neither the Bookrunners nor any of their directors or employees shall be liable to a Placee for any matter arising out of the role of the Bookrunners as the Company's advisers and brokers or otherwise, and that where any such liability nevertheless arises as a matter of law each Placee will immediately waive any claim against the Bookrunners and any of their directors and employees which a Placee may have in respect thereof;
- 5.9 the Placee has complied with all such laws and such Placee will not infringe any applicable law as a result of such Placee's agreement to purchase Firm Placed Shares under the Firm Placing and/or Placed Shares under the Placing (as applicable) and/or acceptance thereof or any actions arising from such Placee's rights and obligations under the their agreement to purchase Firm Placed Shares under the Firm Placing and/or Placed Shares under the Placing (as applicable) and/or acceptance thereof or under the Articles;
- 5.10 the Placee has accepted that its application is irrevocable and if for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates. In particular, the Company shall, in agreement with Numis and Peel Hunt, be entitled to extend the last time and/or date for applications under the Firm Placing and/or the Placing, and any such extension will not affect applications already made, which will continue to be irrevocable;
- 5.11 to the fullest extent permitted by law, the Placee acknowledges and agrees to the disclaimers contained in this document and acknowledges and agrees to comply with the selling restrictions set out in this document;
- 5.12 all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of necessary consents) in order: (i) to enable the Placee to exercise its rights and perform and comply with its obligations to acquire the Firm Placed Shares under the Firm Placing and/or Placed Shares under the Placing; and (ii) to ensure that those obligations are legally binding and enforceable, have been taken, fulfilled and done. The Placee's exercise of its rights and/or performance under, or compliance with its obligations under the Firm Placing and/or Placing, does not and will not violate: (a) its constitutive documents; or (b) any agreement to which the Placee is a party or which is binding on the Placee or its assets;
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- 5.13 the Firm Placed Shares and/or Placed Shares may not be offered or sold in the United States absent: (i) registration under the US Securities Act; or (ii) an available exemption from the registration requirements under the US Securities Act. The Firm Placed Shares and the Placed Shares have not been, and will not be, registered under the US Securities Act and will not be offered to the public in the United States;
- 5.14 the Placee is, and at the time the Firm Placed Shares and/or Placed Shares are acquired will be, either:
- (a) located outside of the United States and eligible to participate in “offshore transaction” as defined in and in accordance with Regulation S; or
 - (b) located within the United States and
 - (i) is a QIB that is acquiring the Firm Placed Shares and/or Placed Shares in a transaction that is exempt from the registration requirements under the US Securities Act for its own account (or for the account of a QIB as to which it has sole investment discretion);
 - (ii) is not (unless otherwise agreed by the Company) an ERISA Entity; and
 - (iii) has duly executed an investor letter in a form provided to it and delivered the same to Peel Hunt and/or Numis or their respective affiliates;
- 5.15 where the Placee is located in Canada, it is an “accredited investor”, as defined under National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and a “permitted client”, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and has read and understood and made the acknowledgements and consents contained within the notice appearing under the section of this document entitled “Important Information”;
- 5.16 if it is acquiring the Firm Placed Shares and/or Placed Shares for the account of one or more other persons, it has full power and authority to make the representations, warranties, agreements and acknowledgements herein on behalf of each such account;
- 5.17 the Company, and any registrar or other agent of the Company, will not be required to accept the registration of transfer of any Firm Placed Shares and/or Placed Shares acquired by the Placee, except upon presentation of evidence satisfactory to the Company that the foregoing restrictions on transfer have been complied with;
- 5.18 the Placee is not a resident of the Excluded Territories and acknowledges that the Firm Placed Shares and the Placed Shares have not been and will not be registered nor will a prospectus be prepared in respect of the Firm Placed Shares and/or the Placed Shares under the securities legislation of the Excluded Territories and, subject to certain exceptions, may not be offered or sold, directly or indirectly, in or into those jurisdictions;
- 5.19 in the case of a person who confirms to the Bookrunners on behalf of a Placee an agreement to purchase Firm Placed Shares under the Firm Placing and/or Placed Shares under the Placing and/or who authorises the Bookrunners to notify such Placee’s name to the Registrars, that person represents and warrants that he has authority to do so on behalf of the Placee;
- 5.20 the Placee has complied with its obligations in connection with money laundering and terrorist financing under the Criminal Justice Act 1993, the Proceeds of Crime Act 2002, the Terrorism Act 2000, the Anti-Terrorism Crime and Security Act 2001, and the Money Laundering Regulations 2007 (the “**Regulations**”) and undertakes to provide satisfactory evidence of its identity within such reasonable time (in each case to be determined in the absolute discretion of the Bookrunners) to ensure compliance with the Regulations and that if it is making payment on behalf of a third party, that satisfactory evidence has been obtained and recorded by it to verify the identity of the third party as required by the Regulations;
- 5.21 the Placee is not, and is not applying as nominee or agent for, a person to whom the issue would give rise to a liability under any of sections 67, 70, 93 and 96 of the Finance Act 1986 (depository receipts and clearance services) and that the Firm Placed Shares and/or the Placed
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- Shares (as applicable) are not being acquired in connection with arrangements to issue depository receipts or to issue or transfer Firm Placed Shares and/or Placed Shares (as applicable) into a clearing system;
- 5.22 if the Placee is a resident in the European Economic Area, it is a “qualified investor” within the meaning of the law in the relevant Member State implementing Article 2(1)(e)(i), (ii) or (iii) of the Prospectus Directive (Directive 2003/71/EC) (“**Prospectus Directive**”);
- 5.23 the Placee has not offered or sold and will not offer or sell any Firm Placed Shares and/or Placed Shares (as applicable) to persons in the UK prior to Admission except to “qualified investors” as defined in Article 2(1)(e) of the Prospectus Directive;
- 5.24 the Placee is: (i) a person falling within Article 19(5) of the FPO; or (ii) a person falling within Article 49(2)(a) to (d) of the FPO and undertakes that it will acquire, hold, manage or dispose of any Firm Placed Shares or Placed Shares (as applicable) that are allocated to it for the purposes of its business; or (iii) a person to whom this document may otherwise be lawfully communicated;
- 5.25 if the Placee is in the EEA, the person is a “Professional Client/Eligible Counterparty” within the meaning of Annex II/Article 24 (2) of MiFID and is not participating in the Firm Placing and/or Placing on behalf of persons in the EEA other than professional clients or persons in the UK and other Member States (where equivalent legislation exists) for whom the Placee has authority to make decisions on a wholly discretionary basis;
- 5.26 in the case of any Firm Placed Shares and/or Placed Shares acquired by the Placee as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive: (i) the Firm Placed Shares and/or Placed Shares acquired by the Placee in the Firm Placing and/or Placing have not been acquired on behalf of, nor have they been acquired with a view to their placing or resale to, persons in any relevant member state other than qualified Placees, as that term is defined in the Prospectus Directive, or in other circumstances falling within Article 3(2) of the Prospectus Directive and the prior consent of Numis and/or Peel Hunt has been given to the placing or resale; or (ii) where Firm Placed Shares and/or Placed Shares have been acquired by the Placee on behalf of persons in any relevant Member State other than qualified Placees, the Firm Placing of those Firm Placed Shares and/or Placing of those Placed Shares to it is not treated under the Prospectus Directive as having been made to such persons;
- 5.27 the Placee has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21(1) of FSMA) relating to the Firm Placed Shares and/or the Placed Shares (as applicable) in circumstances in which section 21(1) of FSMA does not require approval of the communication by an authorised person;
- 5.28 the exercise by the Bookrunners of any rights or discretions under the Placing Agreement shall be within their absolute discretion and the Bookrunners need not have any reference to any Placee and shall have no liability to any Placee whatsoever in connection with any decision to exercise or not to exercise any such right and each Placee agrees that it shall have no rights against the Bookrunners or their directors or employees under the Placing Agreement;
- 5.29 the Placee acknowledges that any money held in an account with the Bookrunners on behalf of the Placee and/or any person acting on behalf of the Placee will not be treated as client money within the meaning of the rules and regulations of the FCA. The Placee further acknowledges that the money will not be subject to the protections conferred by the client money rules; as a consequence, this money will not be segregated from the Bookrunners’ money in accordance with the client money rules and will be used by the Bookrunners in the course of its own business; and the Placee will rank only as a general creditor of the Bookrunners;
- 5.30 the Placee is liable for any capital duty, stamp duty and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest fines or penalties relating thereto) payable outside the UK by it or any other person on the acquisition by it of any Firm Placed Shares and/or Placed Shares or the agreement by it to acquire any Firm Placed Shares and/or Placed Shares;
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- 5.31 the Placee irrevocably appoints any director of the Company, Numis or Peel Hunt as its agent for the purposes of executing and delivering to the Company and/or the Registrar any documents on its behalf necessary to enable it to be registered as the holder of any of the Firm Placed Shares and/or Placed Shares agreed to be taken up by it under the Firm Placing and/or Placing and otherwise to do all acts, matters and things as may be necessary for, or incidental to, its acquisition of any Firm Placed Shares and/or Placed Shares in the event of its failure so to do;
- 5.32 Numis and/or Peel Hunt may, in accordance with applicable legal and regulatory provisions, engage in transactions in relation to the Firm Placed Shares and/or Placed Shares and/or related instruments for their own account for the purpose of hedging their underwriting exposure or otherwise and, except as required by applicable law or regulation, Numis and/or Peel Hunt will not make any public disclosure in relation to such transactions; and
- 5.33 Peel Hunt and/or Numis and each of their respective affiliates, each acting as a Placee for its or their own account(s), may bid or subscribe for and/or purchase Firm Placed Shares and/or Placed Shares and, in that capacity, may retain, purchase, place to sell or otherwise deal for its or their own account(s) in the Firm Placed Shares and/or Placed Shares, any other securities of the Company or other related investments in connection with the Firm Placing and/or Placing or otherwise. Accordingly, references in this document to the Firm Placed Shares and/or Placed Shares being issued, subscribed, acquired or otherwise dealt with should be read as including any issue, subscription, acquisition or dealing by Peel Hunt, Numis and/or any of their respective affiliates, acting as a Placee for its or their own account(s). Neither Numis, Peel Hunt nor the Company intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

