

**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 PLC

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

**Proposed Firm Placing of 46,296,296 new Ordinary Shares and proposed Placing, Open Offer and Offer for Subscription of up to 46,296,296 new Ordinary Shares with the ability to increase the size of the Issue up to 115,740,740 new Ordinary Shares in aggregate, each at an Issue Price of 108 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 17 to 27 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 17 to 27 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 17 April 2018 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 17 April 2018 and the procedures for application and payment are set out in Appendix 4 of this document and 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 35 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 19 April 2018. 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 CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place 78 Cannon Street, London EC4N 6AF at 10.45 a.m. on 18 April 2018 (or as soon thereafter as the annual general meeting of the Company convened for 10.30 a.m. on such day concludes) 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 10.45 a.m. on 16 April 2018. Completion and posting of the Form of Proxy does not prevent a Shareholder from attending and voting in person at the General Meeting.**

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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 26 March 2018. 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 26 March 2018 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 4 of Appendix 4 of this document.**

#### **Notice to Overseas Shareholders, Applicants and Placees in Jersey**

Consent under the Control of Borrowing (Jersey) Order 1958 has not been obtained for the circulation of this document. Accordingly, the offer that is the subject of this document may only be made in Jersey where the offer is valid in the United Kingdom and is circulated in Jersey only to persons similar to those to whom, and in a manner similar to that in which, it is for the time being circulated in the United Kingdom. By accepting this offer each prospective investor in Jersey represents and warrants that he or she is in possession of sufficient information to be able to make a reasonable evaluation of the offer.

#### **Notice to Overseas Shareholders, Applicants and Placees in Guernsey**

The offer referred to in this document is available, and is and may be made, in or from within the Bailiwick of Guernsey, and this document is being provided in or from within the Bailiwick of Guernsey only (i) by persons licensed to do so by the Guernsey Financial Services Commission (the “GFSC”) under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended) (the “POI Law”); (ii) by non-Guernsey bodies who (a) carry on such promotion in a manner in which they are permitted to carry on promotion in or from within, and under the law of certain designated countries or territories which, in the opinion of GFSC, afford adequate protection to investors and (b) meet the criteria specified in section 29(c) of the POI Law; (iii) to persons licensed under the POI Law, the Banking Supervision (Bailiwick of Guernsey) Law, 1994, the Insurance Business (Bailiwick of Guernsey) Law, 2002, the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002 or the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000 by non-Guernsey bodies who (a) carry on such promotion in a manner in which they are permitted to carry on promotion in or from within, and under the law of certain designated countries or territories which, in the opinion of the GFSC, afford adequate protection to investors and (b) meet the criteria specified in section 29(cc) of the POI Law; or (iv) as otherwise permitted by the POI Law or the GFSC.

The offer referred to in this document and this document are not available in or from within the Bailiwick of Guernsey other than in accordance with the above paragraphs and must not be relied upon by any person unless made or received in accordance with such paragraphs.

#### **Notice to Overseas Shareholders in the United States**

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 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 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 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 representations letter to the Company, Peel Hunt and Numis. In signing and delivering such an investor representations 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 1 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 representations 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 representations 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

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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 judgements**

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.

**Date of this document**

The date of this document is 23 March 2018.

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## 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.
A.2	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 “ <b>Company</b> ”).
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 other stakeholders, including the NHS, to provide modern fit for purpose facilities for the delivery of local healthcare services that are easily adapted to meet changing healthcare needs. The Group’s property portfolio comprises completed and committed properties which are primarily let on long leases 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 and long leaseholds of mainly modern, purpose-built primary healthcare</p>

		properties on the basis that each property purchased by the Group will have been evaluated for its income and asset value growth potential.
<b>B.4a</b>	<b>Significant trends</b>	<p>The demand for healthcare services continues to grow as populations grow and age and the incidence of chronic conditions 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. In the UK, general practice provides over 300 million patient consultations each year, compared to 23 million visits to accident and emergency departments.</p> <p>In April 2016, NHS England published the General Practice Forward View. Funding for general practice was announced to increase and a £900 million funding pool established specifically for capital investment into the GP estate and infrastructure. The primary care estate has faced under-investment over the last decade, with approximately 50 per cent. of the 8,000 GP surgeries in England and Wales considered by medical professionals to be unfit for purpose.</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 primary care premises can play in providing extended integrated care.</p> <p>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. 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 is typically entering into 25 year leases with CPI linked rent reviews, both upwards and downwards, for between 60 per cent. to 80 per cent. of the property's rental income.</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>B.5</b>	<b>Group structure</b>	<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>B.6</b>	<b>Notifiable interests</b>	As at 22 March 2018 (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 22 March 2018				
Name	Ordinary Shares	Percentage of existing issued share capital		
BlackRock Investment Management	41,867,771	6.71		
Investec Wealth & Investment	37,515,946	6.01		
Charles Stanley Group	29,427,576	4.71		
Unicorn Asset Management	24,977,327	4.00		
Troy Asset Management	24,308,000	3.89		
Hargreaves Lansdowne Asset Management	23,241,490	3.72		
CCLA Investment Management	22,899,675	3.67		
Save as disclosed above, the Company is not aware of any person who, as at 22 March 2018 (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 22 March 2018 (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 22 March 2018		Immediately following the date of Admission <sup>(1)</sup>	
Name	Number of Ordinary Shares	Percentage of existing issued share capital	Number of Ordinary Shares	Percentage of Enlarged Ordinary share capital
Alun Jones	150,000 <sup>(2)</sup>	0.02	177,777 <sup>(8)</sup>	0.02
Harry Hyman	12,750,216 <sup>(3)</sup>	2.04	12,869,487 <sup>(9)</sup>	1.80
Richard Howell	50,000 <sup>(4)</sup>	0.01	115,940 <sup>(10)</sup>	0.02
Mark Creedy	55,340 <sup>(5)</sup>	0.01	55,340	0.01
Stephen Kell	—	nil	13,888	<0.01
Geraldine Kennell	25,000	<0.01	257,951	0.04
Ian Krieger	—	nil	81,481	0.01
Steven Owen	57,604 <sup>(6)</sup>	0.01	71,176 <sup>(11)</sup>	0.01
Ian Rutter	103,754 <sup>(7)</sup>	0.02	103,754	0.01
Nick Wiles	25,000	<0.01	51,470	0.01
(1) Assuming the Issue size pursuant to the Capital Raising on Admission is £100.0 million.				
(2) This includes 51,000 Ordinary Shares held by Gail Jones.				
(3) This includes 38,853 Ordinary Shares held by Anita Hyman, and 12,324,709 Ordinary Shares held by Nexus Group Holdings Limited.				
(4) This includes 36,036 Ordinary Shares held by Fiona Howell.				
(5) This includes 22,540 Ordinary Shares held by Ann Creedy.				
(6) This includes 22,014 Ordinary Shares held by Siân Owen.				
(7) This includes 38,046 Ordinary Shares held by Susan Tear.				
(8) This includes 9,259 Ordinary Shares subscribed for by Gail Jones under the Open Offer and the Firm Placing.				



B.7

Historical financial information

(9) This includes 50,231 Ordinary Shares subscribed for by Nexus Central Management Services Limited pursuant to the Firm Placing, which will be held on trust for certain individuals at the Nexus group.

(10) This excludes 12,268 Ordinary Shares subscribed for by Nexus Central Management Services Limited pursuant to the Firm Placing which will be held on trust for Richard Howell and which have been included in Harry Hyman's connected parties' holding as detailed at note (9) above, and includes 2,119 Ordinary Shares subscribed for by Fiona Howell under the Open Offer.

(11) This includes 1,294 Ordinary Shares subscribed for by Siân Owen under the Open Offer.

The Group's consolidated financial information set out below has been extracted without material adjustment from the Group's audited consolidated financial statements for the years ended 31 December 2015, 2016 and 2017.

CONSOLIDATED INCOME STATEMENT DATA:

Year ended 31 December

2017

2016

2015

£'m

£'m

£'m

Rental income

72.5

67.4

63.1

Direct property expenses

(1.2)

(0.8)

(0.9)

Net rental income

71.3

66.6

62.2

Administrative expenses

(8.7)

(7.3)

(6.8)

Net result on property portfolio

64.5

20.7

39.8

Finance income

0.3

0.5

0.7

Finance costs

(31.9)

(33.0)

(34.4)

Fair value gain/(loss) on derivative financial instruments

(0.3)

(2.2)

(1.0)

Fair value loss on Convertible Bond

(3.3)

(1.6)

(6.5)

Profit before taxation

91.9

43.7

56.0

Taxation charge

–

–

–

Profit for the year

91.9

43.7

56.0

Earnings per share – basic

15.3p

7.8p

12.6p

EPRA earnings per share

5.2p

4.8p

4.9p

The above relates wholly to continuing operations and is wholly attributable to shareholders of the Company.

BALANCE SHEET DATA:

Year ended 31 December

2017

2016

2015

£'m

£'m

£'m

Investment properties

1,361.9

1,220.2

1,100.6

Total assets

1,372.4

1,228.6

1,107.7

Total liabilities

(785.6)

(729.4)

(762.3)

Net Assets

586.8

499.2

345.4

Net asset value per share – basic

94.7p

83.5p

77.4p

EPRA net asset value per share

100.7p

91.1p

87.7p

There has been no significant change in the financial condition or operating results of the Group since 31 December 2017, the date to



		<p>which the last audited consolidated financial information of the Group was prepared.</p> <p>As at 31 December 2017, the Group owned 306 properties with a total value of £1.362 billion, an increase of 32.7 per cent. since 1 January 2015. Over the last three years, the PHP Group has acquired 42 properties for a total consideration of £207.8 million. These assets added £12.5 million to the Group's annualised rent roll, which, together with contributions from rental growth and asset management projects, has grown by 20.5 per cent. over the period.</p> <p>EPRA earnings per share have grown by 26.8 per cent. from 4.1 pence per share (following adjustment to reflect the Share Sub division undertaken in November 2015) in the year ended 31 December 2014 to 5.2 pence per share. PHP has continued to grow its dividend in each of these three years, with an overall increase of 7.7 per cent. (following adjustment to reflect the Share Sub-division undertaken in November 2015).</p> <p>EPRA NAV per share has risen over the review period by 26.3 per cent. (following adjustment to reflect the Share Sub-division undertaken in November 2015) to 100.7 pence as at 31 December 2017. Adding this growth to dividends per share paid, the three year period generated a total accounting return of 45.5 per cent. (following adjustment to reflect the Share Sub-division undertaken in November 2015).</p> <p>Debt facilities have been actively managed, widening the range of providers and structure of facilities. PHP accessed the retail bond market (in 2012 with a £75 million unsecured issue) and the institutional bond market (in 2013 with a £70 million secured issue and in 2014 with a £82.5 million unsecured convertible issue) and issued a £100 million secured guaranteed note in 2017. Following the exercise of conversion rights in respect of a total of £19.3 million of the unsecured convertible bonds, as at 31 December 2017 there were £63.2 million nominal amount of such bonds outstanding. At 31 December 2017, 19.1 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, weighted average debt costs fell to 4.09 per cent. as at 31 December 2017 from 5.15 per cent. as at 31 December 2014. Overall Group loan to value stood at 52.9 per cent. as at 31 December 2017 (31 December 2014: 64.1 per cent.)</p>
<b>B.8</b>	<b>Pro forma financial information</b>	<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 2017.</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 £'m	Firm Placing Note 2 £'m	Pro forma Total £'m
	<b>Non current assets</b>			
	Investment properties	1,361.9	–	1,361.9
	<b>Current assets</b>			
	Derivative interest rate swaps	0.3	–	0.3
	Trade and other receivables	6.4	–	6.4
	Cash and cash equivalents	3.8	–	3.8
	<b>Current assets</b>	<b>10.5</b>	<b>–</b>	<b>10.5</b>
	<b>Total assets</b>	<b>1,372.4</b>	<b>–</b>	<b>1,372.4</b>
	<b>Current liabilities</b>			
	Derivative interest rate swaps	(2.7)	–	(2.7)
	Deferred rental income	(15.0)	–	(15.0)
	Trade and other payables	(15.4)	–	(15.4)
	Borrowings: Term loans and overdrafts	(0.8)	–	(0.8)
	<b>Current liabilities</b>	<b>(33.9)</b>	<b>–</b>	<b>(33.9)</b>
	<b>Non current liabilities</b>			
	Borrowings: Term loans and overdraft	(411.5)	47.6	(363.9)
	Bonds	(318.1)	–	(318.1)
	Derivative interest rate swaps	(22.1)	–	(22.1)
	<b>Non current liabilities</b>	<b>(751.7)</b>	<b>47.6</b>	<b>(704.1)</b>
	<b>Total liabilities</b>	<b>(785.6)</b>	<b>47.6</b>	<b>(738.0)</b>
	<b>Net assets</b>	<b>586.8</b>	<b>47.6</b>	<b>634.4</b>
	<b>Notes:</b>			
	(1) The net assets of the Group as at 31 December 2017 have been extracted without material adjustment from the audited consolidated financial statements of the Group for the year ended 31 December 2017.			
	(2) Adjustment to reflect the net proceeds from the Firm Placing receivable by the Company of £47.6 million (being gross proceeds of £50.0 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 £96.6 million (being gross proceeds of £100.0 million less estimated fees relating to the Capital Raising of £3.4 million). 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 £121.0 million (being gross proceeds of £125.0 million less estimated fees relating to the Capital Raising of £4.0 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 2017.			
<b>B.9</b>	<b>Profit forecast</b>	Not applicable – no profit forecasts or estimates have been made.		
<b>B.10</b>	<b>Qualifications in the audit report</b>	Not applicable – there are no qualifications made in the audit report.		
<b>B.11</b>	<b>Insufficient working capital</b>	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.		

<b>Section C – Securities</b>		
<b>C.1</b>	<b>Type and class of securities being offered</b>	<p>The Company intends to issue 92,592,592 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 23,148,148 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. The Legal Entity Identifier (LEI) of PHP is 213800Y5CJHXOATK7X11.</p> <p>The ticker for the Ordinary Shares on the London Stock Exchange is PHP.</p>
<b>C.2</b>	<b>Currency of the securities issue</b>	Pounds Sterling.
<b>C.3</b>	<b>Issued Share Capital</b>	<p>The issued and fully paid share capital of the Company as at 22 March 2018 was 624,251,370 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 £78,031,421.25 divided into 624,251,370 ordinary shares of 12.5 pence each.</p>
<b>C.4</b>	<b>Description of the rights attaching to the securities</b>	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 27 March 2018 payable to Shareholders on the Company's register as at or about 6 April 2018.
<b>C.5</b>	<b>Restrictions on the free transferability of the securities</b>	The New Shares and Ordinary Shares are freely transferable in the UK, subject to the restrictions in articles 30 to 36 of the Articles.
<b>C.6</b>	<b>Admission</b>	<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 19 April 2018.</p>
<b>C.7</b>	<b>Dividend policy</b>	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.
<b>Section D – Risks</b>		
<b>D.1</b>	<b>Key information on the key risks specific to the Group or its Industry</b>	<ul style="list-style-type: none"> <li>The performance of the Group may be adversely affected by a deterioration in the general economic environment which could lead to a general property market contraction in terms of capital value or a reduction of rental return on property assets.</li> </ul>

		<ul style="list-style-type: none"> <li>• The Group's success is dependent upon its ability to maintain a substantial pipeline of suitable properties and developments for investment on favourable terms and conditions. Any failure to maintain such a pipeline could limit the Group's growth and ability to generate Shareholder returns.</li> <li>• Certain of the Group's borrowing facilities contain certain rental income and valuation covenant calculations. While the Group has a prudent level of headroom in place, they could be breached as a result of a decline in property valuations. Under such circumstances, the Group may be forced to provide additional security or sell various assets, which could adversely affect its net asset value and the level of dividends may be reduced.</li> <li>• Any weakening of rental yields and valuations could have an adverse impact on the Group's future profits, including revaluation surpluses or deficits. Rent values on a majority of the Group's leases could be exposed to a reduction in real value during a sustained period of inflation and the reduction in the valuation of properties with open market reviewed leases.</li> <li>• The Group may face increased competition from existing or new competitors, which could impact its ability to acquire new properties at acceptable prices or develop land at satisfactory cost and have an adverse impact on rent returns.</li> <li>• 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 increased interest rates which may have a material and adverse effect on the Group's financial condition, results of operations or prospects. In addition, 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-flow of the Group.</li> <li>• 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.</li> <li>• The Company has no influence over the future direction of healthcare policy initiatives in the public sector, and there can be no assurance that the UK and the Republic of Ireland governments' healthcare budgets will not decline or that growth will stay at present levels.</li> <li>• 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 fund services provided by the Group or impact on the covenant strength that derives from the Cost Directions.</li> <li>• 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.</li> </ul>
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<b>D.3</b>	<b>Key information on the key risks specific to the securities</b>	<ul style="list-style-type: none"> <li>• 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 Group's business, financial condition or results of its operations. Such fluctuations may be influenced by a number of factors beyond PHP's control.</li> <li>• 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.</li> <li>• There is no guarantee that the market price of the Ordinary Shares will reflect fully the underlying value of the assets held by the Group. As well as being affected by the underlying value of the assets held, the market value of the Ordinary Shares will, amongst other factors, be influenced by their dividend yield and the supply and demand for the Ordinary Shares in the market. As such, the market value of the Ordinary Shares may vary considerably from the underlying value of the Group's assets. The market price of the Ordinary Shares may also fall, and remain below, the Issue Price.</li> </ul>
<b>Section E – Offer</b>		
<b>E.1</b>	<b>Net proceeds and costs of the offer</b>	Assuming that the gross proceeds of the Issue will be £100.0 million (based on the assumption that 92,592,592 New Shares will be issued at 108 pence per New Share), the net proceeds from the Capital Raising receivable by the Company are estimated to be £96.6 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 £125.0 million, in which case the net proceeds will be £121.0 million.
<b>E.2a</b>	<b>Reason for offer and use of proceeds</b>	<p>It is the intention of the Board that over the medium term the net proceeds of the Capital Raising will be selectively applied alongside existing and future debt facilities to generate a growing return and to maintain its progressive dividend policy, including:</p> <ul style="list-style-type: none"> <li>• initially, where possible, to pay down sums drawn on the Group's revolving debt, totalling £129 million as at 31 December 2017, maximising treasury management efficiency and allowing the Group to re-draw sums as necessary to fund existing acquisition, development and asset management commitments, as envisaged below, and further as investment opportunities require;</li> <li>• to fund transactions from PHP's current acquisition and development pipeline totalling some £81.8 million in the UK and some €79.0 million in the Republic of Ireland; and</li> <li>• to fund existing asset management projects totalling £1.5 million as at 31 December 2017.</li> </ul>
<b>E.3</b>	<b>Terms and conditions of the offer</b>	<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</p>

	<p>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 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 £100.0 million, the Capital Raising will comprise up to 92,592,592 New Shares to be issued at a price of 108 pence each (comprising 46,296,296 New Shares issued through the Firm Placing and 46,296,296 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 23,148,148 New Shares to be issued at a price of 108 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 108 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"> <li>• the passing of the Resolutions without amendment to be proposed at the General Meeting to be held on 18 April 2018;</li> <li>• 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</li> <li>• Admission occurring by not later than 8.00 a.m. (London time) on 19 April 2018 (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 3 May 2018).</li> </ul> <p><b>The Firm Placing</b></p> <p>The Firm Placees have conditionally agreed to subscribe for in aggregate 46,296,296 New Shares at the Issue Price (representing gross proceeds of approximately £50.0 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><b>The Open Offer</b></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 and ERISA Entities (“<b>Qualifying Shareholders</b>”) at the Issue Price, on the terms and subject to the conditions of the Open Offer, on the basis of:</p> <p><b>1 Open Offer Share for every 17 Existing Ordinary Shares</b></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</p>
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		<p>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><b>The Placing</b></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><b>Offer for Subscription</b></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><b>Admission</b></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 19 April 2018.</p> <p>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.</p>
<b>E.4</b>	<b>Material interests</b>	Not applicable – no interest is material to the Capital Raising.
<b>E.5</b>	<b>Name of person selling securities/lock up agreements</b>	Not applicable – there are no persons selling securities nor are there any lock up agreements in relation to the Capital Raising.
<b>E.6</b>	<b>Dilution</b>	<p>Assuming that the size of the Issue is approximately £100.0 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 12.9 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 7.8 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 £125.0 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 15.6 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 10.7 per cent. to his shareholding in the Company as a result of the Firm Placing and the increase in size of the Issue.</p>



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		Shareholders who are not Qualifying Shareholders, subject to certain exceptions, will be diluted by approximately 12.9 per cent., assuming the size of the Issue is approximately £100.0 million, or 15.6 per cent. if the Directors increase the size of the Issue to approximately £125.0 million.
<b>E.7</b>	<b>Expenses charged to the Investor</b>	Not applicable – there are no commissions, fees or expenses to be charged to investors by the Company.

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## RISK FACTORS

*Any investment in Ordinary Shares involves risk. Prior to investing in Ordinary Shares, prospective investors should carefully consider the risks associated with any investment in securities and, in particular, all the information in this document, including the risks described below. The risks set out below do not purport to be a complete list or explanation of all the risks involved in investing in the Ordinary Shares or which may adversely affect PHP's business, but are 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, financial condition and prospects. 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. You should consider carefully whether an investment in the Ordinary Shares is suitable for you in light of the information in this document or your personal circumstances.*

*Prospective investors should note that the risks relating to the Group, its industry and the Ordinary Shares summarised in the section of this document entitled "Summary" are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Ordinary Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed "Summary" but also, among other things, the additional risks and uncertainties described below.*

### 1. GROUP SPECIFIC RISKS

#### 1.1 Adverse market conditions could have a significant impact on the value of the Group's property portfolio and on the Group's ability to fund acquisitions and generate attractive rental returns

The Group's financial performance and results of operation could be adversely affected by a deterioration in the general economic environment, including from increased rates of inflation, fluctuations in interest rates and declining rates of GDP growth, which could have a significant impact on the value of the Group's property portfolio and on the Group's ability to fund acquisitions and generate attractive rental returns.

Furthermore, adverse market conditions could lead to a general property market contraction, a decline in rental values and increasing levels of tenant defaults. While a significant majority of the Group's leases with GP practices are longer term with a WAULT of 13.2 years as at 31 December 2017 and have NHS-backed rent reimbursement, such adverse events could lead to an increase in capital expenditure or running costs of the Group and/or reduce the rental return on and capital values of its property assets, which would in turn, affect the value of its property portfolio and have a material adverse effect on the Group's business, financial condition, results of operation and prospects.

#### 1.2 The Group's success is dependent upon its ability to maintain a substantial pipeline of acquisitions and developments that, once completed, can generate satisfactory returns.

The success of the Group's strategy is dependent upon its ability to maintain a pipeline of suitable properties and developments available for investment at prices and upon terms and conditions (including financing) that the Board (having taken into consideration the recommendations of the Adviser) considers favourable. Property prices in the Group's sector have risen over recent years, and a sustained or more significant increase in prices, as a result of increased competition or other factors, could have a negative impact on the Group's ability to identify or complete acquisitions at favourable prices, or at all.

In addition, the Group is dependent on the NHS to approve new development projects. While the Directors expect new approvals to continue going forward, there can be no assurance that will be the case and the Group's development pipeline and the number of new developments it is able to complete may be negatively impacted by a cessation or reduction in the number of approvals.

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As a result of any of the foregoing, there can be no assurance that the Group will be able to maintain a substantial pipeline of suitable properties and developments in which to invest the net proceeds of the Capital Raising. A failure to maintain such a pipeline of investments and developments that can be successfully completed and generate satisfactory returns could limit the Group's growth in underlying earnings and its ability to generate Shareholder returns, which could have a material adverse effect on the Group's business, results of operation, financial condition and prospects.

**1.3 A fall in asset values or revenues may result in a breach of financial covenants**

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 rental income and valuations, both of which are used in certain covenant calculations under the Group's borrowing facilities. In the short and medium term the Company believes the Group has a prudent level of headroom on its existing debt facilities.

The primary care property sector has seen a general stable trend of yield reduction in the last five years and the Directors believe that the sector continues to provide strong property fundamentals with prospects for this trend in yield reduction to continue. 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 for the reasons stated above the Directors currently believe is unlikely, the relevant subsidiary and/or other Group companies could be in breach of covenant.

In these circumstances, the Group may be forced to provide additional security or to sell various assets in order to repay all or part of its borrowings together with any attendant costs, including the costs of terminating any interest rate swap instruments. In such circumstances, it is conceivable that the Group may be required to sell the assets at less than their market value, or at a time and in circumstances where the 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, which would have a material adverse effect on the Group's business, financial condition, result of operation and prospects.

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.

**1.4 Fluctuations in the commercial property market could have an adverse impact on the Group's future profits**

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. A downturn in GDP in the UK or the Republic of Ireland may cause a downturn in the UK or Irish commercial property markets in terms of capital values or a weakening of rental yields and consequently both rental income and property values may be adversely affected.

While the Directors believe that the valuations of its properties are fairly stated and they represent robust, defensive investments in the current market due to their long lease length and government-backed rents, weakening of rental yields and valuations could have an adverse impact on the Group's future profits, including revaluation surpluses or deficits.

With respect to rental yields, the Group targets a balance of both open market rent reviews and rent reviews linked to the Retail Price Index ("RPI") in its leases, and the majority of its existing leases have open market reviews based on certain data points agreed in the lease. As a result, a sustained period of inflation could lead to a reduction in the real value of rental income and the valuation of properties with open market reviewed leases. Furthermore, the timing of rent reviews during an inflationary period could have a negative impact on the Group's rental yields if such reviews could not be initiated to adjust rental rates to inflationary changes in the market.

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As a result of any of the foregoing, the Group could suffer from a weakening of rental yields and valuations, which could have a material adverse effect on its business, financial condition, results of operation and prospects.

**1.5 Increased competition could lead to a reduction in the Group's ability to acquire new properties at acceptable prices**

The Directors consider that the Company's main competitors in the UK comprise Assura plc, Medicx Fund Limited and a number of other unquoted companies including GPI Ltd (part of the GP Group.) In the Irish healthcare real estate market, Medicx Fund Limited has recently transacted to fund and acquire assets in the Republic of Ireland and other investors and developers are active.

Increased competition from new purchasers, as well as existing competitor property groups, could lead to a reduction in the Group's ability to acquire new properties at acceptable prices and potentially increase prices in the commercial property market generally. While the Group operates in a specialist primary care property sector of the commercial property market with a limited number of similarly placed competitors, there can be no assurance that other purchasers will not seek to enter the market and acquire or develop properties within the primary care sector. The Directors believe that the Group enjoys a strong position in the market and enjoys good relationships with all relevant stakeholders, so as to allow it to continue to acquire or fund the development of properties. However, if the Group failed to continue to execute its strategy and provide a high quality and differentiated service within the primary care property sector, it could lose market share to current or new competitors.

Increased competition in the Group's market could lead to: (i) an oversupply of premises through overdevelopment; (ii) prices for existing properties or land for development being inflated through competing bids by potential purchasers; and/or (iii) the maximum rents to be achieved from existing properties being adversely impacted by an oversupply of primary care space. Accordingly, the existence of, or an increase in, such competition could have a negative impact on the Group's ability to acquire properties or develop land at satisfactory cost and to secure tenants for its properties at satisfactory rental rates and on a timely basis, any of which could have a material adverse effect on the Group's business, financial condition, results of operation and prospects.

**1.6 Property assets are inherently illiquid and the Group may not be able to dispose of property assets at a gain**

As property assets are relatively illiquid, such liquidity may affect the Group's ability to adjust, dispose of or liquidate all or any of its portfolio in a timely fashion and at satisfactory prices. Disposal of any of the Group's property assets could, therefore, take longer than may be commercially desirable or the realisation proceeds may be lower than anticipated, which would have a negative impact on the Group's profits and proceeds realised from such disposals.

To the extent that market conditions are not favourable, the Group may also not be able to dispose of property assets at a gain. If the Group sought to dispose of or liquidate an asset on unsatisfactory terms, it may be forced to realise less than the value at which the asset was previously recorded, which could result in a decline in net asset value. In circumstances where the Group purchases properties when capitalisation rates are low and purchase prices are high, the value of its properties may not increase over time. This may restrict the Group's ability to sell its properties, or in the event that it is able to sell such properties may lead to losses on the sales, any of which could have a material adverse effect on the Group's business, financial condition, results of operation and prospects.

**1.7 The Group is subject to currency risk because certain of its property investments are made in Euros**

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 which, if unfavourable,

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could have a material adverse effect on the Group's business, financial condition, results of operation and prospects.

**1.8 The Group may be subject to interest rate risk related to its borrowings**

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 increased interest rates which may have a material and adverse effect on the Group's financial condition, results of operations or prospects.

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 materially and adversely impact the financial condition and cash-flow of the Group.

**1.9 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.

**1.10 The Company may not be able to pay dividends**

Under UK company 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 and any failure to pay or a reduction in the level of dividend could have a material and adverse effect on the price of the Ordinary Shares.

**1.11 The Group may incur additional compliance costs if certain European Directives apply to it**

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.

**1.12 The Group is dependent on its Directors and third party advisers**

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 advisory, management, administrative and accounting service and company secretarial services. While the agreement contains provisions requiring a notice period of at least 12 months to terminate, other than in the event of default by Nexus, failure by Nexus and resulting termination of the advisory contract with Nexus could adversely affect the Board's ability to manage day to day Group operations effectively.

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The inability 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.

**1.13 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. The inability of the Group to re-let properties to tenants on favourable terms or at all or to realise any alternative use value for the property could have a material adverse effect on the Group's business, financial condition, results of operation and prospects.

**1.14 Acquisitions of real estate assets involve a number of risks inherent in assessing the values, strengths, weaknesses and profitability of properties**

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. Prior to entering into an agreement to acquire any property, the Group will perform due diligence on the proposed investment. In doing so, it would typically rely in part on third parties to conduct a significant portion of this due diligence (including legal reports on title and property valuations). Despite due diligence on assets prior to acquisition, risks associated with a failure to identify or quantify problems and latent liabilities or contingencies such as the existence of hazardous substances or environmental problems remain. 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. If there is a due diligence failure, there is a risk that properties could be acquired that are not consistent with the Group's investment strategy or fail to perform in accordance with projections, which could have a material adverse effect on the Group's business, financial condition, results of operation and prospects.

**1.15 Environmental liabilities may be assumed by the Group resulting from ownership of property**

Investigation, removal or remediation of environmental liabilities required by governmental authorities under environmental regulations or in connection with a change in use or redevelopment may impose substantial costs on the Group regardless of whether the Group originally caused the contamination. In addition, such environmental liabilities could adversely affect the Group's ability to sell, lease or redevelop the property, or to borrow using the property as security. Laws and regulations, which may be amended over time, may also impose liability for the release of certain materials, including asbestos, into the air or water from a property investment, and such release can form the basis for liability to third parties for personal injury or other damages.

While the Board is not aware of any such environmental issues and views the assessment of environmental risk as an important element of the due diligence process, if the Group were to purchase contaminated properties, or if there are contaminated properties within the current portfolio, the Group may have an obligation, alone or jointly with other parties, to dispose of or otherwise resolve any such environmental hazards to the satisfaction of relevant governmental authorities. This could have a material adverse effect on the Group's business, financial condition, results of operation and prospects.



