

**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 please send this document, together with the Form of Proxy, 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 have sold or transferred part of your holding of Existing Ordinary Shares, you should retain this document and consult with the bank, stockbroker or other agent through whom the sale or transfer was effected, as to the action you should take.

---



## **Primary Health Properties PLC**

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

**Recommended all-share offer by Primary Health Properties PLC for MedicX Fund Limited**  
**and**

**Proposed issue of up to 341,045,427 new Ordinary Shares in connection with the Merger**  
**and**

**Application for the admission of the new Ordinary Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities**  
**and**

**Proposed Related Party Transactions**  
**and**

**Notice of General Meeting**

# **Numis**

**Numis Securities Limited**

Lead Financial Adviser, Sponsor and Joint Broker

# **PEEL HUNT**

**Peel Hunt LLP**

Joint Financial Adviser and Joint Broker

---

The whole of this document (in particular the section headed “Risk Factors” set out on pages 19 to 31 of this document) should be read together with the documents incorporated by reference in their entirety. Recipients of this document should review the risk factors set out on pages 19 to 31 of this document for a discussion of certain factors that should be considered when deciding on what action to take in relation to the Proposals. In making an investment decision, each prospective investor must rely on its own examination, analysis and enquiry of the Company and the terms of the Proposals, including the merits and risks involved.

This document, which comprises: (a) a circular prepared in compliance with the Listing Rules of the Financial Conduct Authority for the purposes of the PHP General Meeting convened pursuant to the Notice of General Meeting contained in this document; and (b) a prospectus relating to the Merger prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the “FCA”) made under Section 73A of FSMA, has been approved by 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 and the Proposed Directors, whose names appear on page 39 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company, the Directors and the Proposed 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 Ordinary Shares are listed on the premium listing segment of the Official List of the FCA and admitted to trading on the London Stock Exchange's main market for listed securities. Application will be made to the FCA and to the London Stock Exchange for the New Shares to be admitted to the premium listing segment of the Official List 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 Merger will commence at 8.00 a.m. (London time) on 15 March 2019. 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.

No New Shares or any other securities in PHP have been marketed to, nor are available for purchase, in whole or in part, by the public in the United Kingdom or elsewhere in connection with the admission of the New Shares to the premium listing segment of the Official List of the FCA and to trading on the London Stock Exchange's main market for listed securities, save for the MedicX Shareholders in connection with the Merger.

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 proposed Merger and Admission and will not regard any other person (whether or not a recipient of this document) as its client in relation to the proposed Merger and 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 proposed Merger and 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 proposed Merger and Admission and will not regard any other person (whether or not a recipient of this document) as its client in relation to the proposed Merger and 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 proposed Merger and 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, or the proposed Merger and 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 10.30 a.m. on 28 February 2019 is set out at the end of this document. The Form of Proxy for use at the PHP 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 10.30 a.m. on 26 February 2019. Completion and posting of the Form of Proxy does not prevent a PHP Shareholder from attending and voting in person at the PHP General Meeting.**

## **NOTICE TO OVERSEAS SHAREHOLDERS**

The release, publication or distribution of this document in jurisdictions other than the United Kingdom and the ability of MedicX Shareholders who are not resident in the United Kingdom to participate in the Merger may be restricted by laws and/or regulations of those jurisdictions. In particular, the ability of persons who are not resident in the United Kingdom to vote their MedicX Shares with respect to the Scheme at the MedicX Court Meeting, or to execute and deliver forms of proxy appointing another to vote at the MedicX Court Meeting on their behalf, may be affected by the laws of the relevant jurisdictions in which they are located. Persons who are not resident in the United Kingdom or who are subject to other jurisdictions should inform themselves of, and should observe, any applicable requirements. Any failure to comply with these requirements may constitute a violation of the securities laws of any such jurisdiction.

Unless otherwise determined by PHP or required by the Takeover Code, and permitted by applicable law and regulation, the Merger will not be implemented and documentation relating to the Merger

shall not be made available, directly or indirectly, in, into or from an Excluded Territory where to do so would violate the laws of that jurisdiction and no person may vote in favour of the Merger by any use, means, instrumentality or form within an Excluded Territory or any other jurisdiction if to do so would constitute a violation of the laws of that jurisdiction. Accordingly, copies of this document are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from any Excluded Territory and persons with access to this document and any documents relating to the Merger (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in, into or from any Excluded Territory.

The availability of New Shares under the Merger to MedicX Shareholders who are not resident in the UK may be affected by the laws of the relevant jurisdictions in which they are resident. This document has been prepared for the purpose of complying with English law and applicable regulations and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside of England.

This document does not constitute an offer to sell or issue or the solicitation of an offer to buy, acquire or subscribe for shares in the capital of PHP in any Excluded Territory or to any person to whom it is unlawful to make such offer or solicitation. None of the securities referred to in this document shall be sold, issued or transferred in any jurisdiction in contravention of applicable law and/or regulation.

It is the responsibility of each person into whose possession this document comes to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection with the distribution of this document, the receipt of the New Shares and the implementation of the Merger and to obtain any governmental, exchange control or other consents which may be required, comply with other formalities which are required to be observed and pay any issue, transfer or other taxes due in such jurisdiction. To the fullest extent permitted by applicable law, PHP, the Directors, the Proposed Directors, the Group, Numis and Peel Hunt and all other persons involved in the Merger disclaim any responsibility or liability for the failure to satisfy any such laws, regulations or requirements by any person.

Further details relevant for MedicX Shareholders in overseas jurisdictions are contained in the Scheme Document.

## **NOTICE TO MEDICX US SHAREHOLDERS**

US holders of MedicX Shares should note that the Merger relates to the securities of a Guernsey company with a listing on the London Stock Exchange and is proposed to be implemented pursuant to a scheme of arrangement provided for under Guernsey company law. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules or the proxy solicitation rules under the US Exchange Act. Accordingly, the Merger will be subject to procedural and disclosure requirements and practices applicable to a scheme of arrangement involving a target company in Guernsey listed on the London Stock Exchange, which are different from the disclosure requirements of the US tender offer and proxy solicitation rules. If in the future the Company exercises its right to implement the Merger by way of a Takeover Offer, such Takeover Offer will be made in compliance with all applicable laws and regulations, including, without limitation, to the extent applicable, Section 14(e) of the US Exchange Act and Regulation 14E thereunder, and subject, in the case of participation by MedicX Shareholders resident in the United States, to the availability of an exemption (if any) from the registration requirements of the US Securities Act and of the securities laws of any state or other jurisdiction of the United States. Such Takeover Offer would be made by the Company and no one else. In addition to any such Takeover Offer, the Company, certain affiliated companies and the nominees or brokers (acting as agents) may make certain purchases of, or arrangements to purchase, shares in MedicX outside such Takeover Offer during the period in which such Takeover Offer would remain open for acceptance. If such purchases or arrangements to purchase were to be made, they would be made outside the United States and would comply with applicable law, including the US Exchange Act. Any information about such purchases will be disclosed as required in the United Kingdom and Guernsey, will be reported to a Regulatory Information Service of the FCA and will be available on the London Stock Exchange website: <http://www.londonstockexchange.com/>.

The financial information included in this document and other documentation related to the Merger has been or will have been prepared in accordance with International Financial Reporting Standards and thus may not be comparable to financial information of US companies or companies whose

financial statements are prepared in accordance with generally accepted accounting principles in the United States.

The New Shares to be issued pursuant to the Merger have not been registered under the US Securities Act or under any laws or with any securities regulatory authority of any state or other jurisdiction of the United States and may only be offered or sold in the United States in reliance on an exemption from the registration requirements of the US Securities Act. This document shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the New Shares in any state of the United States in which such offer, solicitation or sale would be unlawful prior to qualification under the securities laws of any such state. The New Shares are expected to be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) thereof. MedicX Shareholders (whether or not US persons) who are or will be affiliates (within the meaning of the US Securities Act) of the Company or MedicX prior to, or of the Company after, the Effective Date will be subject to certain US transfer restrictions relating to the New Shares received pursuant to the Merger.

Under US securities laws, persons who are or will be deemed to be affiliates (as defined under the US Securities Act) of the Company or MedicX prior to or of the Company after the Effective Date may be subject to timing, manner of sale and volume restrictions on the resale in the United States of New Shares received pursuant to the Merger. Whether a person is an “affiliate” of a company for such purposes depends upon the circumstances, but an “affiliate” of a company includes a person that directly, or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, that company, and may include certain officers and directors and significant shareholders of the Company and MedicX. MedicX Shareholders who believe they may be affiliates for the purposes of the US Securities Act should consult their own legal advisers prior to any resale of New Shares received under the Merger.

For the purposes of qualifying for the exemption from the registration requirements of the US Securities Act afforded by Section 3(a)(10) thereunder, MedicX will advise the Court through counsel that its sanctioning of the Scheme will be relied on by the Company as an approval of the Scheme following a hearing on the fairness of the terms and conditions of the Scheme to MedicX Shareholders, at which hearing all such shareholders are entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all such shareholders.

Neither the SEC nor any US state securities commission has approved or disapproved of the New Shares to be issued in connection with the Merger or passed judgment upon the fairness or the merits of the Merger or determined if this document is accurate or complete. Any representation to the contrary is a criminal offence in the United States.

It may be difficult for US holders of MedicX Shares to enforce their rights and claims arising out of the US federal securities laws since the Company and MedicX are organised in countries other than the United States and some or all of their officers and directors may be residents of, and some or all of their assets may be located in, jurisdictions other than the United States. US holders of MedicX Shares may have difficulty effecting service of process within the United States upon those persons or recovering against judgments of US courts, including judgments based upon the civil liability provisions of the US federal securities laws. US holders of MedicX Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court’s judgment.

The receipt of New Shares pursuant to the Merger by a US holder of MedicX shares may be a taxable transaction for US federal income tax purposes and under applicable state and local tax laws. Each US holder of MedicX shares is urged to consult his/her independent professional adviser immediately regarding the tax consequences of the Merger.

Overseas shareholders should review paragraph 14 of Part 1 (*Letter from the Chairman*) of this document in full.

#### **Date of this document**

The date of this document is 8 February 2019.

## TABLE OF CONTENTS

	<i>Pages</i>
Summary .....	6
Risk Factors .....	20
Important Information.....	33
Indicative Statistics.....	37
Expected Timetable of Principal Events .....	38
Directors, Proposed Directors, Company Secretary, Registered Office and Advisers.....	39
Part 1 Letter from the Chairman.....	41
Part 2 Information on PHP .....	57
Part 3 Information on MedicX .....	67
Part 4 Operating and Financial Review of PHP.....	72
Part 5 Historical Financial Information on PHP.....	88
Part 6 Operating and Financial Review of MedicX .....	89
Part 7 Historical Financial Information on MedicX.....	91
Part 8 Property Valuation Reports.....	95
Part 9 Unaudited Pro Forma Financial Information of the Enlarged Group.....	120
Part 10 Additional Information .....	125
Part 11 Documentation Incorporated by Reference.....	183
Part 12 Definitions.....	185
Part 13 Notice of General Meeting .....	195



## 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 “Company”).
B.2	Domicile/Legal Form/Legislation/Country of Incorporation	The Company was incorporated in England and Wales on 16 March 1995 under the Companies Act 1985 as a public limited company with registered number 03033634.
B.3	Key factors of Company’s current operations and principal activities	<p>The Group works in partnership with 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 properties on the basis that each property purchased by the Group will have been evaluated for its income and asset value growth potential.</p>
B.4a	Significant trends	The demand for healthcare services continues to grow as populations grow and their average age, together with the incidence of chronic conditions

		<p>increase. 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 practitioners provide over 300 million patient consultations each year, compared to 23 million visits to accident and emergency departments.</p> <p>The ‘Next Steps on the Five Year Forward View’ published in March 2017, set 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 private sector in delivering the objective of creating an affordable and efficient primary care estate. The NHS Long Term Plan, published in January 2019, places the increased treatment of illness in a primary care or community setting at the core of its strategy for the next ten years of the NHS and promises to increase investment in primary medical and community health services as a share of the total national NHS revenue spend across the five years from 2019/20 to 2023/24 at a faster rate than the rising NHS budget overall.</p> <p>The Department of Health in the Republic of Ireland plans to implement its objective of a single-tier health service, including the introduction of universal primary care. The Health Service Executive in the Republic of 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 and in general 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 Irish Consumer Price Index linked rent reviews, both upwards and downwards, for between 50 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 the PHP Group and all of its subsidiaries are, directly or indirectly, 100 per cent. owned by the Company.</p> <p>The 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> <p>If the Merger becomes effective, PHP will be the ultimate holding company of the Enlarged Group. As such, MedicX will become a 100 per cent. subsidiary of the Company. MedicX is currently the ultimate holding company of the MedicX Group. MedicX also specialises in the ownership of purpose-built primary healthcare facilities.</p>
<b>B.6</b>	<b>Notifiable interests</b>	<p>As at 7 February 2019 (being the latest practicable date prior to publication of this document) (the “<b>Latest Practicable Date</b>”), the Company had been notified of or was otherwise aware of the following</p>