The Placee acknowledges and understands that the Company and the Bookrunners will rely upon the truth and accuracy of the foregoing representations, warranties, agreements, acknowledgements and undertakings.

The Placee indemnifies on an after-tax basis and hold harmless the Bookrunners and each person affiliated with the Bookrunners and any person acting on their behalf from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, acknowledgements, agreements and undertakings in this Appendix 3 and further agrees that the provisions of this Appendix 3 shall survive after completion of the Firm Placing and the Placing.

6. REPRESENTATIONS, WARRANTIES AND SELLING AND TRANSFER RESTRICTIONS RELATING TO PLACEEES LOCATED IN THE UNITED STATES

- 6.1 This document is not an offer of securities for sale in the United States. The Firm Placed Shares and the Placed Shares have not been, and will not be, registered under the US Securities Act or with any securities regulatory authority of or under the applicable securities laws or regulations of any state or other jurisdiction of the United States and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act. The Firm Placed Shares and the Placed Shares may be offered and sold only: (a) in the United States to a limited number of persons that are all reasonably believed to be QIBs that (unless otherwise agreed by the Company) are not ERISA Entities in transactions exempt from, or not subject to, the registration requirements under the US Securities Act; and (b) outside the United States in “offshore transactions” within the meaning of, and in reliance on, Regulation S. In addition, until 40 days after the commencement of the Firm Placing and the Placing, any offer or sale of the Firm Placed Shares and the Placed Shares within the United States by any dealer (whether or not participating in the Firm Placing and the Placing) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Regulation S or another available exemption from registration under the US Securities Act.
- 6.2 Each purchaser of Firm Placed Shares and the Placed Shares within the United States, by accepting delivery of this document, will be deemed to have acknowledged, agreed, undertaken, represented and warranted that it has received a copy of this document and such other information as it deems necessary to make an investment decision and that:
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- (a) the Firm Placed Shares and Placed Shares are being offered and sold in a transaction not involving a public offering of securities in the United States, and the Firm Placed Shares and Placed Shares have not been and will not be registered under the US Securities Act or with any state or other jurisdiction of the United States, nor approved or disapproved by the SEC, any state securities commission in the United States or any other United States regulatory authority and agree not to reoffer, resell, pledge or otherwise transfer the Firm Placed Shares and Placed Shares except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and otherwise in accordance with any applicable securities laws of any state or jurisdiction of the United States. The Firm Placed Shares and the Placed Shares have not been and will not be registered under the securities legislation of, or with any securities regulatory authority of, any other Excluded Territory;
 - (b) the Placee is, and at the time the Firm Placed Shares and/or Placed Shares are acquired will be, either: (i) located outside of the United States and eligible to participate in an “offshore transaction” as defined in and in accordance with Regulation S; or (ii) located within the United States and is a QIB that (unless otherwise agreed by the Company) is not an ERISA Entity that is acquiring the Firm Placed Shares and/or Placed Shares in a transaction that is exempt from the registration requirements under the US Securities Act for its own account (or for the account of a QIB that (unless otherwise agreed by the Company) is not an ERISA Entity as to which it has sole investment discretion) and has duly executed an investor letter in a form provided to it and delivered the same to Peel Hunt and/or Numis or their respective affiliates;
 - (c) the Placee is not acquiring the Firm Placed Shares and/or Placed Shares as a result of any “directed selling efforts” as defined in Regulation S or as a result of any form of general solicitation or general advertising (within the meaning of Rule 502(c) of Regulation D under the US Securities Act);
 - (d) the Placee is acquiring the Firm Placed Shares and/or Placed Shares for investment purposes only and not with a view to any resale, distribution or other disposition of the Firm Placed Shares and/or Placed Shares in violation of the US Securities Act or any other United States federal or applicable state securities laws;
 - (e) the Placee invests in or purchases securities similar to the Firm Placed Shares and/or Placed Shares in the normal course of its business and it has such knowledge, skill and experience in financial, and business and investment matters as to be capable of evaluating the merits and risks of an investment in the Firm Placed Shares and/or Placed Shares;
 - (f) with the assistance of its own professional advisers, to the extent that the Placee, as the case may be, deemed appropriate, the Placee has made its own legal, tax, accounting, and financial evaluation of the merits and risks of an investment in the Firm Placed Shares and/or Placed Shares and the consequences of investing in the Firm Placed Shares and Placed Shares and conducted its own investigation with respect to the Company and the Firm Placed Shares and/or Placed Shares, and the Placee has concluded that an investment in the Firm Placed Shares and/or Placed Shares is suitable for it or, where the Placee is not acting as principal, for any beneficial owner of the Firm Placed Shares and/or Placed Shares, in light of each such person’s own circumstances and financial condition and based upon each such person’s investment objectives and financial requirements;
 - (g) the Placee or, where the Placee is not acting as principal, any beneficial owner of the Firm Placed Shares and/or Placed Shares, is able to bear the economic risk of an investment in the Firm Placed Shares and/or Placed Shares for an indefinite period and the loss of its entire investment in the Firm Placed Shares and/or Placed Shares;
 - (h) it understands that the Firm Placed Shares and the Placed Shares are being offered and sold in the United States only in transactions not involving any public offering within the meaning of the US Securities Act and that the Firm Placed Shares and the Placed Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not
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be offered, sold, pledged or otherwise transferred except: (i) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; (ii) pursuant to an exemption from registration under the US Securities Act provided by Rule 144 thereunder (if available); or (iii) pursuant to an effective registration statement under the US Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States. It further: (A) understands that the Firm Placed Shares and the Placed Shares may not be deposited into any unrestricted American depositary receipt facility in respect of the Firm Placed Shares and the Placed Shares established or maintained by a depositary bank; (B) acknowledges that the Firm Placed Shares and the Placed Shares (whether in physical certificated form or in uncertificated form held in CREST) are “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 or any other exemption under the US Securities Act or any US state securities laws for resales of the Firm Placed Shares and the Placed Shares; and (C) understands that the Company may not recognise any offer, sale, resale, pledge or other transfer of the Firm Placed Shares and the Placed Shares made other than in compliance with the above-stated restrictions;

- (i) it understands that the Firm Placed Shares and the Placed Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

“THE ORDINARY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR UNDER ANY SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT: (1) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT; (2) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE); OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR IN ANOTHER TRANSACTION EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF, THE UNITED STATES.