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**1.16 Returns from investment property are dependent on ongoing maintenance of properties**

Returns from investment in property depend largely upon the amount of rental income generated from the property and the expenses incurred in the repair, maintenance and management of the property, as well as changes in its market value. Development or redevelopment expenditure, which cannot be recovered from the tenant, may be necessary in the future to comply with obligations under leases, or to preserve the rental income generated from and the value of the property, which could negatively impact the Group's profitability.

In addition, the potential for the redevelopment, expansion and/or refurbishment and ongoing improvement of the Group's properties may be adversely affected by a number of factors, including constraints on location, planning legislation and the need to obtain other licences, consents and approvals and the existence of restrictive covenants affecting the title to the property. If any of these risks were to materialise, the Group may be unable to carry out needed redevelopment, expansion or refurbishment works, which could negatively impact rental returns and the value of the property and have a material adverse effect on the Group's business, financial condition, results of operation and prospects.

**1.17 The Group's properties may suffer uninsured losses**

The Board seeks to ensure that all of the Group's properties are adequately insured to cover potential losses. However, the Group's properties could suffer physical damage as a result of fire or other causes, resulting in losses which may not be fully compensated by insurance. In addition, there are certain types of losses, generally of a catastrophic nature, for which insurance is either unavailable or which are not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations and other factors, including terrorism or acts of war, might also result in insurance proceeds being insufficient to repair or replace a property if it is damaged or destroyed. No assurance can be given that material losses in excess of insurance proceeds will not occur in the future. In addition, whilst the Group will attempt to ensure that all of its properties are adequately insured, changes in the cost, cover or availability of insurance could expose the Group to uninsured losses, any of which could have a material adverse effect on the Group's business, financial condition, results of operation and prospects.

**2. RISKS RELATING TO REGULATION, GOVERNMENT POLICY AND TAXATION**

**2.1 Changes in government healthcare policies may hamper the Group's 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 budgets 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.

**2.2 Changes in funding of medical centre GP tenants in the UK could affect the Group's business**

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. There have been instances in the recent past of a limited number of UK medical professionals and politicians publicly expressing hostility towards government policy in relation to primary care services operated by commercial enterprises outside the control of the NHS.

Whilst the Directors do not currently expect changes in government policy to have a direct impact on its business, changes to the role that private companies are able to play in providing services to the NHS, 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 fund services 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.



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**2.3 Changes in funding of medical centre GP tenants in the Republic of Ireland could affect the Group's business**

The majority of the Group's income in the Republic of Ireland is 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.

**2.4 There is no binding obligation on the Secretary of State to protect landlords' interests if NHS PS ceases to exist**

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.

**2.5 Uncertainty surrounding the process and terms of the UK's withdrawal from the EU could have a material adverse effect on the Group**

On 23 June 2016, a referendum was held on the UK's membership in the EU, the outcome of which was a vote in favour of leaving the EU. On 29 March 2017, the UK government notified the EU that it was triggering the formal process for leaving the EU under Article 50 of the Treaty of the European Union, which allows a Member State to decide to withdraw from the EU in accordance with its own constitutional requirements. The triggering of Article 50 commenced a two year negotiating period for the UK to agree the terms of its exit from the EU, although this period can be extended with the unanimous agreement of the European Council. Without any such extension or agreement on the terms of the UK's withdrawal from the EU, the UK's membership in the EU would end automatically upon the expiration of the two year period.

The result of the referendum and the triggering of Article 50 mean that the long term nature of the UK's relationship with the EU is unclear, which may create an uncertain political and economic environment in the UK and other EU Member States that could potentially last for a number of months or years. There is also considerable uncertainty as to whether the terms of the UK's withdrawal from the EU will be agreed upon within the two year negotiating period and, if an extension of the negotiating period is not agreed, the UK may be forced to exit the EU without mutually acceptable terms having been agreed. The economic impact of withdrawal from the EU on the economies of the UK and the Republic of Ireland is uncertain and may reduce GDP in the short and medium term. Accordingly, the terms of any such exit, and the accompanying political and economic uncertainty surrounding the UK's withdrawal from the EU, could have a material adverse effect on the Group's business, results of operation, financial condition and prospects.

**2.6 Status as a UK Real Estate Investment Trust (under Part 12 of the Corporation Tax Act 2010) ("UK-REIT") is dependent on the Company complying with the UK-REIT regime**

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.

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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, it would cease to benefit from the UK-REIT regime's tax exemptions and may be subject to an increased tax charge. This could have a material adverse effect on the Group's business, financial condition, results of operation and prospects.

## **2.7 Investors may, in certain circumstances, be exposed to adverse ERISA consequences**

New Shares may not be acquired under the Firm Placing, Placing, Open Offer and Offer for Subscription, and should not otherwise be acquired, by investors that are ERISA Entities. However, the Company cannot guarantee that equity interests in the Company will not be acquired by, or transferred to, such an investor. If 25 per cent. or more of the total value of any class of equity interest in the Company (determined after the most recent acquisition of any equity interest in the Company and subject to certain other computational rules) were to be held by ERISA Entities, an undivided portion of the Company's assets could be required to be treated as "plan assets" subject to ERISA or the Code. In such a case, the Company and those responsible for advising the Company and its assets could become subject to applicable requirements of ERISA and the Code and could be obligated to cause the operations and investments of the Company to be administered, consistent with those requirements, other than as the Company and its advisers might otherwise think advisable. Moreover, it is not clear that, in such a case, the Company or its advisers could comply with all applicable requirements of ERISA or the Code. A failure of the Company or its advisers to comply with any such applicable provision could result in injunctive or other relief that could adversely affect the Company, its advisers and its investors and in the assertion of a tax or penalty with respect to transactions involving the "plan assets" deemed held by the Company.

## **2.8 The Company may be treated as a passive foreign investment company**

The Company may be treated as a "passive foreign investment company" (often referred to as a "PFIC") for US federal income tax purposes, which could have adverse consequences on US investors. The Company has not definitively determined whether it was a PFIC for any prior taxable year. A non-US corporation generally will be considered a PFIC for any taxable year in which 75 per cent. or more of its gross income is passive income, or 50 per cent. or more of the average value of its assets are considered "passive assets" (generally, assets that generate passive income). This determination is highly factual. If the Group is classified as a PFIC for any taxable year, holders of Ordinary Shares who are US taxpayers would be subject to adverse US federal income tax consequences. Further, prospective investors should assume that a "qualified electing fund" election, which, if made, could serve as an alternative to the general PFIC rules and could reduce any adverse consequences to US taxpayers if the Company were to be classified as a PFIC, will not be available because the Company does not expect to provide the information needed to make such an election. A "mark-to-market" election may be available, however, if the Company's

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ordinary shares are regularly traded. 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.

### **3. RISKS RELATING TO THE CAPITAL RAISING**

#### **3.1 The market price of New Shares is subject to 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 Group's business, financial condition or results of its operations. Such fluctuations may be influenced by a number of factors beyond PHP's control, including 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. For all or any of those reasons, the market price of the New Shares and/or the Existing Ordinary Shares may go down as well as up. Consequently, investors may not recover their original investment and could lose it all.

#### **3.2 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 £100.0 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 12.9 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 7.8 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 12.9 per cent., assuming the size of the Issue is approximately £100.0 million.

#### **3.3 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 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 in a transaction exempt from 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.

#### **3.4 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

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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.

**3.5 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.

**3.6 Shareholders may be exposed to fluctuations in currency exchange rate**

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.

**3.7 There is no correlation between net asset value and market price**

There is no guarantee that the market price of the Ordinary Shares will reflect fully the underlying value of the assets held by the Group. As well as being affected by the underlying value of the assets held, the market value of the Ordinary Shares will, amongst other factors, be influenced by their dividend yield and the supply and demand for the Ordinary Shares in the market. As such, the market value of the Ordinary Shares may vary considerably from the underlying value of the Group's assets. The market price of the Ordinary Shares may also fall, and remain below, the Issue Price.

**3.8 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 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 and Directors within the Overseas Shareholder's country of residence or to enforce against the Company and Directors 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 and Directors or countries other than those in which judgment is made. In addition, English or other courts may not

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impose civil liability on the Company and Directors in any original action based solely on foreign securities laws brought against the Company or the Directors in a court of competent jurisdiction in England or other countries. US investors should refer to the section headed “Enforceability of US judgements” on page 3 of this document for further information.

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## 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 17 to 27 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.



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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 United States or the Excluded Territories and may not be offered or sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, into or within the United States or 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, Canada, 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 the United States or 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), the United States or any Excluded Territory.

**Notice to Overseas Shareholders, Applicants and Placees in Jersey**

Consent under the Control of Borrowing (Jersey) Order 1958 has not been obtained for the circulation of this document. Accordingly, the offer that is the subject of this document may only be made in Jersey where the offer is valid in the United Kingdom and is circulated in Jersey only to persons similar to those to whom, and in a manner similar to that in which, it is for the time being circulated in the United Kingdom. By accepting this offer each prospective investor in Jersey represents and warrants that he or she is in possession of sufficient information to be able to make a reasonable evaluation of the offer.

**Notice to Overseas Shareholders, Applicants and Placees in Guernsey**

The offer referred to in this document is available, and is and may be made, in or from within the Bailiwick of Guernsey, and this document is being provided in or from within the Bailiwick of Guernsey only: (i) by persons licensed to do so by the Guernsey Financial Services Commission (the “GFSC”) under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended) (the “POI Law”); (ii) by non-Guernsey bodies who: (a) carry on such promotion in a manner in which they are permitted to carry on promotion in or from within, and under the law of certain designated countries or territories which, in the opinion of GFSC, afford adequate protection to investors; and (b) meet the criteria specified in section 29(c) of the POI Law; (iii) to persons licensed under the POI Law, the Banking Supervision (Bailiwick of Guernsey) Law, 1994, the Insurance Business (Bailiwick of Guernsey) Law, 2002, the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002 or the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000 by non-Guernsey bodies who: (a) carry on such promotion in a manner in which they are permitted to carry on promotion in or from within, and under the law of certain designated countries or territories which, in the opinion of the GFSC, afford adequate protection to investors; and (b) meet the criteria specified in section 29(cc) of the POI Law; or (iv) as otherwise permitted by the POI Law or the GFSC.

The offer referred to in this document and this document are not available in or from within the Bailiwick of Guernsey other than in accordance with the above paragraphs and must not be relied upon by any person unless made or received in accordance with such paragraphs.



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## 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 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 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.

## Information to Distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the New Shares have been subject to a product approval process, which has determined that such New Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, Distributors should note that: the price of the New Shares may decline and investors could lose all or part of their investment; the New Shares offer no guaranteed income and no capital protection; and an investment in the New Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either

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alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Capital Raising.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the New Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the New Shares and determining appropriate distribution channels.

### **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](http://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 6388 from within the UK or +44 (0) 121 415 0221 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.

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### **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 rules of the FCA, the London Stock Exchange or by law (and in particular the Prospectus Rules, the Disclosure Guidance 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.

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## CAPITAL RAISING

Issue Price per New Share	108 pence
Basic Entitlements under the Open Offer <sup>(1)</sup>	1 Open Offer Share for every 17 Existing Ordinary Shares
Number of Ordinary Shares in issue at the date of this document	624,251,370
Number of Open Offer Shares expected to be issued by the Company <sup>(1)(2)(3)</sup>	36,720,668
Number of Firm Placed Shares expected to be issued by the Company	46,296,296
Maximum aggregate number of New Shares expected to be issued by the Company pursuant to the Capital Raising <sup>(1)</sup>	92,592,592
Enlarged Ordinary Share capital immediately following completion of the Capital Raising <sup>(1)</sup>	716,843,962
Estimated expenses of the Capital Raising <sup>(1)</sup>	£3.4 million
Estimated net proceeds of the Capital Raising receivable by the Company <sup>(1)</sup>	£96.6 million

**Notes:**

(1) Calculated on the basis that the Issue size is £100.0 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.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date for entitlements under the Open Offer	close of business on 21 March 2018
Announcement of the Capital Raising, publication and posting of this document, Form of Proxy and Application Form	23 March 2018
Ex-entitlement date for the Open Offer	23 March 2018
Basic Entitlements and Excess CREST Open Offer Entitlements credited to stock accounts of Qualifying CREST Shareholders in CREST	26 March 2018
Recommended latest time for requesting withdrawal of Basic Entitlements and Excess CREST Open Offer Entitlements from CREST	4.30 p.m. on 11 April 2018
Latest time for depositing Basic Entitlements and Excess CREST Open Offer Entitlements into CREST	3.00 p.m. on 12 April 2018
Latest time and date for splitting of Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 13 April 2018
<b>Latest time and date for receipt of Forms of Proxy and receipt of electronic proxy appointments via the CREST system</b>	<b>10.45 a.m. on 16 April 2018</b>
<b>Latest time and date for receipt of Placing commitments</b>	<b>11.00 a.m. on 17 April 2018</b>
<b>Latest time and date for receipt of completed Application Form and payment in full under the Open Offer or settlement of relevant CREST Instruction</b>	<b>11.00 a.m. on 17 April 2018</b>
<b>Latest time and date for receipt of completed Subscription Form and payment in full under the Offer for Subscription</b>	<b>11.00 a.m. on 17 April 2018</b>
<b>General Meeting</b>	<b>10.45 a.m. on 18 April 2018 (or as soon thereafter as the annual general meeting of the Company convened for 10.30 a.m. on such day concludes)</b>
<b>Expected date of announcement of results of the General Meeting and the Capital Raising through a Regulatory Information Service</b>	<b>18 April 2018</b>
<b>Latest time to input DVP trades in regards to Offer for Subscription, as instructed by the Receiving Agent</b>	<b>3.00pm on 18 April 2018</b>
<b>Expected date of Admission and commencement of dealings in New Shares and CREST Members' accounts credited in respect of New Shares in uncertificated form</b>	<b>by 8.00 a.m. (London time) on 19 April 2018</b>
Expected date of despatch of definitive share certificates for New Shares in certificated form	No later than 30 April 2018

### 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 6388 or, if telephoning from outside the UK, on +44 (0) 121 415 0221 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.

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## **DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS**

<b>Directors</b>	Alun Jones, <i>Non-Executive Chairman</i> Harry Hyman, <i>Managing Director</i> Richard Howell, <i>Finance Director</i> Mark Creedy, <i>Non-Executive Director</i> Dr. Stephen Kell O.B.E., <i>Non-Executive Director</i> Geraldine Kennell, <i>Non-Executive Director</i> Ian Krieger, <i>Non-Executive Director</i> Steven Owen, <i>Non-Executive Director and Senior Independent Director</i> Dr. Ian Rutter O.B.E, <i>Non-Executive Director</i> Nick Wiles, <i>Non-Executive Director</i>
<b>Company Secretary</b>	Nexus Management Services Limited
<b>Registered Office and Directors' Business Address</b>	5th Floor Greener House 66–68 Haymarket London SW1Y 4RF
<b>Sponsor, Joint Bookrunner and Joint Broker</b>	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
<b>Joint Bookrunner and Joint Broker</b>	Peel Hunt LLP Moor House 120 London Wall London EC2Y 5ET
<b>Legal Adviser to the Company as to English and US law</b>	CMS Cameron McKenna Nabarro Olswang LLP Cannon Place 78 Cannon Street London EC4N 6AF
<b>Legal Adviser to the Sponsor, Joint Bookrunners and Joint Brokers as to English law</b>	Pinsent Masons LLP 30 Crown Place London EC2A 4ES
<b>Legal Adviser to the Sponsor, Joint Bookrunners and Joint Brokers as to US law</b>	Proskauer Rose (UK) LLP 110 Bishopsgate London EC2N 4AY
<b>Auditors</b>	Deloitte LLP 2 New Street Square London EC4A 3BZ
<b>Reporting Accountants in the UK</b>	Deloitte LLP 2 New Street Square London EC4A 3BZ
<b>Property Valuers</b>	Lambert Smith Hampton Group Limited Interchange Place Edmund Street Birmingham B3 2TA  CBRE Unlimited Company 3rd Floor, Connaught House 1 Burlington Road Dublin 4 D04 C5Y6

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**Receiving Agent and Registrars**

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA



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## PART 1

### LETTER FROM THE CHAIRMAN



*(registered in England & Wales with registered number 03033634)*

#### *Directors*

Alun Jones, *Non-Executive Chairman*  
Harry Hyman, *Managing Director*  
Richard Howell, *Finance Director*  
Mark Creedy, *Non-Executive Director*  
Dr. Stephen Kell, O.B.E., *Non-Executive Director*  
Geraldine Kennell, *Non-Executive Director*  
Ian Krieger, *Non-Executive Director*  
Steven Owen, *Non-Executive Director and Senior Independent Director*  
Dr. Ian Rutter, O.B.E. *Non-Executive Director*  
Nick Wiles, *Non-Executive Director*

#### *Registered Office:*

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

23 March 2018

Dear Shareholder,

**Proposed Firm Placing of 46,296,296 new Ordinary Shares and proposed Placing, Open Offer and Offer for Subscription of up to 46,296,296 new Ordinary Shares with the ability to increase the size of the Issue up to 115,740,740 new Ordinary Shares in aggregate, each at an Issue Price of 108 pence per share**  
**and**

#### **Notice of General Meeting**

#### **1. INTRODUCTION**

PHP is a leading investor in modern primary healthcare properties. The majority of its healthcare facilities are leased to GPs, government healthcare bodies, pharmacies and other providers of related healthcare services. The Company acquires or forward funds the development of modern, purpose-built premises that provide flexible accommodation to meet the changing demands placed on primary healthcare services by a growing and ageing population in both the UK and in the Republic of Ireland. The facilities are predominantly located within residential communities and enable the UK and Irish populations to access better health services in their local area.

Over the last three years, PHP has successfully deployed capital to deliver substantial growth in the value of its property portfolio and income. The Company has a strong investment pipeline of opportunities for both acquisition and the funding of developments in both the UK and the Republic of Ireland and seeks to make further investments in the primary care property market which is a sector that enjoys attractive investment fundamentals and a history of strong risk adjusted returns. The Company has today announced that it proposes to raise gross proceeds of up to £100.0 million through the Capital Raising.

#### **The Share Issue**

The Company intends to raise up to £100.0 million (approximately £96.6 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 92,592,592 New Shares at an Issue Price of 108 pence per New Share. The Board has the ability to increase the size of the Issue by up to

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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 continue 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 5.3 per cent. to the Closing Price of 114 pence per Ordinary Share on 22 March 2018 (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 (23 days) and the potential for share price fluctuation during this time.

### **Shareholder approval**

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 2018 annual general meeting of the Company, due to be held on 18 April 2018. Shareholders will be asked to approve the Resolutions at a General Meeting which has been convened for 10.45 a.m. on 18 April 2018 (or as soon thereafter as the annual general meeting of the Company convened for 10.30 a.m. on such day concludes) at CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF. 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 18 April 2018.

## **2. PHP AND ITS MARKET**

### **2.1 Overview of PHP's market**

#### ***Primary care is a cornerstone of health provision***

The NHS Five Year Forward View, published in October 2014, recognised the central role played by GP-led primary care as the bedrock of healthcare delivery in the UK. It also emphasised the need to shift more care away from the acute sector towards primary and community settings, meaning an increasing demand for appropriate facilities.

The challenges facing Irish healthcare provision are similar to those of the UK with a growing, ageing population and increasing rates of chronic illness where it is estimated that the prevalence of chronic illness will grow 29 per cent. by 2020 and that 80 per cent. of those over 85 have two or more chronic conditions. The Irish Health Service Executive has recognised the role that modern, flexible primary care premises can play in providing extended integrated care and is looking to procure a substantial number of new premises to facilitate this objective.

#### ***PHP's geographical 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 approximately 90 per cent. of PHP's rental income either as tenant or through reimbursement of 100 per cent. of GP premises costs). Over 3.4 million patients are registered to GP practices operating as tenants at the Group's premises.

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Occupational leases offer long initial terms, typically 20-25 years or longer, typically 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.

PHP has a total of 307 premises of which: 247 premises, with 491 tenants, are in England; 26 premises and 88 tenants are in Wales; and 31 premises and 55 tenants are in Scotland.

(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.

In December 2016, the Department of Health in Ireland (“DoHI”) published its three year strategy document, in which it outlined plans to develop a comprehensive range of primary care services that will be integrated with other care services, but where primary care will be the first point of contact. In line with this strategy, 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”). Lease terms typically include a break if the number of GPs operating from the premises falls below a minimum for over a year. HSE rentals can account for up to 75 per cent. of total income from a property with the balance received from GPs, pharmacy operators or other associated users.

The Group has taken its first steps into healthcare real estate in the Republic of Ireland and now owns three completed properties with 16 tenants, comprising nearly 118,500 square feet of lettable space, and is working to acquire or develop additional premises in the Republic of Ireland.

*Tenants and other stakeholders*

A large proportion of the primary care estate in the UK 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. In both the UK and the Republic of Ireland in recent years there has been a trend away from small, single GP premises to larger primary care hubs, housing several GP practices and a range of other healthcare related services and pharmacists.

PHP partners with leading developers in both jurisdictions to work together with the NHS, HSE, GP and healthcare tenants to develop modern 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.

*Macro demand drivers*

*Demographic changes*

In both the UK and the Republic of Ireland, GPs are considered the “gatekeepers” to healthcare systems. UK primary care experiences more than 300 million patient consultations every year whilst in the Republic of Ireland, it is estimated that for the population aged 15 years or older there were in excess of 11.6 million GP visits in 2015, a figure predicted to rise by 8.4 per cent. by 2022.

The population in both countries is ageing. The UK population is projected to grow to 69.2 million by mid-2026 with the percentage of the population aged over 85 expected to double over the next 25 years. It is estimated that there are about 15 million sufferers of chronic diseases and other long-term conditions in England and that they account for 50 per cent. of all GP appointments. In the Republic of Ireland, the population is expected to rise to 5.1 million by 2030 with those

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aged 80 or over increasing from 3.1 per cent. of the population in 2015 to nearly 5 per cent. by 2030. It is estimated that nearly two thirds of the current Irish population aged over 65 suffer with two or more chronic diseases. As a result of both growing populations and the ageing demographic profile, the demands placed on health services in the two countries are increasing.

*Drive to improve the quality of the existing estate and care.*

A 2014 Survey of GP practices by the British Medical Association (“**BMA**”) found that 50 per cent. of GPs felt that their premises were not fit for purpose. In England, 70 per cent. of respondents said that their premises were too small to deliver extra or additional services to patients. In the same BMA survey, more than half of respondents said that there had been no investment in their premises in the last ten years.

Evidence suggests that the size of a surgery is correlated to the quality of care that patients receive, so that the Care Quality Commission found that one in three GP practices were putting patients’ lives at risk and the worst offenders were most likely to be smaller practices. The recent response of the UK government to the Naylor Review, which was published in March 2017, acknowledged the importance of the built environment in the quality of clinical care being delivered and the experience patients have while being treated and has committed significant funds to support the transformation of primary care facilities and to support the move to integrate health services to meet demographic challenges.

*Integration of healthcare delivery*

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.

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.

*Funding commitments*

Increasing the supply of GP and other primary care services delivered in local communities is seen by governments in both the UK and the Republic of Ireland as an important part of improving the delivery of healthcare. Additional funding for the NHS in England has been promised by the UK government to upgrade primary care infrastructure and in 2017 the UK government made a £325 million allocation to the most advanced sustainability and transformation partnerships (“**STPs**”) for a range of capital schemes including several new primary care hubs.

In its recent response to the Naylor Report, which received cross-party support, the UK government stated that STPs were expected to include plans for primary care to take account of the planned shift of activity out of hospitals and into primary and community care to align with improved clinical pathways.

Significantly, the importance of partnering with the private sector has been recognised as the UK government has accepted the findings of the Naylor Report, which recommended utilising private sector investment in supporting GPs and improving premises. The Company joined with other listed players across the sector in highlighting the role of the private sector through the Primary Care Buildings Pledge that set out the potential for £3 billion of investment over five years, which could create up to 750 new medical buildings across the country.

*Improving investment opportunities*

The Directors believe that changes to the administration of the NHS in England introduced by the Health and Social Care Act 2012 led initially to a reduction in the number of approvals for new

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primary care developments. However, as the changes have bedded down, this situation appears to be improving as evidenced by recent statements on new primary care premises development and the receipt by PHP of a number of approvals for new schemes to expand or modernise existing premises.

The Group has also continued to see opportunities for new primary care developments in Wales and Scotland.

In Ireland, as part of its national health care strategy, the Irish Government committed in 2001 to create a network of Primary Care Centres (“PCCs”) nationwide, with the ability to deliver up to 90 per cent. of the public health and social care provision nationally. However these plans proved over ambitious and were impacted by a lack of capital during the financial crisis. The current Irish Government has re-set the delivery of primary care as a priority and the HSE has recently tendered for the development of PCCs at 36 locations that were seen to urgently require PCCs to relieve pressure on acute services.

The Group has built a good network of contacts with developers, consultants and agents to capitalise on the Company’s track record to secure transactions in both the UK and the Republic of Ireland.

## 2.2 **PHP’s business model**

### ***PHP is a leading investor in primary healthcare properties***

The Company is a leading investor in modern primary healthcare properties and has over 25 years’ experience in the sector. PHP works closely with its stakeholders, including GPs, the NHS and the HSE in the Republic of Ireland, to demonstrate the benefits of its third-party development model and the key differences of this model when compared with the private finance initiative. Its strategy is to invest in modern, high-quality buildings for its tenants that can deliver value for money for tenants and better patient outcomes, as well as reducing the frequency of visits to secondary care.

PHP specialises in the ownership of freehold or long leasehold interests in purpose-built healthcare facilities and its portfolio comprises over 300 properties, both completed and committed, that provide flexible accommodation for its tenants to meet the changing demands placed upon primary healthcare services and secure, long-term income with scope for capital growth for investors.

PHP’s proven strategy is evident in the results and activity of the three year period ending 31 December 2017. 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.

The Directors believe the Group’s portfolio benefits from:

- an investment focus on the primary health property sector which is traditionally less cyclical than other real estate sectors;
- excellent occupier covenants in its leases through the NHS reimbursement mechanism in the UK and the HSE acting as the anchor tenant in the Republic of Ireland;
- high occupancy rates driven by the stability of the core tenant base, restricted supply and long leases typically without breaks or rent free periods; and
- clear visibility of income with the majority of leases on upwards-only review terms in the UK and linked to CPI in the Republic of Ireland.

### ***Investment ethos***

The Group has a strong presence in the sector due to its track record of delivering new surgeries and its focus on building long term relationships with its tenants. It looks to grow its portfolio by funding and acquiring high quality, newly developed facilities and investing in already completed, let properties. PHP concentrates on the acquisition of assets with strong underlying fundamentals that it can acquire for a fair price and secure an acceptable gap between the income yield an asset can generate and the cost of managing and funding that asset. With the increased demand from healthcare providers for modern, integrated health care centres, which are capable of accommodating several GP practices and other health services in one building, PHP has recently



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focused its acquisition strategy on larger healthcare hubs. The portfolio's average lot size is now £4.5 million which the Directors believe to be the largest in the sector.

#### ***Property management***

PHP manages its existing property portfolio, working with its tenants to identify opportunities to provide additional space or reconfigure existing premises, and to facilitate the provision of additional health-related services. These activities provide operational flexibility for the occupier and add income and value for PHP.

By identifying opportunities to provide additional space and other enhancements at existing premises, the Company is able to generate additional rental income and/or extend lease terms on assets within its investment portfolio. During the year ended 31 December 2017, a total of £4.4 million was committed across nine projects of which four projects have been completed and a further five projects are on site and under construction and expected to complete during 2018. A total of £0.2 million per annum of additional rental income is expected to be generated and the applicable occupational leases will be extended back to an average of 19.5 years. In total, over the past three financial years, PHP has invested £8.7 million into such projects.

An increased momentum for such projects has led to seven further projects having received approval which will commit approximately an additional £0.6 million of investment. The Adviser is progressing a further 16 schemes that will potentially commit £11.3 million of capital, which remain subject to approval by the Board.

### **2.3 PHP recent performance highlights**

As at 31 December 2017, the Group owned 306 properties with a total value of £1.362 billion, an increase of 32.7 per cent. since 1 January 2015. Since that date, the Group has acquired one further property, at a cost of £17.7 million. Over the last three years, the PHP Group has acquired 42 properties for a total consideration of £207.8 million. These assets added £12.5 million to the Group's annualised rent roll, which together with contributions from rental growth and asset management projects, has grown by 20.5 per cent. over the period.

EPRA earnings per share have grown by 26.8 per cent. from 4.1 pence per share (following adjustment to reflect the Share Sub-division undertaken in November 2015) in the year ended 31 December 2014 to 5.2 pence per share in the year ended 31 December 2017. PHP has continued to grow its dividend in each of these three years, with an overall increase of 7.7 per cent. (following adjustment to reflect the Share Sub-division undertaken in November 2015).

EPRA NAV per share has risen over the review period by 26.3 per cent. (following adjustment to reflect the Share Sub-division undertaken in November 2015) to 100.7 pence as at 31 December 2017. Adding this growth to dividends per share paid, the three year period generated a total accounting return of 45.5 per cent. (following adjustment to reflect the Share Sub-division undertaken in November 2015).

Debt facilities have been actively managed, widening the range of providers and structure of facilities. PHP accessed the retail bond market (in 2012 with a £75 million unsecured issue) and the institutional bond market (in 2013 with a £70 million secured issue and in 2014 with a £82.5 million unsecured convertible issue) and issued a £100 million secured guaranteed note in 2017. Following the exercise of the conversion rights in respect of a total of £19.3 million of the unsecured convertible bonds, as at 31 December 2017 there were £63.2 million nominal amount of such bonds outstanding. At 31 December 2017, 19.1 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, weighted average debt costs fell to 4.09 per cent. as at 31 December 2017 from 5.15 per cent. as at 31 December 2014. Overall Group loan to value stood at 52.9 per cent. as at 31 December 2017 (31 December 2014: 64.1 per cent.). Had all the remaining £63.2 million of convertible bonds converted into Ordinary Shares as at 31 December 2017, resulting in the issue of approximately 64.8 million new Ordinary Shares at the current conversion price, the Group's loan to value ratio would have reduced by a further 4.7 per cent. to 48.2 per cent..



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### 3. REASONS FOR THE CAPITAL RAISING AND USE OF PROCEEDS

The Board sees growing levels of opportunity from shared health policy aims in both the UK and in the Republic of Ireland for the continued expansion of primary care facilities able to deliver a wider range of health services to a local population, such as diagnostic and screening services, so reducing pressure on acute hospital facilities. 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 in this sector 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..

#### Pipeline of opportunities

The Group is in active, and in some cases advanced, negotiations with sellers of potential property acquisitions and development opportunities in both the UK and the Republic of Ireland. Some represent opportunities where the Company has agreed acquisition terms with sellers 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 sellers. 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. The Group's current pipeline of opportunities is as follows:

Nature of opportunity	Number of opportunities*	Anticipated total acquisition cost*
Subject to contract	5	£57m
Other opportunities	10	£94m

\*Unaudited.