PHP Shareholders who were directly or indirectly interested in 3 per cent. or more of the issued Ordinary Shares:

Name	As at the Latest Practicable Date	
	Ordinary Shares	Percentage of existing issued share capital
Blackrock Investment Management	53,620,192	6.89
Investec Wealth & Investment	37,219,936	4.78
Hargreaves Lansdown	30,925,436	3.97
Vanguard Group	29,770,149	3.83
Troy Asset Management	29,260,000	3.76
CCLA Investment Management	26,864,669	3.45

Save as disclosed above, the Company is not aware of any person who, as at the Latest Practicable Date, 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 PHP 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 the Latest Practicable Date, the Company had been notified of or was otherwise aware of the following interests of Directors, the Proposed Directors and their respective connected persons:

Name	As at the Latest Practicable Date		Immediately following the date of Admission
	Number of Ordinary Shares	Percentage of existing issued share capital	Percentage of Enlarged Share Capital
Steven Owen	73,149 <sup>(1)</sup>	0.009	0.007
Harry Hyman	12,836,616 <sup>(2)</sup>	1.650	1.147
Richard Howell	128,208 <sup>(3)</sup>	0.016	0.011
Nick Wiles	51,624	0.007	0.005
Stephen Kell	14,182	0.002	0.001
Geraldine Kennell	257,951	0.033	0.023
Ian Krieger	81,481	0.010	0.007
Peter Cole	—	—	—
Helen Mahy	—	—	0.004 <sup>(4)</sup>
Laure Duhot	—	—	0.002 <sup>(4)</sup>

(1) This includes 23,822 Ordinary Shares held by Siân Owen.

(2) This includes 43,301 Ordinary Shares held by Anita Hyman and 12,330,000 Ordinary Shares held by Nexus Group Holdings Limited.

(3) This includes 101,155 Ordinary Shares held by Fiona Howell and 12,268 Ordinary Shares held by Nexus Central Management Services Limited, as bare trustee.

(4) As at the Latest Practicable Date, Helen Mahy held 52,548 MedicX Shares and Laure Duhot held 30,090 MedicX Shares and are expected to receive 40,461 and 23,169 New Shares respectively pursuant to the Merger.



B.7	Historical financial information	<p><b>Financial information in relation to the PHP Group</b></p> <p>The Group’s summary 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 2018, 2017 and 2016.</p> <p><b>SUMMARY INCOME STATEMENT:</b></p> <table><tr><th></th><th colspan="3">Year ended 31 December</th></tr><tr><th></th><th>2018 £m</th><th>2017 £m</th><th>2016 £m</th></tr><tr><td>Rental income</td><td>79.6</td><td>72.5</td><td>67.4</td></tr><tr><td>Direct property expenses</td><td>(3.2)</td><td>(1.2)</td><td>(0.8)</td></tr><tr><td><b>Net rental income</b></td><td><b>76.4</b></td><td><b>71.3</b></td><td><b>66.6</b></td></tr><tr><td>Administrative expenses</td><td>(9.9)</td><td>(8.7)</td><td>(7.3)</td></tr><tr><td>Net result on property portfolio</td><td>36.0</td><td>64.5</td><td>20.7</td></tr><tr><td>Operating profit</td><td>102.5</td><td>127.1</td><td>80.0</td></tr><tr><td>Finance income</td><td>0.1</td><td>0.3</td><td>0.5</td></tr><tr><td>Finance costs</td><td>(29.8)</td><td>(31.9)</td><td>(33.0)</td></tr><tr><td>Profit on sale of land and property</td><td>0.1</td><td>—</td><td>—</td></tr><tr><td>Fair value loss on derivative financial instruments</td><td>(1.8)</td><td>(0.3)</td><td>(2.2)</td></tr><tr><td>Fair value gain/loss on Convertible Bonds</td><td>3.2</td><td>(3.3)</td><td>(1.6)</td></tr><tr><td><b>Profit before taxation</b></td><td><b>74.3</b></td><td><b>91.9</b></td><td><b>43.7</b></td></tr><tr><td>Taxation charge</td><td>—</td><td>—</td><td>—</td></tr><tr><td><b>Profit for the year</b></td><td><b>74.3</b></td><td><b>91.9</b></td><td><b>43.7</b></td></tr><tr><td>Earnings per share – basic</td><td>10.5</td><td>15.3p</td><td>7.8p</td></tr><tr><td>EPRA earnings per share</td><td>5.2</td><td>5.2p</td><td>4.8p</td></tr></table> <p>The above relates wholly to continuing operations and is wholly attributable to the PHP Shareholders.</p> <p><b>SUMMARY BALANCE SHEET:</b></p> <table><tr><th></th><th colspan="3">Year ended 31 December</th></tr><tr><th></th><th>2018 £m</th><th>2017 £m</th><th>2016 £m</th></tr><tr><td>Investment properties</td><td>1,502.9</td><td>1,361.9</td><td>1,220.2</td></tr><tr><td>Total assets</td><td>1,514.0</td><td>1,372.4</td><td>1,228.6</td></tr><tr><td>Total liabilities</td><td>726.0</td><td>(785.6)</td><td>(729.4)</td></tr><tr><td><b>Net Assets</b></td><td><b>788.0</b></td><td><b>586.8</b></td><td><b>499.2</b></td></tr><tr><td>Net asset value per share – basic</td><td>102.5</td><td>94.7p</td><td>83.5p</td></tr><tr><td>EPRA net asset value per share</td><td>105.1</td><td>100.7p</td><td>91.1p</td></tr></table> <p>There has been no significant change in the financial condition or operating results of the Group since 31 December 2018, being the date to which the last audited consolidated financial information of the Group have been prepared.</p>		Year ended 31 December				2018 £m	2017 £m	2016 £m	Rental income	79.6	72.5	67.4	Direct property expenses	(3.2)	(1.2)	(0.8)	<b>Net rental income</b>	<b>76.4</b>	<b>71.3</b>	<b>66.6</b>	Administrative expenses	(9.9)	(8.7)	(7.3)	Net result on property portfolio	36.0	64.5	20.7	Operating profit	102.5	127.1	80.0	Finance income	0.1	0.3	0.5	Finance costs	(29.8)	(31.9)	(33.0)	Profit on sale of land and property	0.1	—	—	Fair value loss on derivative financial instruments	(1.8)	(0.3)	(2.2)	Fair value gain/loss on Convertible Bonds	3.2	(3.3)	(1.6)	<b>Profit before taxation</b>	<b>74.3</b>	<b>91.9</b>	<b>43.7</b>	Taxation charge	—	—	—	<b>Profit for the year</b>	<b>74.3</b>	<b>91.9</b>	<b>43.7</b>	Earnings per share – basic	10.5	15.3p	7.8p	EPRA earnings per share	5.2	5.2p	4.8p		Year ended 31 December				2018 £m	2017 £m	2016 £m	Investment properties	1,502.9	1,361.9	1,220.2	Total assets	1,514.0	1,372.4	1,228.6	Total liabilities	726.0	(785.6)	(729.4)	<b>Net Assets</b>	<b>788.0</b>	<b>586.8</b>	<b>499.2</b>	Net asset value per share – basic	102.5	94.7p	83.5p	EPRA net asset value per share	105.1	100.7p	91.1p
	Year ended 31 December																																																																																																									
	2018 £m	2017 £m	2016 £m																																																																																																							
Rental income	79.6	72.5	67.4																																																																																																							
Direct property expenses	(3.2)	(1.2)	(0.8)																																																																																																							
<b>Net rental income</b>	<b>76.4</b>	<b>71.3</b>	<b>66.6</b>																																																																																																							
Administrative expenses	(9.9)	(8.7)	(7.3)																																																																																																							
Net result on property portfolio	36.0	64.5	20.7																																																																																																							
Operating profit	102.5	127.1	80.0																																																																																																							
Finance income	0.1	0.3	0.5																																																																																																							
Finance costs	(29.8)	(31.9)	(33.0)																																																																																																							
Profit on sale of land and property	0.1	—	—																																																																																																							
Fair value loss on derivative financial instruments	(1.8)	(0.3)	(2.2)																																																																																																							
Fair value gain/loss on Convertible Bonds	3.2	(3.3)	(1.6)																																																																																																							
<b>Profit before taxation</b>	<b>74.3</b>	<b>91.9</b>	<b>43.7</b>																																																																																																							
Taxation charge	—	—	—																																																																																																							
<b>Profit for the year</b>	<b>74.3</b>	<b>91.9</b>	<b>43.7</b>																																																																																																							
Earnings per share – basic	10.5	15.3p	7.8p																																																																																																							
EPRA earnings per share	5.2	5.2p	4.8p																																																																																																							
	Year ended 31 December																																																																																																									
	2018 £m	2017 £m	2016 £m																																																																																																							
Investment properties	1,502.9	1,361.9	1,220.2																																																																																																							
Total assets	1,514.0	1,372.4	1,228.6																																																																																																							
Total liabilities	726.0	(785.6)	(729.4)																																																																																																							
<b>Net Assets</b>	<b>788.0</b>	<b>586.8</b>	<b>499.2</b>																																																																																																							
Net asset value per share – basic	102.5	94.7p	83.5p																																																																																																							
EPRA net asset value per share	105.1	100.7p	91.1p																																																																																																							

		<p>As at 31 December 2018, the Group held 313 primary healthcare assets, 312 completed properties and one development property, with a total portfolio value of approximately £1.5 billion generating an annualised rent roll of approximately £79.4 million per annum. Over the last three years, the PHP Group has acquired 41 properties for a total consideration of £252.3 million. These assets added £13.8 million to the Group's annualised rent roll, which, together with contributions from rental growth and asset management projects, has grown by 24.6 per cent. over the period.</p> <p>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 2018, of the 313 premises comprising the portfolio, 305 are located within the UK and 8 are located in the Republic of Ireland. The portfolio was independently valued at 31 December 2018 at an average net initial yield of 4.85 per cent. (31 December 2017: 4.91 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.</p> <p>Since 31 December 2018, the Group has acquired two further assets located in Leeds and Langwith, Derbyshire with a total cost of approximately £7.3 million.</p> <p>EPRA earnings per share have grown by 6.1 per cent. from 4.9 pence per share (following adjustment to reflect the Share Sub-division undertaken in November 2015) in the year ended 31 December 2015 to 5.2 pence per share in the year ended 31 December 2018. PHP has continued to grow its dividend in each of these three years, with an overall increase of 8.0 per cent..</p> <p>EPRA NAV per share has risen over the review period by 19.8 per cent. (following adjustment to reflect the Share Sub-division undertaken in November 2015) to 105.1 pence as at 31 December 2018. Adding this growth to dividends per share paid, the three year period generated a total accounting return of 37.5 per cent..</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 and a €51 million secured guaranteed note in December 2018. Following the exercise of conversion rights in respect of a total of £40.0 million of the unsecured convertible bonds, as at 31 December 2018 there were £23.2 million nominal amount of such bonds outstanding. At 31 December 2018, 14.5 per cent. of Group debt outstanding was funded on an unsecured basis.</p> <p>The mix of debt instruments 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 3.90 per cent. as at 31 December 2018 from 4.67 per cent. as at 31 December 2015. Overall Group loan to value stood at 44.8 per cent. as at 31 December 2018 (31 December 2015: 62.7 per cent.).</p> <p><b>Financial information in relation to the MedicX Group</b></p> <p>The MedicX Group's summary financial information set out below has been extracted without material adjustment from the MedicX Group's audited consolidated financial statements for the years ended 30 September 2018, 2017 and 2016.</p>
--	--	---

**CONSOLIDATED INCOME STATEMENT DATA:**

	<b>Year ended 30 September</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Rent receivable	40.3	37.1	35.1
Service charge income	0.6	0.1	—
Other income	0.3	0.2	0.4
<b>Total income</b>	<b>41.2</b>	<b>37.4</b>	<b>35.5</b>
Direct property expenses	(1.5)	(1.4)	(1.2)
Service charge expenses	(0.6)	(0.1)	—
<b>Net rental income</b>	<b>39.1</b>	<b>35.9</b>	<b>34.3</b>
Total expenses	(6.0)	(6.1)	(7.3)
Realised and unrealised movements	32.4	18.6	15.6
Finance income	0.2	0.4	1.1
Finance costs	(16.7)	(15.6)	(15.5)
<b>Profit before taxation</b>	<b>49.1</b>	<b>33.3</b>	<b>28.2</b>
Taxation charge	(2.9)	5.3	(1.6)
<b>Profit for the year</b>	<b>46.1</b>	<b>38.6</b>	<b>26.6</b>
Earnings per share – basic and diluted	10.7p	9.4p	7.1p
EPRA earnings per share	3.9p	3.5p	3.4p

The above relates wholly to continuing operations and is wholly attributable to the MedicX Shareholders.