IN ADDITION, (UNLESS OTHERWISE AGREED BY THE COMPANY) THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO ANY PERSON USING THE ASSETS OF AN ERISA ENTITY. FOR PURPOSES OF THIS LEGEND, AN “ERISA ENTITY” IS ANY PERSON THAT IS: (1) AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”) THAT IS SUBJECT TO TITLE I OF ERISA; OR (2) A “PLAN” AS DEFINED IN SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), INCLUDING AN INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE CODE; OR (3) AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY OF THE FOREGOING TYPES OF PLANS, ACCOUNTS OR ARRANGEMENTS THAT IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE; OR (4) A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE WHOSE PURCHASE, HOLDING, AND DISPOSITION OF THE NEW SHARES COULD CONSTITUTE OR RESULT IN A NON-EXEMPT VIOLATION OF ANY SUCH SUBSTANTIALLY SIMILAR LAW.

NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 OR ANY OTHER EXEMPTION UNDER THE SECURITIES ACT OR ANY US STATE SECURITIES LAWS FOR RESALES OF THE ORDINARY SHARES REPRESENTED HEREBY. THE ORDINARY SHARES REPRESENTED HEREBY ARE “RESTRICTED SECURITIES” WITHIN THE MEANING OF RULE 144(a)(3) UNDER THE SECURITIES ACT AND THEY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE ORDINARY SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF ORDINARY SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.”; and

- (j) it represents that if, in the future, it offers, resells, pledges or otherwise transfers such Firm Placed Shares and/or the Placed Shares while they remain “restricted securities” within the meaning of Rule 144(a)(3) of the US Securities Act, it shall notify such subsequent transferee of the restrictions set out above.

The Company and the Bookrunners and their respective affiliates and others will rely on the truth and accuracy of the foregoing acknowledgments, representations and agreements.

7. SCALE BACK OF THE PLACED SHARES

The number of Placed Shares to be issued under the Placing may be scaled back at the discretion of the Directors (in consultation with the Bookrunners) in favour of:

- (a) the Excess Application Facility of the Open Offer; and/or
- (b) the Offer for Subscription.

8. MISCELLANEOUS

The rights and remedies of the Bookrunners, the Registrars and the Company under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.

On application, each Placee may be asked to disclose, in writing or orally to the Bookrunners:

- (a) if he is an individual, his nationality; or
- (b) if he is a discretionary fund manager, the jurisdiction in which the funds are managed or owned.

All documents will be sent at the Placee’s risk. They may be sent by post to such Placee at an address notified to the Bookrunners.

The provisions of these terms and conditions of the Firm Placing and/or the Placing may be waived, varied or modified as regards specific Placees or on a general basis by the Bookrunners.

The contract to subscribe for Firm Placed Shares and/ or Placed Shares (as applicable) and the appointments and authorities mentioned herein will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of the Bookrunners, the Company and the Registrars, each Placee irrevocably submits to the exclusive jurisdiction of the English courts in respect of these matters. This does not prevent an action being taken against a Placee in any other jurisdiction.

In the case of a joint agreement to subscribe for Firm Placed Shares and/or Placed Shares (as applicable), references to a “Placee” in these terms and conditions are to each of such Placees and such joint Placees’ liability is joint and several.

In addition to the provisions of paragraph 7 of this section, the Bookrunners and the Company each expressly reserve the right to modify the Firm Placing and/or the Placing (including, without limitation, its timetable and settlement) at any time before allocations of Firm Placed Shares under the Firm Placing and/or of Placed Shares under the Placing are determined.

APPENDIX 4

TERMS AND CONDITIONS OF THE OFFER FOR SUBSCRIPTION

INTRODUCTION

As explained in the letter from the Chairman set out in Part 1 of this document, the Company is proposing to raise approximately £120.0 million (approximately £116.2 million net of expenses), with the ability to increase the size of the Issue by up to 25.0 per cent. to approximately £150.0 million, by way of the Capital Raising. Assuming an Issue size of approximately £120.0 million, of the New Shares being issued, 60,000,000 of the New Shares will be issued through the Firm Placing and 60,000,000 of the New Shares will be issued through the Placing, Open Offer and Offer for Subscription.

This Appendix 4 and, where applicable, the accompanying Subscription Form, contain the formal terms and conditions of the Offer for Subscription. The Offer for Subscription is only being made in the UK but, subject to applicable law, the Company may allot New Shares on a private placement basis to applicants in other jurisdictions. Your attention is drawn to the letter from the Chairman in Part 1 of this document, which sets out the background to and reasons for the Capital Raising.

If you intend to apply for the Offer for Subscription through CREST, your attention is drawn to paragraphs 2 to 8 of this Appendix 4. If you intend to apply for the Offer for Subscription using the Subscription Form (and not through CREST), your attention is drawn to paragraphs 1, 3, 4, 5, 6, 7 and 8 of this Appendix 4.

The Capital Raising and the contract created under the Offer for Subscription by the acceptance of a Subscription Application (as defined below), in the case of a Subscription Applicant (as defined below), or the sending of valid USE instruction, in the case of a CREST Subscription Applicant, will be conditional on:

- the passing of the Resolutions without amendment to be proposed at the General Meeting to be held on 13 April 2016;
- the Placing Agreement having become unconditional in all respects save for the condition relating to Admission and not being terminated in accordance with its terms before Admission occurs; and
- Admission occurring by not later than 8.00 a.m. (London time) on 14 April 2016 (or such later time and date as the Company, Numis and Peel Hunt may agree, not being later than 8.00 a.m. (London time) on 28 April 2016).

In the case of a joint application, references to you in these terms and conditions of application are to each of you, and your liability is joint and several.

The Company reserves the right to reject in whole or part or to scale back or limit any application under the Offer for Subscription.

Unless otherwise defined herein, defined terms in this document shall have the same meaning in these terms and conditions and in the notes on how to complete the Subscription Form, and:

“CREST Subscription Application” means an application for New Shares made by sending a USE instruction through CREST in accordance with these terms and conditions;

“Subscription Applicant” means a person or persons (in the case of joint applicants) whose name(s) appear(s) on the registration details (section 2) of a Subscription Form; and

“Subscription Application” means the offer made by a Subscription Applicant by completing a Subscription Form and posting (or delivering) it to the Receiving Agent as specified in this document.

1. TERMS AND CONDITIONS FOR ALL APPLICANTS OTHER THAN CREST SUBSCRIPTION APPLICANTS

1.1 Procedure for application and withdrawal rights

If you are in any doubt as to the action you should take, or the contents of this document, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent adviser duly authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

1.1.1 *General*

(a) *Application procedures*

Persons wishing to apply for New Shares pursuant to the Offer for Subscription (other than CREST Subscription Applicants who should refer to paragraph 2 of this Appendix 4) should complete and sign the enclosed Subscription Form in accordance with the instructions thereon and send or deliver it, together with a remittance for the full amount payable, to Equiniti, either by post or by hand (during normal business hours only) at Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to arrive as soon as possible and, in any event, so as to arrive no later than 11.00 a.m. on 12 April 2016, at which time the Offer for Subscription will close. Subscription Forms received after this time will not be accepted. Subscription Applications, once made, will be irrevocable (save for any statutory withdrawal rights arising after the publication of a prospectus supplementing this document) and will not be acknowledged. Multiple applications will not be accepted.