If the opportunities indicated above complete, it is estimated that they will provide approximately an additional £8.2 million of rent annually. The Board believes that this pipeline is indicative of the attractive investment opportunities that currently exist and are expected to arise.

While the gap between yields and financing costs has been narrowing as investors are attracted to the secure, long-term income streams offered by the sector, the Board considers that opportunities remain for PHP to make immediately earnings enhancing and cash generating property investments.

In addition, the Group has asset management projects currently on site. These schemes had funding commitments remaining totalling £5.7 million as at 31 December 2017, since which date the development at Churchdown in Gloucestershire has completed and the Group will pay the remaining £4.2 million payable following completion of the lease for the property which is anticipated to occur before Admission. In addition, the Adviser is working on further asset management projects that will potentially commit £11.3 million of capital, if approved.

PHP's LTV ratio as at 31 December 2017 was 52.9 per cent. and the Group had committed but undrawn facilities amounting to £120 million available for investment.

#### Use of proceeds

It is the intention of the Board that over the medium term the net proceeds of the Capital Raising will be selectively applied alongside existing and future debt facilities to generate a growing return and to maintain its progressive dividend policy, including:

- initially, where possible, to pay down sums drawn on the Group's revolving debt, totalling £129 million as at 31 December 2017, maximising treasury management efficiency and allowing the Group to re-draw sums as necessary to fund existing acquisition, development and asset management commitments, as envisaged below, and further as investment opportunities require;

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- to fund transactions from PHP's current acquisition and development pipeline totalling some £81.8 million in the UK and some €79.0 million in the Republic of Ireland; and
  - to fund existing asset management projects totalling £1.5 million as at 31 December 2017.

Details of the Group's net assets on a pro forma basis, assuming the Firm Placing completed on 31 December 2017, can be found in Part 6 of this document.

It is anticipated that the Capital Raising will be completed on 19 April 2018. In the event that only the Firm Placing completes, it is anticipated that the net proceeds of the Issue will be used in the same manner as detailed above, save that the Group may have to seek alternative funding sources or reconsider proceeding with the full acquisition and development pipeline.

#### **4. CURRENT TRADING, TRENDS AND PROSPECTS**

The Company announced its audited preliminary results for the year ended 31 December 2017 on 15 February 2018. The information below is extracted from the Chairman's statement in that announcement.

"I am delighted to present PHP's preliminary results for 2017, which has been another successful year delivering earnings, net asset value and dividend growth. We have continued to make disciplined progress in growing the portfolio to 306 primary health properties, valued at over £1.36 billion, and have a strong and deliverable pipeline of opportunities both in the UK and Ireland. We have maintained both earnings and net asset value growth, strengthened the balance sheet, reduced the cost of debt and extended the maturity profile of our loan facilities.

The continued strong progress in the year has allowed us to deliver value to shareholders with our 21st successive year of dividend growth of 2.4 per cent. and a total NAV return of 14.9 pence, an increase of 16.4 per cent. (2016: 8.5 pence, an increase of 9.7 per cent.).

##### **Structural challenges impacting future healthcare requirements**

A key part of our strategy is to ensure the primary healthcare centres in our portfolio will continue to remain fit for purpose facilities, forming an important part of the local healthcare provision and that they can be easily adapted to meet the changing needs of both the NHS and local communities. The trend to create Accountable Care Organisations ("ACOs"), super practices and moves to more collaborative working with locally integrated health systems encompassing primary, secondary and social care will see patient numbers re-located within fewer practices. Consequently, the emergence of larger practices providing an out-of-hours, integrated healthcare offering, resulting in better patient outcomes, will become more pronounced in the future, especially as the continuing pressures on secondary healthcare in hospitals becomes even more acute.

Consequently, the Company's acquisition policy has been to focus on hub primary healthcare centres within each local area which typically have a large lot size and patient list, relative to the local population, space to expand and typically offer a variety of healthcare services including a pharmacy.

The ten assets acquired in the year, including our second acquisition in Ireland, met these criteria with a large average lot size of £7.2 million and a substantial average patient list of some 14,000. The acquisitions in the year have helped increase the average lot size in the portfolio to £4.5 million (2016: £4.1 million).

We continue to work closely with the GPs, NHS, Irish Health Service Executive ("HSE") and pharmacy operators who occupy our properties to provide an integrated and long-term solution to their property needs, identifying asset management initiatives to expand or improve their facilities and provide on-going maintenance over the life of their lease. PHP's ability to invest, develop and manage our assets will ensure they remain a fundamental part of the local healthcare economy in the future.

##### **Results highlights**

The acquisitions both in 2016 and 2017 together with organic rental growth have helped to increase our net rental income by 7.1 per cent. to £71.3 million (2016: £66.6 million) and have delivered a strong set of results in 2017, with EPRA earnings up 15.7 per cent. to £31.0 million (2016: £26.8 million) and EPRA earnings per share up 8.3 per cent. to 5.2 pence (2016: 4.8 pence). The Group's portfolio was

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valued at the year end at just over £1.36 billion, which generated a revaluation surplus of £64.5 million, an increase of 5.0 per cent. (2016: £20.7 million, an increase of 1.7 per cent.) after allowing for costs associated with acquisitions and capital expenditure. The revaluation surplus was due mainly to the portfolio's valuation average net initial yield which tightened by 26 basis points in the year to 4.91 per cent. (2016: 5.17 per cent.), together with strong asset management activity.

The EPRA earnings and revaluation surplus offset by a loss on the mark-to-market valuation of our derivative portfolio and convertible bond of £3.6 million resulted in an IFRS profit of £91.9 million (2016: £43.7 million), an increase of 110.3 per cent. and equivalent to IFRS earnings per share of 15.3 pence (2016: 7.8 pence).

Asset management activity, including annualised rental growth of 1.1 per cent. achieved on rent reviews (2016: 0.9 per cent.), and further asset management projects have helped to create additional value, adding £0.6 million to the annualised rent roll. Achieving rental growth continues to be challenging, due primarily to the lack of new development schemes to act as benchmarks, but we are beginning to see positive signs of upwards pressure on rents. We continue to invest time and resource to initiate quality asset management projects and the Group has completed four during the year, with another five currently on site. Encouragingly, a further seven more projects have been approved and are due to commence in 2018. In addition, a strong pipeline of 16 potential asset management projects has been identified and these will be progressed during 2018. We devote considerable time to discussing our tenants' requirements and identifying new opportunities.

The strong performance in the year resulted in a Performance Incentive Fee ("PIF") being earned by the Adviser, Nexus Tradeco Limited, of £0.5 million (2016: £nil).

The strong earnings growth achieved in the year allowed us to maintain a substantially covered, increased dividend.

The revaluation surplus in the year of £64.5 million (2016: £20.7 million) is equivalent to 10.4 pence per share and was the main factor for the increase in the EPRA NAV by 9.6 pence or 10.5 per cent. to 100.7 pence (2016: 91.1 pence) which when added to the dividends paid produced a total NAV return for the year of 16.4 per cent. (2016: 9.7 per cent.).

## **Dividends**

The Company distributed a total of 5.25 pence per share in the year to 31 December 2017, an increase of 2.4 per cent. over the 2016 total of 5.125 pence per share and represented the Company's 21st successive year of dividend growth. The total value of dividends distributed in the year increased by 17.2 per cent. to £31.4 million (2016: £26.8 million) and were substantially covered by EPRA earnings. Dividends totalling £1.6 million were satisfied through the issuance of shares via the scrip dividend scheme.

A dividend of 1.35 pence per share was declared on 3 January 2018, equivalent to 5.4 pence on an annualised basis which represents an increase of 2.9 per cent. over the dividend distributed per share in 2017. The dividend will be paid to shareholders on 23 February 2018 who were on the register at the close of business on 12 January 2018. The dividend will comprise a Property Income Distribution ('PID') of 0.85 pence and an ordinary dividend of 0.5 pence per share. Further dividend payments are planned to be made on a quarterly basis.

The Company intends to maintain its strategy of paying a progressive dividend that is covered by earnings in each financial year.

The Company's share price started the year at 111.5 pence per share and closed on 31 December 2017 at 117.0 pence, an increase of 4.9 per cent.. Including dividends, those shareholders who held the Company's shares throughout the year achieved a Total Shareholder Return ("TSR") of 9.6 per cent. (2016: 7.3 per cent.).

## **Outlook**

Whilst continued political and economic uncertainty has been a significant distraction to markets during the last year, the attraction of secure, low risk income will continue as an alternative to low yielding government bonds. The primary health property sector benefits from strong fundamentals of a population that is growing, ageing, suffering from increased occurrence of chronic conditions and well

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publicised pressures on both GPs and the NHS. The future demand for healthcare is driven by demographics developments, while funding for the NHS is supported on a cross party basis.

Whilst the NHS adapts, albeit slowly, to meet these increased pressures, PHP is well placed and stands ready to assist. We have strengthened our balance sheet and have significant headroom to selectively invest further in both the UK and Ireland. We look forward to helping deliver the modernisation of the primary care estate by actively pursuing attractive investment opportunities through both acquiring assets and funding developments. In addition, we are committed to managing our existing assets to ensure they meet the future healthcare requirements of the local communities they serve.

PHP's sector-leading metrics have been maintained thanks to our disciplined approach to acquisitions and strong asset management activity in the year. With occupancy at 99.7 per cent., a weighted average unexpired lease term of 13.2 years and only 0.6 per cent. of our income due to expire in the next three years, the majority of which is in advanced negotiations to renew. Over 90 per cent. of PHP's drawn debt is either fixed or hedged with fixed interest rate swaps and the recent rises in interest rates are not expected to have a material impact on future earnings. We are well placed to continue growing dividends in the future, covered by earnings.

This is my last Chairman's Statement and I would like to thank all those who have contributed to the success of PHP during my tenure including members of the Board, the staff of our Adviser, Nexus and our external advisers. I am happy to be handing over the reins with the Company in good shape, confident the Company will continue to maintain its record of growth. I wish the Group and our shareholders every success."

## **5. PRINCIPAL TERMS OF THE CAPITAL RAISING**

### **5.1 Structure**

PHP is proposing to raise gross proceeds of up to £100.0 million (approximately £96.6 million net of expenses) by the issue of up to 92,592,592 new Ordinary Shares through the Capital Raising at 108 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 £125.0 million (approximately £121.0 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 £100.0 million, 46,296,296 of the New Shares will be issued through the Firm Placing and 46,296,296 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 5.3 per cent. to the Closing Price of 114 pence per Ordinary Share on 22 March 2018 (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 (23 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

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Ordinary Shares. The New Shares will not qualify for the dividend to be declared on or about 27 March 2018 payable to Shareholders on the Company's register as at or about 6 April 2018.

On the basis that the Issue size is £100.0 million, the Capital Raising is expected to result in 92,592,592 new Ordinary Shares being issued (representing approximately 14.8 per cent. of the existing issued share capital). On the basis that the Issue size is increased to a maximum of £125.0 million, the Capital Raising is expected to result in 115,740,740 new Ordinary Shares being issued (representing approximately 18.5 per cent. of the existing issued share capital).

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 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 are set out in Appendix 4 of this document and 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.

## **5.2 Firm Placing**

The Firm Placees have conditionally agreed to subscribe for in aggregate 46,296,296 New Shares at the Issue Price (representing gross proceeds of approximately £50.0 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.

## **5.3 Open Offer**

The Directors fully recognise the importance of pre-emption rights to Shareholders and consequently 36,720,668 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 17 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.



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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 £125.0 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 either by cheque without interest (at the risk of the applicant), or direct to the account of the bank or building society on which the relevant cheque or banker’s draft was drawn or CREST payment, as appropriate.

#### **5.4 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.

#### **5.5 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 in the Subscription Form. These terms and conditions should be read



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carefully before an application is made. Investors should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser if they are in doubt.

#### 5.6 **Dilution**

Assuming that the size of the Issue is approximately £100.0 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 12.9 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 7.8 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 £125.0 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 15.6 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 10.7 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 12.9 per cent., assuming the size of the Issue is approximately £100.0 million, or 15.6 per cent. if the Directors increase the size of the Issue to approximately £125.0 million.

#### 5.7 **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.

#### 5.8 **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.

#### 5.9 **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 18 April 2018;

- 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 19 April 2018 (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 3 May 2018).

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 3 May 2018, application monies will be returned to applicants (at the applicant's risk) without interest as soon as possible thereafter.

#### 5.10 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 4 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 17 April 2018. 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.

## 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 2017, the Company completed a number of debt related transactions:

- A £100 million 2.83 per cent. senior secured guaranteed private placement note due 21 March 2027 was issued by PHP SB Limited, a wholly owned subsidiary of PHP, guaranteed by the Company. The proceeds of the issue were partially applied to refinance PHP's existing "club" facility with RBS and Santander. The £115 million club facility, which was due to mature in August 2017, was replaced by a new four year £50 million bilateral term loan with RBS, which contained an option for the Company to increase the facility to £100 million (which option the Company exercised in November 2017) and extend its term by a year;
- A total of £19.3 million of convertible bonds were converted, at the option of the holders, into 19,794,870 Ordinary Shares, leaving a balance of £63.2 million of convertible bonds outstanding at 31 December 2017. Since 31 December 2017, a further £4.4 million of convertible bonds have been converted, at the option of the holders, into 4,512,818 Ordinary Shares;
- A 4.76 per cent. fixed rate swap with a nominal value of £20 million, effective until July 2027, was cancelled for a one-off payment of £6.2 million equivalent to 1p per share on an EPRA net asset value basis. The cancellation resulted in total interest savings of £0.8 million per annum and contributed 13 basis points to a total of 56 basis points reduction in the Group's average cost of debt during the year ended 31 December 2017;

- A £75 million secured facility was renewed with Aviva for just under an 11 year term to November 2028 at a fixed interest rate of 3.10 per cent.. The previous facility, due to mature in November 2018, had a fixed rate of 4.00 per cent. and the renewal will result in interest savings of £0.7 million per annum to the Group;
- A £30 million secured revolving credit facility was agreed with Lloyds for an initial three year period, with the option to extend by two further years, at rates ranging from 165 basis points to 175 basis points over LIBOR depending on utilisation. The Lloyds facility may be drawn in either Sterling or Euros at the option of PHP.

Following the above transactions, as at 31 December 2017, debt facilities available to the Group totalled £844.3 million, of which £474.3 million is represented by fixed rate bonds or debt, £365.0 million is on a variable rate term loan or revolving credit facility basis (of which £158.0 million has been fixed through the use of fixed rate interest rate swaps) and £5.0 million is available on an overdraft basis.

Taking into account drawn debt of approximately £724.1 million at 31 December 2017 and further contracted commitments of approximately £23.0 million, at 31 December 2017 this left approximately £97.2 million of available debt facilities to allow the Group to continue with its acquisition policy. The Group had cash reserves of £3.8 million as at 31 December 2017. The Group's interest cover for the 12 months ended 31 December 2017 and LTV ratio as at that date were 2.25 times and 52.9 per cent., respectively.

Since 31 December 2017, the term of the £100 million facility with RBS has been extended by a further year until March 2022.

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 55 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 19 April 2018.

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 were £47.6 million and the Firm Placing had become effective on 31 December 2017, the Group would have had net assets of £634.4 million at that date (based on the net assets of the Group as at 31 December 2017), as extracted from the unaudited pro forma statement of the net assets of the Group at Part 6 of this document.

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## **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 27 March 2018 payable to Shareholders on the Company's register as at or about 6 April 2018.

£10.6 million of 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 18 April 2018 at 10.45 a.m. (or as soon thereafter as the annual general meeting of the Company convened for 10.30 a.m. on such day concludes) at CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF. 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 10.45 a.m. on 16 April 2018. 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](http://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 10.45 a.m. on 16 April 2018.

## **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

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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 2.1.5 of Appendix 2 should be returned by post or by hand (during normal business hours only) to Equiniti Limited, 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 17 April 2018.

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 17 April 2018. 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 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 17 April 2018.**

**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 4 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.



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## **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 34,421 New Shares under the Open Offer and Directors have committed to acquire, in aggregate, 484,026 New Shares within the Firm Placing.

Alun Jones has irrevocably undertaken to apply for his full Basic Entitlement, of 5,823 Open Offer Shares and has committed to acquire 12,695 shares within the Firm Placing.

Harry Hyman has irrevocably undertaken to apply for his full Basic Entitlement of 22,744 Open Offer Shares in respect of his direct holding of Ordinary Shares and has committed to acquire 46,296 shares within the Firm Placing. Nexus Central Management Services has also committed to acquire 50,231 shares within the Firm Placing.

Richard Howell has irrevocably undertaken to apply for his full Basic Entitlement of 821 Open Offer Shares in respect of his direct holding of Ordinary Shares and has committed to acquire 63,000 shares within the Firm Placing.

Stephen Kell has committed to acquire 13,888 shares within the Firm Placing.

Geraldine Kennell has irrevocably undertaken to apply for her full Basic Entitlement of 1,470 Open Offer Shares and has committed to acquire 231,481 shares within the Firm Placing.

Ian Krieger has committed to acquire 81,481 shares within the Firm Placing.

Steven Owen has irrevocably undertaken to apply for his full Basic Entitlement of 2,093 Open Offer Shares and has committed to acquire 10,185 shares within the Firm Placing.

Nick Wiles has irrevocably undertaken to apply for his full Basic Entitlement of 1,470 Open Offer Shares and has committed to acquire 25,000 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 13,216,914 Ordinary Shares representing approximately 2.12 per cent of the Ordinary Shares in issue as at 22 March 2018 (being the latest practicable date prior to the publication of this document).

## **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**



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extent that they have any such holding, which together amount to 683,716 Ordinary Shares, representing approximately 0.11 per cent. of the Ordinary Shares in issue as at 22 March 2018 (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*

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## 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 other stakeholders, including the NHS, to provide modern fit for purpose facilities for the delivery of local healthcare services that are easily adapted to meet changing healthcare needs. The Group's property portfolio comprises both completed and committed properties which are primarily let on long leases 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, such as 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 2017. As at 31 December 2017, the Group held 306 primary healthcare assets, 305 completed properties and one forward funding commitment, with a total portfolio value of approximately £1.362 billion, generating an annualised rent roll of approximately £72.3 million per annum. Since that date, the Group has acquired one further asset located in Mallow, County Cork, Republic of Ireland, with a total cost of £17.7 million, adding an estimated £1.1 million to the annualised rent roll.

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 that act as centres for the delivery of healthcare into their local communities. Each property purchased by the Group will have been evaluated for its income and asset value growth potential.

#### 2. HISTORY AND DEVELOPMENT

The business of PHP was founded by Managing Director, Harry Hyman in 1994 and the Company was incorporated in 1995 following the purchase of a company that owned 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 23 July 2012, the Company issued £75 million 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.

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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 issued £82.5 million worth of fixed rate unsecured convertible bonds due 2019 guaranteed by the Company.

On 13 April 2016, the Company announced the successful issue of 150,000,000 ordinary shares through a firm placing, placing, open offer and offer for subscription at 100 pence per share raising £150 million before expenses.

On 21 March 2017, PHP SB Limited issued £100 million worth of fixed rate senior secured notes due 2027 guaranteed by the Company.

On 27 July 2017, PHP announced the acquisition of the entire issued share capital of Ettrick Health Limited, a company whose sole activity is the ownership of the Low Grange Health Village, Middlesbrough, and the Evenwood Medical Centre, Bishop Auckland, for a total consideration of £27.1 million in cash.

On 27 February 2018, PHP announced the completion of the purchase by PHP ICAV, an Irish investment vehicle wholly owned by PHP, of the Mallow Medical Centre, comprising a fully-let area of circa 6,500 square metres for a total cost of €20 million.

In the period since 1 January 2015 to the date of this document, the Group has acquired 42 properties for a total consideration of £190.1 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.

As at 22 March 2018 (being the latest practicable date prior to the issue of this document), the pipeline of acquisition and development opportunities, representing transactions where commercial terms are agreed and completion is likely within the next six months, is £57 million and the pipeline of projects for the extension or refurbishment of existing facilities that are expected to commence within the next 12 months, is £0.6 million.

### **3. PRINCIPAL ACTIVITIES AND PERFORMANCE**

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. Its properties are 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 a combination of rent reviews, expansion and/or modification of existing premises to meet tenants' needs and lease re-gearing to maximise the investment returns.

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.

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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 2017, approximately 66 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 24 per cent. of its rent from NHS and governmental bodies in the UK or the HSE in the Republic of Ireland leading to approximately 90 per cent. of total rental income deriving directly or indirectly from the NHS and HSE or the UK and Republic of Ireland governments.

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.

PHP has achieved strong growth in its investment portfolio and rental income during the period from 1 January 2015 through to 31 December 2017, driven by portfolio valuation uplifts, acquisitions, asset management initiatives, new developments and rental growth.

The Group’s net rental income has increased by 18.7 per cent., its EPRA earnings per share (basic) by 26.8 per cent. and its dividend per share by 7.7 per cent. over the three financial years ended 31 December 2017. Its EPRA NAV per share has increased by 26.3 per cent. from 1 January 2015 through to 31 December 2017.

PHP has maintained its disciplined approach to investment with the acquisition of ten assets for £71.9 million in the year ended 31 December 2017 (2016: 24 assets for £74.2 million) at an average cost of £7.2 million and an average patient list of 13,760. 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 delivering a 78 per cent. return over the five years ended 31 December 2017 compared to the FTSE All Share Index which delivered a 39 per cent. return over the same period.

#### **4. RENTAL INCOME**

The Group’s rental income has the following characteristics:

- The Group enjoys the benefit of a strong underlying tenant covenant on its properties (relative to the UK and Irish property market). In the UK the NHS effectively reimburses approximately 90 per cent. of the rent roll as at 31 December 2017, and in the Republic of Ireland, 75 per cent. of the rent roll as at 31 December 2017 is from leases to the HSE or other government agencies.
- 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 2017.
- As at 31 December 2017, gross contracted rents, including forward purchase commitments stood at £72.3 million, an increase of 6.3 per cent. through 2017 driven by acquisitions, rent reviews and asset management projects.
- Approximately 70 per cent. of the Group’s rental income is derived from leases that have unexpired lease terms of ten years or more.
- The Group achieved weighted average rental growth on rent reviews completed in 2017 of 1.1 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 2017, a total of 26 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.
- The weighted average unexpired lease term remaining (“**WAULT**”) of the Group’s portfolio as at 31 December 2017 was 13.2 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.
- Accordingly, the Directors believe that PHP offers strong long-term 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.

## 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 2017, the portfolio comprised of 306 premises in total, of which 304 are located within the UK and two are located in the Republic of Ireland. The portfolio was independently valued at 31 December 2017 at an average net initial yield of 4.91 per cent. (31 December 2016: 5.17 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	74	342.1	17.9
Midlands and East Anglia	74	320.4	17.2
London and South East	83	303.8	16.5
South West	16	59.4	3.0
Wales	26	152.7	8.0
Scotland	31	169.8	8.8
Republic of Ireland	2	13.7	0.9
Total	306	1,361.9	72.3

\*Unaudited.

Since 31 December 2017, the Group has acquired one further asset located in Mallow, County Cork, Republic of Ireland with a cost of £17.7 million, adding an estimated £1.1 million to the annualised rent roll.

## 6. STRATEGY

A key part of the Company’s strategy is to ensure the primary healthcare centres in its portfolio will continue to remain fit for purpose facilities, forming an important part of the local healthcare provision and that they can be easily adapted to meet the changing needs of both the NHS and local communities. The trend in NHS policy is to create Accountable Care Organisations, as super practices move to more collaborative working with locally integrated health systems encompassing primary, secondary and social care and will see patient numbers relocated within fewer practices. Consequently, the emergence of larger practices providing an out-of-hours, integrated healthcare offering, resulting in better patient outcomes, will become more pronounced in the future, especially as the continuing pressures on secondary healthcare in hospitals becomes even more acute.

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In response, the Company's strategy has been to focus on hub primary healthcare centres within each local area which typically have a large lot size and patient list, relative to the local population, space to expand and offer a variety of healthcare services including a pharmacy. As a result, the Group has 75 properties with a capital value of £5 million or more representing over 51 per cent. of the Group's portfolio by value as at 31 December 2017, compared with 63 properties representing approximately 48 per cent. of the portfolio by value as at 31 December 2016.

## **7. MARKET OVERVIEW, TRENDS AND COMPETITION**

The demand for healthcare services continues to grow as populations grow and age and the incidence of chronic conditions increases. As a result, the overall cost of providing healthcare services has also increased.

There is growing recognition of the important role that primary care plays in the provision of health services, providing for local care with greater ease of access and improving the efficiency of healthcare provision as technological advances allow the provision of services away from over-burdened hospital settings.

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 from the Office for National Statistics suggest that by 2026 the UK population will rise from an estimated 65.6 million in mid-2016 to over 69 million by mid-2026 and is projected to pass 70 million by mid-2029. Over this time period the proportion of elderly people will increase, according to the Office for National Statistics estimates, so that the proportion of the population aged over 85 is projected to double over the next 25 years.

This changing demographic is creating significant additional demand upon healthcare services. A Kings Fund study in autumn 2016 revealed a 10 per cent. increase in the number of GP patient contacts in the previous two years. Those aged over 86 accounted for 26 per cent. of all GP appointments and are growing at a rate more than twice as high as any other age group. In addition, 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.

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. In the UK, general practice provides over 300 million patient consultations each year, compared to 23 million visits to accident and emergency departments. The primary care estate has faced under-investment over the last decade, with approximately 50 per cent. of the 8,000 GP surgeries in England and Wales considered by medical professionals to be unfit for purpose.

In April 2016, NHS England published the General Practice Forward View ("GPFV") which set out targets for the next five years for all aspects of GP services, including recruitment targets, access to out of hour's services and reforming urgent care. Funding for general practice was announced to increase and a £900 million funding pool established specifically for capital investment into the GP estate and infrastructure. Alongside, NHS organisations in England were asked to develop plans for the future delivery of health services in their area, and these plans once again emphasised the increasingly important role of primary care and GP services.

The recent follow-up 'Next Steps on the Five Year Forward View', published in March 2017, reiterated that shift, setting out targets for growth in the primary care workforce, expansion of access to general practice and the need for improved primary care premises. Also in March 2017, the independent report on NHS Property and Estates by Sir Robert Naylor was published, highlighting the importance of primary care premises and making a number of recommendations. The report highlights the importance of the recently created NHS Property Board in supporting the visions of the GPFV and STPs in helping to create affordable and efficient estates and the importance of the private sector in delivering these objectives.



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Changing models of care, the continued drive to deliver more care services in the local community, greater integration of health and care services together with technical advances and innovation, will result in the continued trend of GP practices being co-located in larger, fit-for-purpose facilities, offering a varied, diverse and joined-up range of related services.

### **The Republic of Ireland**

The population of the Republic of Ireland has increased to over 4.7 million people in the 2016 census. In line with the UK, it is anticipated that a larger portion of the population will be aged over 65. The proportion of over 65s in the Republic of Ireland is projected to grow from 13 per cent. in 2015 to 18.1 per cent. in 2030, an increase of 39 per cent. and over the same period the proportion of the population aged 80 or over is projected to grow from 3.1 per cent. to nearly 5 per cent..

Similar to the UK, chronic, long term disease rates are increasing. An estimated 542,500 people in the Republic of Ireland aged 65 and over have at least one chronic condition and approximately 65 per cent. of this age group have two or more chronic conditions. Management of chronic diseases accounted in 2015 for the majority of GP visits and hospital bed days in the Republic of Ireland.

The primary healthcare system in the Republic of Ireland is based largely on a system of insurance and private payment, and it is still led by the GP. In 2015, free GP Visit Cards were provided for all children under 6 years old and all adults aged 70 years old or older, which has led to a significant increase in the number of visits to GPs.

The 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 report of the Irish Parliament (Oireachtas Éireann) on the Future of Healthcare published in May 2017 recommended a model where the vast majority of all aspects of healthcare is provided for in the community and reinforced a commitment to primary care with primary care centres being the hub for all community diagnostic tests. 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 Irish government, through the Health Service Executive in Ireland (“HSE”), has made the delivery of Primary Care Centres (“PCCs”) a priority and pressure is being applied to the HSE to meet the Irish government’s targets for the delivery of PCCs.

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

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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 MSCI Inc. indicate that primary care in the UK provided an annual return of 7.5 per cent. per annum over the ten years to December 2016 which compared to 4.5 per cent. per annum for the MSCI 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 5.00 per cent. which can be compared to 10 year UK gilt yields at 1.22 per cent. (as at 31 December 2017), 10 year Sterling swap rates of 1.23 per cent. (as at 31 December 2017) and three month LIBOR at 0.52 per cent. (as at 31 December 2017).

Yields in the Irish market primary care real estate sector are currently above 6 per cent. with 10 year EURIBOR swap rates at 0.81 per cent. (as at 31 December 2017), 10 year Irish gilt yields at 0.67 per cent. (as at 31 December 2017) and three month EURIBOR at -0.33 per cent. (as at 31 December 2017).

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 Assura plc and Medicx Fund Limited, both listed companies, and a number of unquoted companies including GPI Ltd (part of the GP Group), but the sector is otherwise highly fragmented with the majority of medical centres owned by GPs or other private owners. In addition, with gilts and corporate bonds offering low yields, the market fundamentals supporting the primary health care sector has translated into increased prices for acquisitions in recent years, driven largely by increased competition in the market. The Board expects yields will continue to compress further. However, PHP will continue to remain disciplined in its approach to investment; maintaining a strict selection criteria and pricing approach to ensure additions are high quality, accretive to net earnings and offer the opportunity for future growth.

In the Irish healthcare real estate market, Medicx Fund Ltd has recently transacted to fund and acquire assets in the Republic of Ireland and other mainly Irish based investors and developers are active. 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 advisory, management, administrative and accounting services, and company secretarial 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

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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 various Nexus subsidiaries and Richard Howell is an employee of Nexus.

Further details of the Advisory Agreement governing the relationship between the Company and the Adviser and fees payable are set out in paragraph 15.4 of Part 7 of this document.

## **9. INFORMATION ON THE BOARD**

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

<b>Name</b>	<b>Position</b>
Alun Jones	Non-Executive Chairman
Harry Hyman	Managing Director
Richard Howell	Finance Director
Mark Creedy	Non-Executive Director
Dr Stephen Kell O.B.E	Non-Executive Director
Geraldine Kennell	Non-Executive Director
Ian Krieger	Non-Executive Director
Steven Owen	Non-Executive Director and Senior Independent Director
Dr Ian Rutter O.B.E.	Non-Executive Director
Nick Wiles	Non-Executive Director

### ***Alun Jones – Non-Executive Chairman, 70***

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, 61***

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 main 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 Derriston Capital PLC, both of which are AIM listed. In addition, Mr. Hyman is a non-executive director of Biopharma Credit PLC, which invests in debt assets and royalty streams in the fast growing science industry.