**BALANCE SHEET DATA:**

	<b>Year ended 30 September</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Investment properties	806.7	680.4	612.3
Total assets	835.8	720.7	641.8
Total liabilities	(477.0)	(393.5)	(363.6)
<b>Net Assets</b>	<b>358.7</b>	<b>327.2</b>	<b>278.2</b>
Net asset value per share – basic and diluted	81.0p	76.3p	71.7p
EPRA net asset value per share	81.8p	76.5p	73.2p

There has been no significant change in the financial condition or operating results of the MedicX Group since 30 September 2018, being the date to which the last audited consolidated financial information of the MedicX Group have been prepared.

As at 30 September 2018, the MedicX Group owned 166 properties with a total portfolio value of approximately £806.7 million, an increase of 45.7 per cent. since 1 October 2015. Over the last three years, the MedicX Group has acquired 30 properties for a total consideration of £164.7 million. These assets added £8.4 million to the MedicX Group's annualised rent roll, which, together with contributions from rental growth and asset management projects, has grown by 25.3 per cent. over the period.

		<p>EPRA earnings per share have grown by 5.4 per cent. from 3.7 pence per share in the year ended 30 September 2015 to 3.9 pence per share in the year ended 30 September 2018. MedicX has continued to grow its dividend in each of these three years, with an overall increase of 2.4 per cent.</p> <p>EPRA NAV per share has risen by 15.5 per cent. from 70.8 pence as at 30 September 2015 to 81.8 pence as at 30 September 2018. Adding this growth to dividends per share paid, the three year period generated a total accounting return of 40.9 per cent.</p>																																																																																															
B.8	Pro forma financial information	<p>The summary pro forma financial information presented below has been prepared to illustrate the effect on the income statement of the Enlarged Group for the year ended 31 December 2018 as if the Merger and share issue had taken place on 1 January 2018 and on the consolidated net assets of the Enlarged Group as if the Merger had taken place on 31 December 2018.</p> <p>The unaudited pro forma financial information has been prepared for illustrative purposes and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Group’s actual financial position and results.</p> <p><b>Unaudited pro forma income statement of the Enlarged Group</b></p> <table><tr><th></th><th></th><th colspan="2">Adjustments</th><th></th></tr><tr><th></th><th>Group for the year ended 31 December 2018 (Note 1) £m</th><th>MedicX Group for the year ended 30 September 2018 (Note 2) £m</th><th>Aquisition Adjustments (Note 3) £m</th><th>Unaudited pro forma of the Enlarged Group £m</th></tr><tr><td><b>Continuing operations</b></td><td></td><td></td><td></td><td></td></tr><tr><td>Rental income</td><td>79.6</td><td>41.2</td><td>—</td><td>120.8</td></tr><tr><td>Property costs</td><td>(3.2)</td><td>(2.1)</td><td>—</td><td>(5.3)</td></tr><tr><td><b>Net rental income</b></td><td><b>76.4</b></td><td><b>39.1</b></td><td><b>—</b></td><td><b>115.5</b></td></tr><tr><td>Administrative expenses</td><td>(9.9)</td><td>(6.0)</td><td>—</td><td>(15.9)</td></tr><tr><td>Net valuation gain on investment properties</td><td>36.0</td><td>32.2</td><td>—</td><td>68.2</td></tr><tr><td>Profit on disposal of investment properties</td><td>0.1</td><td>0.1</td><td>—</td><td>0.2</td></tr><tr><td>Share of net profit of equity accounted joint venture</td><td>—</td><td>0.1</td><td>—</td><td>0.1</td></tr><tr><td><b>Operating profit</b></td><td><b>102.6</b></td><td><b>65.5</b></td><td><b>—</b></td><td><b>168.1</b></td></tr><tr><td>Finance income</td><td>0.1</td><td>0.2</td><td>—</td><td>0.3</td></tr><tr><td>Finance costs</td><td>(29.8)</td><td>(16.7)</td><td>—</td><td>(46.5)</td></tr><tr><td>Fair value loss on derivative interest rate swaps and amortisation of hedging reserve</td><td>(1.8)</td><td>—</td><td>—</td><td>(1.8)</td></tr><tr><td>Fair value gain/loss on convertible bond</td><td>3.2</td><td>—</td><td>—</td><td>3.2</td></tr><tr><td>Transaction costs</td><td>—</td><td>—</td><td>(10.0)</td><td>(10.0)</td></tr><tr><td><b>Profit before taxation</b></td><td><b>74.3</b></td><td><b>49.0</b></td><td><b>(10.0)</b></td><td><b>113.3</b></td></tr><tr><td>Taxation charge</td><td>—</td><td>(2.9)</td><td>—</td><td>(2.9)</td></tr><tr><td><b>Profit after taxation</b></td><td><b>74.3</b></td><td><b>46.1</b></td><td><b>(10.0)</b></td><td><b>110.4</b></td></tr></table> <p>Notes:</p> <p>(1) The results of the Group have been extracted without material adjustment from the audited consolidated financial statements and results of the Group for the year ended 31 December 2018.</p>			Adjustments				Group for the year ended 31 December 2018 (Note 1) £m	MedicX Group for the year ended 30 September 2018 (Note 2) £m	Aquisition Adjustments (Note 3) £m	Unaudited pro forma of the Enlarged Group £m	<b>Continuing operations</b>					Rental income	79.6	41.2	—	120.8	Property costs	(3.2)	(2.1)	—	(5.3)	<b>Net rental income</b>	<b>76.4</b>	<b>39.1</b>	<b>—</b>	<b>115.5</b>	Administrative expenses	(9.9)	(6.0)	—	(15.9)	Net valuation gain on investment properties	36.0	32.2	—	68.2	Profit on disposal of investment properties	0.1	0.1	—	0.2	Share of net profit of equity accounted joint venture	—	0.1	—	0.1	<b>Operating profit</b>	<b>102.6</b>	<b>65.5</b>	<b>—</b>	<b>168.1</b>	Finance income	0.1	0.2	—	0.3	Finance costs	(29.8)	(16.7)	—	(46.5)	Fair value loss on derivative interest rate swaps and amortisation of hedging reserve	(1.8)	—	—	(1.8)	Fair value gain/loss on convertible bond	3.2	—	—	3.2	Transaction costs	—	—	(10.0)	(10.0)	<b>Profit before taxation</b>	<b>74.3</b>	<b>49.0</b>	<b>(10.0)</b>	<b>113.3</b>	Taxation charge	—	(2.9)	—	(2.9)	<b>Profit after taxation</b>	<b>74.3</b>	<b>46.1</b>	<b>(10.0)</b>	<b>110.4</b>
		Adjustments																																																																																															
	Group for the year ended 31 December 2018 (Note 1) £m	MedicX Group for the year ended 30 September 2018 (Note 2) £m	Aquisition Adjustments (Note 3) £m	Unaudited pro forma of the Enlarged Group £m																																																																																													
<b>Continuing operations</b>																																																																																																	
Rental income	79.6	41.2	—	120.8																																																																																													
Property costs	(3.2)	(2.1)	—	(5.3)																																																																																													
<b>Net rental income</b>	<b>76.4</b>	<b>39.1</b>	<b>—</b>	<b>115.5</b>																																																																																													
Administrative expenses	(9.9)	(6.0)	—	(15.9)																																																																																													
Net valuation gain on investment properties	36.0	32.2	—	68.2																																																																																													
Profit on disposal of investment properties	0.1	0.1	—	0.2																																																																																													
Share of net profit of equity accounted joint venture	—	0.1	—	0.1																																																																																													
<b>Operating profit</b>	<b>102.6</b>	<b>65.5</b>	<b>—</b>	<b>168.1</b>																																																																																													
Finance income	0.1	0.2	—	0.3																																																																																													
Finance costs	(29.8)	(16.7)	—	(46.5)																																																																																													
Fair value loss on derivative interest rate swaps and amortisation of hedging reserve	(1.8)	—	—	(1.8)																																																																																													
Fair value gain/loss on convertible bond	3.2	—	—	3.2																																																																																													
Transaction costs	—	—	(10.0)	(10.0)																																																																																													
<b>Profit before taxation</b>	<b>74.3</b>	<b>49.0</b>	<b>(10.0)</b>	<b>113.3</b>																																																																																													
Taxation charge	—	(2.9)	—	(2.9)																																																																																													
<b>Profit after taxation</b>	<b>74.3</b>	<b>46.1</b>	<b>(10.0)</b>	<b>110.4</b>																																																																																													

- (2) The results of the MedicX Group have been extracted without material adjustment from the audited consolidated financial statements of the MedicX Group for the year ended 30 September 2018.
- (3) The acquisition adjustments column reflects:
- (i) Total costs of the Merger of approximately £24.5 million, excluding VAT, are made up of:
- approximately £7.5 million in relation to the Group, as explained in paragraph 24.1 of Part 10 (*Additional Information*) of this document;
  - approximately £10 million relating to an amount payable to Octopus on termination of the MedicX Investment Management Agreement, as explained in paragraph 16.1 of Part 10 (*Additional Information*) of this document; and
  - further costs of approximately £7.0 million for MedicX's expenses relating to the Merger, as set out in the Scheme Document.
- The amount of approximately £10 million payable to Octopus will be expensed in the income statement, as reflected in this adjustment. The remaining approximately £14.5 million relates to advisors fees payable by the Company and the MedicX Group in connection with the Merger, and will be capitalised.
- (ii) Adjustment to accounting policies relating to capitalisation of interest and license fees, presentation of lease incentive balances, and debt modification impacts as required by IFRS 9 are immaterial to the Enlarged Group and therefore no adjustments have been reflected.
- (4) No adjustment has been made to reflect any changes in finance or tax charges which may arise as a result of the Merger in years subsequent to the Merger.
- (5) 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 2018, or trading of MedicX Group post 30 September 2018.

#### Unaudited pro forma statement of net assets of the Enlarged Group

	Adjustments			
	Group as at 31 December 2018 Note 1 £m	MedicX Group as at 31 December 2018 Note 2 £m	Acquisition Adjustments Note 3 £m	Pro forma consolidated net assets as at 31 December 2018 £'m
Total non current assets	1,503.5	809.0	14.5	2,327.0
Current assets	10.5	25.0	—	35.5
Total assets	1,514.0	834.0	14.5	2,362.5
Current liabilities	(134.5)	(26.4)	(24.5)	(185.4)
Non current liabilities	(591.5)	(449.2)	—	(1,040.7)
Total liabilities	(726.0)	(475.6)	(24.5)	(1,226.1)
Net assets	788.0	358.4	(10.0)	1,136.4

#### Notes:

- (1) The net assets of the PHP Group as at 31 December 2018 have been extracted without material adjustment from the audited consolidated financial statements and results of the Group for the year ended 31 December 2018.
- (2) The financial information of the MedicX Group as at 31 December 2018 has been extracted without material adjustment from the unaudited statement of EPRA NAV per MedicX Share as at 31 December 2018, as set out in the Scheme Circular and incorporated by reference into this document as set out in Part 11 (*Documentation Incorporated by Reference*) of this document.
- (3) (i) No adjustment for goodwill is included as the acquisition of the MedicX Group will be accounted for as an asset acquisition, rather than a business combination as per *IFRS 3 – Business Combinations*. (ii) As explained in note (3)(i) of the pro forma income statement, transaction costs of approximately £14.5 million relating to advisors fees payable by the Company and the MedicX Group in connection with the Merger are expected to be capitalised as part of the investment properties caption. (iii) Adjustment to accounting policies relating to capitalisation of interest and license fees, presentation of lease incentive balances, and debt modification impacts per IFRS 9 are immaterial to the Enlarged Group and no adjustments are reflected. (iv) The pro forma statement of net assets does not reflect the fair value adjustment to the 'Borrowings; bonds, term loans and overdraft' balance, as the fair value measurement of this item will only be performed subsequent to completion of the Merger.