Numis, Peel Hunt and the Company reserve the right (but shall not be obliged) to treat a Subscription Form as valid and binding on the person(s) by whom or for whose benefit it is lodged even if such a Subscription Form is not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required or which otherwise does not strictly comply with the terms and conditions of the Offer for Subscription. Numis, Peel Hunt and the Company further reserve the right (but shall not be obliged) to accept either Subscription Forms and remittances received after 11.00 a.m. on 12 April 2016 but not later than 2.00 p.m. on 12 April 2016 or applications in respect of which remittances are received before 2.00 p.m. on 12 April 2016 from authorised persons (as defined in FSMA) specifying the New Shares applied for and undertaking to lodge the Subscription Form in due course but, in any event, within two Business Days. If a Subscription Form is sent by post, the person applying is recommended to allow at least four working days for delivery.

(b) *Payments*

All payments must be made by cheque or banker's draft in Pounds Sterling drawn on an account at a bank or building society in the United Kingdom, the Channel Islands or the Isle of Man, which is either a settlement member of the Cheque and Credit Clearing Company Limited or of the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided for members of either of those companies, and must bear the appropriate sort code number in the top right-hand corner. Any application which does not comply with these requirements will be treated as invalid.

Cheques or banker's drafts should be made payable to *Equiniti Limited re: Primary Health Properties PLC – Offer for Subscription a/c* and crossed *A/C payee only*.

Any person returning a Subscription Form with a remittance in the form of a cheque thereby warrants that the cheque will be honoured on first presentation. If cheques or banker's drafts are presented for payment before the conditions of the Offer for Subscription are satisfied, the monies will be kept in a separate bank account until the conditions are fully met. In the event that the Capital Raising does not become unconditional by 8.00 a.m. (London time) on 14 April 2016 (or such later time and/or

date, being not later than 8.00 a.m. (London time) on 28 April 2016, as Numis and Peel Hunt may agree), the Offer for Subscription will lapse and all application monies will be returned (at the Subscription Applicant's sole risk) to Subscription Applicants as soon as practicable thereafter. If any cheque is not honoured on first presentation, the relevant application may be deemed to be invalid. The Company reserves the right to instruct the Receiving Agent to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity.

(c) *Effect of application*

All documents and remittances sent by post by or to a Subscription Applicant (or as the Subscription Applicant may direct) will be sent at the Subscription Applicant's own risk. By completing and delivering a Subscription Form, you (as the Subscription Applicant(s)):

- (i) agree with the Company, Numis and Peel Hunt that all applications under the Offer for Subscription, and contracts resulting therefrom, and any non-contractual obligations related thereto, shall be governed by, and construed in accordance with, the laws of England;
- (ii) confirm to the Company, Numis and Peel Hunt that in making the application you are not relying on any information or representation other than that contained in this document, and you accordingly agree that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and you further agree that, having had the opportunity to read this document, you will be deemed to have had notice of all the information concerning the Company contained herein (including information incorporated by reference);
- (iii) confirm to the Company, Numis and Peel Hunt that no person has been authorised to give any information or make any representation concerning the Company or the Group or the New Shares (other than as contained in this document) and if given or made any such information or representation should not be relied upon as having been authorised by the Company, Numis and Peel Hunt;
- (iv) represent and warrant to the Company, Numis and Peel Hunt that you have the right, power and authority, and have taken all action necessary, to make the application under the Offer for Subscription and to execute, deliver and exercise your rights, and perform your obligations under any contracts resulting therefrom and that you are not a person otherwise prevented by legal or regulatory restrictions from applying for New Shares or acting on behalf of any such person on a non-discretionary basis;
- (v) request that the New Shares to which you will become entitled be issued to you on the terms set out in this document and the Subscription Form and subject to the Articles;
- (vi) represent and warrant to the Company, Numis and Peel Hunt that you are not, and you are not applying on behalf of any person who is, a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any jurisdiction outside the United Kingdom and you are not applying with a view to reoffering, reselling, transferring or delivering any of the New Shares which are the subject of this application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any jurisdiction outside the United Kingdom (in each case except where proof satisfactory to the Company, Numis and Peel Hunt has been provided to the Company that you are able to accept the invitation by the Company free of any requirement which

the Company, Numis and Peel Hunt, in their absolute discretion, regard as unduly burdensome) nor are you acting on behalf of any such person on a non-discretionary basis;

- (vii) represent and warrant that you are outside of the United States and acknowledge that the offer and sale of the New Shares to you has been made outside of the United States in an “offshore transaction” as defined in, and pursuant to, Regulation S under the US Securities Act;
- (viii) represent and warrant to the Company, Numis and Peel Hunt that you are not and nor are you applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (depository receipts) or Section 96 (clearance services) of the Finance Act 1986
- (ix) confirm to the Company, Numis and Peel Hunt that in making the application you are not relying and have not relied on Numis or Peel Hunt or any person affiliated with Numis or Peel Hunt in connection with any investigation of the accuracy of any information contained in this document or your investment decision;
- (x) irrevocably authorise the Company or any person authorised by it to do all things necessary to effect registration of any New Shares subscribed by or issued to you into your name(s) or into the name(s) of any person(s) in whose favour the entitlement to any such New Shares has been transferred and authorise any representative of the Company to execute any document required; and
- (xi) warrant that, if you are an individual, you are not under the age of 18.

All enquiries in connection with the procedure for application and completion of the Subscription Form should be addressed to Equiniti, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Please note Equiniti cannot provide financial advice on the merits of the Offer for Subscription.

1.1.2 *Withdrawal rights*

Persons wishing to exercise statutory withdrawal rights pursuant to section 87Q(4) of FSMA after the publication by the Company of a prospectus supplementing this document must do so by lodging a written notice of withdrawal (which shall include a notice sent by any form of electronic communication) with Equiniti, by post to Equiniti, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be sent not later than two Business Days after the date on which the supplementary prospectus is published. Notice of withdrawal given by any other means or which is deposited with or received by the Receiving Agent after expiry of such period will not constitute a valid withdrawal.

2. TERMS AND CONDITIONS FOR CREST SUBSCRIPTION APPLICANTS

2.1 Procedure for application and payment

CREST Subscription Applicants should refer to the CREST Manual for further information on the CREST procedures referred to below.

A CREST Subscription Applicant should contact Equiniti to arrange a credit of Subscription Entitlements to their stock account in sufficient time to arrange a USE instruction so as to be received by no later than 11.00 a.m. on 12 April 2016.

2.1.1 *General*

Each CREST Subscription Applicant will, following contact with Equiniti, receive a credit to its stock account in CREST of its Subscription Entitlement equal to the maximum number of New Shares for which it is entitled to apply to acquire under the Offer for Subscription, and CREST Subscription Applicants may apply for any whole number of New Shares up to and including such number. CREST Subscription Applications under the Offer for Subscription will be allocated in such manner as the Banks shall determine having consulted

with the Company, and no assurance can be given that the applications by CREST Subscription Applicants will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the CREST Subscription Applicant (at the CREST Subscription Applicant's risk) without interest as soon as practicable by way of CREST payment or cheque if required.

The CREST stock account to be credited will be an account under the Participant ID and Member Account ID advised by the CREST Subscription Applicant.

If, for any reason, the Subscription Entitlements cannot be admitted to CREST by, or the stock accounts of CREST Subscription Applicants cannot be credited on 6 April 2016, or such later time and/or date as the Company may decide, CREST Subscription Applicants will be advised by Equiniti to apply in the Offer for Subscription using the Subscription Form attached to this document and in accordance with the "Terms and Conditions of Application under the Offer for Subscription for all Applicants other than CREST Subscription Applicants" in paragraph 1 of this Appendix 4 above.

A Subscription Entitlement may not be sold or otherwise transferred.

CREST Subscription Applicants should note that, although the Subscription Entitlements will be admitted to CREST, they will have limited settlement capabilities. The Subscription Entitlements will be neither tradable nor listed and applications may only be made by the CREST Subscription Applicants originally entitled. There will be no market claims in respect of Subscription Entitlements. Nor will it be permitted to withdraw Subscription Entitlements from CREST.