### ***Richard Howell – Finance Director, 52***

Appointed to the Board with effect from 31 March 2017, Mr. Howell is a Chartered Accountant who joined Nexus on 13 March 2017. He has over 20 years' experience working with London-listed commercial property companies, gained principally with LondonMetric Property plc and Brixton Limited. Richard was part of the senior management team that led the merger of Metric Property Investments plc and London & Stamford Property Plc in 2013 to create LondonMetric Property plc with a combined property portfolio of £1.4 billion.

### ***Mark Creedy – Non-Executive Director, 63***

Appointed to the Board in November 2008, Mark Creedy is a member of the Advisers Engagement, 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

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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.

**Dr Stephen Kell O.B.E. – *Non-Executive Director, 46***

Appointed as a Director on 15 February 2018, Dr Kell is a General Practitioner and Managing Partner of a large medical practice in Worksop, Nottinghamshire with 14 partners, 32,000 patients and operating across five sites. Until 2016, Stephen was also Chair of the Bassetlaw Clinical Commissioning Group, Vice-Chair of the Nottinghamshire Health and Wellbeing Board and Co-Chair of NHS Clinical Commissioners and has helped to establish a national membership organisation with significant political and NHS influence.

**Geraldine Kennell – *Non-Executive Director, 49***

Appointed to the Board on 5 April 2016, Ms Kennell is the Chair of the Remuneration Committee and a member of the Audit, Nomination and Advisers Engagement Committees. She is a graduate of Bristol University, and joined the Midland Montagu group as a graduate trainee, before taking up roles first at 3i and subsequently at Silverfleet Capital LLP, formerly the private equity arm of Prudential plc, where she became a partner, specialising in mid-market buy-outs across Europe.

**Ian Krieger – *Non-Executive Director, 66***

Appointed as a Director on 15 February 2018, Mr Krieger qualified as a Chartered Accountant and was a Senior Partner and Vice Chairman of Deloitte LLP until his retirement in 2012. Mr Krieger is currently senior independent non-executive director and chairman of the audit committee at Safestore Holdings plc and Premier Foods plc. He is also a non-executive director at Capital & Regional plc, where he also chairs the audit committee. He is Chair of Anthony Nolan, a major blood cancer charity, and Trustee and Chairman of the finance committee of the Nuffield Trust

**Steven Owen – *Non-Executive Director and Senior Independent Director, 60***

Appointed in January 2014, Steven Owen is Chairman of the Audit Committee and a member of the Nomination, Remuneration and Advisers Engagement Committees. A Chartered Accountant, Steven is currently CEO and Partner of Wye Valley Partners LLP and a director of Wales in London. He was Deputy CEO and Finance Director of Brixton plc until 2009.

**Dr. Ian Rutter O.B.E. – *Non-Executive Director, 64***

Appointed to the Board in September 2005, Ian Rutter is a member of the Remuneration, Nomination and Advisers Engagement Committees. Dr. Rutter worked as a GP in Shipley, Yorkshire for 35 years until his retirement in 2015. He is currently Senior European Faculty Head 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.

**Nick Wiles – *Non-Executive Director, 56***

Appointed to the Board on 5 April 2016, Mr Wiles is the Chairman of the Nomination and Advisers Engagement Committees and a member of the Audit and Remuneration Committees. Mr Wiles has had a career in fund management and investment banking. Following a period at Sandhurst and a short service commission in the Army, he joined Mercury Asset Management as a fund manager and equity analyst and subsequently worked for more than 20 years in investment banking at Cazenove & Co. where he was a partner prior to incorporation and a Vice Chairman of JP Morgan Cazenove. Mr Wiles is currently non-executive Chairman of PayPoint plc a UK listed provider of cash dispensing and payment services.

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## 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 2015, 2016 and 2017, which have been prepared in accordance with IFRS.

The audited financial statements of the Group for the years ended 31 December 2015, 2016 and 2017 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 2017, 2016 and 2015. 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 15.5 of Part 7 of this document.

## 2.2 Group consolidated income statement

	Year ended 31 December		
	2017 £'m	2016 £'m	2015 £'m
Rental income	72.5	67.4	63.1
Direct property expenses	(1.2)	(0.8)	(0.9)
<b>Net rental income</b>	<b>71.3</b>	<b>66.6</b>	<b>62.2</b>
Administrative expenses	(8.7)	(7.3)	(6.8)
Net result on property portfolio	64.5	20.7	39.8
<b>Operating profit</b>	<b>127.1</b>	<b>80.0</b>	<b>95.2</b>
Finance income	0.3	0.5	0.7
Finance costs	(31.9)	(33.0)	(34.4)
Fair value gain/(loss) on derivative interest rate swaps and amortisation of cash flow hedge reserve	(0.3)	(2.2)	1.0
Fair value loss on Convertible Bond	(3.3)	(1.6)	(6.5)
<b>Profit before taxation</b>	<b>91.9</b>	<b>43.7</b>	<b>56.0</b>
Taxation charge	–	–	–
<b>Profit for the year<sup>(1)</sup></b>	<b>91.9</b>	<b>43.7</b>	<b>56.0</b>
<b>Other comprehensive (loss)/income:</b>			
<b>Items that may be reclassified subsequently to profit and loss:</b>			
Fair value gain/(loss) on interest rate swaps treated as cash flow hedges	2.8	(10.4)	1.4
<b>Other comprehensive income/(loss) for the year net of tax<sup>(1)</sup></b>	<b>2.8</b>	<b>(10.4)</b>	<b>1.4</b>
<b>Total comprehensive income for the year net of tax<sup>(1)</sup></b>	<b>94.7</b>	<b>33.3</b>	<b>57.4</b>
Earnings per share – basic	15.3p	7.8p	12.6p
Earnings per share – diluted	14.7p	7.3p	11.2p
EPRA earning per share - basic	5.2p	4.8p	4.9p
EPRA earning per share - diluted	5.1p	4.7p	4.8p

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

The above relates wholly to continuing operations.



## 2.3 Group consolidated balance sheet

	As at 31 December		
	2017 £'m	2016 £'m	2015 £'m
<b>Non-current assets</b>			
Investment properties	1,361.9	1,220.2	1,100.6
<b>Current assets</b>			
Derivative interest rate swaps	0.3	—	—
Trade and other receivables	6.4	3.3	4.2
Cash and cash equivalents	3.8	5.1	2.9
	<u>10.5</u>	<u>8.4</u>	<u>7.1</u>
<b>Total assets</b>	<b>1,372.4</b>	<b>1,228.6</b>	<b>1,107.7</b>
<b>Current liabilities</b>			
Derivative interest rate swaps	(2.7)	(3.8)	(4.7)
Deferred rental income	(15.0)	(14.1)	(13.2)
Trade and other payables	(15.4)	(13.6)	(16.1)
Borrowings: Term loans and overdraft	(0.8)	(0.8)	(0.9)
	<u>(33.9)</u>	<u>(32.3)</u>	<u>(34.9)</u>
<b>Non-current liabilities</b>			
Borrowings: Term loans and overdraft	(411.5)	(429.4)	(460.6)
Borrowings: Bonds	(318.1)	(238.2)	(236.3)
Derivative interest rate swaps	(22.1)	(29.5)	(30.5)
	<u>(751.7)</u>	<u>(697.1)</u>	<u>(727.4)</u>
<b>Total liabilities</b>	<b>(785.6)</b>	<b>(729.4)</b>	<b>(762.3)</b>
<b>Net assets</b>	<b>586.8</b>	<b>499.2</b>	<b>345.4</b>
<b>Equity</b>			
Share capital	77.5	74.8	55.8
Share premium account	80.7	59.1	57.4
Capital reserve	1.6	1.6	1.6
Special reserve	161.4	192.8	93.1
Cash flow hedging reserve	(29.9)	(32.7)	(22.4)
Retained earnings	295.5	203.6	159.9
<b>Total equity<sup>(1)</sup></b>	<b>586.8</b>	<b>499.2</b>	<b>345.4</b>
Net asset value per share – basic	94.7p	83.5p	77.4p
EPRA net asset value per share	<u>100.7p</u>	<u>91.1p</u>	<u>87.7p</u>

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

## 2.4 Group consolidated cash flow statement

	Year ended 31 December		
	2017 £'m	2016 £'m	2015 £'m
<b>Operating activities</b>			
Profit on ordinary activities before tax	91.9	43.7	56.0
Finance income	(0.3)	(0.5)	(0.7)
Finance costs	31.9	33.0	34.4
Fair value loss/(gain) on derivatives	0.3	2.2	(1.0)
Fair value loss on convertible bond	3.3	1.6	6.5
Operating profit before financing costs	127.1	80.0	95.2
Adjustments to reconcile Group operating profit to net cash flows from operating activities:			
Revaluation gain on property portfolio	(64.5)	(20.7)	(39.8)
Fixed rent uplift	(1.4)	(1.5)	(1.5)
Decrease/(increase) in trade and other receivables	(3.1)	0.6	1.0
Increase/(decrease) in trade and other payables	2.0	(1.5)	2.2
<b>Cash generated from operations</b>	60.1	56.9	57.1
Taxation paid	–	(0.1)	–
<b>Net cash flow from operating activities</b>	60.1	56.8	57.1
<b>Investing activities</b>			
Payments to acquire investment properties	(75.4)	(97.4)	(17.8)
Payment to acquire Crestdown Limited	–	–	(3.9)
Payment to acquire White Horse Centre Limited	–	–	(7.7)
Interest received on development loans	0.3	0.6	1.3
Bank interest received	–	0.1	–
<b>Net cash flow used in investing activities</b>	(75.1)	(96.7)	(28.1)
<b>Financing activities</b>			
Proceeds from issue of shares	–	150.0	–
Cost of share issue	(0.1)	(4.8)	(0.1)
Term bank loan drawdowns	137.8	68.5	45.8
Term bank loan repayments	(155.5)	(100.3)	(25.8)
Termination of derivative financial instruments	(6.2)	(14.5)	(3.3)
Proceeds of bond issues	100.0	–	–
Bond issue costs	(1.1)	–	–
Swap interest paid	(3.5)	(5.0)	(6.7)
Non utilisation fees	(0.5)	(0.9)	(0.9)
Loan arrangement fees	(1.8)	(0.9)	(0.3)
Interest paid	(26.1)	(25.3)	(25.8)
Equity dividends paid net of scrip dividend	(29.8)	(24.7)	(21.1)
<b>Net cash flow from financing activities</b>	13.2	42.1	(38.2)
<b>(Decrease)/increase in cash and cash equivalents for the year</b>	(1.8)	2.2	(9.2)
Effect of exchange rate fluctuations on cash and cash equivalents	0.5	–	–
<b>Cash and cash equivalents at start of year</b>	5.1	2.9	12.1
<b>Cash and cash equivalents at end of year</b>	3.8	5.1	2.9

## 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		
	2017	2016	2015
Earnings per share- basic	15.3p	7.8p	12.6p
Earnings per share – EPRA	5.2p	4.8p	4.9p
Dividends paid during the period (per share)	5.25p	5.125p	5.0p
Dividend cover	99%	100%	98%
EPRA cost ratio	13.2%	11.5%	11.5%
Net assets (£'m)	586.8	499.2	345.4
Net asset value per share	94.7p	83.5p	77.4p
EPRA net asset value	100.7p	91.1p	87.7p
Total accounting return	16.4%	9.7%	16.3%
Portfolio owned, leased and committed (£'m)	1,361.9	1,223.5	1,122.4
Contracted rent roll (£'m)	72.3	68.0	63.7
Proportion of rental income derived from NHS/Government	90%	90%	91%
Weighted average unexpired lease term	13.2 years	13.7 years	14.7 years

## 2.6 Property portfolio

Details of the property portfolio as at each period end.

	As at 31 December		
	2017 £'m	2016 £'m	2015 £'m
Investment properties	1,360.8	1,212.8	1,091.9
Properties in the course of development	1.1	7.4	8.7
Total; properties owned and leased	1,361.9	1,220.2	1,100.6
Cost to complete contracted acquisitions	17.3	–	–
Cost to complete development commitments	5.7	3.3	21.8
Total completed and committed	1,384.9	1,223.5	1,122.4

## 3. OPERATING AND FINANCIAL REVIEW

### 3.1 Year ended 31 December 2017

PHP achieved further growth in earnings through 2017, 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 maintained and the average cost of the Group's debt lowered further.

#### *Earnings and dividends*

Recurring EPRA earnings increased by £4.2 million or 15.7 per cent. to £31.0 million (2016: £26.8 million) which, using the weighted average number of shares in issue in the period, equates to EPRA earnings per share of 5.2 pence (2016: 4.8 pence), an increase of 8.3 per cent..

A revaluation surplus of £64.5 million (2016: £20.7 million), less a net loss on the fair value of interest rate derivatives and convertible bond of £3.6 million (2016: loss of £3.8 million), contributed to an increase in the profit as reported under IFRS by 110.3 per cent. to £91.9 million (2016: £43.7 million) equivalent to IFRS earnings per share of 15.3 pence (2016: 7.8 pence).

Net rental income receivable in the year ended 31 December 2017 increased by 7.1 per cent. or £4.7 million to £71.3 million (2016: £66.6 million). Property expenses increased by £0.4 million reflecting the increased size of the portfolio and professional fees relating to rent reviews and asset management initiatives.

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Administrative costs, excluding the PIF payable to the Adviser, rose by 12.3 per cent. to £8.2 million (2016: £7.3 million), reflecting the increased size of the portfolio and £0.3 million of costs relating to the establishment of the Irish portfolio. The Group's EPRA cost ratio, excluding the PIF, increased slightly to 12.5 per cent. for the year compared with 11.5 per cent. incurred during 2016.

Dividends at 5.25 pence per share increased by 2.4 per cent. over 2016 (5.125 pence per share). The total value of dividends distributed in the year increased by 17.2 per cent. to £31.4 million (2016: £26.8 million) and were substantially covered by EPRA earnings.

#### ***Shareholder value***

Demand for strong yield and covenant assets continued to out-strip supply in the year, increasing prices and tightening yields.

The strong investment market resulted in a valuation surplus of £64.5 million or 5.0 per cent. (2016: £20.7 million or 1.7 per cent.), after allowing for the cost of acquisitions and capital expenditure in the year to 31 December 2017. The surplus was generated predominantly by a 26 basis points reduction in the net initial yield ("NIY") to 4.91 per cent. (2016: 5.17 per cent.), with the true equivalent yield reducing to 5.09 per cent. (2016: 5.38 per cent.). The contraction in the NIY accounted for approximately 90 per cent. of the surplus, whilst rent reviews and asset management projects added a further 10 per cent..

The valuation uplift, combined with the portfolio's growing income, helped to deliver a total property return of 10.8 per cent. in the year ended 31 December 2017 (2016: 7.9 per cent.) out-performing the Investment Property Databank UK Quarterly Property Index, All Assets by 50 basis points.

The revaluation surplus in the year of £64.5 million (2016: £20.7 million) was the main factor for the increase in the EPRA NAV by 10.5 per cent. to 100.7 pence (2016: 91.1 pence) which when added to the dividends paid produced a total EPRA NAV return for the year of 16.4 per cent. (2016: 9.7 per cent.).

#### ***Property portfolio***

At 31 December 2017, the portfolio comprised of 306 assets, including one development, independently valued at £1.362 billion (2016: £1.220 billion). This comprised of 305 that were completed and rent producing and one that was on-site, under construction

Ten assets were acquired in the year, including a second acquisition in the Republic of Ireland, comprising eight standing let investments, and two development assets for a total of £71.9 million. The acquisitions had a large average lot size of £7.2 million, added £3.7 million of additional rent, had an average of 18 years of unexpired lease term and an average patient list of some 14,000. The acquisitions in the year increased the average lot size in the portfolio to £4.5 million (2016: £4.1 million).

The aggregate value of the Group's property assets totalled £1.362 billion, generating a surplus of £64.5 million for the year, after allowing for acquisition costs and capital invested in asset management projects. This represented a valuation increase of 10.4 pence per share.

At 31 December 2017, PHP's portfolio reflected an average net initial yield of 4.91 per cent. (2016: 5.17 per cent.) and a true equivalent yield of 5.09 per cent. (2016: 5.38 per cent.).

#### ***Property management***

During 2017, PHP concluded and documented 101 rent reviews with a combined rental value of £12.6 million, adding £0.5 million to its contracted rent roll or an overall uplift of 4.1 per cent., equating to 1.1 per cent. per annum. The rental growth achieved represented an increase over the 0.9 per cent. per annum achieved in 2016. Of these reviews, 0.3 per cent. were achieved on open market reviews, 2.3 per cent. per annum on RPI-based reviews and 5.0 per cent. per annum on fixed uplift reviews. In addition, a further 10 open market reviews were agreed in principle, which would add another £0.1 million to the contracted rent roll and represented an uplift of 1.4 per cent. per annum.

PHP continued to work to enhance and extend existing assets within the portfolio and nine projects were committed to in the year, of which four were completed and five were on site at 31 December

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2017. These nine projects required the investment of £4.4 million and would generate £0.2 million of additional rental income.

A further seven projects were approved by the NHS requiring PHP to invest a further £0.6 million once contracted. Once completed, the projects would extend the WAULT on these premises to 14.8 years and are expected to generate £11,000 of additional rental income.

### ***Debt funding***

As at 31 December 2017, total available loan facilities were £844.3 million (2016: £749.4 million) of which £724.1 million (2016: £660.8 million) had been drawn. Cash balances of £3.8 million (2016: £5.1 million) resulted in Group net debt of £720.3 million (2016: £655.7 million). Contracted capital commitments at the balance sheet date totalled £23.0 million (2016: £3.3 million) and resulted in headroom of £101.0 million (2016: £90.5 million) from existing facilities available to the Group. Capital commitments comprised acquisitions of £17.3 million, developments of £4.2 million and asset management projects on site of £1.5 million.

The strong growth in the valuation of the portfolio saw the loan to value fall to 52.9 per cent. (2016: 53.7 per cent.), despite the total level of net debt rising by £64.6 million in the year due to the cost of acquisitions and capital expenditure less the conversion of £19.3 million convertible bonds in the year. The Group's average cost of debt reduced by 56 basis points to 4.09 per cent. (2016: 4.65 per cent.) and the weighted average maturity of debt facilities was extended to 6.3 years (2016: 5.1 years).

In March 2017, a new, senior, secured ten-year £100 million bond was issued at a fixed coupon of 2.83 per cent.. The issuance represented PHP's first transaction in the private placement market, to a range of insurance companies.

The proceeds of the issue were partially applied to refinance PHP's £115 million club facility with RBS and Santander. The club facility, which was due to mature in August 2017, was replaced by a new £50 million bilateral term loan with RBS for an initial four-year term. In November 2017, the option to increase the loan facility to a maximum total of £100 million was exercised.

In December 2017, Aviva agreed to renew a £75 million secured loan facility for just under 11 years to November 2028 at a fixed interest rate of 3.1 per cent.. The existing facility, which was due to mature in November 2018, bore interest at a fixed rate of 4.0 per cent. and the renewal resulted in interest savings of £0.7 million per annum.

Additionally in December 2017, a new £30 million secured revolving credit facility with Lloyds was agreed for an initial three-year period, with the option to extend by a further two years, at rates ranging from 1.55 per cent. to 1.75 per cent. over LIBOR depending upon utilisation. The facility may be drawn in either Sterling or Euros.

In July 2017, a 4.76 per cent. fixed rate swap with a nominal value of £20 million, effective until July 2027, was cancelled for a one-off payment of £6.2 million, equivalent to 1.0 pence per share on an EPRA net asset value basis. The cancellation resulted in total interest savings of £0.8 million per annum.

During the year ended 31 December 2017, there was a net decrease of £2.6 million (2016: increase of £12.5 million) in the fair value movement of the Group's interest rate derivatives, due primarily to increases in interest rates assumed in the forward yield curves used to value the interest rate swaps. The mark to market liability of the swap portfolio reduced to £24.5 million (2016: £33.3 million).

In November and December 2017, convertible bonds with a nominal value of £19.3 million (2016: £nil) were, at the holders' option, converted at a conversion price of 97.5 pence, resulting in 19.8 million (2016: nil) of new Ordinary Shares being issued. The nominal value of the convertible bonds outstanding at 31 December 2017 was £63.2 million (2016: £82.5 million).

## **3.2 Year ended 31 December 2016**

2016 was a further year of growth across PHP's business that built upon the major equity issue that the Company completed in April 2016. The proceeds of this issue were utilised in selective property acquisitions and debt management initiatives that were accretive to the Group's earnings.

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These initiatives, combined with asset management projects, increased profitability for PHP, allowed payment of an increased, fully covered dividend and was reflected in NAV growth during the year.

### ***Earnings and dividends***

New property additions in the year, coupled with the completion of several development properties, generated increased rental income for the Group with net rental income receivable in the year increasing by 6.9 per cent. to £66.6 million (2015: £62.3 million).

The costs of managing the Group benefitted from the reducing scale structure of management fees and careful control of overhead costs. Whilst administrative expenses increased by £0.5 million in 2016, total costs as a proportion of income remained unchanged with the Group's EPRA cost ratio being 11.5 per cent. (2015: 11.5 per cent.).

PHP's consistent year-on-year growth in EPRA earnings continued, with an increase of 23.5 per cent. in the year to £26.8 million (2015: £21.7 million). A net property valuation surplus of £20.7 million (2015: £39.8 million) was partially offset by fair value movements on interest rate swaps and the Group's convertible bond, resulting in a fall in IFRS profit from £56.0 million to £43.7 million.

The Company increased its dividends, paying a total of 5.125 pence per share in the year, representing an increase of 2.5 per cent. over that paid in 2015 of 5.0 pence per share.

In April 2016 the Company issued 150 million new Ordinary Shares, which qualified for dividends paid only in the second half of 2016. As the proceeds of the issue were not immediately fully invested in new acquisitions EPRA earnings per share fell marginally to 4.8 pence (2015: 4.9 pence). The total value of dividends distributed to shareholders across the year rose by 21 per cent. to £26.8 million (2015: £22.2 million) and were fully covered by EPRA earnings (2015: 98 per cent.).

### ***Shareholder value***

The Company issued Ordinary Shares in April 2016 at a price of 100 pence per new Ordinary Share, a premium of 14 per cent. over EPRA net asset value per share as at the end of 2015. After deducting the costs of the issue, a premium of £13.8 million was realised over the underlying EPRA net asset value of the Company's Ordinary Shares prior to the issue.

The Group used this premium to reset two interest swaps in May 2016. A one-off cash payment of £14.5 million was made to achieve a total interest saving of £16.4 million over the term of these swaps to August 2021.

The strength of the Group's property portfolio was evident in the year end independent valuation. Yields in the healthcare property sector saw a modicum of tightening and the Group recorded a revaluation surplus of £20.7 million (2015: £39.8 million).

EPRA net assets grew by 39 per cent. to £545.0 million (2015: £391.6 million) as at 31 December 2016 with EPRA net asset value per share rising to 91.1 pence per share (2015: 87.7 pence), an increase of 3.9 per cent. in the year. Adding dividends paid to shareholders, total EPRA NAV return for the period was 8.5 pence per share or 9.7 per cent. (2015: 16.3 per cent.).

### ***Property portfolio***

Acquisitions in the year saw the Group hold a total of 296 property assets as at 31 December 2016, 295 of these located in the UK and one in the Republic of Ireland. There was one asset under development which completed in 2017. PHP invested a total of £68.5 million in acquiring 23 properties in the UK in the year and completed its first acquisition in the Republic of Ireland for £5.7 million (both before acquisition costs). All properties acquired were standing let investments. The above acquisitions added a total of £4.2 million to the Group's rent roll for an average unexpired term of 14 years. Including the impact of asset management projects and rent reviews, the total contracted Group rent roll increased by 6.8 per cent. to £68.0 million (31 December 2015: £63.7 million).

The aggregate value of the Group's property portfolio totalled £1.2 billion as at 31 December 2016, with a valuation surplus of £20.7 million being achieved for the year, after allowing for acquisition



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costs, the cost to complete development properties and capital invested in asset management projects, representing like-for-like valuation growth of 2.3 per cent., equivalent to an increase of 3.5 pence per share.

The demand for healthcare real estate saw the average net initial yield of PHP's UK portfolio tighten slightly to 5.17 per cent. (2015: 5.32 per cent.) with a true equivalent yield of 5.38 per cent. (2015: 5.53 per cent.).

As at 31 December 2016, the portfolio had an average unexpired lease term of 13.7 years (2015: 14.7 years) and an EPRA vacancy rate of just 0.3 per cent..

### ***Property management***

A total of 166 rent reviews were completed on tenancies within the Group's portfolio in 2016. 58 per cent. of these represented leases with open market review clauses with 64 reviews being index linked and six fixed rental uplifts being applied in the year.

There continued to be low levels of new development approval by the NHS in 2016, meaning that benchmarks for open market rental levels showed little growth over 2015. Whilst reported rates of inflation rose in the latter parts of the year, index-linked reviews look backward and so the impact of these increases would be seen in future periods rather than 2016. The weighted average uplift on the reviews completed in 2016 was on a par with that of 2015 at 0.9 per cent. per annum.

PHP completed seven asset management projects in 2016, investing a total of £1.8 million to secure an additional £0.2 million of new rental income and extending the unexpired occupational lease term at the project properties by an average of 12 years.

PHP worked closely with its tenants in submitting 23 applications for funding from the Estates and Technology Transformation Fund. The Group had eight of these 23 projects approved for first wave funding. PHP invested £5.3 million into these eight projects, generating additional rental income of £325,000 per annum and securing an average additional 13 years' unexpired lease term at each project.

### ***Debt funding***

Total debt facilities available to the Group reduced in 2016 following the cancellation of the RBS and Santander Club facility revolving tranche. At 31 December 2016, the Group had access to debt facilities totalling £749.5 million.

The net impact of funds raised and assets acquired in 2016 led to an overall reduction in total drawn debt to £660.8 million at 31 December 2016 (31 December 2015: £692.7 million). Year-end cash balances were £5.1 million (31 December 2015: £2.9 million), resulting in Group net debt of £655.7 million (31 December 2015: £689.8 million).

The Group had one asset on site under development at the year end, with a remaining cost of development of £3.3 million (31 December 2015: £21.8 million). Resulting headroom from existing debt facilities available to the Group therefore totalled £90.5 million (31 December 2015: £91.1 million).

Net finance costs for the year fell by 3.6 per cent. to £32.5 million (2015: £33.7 million), primarily due to the application of the proceeds of the equity issue. The average cost of Group debt fell marginally to 4.65 per cent. from 4.67 per cent. in 2015.

During the year PHP applied an element of the funds generated by the issue of Ordinary Shares to re-coupon two interest rate swap contracts in May 2016, which hedged a total nominal value of debt of £88 million. A one-off payment of £14.5 million was made to the swap counterparty to reset the contracted rates applied to both swaps from 4.79 per cent. to 0.87 per cent., effective from November 2016 to their maturity in August 2021. During the course of 2016, interest rates decreased, which led to a net increase in the mark to market liability of the Group's swap portfolio of £12.5 million in the year.

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### 3.3 Year ended 31 December 2015

PHP achieved 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 while 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 51.8 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 equated 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 EPRA 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 represented a valuation increase of 8.9 pence per share.

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PHP's portfolio reflected 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 was funded directly or indirectly by the NHS and the portfolio had 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 had fixed periodic rental uplifts or increases formally index linked, mostly in line with RPI. The most common review was 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 provided a more cost effective service for PHP and its tenants. PHP's portfolio was 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.

At the year end, two further projects were 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 had 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 funding partner to the Group. The enlarged facility was made available for a new five year term from January 2016 and allowed the Group to more efficiently use its collateral and provided additional available headroom.

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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 matured. These provided protection for the Group from interest rate rises expected to occur in the medium term, secured at rates that were below those incurred on the facilities/contracts that they replaced.

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

#### **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. 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.

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.

In March 2017, a wholly owned subsidiary of the Company, PHP SB Limited, issued ten year secured notes. The issue was for a total of £100 million with a maturity of 21 March 2027. The notes have a coupon of 2.83 per cent. per annum payable semi-annually.

During 2017, a total of £19.3 million of convertible bonds were converted, at the option of the holders, into 19,794,870 Ordinary Shares, leaving a balance of £63.2 million of convertible bonds outstanding at 31 December 2017. Since 31 December 2017, a further £4.4 million of convertible bonds have been converted, at the option of the holders, into 4,512,818 Ordinary Shares.

A 4.76 per cent. fixed rate swap with a nominal value of £20 million, effective until July 2027, was cancelled for a one-off payment of £6.2 million equivalent to 1 pence per share on an EPRA net asset value basis. The cancellation resulted in total interest savings of £0.8 million per annum and contributed 13 basis points to a total of 56 basis points reduction in the Group's average cost of debt during the year ended 31 December 2017.

A £75 million secured facility was renewed with Aviva for just under an 11 year term to November 2028 at a fixed interest rate of 3.10 per cent.. The previous facility, due to mature in November 2018,

had a fixed rate of 4.00 per cent. and the renewal will result in interest savings of £0.7 million per annum to the Group.

A £30 million secured revolving credit facility was agreed with Lloyds for an initial three year period, with the option to extend by two further years, at rates ranging from 165 basis points to 175 basis points over LIBOR depending on utilisation. The Lloyds facility may be drawn in either Sterling or Euros at the option of PHP.

Provider	Maturity	Facility Maximum at 31 Dec 2017 £m
RBS (overdraft)	June 2018	5.0
Convertible Bond	May 2019	63.2
Retail Bond	July 2019	75.0
HSBC	July 2020	50.0
Lloyds	December 2020	30.0
Barclays/AIB	January 2021	115.0
RBS	March 2022	100.0
Aviva	December 2022	25.0
Secured Bond	December 2025	70.0
Secured Note	March 2027	100.0
Aviva	November 2028	75.0
Aviva	August 2029	113.0
Aviva	January 2032 <sup>(1)</sup>	23.1
<b>Total</b>		<b>844.3</b>

(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 15.5 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 1.0 times and 1.75 times respectively. The Group met all covenant requirements as at 31 December 2017.

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

	As at 31 December		
	2017	2016	2015
LTV ratio	52.9%	53.7%	62.7%
Interest cover (times)	2.25	2.05	1.90

#### 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 and 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.



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#### 4.4 Treasury

The Group's financial instruments comprise its Convertible Bonds, Secured Bonds, Retail Bonds, Secured Notes, 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 and development loans on which interest is typically charged at between 2.5 per cent. and 3.5 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 of these instruments 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 2017 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 2017, PHP had 619,448,578 Ordinary Shares issued compared to 598,185,192 Ordinary Shares as at 31 December 2016 and 446,281,348 Ordinary Shares as at 31 December 2015.

#### 4.6 Cash flows

Details of PHP's cash flows for the years ended 31 December 2017, 2016 and 2015 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 9.9 per cent., from 0.80 pence per Ordinary Share for the year ended June 1997, to 5.25 pence per Ordinary Share paid during the year ended 31 December 2017 (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 2015, 2016 and 2017. The Board decided in February 2016 in order to accelerate the timing of cash flow to Shareholders to pay four quarterly interim rather than final dividends at the present time.