		(4) The unaudited pro forma financial information does not take into account trading of the Group or the MedicX Group subsequent to the year end balance sheet date of 31 December 2018.
<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>	<p>Not applicable.</p> <p>In the opinion of PHP, after taking into account existing bank facilities available to the Group, 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.</p> <p>In the opinion of PHP, after taking into account existing bank facilities available to the Enlarged Group, the working capital available to the Enlarged Group is sufficient for its present requirements, that is, for at least the 12 months following the date of this document.</p>
<b>Section C – Securities</b>		
<b>C.1</b>	<b>Type and class of securities being offered</b>	<p>In consideration for the Merger, the Company intends to issue New Shares.</p> <p>When admitted to trading, the Ordinary Shares will be registered with ISIN (International Securities Identifying Number) GB00BYRJ5J14 and SEDOL (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 the Latest Practicable Date was 778,177,744 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 as at the Latest Practicable Date is £97,272,218.00 divided into 778,177,744 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 declared on 3 January 2019 payable to PHP Shareholders on the Company's register as at 11 January 2019 which shall be paid on 22 February 2019.
<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 listing on the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities.</p> <p>It is expected that Admission will occur at 8.00 a.m. (London time) on or around 15 March 2019.</p>

C.7	<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>		
D.1	<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 and, following the Merger, the Enlarged 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> <li>• The Group's and, following the Merger, the Enlarged Group's success is dependent upon their ability to maintain a pipeline of suitable properties and developments for investment on favourable terms and conditions. A failure to maintain such a pipeline could limit the Group and/or Enlarged Group's growth and ability to generate PHP 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, certain covenants could be breached as a result of a decline in property valuations. Under such circumstances the Group and/or, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged Group's future profits, including revaluation surpluses or deficits. Rent values on a majority of the Group's and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged 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, an oversupply in the healthcare market which could result in an adverse impact on rent returns.</li> <li>• To the extent that the relevant members of the Group and, following the Merger, the Enlarged Group do not enter into hedging arrangements or if such arrangements are no longer available or are only available at increased costs the Group and, following the Merger, the Enlarged Group may be exposed to increased interest rates which may have a material and adverse effect on the Group's and, following the Merger, the Enlarged 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 Enlarged Group.</li> <li>• The Company is dependent on its Directors (and following the Merger, its Proposed Directors) and advisers (including Nexus) and may be adversely affected if Nexus's 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> </ul>

		<ul style="list-style-type: none"> <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 and, following the Merger, the Enlarged Group or impact on the underlying covenant strength that derives from the Costs Directions.</li> <li>• Failure to meet the UK-REIT dividend requirements may mean that the Group and, following the Merger, the Enlarged 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> <li>• The Merger is subject to Conditions, which may not be satisfied or waived. PHP's ability to either lapse or delay the Merger is subject to consent by the Panel. There is significant risk that PHP may be required to complete the Merger even where certain Conditions have not been satisfied or where a material adverse change has occurred to the MedicX Group.</li> <li>• A third party may have or be able to obtain a large enough shareholding in MedicX to delay or prevent completion of the Merger. Such an action could materially delay or prevent the implementation of the Merger by way of the Scheme and therefore deprive the parties of all the anticipated benefits of the Merger.</li> <li>• The integration of the MedicX Group with the Group could result in operating difficulties and pose management and administrative challenges. In particular the integration of personnel from Octopus and/or OAIFM to Nexus may require significant time and effort on the part of Nexus distracting focus on the management of the portfolio of the Enlarged Group. Such difficulties could have an adverse effect on the Enlarged Group's financial condition and operations.</li> <li>• The Enlarged Group may fail to realise the business growth opportunities, revenue benefits, cost savings, operational efficiencies and other benefits anticipated from the Merger. To the extent that the Enlarged Group incurs higher integration costs or achieves lower revenue benefits or fewer cost savings than expected, the Enlarged Group's operating results and prospects and the price of the Ordinary Shares may suffer.</li> </ul>
<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 Enlarged 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>• The effect of the Merger will result in a reduction of a PHP Shareholder's 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 and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged Group's assets.</li> </ul>

		Section E – Offer
E.1	Net proceeds and costs of the offer	<p>There will be no proceeds received by the Company as a result of the issue of New Shares to MedicX Shareholders in connection with the Merger.</p> <p>The total costs and expenses of, and incidental to, the Merger payable by the Company, are estimated to amount to approximately £7.5 million (excluding VAT).</p>
E.2a	Reason for offer and use of proceeds	<p>The proposed issue of the New Shares to which this document relates is being made in connection with the proposed recommended all-share offer by PHP for MedicX.</p> <p>There are no proceeds receivable by PHP as a result of the issue of the New Shares.</p> <p>The Merger is intended to be effected by way of a court-sanctioned scheme of arrangement of MedicX under Part VIII of the Guernsey Companies Law.</p> <p>The Directors and the Proposed Directors believe that the businesses are highly complementary geographically, operationally and culturally and that the Enlarged Group would be significantly more attractive for all stakeholders, including investors, the NHS and HSE. The Directors and the Proposed Directors believe the key drivers for the Merger are:</p> <ul style="list-style-type: none"> <li>• Combining the two businesses will give the Enlarged Group greater scale with which to participate in this growing market with an enhanced ability to meet the increasing needs of the primary healthcare sector in the UK and the Republic of Ireland for the provision of a range of modern, purpose built and integrated primary healthcare services to the local communities.</li> <li>• Upon completion, the Enlarged Group will own a portfolio of 479 properties with a combined value of approximately £2.3 billion and annual rental income of over £120.0 million. This will create a strong platform for further acquisitions and development opportunities.</li> <li>• The Enlarged Group will benefit from a strengthened investment case and rental growth prospects due to greater scale and the leveraging of asset management expertise regarding rent reviews, refurbishment, extensions and re-gearing of leases.</li> <li>• The Enlarged Group will have a strong balance sheet and is anticipated to have greater access to broader and more competitively priced debt facilities as well as improved access to equity capital markets for fundraisings. The anticipated strong balance sheet is expected to facilitate access to new and cheaper forms of debt funding over the medium term.</li> <li>• The Directors, having reviewed and analysed the potential synergies of the Enlarged Group, as well as taking into account factors they can influence, believe that the Enlarged Group can deliver shareholder value through expected realisation of approximately £4.0 million of recurring cost synergies from the end of the first year following the Effective Date, reducing to £3.5 million of recurring synergies from the sixth year following the Effective Date.</li> <li>• The increased prominence, combined with the attractive investment proposition and opportunity for improved shareholder returns, is expected by PHP to drive increased investor interest in the Enlarged Group and create further value for both sets of shareholders, as well as providing a more liquid market in the Ordinary Shares of the Company.</li> </ul>

<b>E.3</b>	<b>Terms and conditions of the offer</b>	<p>Under the terms of the Merger, which is subject to the Conditions (which are set out in full in the Scheme Document), MedicX Shareholders will be entitled to receive from PHP:</p> <p style="text-align: center;"><b>0.77 New Shares for each MedicX Share</b></p> <p>On the basis of the Closing Price per Ordinary Share of 115.2 pence on 23 January 2019 (the latest practicable date prior to the publication of the Announcement), the Merger values each MedicX Share at 88.7 pence and the entire issued and to be issued share capital of MedicX at approximately £392.9 million.</p> <p>The Merger is subject to the Conditions being satisfied (or, if permitted, waived) which include: (a) approval of the Resolutions to: (i) approve, effect and implement the Merger; (ii) confer the authorities for the issue and allotment of the New Shares to the MedicX Shareholders; and (iii) approve the Related Party Transactions; and (b) approval of the resolutions proposed at the MedicX Court Meeting by the requisite majority of MedicX Shareholders; (c) approval of the resolutions necessary to implement the Scheme by the requisite majority of MedicX Shareholders at the MedicX General Meeting; (d) the sanction of the Scheme; and (e) the FCA and the London Stock Exchange approving the admission of the New Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities respectively.</p> <p>The MedicX Shares will be acquired pursuant to the Merger fully paid and free from all liens, charges, equitable interests, encumbrances and rights of pre-emption and any other interests of any nature whatsoever and together with all rights attaching thereto.</p> <p>Application will be made to the FCA and to the London Stock Exchange for the New Shares to be admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities, respectively. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Shares will commence at 8.00 a.m. (London time) on 15 March 2019.</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 Merger.
<b>E.5</b>	<b>Name of person selling securities/lock up agreements</b>	Not applicable – the New Shares will be newly issued in connection with the Merger therefore there are no persons selling securities nor are there any lock up agreements in relation to the Merger.
<b>E.6</b>	<b>Dilution</b>	Subject to the Merger becoming Effective, up to 341,045,427 New Shares will be issued. This will result in PHP's issued share capital increasing by approximately 43.8 per cent. If the Merger becomes Effective, PHP Shareholders, who are not also shareholders in MedicX, will suffer an immediate dilution as a result of the Merger. Assuming that the maximum number of New Shares are issued to MedicX Shareholders, each PHP Shareholder will be diluted by up to approximately 30.5 per cent. If the Merger becomes Effective, MedicX Shareholders will hold approximately 30.5 per cent. of the Company's enlarged share capital.



<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.
------------	---	--

## 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 the Group's or, following the Merger, the Enlarged Group'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 or, following the Merger, the Enlarged Group's business, results of operations, financial condition and prospects. If any or a combination of the following risks materialise the Group's and, following the Merger, the Enlarged 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 and your personal circumstances.*

*Prospective investors should note that the risks relating to the Group and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged 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. SPECIFIC RISKS RELATING TO THE GROUP AND THE ENLARGED GROUP**

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

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 and, following the Merger, the Enlarged Group's property portfolio and, in the longer term, on the 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 13.1 years as at 31 December 2018 and have government-backed rent reimbursement and MedicX's leases have a WAULT of 14.2 years and 89.4 per cent. of MedicX's rental income receivable was derived from government backed tenants as at 30 September 2018, such adverse events could lead to an increase in capital expenditure or running costs of the Group and, following the Merger, the Enlarged Group and/or reduce the rental return on and capital values of their property assets, which would in turn, affect the value of their property portfolio and have a material adverse effect on the Group's and, following the Merger, the Enlarged Group's business, financial condition, results of operation and prospects.

#### **1.2 The Group's and, following the Merger, the Enlarged Group's growth is dependent upon their ability to maintain a pipeline of suitable properties and developments that, once completed, can generate satisfactory returns**

The success of the Group's strategy and, following the Merger, the Enlarged Group's strategy is dependent upon their 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 and, following the Merger, the Proposed Board (having taken into consideration the recommendations of the Adviser) considers favourable. Property prices in the Group's and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged Group's ability to identify or complete acquisitions at favourable prices, or at all.

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

As a result of any of the foregoing, there can be no assurance that the Group and, following the Merger, the Enlarged Group will be able to maintain a pipeline of suitable properties and developments in which to invest either in the near term or in the longer term. A failure to maintain such a pipeline of suitable properties and developments that can be successfully completed and generate satisfactory returns could limit the Group's and, following the Merger, the Enlarged Group's growth in underlying earnings and their ability to generate PHP Shareholder returns, which could have a material adverse effect on the Group's and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged Group are long term investors in property and finance their activities through a combination of shareholder equity and borrowing. Accordingly they are 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 and, following the Merger, the Enlarged Group's borrowing facilities. In the short and medium term the Company believes the Group and, following the Merger, the Enlarged Group have a prudent level of headroom on their 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 albeit at a slower rate. However, in the longer term, if property valuations were to fall to a level such that the respective Group or Enlarged 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 or Enlarged Group companies could be in breach of covenant.