All enquiries from CREST Subscription Applicants in connection with the procedure for application of Subscription Entitlements should be addressed to Equiniti, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Equiniti can be contacted on 0333 207 6370 or, if telephoning from outside the UK, on +44 (0) 121 415 0942 between 8.30 a.m. and 5.30 p.m. Monday to Friday (except bank holidays in England and Wales). Calls to the Shareholder Helpline from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Please note Equiniti cannot provide financial advice on the merits of the Offer for Subscription.

Notwithstanding any other provision of this document, the Company reserves the right to send CREST Subscription Applicants a Subscription Form instead of crediting the relevant stock account with Subscription Entitlements, and to allot and/or issue any New Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

2.1.2 *USE instructions*

CREST Subscription Applicants who want to apply for New Shares must send a USE instruction to Euroclear which, on its settlement, will have the following effect:

- (a) the crediting of a stock account of the Receiving Agent under the Participant ID and Member Account ID specified below, with a number of Subscription Entitlements corresponding to the number of New Shares applied for; and
- (b) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of the Receiving Agent in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of New Shares referred to in paragraph 2.1.2(a) above.

2.1.3 *Content of USE instruction in respect of Subscription Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

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- (a) the number of New Shares for which the application is being made (and hence the number of Subscription Entitlement(s) being delivered to the Receiving Agent);
 - (b) the ISIN of the Subscription Entitlement. This is GB00BYW8JY60;
 - (c) the CREST Participant ID of the accepting CREST member;
 - (d) the CREST Member Account ID of the accepting CREST Member from which the Subscription Entitlements are to be debited;
 - (e) the Participant ID of the Receiving Agent. This is 2RA46 ;
 - (f) the Member Account ID of the Receiving Agent. This is RA224203;
 - (g) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of New Shares referred to in paragraph 2.1.3(a) above;
 - (h) the intended settlement date. This must be before 11.00 a.m. on 12 April 2016; and
 - (i) the corporate action number for the Offer for Subscription. This will be available by viewing the relevant corporate action details in CREST.

In order for the application in respect of a Subscription Entitlement under the Offer for Subscription to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 12 April 2016.

In order to assist prompt settlement of the USE instruction, CREST members may consider adding the following non-mandatory fields to the USE instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST Subscription Applicants should note that the last time at which a USE instruction may settle on 12 April 2016 in order to be valid is 11.00 a.m. on that day. Please note that automated CREST generated claims and buyer protection will not be offered on the Subscription Entitlement facility.

In the event that the Offer for Subscription does not become unconditional by 8.00 a.m. on 14 April 2016 or such later time and date as the Company and Numis and Peel Hunt may agree (being no later than 28 April 2016), the Offer for Subscription will lapse, the Subscription Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a CREST Subscription Applicant by way of a CREST payment, without interest, as soon as practicable thereafter (or if required by cheque). Any interest earned on such monies, will be retained for the benefit of the Company.

2.1.4 *Validity of application*

A USE instruction complying with the requirements set out in these terms and conditions of this Appendix 4 which settles by no later than 11.00 a.m. on 12 April 2016 will constitute a valid and irrevocable application under the Offer for Subscription.

2.1.5 *CREST procedures and timings*

CREST Subscription Applicants should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Offer for Subscription. It is the responsibility of the CREST Member concerned to take such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 12 April 2016. In this connection, CREST Subscription Applicants are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

2.1.6 *Incorrect or incomplete applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company, through the Receiving Agent, reserves the right:

- (a) to reject the application in full and refund the payment to the CREST Member in question (without interest);
- (b) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of New Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST Member in question (without interest); and
- (c) in the case that an excess sum is paid, to treat the application as a valid application for all the New Shares referred to in the USE instruction, refunding any unutilised sum to the CREST Member in question (without interest), save for amounts less than £5 which will be retained for the benefit of the Company.

2.1.7 *Effect of valid application*

A CREST Subscription Applicant who makes or is treated as making a valid application in accordance with the procedures set out in these terms and conditions of this Appendix 4 shall:

- (a) pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to Equiniti payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST Member to pay to the Company the amount payable on application);
 - (b) agree with the Company, Numis and Peel Hunt that all applications under the Offer for Subscription and contracts resulting therefrom and any non-contractual obligations related thereto shall be governed by, and construed in accordance with, the laws of England;
 - (c) confirm to the Company, Numis and Peel Hunt that in making such application he is not relying on any information other than that contained in this document and agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such other information or representation not so contained and further agree that, having had the opportunity to read this document, he will be deemed to have had notice of all the information concerning the Company contained herein (including information incorporated by reference);
 - (d) confirm to the Company, Numis and Peel Hunt that no person has been authorised to give any information or make any representation concerning the Company or the New Shares (other than contained in this document) and if given or made any such information or representation should not be relied upon as having been authorised by the Company, Numis or Peel Hunt;
 - (e) represent and warrant to the Company, Numis and Peel Hunt that he is the CREST Subscription Applicant originally entitled to the Subscription Entitlements;
 - (f) represent and warrant to the Company, Numis and Peel Hunt that he has the right, power and authority, and has taken all action necessary, to make the application under the Offer for Subscription and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for New Shares or acting on behalf of any such person on a non-discretionary basis;
 - (g) request that the New Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the Articles;
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- (h) represent and warrant to the Company, Numis and Peel Hunt that he is not, and is not applying on behalf of any person, who is, a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any jurisdiction outside the United Kingdom and he is not applying with a view to reoffering, reselling, transferring or delivering any of the New Shares which are the subject of this application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any jurisdiction outside the United Kingdom (in each case except where proof satisfactory to the Company, Numis and Peel Hunt has been provided to the Company that he is able to subscribe for the New Shares free of any requirement which the Company or Numis or Peel Hunt (in their absolute discretion) regard as unduly burdensome), nor is he acting on behalf of any such person on a non-discretionary basis;
 - (i) represent and warrant that he is outside of the United States and acknowledge that the offer and sale of the New Shares to him has been made outside the United States in an “offshore transaction” as defined in and pursuant to Regulation S under the US Securities Act;
 - (j) represent and warrant to the Company, Numis and Peel Hunt that he is not, and nor is he applying as, nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (depository receipts) or Section 96 (clearance services) of the Finance Act 1986;
 - (k) confirm to the Company, Numis and Peel Hunt that in making the application he is not relying and has not relied on Numis or Peel Hunt or any person affiliated with Numis or Peel Hunt in connection with any investigation of the accuracy of any information contained in this document or his investment decision; and
 - (l) irrevocably authorise the Company or any person authorised by it to do all things necessary to effect registration of any New Shares subscribed by or issued by him into his name(s) or into the name(s) of any person(s) in whose favour the entitlement to any such New Shares has been transferred and authorise any representative of the Company to execute any document required.

2.1.8 *Company’s discretion as to the rejection and validity of applications*

The Company, Numis and Peel Hunt may in their sole discretion:

- (a) treat as valid and binding on the CREST Subscription Applicant concerned an application which does not comply in all respects with the requirements as to validity set out or referred to in these terms and conditions of this Appendix 4;
 - (b) accept an alternative properly authenticated instruction from a CREST Subscription Applicant as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
 - (c) treat a properly authenticated instruction (in this sub-paragraph the “first instruction”) as not constituting a valid application if, at the time at which the Receiving Agent receives a properly authenticated instruction giving details of the first instruction or thereafter, either the Company or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
 - (d) accept an alternative instruction or notification from a CREST Subscription Applicant, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances
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outside the control of any CREST Subscription Applicant, the CREST Subscription Applicant is unable validly to apply for New Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

2.1.9 Settlement

Subscription Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 12 April 2016. If the conditions to the Offer for Subscription described above are satisfied, New Shares will be issued in uncertificated form to those persons who submitted a valid application for New Shares by utilising the CREST application procedures and whose applications have been accepted by the Company. The stock accounts to be credited will be accounts under the same CREST Participant IDs and CREST Member Account IDs in respect of which the USE instruction was given.

The latest time and date for payment in full under the Offer for Subscription and settlement of relevant CREST instructions is expected to be 11.00 a.m. on 12 April 2016 with Admission and commencement of dealings in New Shares issued pursuant to the Capital Raising expected to take place at 8.00 a.m. on 14 April 2016.