	Year ended 31 December <sup>(1)</sup>		
	2017	2016	2015
Interim dividend per share	1.31p	1.28125p	—
Number of qualifying shares	598,185,192	446,281,348	—
Further interim dividend per share	1.31p	1.28125p	2.50p
Number of qualifying shares	598,336,264	446,627,017	445,106,728
Further interim dividend per share	1.31p	1.28125p	—
Number of qualifying shares	598,932,424	597,171,537	—
Further interim dividend per share	1.32p	1.28125p	2.50p
Number of qualifying shares	599,526,403	597,928,486	445,513,044
Total dividend per share relating to the year	<u>5.25p</u>	<u>5.125p</u>	<u>5.00p</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. On 3 January 2018, the Company declared its first quarterly dividend of 1.35 pence per Ordinary Share which was paid on 23 February 2018 to Shareholders on the register on 11 January 2018.

## 7. STATEMENT OF CAPITALISATION AND INDEBTEDNESS

Set out below is a statement of capitalisation and indebtedness of the Group at 31 December 2017.

	As at 31 December 2017 £m
<b>Capitalisation</b>	
Share capital – allotted, called up and fully paid	77.5
Share premium	80.7
Capital reserve	1.6
Special reserve	161.4
<b>Capital and reserves<sup>(1)(2)</sup></b>	<b>321.2</b>
<b>Indebtedness<sup>(3)</sup></b>	
<b>Current debt</b>	
Secured <sup>(4)</sup>	0.8
Unsecured <sup>(5)</sup>	–
<b>Total current debt<sup>(3)</sup></b>	<b>0.8</b>
<b>Non-current debt</b> (excluding current portion of long term debt)	
Secured <sup>(4)</sup>	585.1
Unsecured <sup>(5)</sup>	138.2
<b>Total non-current debt<sup>(3)</sup></b>	<b>723.3</b>
<b>Total indebtedness<sup>(2),(3)</sup></b>	<b>724.1</b>
<b>Net financial indebtedness</b>	
<b>Cash</b>	
Cash and cash equivalents	(3.8)
<b>Liquidity</b>	<b>(3.8)</b>
<b>Current financial liabilities</b>	
Current bank debt	–
Current portion of non-current debt	–
Current financial debt <sup>(3)</sup>	–
<b>Net current financial indebtedness</b>	<b>–</b>
Non-current bank loans	–
Bonds issued	–
<b>Non current financial indebtedness<sup>(2)(3)</sup></b>	<b>–</b>
<b>Net financial indebtedness</b>	<b>720.3</b>

### 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 2017, the mark to market valuation of these instruments was a net liability of £24.5 million. This sum is not reflected in the indebtedness analysis. The cash flow hedging reserve associated with these derivative financial instruments is £29.9 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 £63.2 million Convertible Bond and £75 million Retail Bond.

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## 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 2015, 2016 and 2017 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 registered to carry on audit work in the UK and Ireland by 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 2015, 2016 and 2017.*

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## **PART 5**

### **PROPERTY VALUATION REPORTS**

This Part 5 comprises:

- (a) the Lambert Smith Hampton Report, which values the properties owned by the Group in the United Kingdom as at 31 December 2017; and
- (b) the CBRE Report, which values the properties owned by the Group in the Republic of Ireland as at 31 December 2017.

These Valuation Reports, together, cover all of the investment properties and developments owned by the Group.



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**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

23 March 2018

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/ heritable and leasehold interests of the properties held as investments as at 31 December 2017. 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 2017.

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 92,592,592 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 21 years with the signatory to this report having signed annual and interim valuation reports for the client for 14 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.

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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 2015, 2016, 2017 and 2018, in accordance with an agreed three year rolling programme of inspections, by various qualified surveyors. 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 2017 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.

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## 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 / heritable and long leasehold interests in the investment properties as at 31 December 2017, is:

**£1,348,200,000**

**(One Billion, Three Hundred and Forty Eight Million, Two Hundred Thousand Pounds)**

made up as follows:

Category of Property	Number of properties owned as at 31 December 2017	Value of properties owned as at 31 December 2017 (£'m)
<b>Freehold/Heritable</b>		
Properties held as investments	25	1,117.1
<b>Leasehold</b>		
Properties held as investments	46	230.0
<b>Properties which are in the course of construction</b>		
Properties to be held as investments	1	1.1
<b>Total</b>	<u>304</u>	<u>1,348.2</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 2017.

## 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.

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<b>Total in number</b>	<b>Geographical region</b>	<b>Combined Net Annual Rent £'m pa</b>	<b>Combined Market Value £'m</b>
74	North, Yorkshire and Humberside	17.9	342.1
74	Midlands and East Anglia	17.2	320.4
83	South East and London	16.5	303.8
16	South West	3.0	59.4
26	Wales	8.0	152.7
31	Scotland	8.8	169.8
<hr/> 304 <hr/>		<hr/> 71.4 <hr/>	<hr/> 1,348.2 <hr/>

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



**Timothy Sandford**  
*Director*

For and on behalf of Lambert Smith Hampton



CBRE Unlimited Company

Connaught House

Number One Burlington Road  
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Switchboard +353 1 618 5500  
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Direct Line +353 1 618 5589  
Email [Cormac.megannety@cbre.com](mailto:Cormac.megannety@cbre.com)

Our Ref BC/GG/68119  
Your Ref

Report Date	23 March 2018
Addressees	<p>The Directors Primary Health Properties PLC ("Company") 5th Floor Greener House 66-68 Haymarket London SW1Y 4RF</p> <p>Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT (in their capacity as Sponsor and Joint Bookrunner)</p> <p>Peel Hunt LLP Moor House 120 London Wall London EC2Y 5ET (in their capacity as Joint Bookrunner)</p> <p>..... (the "Addressees")</p>
The Properties	Portfolio of two properties as listed in the Schedule of Properties in Appendix A.
Ownership Purpose	Investment
Instruction	To value the unencumbered freehold / long leasehold interests in the Properties on the basis of Market Value as at the Valuation Date in accordance with the terms of engagement entered into between CBRE and the Addressees dated 22 March 2018.
Capacity of Valuer	External, as defined by the RICS Valuation Global Standards (2017).
Purpose	The Valuation has been prepared for a Regulated Purpose in accordance with the RICS Valuation – Global Standards 2017 (the



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PSRA Licence No: 001528



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	<p>"Red Book"). It is understood that our Valuation Report and the Appendices to it (together the "Valuation Report") is required for inclusion in a prospectus (the "Prospectus") to be published by Primary Health Properties PLC in connection with the proposed firm placing, placing, open offer and offer for subscription of 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 premium segment of the Official List of the UK Listing Authority (the UKLA) and to trading on the Main Market of the London Stock Exchange (the "Transaction").</p>
Valuation Date	The effective date of the valuation is 31 December 2017.
Brief Summary of the Portfolio	The Properties form a portfolio of two medical centre (Primary Care) investments described in the Schedule of Properties (the "Portfolio"). The Properties are held as investments, with the Carrigaline asset held on a 999 year lease subject to a peppercorn rent and the Tipperary asset freehold. Both assets are Primary Care Centres, are fully let and recently constructed.
Report Format	<p>Appendix A of this Valuation Report contains the Schedule of Properties with brief summary details of the buildings and tenure.</p> <p>This Valuation Report consists of a total of 12 pages.</p>
Compliance with Valuation Standards	<p>We confirm that the valuations have been prepared in accordance with the RICS Valuation – Global Standards 2017 which incorporate the International Valuation Standards.</p> <p>The valuations are compliant with the International Valuations Standards and in accordance with paragraphs 128 to 130 of the ESMA update (ESMA/2011/81) of the Committee of European Securities Regulators' (CESR) recommendations for the consistent implementation of the European Commission regulation (EC) n. 809/2004 implementing the Prospectus Directive and the UKLA's Listing Rules and Prospectus Rules.</p> <p>This Valuation is a professional opinion and is expressly not intended to serve as a warranty, assurance or guarantee of any particular value of the subject property. Other valuers may reach different conclusions as to the value of the subject properties. This Valuation is for the sole purpose of providing the intended user with the valuer's independent professional opinion of the value of each of the subject properties as at the Valuation date.</p> <p>We confirm we have sufficient current local and national knowledge of the particular property market involved and have the skills and understanding to undertake the valuations competently.</p> <p>Where the knowledge and skill requirements of the Red Book have been met in aggregate by more than one valuer within CBRE Unlimited Company we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of the Red Book.</p>
Assumptions	The Appendix to this Valuation Report comprises a summary of the Properties valued. We have made various assumptions as to tenure, letting, taxation, town planning and the condition and repair to buildings and sites-including ground and groundwater contamination-as detailed under Valuation Assumptions below and mentioned elsewhere in our Valuation Report (the "Assumptions").

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Variation from Standard Assumptions

If any of the information or assumptions on which the valuations are based are subsequently found to be incorrect, the Valuation figures may also be incorrect and should be reconsidered.

None.

Market Conditions

The values stated in this report represent our objective opinion of Market Value in accordance with the definition set out above as of the date of valuation. Amongst other things, this assumes that the properties had been properly marketed and that exchange of contracts took place on this date.

Aggregate Market Value

The definition of 'Market Value', together with our comments and assumptions adopted for the Valuation are detailed under Valuation Assumptions below.

Subject to the contents of this Valuation Report, we are of the opinion that the aggregate of the Market Values, as defined in the RICS Valuation – Global Standards 2017, of the freehold and leasehold interests as at 31 December 2017 is:

€15,392,000

(Fifteen Million, Three Hundred and Ninety-Two Thousand Euros).  
exclusive of purchasers costs and VAT.

Where a Property is owned through an indirect investment structure or a joint tenancy in a trust for sale, our valuation represents the relevant apportioned percentage of ownership of the value of the whole property, assuming full management control. Our valuation therefore is unlikely to represent the Market Value of the interests in the indirect investment structure through which the property is held. In each case in respect of these properties we have valued 100% of the ownership of each property.

We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

Our opinion of Market Value is based upon the Scope of Work and Valuation Assumptions attached, and has been primarily derived using comparable recent market transactions on arm's length terms.

There are no negative values to report.

The blended net initial yield, based on the aggregate of the individual market values as stated herein, equates to 6%. As noted above we have valued the Properties individually and this yield is provided for information purposes only.

We are required to show the split between freehold and long leasehold properties which is as follows

Freehold	Long Leasehold	Short Leasehold*	Total
€7,160,000	€8,232,000	€0	€15,392,000

\*Less than 50 years

Net Rents Receivable

When assessing values of the Properties we have had regard to the annual rents receivable for each property which are set out in the Schedule at Appendix A. We have had regard to the definition of



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“net annual rent” given in Listings Rules 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.

#### ESMA 130 (vi)

ESMA 130 (vi) requires us to comment on any differences between the valuation figure in this Valuation Report and the valuation figure included in the Company’s latest published annual accounts.

CBRE has reported its opinion of Market Value of the subject Properties in Euros, the currency of the Republic of Ireland. We note that in its 2017 Annual Report the Company reports the values of all the properties in pounds sterling and does not state individual values at property level.

#### No Material Change

We hereby confirm that as at the date of this Condensed Valuation Report:

- (i) we have not become aware (after having made enquiry of the Company) of any material change since our last inspections and Valuation prepared in December 2017 in any matter relating to any Property covered by our Valuation Report which in our opinion would have a material effect on the value as at today’s date, and
- (ii) in relation to market conditions and movements in the property markets in which the Properties covered by our Condensed Valuation Report are located, based on observed transactions involving comparable properties which have occurred and independent data published, in each case, since December 2017 we do not consider that any movement in respect of the subject Properties constitutes material change.

#### Independence

The total fees, including the fee for this assignment, earned by CBRE Unlimited Company (or other companies forming part of the same group of companies within the UK and Ireland) from the Addressees (or other companies forming part of the same group of companies) is less than 5.0% of CBRE Unlimited Company Total Irish Revenues.

It is not anticipated that this will change in the financial year to 31 December 2018.

We confirm that CBRE Unlimited Company does not have any material interest in the Company or any of the Properties.

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## Disclosures

CBRE Unlimited Company valued both assets in December 2017 on behalf of Primary Health Properties PLC. The values reported in December 2017 are the same as the values reported in this report. CBRE Unlimited Company has no previous dealings with these assets on behalf of Primary Health Properties PLC prior to December 2017.

We do not consider that any conflict of interest arises for us in preparing the advice requested by the Company and the Company has confirmed this to us.

## Responsibility

For the Purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this Valuation Report and accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. This Valuation Report complies with Rule 5.6.5G of the Prospectus Rules and Paragraphs 128 to 130 of the ESMA update of CESR'S recommendations for the consistent implementation the European Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) 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 accordance with this Valuation Report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation.

## Reliance

No reliance may be placed upon the contents of this Valuation Report by any party for any purpose other than in connection with the Purpose.

## Publication

Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval.

Before this Valuation Report, or any part thereof, is disclosed orally or otherwise to a third party, CBRE's written approval of the form and context of such publication or disclosure must first be obtained. Such publication or disclosure will not be permitted unless where relevant it incorporates the Assumptions referred to herein. For the avoidance of doubt, such approval is required whether or not CBRE is referred to by name and whether or not the contents of our Valuation Report are combined with others.

Such publication of, or reference to this report will not be permitted unless it contains a sufficient contemporaneous reference to any departure from the Royal Institution of Chartered Surveyors

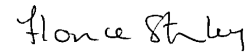
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Valuation Standards or the incorporation of any special assumptions referred to herein.

Yours faithfully



Cormac Megannety MRICS  
Registered Valuer  
Director: Head of Healthcare



Florence Stanley MRICS  
Registered Valuer  
Executive Director: Head of  
Valuation

CBRE Unlimited Company (CBRE)  
Connaught House  
Number One Burlington Road  
Dublin 4  
Ireland

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## SOURCES OF INFORMATION AND SCOPE OF WORKS

### Sources of Information

We have carried out our work based upon information supplied to us by Primary Health Properties PLC primarily comprising the following, which we have assumed to be correct and comprehensive.

- Occupational leases in respect of each tenant at both Tipperary and Carrigaline Primary Care Centres (PCC).
- Floor plans in respect of each PCC as prepared by Quinn Architects, 12 Barrington Street, Limerick.
- Tenancy schedule as at 6th December 2017 in respect of each PCC.

We have requested but not been provided with any legal, technical or environmental due diligence reports.

### Inspections

The Properties were inspected internally and externally by suitably qualified Valuers on the following dates:

Carrigaline PCC: 11 December 2017

Tipperary PCC: 12 December 2017

### Areas

We have not measured the Properties but have relied upon the floor areas provided to us by the Company, as prepared by Quinn Architects as set out in our report, which we have assumed to be correct and comprehensive and are professionally satisfied to rely upon. We have been advised that these areas have been calculated using the Gross Internal Area measurement methodology as set out in the RICS Code of measuring practice (6th edition).

### Environmental Matters

We have not undertaken, nor are we aware of the content of, any environmental audit or other environmental investigation or soil survey which may have been carried out on the Properties and which may draw attention to any contamination or the possibility of any such contamination.

We have not carried out any investigations into the past or present uses of the Properties, nor of any neighbouring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.

### Repair and Condition

We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the Properties. We are unable, therefore, to give any assurance that the Properties are free from defect.

### Town Planning and Statutory Requirements

We have not undertaken planning enquiries.

We have assumed that, save as disclosed to us by the Company, all buildings have been erected in accordance with planning permissions and the Properties have the benefit of permanent planning consents or existing use rights for their current use and that no adverse planning conditions or restrictions apply.

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## Titles, Tenures and Lettings

We have assumed that the Properties are not adversely affected by any town planning or road proposals and that all buildings comply with all statutory and local authority requirements including building, fire, and health and safety regulation and are not subject to any outstanding statutory notices as to their construction, use or occupation.

Details of title/tenure under which the Properties are held and of lettings to which it is subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title including relevant deeds, leases and planning consents is the responsibility of your legal adviser.

We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.

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## VALUATION ASSUMPTIONS

### Introduction

An Assumption is defined in the Red Book Glossary and VPS 4 to be a "supposition taken to be true" (an "Assumption").

Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that it has been agreed need not be verified by the valuer as part of the valuation process. Assumptions are made when it is reasonable for the valuer to accept that something is true without the need for specific investigation.

The Company has confirmed and we confirm that our Assumptions are correct as far as the Company and we, respectively, are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed. The principal Assumptions which we have made are stated within this Valuation Report.

For the avoidance of doubt, the Assumptions made do not affect compliance with the approach to Market Value under the Red Book.

### Basis of Value

Each valuation has been prepared on the basis of Market Value, which is defined in the Red Book as:

"The estimated amount for which an asset or liability should exchange on the Valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

The valuation represents the figure that would appear in a hypothetical contract of sale at the valuation date. No adjustment has been made to this figure for any expenses of acquisition or realisation - nor for taxation which might arise in the event of a disposal.

No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charge.

No account has been taken of the availability or otherwise of capital based Government or European Community grants.

### VAT

All rents and capital values stated in this report are exclusive of VAT.

### Rental Values

Unless stated otherwise rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes, nor do they necessarily accord with the definition of Market Rent in the Red Book, which is as follows:

"The estimated amount for which an interest in real property should be leased on the Valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

### Environmental Matters

In the absence of any information to the contrary, we have assumed that:

- [a] the properties are not contaminated and is not adversely affected by any existing or proposed environmental law;



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- [b] any processes which are carried out on the properties which are regulated by environmental legislation are properly licensed by the appropriate authorities.
  - [c] we have not been supplied with a copy of the "Building Energy Rating" Certificate for the properties. We have assumed that if the properties are sold, let or transacted that it possesses a current Energy Rating Certificate as required under the European Union [Energy Performance of Buildings] Regulations 2012 [S.I. 243 of 2012].
  - [d] the properties are either not subject to flooding risk or, if it is, that sufficient flood defences are in place and that appropriate building insurance could be obtained at a cost that would not materially affect the capital value.

#### Repair and Condition

In the absence of any information to the contrary, we have assumed that:

- [a] there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the properties;
- [b] the Properties are free from rot, infestation, structural or latent defect;
- [c] no currently known deleterious or hazardous materials or suspect techniques have been used in the construction of, or subsequent alterations or additions to, the properties; and
- [d] the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the properties. Comments made in the property details do not purport to express an opinion about, or advise upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

#### Title, Tenure, Lettings, Planning, Taxation and Statutory & Local Authority requirements

Unless stated otherwise within this report, and in the absence of any information to the contrary, we have assumed that:

- [a] the properties possess a good and marketable title free from any onerous or hampering restrictions or conditions;
  - [b] the building has been erected either prior to planning control, or in accordance with planning permissions, and has the benefit of permanent planning consents or existing use rights for their current use;
  - [c] the properties are not adversely affected by town planning or road proposals;
  - [d] the building complies with all statutory and local authority requirements including building, fire and health and safety regulations;
  - [e] only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each properties to comply with the provisions of the relevant disability discrimination legislation;
-

- 
- [f] there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;
  - [g] tenants will meet their obligations under their leases, and are responsible for insurance, payment of business rates, and all repairs, whether directly or by means of a service charge;
  - [h] there are no user restrictions or other restrictive covenants in leases which would adversely affect value;
  - [i] where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required;
  - [k] vacant possession can be given of all accommodation which is unlet or is let on a service occupancy; and
  - [l] wherever rent reviews or lease renewals are impending, all notices have been fully validly served within the appropriate time limits.

## APPENDIX A: SCHEDULE OF PROPERTIES

Address	Location & Description	Tenure and Tenancies	Net Annual Rents	Market Value
Carrigaline PCC Kilnageary Business Park Carrigaline Co. Cork	<p>The PCC is located on the periphery of Carrigaline in a generally mixed use area and comprises a four-storey purpose built medical facility constructed in 2017 of modern construction fitted out to a high standards.</p> <p>Gross internal floor area of 3,390m<sup>2</sup>.</p>	<p>Long leasehold, 999 years €10 pa ground rent</p> <p>Subject to two leases to the HSE and a GP practice both for 25 years commencing in October and September 2017 with index linked reviews (upwards and downwards). There is a third lease to a pharmacy on similar terms.</p>	<b>€535,718 pa</b>	<b>€8,232,000</b>
Tipperary PCC Rosanna Road Tipperary Town Co. Tipperary	<p>The PCC is located in Tipperary close to the centre in a mixed use area and comprises a three-storey purpose built medical facility constructed in 2016 of modern construction fitted out to a high standards.</p> <p>Gross internal floor area of 2,452m<sup>2</sup>.</p>	<p>Freehold</p> <p>Subject to two leases to the HSE and a GP practice both for 25 years commencing in October and August 2016 with index linked reviews (upwards and downwards). There is a third lease to a pharmacy on similar terms with a 5 year rolling break from year 10.</p>	<b>€465,964 pa</b>	<b>€7,160,000</b>

## 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 2017. 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 2017.

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 2017.

#### UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

	Consolidated net assets of the Group at 31 December 2017 Note 1 £'m	Firm Placing – Proceeds of the issue, net of expenses Note 2 £'m	Pro forma consolidated net assets at 31 December 2017 Total £'m
<b>Non current assets</b>			
Investment properties	1,361.9	–	1,361.9
<b>Current assets</b>			
Derivative interest rate swaps	0.3	–	0.3
Trade and other receivables	6.4	–	6.4
Cash and cash equivalents	3.8	–	3.8
<b>Current assets</b>	<b>10.5</b>	<b>–</b>	<b>10.5</b>
<b>Total assets</b>	<b>1,372.4</b>	<b>–</b>	<b>1,372.4</b>
<b>Current liabilities</b>			
Derivative interest rate swaps	(2.7)	–	(2.7)
Deferred rental income	(15.0)	–	(15.0)
Trade and other payables	(15.4)	–	(15.4)
Borrowings: Term loans and overdrafts	(0.8)	–	(0.8)
<b>Current liabilities</b>	<b>(33.9)</b>	<b>–</b>	<b>(33.9)</b>
<b>Non current liabilities</b>			
Borrowings: Term loans and overdrafts	(411.5)	47.6	(363.9)
Bonds	(318.1)	–	(318.1)
Derivative interest rate swaps	(22.1)	–	(22.1)
<b>Non current liabilities</b>	<b>(751.7)</b>	<b>47.6</b>	<b>(704.1)</b>
<b>Total liabilities</b>	<b>(785.6)</b>	<b>47.6</b>	<b>(738.0)</b>
<b>Net assets</b>	<b>586.8</b>	<b>47.6</b>	<b>634.4</b>

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**Notes:**

- (1) The net assets of the Group as at 31 December 2017 have been extracted without material adjustment from the audited consolidated financial statements of the Group for the year ended 31 December 2017, 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 £47.6 million (being gross proceeds of £50.0 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 £96.6 million (being gross proceeds of £100.0 million less estimated fees relating to the Capital Raising of £3.4 million). 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 £121.0 million (being gross proceeds of £125.0 million less estimated fees relating to the Capital Raising of £4.0 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 2017.

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



Deloitte LLP  
2 New Street Square  
London EC4A 3BZ

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

Numis Securities Limited  
10 Paternoster Square  
London EC4M 7LT

23 March 2018

Dear Sirs

### **PRIMARY HEALTH PROPERTIES PLC (the “Company”)**

We report on the 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 23 March 2018 (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 2017. This report is required by the Commission Regulation (EC) No 809/2004 (the “**Prospectus Directive Regulation**”) and is given for the purpose of complying with that requirement and for no other purpose.

### **RESPONSIBILITIES**

It is the responsibility of the directors of the Company (the “**Directors**”) to prepare the Pro Forma Financial Information in accordance with Annex II items 1 to 6 of the Prospectus Directive Regulation.

It is our responsibility to form an opinion as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) 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 Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

### **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.



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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.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

#### **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 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 Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

**Deloitte LLP**

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## PART 7

### ADDITIONAL INFORMATION

#### 1. RESPONSIBILITY

- 1.1 The Company and each of the Directors, whose names are set out on page 35 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 LSH accepts responsibility for the information contained in its Property Valuation Report set out in Part 5 of this document. To the best of the knowledge and belief of LSH, and having taken all reasonable care to ensure that such is the case, the information contained in its Property Valuation Report is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.3 CBRE accepts responsibility for the information contained in its Property Valuation Report set out in Part 5 of this document. To the best of the knowledge and belief of CBRE, and having taken all reasonable care to ensure that such is the case, the information contained in its 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, the Market Abuse Regulation and the Disclosure Guidance 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 registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales.

#### 3. SHARE CAPITAL OF PHP

- 3.1 As at 22 March 2018 (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	624,251,370	£78,031,421.25

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- 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	716,843,962	£89,605,495.25

\* The number of Ordinary Shares in issue immediately following completion assumes that the Issue size in connection with the Capital Raising is £100.0 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 2017	598,185,192
31 December 2017	619,448,578

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 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;
  - (ii) on 14 April 2016, in connection with a firm placing, placing, open offer and offer for subscription, the Company issued 150,000,000 Ordinary Shares; and
  - (iii) between 30 November 2017 and 22 March 2018, the Company issued 24,307,688 Ordinary Shares in exchange for 237 preference shares of £100,000 each in the capital of PHP Finance Jersey issued in connection with the conversion of £23.7 million nominal value of the Convertible Bonds.
- (b) No Ordinary Shares are held by or on behalf of the Company (including in treasury) or by its subsidiaries.

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 £14,467,592.50 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 2018 annual general meeting (due to be held on 18 April 2018) be refreshed to authorise the Directors to allot and issue Ordinary Shares with a nominal value of up to £30,833,004.00, and a further £30,833,004.00 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 or, 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 609,068,804 Ordinary Shares in total, being an amount of up to approximately 98.6 per cent. of the Company's issued share capital at 22 March 2018 (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 115,740,740 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 and in connection with legally binding obligations to do so such as the Company's scrip dividend scheme or in connection with the conversion of the Convertible Bonds.

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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 2018 annual general meeting (due to be held on 18 April 2018) 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 £4,624,950.00 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 £4,624,950.00 nominal amount of equity securities proposed by part (b) will allow the Directors to allot up to 152,740,341 Ordinary Shares for cash or by way of sale of treasury shares, representing approximately 24.5 per cent. of the Company's issued share capital at 22 March 2018 (being the latest practicable date prior to the publication of this document). The £4,624,950.00 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 115,740,740 New Shares are issued pursuant to the Capital Raising).

Resolution 3 additionally proposes that the authority proposed to be given to Directors at the 2018 annual general meeting be refreshed so that Directors be authorised to allot equity securities (or sell treasury shares) for cash, without first being required to offer such shares to existing Shareholders, in connection with the financing (or refinancing if the authority is to be used within six months after the original transaction) of an acquisition or specified capital investment 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. The authority under Resolution 3 is limited to a nominal value of £4,624,950.00, representing approximately 5 per cent. of the issued share capital of the Company following the Capital Raising (assuming 115,740,740 New Shares are issued pursuant to the Capital Raising). The authority conferred under Resolution 3 will expire 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 3 is conditional on the passing of Resolutions 1 and 2.

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 "**Principles**"), 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):

- (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.

Adherence to the Principles would not preclude issuances under the authority sought under Resolution 3.

Resolution 4 proposes that the Company be authorised to purchase 73,999,211 Ordinary Shares in the market, representing approximately 10 per cent. of the issued share capital of the Company following the Capital Raising (assuming 115,740,740 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.

The authority under Resolution 4 will expire at the conclusion of the next annual general meeting of the Company. The Directors have no present intention of exercising the authority granted by Resolution 4. Ordinary Shares will only be purchased if the Directors consider such purchases to be

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in the interests of Shareholders generally and that the purchase can be expected to result in an increase in earnings per Ordinary Share. In addition, the authority will only be used after careful consideration, taking into account market conditions prevailing at the time, other investment opportunities, appropriate gearing levels for the Company and its overall financial position.

As at 22 March 2018 (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

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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



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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.

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(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.

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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

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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

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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);
- (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;



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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.

#### 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



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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:

- (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.

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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.

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(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

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	(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);
“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;
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- (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,

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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.

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



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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

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- (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.
- 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

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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.

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

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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**

The Directors, and their principal functions are as follows:

<b>Name</b>	<b>Position</b>
Alun Jones	Non-Executive Chairman
Harry Hyman	Managing Director
Richard Howell	Finance Director
Mark Creedy	Non-Executive Director
Stephen Kell	Non-Executive Director
Geraldine Kennell	Non-Executive Director
Ian Krieger	Non-Executive Director
Steven Owen	Non-Executive Director and Senior Independent Director
Ian Rutter	Non-Executive Director
Nick Wiles	Non-Executive Director

6.1 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).

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

6.3 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**

**Former**

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

**Current**

**Former**

Biopharma Credit PLC  
Derriston Capital PLC  
EducationInvestor Limited  
Fortissimo Group Limited  
HealthInvestor Asia Limited  
HealthInvestor Limited  
Investor Publishing Limited  
Nexus Capital Finance Limited  
Nexus Central Management Services Ltd  
Nexus Code Limited  
Nexus Code New York Limited  
Nexus Consulting (UK) 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 Management Limited  
Nexus Investment Ventures Limited  
Nexus Management Services Limited  
Nexus PHP Management Limited  
Nexus PINE (Management) Limited  
Nexus Property Management Services Limited

I Value PLC (dissolved 2014)  
Landor Productions Limited (dissolved 2013)  
Nexus Structured Finance Limited (dissolved 2014)  
NHR Acquisitions Limited (dissolved 2014)  
SJPLL Limited (dissolved 2018)  
The Quoted Companies Alliance

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(ii)	<b><i>Harry Abraham Hyman (continued)</i></b>	
	<b>Current</b>	<b>Former</b>
	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	
	Vintage Wine Sellers Limited	
(iii)	<b><i>Richard Howell</i></b>	
	<b>Current</b>	<b>Former</b>
	Wells Farm Property Owners Limited	Metric GP Income Plus Limited
		Metric Income Plus Nominee Limited
(iv)	<b><i>Mark Peter Creedy</i></b>	
	<b>Current</b>	<b>Former</b>
	The Inn on the Square Company Limited	LSAV (GP) Limited
(v)	<b><i>Ian Paul Rutter</i></b>	
	<b>Current</b>	<b>Former</b>
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(vi)	<b><i>Steven Jonathan Owen</i></b>	
	<b>Current</b>	<b>Former</b>
	Ice Campus Ventures Limited	Milford Haven Port Authority
	Wales in London Limited	
	Wye Valley Partners LLP	
(vii)	<b><i>Geraldine Ann Kennell</i></b>	
	<b>Current</b>	<b>Former</b>
	Two NFL LLP	Fleet Energy Limited
	Silverfleet Capital Partners LLP	Ivy TopCo Limited
	Silverfleet Capital 2004 LP	Silverfleet Capital DMP LP
	Silverfleet Capital FP 2005 LP	Silverfleet Capital 2010 GP LP Inc
	Silverfleet Capital FP 2006 LP	
	Silverfleet Capital 2008 GP LP Inc	
	Silverfleet Capital 2009 GP LP Inc	
	Silverfleet Capital 2011-2012 GP LP Inc	
	Silverfleet Capital Partners Affiliates Fund LP	
	Silverfleet Capital Partners II Affiliates (B) LP	
	Silverfleet Capital Partners GP LP	
	Silverfleet Capital Partners II GP LP	
(viii)	<b><i>Nicholas Winston Braid Wiles</i></b>	
	<b>Current</b>	<b>Former</b>
	Paypoint PLC	HPA Licensing Limited
	Nomina No 540 LLP	Coban 2017 Corporate Partner Limited
(ix)	<b><i>Dr Stephen Wallace Kell</i></b>	
	<b>Current</b>	<b>Former</b>
	Larwood Health Partnership	Hill House School Limited
		Steve Kell Consulting Ltd (dissolved 2017)

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(x) ***Ian Stephen Krieger***

**Current**

**Former**

Safestore Holdings plc  
Premier Foods plc  
Capital & Regional plc  
Anthony Nolan Trading Limited  
Nuffield Trading Limited  
The Nuffield Trust for Research and Policy  
Studies in Health Services  
Anthony Nolan

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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.