In these circumstances, the Group and, following the Merger, the Enlarged Group may be forced to provide additional security or to sell various assets in order to repay all or part of their 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 and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged 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 or, following the Merger, Enlarged 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 and, following the Merger, the Enlarged Group's future profits**

Following the Merger, the Enlarged Group will own commercial property in both the UK and the Republic of Ireland. 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 the properties of the Group and, following the Merger, the Enlarged Group 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 and, following the Merger, the Enlarged Group's future profits, including revaluation surpluses or deficits.

With respect to rental yields, the Group and, following the Merger, the Enlarged Group targets a balance of both open market rent reviews and rent reviews linked to the Retail Price Index ("RPI") in their leases, and the majority of their 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 and, following the Merger, the Enlarged Group's rental yields if such reviews could not be initiated to adjust rental rates to inflationary changes in the market.

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

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

The Directors consider that the main owners and development funders of primary care properties in the UK are NHS Property Services, GP practices and public/private partnerships under the Government's Local Improvement Financial Trust ("LIFT") initiatives. The Company competes for the acquisition of properties in the UK against these bodies together with Assura plc and a number of other unquoted companies including GPI Ltd (part of the GP Group), institutional pension funds who specialise in healthcare such as Legal & General, AXA and Investec and funds focused on property investment such as Waypoint Government Income Fund, Blackrock and Equitix. In the Irish healthcare real estate market, there are a number of investors and developers actively seeking new opportunities.

Increased competition from new purchasers, as well as existing competitor property groups, could lead to a reduction in the Group's and, following the Merger, the Enlarged Group's ability to acquire new properties at acceptable prices and potentially increase prices in the commercial property market generally. While the Group and, following the Merger, the Enlarged Group operate in a specialist primary care property sector of the commercial property market, 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 and, following the Merger, the Enlarged Group shall enjoy 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 and, following the Merger, the Enlarged Group failed to continue to execute their strategy and provide a high quality and differentiated service within the primary care property sector, they could lose investment opportunities to current or new competitors.

Increased competition for investment opportunities in the Group's and, following the Merger, the Enlarged Group's sector 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 and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged Group's business, financial condition, results of operation and prospects.

**1.6 Property assets are inherently illiquid and the Group and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged Group's ability to adjust, dispose of or liquidate all or any of their portfolio in a timely fashion and at satisfactory prices. Disposal of any of the Group's and,

following the Merger, the Enlarged 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 and, following the Merger, the Enlarged Group's profits and proceeds realised from such disposals.

To the extent that market conditions are not favourable, the Group and, following the Merger, the Enlarged Group may also not be able to dispose of property assets at a gain. If the Group and, following the Merger, the Enlarged Group sought to dispose of or liquidate an asset on unsatisfactory terms, they 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 and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged Group's ability to sell their properties, or in the event that they are 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 and, following the Merger, the Enlarged Group's business, financial condition, results of operation and prospects.

**1.7 The Group and, following the Merger, the Enlarged Group are subject to currency risk because certain of their property investments are made in Euros**

Pounds Sterling is the main trading currency of the Group and, following the Merger, the Enlarged Group. However, certain of the assets that the Group has invested in and, following the Merger, the Enlarged Group proposes to invest in are 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 currently finances and, following the Merger, the Enlarged Group may wish to finance their 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, could have a material adverse effect on the Group's and, following the Merger, the Enlarged Group's business, financial condition, results of operation and prospects.

**1.8 The Group and, following the Merger, the Enlarged Group may be subject to interest rate risk related to its borrowings**

The Group borrows and, following the Merger, the Enlarged Group shall borrow monies on a variable rate basis from some of their lenders and have the ability to enter, and have entered, into interest rate swaps and other derivative instruments to mitigate the risk to them of increased interest rates. Increases in underlying interest rates may otherwise reduce the profitability of the Group and, following the Merger, the Enlarged Group and their ability to pay dividends. To the extent that the relevant members of the Group and, following the Merger, the Enlarged Group do not enter into hedging arrangements or if such arrangements are no longer available or are only available at increased costs, the Group and, following the Merger, the Enlarged Group may be exposed to increased interest rates which may have a material and adverse effect on the Group's and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged Group.

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

The Group and, following the Merger, the Enlarged Group are dependent upon access to debt funding to grow and maintain their property portfolio. Access to debt financing in the medium to long term 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 and, following the Merger, the Enlarged Group is looking to refinance them, the Group and, following the Merger, the Enlarged 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 Group and, following the Merger, the Enlarged Group may have to limit investment activity and the level of dividends the Company is able to pay may be reduced, albeit not in the short term as no new debt financing is required for at least 12 months from the date of this document.

**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 and, following the Merger, the Enlarged Group shall be 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 and, following the Merger, the Enlarged 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 and should not apply to the Enlarged Group on completion of the Merger on the basis that, amongst others, all investment decisions are taken by the Board who are permitted to invest and carry on the business without restriction as they see fit and is therefore not a collective investment undertaking or fund. There can be no assurance, however, that amendments to the Directive or further such legislation would not impact PHP or cause the Group and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged Group will continue to be dependent on such persons and the Proposed Directors**

The Group is managed by the Board who take all strategic and investment decisions, and, following the Merger, the Enlarged Group shall be managed by the Proposed Board who will continue to take all strategic and investment decisions. The Group has and, following the Merger, the Enlarged Group will have 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 under the Advisory Agreement as an adviser to the Board with regard to property advisory, property management, administrative and accounting service and company secretarial services. Whilst the Adviser proposes investment decisions to the Board, ultimately all investment and all financing decisions are reserved for the Board. It is proposed as part of the Merger that Nexus shall continue to be appointed by the Company as an adviser to the Proposed Board and will therefore continue to provide such advisory services to the Enlarged Group. The Advisory Agreement contains termination provisions requiring a notice period of at least two years in relation to property advisory and property management services, or 12 months in respect of administrative, accounting and company secretarial services, as well as a right of termination if there is an event of default by Nexus. If the Deed of Variation amending the Advisory Agreement is approved by the Independent Shareholders at the PHP General Meeting, the Company shall not be entitled, save in the event of default by Nexus, to terminate for a period of three years following completion of the Merger. Any termination of the Advisory Agreement (as may be amended) could adversely affect the Board’s and the Proposed Board’s ability to effectively manage the day to day operations of the Group and, following the Merger, the Enlarged Group.

Moreover, 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 and, following the Merger, the Enlarged Group’s operations and results. Any such failure may lead to lost revenue and profitability and/or the Group and, following the Merger, the Enlarged Group incurring significant consequential and remedial costs.

**1.13 The Group and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged 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 or, following the Merger, the Enlarged Group as before or that new tenants will be as creditworthy as previous tenants. The inability of the Group and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged Group will perform due diligence on the proposed investment. In doing so, they 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 and, following the Merger, the Enlarged Group's investment strategy or fail to perform in accordance with projections, which could have a material adverse effect on the Group's and, following the Merger, the Enlarged Group's business, financial condition, results of operation and prospects.

**1.15 Environmental liabilities may be assumed by the Group and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged Group regardless of whether the Group and, following the Merger, the Enlarged Group originally caused the contamination. In addition, such environmental liabilities could adversely affect the Group's and, following the Merger, the Enlarged 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 or, following the Merger, the Enlarged Group were to purchase contaminated properties, or if there are contaminated properties within the current portfolio, the Group and, following the Merger, the Enlarged 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, and following the Merger, the Enlarged Group's business, financial condition, results of operation and prospects.

#### **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 and, following the Merger, the Enlarged Group's profitability.

In addition, the potential for the redevelopment, expansion and/or refurbishment and ongoing improvement of the Group's and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged Group's business, financial condition, results of operation and prospects.

#### **1.17 The Group's and, following the Merger, the Enlarged Group's properties may suffer uninsured losses**

The Board seeks and following the Merger, the Proposed Board shall seek, to ensure that all of the Group's and, following the Merger, the Enlarged Group's properties are adequately insured to cover potential losses. However, the Group's and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged Group to uninsured losses, any of which could have a material adverse effect on the Group's and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged Group's focus on healthcare premises**

The Group and, following the Merger, the Enlarged Group intend to continue their 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 and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged Group's business**

The majority of the Group's and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged Group or impact on the underlying covenant strength that derives from the Costs Directions and their equivalent in Scotland, Wales and Northern Ireland. Should the NHS cease or reduce reimbursement, the Group's and, following the Merger, the Enlarged Group's rental income could be diminished.

**2.3 Changes in funding of medical centre GP tenants in the Republic of Ireland could affect the Group's and, following the Merger, the Enlarged Group's business**

The majority of the Group's and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged Group or impact on the underlying covenant strength that derives from the HSE and could lead to the Group's and, following the Merger, the Enlarged Group's rental income being diminished.

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

Primary Care Trusts ("PCTs") represented a proportion of the Group's and the MedicX 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 and, following the Merger, the Enlarged 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 UK is still negotiating the terms of the UK's future relationship with the EU and the process is scheduled to end on 29 March 2019. As at the Latest Practicable Date, the terms on which the UK is expected to leave the EU remain uncertain. There are a number of areas of uncertainty in connection with the future of the UK and its relationship with the EU and the negotiation of the UK's exit terms and related matters has already become protracted. Given this uncertainty and the range of possible outcomes, it is not currently possible to determine the impact that the referendum, the UK's departure from the EU and/or any related matters may have on general economic conditions in the UK, including the UK property and healthcare sector. 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 and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged Group is subject to an increased tax charge and may trigger a breach of the UK-REIT conditions.

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

- it regards a breach of the conditions or an attempt to obtain a tax advantage, as sufficiently serious;
- the Company or the Group or, following the Merger, the Enlarged Group fail to satisfy the conditions relating to the REIT regime;
- the Group and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged Group will automatically lose its UK-REIT status. The Group and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged Group may voluntarily give notice to cease to be a REIT.

If the Group or, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged Group’s business, financial condition, results of operation and prospects.

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

The Company cannot guarantee that equity interests in the Company will not be acquired by, or transferred to, investors that are ERISA Entities. 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” (a “PFIC”) for US federal income tax purposes, which could have adverse consequences to US investors. A non-US entity treated as a corporation for US federal income tax purposes will be classified as a PFIC for any taxable year in which at least 75 per cent. of its gross income consists of “passive



income” or at least 50 per cent. of the average value of its assets produce, or are held for the production of, passive income. For purposes of these tests, passive income includes dividends, interest, gains from the sale or exchange of investment property, and rents and royalties other than rents and royalties that are received from unrelated parties in connection with the active conduct of a trade or business. The Company has not determined whether it was a PFIC for any prior taxable year. If the Company were classified as a PFIC for any taxable year, a US holder that held Ordinary Shares at any time during such taxable year generally would be subject to adverse tax consequences on certain distributions in respect of such Ordinary Shares and on gains realized on the sale or other disposition of such Ordinary Shares, including taxation thereof as ordinary income and an interest charge on taxes treated as deferred. In the event the Company were a PFIC, dividends paid on Ordinary Shares would not qualify for the preferential US federal income tax rates generally available to US holders who are individuals. Certain elections might be available to mitigate the adverse tax consequences of classification as a PFIC. However, the Company does not expect to provide the information needed to make a “qualified electing fund” election, and a “mark to market” election will be available only if the Ordinary Shares are “regularly traded” for US federal income tax purposes. All prospective investors in Ordinary Shares are urged to consult 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 MERGER**

#### **3.1 The Merger is subject to the Conditions which may not be satisfied or waived**

Completion of the Merger is subject to the Conditions being satisfied (or, if permitted, waived) which include:

- approval of (i) the Merger Resolution to effect the Merger by PHP Shareholders and (ii) the Related Party Resolution by Independent Shareholders, in each case at the PHP General Meeting;
- approval of the resolutions proposed at the MedicX Court Meeting by the requisite majority of MedicX Scheme Shareholders within specific timeframes;
- approval of the resolutions necessary to implement the Scheme by the requisite majority of MedicX Shareholders at the MedicX General Meeting within specified timeframes;
- the sanction of the Scheme by the Court within specified timeframes; and
- the FCA and the London Stock Exchange approving the admission of the New Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities respectively.