CREST Subscription Applicants should note that, although the Subscription Entitlements will be credited to CREST and be enabled for settlement, applications in respect of Subscription Entitlements may only be made by the CREST Subscription Applicant originally entitled.

3. MONEY LAUNDERING

3.1 Holders of Subscription Forms

The verification of identity requirements of the Money Laundering Regulations 2007 will apply and verification of the identity of the Subscription Applicants for New Shares may be required. If a Subscription Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations 2007, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent's stamp should be inserted in the Subscription Form. If the value at the Issue Price of the New Shares for which you are applying does not exceed fifteen thousand euros (€15,000) (or the sterling equivalent) (and is not one of a series of linked applications, the aggregate value of which exceeds that amount), you will not be required to satisfy the verification of identity requirements described below. However, if such a value exceeds that amount, then failure to provide the necessary evidence of identity may result in your application being treated as invalid or in delaying acceptance of your application. In order to avoid this, all payments should be made by means of a cheque drawn by the person named in the Subscription Form (or one of such persons). If this is not practicable and you use a cheque drawn by a third party (for example, a building society cheque or banker's draft), you should:

- (a) write the name, address and date of birth of the person named on the Subscription Form (or one of such persons) on the back of the cheque, building society cheque or banker's draft;
- (b) if a building society cheque or banker's draft is used, ask the building society or bank to:
 - (i) insert on the cheque or banker's draft the full name and account number of the account holder whose building society or bank account is being debited; and
 - (ii) add the building society or bank branch stamp; and
- (c) if you are making the application as agent for one or more persons, indicate on the Subscription Form whether you are a UK or EC regulated person or institution (e.g. a bank or broker) and specify your status. If you are not a UK or EC regulated person or institution, you should contact Equiniti, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

If you deliver your Subscription Form personally by hand, you should ensure that you have with you evidence of your identity bearing your photograph (e.g. your passport). In any event, if it appears to Equiniti that a Subscription Applicant is acting on behalf of some other person, further verification of the identity of any person on whose behalf the Subscription Applicant appears to be acting may be required. In relation to any application in respect of which the necessary verification of the identity of the Subscription Applicant or the person on whose behalf the Subscription Applicant appears to be acting has not been received on or before 11.00 a.m. on 12 April 2016 the Company may, in their absolute discretion, elect to treat the relevant application as invalid and/or delay the allotment of the relevant number of New Shares until the necessary verification has been provided. If a Subscription Form is treated as invalid the money paid in respect of the application will be returned (at the Subscription Applicants' risk and without interest).

By lodging a Subscription Form, each Subscription Applicant undertakes to provide such evidence of its identity at the time of lodging the Subscription Form or, at the absolute discretion of the Company, Numis and Peel Hunt, at such specified time thereafter as may be requested to ensure compliance with the Money Laundering Regulations 2007.

Equiniti is entitled, in its absolute discretion, to determine whether verification of identity requirements apply to any Subscription Applicant and whether such requirements have been satisfied. Neither Equiniti, nor the Company nor Numis nor Peel Hunt shall be responsible or liable to any person for any loss or damage suffered as a result of the exercise of their discretion hereunder.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If, within a reasonable time following a request for verification of identity, Equiniti has not received evidence satisfactory to it as aforesaid, the Company or Numis or Peel Hunt may treat the relevant application as invalid, in which event the monies payable on acceptance of the Offer for Subscription will be returned (at the acceptor's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn.

Submission of a Subscription Form with the appropriate remittance will constitute a warranty to each of the Company, Equiniti, Numis and Peel Hunt from the applicant that the Money Laundering Regulations 2007 will not be breached by application of such remittance.

3.2 Subscription Entitlements in CREST

If you hold your Subscription Entitlements in CREST and apply for New Shares in respect of all or some of your Subscription Entitlements as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, Equiniti is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact Equiniti before sending any USE or other instruction so that appropriate measures may be taken. Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the CREST Subscription Applicant to provide promptly to Equiniti such information as may be specified by Equiniti as being required for the purposes of the Money Laundering Regulations 2007. Pending the provision of evidence satisfactory to Equiniti as to identity, Equiniti may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the New Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the New Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

4. TAXATION

Your attention is drawn to the section headed "UK Taxation" set out in paragraph 11 of Part 7 of this document.

5. OVERSEAS APPLICANTS

The document has been approved by the FCA, being the competent authority in the United Kingdom, in accordance with Section 85 of FSMA.

5.1 General

The making of or acceptance of the Offer for Subscription to or by persons who have registered addresses outside the United Kingdom, or who are resident in countries outside the United Kingdom, may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consent or need to observe any other formalities to enable them to take up their rights.

It is also the responsibility of all persons (including, without limitation, custodians, nominees, agents and trustees) outside the United Kingdom wishing to take up New Shares to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. **The comments set out in this paragraph 5.1 are intended as a general guide only and any persons who are in doubt as to their position should consult their professional adviser without delay.**

No public offer of the New Shares is being made by virtue of this document or the Subscription Forms into any jurisdiction outside the United Kingdom in which such offer would be unlawful. No action has been or will be taken by the Company, Numis, Peel Hunt or any other person to permit a public offering or distribution of this document (or any other offering or publicity materials or Subscription Form(s) relating to the New Shares) or the New Shares in any jurisdiction where action for that purpose may be required, other than in the United Kingdom.

Receipt of this document and/or any Subscription Form will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this document and/or a Subscription Form must be treated as sent for information only and should not be copied or redistributed.

No person receiving a copy of this document and/or a Subscription Form in any jurisdiction other than the United Kingdom may treat the same as constituting an invitation or offer to him nor should he in any event use the Subscription Form unless, in the relevant jurisdiction, such an invitation or offer could lawfully be made to him or the Subscription Form could lawfully be used or dealt with without contravention of any registration or other legal requirements. In such circumstances, this document and the Subscription Form are to be treated as sent for information only and should not be copied or redistributed.

None of the Company, Numis or Peel Hunt or any of their affiliates or any person acting on their behalf, is making any representation or warranty to any offeree or purchaser of the New Shares regarding the legality of an investment in the New Shares to such offeree or purchaser under the laws applicable to such offeree or purchaser.

Persons (including, without limitation, custodians, nominees and trustees) receiving a copy of this document and/or a Subscription Form should not distribute or send the same in or into any jurisdiction where to do so would or might contravene applicable security laws or regulations. If a Subscription Form is received by any person in any such jurisdiction, or by his agent or nominee, he must not seek to take up New Shares referred to in the Subscription Form or in this document unless the Company, Numis and Peel Hunt (at their absolute discretion) determine that such actions would not violate applicable registration or other legal or regulatory requirements. Any person (including, without limitation, custodians, nominees and trustees) who does forward this document or a Subscription Form into any such jurisdictions (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 5.

Subject to paragraphs 5.2 and 5.3 below, any person (including, without limitation, agents, nominees and trustees) outside the United Kingdom wishing to participate in the Offer for Subscription must satisfy himself as to full observance of the applicable laws of any relevant jurisdiction, including

obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such jurisdictions. The comments set out in this paragraph 5 are intended as a general guide only and any Overseas Applicants who are in any doubt as to their position should consult their professional advisers without delay.

The Company, Numis and Peel Hunt reserve the right to treat as invalid and will not be bound to allot or issue any New Shares in respect of any acceptance or purported acceptance of the offer of New Shares which:

- (a) appears to the Company or its agents to have been executed, effected or despatched from outside the United Kingdom unless the Company, Numis and Peel Hunt are satisfied that such action would not result in the contravention of any registration or other legal requirement; or
- (b) in the case of a Subscription Form, provides an address for delivery of the share certificates in or, in the case of a credit of New Shares in CREST, to a CREST Member or CREST Sponsored Member whose registered address would be in any jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit unless the Company, Numis and Peel Hunt are satisfied that such action would not result in the contravention of any registration or other legal requirement.