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.



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## **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 Richard Howell are with Nexus pursuant to the Advisory Agreement which is summarised in paragraph 15.4 of this Part 7.
- 7.3 There are letters of appointment in place for all the 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. Alun Jones, Mark Creedy and Dr Ian Rutter 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 18 April 2018.
- 7.5 Directors' fees are subject to the limits set out in the Articles. The policy framework for Directors' remuneration is determined and agreed by the Company's remuneration committee. Directors' fees (other than those of the Chairman) are determined by the Chairman and Managing Director and the Chairman's fees by the remuneration committee. Directors' fees are currently £40,000 per annum for the Directors and £72,000 per annum for the Chairman and are due to increase to £41,500 and £74,500 respectively from 1 April 2018. The chairman of the audit committee receives an additional fee of £10,000 per annum, reviewed annually and the chairman of the adviser engagement committee receives an additional fee of £3,000.
- 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 various Nexus subsidiaries and a director and shareholder of Nexus Group Holdings Limited which holds 12,324,709 Ordinary Shares and Nexus Central Management Services Limited which has applied for 50,231 Ordinary Shares in the Firm Placing. Richard Howell is an employee of Nexus. Harry Hyman and Richard Howell are therefore deemed to have an interest in the Advisory Agreement, further details of which are set out in paragraph 15.4 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 Richard Howell 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.

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- 7.10 The aggregate remuneration paid to the Directors for the year ended 31 December 2017 was as follows:

	Year ended 31 December 2017 (£)
Harry Hyman <sup>(1)</sup>	39,500
Alun Jones	69,000
Ian Rutter	39,500
Mark Creedy	41,750
Richard Howell (appointed 31 March 2017)	nil
Steven Owen <sup>(2)</sup>	48,750
Geraldine Kennell	39,500
Nick Wiles	39,500
Total	317,500

**Notes:**

(1) Paid to Nexus Tradeco Limited.

(2) Of which £31,500 paid to Oakland Ventures Limited. No further amounts are payable 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 2018 is £350,000. This estimated amount includes proposed fees for the new non-executive directors to replace Alun Jones, Mark Creedy and Dr. Ian Rutter.

## **8. INTERESTS OF DIRECTORS IN THE COMPANY**

Save as set out in paragraphs 8.1, 8.2 and 8.3 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 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 closely associated (within the meaning of the Market Abuse Regulation) with a Director and the existence of which was known to or could, with reasonable diligence, be ascertained by the Directors as at 22 March 2018 (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 22 March 2018		Immediately following the date of Admission <sup>(1)</sup>	
	Number of Ordinary Shares	Percentage of existing issued share capital	Number of Ordinary Shares	Percentage of Enlarged Ordinary share capital
Alun Jones	150,000 <sup>(2)</sup>	0.02	177,777 <sup>(8)</sup>	0.02
Harry Hyman	12,750,216 <sup>(3)</sup>	2.04	12,869,487 <sup>(9)</sup>	1.80
Richard Howell	50,000 <sup>(4)</sup>	0.01	115,940 <sup>(10)</sup>	0.02
Mark Creedy	55,340 <sup>(5)</sup>	0.01	55,340	0.01
Stephen Kell	—	nil	13,888	<0.01
Geraldine Kennell	25,000	<0.01	257,951	0.04
Ian Krieger	—	nil	81,481	0.01
Steven Owen	57,604 <sup>(6)</sup>	0.01	71,176 <sup>(11)</sup>	0.01
Ian Rutter	103,754 <sup>(7)</sup>	0.02	103,754	0.01
Nick Wiles	25,000	<0.01	51,470	0.01

**Notes:**

- (1) Assuming the Issue size pursuant to the Capital Raising on Admission is £100.0 million.
- (2) This includes 51,000 Ordinary Shares held by Gail Jones.
- (3) This includes 38,853 Ordinary Shares held by Anita Hyman, and 12,324,709 Ordinary Shares held by Nexus Group Holdings Limited.
- (4) This includes 36,036 Ordinary Shares held by Fiona Howell.
- (5) This includes 22,540 Ordinary Shares held by Ann Creedy.
- (6) This includes 22,014 Ordinary Shares held by Siân Owen.
- (7) This includes 38,046 Ordinary Shares held by Susan Tear.
- (8) This includes 9,259 Ordinary Shares subscribed for by Gail Jones under the Open Offer and the Firm Placing
- (9) This includes 50,231 Ordinary Shares subscribed for by Nexus Central Management Services Limited pursuant to the Firm Placing which will be held on trust for certain individuals at the Nexus group.
- (10) This excludes 12,268 Ordinary Shares subscribed for by Nexus Central Management Services Limited pursuant to the Firm Placing which will be held on trust for Richard Howell and which have been included in Harry Hyman's connected parties' holding as detailed at note (9) above, and includes 2,119 Ordinary Shares subscribed for by Fiona Howell under the Open Offer.
- (11) This includes 1,294 Ordinary Shares subscribed for by Siân Owen under the Open Offer.

Taken together, the combined percentage interest of the Directors in the issued ordinary share capital of the Company as at 22 March 2018 (being the latest practicable date prior to the publication of this document) was approximately 2.12 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 1.93 per cent. assuming the Issue size pursuant to the Capital Raising is £100.0 million.

The interests set out in this paragraph 8.1 are based upon the interests of Directors and their closely associated persons in Ordinary Shares, which:

- (a) have been notified by each Director pursuant to the Market Abuse Regulation before 22 March 2018 (being the latest practicable date prior to the publication of this document); or
- (b) are interests of a person closely associated with a Director (within the meaning of the Market Abuse Regulation) who have been notified to the Company by each such person pursuant to the Market Abuse Regulation.

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 22 March 2018 (the latest practicable date prior to the publication of this document), the 12,324,709 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 £2.1 million of its term loan

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with its bank, is not currently in default of 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 22 March 2018 (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 22 March 2018 (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 22 March 2018	
	Ordinary Shares	Percentage of existing issued share capital
BlackRock Investment Management	41,867,771	6.71
Investec Wealth & Investment	37,515,946	6.01
Charles Stanley Group	29,427,576	4.71
Unicorn Asset Management	24,977,327	4.00
Troy Asset Management	24,308,000	3.89
Hargreaves Lansdowne Asset Management	23,241,490	3.72
CCLA Investment Management	22,899,675	3.67

- 9.2 Save as disclosed in this paragraph 9, the Company is not aware of any person who, as at 22 March 2018 (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 22 March 2018 (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.

In April 2016, the Financial Reporting Council published the 2016 edition of the Corporate Governance Code which contains broad principles and specific provisions to assist how boards operate. The Corporate Governance Code applied to PHP during the financial year ended 31 December 2017 and up to and including the date of this document. The Board considers that the Company has complied with the provisions of the Corporate Governance Code throughout the year. As a smaller company for the purposes of the Corporate Governance Code, the Company is not required to comply with Principle B.1.2, that requires that at least half of the members of larger company boards, excluding the chairman, to be independent non-executive directors as determined by the board.

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. Steven Owen, Nick

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Wiles, Geraldine Kennell, Stephen Kell and Ian Krieger meet the independence criteria set out in the Corporate Governance Code, whilst Ian Rutter has been on the Board longer than ten years and so does not meet these criteria. Alun Jones and Mark Creedy have also now each served more than three consecutive terms of three years and so can no longer be regarded as independent for the purposes of the Corporate Governance Code. Alun Jones, Mark Creedy and Ian Rutter announced their decision to retire and not seek re-election at the forthcoming 2018 annual general meeting of the Company. Notwithstanding the above, 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.

All Directors have been subject to rigorous review, performance evaluation and annual election.

The Board currently comprises the Chairman, Managing Director, Finance Director and seven Non-Executive Directors. Five members of the Board are considered 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 Board has a schedule of matters formally reserved to it for its decision such as strategic, major financial and key operational issues.

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 Board has delegated certain operational and management activities to the Managing Director, who is accountable for the management of the Group with the Adviser as set out in the Advisory Agreement.

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 current 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. It has been announced by the Company that Steven Owen will take over as the chairman on the retirement of Alun Jones and that Nick Wiles will be appointed as the Senior Independent Director at that time.

## **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.

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(a) ***Audit committee***

The audit committee currently comprises Steven Owen (Chairman), Alun Jones, Geraldine Kennell, Nick Wiles 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. It is anticipated that Ian Krieger will be appointed as the chair of the audit committee with effect from the annual general meeting of the Company in 2018, scheduled for 18 April 2018.

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 currently comprises Nick Wiles (Chairman), Alun Jones, Steven Owen, Geraldine Kennell, Ian Rutter 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. It is anticipated that Steven Owen will be appointed as the chair of the nomination committee with effect from the annual general meeting of the Company in 2018, scheduled for 18 April 2018.

(c) ***Remuneration committee***

The remuneration committee currently comprises Geraldine Kennell (Chairman), Alun Jones, Steven Owen, Nick Wiles, Ian Rutter and Mark Creedy. It determines the policy in respect of the remuneration for all Directors subject to the overall limit set in the Articles. The remuneration committee currently reviews the Chairman's fees on an annual basis.

(d) ***Advisers engagement committee***

The advisers engagement committee currently comprises Nick Wiles (Chairman), Alun Jones, Steven Owen, Geraldine Kennell, Mark Creedy and Ian Rutter and meets at least twice annually to review the terms of the Advisory Agreement and the performance of the Adviser.

(e) ***Standing committee***

The standing committee currently consists of Alun Jones, Harry Hyman (who may be represented by Richard Howell 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.



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## 11. UK TAXATION

### 11.1 General

The following statements are intended to apply only as a general guide to certain aspects of 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 (save where express reference is made to non-UK tax resident persons), 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.

#### (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

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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 2017/2018 and 2018/2019 capital gains tax rate for share disposals is 10 per cent. where an individual is subject to income tax at the basic rate and any chargeable gain does not exceed the unused part of their basic rate income tax band. Where an individual is subject to income tax at the basic rate but any chargeable gain exceeds the unused part of their basic rate income tax band, the rate of capital gains tax on the excess is 20 per cent.. The rate of capital gains tax for individuals who are higher or additional rate taxpayers is 20 per cent.. UK resident trustees and personal representatives will generally be subject to capital gains tax at a rate of 20 per cent.

Individuals who are temporarily non-UK resident (for a period of five years or less) may, in certain circumstances under anti avoidance legislation, be subject to tax on their return to the UK 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.

The UK government released a consultation document on 22 November 2017 that reflects an intention to apply capital gains tax to all forms of UK property investment by investors who are not resident for tax purposes in the UK from April 2019. Based on the consultation, from April 2019, any disposal by a non-UK tax resident Shareholder of shares in a REIT will be subject to UK capital gains tax if that Shareholder holds a 25 per cent. or greater interest in the REIT at some point in the five years prior to the disposal. Responses to this consultation have not yet been published and this change may not be implemented as stated. The consultation may also result in further changes to that set out above.

### 11.3 Dividends

A REIT may distribute property income distribution ("**PID**") dividends and non property income ("**Non PID**") dividends (both of which may include share capital issued in lieu of dividends). The tax treatment may vary in each case.

(a) ***PID dividends***

(i) *Withholding tax*

(A) *General*

Subject to certain exemptions summarised below, the Company is required to withhold income tax at source at the basic rate (currently 20 per cent.) from its PIDs (whether paid in cash or in the form of a stock dividend). 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 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 incur no further liability on their PID, or be entitled to claim repayment of some or all of the tax withheld on

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their PID. Shareholders who are corporates will in general, depending on their individual circumstances, be liable to pay corporation tax (currently 19 per cent.) on their PID and if (exceptionally) income tax has been withheld at source that tax can be set against the liability to corporation tax or income tax which they are required to withhold in the accounting 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 tax resident. Any refund claim under a double tax treaty would need to be made to HMRC. Shareholders who are not resident for tax purposes in the UK should obtain their own tax advice concerning tax liabilities on PIDs received from the Company.

(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 carrying on a trade through a permanent establishment in the UK and is required to bring the PID into account in computing its chargeable profits) 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 recipient of 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. A Shareholder who is subject to

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income tax at the basic rate will be liable to pay income tax at 20 per cent. on the PID. Higher rate taxpayers will be subject to tax at 40 per cent. and additional rate taxpayers at 45 per cent.. No dividend tax credit will be available in respect of PIDs. However, credit will be available in respect of the basic rate tax withheld by the Company (where required) on the PID. Please also refer to the paragraph above relating to withholding tax.

(iii) *UK tax resident corporate Shareholders*

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 corporation 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-UK tax residents*

Where a Shareholder who is resident outside the UK for tax purposes 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 tax (please refer to the paragraph relating to withholding tax above). Under section 548(7) of CTA 2010, this income is expressly not treated as non-resident landlord income for the purposes of regulations under section 971 of the Income Tax Act 2007. 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 (whether in cash or in the form of a stock dividend).

(ii) *Individuals*

A Shareholder who is an individual resident for UK tax purposes in the UK and who receives a Non-PID Dividend from the Company will be entitled to a dividend allowance in the form of a 0 per cent. tax rate currently on the first £5,000 of dividend income per year. The amount of the tax-free dividend allowance will reduce to £2,000 per annum from 6 April 2018. UK resident individual Shareholders will pay tax on any dividends received over the dividend allowance at the following rates: 7.5 per cent. to the extent that, when treated as the highest part of the individual’s income, the dividend income falls within the basic rate band, 32.5 per cent. to the extent that, when treated as the highest part of the individual’s income, the dividend income falls within the higher rate band and 38.1 per cent. to the extent that, when treated as the highest part of the individual’s income, the dividend income falls within the additional rate band. Whilst dividends within the dividend allowance should be tax free, these dividends will still count towards the thresholds for the purposes of applying the basic rate, higher rate and additional rate tax bands. For these purposes, the same thresholds apply for Scottish taxpayer Shareholders as in respect of other Shareholders resident in the United Kingdom. Scottish taxpayer Shareholders may wish to consult their own

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professional advisers if they are in any doubt as to their tax position in respect of dividends.

(iii) *UK tax resident corporate Shareholders*

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, although whether an exempt class applies and whether the other conditions are met will depend on the circumstances of the particular Shareholder.

(iv) *Non-UK tax residents*

Non-UK resident Shareholders may be liable to foreign taxation on Non-PID Dividends paid by the Company. Such Shareholders should consult their own tax advisers concerning their tax liabilities on Non-PID Dividends received from the Company. The dividend allowance is also available to individual Shareholders who are tax resident outside the UK. In addition, non-UK resident individual Shareholders are treated as having paid tax at the dividend ordinary rate of 7.5 per cent. on Non-PID Dividends received. However, this tax that is treated as having been paid is not repayable.

#### 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 on 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

The Company may be treated as a PFIC for US federal income tax purposes, which could have adverse consequences on US investors. The Company has not definitively determined whether it was a PFIC for any prior taxable year. Prospective investors should assume that a "qualified electing fund" election, which, if made, could serve as an alternative to the general PFIC rules and could reduce any adverse consequences to US taxpayers if the Company were to be classified as a PFIC, will not be available because the Company does not expect to provide the information needed to make such an election. A "mark-to-market" election may be available, however, if the Company's ordinary shares are regularly traded. 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 (Chester) Limited	Ordinary shares	100*	England and Wales	Property investment
Anchor Meadow Limited	Ordinary shares	100*	England and Wales	Property investment



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Subsidiary	Holding	Percentage of equity and voting rights held	Country of incorporation	Principal activity
Leighton Health Limited	Ordinary shares	100*	England and Wales	Property investment
Crestdown 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
PHP (Ipswich) Limited	Ordinary shares	100*	England and Wales	Property investment
PHIP (Milton Keynes) Limited	Ordinary shares	100	England and Wales	Property investment
PHP Healthcare Investments (Holdings) Limited	Ordinary shares	100*	England and Wales	Property investment
PHP (FRMC) Limited	Ordinary shares	100	England and Wales	Property investment
PHP (Bingham) Limited	Ordinary shares	100*	England and Wales	Property investment
Primary Health Properties ICAV	Ordinary shares	100	Republic of Ireland	Property investment
Ettrick Health Limited	Ordinary shares	100	Jersey	Property investment
Carden Medical Investments Limited	Ordinary shares	100	Scotland	Property investment
PHP SB Limited	Ordinary shares	100	England and Wales	Non-trading
Chelmsley Associates Limited	Ordinary shares	100	England and Wales	Property investment
Wincanton Healthcare Limited	Ordinary shares	100	England and Wales	Property investment
Primary Health Investment Properties (No. 6) Limited	Ordinary shares	100	England and Wales	Property investment
Primary Health Investment Properties (No. 7) Limited	Ordinary shares	100	England and Wales	Property investment
Primary Health Investment Properties (Sutton) Limited	Ordinary shares	100	England and Wales	Property investment
PHP STL Limited	Ordinary shares	100	England and Wales	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 23 March 2018 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

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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 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 23 March 2018 between the Company and the Receiving Agent, (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, fraud, bad faith or material breach of the Receiving Agent Agreement. The Receiving Agent agrees to indemnify and hold harmless the Company 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).

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### 15.3 Bond Documents

#### (a) *Retail Bonds*

On 23 July 2012 the Company issued £75 million 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 “**Retail Bond 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 Retail Bond 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 million 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

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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 £82.5 million 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

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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 Convertible Bond 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.

(d) ***Secured Notes***

On 21 March 2017, PHP SB Limited (“**PHP SB**”) issued £100 million 2.83 per cent. secured notes due 21 March 2027 guaranteed by the Company (the “**Secured Notes**”). Interest on the Secured Notes is payable semi annually in arrears, commencing on 31 December 2017. The Secured Notes are direct, secured obligations of PHP SB and the guarantee in respect of the Secured Notes is a direct, unconditional and unsecured obligation of the Company.

The obligations of PHP SB, the Company and certain subsidiaries of PHP SB (the “**Secured Notes Original Charging Subsidiaries**”) in respect of the Secured Notes and under a note purchase agreement dated 21 March 2017 and made between PHP SB, the Company and the parties named in Schedule A thereto (the “**Note Purchase Agreement**”) are secured by security granted by PHP SB, the Company and the Secured Note Original Charging Subsidiaries to Prudential Trustee Company Limited as security trustee, including legal mortgages over certain properties owned by the Secured Note Original Charging Subsidiaries, fixed and floating charges over certain assets owned by PHP SB and the Secured Note Original Charging Subsidiaries, assignments by PHP SB and the Secured Note Original Charging Subsidiaries of their rights, title and interest in certain insurance policies and a fixed charge over the Company’s rights, title and interest in the share capital of PHP SB.

Pursuant to the Note Purchase Agreement, PHP SB, the Company and the Secured Note Original Charging Subsidiaries made certain representations and warranties regarding, amongst other things, PHP SB, the Company and the Secured Note Original Charging Subsidiaries and agreed to provide certain information on an ongoing basis to the security trustee.



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PHP SB may, at its option, prepay at any time all, but not some only, of the Secured Notes at a price which shall be: (i) 100 per cent. of the principal amount so prepaid plus; (ii) accrued but unpaid interest up to the date of prepayment plus; (iii) a make-whole amount calculated by reference to the yield of the appropriate United Kingdom government stock plus 0.50 per cent., which in no event shall be less than zero (the “**Make-Whole Amount**”). Additionally, PHP SB may, at its option, redeem all, but not some only, of the affected Secured Notes at par, together with accrued but unpaid interest thereon in the event of certain changes in tax law that would result in: (i) PHP SB becoming obligated to make additional payments of interest equal to 5 per cent. or more of the aggregate amount of interest payments on all notes; or (ii) the Company being unable for reasons outside its control to procure payment by PHP SB and in making payment itself would be required to make such additional payments of interest.

On the occurrence of a change of control of the Company, the holder of each Secured Note will have the option to require PHP SB to redeem that Secured Note at its outstanding principal amount together with interest accrued thereon.

An event of default, such as non payment of any principal or interest due in respect of the Secured Notes or the breach of certain asset cover covenants and income cover covenants, would trigger the right of the holders of 51 per cent. or more of the outstanding principal amount of the Secured Notes at that time to declare all the Secured Notes outstanding to be immediately due and payable. In the event that the event of default is the non payment of principal or interest, the holders of the affected Secured Notes may declare such Secured Notes to be immediately due and payable. Upon such declaration, the relevant Secured Notes shall mature and the entire unpaid principal amount of such Secured Notes plus (x) all accrued and unpaid interest thereon and (y) the Make-Whole Amount shall be immediately due and payable.

The net proceeds from the Secured Notes were used by PHP to acquire the Secured Note Original Charging Subsidiaries and were advanced by PHP SB to the Secured Note Original Charging Subsidiaries and the Company to acquire certain assets and for their and their subsidiaries’ general corporate purposes.

In connection with the issue of the Secured Bonds, the Company entered into an engagement letter dated 23 March 2017 confirming the appointment of IDCM Limited (“**IDCM**”), which is an appointed representative of Boston and Alexander LLP. Pursuant to such letter, the Company granted IDCM the exclusive right to act as arranger in connection with the Secured Notes and agreed to pay IDCM an upfront “work” fee, a percentage “closing” fee and a discretionary success fee, together with its reasonable fees and expenses.

#### 15.4 **Advisory Agreement**

Pursuant to an advisory agreement dated 14 March 1996 (as amended, restated and novated from time to time and last materially varied on 26 July 2017) (the “**Advisory Agreement**”) originally between the Company, JO Hambro Capital Management Limited 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 £40,000 per annum).



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The current annual fee payable to the Adviser (the “**Management Fee**”) 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.
Between £1.25 billion and £1.5 billion	0.3000 per cent.
Between £1.5 billion and £1.75 billion	0.2750 per cent.
Above £1.75 billion	0.2500 per cent.

If the gross asset value is in excess of £1.90 billion, the Company and Nexus shall review the rate of the fee payable on the excess of the gross asset value above £2 billion and the parties shall act reasonably and discuss in good faith any applicable reduction of the fee payable on such excess, but if no changes are agreed it shall remain at 0.2500 per cent..

In addition, the Company has agreed to pay Nexus an annual fee of £935,776 (the “**Admin Fee**”). 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 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 EPRA net asset value, plus dividends paid subject to an overall cap at the lower of 20 per cent. of the Management Fee payable to Nexus in that year and £2.0 million. Half of any PIF payment is deferred to the following year, with performance against the hurdle rate (both positive and negative) carried forward in a notional cumulative account with any future payment subject to the account being in a surplus position. Furthermore, for the three years from 1 January 2017, the payment of any PIF is restricted if it would otherwise cause PHP’s dividend cover to fall below 98 per cent.. The Nexus key executives working on PHP’s account, other than Harry Hyman, will receive 25 per cent. of any PIF paid, to aid staff motivation and retention of which 50 per cent. may be satisfied in Ordinary Shares, subject to a three year holding period.

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 are terminable on 12 months’ written notice 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 management 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.

## 15.5 Banking facilities

### *RBS 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 million (“**Facility A**”), a secured revolving credit facility for a maximum principal amount of £50 million (“**Facility B**”) and an overdraft facility for a maximum principal amount of £5 million (“**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

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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 million. 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.

On 21 March 2017 the parties to the facility agreement agreed to further amend the terms of the facility agreement by way of a third amendment and restatement deed. The amendments included the following:

- (a) the facilities and commitments were varied. Santander retired as a lender and arranger and the commitment was reduced to £50 million (Facility A Commitment), all of which was made available by RBS as a term facility. New provisions included an optional accordion facility increasing the commitments by up to £50 million at the discretion of the lender. The option to establish the accordion facility was made available for 12 months after the date of the third amendment and restatement deed;
- (b) an option to extend the maturity date of Facility A was included, which, if exercised, would extend the date on which all loans are to be repaid by one year after the original termination date (21 March 2021). The option was made available for one year following the date of the third amendment and restatement deed and the option was exercised on 13 February 2018;
- (c) the financial covenants were amended, increasing the ratio of net rental income to interest payable by the borrower under the finance documents from 140 per cent. to 150 per cent. and the loan to value covenant was reduced to 50 per cent. until such time as the accordion facility option was exercised in which case the covenant changed to 55 per cent.;
- (d) the pool of property assets over which security was granted was reduced, commensurate with the amount of Facility A;
- (e) certain other changes were made to reflect the then current lending market practice including compliance with the US Foreign Account Tax Compliance Act; provision for compliance with relevant sanctions-based legislation and terms concerning the maintenance of a register of persons with significant control of the borrower and the consequences of non-compliance with the statutory obligations;
- (f) certain fees were payable for arranging the new commitments and also would be due on the exercise of the accordion option.

All other terms of the facility remained materially the same.

On 27 November 2017 the borrower exercised the option to extend the facility commitment under the accordion facility option for the full amount of £50 million increasing the aggregate facility amount to £100 million. A fourth amendment and restatement agreement was entered into on that date. The amendments made to the facility were those necessary to allow the accordion commitment

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to be borrowed in Euros as well as Sterling, up to a maximum amount equivalent to £20 million. Additional properties were transferred into the pool of assets comprising the security for the facility. This also required the accession of certain Group companies that owned a number of the additional properties to the finance documents. The terms of the facility otherwise remained 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 million. 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 million to £70 million 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 million and a Tranche B Facility of £60 million increasing the overall facility to £100 million. 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 million, increasing the total commitments to £115 million. 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 extended 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 were due under the facility agreement. All other terms of the facility remained materially the same.

On 7 October 2016, the parties to the facility agreement agreed to amend further the terms of the facility agreement by way of a deed of amendment and restatement. The amendments included changes necessary to allow the Tranche B Facility to be available to be utilised in Sterling or Euros subject in the case of Euro denominated loans to a limit of the equivalent of £12 million. The Tranche B Loans may not exceed in aggregate £60 million. Other changes included the introduction of a representation regarding the conduct of the business of the Group in compliance with applicable anti-corruption laws and a corresponding undertaking not to use the proceeds of the facility in a manner which would breach the Bribery Act 2010 and similar legislation in other jurisdictions. The terms of the facility agreement otherwise remain materially the same.

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#### *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 million. 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 million 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.

On 17 August 2016, the parties to the facility agreement agreed to amend further the terms of the facility agreement by way of an amendment and restatement deed. The amendments included those changes necessary to allow the facility to be borrowed in Euros as well as the original currency, Sterling. This is subject to the condition that at no time shall the Euro denominated loans exceed 50 per cent. of the total commitments under the facility. An additional Event of Default was included which is triggered in the event of a notice being served on any shareholder of the Group (but not the Company) in accordance with Part 21A and Schedules 1A and 1B of the Companies Act relating to persons with significant control which restricts the transfer of shares in a Group company because of the failure of the shareholder to comply with its legal obligations regarding its status as a registerable person due to its holding significant control of that company. The terms of the facility agreement otherwise remain materially the same.

#### *Aviva Facility Agreements*

Numerous loans exist between various PHP entities and The General Practice Finance Corporation Limited (now Aviva Public Private Finance Limited (“**Aviva**”)).

- (a) On 29 December 2017 PHP Investments No.2 Limited (“**PHPI No.2**”) entered into a facility agreement with Aviva (as Lender; Arranger; Agent and Security Agent) under which a term loan facility of £75 million was made available to PHPI No.2 by Aviva. The purpose of the loan was to refinance an existing loan between PHPI No.2 and Aviva.

The termination date of the loan is 25 November 2028. Interest is payable quarterly on the loan at a fixed rate of 3.10 per cent.. The loan is repayable in full on the final repayment date. There is no amortisation. PHPI No.2 is required to prepay the loan in certain circumstances, including on the disposal of any property comprising part of the security asset pool. If any amount of the loan is paid before the termination date a prepayment fee is payable sufficient to indemnify Aviva against any reduction in the rate of return that Aviva expects to receive. The amount PHPI No.2 is required to pay in such circumstances is ascertained in accordance with Aviva’s usual method of calculation which is made on the assumption that the reinvestment of the prepaid amount is available only in gilts.

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An arrangement fee was payable in entering into the facility agreement of 0.60 per cent. on the amount of the facility.

As security for the loan, PHPI No.2 has granted legal mortgages over a pool of 31 properties that it owns. The security extends to the rental payments received from the tenants, a number of bank accounts which PHPI No.2 is required to maintain and certain insurance proceeds. All passing rental must be paid into an account charged to Aviva. The amounts outstanding under the facility are guaranteed by two other Group companies: PHP Investments No.1 Limited (“**PHPI No.1**”) and Health Investments Limited (“**HIL**”). PHPI No.2 guarantees the financial liabilities of PHPI No.1 and HIL owing to Aviva. The mortgages and other charges which PHPI No.2 has granted to Aviva are also security for those guaranteed liabilities of PHPI No.2.

The properties that are subject to security are managed by Nexus pursuant to an asset management agreement. PHPI No.2 has also granted security over its agreement with Nexus and in addition Nexus has entered into a duty of care agreement with Aviva.

PHPI No.2 is required to meet certain financial covenants at all times while the loan or any amount of it is outstanding. There are three financial covenants. The financial covenants are calculated on the basis of the aggregation of the asset values and financial performance of the assets of PHPI No.2, PHPI No.1 and HIL and their respective loan liabilities owed to Aviva. There is an historical debt service cover covenant under which the passing rental as a percentage of finance costs must be at least 160 per cent.. There is also a projected debt service cover covenant under which the passing rental as a percentage of finance costs must be at least 160 per cent.. The final financial covenant is the loan to value under which the loan must not, at any time up to 1 January 2023, exceed 70 per cent. and after that date must not exceed 65 per cent.. PHPI No.2 calculates the financial covenants and reports them to Aviva in each compliance certificate which it is required to deliver with its annual, audited and semi-annual financial statements and at each intervening quarterly interest payment date.

PHPI No.2 undertakes to provide Aviva with quarterly reports on the performance of the properties.

The loan facility is based on the Loan Market Association terms. The facility agreement contains the representations, undertakings and events of default typical for such documentation and for a loan secured on real estate. Accordingly, PHPI No.2 is required to seek the consent of Aviva if it intends to take (or decide not to take) certain action which goes beyond the scope of the agreed management of PHPI No.2’s business or assets.

The occurrence of one of the events of default entitles Aviva to terminate the facility before its stated maturity and to require PHPI No.2 to repay the loan and other amounts outstanding. Due to the cross-collateralisation, certain events of default extend also to PHPI No.1 and HIL. Accordingly, a default by either of PHPI No.1 or HIL to make any payment under their respective facility agreements with Aviva or other default which would permit Aviva to demand early repayment or their insolvency would constitute an event of default of PHPI No.2 under its facility with Aviva. This situation also applies to PHPI No.1 and HIL under their respective facility agreements should PHPI No.2 be in default under its facility.