There is no guarantee that the Conditions will be satisfied in the necessary time frame (or waived, if applicable) and the Merger may, therefore, be delayed or not complete. Delay in completing the Merger will prolong the period of uncertainty for the Group and the MedicX Group and both delay and failure to complete may result in the accrual of additional costs to their businesses (for example, there may be an increase in costs in relation to the preparation and issue of documentation or other elements of the planning and implementation of the Merger) without any of the potential benefits of the Merger having been achieved. In addition, PHP’s and MedicX’s management would have spent time in connection with the Merger, which could otherwise have been spent more productively in connection with the other activities of the Group and the MedicX Group, as applicable. Therefore, the aggregate consequences of a material delay in completing or failure to complete the Merger may have a material adverse effect on the business, results of operations and financial condition of the Group, the MedicX Group and, in the case of a delay only, the Enlarged Group.

PHP’s ability to invoke a Condition (other than Scheme-related conditions) to the Merger to either lapse the Merger or to delay the Merger is subject to the Panel’s consent. The Panel will need to be satisfied that the underlying circumstances are of “material significance” to PHP in the context of the Merger and this is a high threshold to fulfil. Consequently, there is a significant risk that PHP may be required to complete the Merger even where certain Conditions have not been satisfied or where a material adverse change has occurred to the MedicX Group. If any of the events described above were to occur, they may result in additional costs and/or

the delay or the failure (partial or otherwise) to realise the financial benefits and synergies relating to the Merger identified by the parties or may otherwise impact the Enlarged Group's strategy and operations.

Proceeding to complete the Merger without particular clearances and consents from third parties, which may include commercial counterparties, may impact the Enlarged Group's future strategy and operations, may result in the imposition of penalties or fines, the termination or variation of contracts and may cause damage to the Enlarged Group's reputation and business relationships with counterparties. If these events were to occur, there may be a material adverse effect on the business, results of operations and financial condition of the Enlarged Group and the market price of the Ordinary Shares.

**3.2 A third party may have or be able to obtain a large enough shareholding in MedicX to delay or prevent completion of the Merger**

MedicX Shares are freely traded on the London Stock Exchange's main market for listed securities. Although PHP is not aware of the existence of any such shareholders as at the date of this document, it is possible that a shareholder with a significant shareholding could use, or could threaten to use, its shareholding to vote against the Scheme when MedicX Shareholder consent is sought. Such an action could materially delay or prevent the implementation of the Merger by way of the Scheme and therefore deprive the PHP Shareholders and the MedicX Shareholders of some or all of the anticipated benefits of the Merger.

**3.3 Following the Merger, the integration of the MedicX Group with the Group could result in operating difficulties and other adverse consequences**

Following the Merger, the process of integrating the MedicX Group with the Group may create unforeseen operating difficulties and pose management and administrative challenges. Specifically, the integration of personnel from Octopus to Nexus may require significant time and effort on the part of Nexus distracting Nexus' focus away from the management of the portfolio of the Enlarged Group. The challenges of integrating personnel from Octopus may be exacerbated by differences between Nexus's operational and business culture, the need to implement cost-cutting measures and difficulties in maintaining internal controls. Such difficulties in successfully integrating the MedicX business with the PHP business could have an adverse effect on the Company's financial condition and results of operations.

**3.4 The Enlarged Group may fail to realise the business growth opportunities, revenue benefits, cost savings, operational efficiencies and other benefits anticipated from the Merger**

The Board believes that the Merger will result in long term cost savings as well as other operating efficiencies and increase business growth opportunities, revenue benefits and other benefits for the Enlarged Group. This belief constitutes an important and significant part of the business rationale for the Merger. However, these expected business growth opportunities, revenue benefits, cost savings and other operational efficiencies and other benefits may not develop, for various reasons, including because the assumptions upon which the Board determined the process of integration and the proposed cost savings may prove to be incorrect. Additionally the Enlarged Group will be dependent on Nexus, which may suffer from increased pressures such as a result of increased costs and lower fees.

Under any of these circumstances, the business growth opportunities, revenue benefits, cost savings and other benefits anticipated by the Board and the Proposed Board to result from the Merger may not be achieved as expected, or at all, or may be delayed, or may involve additional costs. To the extent that the Enlarged Group incurs higher integration costs or achieves lower revenue benefits or fewer cost savings than expected, the Enlarged Group's operating results, and prospects and the price of Ordinary Shares may suffer.

**3.5 The Merger is not conditional on control approval from the CMA and there is a risk that the Merger may be subject to review by the CMA**

The Merger is not conditional on the receipt of UK merger control approval from the CMA. The Directors believe that the Merger does not fall within the jurisdiction of the CMA. Notwithstanding the foregoing, it is possible that the Merger may be subject to review by the CMA. During any such review, the CMA has the power to impose on the Company, MedicX (and/or, following the Merger, the Enlarged Group) and/or Nexus, an interim enforcement order, such as a "hold separate" order, which would, amongst other things, prevent, limit and/or delay the integration of the Company and MedicX (and/or the integration of personnel

from Octopus to Nexus), prevent the Company or Nexus from doing anything which might impair the ability of the MedicX business to compete independently in any market affected by the Merger, and/or prevent completion of the Merger, pending any final decision by the CMA. Should the CMA decide to undertake a formal review of the Merger, the review process may take a lengthy period to complete and the CMA may require certain conditions to be satisfied as part of its final decision. These conditions may include the divestiture of certain assets or businesses by the Company (or the Enlarged Group) and/or Nexus and/or stipulate other requirements relating to the future conduct of the business of the Company (or Enlarged Group) and/or Nexus. If any of the above events were to occur, they may result in additional costs and/or the delay or failure (partial or otherwise) to realise the financial benefits and synergies relating to the Merger identified by the parties or may otherwise impact the Enlarged Group's strategy and operations.

#### **4. RISKS RELATING TO THE NEW SHARES**

##### **4.1 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 Enlarged 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 Merger, 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 Enlarged 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.

##### **4.2 PHP Shareholders will experience dilution in their ownership of the Company**

The unavoidable effect of the Merger becoming Effective will be a reduction in the proportionate ownership and voting interests in PHP of existing PHP Shareholders (who are not also MedicX Shareholders). Assuming that the maximum number of New Shares are issued to MedicX Shareholders, each PHP Shareholder will be diluted by up to approximately 30.5 per cent. In addition, if the Group's outstanding convertible bonds in the amount of £14.5 million convert in full, 15,079,035 new Ordinary Shares will be issued, resulting in each PHP Shareholder being further diluted by 1.9 per cent.

##### **4.3 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 PHP Shareholders, unless such rights are disapplied by a special resolution in accordance with the Articles. However, the securities laws of certain jurisdictions may restrict the Company's ability to allow the participation of PHP Shareholders in future offerings. In particular, PHP 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 PHP Shareholder who is unable to participate in future equity offerings may suffer dilution.

##### **4.4 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.

**4.5 PHP Shareholders may be exposed to fluctuations in currency exchange rate**

PHP 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 PHP 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.

**4.6 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 and, following the Merger, the Enlarged 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 and, following the Merger, the Enlarged Group's assets.

**4.7 The ability of Overseas Shareholders to bring actions or enforce judgments against the Company, the Directors or the Proposed 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 and the Proposed Directors. The Directors and the Proposed Directors are residents of the UK. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Company and the Directors or the Proposed Directors within the Overseas Shareholder's country of residence or to enforce against the Company, the Directors or the Proposed 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, the Directors or the Proposed Directors or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Company, the Directors or the Proposed Directors in any original action based solely on foreign securities laws brought against the Company, the Directors or the Proposed Directors in a court of competent jurisdiction in England or other countries.

## 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 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. No action has been taken by PHP, the Directors, the Proposed Directors, 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 in any jurisdiction where action for that purpose is required, other than in the United Kingdom.

Prospective investors should only rely on the information contained in this document and contained in any documents incorporated into it by reference (for the avoidance of doubt, the Scheme Document has not been incorporated by reference into this document). 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, the Directors, the Proposed Directors, Numis or Peel Hunt or any other person involved in the Merger. No representation or warranty, express or implied, is made by PHP, the Directors, the Proposed Directors, Numis or Peel Hunt or any other person involved in the Merger 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, the Directors, Proposed Directors, Numis or Peel Hunt or any other person involved in the Merger 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 or the MedicX 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. Prospective 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 19 to 31 of this document. Prospective investors should consider carefully whether an investment in the New Shares is suitable for them in light of the information contained in this document and their personal circumstances.

PHP, Numis, Peel Hunt or 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, Numis, Peel Hunt or their respective affiliates may



provide such services to the Group and, following the Merger, the Enlarged Group and any of their affiliates in the future.

### **Exchange rate consideration**

PHP 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 7 in Part 1 (*Letter from the Chairman*) of this document.

### **Incorporation by reference**

Certain information in relation to the Group and the MedicX Group has been incorporated by reference into this document. Please see Part 11 (*Documentation Incorporated by Reference*) of this document. Except as set out in Part 11 (*Documentation Incorporated by Reference*), no other part of these documents are incorporated by reference into this document and those parts which are not specifically incorporated by reference in this document are either not relevant for the PHP Shareholders and the MedicX Shareholders or the relevant information is included elsewhere in this document.

To the extent that any document or information incorporated by reference incorporates any information by reference, either expressly or impliedly, such information will not form part of this document for the purposes of the Prospectus Rules, except where such information or documents are stated within this document as specifically being incorporated by reference or where this document is specifically defined as including such information.

Any statement contained in a document which is deemed to be incorporated by reference into this document shall be deemed to be modified or superseded for the purposes of this document to the extent that a statement contained in this document (or in a later document which is incorporated by reference into this document) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this document.

### **No incorporation of website**

None of the content of the Company's website ([www.phpgroup.co.uk](http://www.phpgroup.co.uk)), MedicX's website ([www.medicxfund.com](http://www.medicxfund.com)) (or any other website) or the content of any website accessible from hyperlinks on the Company's or MedicX'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 12 (*Definitions*) of this document.

### **PHP Shareholder Helpline**

If you have any questions relating to this document, the Form of Proxy that accompanies this document, or any other document prepared in connection with the Merger 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 0333-207-6530 from within the UK or +44 (0) 121-415-0915 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 PHP 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 Merger or to provide financial, legal tax or investment advice.*

### **Presentation of financial information**

Each of the PHP Group and the MedicX Group 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 each of the Group's and the MedicX Group's historical consolidated financial statements which are incorporated by reference into this document.

### **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' and/or the Proposed Directors' intentions, beliefs or current expectations concerning, amongst other things, the Group's, the MedicX Group's or the Enlarged 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 or the Enlarged Group's operations, results of operations and growth strategy. Prospective 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 Market Abuse Regulation, the Disclosure Guidance and Transparency Rules and the Listing Rules), none of the Company, the Directors, the Proposed Directors, the MedicX Group, Numis and Peel Hunt or any other person involved in the Merger 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, the MedicX Group or the Enlarged 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" and Part 1 (*Letter from the Chairman*) of this document. Past performance of the Company and MedicX is not necessarily indicative of future performance. Prospective 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.

### **No forecasts or estimates**

No statement in this document (including any statement of estimated synergies) is intended as a profit forecast or estimate for any period.

Accretion statements or statements as to the effect of the Merger on return of average capital employed should not be construed as profit forecasts and are, therefore, not subject to the requirements of Rule 28 of the Takeover Code.

No statement in this document should be interpreted to mean that earnings, earnings per share or income, cash flow from operations or free cash flow for the Group, the MedicX Group and/or the Enlarged Group as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings, earnings per share or income, cash flow from operations or free cash flow for the Group or the MedicX Group, as appropriate.

### **Pro forma financial information relating to the Enlarged Group**

In this document, any reference to *pro forma* financial information is to information which has been extracted without material adjustment from the unaudited *pro forma* financial information contained in Part 9 (*Unaudited Pro Forma Financial Information of the Enlarged Group*).

### **Other information relating to the MedicX Group**

This document contains information regarding the MedicX Group which has been incorporated by reference or accurately reproduced from the information provided to PHP by MedicX for inclusion in this document, the MedicX 2016 Annual Report and Financial Statements, the MedicX 2017 Annual Report and Financial Statements and the MedicX 2018 Annual Report and Financial Statements. As far as PHP is aware and is able to ascertain from information published by MedicX or otherwise provided to PHP by MedicX, no facts have been omitted that would render the reproduced information inaccurate or misleading.

### **Synergies**

The estimated cost synergies referred to in this document are unaudited and are based on analysis by PHP's management and on PHP's internal records and certain of MedicX's internal records. Further information underlying the Quantified Financial Benefits Statement is contained in paragraph 3 of Part 1 (*Letter from the Chairman*).