Despite any other provision of this document or the Subscription Form, the Company, Numis and Peel Hunt reserve the right to permit any person to take up New Shares under the Offer for Subscription if the Company, Numis and Peel Hunt in their sole and absolute discretion are satisfied that the transaction in question is exempt from or not subject to the registration or other legal or regulatory requirements giving rise to the restrictions in question.

All subscription monies must be in Pounds Sterling by cheque or banker's draft and should be drawn on a bank in the UK, made payable to *Equiniti Limited re: Primary Health Properties PLC – Offer for Subscription a/c* and crossed *A/C payee only*.

5.2 Representations and warranties relating to Overseas Applicants

The attention of Overseas Applicants is drawn to the representations and warranties set out in paragraphs 1.1.1(c) (Applicants other than CREST Subscription Applicants) and 2.1.7 (CREST Subscription Applicants) of this Appendix 4.

5.3 Further information

Your attention is drawn to the further information set out in this document and to the terms, conditions and other information printed on the accompanying Subscription Form.

5.4 Waiver

The provisions of this paragraph 5 and of any other terms of the Offer for Subscription relating to Overseas Applicants may be waived, varied or modified as regards specific applicants or on a general basis by the Company, Numis and Peel Hunt in their absolute discretion. Subject to this, the provisions of this paragraph 5 supersede any terms of the Offer for Subscription inconsistent herewith. References in this paragraph 5 to applicants shall include references to the person or persons executing a Subscription Form and in the event of more than one person executing a Subscription Form, the provisions of this paragraph 5 shall apply to them jointly and to each of them.

6. TIMES AND DATES

The Company shall, in agreement with Numis and Peel Hunt and after consultation with its financial and legal advisers, be entitled to amend the dates that Subscription Forms are despatched or amend or extend the latest date for acceptance under the Offer for Subscription and all related dates set out in this document and in such circumstances notify the Financial Conduct Authority, and make an announcement on a Regulatory Information Service.

If a supplementary prospectus is issued by the Company two or fewer Business Days prior to the latest time and date for acceptance and payment in full under the Offer for Subscription specified in this

document, the latest date for acceptance under the Offer for Subscription and all related dates set out in this document shall be extended to the date that is three Business Days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates. In particular, the Directors have the discretion to extend the last time and/or date for Subscription Applications or CREST Subscription Applications, and any such extension will not affect CREST Subscription Applications already made, which will continue to be irrevocable.

7. STRUCTURE OF THE CAPITAL RAISING

For technical reasons, at the conclusion of the Capital Raising, the Company will issue the New Shares attributable to the Capital Raising in consideration for the transfer to it by Numis and Peel Hunt (the “**Newco Subscribers**”) of the issued ordinary shares of Newco held by the Newco Subscribers and the entire issued redeemable preference share capital of Newco, which will result in the Company owning the entire issued share capital of Newco the only assets of which will be its cash resources. These resources will represent the net proceeds of the Capital Raising. The Company will be able to utilise this amount by redeeming the redeemable preference shares it will then hold in Newco and, during any interim period prior to redemption, by procuring that Newco lends the amount to the Company or another member of the Group. The structure of the Capital Raising is expected to have the effect of creating distributable reserves equal to the net proceeds of the Capital Raising less the par value of the New Shares attributable to the Capital Raising. Accordingly, by applying for New Shares in the Offer for Subscription and submitting a valid payment in respect thereof, a subscriber instructs the Receiving Agent to: (i) hold such payments on its behalf until Admission and, if Admission does not take place, to return such payment, without interest, to the Applicant; (ii) following Admission and to the extent of a successful application under the Offer for Subscription, to apply such payment (after deduction of certain agreed fees, costs and expenses) on behalf of the Newco Subscribers solely for the purposes of acquiring preference shares in Newco; and (iii) to the extent of an unsuccessful application under the Offer for Subscription, to return the relevant payment without interest to the applicant.

The Board may elect to implement all or part of the Capital Raising without using the structure described above if it deems it to be in the Company’s interest to do so.

8. GOVERNING LAW

The terms and conditions of the Offer for Subscription as set out in this Appendix 4 and the Subscription Form shall be governed by, and construed in accordance with, English law. The Courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Offer for Subscription, this document and the Subscription Form.

Persons who take up New Shares in accordance with this Appendix 4 and the Subscription Form irrevocably submit to the jurisdiction of the Courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient form.

NOTES ON HOW TO COMPLETE THE SUBSCRIPTION FORM

If you are a Subscription Applicant you should first read the Terms and Conditions of the Offer for Subscription in Appendix 4 of this document.

Applications should be returned so as to be received by Equiniti, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA no later than 11.00 a.m. on 12 April 2016.

HELP DESK: If you have any questions relating to the completion and return of the Subscription Form, please telephone 0333 207 6370 or, if telephoning from outside the UK, on +44 (0) 121 415 0942 between 8.30 a.m. to 5.30 p.m. Monday to Friday (except public holidays in England and Wales). Calls to the Shareholder Helpline from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Please note Equiniti cannot provide financial advice on the merits of the Capital Raising or as to whether you should subscribe.

1. APPLICATION

Fill in (in figures) in Box 1 the amount you wish to subscribe for. Applications should be for a minimum of £1,000 and thereafter in multiples of £500. Financial intermediaries who are investing on behalf of clients should make separate applications for each client.

2. HOLDER DETAILS

Fill in (in block capitals) in section 2 the full name and address of the first holder and the names only of any joint holders. Applications may only be made by persons aged 18 or over. In the case of joint holders only the first named may bear a designation reference. A maximum of four joint holders is permitted. All holders named must sign the Subscription Form at section 3.

3. SIGNATURE

All holders named in section 2 must sign section 3 and insert the date. The Subscription Form may be signed by another person on behalf of each holder if that person is duly authorised to do so under a power of attorney. The power of attorney (or a copy duly certified by a solicitor or a bank) must be enclosed for inspection (which originals will be returned by post at the addressee's risk). A corporation should sign under the hand of a duly authorised official whose representative capacity should be stated and a copy of a notice issued by the corporation authorising such person to sign should accompany the Subscription Form.

4. CHEQUE/BANKER'S DRAFT, PAYMENT DETAILS

Payment must be made by a cheque or banker's draft accompanying your application. Payment by cheque or banker's draft must accompany your Subscription Form and be for the exact amount entered in Box 1 of your Subscription Form. Your cheque or bankers draft must be made payable to "**Equiniti Limited re: Primary Health Properties PLC – Offer for Subscription AIC**" and crossed "**AIC Payee Only**". Third party cheques will not be accepted with the exception of building society cheques or bankers drafts where the building society or bank has inserted on the cheque or banker's draft the full name of the account holder and has added the building society or bank branch stamp. Your cheque or bankers draft must be drawn in sterling on an account at a bank branch in the UK or the Channel Islands and must bear a UK bank sort code number in the top right hand corner. No receipt will be issued.

5. RELIABLE INTRODUCER DECLARATION

Applications with a value greater than fifteen thousand euros (€15,000) (or the sterling equivalent) will be subject to the United Kingdom's verification of identity requirements. This will involve you providing the verification of identity documents listed below UNLESS you can have the declaration provided at section 5 of the Subscription Form given and signed by a firm acceptable to the Company.

In order to ensure your application is processed in time and efficiently all applicants are strongly advised to have the declaration provided in section 5 of the Subscription Form completed and signed by a suitable firm.

If the declaration in section 5 cannot be completed and the value of the application is greater than fifteen thousand euros (€15,000) (or the sterling equivalent), in accordance with internationally recognised standards for the prevention of money laundering, the documents listed below must be provided with the completed Subscription Form as appropriate. Notwithstanding that the declaration in section 5 has been completed and signed, the Receiving Agent and the Company reserves the right to request of you the identity documents listed below and/or to seek verification of identity of each holder and payor (if necessary) from you or their bankers or from another reputable institution, agency or professional adviser in the applicable country of residence. If satisfactory evidence of identity has not been obtained within a reasonable time, your application may be rejected or revoked.