- (b) On 4 October 2011, PHPI No.1 entered into a novation agreement with Aviva and PHPI Investments Limited pursuant to which PHPI No.1 became the borrower under a £25 million facility agreement dated 15 December 2010. The purpose of the facility under the facility agreement was the financing or refinancing of various properties owned by PHPI No.1.

The termination date of the loan is 10 years from 17 December 2012. Interest is payable quarterly on the loan at a fixed rate calculated by reference to the yield on Treasury 4.75 per cent. 2020 stock plus a margin of 2.30 per cent. per annum. There are no scheduled capital repayments.

The amount PHPI No.1 is required to pay on a prepayment event is ascertained in accordance with Aviva’s usual method of calculation.



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As security for the loan, PHPI No.1 has granted legal mortgages over a pool of five properties that it owns. PHPI No.2 has guaranteed the indebtedness of PHPI No.1 to Aviva and its properties are charged in favour of Aviva as security for these guaranteed obligations.

Under the loan to value covenant, the loan must not, at any time, exceed 70 per cent. of the value of the properties comprising the security. The FRI Equivalent Rental income (rental income adjusted to reflect the anticipated cost to PHP No.1 of repair and/or insurance) must at all times be equal to or greater than 140 per cent. of the aggregate of interest and other amounts payable under the facility agreement on each interest payment date.

The representations, covenants and events of default are typical of a facility provided for the financing of real estate assets used for the provision of primary care.

- (c) HIL has entered into 19 facilities agreements with Aviva (as Lender; Arranger; Agent and Security Agent) under which term loan facilities now amounting to £22,936,216.78 in aggregate have been made available to HIL by Aviva. The purpose of the loans is to finance and/or refinance a portfolio of properties owned by HIL and one property owned by its subsidiary, Motorstep Limited.

The terms of the facility agreements are identical. The termination dates of the loans range from 15 April 2022 to 23 December 2034. Interest is payable quarterly on each loan at a specified fixed rate. The fixed rates of the loans range from 5.54 per cent. to 7 per cent.. Each loan is repayable in instalments in accordance with its amortisation schedule.

The amount HIL is required to pay on a prepayment event is ascertained in accordance with Aviva's usual method of calculation.

As security for the loans, HIL has granted legal mortgages over a pool of 13 properties that it owns and Motorstep Limited, the immediate and wholly owned subsidiary of HIL, has granted a legal mortgage over the single property that it owns. PHPI No.2 has guaranteed the indebtedness of HIL to Aviva and its properties are charged in favour of Aviva as security for these guaranteed obligations.

Under the loan to value covenant in each facility agreement, the loan must not, at any time, exceed 70 per cent. of the value of the properties comprising the security. The FRI Equivalent Rental Income (rental income adjusted to reflect the anticipated cost to HIL of repair and/or insurance) must at all times be equal to or greater than 140 per cent. of the aggregate of interest and other amounts payable under the relevant facility agreement on its respective interest payment date.

- (d) PHP Primary Properties Limited ("PHPPPL") entered into a facility agreement with Aviva dated 20 August 2014 under which Aviva granted PHPPPL a term loan facility for a maximum principal amount of £63 million which was to be used to refinance certain acquisition facilities previously granted by Aviva. The repayment date is 20 August 2029. PHPPPL must repay £31.5 million 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 million (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,



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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 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 assignations of rental income and a share charge over the shares in PHPPPL by PHP Primary Properties (Haymarket) Limited as charger.

- (e) 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 million 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 (d) 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 (d) above extends also the liabilities of PHPPPL under this facility.

#### *Lloyds Bank Facility Agreement*

On 29 December 2017, PHIP (5) Limited (“**PHIP (5)**”) entered into a facility agreement as Borrower with Lloyds Bank PLC (“**Lloyds**”) as Lender; Arranger; Hedge Counterparty, Agent and Security Agent under which a multicurrency revolving facility of up to £30 million was made available to PHIP (5) by Lloyds. The facility is available to PHIP (5) for its general corporate purposes. The facility is available in Sterling or an optional currency which is any currency readily available in the amount required and freely convertible into Sterling.

The initial termination date of the Facility is 29 December 2020. PHIP (5) may extend the termination date to the date falling one year after the initial termination date (the “**First Extension Date**”) by delivering an extension request within a stipulated period before the expiry of the initial termination date. PHIP (5) has a further option to extend the facility by a further year after the expiry of the First Extension Date by delivering a final extension request during a stipulated period prior to the expiry of the First Extension Date. Each loan under the facility is repayable on each interest payment date, being the last day of each of PHIP (5)’s financial quarter periods (31 March, 30 June, 30 September and 31 December). Provisions apply to allow for maturing loans to be rolled over with a balancing payment being made by PHIP (5) or Lloyds, dependent on the amount of new loans required for the following financial quarter.

Interest is payable on each loan for each interest period at the rate equal to LIBOR (or EURIBOR if the loan is borrowed in Euros) and a margin of 1.55 per cent. per annum (subject to increase in accordance with the utilisation fee described below). There are terms governing arrangements if PHIP (5) decides to hedge its interest rate exposure which it is entitled to do for up to 100 per cent. of the principal amount of the loans at the time the hedging is entered into. PHIP (5) must pay Lloyds a commitment fee on the available, undrawn commitment at the rate of 40 per cent. of the margin. Other fees paid or payable by PHIP (5) are an arrangement fee of 0.8 per cent. of the commitment; an extension fee of 0.1 per cent. of the amount payable on the date of each extension

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of the termination date and a utilisation fee which is an addition to the margin, dependent upon the outstanding amount of loans. If PHIP (5) has borrowed in aggregate more than 33 per cent. but less than 66 per cent. of the total commitments under the facility the margin is increased by 0.1 per cent.. If PHIP (5) has borrowed 66 per cent. or more of the total commitments under the facility, the margin is increased by 0.2 per cent..

As security for the loan, PHIP (5) granted legal mortgages over an initial pool of 13 properties that it owns. The security extends to the rental payments received from the tenants, a number of bank accounts which PHIP (5) is required to open and maintain with Lloyds, one of which is designated as a rent account and into which all rental payments received by PHIP (5) must be paid.

The properties that are subject to security are managed by Nexus pursuant to an asset management agreement. PHIP (5) has also granted security over its agreement with Nexus and in addition Nexus has entered into a duty of care agreement with Lloyds. Under the terms of the duty of care agreement Nexus acknowledges that it owes Lloyds a professional duty of care.

PHIP (5) is required to meet certain financial covenants at all times while the loan or any amount of it is outstanding. There are two financial covenants. There is an historical debt service cover covenant under which the passing rental as a percentage of finance costs must be at least 175 per cent.. There is also a loan to value covenant under which the loan must not at any time exceed 65 per cent.. PHIP (5) calculates the financial covenants and reports them to Lloyds in each compliance certificate which it is required to deliver with its annual, audited and semi-annual financial statements and at each intervening quarterly interest payment date when it also delivers property monitoring reports.

If and for as long as the loan to value is greater than 60 per cent. the rental income surplus which would otherwise be paid into PHIP (5)'s general account where it would be available to PHIP (5) to use as it sees fit, is paid into a blocked security deposit account. If on two consecutive interest payment dates following the payment of a sum into the security deposit account the loan to value is less than 60 per cent. PHIP (5) may request the sums in the security deposit account to be paid into its general account. If the loan to value is 60 per cent. or greater for the two consecutive interest periods, the sums in the security deposit account shall be used to repay outstanding loans.

PHIP (5) undertakes to provide Lloyds with quarterly reports on the performance of the properties.

The loan facility is based on the Loan Market Association terms. The facility agreement contains the representations, undertakings and events of default typical for such documentation and for a loan secured on real estate. Accordingly, PHIP (5) is required to seek the consent of Lloyds if it intends to take (or decide not to take) certain action which goes beyond the scope of the agreed management of PHIP (5)'s business or assets.

The occurrence of an event of default entitles Lloyds to demand all loans to be repaid and to enforce its security if not repaid. The events and circumstances which may lead to a demand for early repayment and cancellation of the facility include failure to pay any amounts on their due date (with a two Business Day period to remedy the non-payment); breach of covenants (with a period of 10 Business Days to remedy any such default that is capable of remedy); cross-default with any other financial indebtedness exceeding £50,000; insolvency; damage to properties sufficient to have a material adverse effect on PHIP (5) and PHIP (5) ceasing to be owned legally and beneficially by PHIP.

On 2 February 2018, the facility agreement was amended by way of a side of letter. The amendment introduced conditions subsequent in relation to one of the properties that was intended, at the time the amendment and restatement agreement was signed on 29 December 2017, to be included in the security pool. The condition subsequent requires the Borrower to grant security over that property no later than 3 May 2018 or to have granted security over a substitute property acceptable to Lloyds by that date, failing which the total amount of commitments available to be drawn would be reduced to £25.5 million.

### 15.6 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 £'m
Royal Bank of Scotland PLC	0.87% <sup>(1)</sup>	20-Sep-07	11-Aug-21	38
	0.87% <sup>(1)</sup>	04-Sep-07	11-Aug-21	50
Allied Irish Bank PLC	4.810%	08-Jun-06	08-Jun-26	10
	4.510%	07-Jun-16	08-Jun-26	10
	4.400%	01-Jul-16	01-Jul-26	10
	4.475%	04-Jul-16	02-Jul-26	10
	4.47875%	04-Jul-16	02-Jul-26	20
	4.455%	04-Jul-16	02-Jul-26	10
HSBC Bank plc	2.47%	20-Jan-18	20-Jan-23	25
	2.65%	20-Jan-19	20-Jan-24	75

(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.

## 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 2015, 31 December 2016 and 31 December 2017:

Period ended	Dividend per Ordinary Share in pence reported
12 months to 31 December 2017	5.25p
12 months to 31 December 2016	5.125p
12 months to 31 December 2015	5.00p

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 2017, being the date to which the latest annual report of the Group was prepared.

There has been no material change in the valuation of the properties which are the subject of the Property Valuation Reports set out in Part 5 of this document since 31 December 2017, being the effective date each such Property Valuation Report was prepared.

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## **20. RELATED PARTY TRANSACTIONS**

Save as disclosed in this paragraph and the financial information incorporated by reference into this document (see note 27 to the financial statements for the year ended 31 December 2015, note 27 to the financial statements for the year ended 31 December 2016 and note 27 to the financial statements for the year ended 31 December 2017) 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 2015 and 28 February 2018 the Company paid £19.8 million pursuant to the Advisory Agreement.

## **21. STATUTORY AUDITORS AND CONSENTS**

- 21.1 Deloitte LLP, whose address is 2 New Street Square, London EC4A 3BZ, and which is registered to carry on audit work in the UK and Ireland by 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 2015, 2016 and 2017. Statutory accounts of PHP for each of the years ended 31 December 2015 and 2016 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 Deloitte 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 Group 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 CBRE Unlimited Company 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.
- 21.5 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.
- 21.6 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 £100.0 million, are estimated to be £3.4 million and are payable by PHP. Accordingly, the net proceeds of the Capital Raising are estimated to be £96.6 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

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be credited. The Basic Entitlements will be admitted, with the ISIN GB00BDCXV483 and the Excess CREST Open Offer Entitlements will be admitted with the ISIN GB00BDCXV590. The New Shares will be admitted with the ISIN GB00BYRJ5J14 and SEDOL (Stock Exchange Daily Official List) number BYRJ5J1, being the same ISIN and SEDOL under which the Existing Ordinary Shares are admitted. The Legal Entity Identifier (LEI) of PHP is 213800Y5CJHXOATK7X11.

- 22.5 The New Shares will be issued at 108 pence per share. This represents a premium of 95.5 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 2015, 2016 and 2017.
- 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 19 April 2018 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 2015, 31 December 2016 and 31 December 2017;
- (c) the consent letters referred to in paragraph 21 of this Part 7;
- (d) the Property Valuation Reports contained in Part 5 of this document;
- (e) this document; and
- (f) all documents incorporated by reference into this document.

### **24. ANNOUNCEMENT OF RESULTS OF CAPITAL RAISING**

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 18 April 2018.

Dated: 23 March 2018

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## 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 2015, 2016 and 2017. The annual reports contain the audited consolidated financial statements of the Company for the financial years ended 31 December 2015, 2016 and 2017 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](http://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
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## PART 9

### DEFINITIONS

In this document the following expressions have the meaning ascribed to them unless the context otherwise requires:

<b>2004 Costs Directions</b>	the National Health Service (General Medical Services Premises Costs) Directions 2004
<b>2013 Costs Directions</b>	the National Health Service (General Medical Services Premises Costs) Directions 2013
<b>50p Ordinary Shares</b>	ordinary shares of 50 pence each in the share capital of the Company prior to the completion of the Share Sub-division
<b>Admission</b>	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
<b>Admission and Disclosure Standards</b>	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.
<b>Advisory Agreement</b>	the advisory agreement (as amended and novated from time to time) described at paragraph 15.4 of Part 7 of this document
<b>AIB</b>	AIB Group (UK) p.l.c.
<b>AIM</b>	the AIM market of the London Stock Exchange
<b>AMP</b>	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
<b>Applicant</b>	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
<b>Application Form</b>	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)
<b>Articles</b>	the articles of association of the Company, details of which are set out in paragraph 4 of Part 7 of this document
<b>Aviva</b>	Aviva Public Private Finance Limited
<b>Barclays</b>	Barclays Bank PLC
<b>Basic Entitlements</b>	the pro rata entitlement of Qualifying Shareholders to subscribe for 1 Open Offer Share for every 17 Existing Ordinary Shares registered in their name as at the Record Date
<b>Board</b>	the Directors of PHP

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<b>Bond Prospectus</b>	the prospectus dated 13 December 2013 relating to the Secured Bonds
<b>Business Day</b>	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
<b>Capital Raising</b>	the Firm Placing, Placing, Open Offer and the Offer for Subscription
<b>CBRE</b>	CBRE Unlimited Company, chartered surveyors and valuers, of 3rd Floor, Connaught House, 1 Burlington Road, Dublin 4
<b>CCSS</b>	the CREST Courier and Sorting Service established by Euroclear to facilitate, amongst other things, the deposit and withdrawal of securities
<b>certificated or in certificated form</b>	in relation to a share or other security, a share or other security which is not in uncertificated form
<b>Closing Price</b>	the closing middle market quotation as derived from the Daily Official List of the London Stock Exchange on a particular day
<b>Code</b>	the US Internal Revenue Code of 1986, as amended
<b>Companies Act</b>	the Companies Act 2006 as amended
<b>Convertible Bonds</b>	the 4.25 per cent. convertible bonds due 2019 issued by PHP Finance Jersey and guaranteed by the Company
<b>Corporate Governance Code</b>	the UK Corporate Governance Code published in June 2016 by the Financial Reporting Council
<b>CPI</b>	Consumer Price Index
<b>CREST</b>	the relevant system, as defined in the CREST Regulations (in respect of which Euroclear is the operator as defined in the CREST Regulations)
<b>CREST Manual</b>	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)
<b>CREST Member</b>	a person who has been admitted to Euroclear as a system-member (as defined in the CREST Regulations)
<b>CREST Participant</b>	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations)
<b>CREST Regulations or Regulations</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), as amended
<b>CREST Sponsor</b>	a CREST participant admitted to CREST as a CREST sponsor
<b>CREST Sponsored Member</b>	a CREST Member admitted to CREST as a sponsored member
<b>CTA 2010</b>	the Corporation Tax Act 2010
<b>Daily Official List</b>	the daily record setting out the prices of all trades in shares and other securities conducted on the London Stock Exchange
<b>Directors</b>	the executive directors and non-executive directors of the Company, whose names appear on page 35 of this document

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<b>Disclosure Guidance and Transparency Rules</b>	the rules relating to the disclosure of information made in accordance with section 73A(3) of FSMA
<b>DOHI</b>	the Department of Health in Ireland
<b>ERISA</b>	the US Employee Retirement Income Security Act of 1974, as amended
<b>ERISA Entity</b>	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
<b>EU</b>	the European Union
<b>EURIBOR</b>	Euro inter bank offered rate
<b>Euroclear</b>	Euroclear UK & Ireland Limited, the operator of CREST
<b>Excess Application Facility</b>	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
<b>Excess CREST Open Offer Entitlements</b>	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
<b>Excess Shares</b>	Open Offer Shares applied for by Qualifying Shareholders under the Excess Application Facility
<b>Excluded Territories</b>	Australia, Canada, 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
<b>ex-entitlement date</b>	the date on which the Ordinary Shares trade ex-entitlement to participate in the Open Offer, expected to be 23 March 2018
<b>Existing Ordinary Shares</b>	the 624,251,370 Ordinary Shares in issue as at the date of this document
<b>Facility A</b>	the facility for a maximum principal amount of £125 million 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 15.5 of Part 7 of this document
<b>Facility B</b>	the facility for a maximum principal amount of £50 million 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 15.5 of Part 7 of this document
<b>Financial Conduct Authority or FCA</b>	the Financial Conduct Authority of the United Kingdom

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<b>Firm Placed Shares</b>	the 46,296,296 New Shares which are to be allocated pursuant to the Firm Placing
<b>Firm Placees</b>	any persons who have agreed to subscribe for Firm Placed Shares pursuant to the Firm Placing
<b>Firm Placing</b>	the conditional placing by Numis and Peel Hunt on behalf of the Company of the Firm Placed Shares pursuant to the Placing Agreement
<b>Form of Proxy</b>	the form of proxy for use at the General Meeting
<b>FPO</b>	Financial Services and Markets Act 2000 (Financial Promotion) Order 2005
<b>FSMA</b>	the Financial Services and Markets Act 2000, as amended
<b>General Meeting</b>	the general meeting of PHP to be held at 10.45 a.m. on 18 April 2018 (or as soon thereafter as the annual general meeting of the Company convened for 10.30 a.m. on such day concludes), notice of which is set out in Part 10 of this document
<b>GDP</b>	gross domestic product
<b>GP</b>	General Practitioner
<b>GPFV</b>	the NHS's General Practice Forward View
<b>HIL</b>	Health Investments Limited
<b>HMRC</b>	HM Revenue & Customs
<b>HSBC</b>	HSBC Bank plc
<b>HSE</b>	Health Service Executive in Ireland
<b>IFRS</b>	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
<b>ISIN</b>	International Securities Identification Number
<b>Issue</b>	the issue of New Shares pursuant to the Capital Raising
<b>Issue Price</b>	108 pence per New Share
<b>LIBOR</b>	London inter bank offered rate
<b>Listing Particulars</b>	the listing particulars dated 14 August 2014 relating to the Convertible Bonds
<b>Listing Rules</b>	the Listing Rules made by the FCA under Part VI of FSMA
<b>Lloyds</b>	Lloyds Bank PLC
<b>London Stock Exchange</b>	London Stock Exchange PLC
<b>LSH</b>	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
<b>LTV</b>	loan-to-value
<b>Market Abuse Regulation</b>	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing the Market Abuse Directive and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC

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<b>Maximum Excess Application Number</b>	the maximum amount of New Shares to be issued under the Excess Application Facility
<b>Member Account ID</b>	the identification code or number attached to any member account in CREST
<b>Member State</b>	a sovereign state which is a member of the European Union
<b>Money Laundering Regulations</b>	the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) 2017 Regulations S.I. 2017/692, as amended
<b>New Shares</b>	the new Ordinary Shares to be issued under the terms set out in this document
<b>Nexus or the Adviser</b>	Nexus Tradeco Limited of Greener House, 66-68 Haymarket, London SW1Y 4RF
<b>NHS</b>	the National Health Service
<b>NHS PS</b>	NHS Property Services Limited
<b>Non-Firm Placees</b>	any persons who have agreed to subscribe for Placed Shares pursuant to the Placing
<b>Non-PID Dividend</b>	any dividend of the Company other than a PID
<b>Notice of General Meeting</b>	the notice of the General Meeting contained in Part 10 of this document
<b>Numis</b>	Numis Securities Limited
<b>Offer for Subscription</b>	the offer for subscription to the public in the UK of the New Shares on the terms set out in this document and the Subscription Form
<b>Offering Circular</b>	the offering circular dated 29 June 2012 in relation to the Retail Bonds
<b>Official List</b>	the Official List of the Financial Conduct Authority pursuant to Part VI of FSMA
<b>Open Offer</b>	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
<b>Open Offer Shares</b>	the 36,720,668 New Shares being offered pursuant to the Open Offer together, where the context requires, with the Excess Application Facility
<b>Ordinary Shares or Shares</b>	ordinary shares of 12.5 pence each in the share capital of the Company
<b>Original Charging Subsidiaries</b>	certain subsidiaries of PHP Bond Finance under the terms of the Secured Bonds
<b>Overdraft Facility</b>	the facility for a maximum principal amount of £5 million 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 15.5 of Part 7 of this document
<b>Overseas Applicants</b>	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

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<b>Overseas Shareholders</b>	Shareholders with registered addresses outside the United Kingdom or who are citizens or residents of countries outside the United Kingdom
<b>Participant ID</b>	the identification code or membership number used in CREST to identify a particular CREST Member or other CREST Participant
<b>PCT</b>	Primary Care Trust
<b>Peel Hunt</b>	Peel Hunt LLP
<b>PFIC</b>	passive foreign investment company
<b>PHIP (5)</b>	PHIP (5) Limited
<b>PHP or the Company</b>	Primary Health Properties PLC, a public limited company incorporated in England and Wales with registered number 03033634
<b>PHP Bond Finance</b>	PHP Bond Finance plc
<b>PHP Finance Jersey</b>	PHP Finance (Jersey) Limited
<b>PHP Group or Group</b>	the Company and each of its subsidiaries and subsidiary undertakings from time to time
<b>PHPI No.1</b>	PHP Investments No.1 Limited
<b>PHPI No.2</b>	PHP Investments No.2 Limited
<b>PID</b>	property income distribution
<b>PIF</b>	the performance incentive fee under the Advisory Agreement
<b>Placed Shares</b>	the New Shares which are the subject of the Placing
<b>Placees</b>	the Firm Placees and Non-Firm Placees
<b>Placing</b>	the conditional placing by Numis and Peel Hunt on behalf of the Company of the Placed Shares pursuant to the Placing Agreement
<b>Placing Agreement</b>	the placing agreement dated 23 March 2018 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
<b>Pounds Sterling, Sterling or £</b>	the lawful currency of the United Kingdom
<b>PPP</b>	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
<b>Property Valuation Reports</b>	the property valuation reports prepared by the Property Valuers and set out in Part 5 of this document
<b>Property Valuers</b>	LSH and CBRE
<b>Prospectus Directive</b>	the Prospectus Directive (Directive 2003/71/EC)
<b>Prospectus Rules</b>	the Prospectus Rules published by the FCA under Section 73A of FSMA
<b>Qualified Institutional Buyer or QIB</b>	a “qualified institutional buyer” as defined by Rule 144A(a)(1) under the US Securities Act
<b>Qualifying CREST Shareholders</b>	Qualifying Shareholders holding Ordinary Shares in uncertificated form in CREST at close of business on the Record Date

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<b>Qualifying Non-CREST Shareholders</b>	Qualifying Shareholders holding Ordinary Shares in certificated form at close of business on the Record Date
<b>Qualifying Shareholders</b>	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 and ERISA Entities
<b>RBS</b>	The Royal Bank of Scotland PLC
<b>Receiving Agent Agreement</b>	the receiving agent agreement dated 23 March 2018 between the Company and the Receiving Agent and further described in paragraph 15.2 of Part 7 of this document
<b>Record Date</b>	close of business on 21 March 2018
<b>Registrars or Receiving Agent or Equiniti</b>	Equiniti Limited
<b>Regulation S</b>	Regulation S under the US Securities Act
<b>Regulatory Information Service</b>	one of the regulatory information services authorised by the Financial Conduct Authority to receive, process and disseminate regulatory information in respect of listed companies
<b>REIT</b>	Real Estate Investment Trust
<b>Resolutions</b>	the resolutions to be proposed at the General Meeting set out in the Notice of General Meeting
<b>Retail Bond Trustee</b>	Prudential Trustee Company Limited
<b>Retail Bonds</b>	the 5.375 per cent. bonds due 23 July 2019 issued by the Company
<b>RPI</b>	retail price index
<b>Santander</b>	Santander Banking Group or Abbey National Treasury Services PLC
<b>SDRT</b>	stamp duty reserve tax
<b>SEC</b>	the United States Securities and Exchange Commission
<b>Secured Bonds</b>	the floating rate secured bonds due 2025 issued by PHP Bond Finance and guaranteed by the Company
<b>Secured Bond Trustee or Convertible Bond Trustee</b>	U.S. Bank Trustees Limited
<b>Secured Notes</b>	the fixed rate secured notes due 2027 issued by PHP SB Limited and guaranteed by the Company
<b>Shareholder</b>	a holder of Ordinary Shares from time to time
<b>Share Sub-division</b>	the sub-division of each 50p Ordinary Share into four Ordinary Shares, which became effective at 8.00 a.m. on 12 November 2015
<b>Special Article</b>	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
<b>Statutes</b>	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
<b>stock account</b>	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited
<b>STPs</b>	sustainability and transformation partnerships

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<b>Subscription Form</b>	the application form in Appendix 4 to this document for use in connection with the Offer for Subscription
<b>Substantial Shareholder</b>	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 any holder of excessive rights as defined in the Real Estate Investment Trusts (Breach of Conditions) Regulations 2006
<b>Substantial Shareholding</b>	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
<b>Swaps</b>	the interest rate swaps described at paragraph 15.6 of Part 7 of this document
<b>Takeover Code</b>	the City Code on Takeovers and Mergers
<b>UK-REIT</b>	a real estate investment trust established in the United Kingdom to which Part 12 of the CTA 2010 applies
<b>UK-REIT Group</b>	a group UK-REIT within the meaning of Part 12 of the CTA 2010
<b>uncertificated or in uncertificated form</b>	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
<b>United Kingdom or UK</b>	the United Kingdom of Great Britain and Northern Ireland
<b>US GAAP</b>	generally accepted accounting principles in the United States
<b>US Securities Act</b>	the United States Securities Act of 1933, as amended
<b>United States or US</b>	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
<b>VAT</b>	value added tax
<b>WAULT</b>	weighted average unexpired lease term remaining

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## 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 18 April 2018 at 10.45 a.m. (or as soon thereafter as the annual general meeting of the Company convened for 10.30 a.m. on such day concludes) at CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF 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 23 March 2018 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 in accordance with 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 of the Companies Act 2006) in the Company up to an aggregate nominal amount of £14,467,592.50 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 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 £30,833,004.00; and
  - (c) allot equity securities (within the meaning of section 560 of the Companies Act 2006) up to an additional aggregate nominal amount of £30,833,004.00 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 dates as the Directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities, subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange 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 or if earlier on the date of which is 15 months after the date on which this Resolution is passed, but in each case, prior to its expiry, the Company may make offers and enter into agreements which would, or might, require Relevant Securities or equity securities as the case may be to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot Relevant Securities or equity securities (and sell treasury shares) in pursuance of any such offer or agreement as if the authority in question had not expired.

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## SPECIAL RESOLUTIONS

2. THAT, subject to the passing of Resolution 1, the Directors be authorised, pursuant to sections 570 and 573 of the Companies Act 2006:
- (a) to allot equity securities (within the meaning of section 560 of the Companies Act 2006) for cash as if section 561 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 substitution for all existing authorities (but without prejudice to any allotments made pursuant to those authorities) to allot equity securities (within the meaning of section 560 of the Companies Act 2006) for cash under the authority conferred by Resolutions 1(b) and (c) above and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, provided that this power shall be limited to:
    - (i) the allotment of equity securities and sale of treasury shares for cash in connection with an offer for, or invitation to apply for, equity securities made to (but in the case of the authority conferred by Resolution 1(c), by way of a rights issue only) ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings and to holders of other equity securities as required by the rights of those securities or, if the Directors otherwise consider necessary, as permitted by the rights of those securities, and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and
    - (ii) the allotment of equity securities or sale of treasury shares (otherwise than under Resolution 2(b)(i) above) up to an aggregate nominal amount of £4,624,950.00,and shall expire upon the expiry of the general authority conferred by Resolutions 1(b) and (c) above, but in each case, prior to its expiry, the Company may make offers and enter into agreements which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) in pursuance of any such offer or agreement as if the authority in question had not expired.
3. THAT, subject to the passing of Resolutions 1 and 2, the Directors be authorised in substitution for all existing authorities (but without prejudice to any allotments made pursuant to that authority), in addition to any authority granted under Resolution 2, to allot equity securities (within the meaning of section 560 of the Companies Act 2006) for cash under the authority conferred by Resolutions 1(b) and (c) above and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, provided that this power shall be:
- (i) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £4,624,950.00; and
  - (ii) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

such authority to expire upon the expiry of the general authority conferred by Resolutions 1(b) and (c) above, but, in each case, prior to its expiry the Company may make offers and enter into agreements which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell

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treasury shares) in pursuance of any such offer or agreement as if the authority in question had not expired.

4. THAT the Company be generally and unconditionally authorised, in substitution for all existing authorities, to make one or more 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 (“**Ordinary Shares**”) on such terms and in such manner as the Directors may from time to time determine, provided that:
- (a) the maximum aggregate number of Ordinary Shares that may be purchased is 73,999,211 (representing approximately 10 per cent. of the issued ordinary share capital of the Company as at the date of this document);
  - (b) the minimum price (excluding expenses payable by the Company) which may be paid for each Ordinary Share is 12.5 pence;
  - (c) the maximum price (excluding expenses payable by the Company) which may be paid for each Ordinary Share is the higher of:
    - (i) an amount equal to 105 per cent. of the average of the middle market quotations for an Ordinary Share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately prior to the day the purchase is made; and
    - (ii) an amount equal to the higher of:
      - (A) the price of the last independent trade of an Ordinary Share; and
      - (B) the highest current independent bid for an Ordinary Share,as derived from the London Stock Exchange Trading System,

and this authority shall expire at the conclusion of the next annual general meeting of the Company, save that the Company may, before the expiry of this authority, enter into a contract to purchase Ordinary Shares which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of Ordinary Shares in pursuance of any such contract.

**Dated: 23 March 2018**

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.

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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](http://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 10.45 a.m. on 16 April 2018.

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.
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 6.30 p.m. on 16 April 2018 or, in the event of any adjournment, 6.30 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](http://www.phpgroup.co.uk).
15. As at 22 March 2018 the Company’s issued share capital consisted of 624,251,370 Ordinary Shares carrying one vote each and therefore the total number of voting rights is 624,251,370.



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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 6388 or if telephoning from outside the UK, on +44 (0) 121 415 0221 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 17 Existing Ordinary Shares at a price of 108 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 2018. The Issue Price of 108 pence per Open Offer Share represents a discount of approximately 5.3 per cent. to the Closing Price as derived from the Daily Official List of 114 pence per Ordinary Share on 22 March 2018, 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.

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### 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 23 March 2018 (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 21 March 2018 (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 ***AIC 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 17 April 2018. 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 18 April 2018 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 30 April 2018.