### **Sources of financial information**

In this document unless otherwise stated:

- (A) financial information relating to PHP has been extracted unless otherwise stated, without material adjustment, from the audited historical financial information referred to in Part 5 (*Historical Financial Information on PHP*) of this document for the financial years ended 31 December 2018, 31 December 2017 and 31 December 2016 prepared in accordance with IFRS;
- (B) financial information relating to MedicX has been extracted unless otherwise stated, without material adjustment, from the audited historical financial information referred to in Part 7 (*Historical Financial Information on MedicX*) of this document for the financial years ended 30 September 2018, 30 September 2017 and 30 September 2016 prepared in accordance with IFRS and the unaudited statement of EPRA NAV per MedicX Share as at 31 December 2018 also referred to in Part 7 (*Historical Financial Information on MedicX*) of this document; and
- (C) where information has been sourced from a third party, PHP confirms that the information has been accurately reproduced and, as far as PHP 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.

### **Accounting considerations**

PHP's financial year ends on 31 December and MedicX's financial year ends on 30 September. It is intended that the consolidated financial reports for the Enlarged Group will have an accounting financial year ending on 31 December each year.

For accounting purposes, it is expected that the Transaction will be treated as an asset acquisition in the consolidated financial statements of the Enlarged Group. As a result no goodwill will arise on completion.

## INDICATIVE STATISTICS

Number of New Shares to be issued for each MedicX Share	0.77
Number of Ordinary Shares in issue as at the Latest Practicable Date	778,177,744
Number of New Shares to be issued pursuant to the Merger	341,045,427
New Shares as a percentage of the issued share capital of PHP immediately following completion of the Merger <sup>(1)</sup>	30.5%
Number of Ordinary Shares in issue immediately following completion of the Merger <sup>(1)</sup>	1,119,223,171
Estimated expenses of the Merger payable by PHP	£7.5 million
ISIN number for the Ordinary Shares and New Shares	GB00BYRJ5J14
SEDOL number for the Ordinary Shares and New Shares	BYRJ5J1

---

**Notes:**

- (1) These figures are calculated assuming that the number of Ordinary Shares and MedicX Shares in issue and to be issued as at the Latest Practicable Date do not change and that no issues of Ordinary Shares, other than New Shares described above, occur between the Latest Practicable Date and completion of the Merger.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of the proposed Merger	24 January 2019
Publication of this document	8 February 2019
Publication of Scheme Document	8 February 2019
Latest time and date for receipt of Form of Proxy for the PHP General Meeting	10.30 a.m. on 26 February 2019
Voting record time for the PHP General Meeting	6.30 p.m. on 26 February 2019
Latest time and date for receipt of forms of instruction for the MedicX Court Meeting	2.00 p.m. on 27 February 2019
Latest time and date for receipt of form of proxy for the MedicX General Meeting	2.15 p.m. on 27 February 2019
Voting record time for the MedicX Court Meeting and General Meeting	6.30 p.m. on 27 February 2019
<b>PHP General Meeting</b>	<b>10.30 a.m. on 28 February 2019</b>
<b>MedicX Court Meeting</b>	<b>2.00 p.m. on 1 March 2019</b>
<b>MedicX General Meeting</b>	<b>2.15 p.m. on 1 March 2019<sup>(1)</sup></b>
Last day for dealings in, and for registration of transfers of, and disablement in CREST of, MedicX Shares	13 March 2019 <sup>(2)</sup>
Scheme Record Time	6.00 p.m. on 13 March 2019 <sup>(2)</sup>
Suspension of listing of, and dealings in, MedicX Shares	7.30 a.m. on 14 March 2019 <sup>(2)</sup>
<b>MedicX Court Hearing</b>	<b>9.30 a.m. on 14 March 2019<sup>(2)</sup></b>
<b>Effective Date</b>	<b>14 March 2019<sup>(2)(3)</sup></b>
Admission and commencement of dealings in New Shares on the London Stock Exchange	by 8.00 a.m. on 15 March 2019 <sup>(2)</sup>
Delisting of MedicX Shares	by 8.00 a.m. on 15 March 2019 <sup>(2)</sup>
New Shares issued and credited to CREST accounts	on or soon after 8.00 a.m. on 15 March 2019 but no later than 14 days after the Effective Date
Despatch of share certificates for New Shares and cheques in respect of fractional entitlements to New Shares (where applicable)	Within 14 days of the Effective Date
Long Stop Date	31 August 2019 <sup>(4)</sup>

### Notes:

- (1) To commence at the time fixed or, if later, immediately after the conclusion or adjournment of the MedicX Court Meeting.
- (2) These dates and times given are indicative only and are based on PHP's current expectations and may be subject to change (including as a result of changes to the regulatory timetable). If any of the times and/or dates above change, the revised times and/or dates will be notified to PHP Shareholders by announcement through a Regulatory Information Service.
- (3) A copy of the order of the Court which sanctions the Scheme must be filed with the Guernsey Registry as promptly as practicable and in any event within seven days after the date on which it is made.
- (4) This is the latest date by which the Scheme may become Effective unless MedicX and PHP agree upon, and (if required) the Court and the Panel allow, a later date.

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

<b>Directors</b>	<p>Steven Owen, <i>Non-Executive Chairman</i>  Harry Hyman, <i>Managing Director</i>  Richard Howell, <i>Finance Director</i>  Nick Wiles, <i>Non-Executive Director and Senior Independent 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>  Peter Cole, <i>Non-Executive Director</i></p>
<b>Proposed Directors</b>	<p>Helen Mahy, <i>Non-Executive Deputy Chairman and Senior Independent Director</i>  Laure Duhot, <i>Non-Executive Director</i></p>
<b>Company Secretary</b>	Nexus Management Services Limited
<b>Registered Office and Directors' Business Address</b>	<p>5th Floor  Greener House  66-68 Haymarket  London SW1Y 4RF</p>
<b>Sponsor, Lead Financial Adviser and Joint Broker</b>	<p>Numis Securities Limited  The London Stock Exchange Building  10 Paternoster Square  London EC4M 7LT</p>
<b>Joint Financial Adviser and Joint Broker</b>	<p>Peel Hunt LLP  Moor House  120 London Wall  London EC2Y 5ET</p>
<b>Legal Adviser to the Company as to English and US law</b>	<p>CMS Cameron McKenna Nabarro Olswang LLP  Cannon Place  78 Cannon Street  London EC4N 6AF</p>
<b>Legal Adviser to the Company as to Guernsey Law</b>	<p>Ogier (Guernsey) LLP  Redwood House  St Julians Avenue  St Peter Port  Guernsey GY1 1WA</p>
<b>Legal Adviser to the Sponsor as to English law</b>	<p>Pinsent Masons LLP  30 Crown Place  London EC2A 4ES</p>
<b>Auditors and Reporting Accountants</b>	<p>Deloitte LLP  1 New Street Square  London EC4A 3HQ</p>
<b>PHP Property Valuers</b>	<p>Lambert Smith Hampton Group Limited  Interchange Place  Edmund Street  Birmingham B3 2TA</p>
<b>MedicX Property Valuers</b>	<p>Jones Lang LaSalle Limited  30 Warwick Street  London W1B 5NH  Cushman &amp; Wakefield Ireland Limited  6 Shannon Street  Limerick Ireland</p>



**Registrars**

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

## Part 1

### LETTER FROM THE CHAIRMAN



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

#### *Directors*

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

#### *Registered Office:*

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

8 February 2019

Dear Shareholder,

#### **Recommended all-share offer by the Company for MedicX Fund Limited**

#### **1. INTRODUCTION**

On 24 January 2019 the Boards of PHP and MedicX jointly announced they had reached agreement on the terms of a recommended all-share merger pursuant to which PHP will acquire the entire issued and to be issued ordinary share capital of MedicX (the “**Merger**”). The Merger is to be effected by means of a court-sanctioned scheme of arrangement under Part VIII of Guernsey Companies Law. The Scheme is subject to a number of Conditions summarised in paragraph 9.2 of this Part 1. The full terms and conditions of the Scheme are set out in the Scheme Document.

In view of the size of the Merger, it is deemed to be a “Class 1 acquisition” under the Listing Rules and the purpose of this document is to provide PHP Shareholders with information on MedicX and to requisition a meeting of the PHP Shareholders to approve, among other things, the Merger and the allotment of New Shares to MedicX Shareholders.

#### **2. THE MERGER**

Under the Merger, which is subject to the conditions and further terms set out in Scheme Document, MedicX Shareholders will be entitled to receive:

##### **0.77 New Shares for each MedicX Share held**

The Merger will involve PHP issuing approximately 341.0 million New Shares, with the result that PHP Shareholders will own approximately 69.5 per cent. of the Enlarged Share Capital and MedicX Shareholders will own approximately 30.5 of the Enlarged Share Capital. On this basis, MedicX Shareholders will share in the benefits accruing to the Enlarged Group via the enhanced opportunities for the combined business and the realisation of significant cost savings.

Based on the Closing Price of 115.2 pence per Ordinary Share on 23 January 2019 (being the latest practicable date before publication of the Announcement), the Merger values each MedicX Share at 88.7 pence and the entire issued and to be issued ordinary share capital of MedicX at approximately £392.9 million.

The Merger represents a premium of approximately:

- 14.3 per cent. to 77.6 pence – the Closing Price per MedicX Share on 23 January 2019 (being the latest practicable date before the date of the Announcement);

- 15.1 per cent. to 77.1 pence – the volume weighted average Closing Price per MedicX Share in the three months ending on 23 January 2019 (being the latest practicable date before the date of the Announcement); and
- 9.0 per cent. to 81.4 pence – MedicX’s unaudited EPRA NAV per MedicX Share at 31 December 2018. Further details on the calculation on this unaudited EPRA NAV can be found in Part 7 of the Scheme Document.

The Merger is subject to the conditions set out in the Scheme Document and as summarised in paragraph 9.2 of this Part 1. The Scheme Document has been published on the same date as this document. It is expected that the MedicX Court Meeting and the MedicX General Meeting will be held on 1 March 2019 and that the Scheme will become effective on 14 March 2019.

#### *PHP Shareholder approval*

This document constitutes a circular prepared in compliance with the Listing Rules for the purposes of the PHP General Meeting convened pursuant to the Notice of General Meeting, contained at the end of this document. This document is also a prospectus relating to the issue of the New Shares in connection with the Merger prepared in accordance with the Prospectus Rules and approved by the FCA.

The PHP General Meeting has been convened for 10.30 a.m. on 28 February 2019 at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF at which the Resolutions will be proposed. An explanation of the Resolutions to be proposed at the meeting is set out in paragraph 12 of this Part 1.

Due to its size, the Merger constitutes a “Class 1 transaction” for PHP for the purposes of the Listing Rules and, therefore, requires the approval of the PHP Shareholders. PHP Shareholders must also authorise the issue of the New Shares to the MedicX Shareholders.

In addition, the Company and Nexus have agreed certain proposed amendments to the Advisory Agreement as set out in the Deed of Variation which constitutes a “related party transaction” for the purposes of the Listing Rules, requiring the approval of Independent Shareholders. The Company and Nexus have also agreed to apportion liabilities associated with the transfer of Octopus and/or OAIFM personnel to Nexus as set out in the TUPE Deed which also constitutes a “related party transaction” for the purposes of the Listing Rules, requiring the approval of Independent Shareholders. Further details of the Related Party Transactions are set out in paragraph 18 of this Part 1.

**If the Merger Resolution is not passed by the PHP Shareholders and the Related Party Resolution is not passed by the Independent Shareholders at the PHP General Meeting, the Merger will not proceed.**

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

- to explain the Resolutions to be put to the PHP Shareholders, or Independent Shareholders in the case of the Related Party Resolution, at the PHP General Meeting;
- to explain why PHP Shareholders are being asked to vote on the Merger Resolution and Independent Shareholders are being asked to vote on the Related Party Resolution; and
- to recommend that PHP Shareholders vote in favour of the Merger Resolution and Independent Shareholders vote in favour of the Related Party Resolution to be proposed at the PHP General Meeting to be held on 28 February 2019.

I am writing to give you details of the Proposals, including the background to and reasons for them, to explain why your Board considers the Proposals to be in the best interests of PHP and the PHP Shareholders as a whole and to seek your approval of all the Resolutions.