Where certified copies of documents are requested below, such copy documents should be certified by a senior signatory of a firm which is either a government approved bank, stockbroker, investment firm, financial services firm or an established law firm or accountancy firm which is itself subject to regulation in the conduct of its business in its own country of operation, and the name of the firm should be clearly identified on each document certified.

A. For each holder being an individual enclose:

- (1) a certified clear photocopy of one of the following identification documents which bear both a photograph and the signature of the person: current passport, Government or Armed Forces identity card, driving licence; and
- (2) certified copies of at least two of the following documents which purport to confirm that the address given in section 2 is that person's residential address: a recent gas, electricity, water or telephone (not mobile) bill, a recent bank statement, a council rates bill, or similar document issued by a recognised authority; and
- (3) if none of the above documents show the date and place of birth of the Subscription Applicant enclose a note of such information; and
- (4) details of the name and address of their personal bankers from which the Receiving Agent may request a reference, if necessary.

B. For each holder being a company (a "Holder Company") enclose:

- (1) a certified copy of the certificate of incorporation of the Holder Company; and
- (2) the name and address of the Holder Company's principal bankers from which the Receiving Agent may request a reference, if necessary; and
- (3) a statement as to the nature of the Holder Company's business, signed by a director; and
- (4) a list of the names and residential addresses of each director of the Holder Company; and
- (5) for each director provide documents and information similar to that mentioned in A above; and
- (6) a copy of the authorised signatory list for the Holder Company; and
- (7) a list of the names and residential/registered address of each ultimate beneficial owner interested in more than 5 per cent. of the issued share capital of the Holder Company and, where a person is named, also complete C below and, if another company is named (hereinafter a "beneficiary company"), also complete D below.

If the beneficial owner(s) named do not directly own the Holder Company but do so indirectly via nominee(s) or intermediary entities, provide details of the relationship between the beneficial owner(s) and the Holder Company.

C. For each person named in B(7) as a beneficial owner of a Holder Company enclose for each such person documents and information similar to that mentioned in A(1) to (4)

D. For each beneficiary company named in B(7) as a beneficial owner of a Holder Company enclose:

- (1) a certified copy of the certificate of incorporation of that beneficiary company; and
- (2) a statement as to the nature of that beneficiary company's business signed by a director; and
- (3) the name and address of that beneficiary company's principal bankers from which the Receiving Agent may request a reference, if necessary; and
- (4) enclose a list of the names and residential/registered address of each beneficial owner owning more than 5 per cent., of the issued share capital of that beneficiary company.

E. If the payor is not the Subscription Applicant and is not a bank providing its own cheque or banker's payment on the reverse of which is shown details of the account being debited with such payment (see note 4 on how to complete this form) enclose:

- (1) if the payor is a person, for that person the documents mentioned in A(1) to (4); or
- (2) if the payor is a company, for that company the documents mentioned in B(1) to (7); and
- (3) an explanation of the relationship between the payor and the holder(s). The Receiving Agent reserves the right to ask for additional documents and information.

6. CONTACT DETAILS

To ensure the efficient and timely processing of your Subscription Form, please provide contact details of a person that Receiving Agent may contact with all enquiries concerning your application. Ordinarily this contact person should be the person signing in section 3 on behalf of the first named holder. If no details are entered here and the Receiving Agent requires further information, any delay in obtaining that additional information may result in your application being rejected or revoked.

[INTENTIONALLY LEFT BLANK]

SUBSCRIPTION FORM

INSTRUCTIONS FOR DELIVERY OF COMPLETED SUBSCRIPTION FORMS

Completed Subscription Forms should be returned, by post or by hand (during normal business hours only), to Equiniti, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, so as to be received no later than 11.00 a.m. on 12 April 2016, together in each case with payment in full in respect of the application. If you post your Subscription Form, you are recommended to use first class post and to allow at least two days for delivery. Subscription Forms received after this date may be returned.

This Subscription Form should not be completed by a CREST subscription applicant. Instead a CREST subscription applicant should contact Equiniti to arrange a credit of subscription entitlements to their stock account in sufficient time to submit a USE instruction so as to be received by no later than 11.00 a.m. on 12 April 2016.

Important: Before completing this form, you should read the accompanying notes. If you are a subscription applicant you should first read terms and conditions of the offer for subscription in the prospectus.

To: Equiniti Limited, acting as receiving agent for Primary Health Properties PLC

1. Application

I/We the person(s) detailed in section 2 below offer to subscribe the amount shown in Box 1 for New Shares subject to the Terms and Conditions set out in the Prospectus dated 22 March 2016 and subject to the articles of association of the Company.

Box 1 Subscription monies

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(minimum subscription of £1,000 and then in multiples of £500.)

2. Details of holder(s) in whose name(s) shares will be issued (block capitals)

Mr, Mrs., Miss or Title

Forenames (in full).....

Surname/Company Name:

Address (in Full).....

Designation (if any)

Mr, Mrs., Miss or Title

Forenames (in full).....

Surname/Company

Mr, Mrs. Miss or Title

Forenames (in full).....

Surname/Company Name

Mr, Mrs., Miss or Title

Forenames (in full).....

Surname/Company Name

3. Signature(s) all holders must sign

First holder signature:.....	Second holder signature:.....
Name (Print)	Name (Print)
Dated:	Dated:
<hr/>	
Third holder signature:	Fourth holder signature:
Name (Print)	Name (Print)
Dated:	Dated:

4. Cheques/banker's draft details

Pin or staple to this form your cheque or bankers draft for the exact amount shown in Box 1 made payable to “*Equiniti Limited re: Primary Health Properties PLC – Offer for Subscription AIC*”. Cheques and bankers payments must be drawn in sterling on an account at a bank branch in the UK or the Channel Islands and must bear a UK bank sort code number in the top right hand corner.

5. Reliable introducer declaration

Completion and signing of this declaration by a suitable person or institution may avoid presentation being requested of the identity documents detailed in section 5 of the notes on how to complete this Subscription Form.

The declaration below may only be signed by a person or institution (such as a government approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm) (the “**firm**”) which is itself subject in its own country to operation of “customer due diligence” and anti-money laundering regulations no less stringent than those which prevail in the United Kingdom. Acceptable countries include Austria, Belgium, Canada, Denmark, Finland, France, Germany, Gibraltar, Greece, Hong Kong, Iceland, Ireland, Isle of Man, Italy, Japan, Jersey, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, the UK and the United States of America.

Declaration: To the Company and the Receiving Agent

With reference to the holder(s) detailed in section 2, all persons signing at section 3 and the payor identified in section 4 if not also the subscription applicant (collectively the “**subjects**”) WE HEREBY DECLARE:

1. we operate in one of the above mentioned countries and our firm is subject to money laundering regulations under the laws of that country which, to the best of our knowledge, are no less stringent than those which prevail in the United Kingdom;
2. we are regulated in the conduct of our business and in the prevention of money laundering by the regulatory authority identified below;
3. each of the subjects is known to us in a business capacity and we hold valid identity documentation on each of them and we undertake to immediately provide to you copies thereof on demand;
4. we confirm the accuracy of the names and residential/business address(es) of the holder(s) given at section 2;
5. having regard to all local money laundering regulations we are, after enquiry, satisfied as to the source and legitimacy of the monies being used to subscribe for the New Shares mentioned; and
6. where the payor and holder(s) are different persons we are satisfied as to the relationship between them and reason for the payor being different to the holder(s).

The above information is given in strict confidence for your own use only and without any guarantee, responsibility or liability on the part of this firm or its officials.

Signed

Name:

Position
having authority to bind the firm.

Name of regulatory authority

Firm's Licence number:.....

Website address or telephone number of regulatory authority: STAMP of firm giving full name and business address

6. Contact details

To ensure the efficient and timely processing of this application please enter below the contact details of a person the Receiving Agent may contact with all enquiries concerning this application. Ordinarily this contact person should be the (or one of the) person(s) signing in section 3. If no details are entered here and the Receiving Agent requires further information, any delay in obtaining that additional information may result in your application being rejected or revoked.