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(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 17 April 2018 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 plc*** 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 17 April 2018. 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 21 March 2018 and who have converted them to certificated form;
- (b) Shareholders who bought Ordinary Shares before the Record Date 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 the Record Date; 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 6388 within the UK or, if telephoning from outside of the UK on +44 (0) 121 415 0221 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.

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**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 23 March 2018 (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 23 March 2018, 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 30 April 2018.

**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 23 March 2018 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 30 April 2018. 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

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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 12 April 2018 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 21 March 2018, 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 6388 within the UK or, if telephoning from outside the UK, on +44 (0) 121 415 0221 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.



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## 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 £100.0 million (approximately £96.6 million net of expenses), with the ability to increase the size of the Issue by up to 25.0 per cent. to approximately £125.0 million, by way of the Capital Raising. Assuming an Issue size of approximately £100.0 million, of the New Shares being issued, 46,296,296 of the New Shares will be issued through the Firm Placing and 46,296,296 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 21 March 2018. 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 26 March 2018. 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 17 April 2018 with Admission and commencement of dealings in the New Shares expected to take place at 8.00 a.m. on 19 April 2018.

The Open Offer is an opportunity for Qualifying Shareholders to apply for, in aggregate, 0.06 Open Offer Shares *pro rata* to their current holdings at the Issue Price of 108 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 21 March 2018 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 108 pence per Open Offer Share represents a discount of approximately 5.3 per cent. to the Closing Price of an Ordinary Share of 114 pence on 22 March 2018 (the latest practicable date prior to the announcement of the Capital Raising on 23 March 2018).

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 17 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



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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 £125.0 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 £100.0 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 12.9 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 7.8 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 £125.0 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 15.6 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 10.7 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 12.9 per cent, assuming the size of the Issue is approximately £100.0 million, or 15.6 per cent, if the Directors increase the size of the Issue to approximately £125.0 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 17 April 2018.

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 27 March 2018 payable to Shareholders on the

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Company's register as at or about 6 April 2018. 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 18 April 2018;
- 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 19 April 2018 (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 3 May 2018).

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*

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*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 13 April 2018. 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 £125.0 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 Equiniti Limited, Corporate Actions,

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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 17 April 2018, 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 17 April 2018 but not later than 2.00 p.m. on 17 April 2018 or applications in respect of which remittances are received before 2.00 p.m. on 17 April 2018 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 19 April 2018 (or such later time and/or date, being not later than 8.00 a.m. (London time) on 3 May 2018, 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;
- (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

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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 are not an ERISA Entity 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.

**All enquiries in connection with the procedure for application and completion of the Application Form should be addressed to Equiniti Limited, 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.**



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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 26 March 2018 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 31 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



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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 £125.0 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 Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Equiniti can be contacted on 0333 207 6388 or, if telephoning from outside the UK, on +44 (0) 121 415 0221 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.**

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#### 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 GB00BDCXV483;
- (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 2RA77;
- (f) the Member Account ID of Equiniti, in its capacity as a CREST Receiving Agent. This is RA283601;
- (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 17 April 2018; 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 17 April 2018.

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 17 April 2018 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 19 April 2018 (or such later time and date as Numis and Peel Hunt shall agree, being not later than 8.00 a.m. (London time) on 3 May 2018), the Capital Raising will lapse, the Basic Entitlements admitted to CREST will be disabled and the Receiving Agent will refund

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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 GB00BDCXV590;
- (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 2RA78;
- (f) the Member Account ID of Equiniti, in its capacity as a CREST Receiving Agent. This is RA283602;
- (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;
- (h) the intended settlement date. This must be on or before 11.00 a.m. on 17 April 2018; 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 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 17 April 2018.

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 17 April 2018 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 19 April 2018 or such later time and date as Numis and Peel Hunt shall agree, being not later than 8.00 a.m. (London time) on 3 May 2018, 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

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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 17 April 2018. 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 12 April 2018, 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 11 April 2018, 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 17 April 2018.

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 17 April 2018 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 17 April 2018. 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.**

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#### 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 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;
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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 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 not an ERISA Entity 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.
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## 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 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, 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 Limited, 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 17 April 2018 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.

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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 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. 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 18 April 2018. 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 19 April 2018 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 26 March 2018. 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 17 April 2018 (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 17 April 2018). 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 19 April 2018). 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.

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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 19 April 2018, 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 30 April 2018. 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.

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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.

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The provisions of this paragraph 6.1 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 this paragraph 6.1.

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. 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

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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.



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## 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 PLACEES AS DEFINED IN SECTION 86(7) OF THE FSMA, AS AMENDED (“QUALIFIED PLACEES”), 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 PLACEES 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 that are not ERISA Entities 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, Canada, 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

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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.

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 that are not ERISA Entities 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.

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.

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.

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, *inter alia*, 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 19 April 2018 (or such later time and/or date as the Company, Numis and Peel Hunt may agree (being no later than 3 May 2018) 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.

If any of the conditions set out in the Placing Agreement is not fulfilled or, where permitted, waived to the extent permitted by law or regulation in accordance with the Placing Agreement, or the Placing Agreement is terminated in accordance with its terms, the Firm Placing and the Placing will lapse and the Placee's rights and obligations shall cease and terminate at such time and each Placee agrees that no claim can be made by or on behalf of the Placee (or any person on whose behalf the Placee is acting) in respect thereof.

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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 Placee's 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 27 March 2018 payable to Shareholders on the Company's register as at on or about 6 April 2018.

#### **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 5.20 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

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- 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 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 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
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- 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;
- 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, not an ERISA Entity, and eligible to participate in an “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 representations letter in a form provided to it and delivered the investor representations letter to Peel Hunt and/or Numis or their respective affiliates;
- 5.15 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;
- 5.16 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;
- 5.17 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;
- 5.18 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;
- 5.19 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 (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;
- 5.20 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 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;
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- 5.21 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**”);
- 5.22 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;
- 5.23 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;
- 5.24 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;
- 5.25 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;
- 5.26 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;
- 5.27 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;
- 5.28 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 their own business; and the Placee will rank only as a general creditor of the Bookrunners;
- 5.29 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;
- 5.30 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
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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;

- 5.31 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;
- 5.32 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; and
- 5.33 if the Placee has received any inside information (as defined in the Market Abuse Regulation) about the Company in advance of the Firm Placing and/or the Placing, it has not: (a) dealt in the securities of the Company; (b) encouraged or required another person to deal in the securities of the Company; or (c) disclosed such information to any person, prior to the information being made publicly available.

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 agrees to hold harmless the Bookrunners and each person affiliated with the Bookrunners and any person acting on their behalf in respect of 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 PLACEES 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 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 the registration requirements under the US Securities Act; and (b) outside the United States to investors that are not ERISA Entities 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

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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:

- (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, and the Placee agrees not to reoffer, resell, pledge or otherwise transfer the Firm Placed Shares and Placed Shares except as set out in subparagraph (h) of this paragraph 6.2;
- (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, not an ERISA Entity, 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 representations 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) 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 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:

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(A) understands that the Firm Placed Shares and the Placed Shares may not be offered, sold, pledged or otherwise transferred to any person using the assets of an ERISA Entity; (B) 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; (C) 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 (D) 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 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 REALES OF THE ORDINARY SHARES REPRESENTED HEREBY. THE ORDINARY SHARES REPRESENTED HEREBY ARE “RESTRICTED SECURITIES” WITHIN THE

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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.

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## 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 £100.0 million (approximately £96.6 million net of expenses), with the ability to increase the size of the Issue by up to 25.0 per cent. to approximately £125.0 million, by way of the Capital Raising. Assuming an Issue size of approximately £100.0 million, of the New Shares being issued, 46,296,296 of the New Shares will be issued through the Firm Placing and 46,296,296 of the New Shares will be issued through the Placing, Open Offer and Offer for Subscription.

This Appendix 4 and 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.

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) will be conditional on:

- the passing of the Resolutions without amendment to be proposed at the General Meeting to be held on 18 April 2018;
- 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 19 April 2018 (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 3 May 2018).

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:

“**Subscription Applicant**” means a person or persons (in the case of joint applicants) whose name(s) appear(s) on the registration details (Sections 2, 3 and 4) 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

##### 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 should complete and sign the enclosed Subscription Form in accordance with the



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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 Equiniti Limited, 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 17 April 2018, at which time the Offer for Subscription will close. If you are a CREST DVP applicant an email will be sent to you confirming your entitlement and payment requirements on the morning of 18 April 2018. You are then required to input DVP trade details as instructed by no later than 3.00 p.m. on 18 April 2018, to ensure timely settlement on 19 April 2018. 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 17 April 2018 but not later than 2.00 p.m. on 17 April 2018 or applications in respect of which remittances are received before 2.00 p.m. on 17 April 2018 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*

*Payments by cheque or banker's draft*

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. Please ensure a cheque for the value that you have stated in Section 1 is attached to the Subscription Form.

***Cheques or banker's drafts should be made payable to Equiniti Limited re: Primary Health Properties PLC – Offer for Subscription 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 19 April 2018 (or such later time and/or date, being not later than 8.00 a.m. (London time) on 3 May 2018, 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.



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*Payments by electronic transfer*

If you wish to pay by electronic transfer, payments must be made by CHAPS or SWIFT in Sterling. Payments must be made for value by 9.00 a.m. on 17 April 2018. Please contact the Receiving Agent by email at [offer@equiniti.com](mailto:offer@equiniti.com) for full bank details. The Receiving Agent will then provide you with a unique reference number which must be used when sending payment. The reference number must also be inserted in Section 5(b) of the Subscription Form. By clearly writing the Reference Number on the Subscription Form this will enable the Receiving Agent to link the payments.

*Payments via CREST (DVP)*

Please refer to the Notes on How to Complete the Subscription Form for information on payments within CREST.

(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

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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 not an ERISA Entity 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 Limited, 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 Limited, 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. MONEY LAUNDERING**

### **2.1 Holders of Subscription Forms**

The verification of identity requirements of the Money Laundering Regulations 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, 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

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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 Limited, 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 17 April 2018 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.

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 will not be breached by application of such remittance.

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### 3. TAXATION

Your attention is drawn to the section headed “UK Taxation” set out in paragraph 11 of Part 7 of this document.

### 4. 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.

#### 4.1 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 4.1 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 4.

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Subject to paragraphs 4.2 and 4.3 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 4 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) provides an address for delivery of the share certificates 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***.

#### **4.2 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) of this Appendix 4.

#### **4.3 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.

#### **4.4 Waiver**

The provisions of this paragraph 4 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 4 supersede any terms of the Offer for Subscription inconsistent herewith. References in this paragraph 4 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 4 shall apply to them jointly and to each of them.

### **5. 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

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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.

## **6. 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.



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## NOTES ON HOW TO COMPLETE THE SUBSCRIPTION FORM

It is essential that you complete all parts of the Subscription Form in accordance with the following instructions.

### APPLICATION AND AMOUNT PAYABLE

Insert in Section 1 the number of New Shares you wish to apply for in Primary Health Properties PLC. You must also insert your total payment. Your cheque or banker's draft should be for an amount that represents 108 pence multiplied by the number of New Shares for which you are applying.

### MONEY LAUNDERING REGULATIONS

To ensure compliance with the Money Laundering Regulations, Equiniti may require, at their absolute discretion, check the identity of the person by whom or on whose behalf an Subscription Form is lodged with payment, in excess of the sterling equivalent of €15,000 of Ordinary Shares.

Equiniti may therefore undertake electronic searches for the purposes of verifying identity. To do so Equiniti may verify the details against the subscription applicant's identity, but also may request further proof of identity. Equiniti reserves the right to withhold any entitlement (including any refund cheque) until such verification of identity is completed to its satisfaction.

If an application is made by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not Equiniti. In such case, the lodging agent's stamp should be inserted on the Subscription Form. The person lodging the Subscription Form with payment (the 'subscription applicant'), including any person who appears to Equiniti to be acting on behalf of some other person, shall thereby be deemed to agree to provide Equiniti and/or the Company with such information and other evidence as Equiniti may require to satisfy the verification of identity requirements.

Submission of a Subscription Form will constitute a warranty that the Money Laundering Regulations will not be breached by the acceptance of the remittance and an undertaking by the applicant to provide promptly to Equiniti such information as may be specified by Equiniti and/or the Company as being required for the purpose of the Money Laundering Regulations.

If Equiniti and/or the Company determines that the verification of identity requirements apply to any subscription applicant or application, the relevant New Shares (notwithstanding any other term of the Offer for Subscription) will not be issued to the relevant subscription applicant unless and until the verification of identity requirements have been satisfied in respect of that subscription applicant or application. Equiniti is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any subscription applicant or application and whether such requirements have been satisfied, and none of Equiniti, nor the Company nor Numis nor Peel Hunt will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays and potential rejection of an application. If, within a reasonable period of 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, in their absolute discretion, treat the relevant application as invalid, in which event the application monies will be returned (at the applicant's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn, or, as applicable, the relevant account of the bank or building society from which the relevant funds were debited.

### SUBSCRIPTION APPLICANT DETAILS

Insert your title, full name, address with post code, date of birth, daytime telephone number and e-mail address in BLOCK CAPITALS in black ink in Section 2.

Applications can only be made by persons over the age of 18.

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## CORPORATE DETAILS

A corporate body wishing to apply for New Shares should insert the company name, address, daytime telephone number, their e-mail address and the company registered number in BLOCK CAPITALS and in black ink in Section 3.

## JOINT SUBSCRIPTION APPLICANTS

You may apply with up to three joint subscription applicants. Joint subscription applicants should insert their title, full name, date of birth, house number and post code in Section 4 in BLOCK CAPITALS and in black ink.

## SIGNATURE

By signing the Subscription Form you are deemed to have read the Prospectus and agreed to the terms and conditions in Appendix 4 of the Prospectus (Terms and Conditions of the Offer for Subscription) and to have given the warranties and undertakings set out therein.

### Execution by Individuals:

Please sign and date Section 7. All subscription applicants must sign.

The Subscription Form may only be signed by someone other than the Subscription Applicant(s) named in Section(s) 2, 3 or 4 if duly authorised to do so. In such cases the original Power of Attorney (or other relevant legal document) or duly certified copy thereof must be enclosed for inspection.

### Execution by a Company:

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.

## SETTLEMENT

### Payments by cheque or banker's draft

Attach a cheque or banker's draft for the exact amount shown in Section 1 of the Subscription Form to your completed Subscription Form. Your cheque or banker's draft must be made payable to "***Equiniti Limited re: Primary Health Properties PLC - Offer for Subscription plc***" and crossed "***A/C payee***".

Your payment must relate solely to this application. No receipt will be issued.

Payments must be made by cheque or banker's draft in Sterling drawn on a branch in the United Kingdom of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for members of any of these companies. Such cheques or banker's drafts must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have a sole or joint title to the funds, should be made payable to "***Equiniti Limited re: Primary Health Properties PLC - Offer for Subscription plc***". Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted details of the name of the account holder and have either added the building society or bank branch stamp or have provided a supporting letter confirming the source of funds. Post-dated cheques will not be accepted.

The account name should be the same as that shown on the application.

### Payments by electronic transfer

If you wish to pay by electronic transfer, payments must be made by CHAPS or SWIFT in Sterling. Payments must be made for value by 9.00 a.m. on 17 April 2018. Please contact the Receiving Agent by email at [offer@equiniti.com](mailto:offer@equiniti.com) for full bank details. The Receiving Agent will then provide you with a unique reference number which must be used when sending payment. **The reference number must also be inserted in Section 5(b) of the Subscription Form.** By clearly writing the Reference Number on the

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Subscription Form this will enable the Receiving Agent to link the payments. For any payments made by electronic transfer a copy of the bank statement showing the transaction will be required by the Receiving Agent. The bank statement must show the same name as the applicant and shares will not be credited until such documentation is received.

#### **CREST settlement**

The Company will apply for the New Shares issued pursuant to the Offer for Subscription in uncertificated form to be enabled for CREST transfer and settlement with effect from Admission. Settlement of transactions in those New Shares will normally take place within the CREST system.

The Subscription Form contains details of the information which the Receiving Agent will require from you in order to settle your commitment within CREST, if you so choose. If you do not provide any CREST details or if you provide insufficient CREST details for the Receiving Agent to match to your CREST account, the Receiving Agent will deliver your New Shares in certificated form provided payment has been made in terms satisfactory to the Company.

The right is reserved to issue your New Shares in certificated form should the Company, having consulted with the Receiving Agent, consider this to be necessary or desirable. 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/or system operated by the Receiving Agent in connection with CREST.

The person named for registration purposes in your Subscription Form (which term shall include the holder of the relevant CREST account) must be: (a) the person procured by you to subscribe for or acquire the relevant New Shares; or (b) yourself; or (c) a nominee of any such person or yourself, as the case may be. Neither the Receiving Agent nor the Company will be responsible for any liability to stamp duty or stamp duty reserve tax resulting from a failure to observe this requirement. The Receiving Agent, on behalf of the Company, will input a DVP instruction into the CREST system according to the booking instructions provided by you in your Subscription Form. The input returned by you or your settlement agent/custodian of a matching or acceptance instruction to that CREST input will then allow the delivery of your New Shares to your CREST account against payment of the Issue Price through the CREST system upon the settlement date.

By returning the Subscription Form you agree that you will do all things necessary to ensure that you or your settlement agent/custodian's CREST account allows for the delivery and acceptance of New Shares to be made prior to 8.00 a.m. on 19 April 2018 against payment of the Issue Price. Failure by you to do so will result in you being charged interest at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in Sterling plus two per cent. per annum.

The Receiving Agent will contact you via email on the morning of 18 April 2018 to confirm your allocation and provide you with the relevant details which you will need to input by no later than 3.00 p.m. on 18 April 2018. Ensure you provide an email contact address in Section 3 or 4 (as applicable) of the Subscription Form.

To ensure that you fulfil this requirement it is essential that you or your settlement agent/custodian follow the CREST matching criteria set out below:

Trade date: 18 April 2018

Settlement date: 19 April 2018

Company: Primary Health Properties PLC

Security description: Ordinary Shares of 12.5 pence

SEDOL: BYRJ5J14

ISIN: GB00BYRJ5J14

Equiniti Limited Counter party details:

Participant ID: 6RA52

Member Account: RA283603

If you wish to settle by DVP, you will need to ensure that you key the trade as instructed by the Receiving Agent on the morning of 18 April 2018 by no later than 3.00 p.m. on 18 April 2018.

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You must also ensure that you or your settlement agent/custodian has a sufficient “debit cap” within the CREST system to facilitate settlement in addition to your/its own daily trading and settlement requirements.

In the event of late CREST settlement, the Company, after having consulted with the Receiving Agent, reserves the right to deliver New Shares outside CREST in certificated form provided payment has been made in terms satisfactory to the Company and all other conditions in relation to the Offer for Subscription have been satisfied.

**PLEASE AFFIX YOUR CHEQUE OR BANKER’S DRAFT TO THE SUBSCRIPTION FORM**

If you have any questions relating to the Offer for Subscription or completion and return of your Subscription Form, please contact the Equiniti Helpline on 0333 207 6388 (from inside the UK) or +44 121 415 0221 (if calling from outside the UK). The Helpline is open from 8.30 a.m. to 5.30 p.m. (UK time) Monday to Friday (except public holidays in England and Wales). Calls to the Helpline from outside the UK will be charged at the applicable international rate. Please note that calls may be recorded and randomly monitored for security and training purposes. Please note that for legal reasons, the Helpline cannot provide advice on the merits of the Offer for Subscription nor give financial, tax, investment or legal advice.

## SUBSCRIPTION FORM ONLY

### Primary Health Properties PLC

This form is to only be completed for the Offer for Subscription, please do not complete this form for Open Offer Entitlements.

Before completing this Subscription Form you should read the Prospectus, including the terms and conditions set out in Appendix 4 of the Prospectus (Terms and Conditions of the Offer for Subscription).

Please make your cheque or banker's draft payable to "*Equiniti Limited re: Primary Health Properties PLC - Offer for Subscription plc*" (crossed A/C payee only) and return it together with this form by post or by hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, so as to arrive by no later than 11.00 a.m. on 17 April 2018.

**PLEASE COMPLETE IN BLOCK CAPITALS ONLY AND IN BLACK INK**

### Section 1 – Application and Amount Payable

Number of New Shares		at 108 pence per New Share. I have attached a cheque/banker's cheque	£
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**For Corporates, complete Section 3 only. If you require any additional holders please also complete Section 4**

### Section 2 – First Subscription Applicant Details (Individuals)

Title						Date of Birth	D	D		M	M		Y	Y
Surname														
Full Name(s)														
Home Address														
Post Code														
Daytime Telephone														
Email Address														

### Section 3 – Corporate Registration Details

Company Name														
Contact Name														
Company Address														
Post Code														
Daytime Telephone														
Email Address														
Company Registered Number														

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**Section 4 – Joint Subscription Applicants (You may apply with up to 3 joint subscription applicants)****Second Subscription Applicant**

Title						Date of Birth	D	D		M	M		Y	Y
Surname														
Full Name(s)														
House Number						Post Code								

**Third Subscription Applicant**

Title						Date of Birth	D	D		M	M		Y	Y
Surname														
Full Name(s)														
House Number						Post Code								

**Fourth Subscription Applicant**

Title						Date of Birth	D	D		M	M		Y	Y
Surname														
Full Name(s)														
House Number						Post Code								

**Section 5 – Settlement****(a) Cheque/Banker's Draft Details**

Attach your cheque or banker's draft for the exact amount shown in Section 1 made payable to "Equiniti Limited re: Primary Health Properties PLC – Offer for Subscription plc" and crossed "AIC payee only".

**(b) Electronic Transfer**

Please enter below the sort code of the bank and branch you will be instructing to make such payment for value by 9.00 a.m. on 17 April 2018 together with the name and number of the account to be debited with such payment and the branch contact details.

Sort Code:		Account Name	
Account Number		Contact name at branch and telephone number	
Reference Number*			

\*Reference Number must be obtained from Equiniti Limited before submitting this Subscription Form as detailed in the Notes on how to complete the Subscription Form above.



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(c) **Settlement by Delivery versus payment (DVP)**

Only complete this section if you choose to settle your application within CREST, that is deliver versus payment (DVP).

Please indicate the CREST Participant ID from which the DEL message will be received by the Receiving Agent for matching.

(BLOCK CAPITALS)

CREST Participant ID:							
CREST Designation:							
CREST Participant's Name:							

The Receiving Agent will contact you via email to confirm your allocation and provide you with the relevant details which you will need to input by no later than 3.00 p.m. on 18 April 2018. Ensure you provide an email contact address in Section 2, 3 and 4 (as applicable) of the Subscription Form.

If you would like to settle your commitment within CREST, your or your settlement agent's custodian's CREST account must allow for the delivery and acceptance of New Shares to be made against payment of the Issue Price per share, following the CREST matching criteria set out below:

Trade date: 18 April 2018

Settlement date: 19 April 2018

Company: Primary Health Properties PLC

Security description: Ordinary Shares of 12.5 pence

SEDOL: BYRJ5J1

ISIN: GB00BYRJ5J14

Equiniti Limited Counterparty details:

Participant ID: 6RA52

Member Account: RA283603

If you wish to settle by DVP, you will need to ensure that you key the trade as instructed by the Receiving Agent by no later than 3.00 p.m. on 18 April 2018.

You must also ensure that you or your settlement agent/custodian has a sufficient "debit cap" within the CREST system to facilitate settlement in addition to your/its own daily trading and settlement requirements.

**Section 6 – Shares issued in CREST – Payment by cheque**

Please complete this section only if you require your New Shares to be credited to your CREST account, but paying by cheque.

CREST Participant ID:							
CREST Designation:							
CREST Participant's Name:							

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## Section 7 – Signature

By signing below you are deemed to have read the Prospectus and agreed to the terms and conditions in Appendix 4 of the Prospectus (Terms and Conditions of the Offer for Subscription) and to have given the warranties and undertakings set out therein.

### *Execution by Individuals:*

First Subscription Applicant Signature		Date	
Second Subscription Applicant Signature		Date	
Third Subscription Applicant Signature		Date	
Fourth Subscription Applicant Signature		Date	

### *Execution by a Company:*

Executed by (Name of Company)			
Name of Authorised signatory:		Name of Authorised signatory:	
Position of Authority:		Position of Authority:	
Signature:		Signature:	
Date:		Date:	

*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.*

## Section 8 – Verification of identity

If the aggregate subscription price for the New Shares which you are applying for, whether in one or more applications, exceeds €15,000 (or its Sterling equivalent) or the Company (or any of its agents) deems it necessary, at its absolute discretion, in order to ensure compliance with the CDD Rules, you must ensure that Section 8.1, 8.2 or 8.3 (as appropriate) is completed.

### Section 8.1 Professional Advisers and Intermediaries

This Section 8.1 should be completed if an application for New Shares is being made on behalf of a client by a stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 or, if outside the United Kingdom, another appropriately authorised independent financial adviser.

Name of professional adviser or intermediary (in full):			
Address (in full):			
Contact Name:		Post Code:	
		Telephone Number:	

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Declaration by the professional adviser or intermediary

To: Primary Health Properties PLC, Numis Securities Limited, Peel Hunt LLP and Equiniti Limited

We are a financial adviser authorised under the Financial Services and Markets Act 2000 applying for New Shares on behalf of one or more clients ("relevant clients"). As such, we hereby undertake to:

1. complete anti-money laundering verification in respect of each relevant client and to inform you of any unsatisfactory conclusion in respect of any relevant client;
2. to keep records to verify the name, identity, place of birth, residential address, occupation and signature of each relevant client; and
3. to supply copies of any such records to you as you may require.

We are governed in the conduct of our investment business and in respect of conducting anti-money laundering verification by the following regulatory or professional body (and the reference or other official number allocated to us by that body is included in the box below).

(Full name and country of operation of regulatory or professional body)	
(Reference or other official number)	

If you require further information about our procedures or any of our relevant clients, please contact the person named as the contact in the first box in this Section 8.1.

Date:		Official stamp (if any):
Signature:		
Full Name:		
Title/position:		

## Section 8.2 Reliable Introducer

*(If you are not a professional adviser or intermediary to whom Section 8.1 applies, the completion and signing of the declaration in this Section 8.2 by a suitable person or institution may avoid a request for the presentation of the identity documents detailed in Section 8.3 of this form).*

*(The declaration below may only be signed by a person or institution (such as a 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 "know your customer" and anti-money laundering regulations no less stringent than those which prevail in the United Kingdom. Acceptable countries include Austria, Belgium, Denmark, Finland, France, Germany, Gibraltar, Greece, Guernsey, Hong Kong, Iceland, Isle of Man, Italy, Jersey, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland and the United Kingdom.)*

Declaration by the firm

To: Primary Health Properties PLC, Numis Securities Limited, Peel Hunt LLP and Equiniti Limited

With reference to the applicant(s) detailed in Section 2 and, in the case of joint applicants, Section 4 above, all persons signing Section 7, we hereby declare that:

1. we operate in one of the above mentioned countries and our firm is subject to anti-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 relevant persons is known to us in a business capacity and we hold valid identity documentation in respect of each of them and we undertake to immediately provide to you copies thereof on demand;

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4. we confirm the accuracy of the names and residential/business address(es) of the applicant(s) named in Section 2 and, in the case of joint applicants, Section 4 above;
  5. having regard to all local anti-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 to which this application relates; and
  6. where the payor and applicant(s) are different persons we are satisfied as to the relationship between them and the reason for the payor being different to the applicant(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 the firm or its officials.

Date:		Official stamp (if any):
Signature:		
Full Name:		
Title/position:		

I hereby declare that I have authority to bind the firm, the details of which are set out below:

Name of firm (in full):			
Address (in full):			
		Post Code:	
Contact Name:		Telephone Number:	

Full name of firm's regulatory authority:	
Website address or telephone number of regulatory authority:	
Firm's registered, licence or other official number:	

### Section 8.3 Applicant identity information

(Only complete this Section 8.3 if the aggregate subscription price payable under your application (whether in one or more applications) is greater than €15,000 (or its Sterling equivalent), and neither of Sections 8.1 and 8.2 can be completed) or if the Company (or any of its agents) deems it necessary, at its absolute discretion, in order to ensure compliance with the CDD Rules.)

In accordance with internationally recognised standards for the prevention of money laundering, the relevant documents and information listed below must be provided (please note that Equiniti Limited and the Company reserve the right to ask for additional documents and information).

	Tick to indicate the documents provided				
	Applicant				Payor
	1	2	3	4	
<b>A. For each applicant who is an individual enclose:</b>					
(i) a certified clear photocopy of one of the following identification documents which bears both a photograph and the signature of the person: (a) current passport; (b) Government or Armed Forces identity card; or (c) driving licence; <b>and</b>					
(ii) certified copies of at least two of the following documents which purport to confirm that the address(es) given in Section 2 and, in the case of joint applicants, Section 4 is the applicant's residential address: (a) a recent (but no older than 3 months) gas, electricity, water or telephone (not mobile) bill; (b) a recent bank statement; (c) a council tax bill; or (d) similar bill issued by a recognised authority; <b>and</b>					
(iii) if none of the above documents show their date and place of birth, enclose a note of such information; <b>and</b>					
(iv) details of the name and address of their personal bankers from which the Receiving Agent or the Company may request a reference, if necessary.					
<b>B. For each applicant that is a company (a "holder company") enclose:</b>					
(i) a certified copy of the certificate of incorporation of the holder company; <b>and</b>					
(ii) the name and address of the holder company's principal bankers from which the Receiving Agent or the Company may request a reference, if necessary; <b>and</b>					
(iii) a statement as to the nature of the holder company's business, signed by a director; <b>and</b>					
(iv) a list of the names and residential addresses of each director of the holder company; <b>and</b>					
(v) for each director provide documents and information similar to that mentioned in A(i) to (iv) above; <b>and</b>					
(vi) a copy of the authorised signatory list for the holder company; <b>and</b>					
(vii) a list of the names and residential/registered addresses of each ultimate beneficial owner interested in more than 3 per cent. of the issued share capital of the holder company and, where a person is named, also enclose the documents and information referred to in C below and, if another company is named (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.					
<b>C. For each individual named in B(vii) as a beneficial owner of a holder company enclose for each such person documents and information similar to that mentioned in A(i) to (iv)</b>					
<b>D. For each beneficiary company named in B(vii) as a beneficial owner of a holder company enclose:</b>					
(i) a certificated copy of the certificate of incorporation of that beneficiary company; <b>and</b>					
(ii) a statement as to the nature of that beneficiary company's business signed by a director; <b>and</b>					
(iii) the name and address of the beneficiary company's principal bankers from which the Receiving Agent or the Company may request a reference, if necessary; <b>and</b>					
(iv) enclose a list of the names and residential/registered address of each beneficial owner owning more than 3% of the issued share capital of that beneficiary company.					
<b>E. If the payor is not an applicant and is not a bank providing its own cheque or banker's draft on the reverse of which is shown details of the account being debited with such payment (see settlement section on how to complete this form) enclose:</b>					
(i) if the payor is a person, for that person the documents mentioned in A(i) to (iv); <b>or</b>					
(ii) if the payor is a company, for that company the documents mentioned in B(i) to (vii); <b>and</b>					
(iii) an explanation of the relationship between the payor and the applicant(s).					