### **3. BACKGROUND TO AND REASONS FOR THE MERGER**

The Directors and the Proposed Directors believe that the businesses are highly complementary: strategically, geographically, operationally and culturally and that the Enlarged Group would be significantly more attractive for all stakeholders, including investors, the NHS and the HSE.

#### *Growing market with solid fundamentals*

- PHP and MedicX both invest in modern purpose-built healthcare properties in the UK and the Republic of Ireland, a sector which has:

- favourable market dynamics arising from ageing and growing populations and increasing demands on underinvested healthcare provision;
- an historically underinvested estate in need of replacement and modernisation; and
- unwavering political support in the UK and the Republic of Ireland for the promotion of a model of integrated care delivered in a modern primary care setting, with, in the UK, proposed increased funding for primary care as set out in the NHS Long Term Plan published in January 2019.
- Combining the two businesses will give the Enlarged Group greater scale with which to participate in this growing market with an enhanced ability to meet the increasing needs of the primary healthcare sector in the UK and the Republic of Ireland for the provision of a range of modern, purpose built and integrated primary healthcare services to the local communities.

#### ***Complementary portfolios with attractive characteristics***

- Upon completion, PHP and MedicX will own a portfolio of 479 properties with a combined value of approximately £2.3 billion and annual rental income of over £120.0 million (the combination of the large portfolios having been effected without incurring a stamp duty liability of approximately £40.0 million that would have arisen on an asset transfer). This will create a strong platform for further acquisitions and development opportunities.
- The respective portfolios are highly complementary with little geographic overlap and the Merger will create an attractive investment partner, able to provide significant financing and extensive experience in the primary healthcare sector.
- Both PHP's and MedicX's portfolios have long weighted average unexpired lease terms (WAULT) (13.1 years and 14.2 years respectively) with over 90 per cent. of rents payable by or guaranteed by the NHS or the HSE.

#### ***Improved value creation opportunities and strong balance sheet***

- The Enlarged Group will be managed by Nexus, which has a successful track record in creating value for shareholders, having managed PHP's portfolio since PHP's founding in 1995. Nexus has managed the successful implementation and integration of a number of acquisitions including that of Prime Public Partnerships (Holdings) Limited in 2013, which involved the acquisition of a portfolio of 54 properties with an aggregate value of £233.0 million.
- The Directors and the Proposed Directors are confident that the growth prospects of the Enlarged Group will be greater than those of either business on its own.
- An enhanced presence in the primary health sector is expected to provide increased investment opportunities and enable a deeper relationship with the NHS and Department of Health in the UK and HSE in the Republic of Ireland.
- The Enlarged Group will benefit from a strengthened investment case and rental growth prospects from the asset management expertise of the combined teams.
- It will have a strong balance sheet, and is anticipated to have greater access to broader and more competitively priced debt facilities, as well as improved access to equity capital markets for fund raisings. The current financing facilities of MedicX are expected to remain in place following the Effective Date with no break fees becoming due as a result of the Merger. The anticipated strong balance sheet is expected to facilitate access to new and cheaper forms of debt funding over the medium term (the actual financial benefits of this have not been quantified for reporting on under the Listing Rules).
- A strengthened balance sheet will provide flexibility for future development activity and underpin an attractive, sustainable dividend policy, fully covered by the combined earnings.

#### ***Synergies and efficiencies***

- PHP has entered into, conditional upon the approval of Independent Shareholders at the PHP General Meeting, the Deed of Variation with Nexus which amends the Advisory Agreement in respect of services to be provided in relation to the MedicX Group. PHP has also entered into the Amendment Deed with Nexus which amends the Advisory Agreement in relation to the management of the enlarged portfolio. The fee structure of the amended Advisory Agreement is

more favourable from shareholders' perspective than the terms in the existing management arrangements of either PHP or MedicX on a standalone basis and will result in lower fees being paid.

#### ***Quantified Financial Benefits Statement***

- The Directors, having reviewed and analysed the potential synergies of the Enlarged Group, as well as taking into account factors they can influence, believe that the Enlarged Group can deliver shareholder value through expected realisation of approximately £4.0 million of recurring cost synergies from the end of the first year following the Effective Date, reducing to £3.5 million of recurring cost synergies from the sixth year following the Effective Date.
- The cost synergies will be realised principally from:
  - i. ***Management fee savings:*** Unification of property management under Nexus delivering approximately £3.0 million of cost savings per annum derived from £2.5 million of lower management fees charged on the MedicX investment properties and a £0.5 million rebate given by Nexus for the management of the investment properties in the first five years following the Effective Date; and
  - ii. ***Administration and direct property cost savings:*** Rationalisation of duplicated listing, administration and operational expenses and reducing direct property costs through procurement and scale benefits, delivering an estimated £1.0 million of run rate cost savings per annum by the end of the first full year of operation.
- The Directors expect the management fee savings to be achieved from the Effective Date, with the administration and direct property cost savings delivered progressively through the first year, resulting in a first year synergy of £3.8 million, rising to the £4.0 million run rate by the end of the first year following the Effective Date and £3.5 million run rate from the sixth year following the Effective Date.
- In order to achieve the management fee savings, the Enlarged Group will incur a one-off contractual termination payment of approximately £10 million payable to Octopus, the current MedicX investment adviser, on termination of the MedicX Investment Management Agreement. This payment will fall due within the first year following the Effective Date. The Directors expect that any costs incurred in the realisation of the other cost synergies will be immaterial.
- The identified cost synergies will accrue as a direct result of the Merger and would not be achieved on a standalone basis. The estimated cost synergies referred to above reflect both the beneficial elements and the relevant costs.
- The Directors do not expect any material dis-synergies to arise in connection with the Merger.
- These statements relating to identified cost savings and estimated savings relate to future actions or circumstances which by their nature involve risks, uncertainties and contingencies. As a consequence, the identified synergies and estimated savings referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated.
- Further information on the bases of belief supporting the Quantified Financial Benefits Statement, including the principal assumptions and sources of information, is set out in paragraph 22 of Part 10 (*Additional Information*) of this document. These estimated synergies have been reported on by Deloitte LLP, and by PHP's financial advisers, Numis and Peel Hunt at the time of the Announcement. References in this document to the estimated cost savings should be read in conjunction with paragraph 22 of Part 10 (*Additional Information*) of this document.

#### ***Other efficiencies***

- Incremental to these quantified cost synergies, the Directors expect that the Enlarged Group will benefit from further unquantified cost synergies derived from the optimisation of its financing arrangements.
- PHP's EPRA cost ratio of 14.3 per cent. is already amongst the lowest in the UK-REIT sector and is expected to reduce further to 12 per cent. following completion of the Merger.
- The combined asset portfolio will benefit from lower weighted average external management fees (as a percentage of the total portfolio size) together with unquantified reduced professional valuation, audit and other professional advisory fees (as a percentage of the total portfolio size).



### ***Increased liquidity***

- The Merger will result in a broadening of the shareholder base and MedicX Scheme Shareholders will benefit from greater liquidity in the secondary market afforded by PHP's inclusion in the FTSE 250 index and a high quality and more diverse shareholder register is expected to develop over time. The Enlarged Group will be one of the largest healthcare UK-REITs.
- This increased prominence, combined with the attractive investment proposition and opportunity for improved shareholder returns, is expected by PHP to drive increased investor interest in the Enlarged Group and create further value for both sets of existing shareholders, as well as providing a more liquid market in the Ordinary Shares.

## **4. INFORMATION ON PHP**

PHP is a UK-REIT incorporated in 1995 and is listed as a premium equity commercial company on the Official List under Chapter 6 of the Listing Rules. The principal activity of the PHP 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, the HSE and other governmental bodies and other associated healthcare users. It currently has a market capitalisation of approximately £904.2 million, property investments of approximately £1.5 billion and is a member of the FTSE 250 and EPRA indices.

In the most recent results for the period ended 31 December 2018, PHP reported EPRA earnings per share of 5.2 pence and EPRA NAV of £808.6 million and EPRA NAV per share of 105.1 pence.

As at 31 December 2018, PHP's property portfolio was independently valued at just over £1.5 billion (see Part A of Part 8 (*Property Valuation Reports*) of this document for more details).

Nexus has provided property management and other services to PHP since 1995 when the business was established. It is majority owned by Harry Hyman, PHP's founder. Under Nexus's management PHP has returned 22 years of continued dividend growth and EPRA NAV and maintained a consistently low EPRA cost ratio.

### **4.1 PHP recent performance highlights**

As at 31 December 2018, the Group owned 313 properties with a total value of approximately £1.5 billion an increase of 36.6 per cent. since 1 January 2016. Since that date, the Group has acquired two further properties, at a total cost of approximately £7.2 million. Since 1 January 2016 to the date of this document, the PHP Group has acquired 44 properties for a total consideration of approximately £259.5 million. These assets added £14.1 million to the Group's annualised rent roll, which together with contributions from rental growth and asset management projects, has grown by 25.1 per cent. over the period.

EPRA earnings per share have grown by 6.1 per cent. from 4.9 pence per share (following adjustment to reflect the Share Sub-division undertaken in November 2015) in the year ended 31 December 2015 to 5.2 pence per share in the year ended 31 December 2018. PHP has continued to grow its dividend in each of these three years, with an overall increase of 8.0 per cent..

EPRA NAV per share has risen over the review period by 19.8 per cent. (following adjustment to reflect the Share Sub-division undertaken in November 2015) to 105.1 pence as at 31 December 2018. Adding this growth to dividends per share paid, the three year period generated a total accounting return of 37.5 per cent..

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) in addition to issuing a £100 million secured guaranteed note in 2017 and a €51 million secured guaranteed note in December 2018. Following the exercise of the conversion rights in respect of a total of £40.0 million of the unsecured convertible bonds, as at 31 December 2018 there were £23.2 million nominal amount of such bonds outstanding. At 31 December 2018, 14.5 per cent. of Group debt outstanding was funded on an unsecured basis.

The mix of debt instruments 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 refinancing's, weighted average debt costs fell to 3.90 per cent. as at 31 December 2018 from 4.67 per cent. as

at 31 December 2015. Overall Group loan to value stood at 44.8 per cent. as at 31 December 2018 (31 December 2015: 62.7 per cent.). As at 31 December 2018, had all the then remaining £23.2 million of convertible bonds converted into Ordinary Shares at that date resulting in the issue of approximately 24.1 million new Ordinary Shares at the current conversion price, the Group's loan to value ratio would have reduced by a further 1.6 per cent. to 43.2 per cent..

#### **4.2 Capital Resources**

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 74 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 Merger, the Group may seek additional facilities to help fund further investment in the Enlarged Group's property portfolio.

### **5. INFORMATION ON MEDICX**

MedicX is also a specialist primary care infrastructure investor in modern, purpose-built primary healthcare properties in the United Kingdom and the Republic of Ireland. It is a closed-ended investment company and a UK-REIT which was incorporated in Guernsey on 25 August 2006. MedicX had a market capitalisation of approximately £344 million on 23 January 2019 (being the latest practicable date before the date of the Announcement), property investments of approximately £0.8 billion as at 31 December 2018 and is listed on the London Stock Exchange.

In the most recent results for the period ended 30 September 2018, MedicX reported EPRA earnings per share of 3.9 pence and EPRA NAV of £362.2 million.

As at 31 December 2018, MedicX's property portfolio was independently valued at £807.9 million (see Part B of Part 8 (*Property Valuation Reports*) of this document for more details).

As at 31 December 2018, MedicX's unaudited EPRA NAV was £360.5 million. Further details on the calculation on this unaudited EPRA NAV can be found in Part 7 of the Scheme Document.

The current investment adviser and manager to MedicX are Octopus and OAIFM (respectively). Octopus and OAIFM are part of the Octopus Group. The Octopus Group invests in and develops properties and creates partnerships to deliver innovative healthcare buildings to improve the health, wealth and wellbeing of the UK with a focus on three core areas: GP surgeries, care homes and retirement housing.

### **6. STRATEGIC PLANS AND INTENTIONS WITH REGARD TO ASSETS, MANAGEMENT AND EMPLOYEES OF OCTOPUS**

#### **6.1 Board of directors, management and employees**

Following completion of the Merger, it is expected that Helen Mahy will join the board as Non-Executive Deputy Chairman, Senior Independent Director and chairman of the remuneration committee and Laure Duhot will join the board as a Non-Executive Director and Chairman of the Adviser Engagement Committee. It is also proposed that Nick Wiles and Geraldine Kennell will step down from the board following completion of the Merger. This will deliver an appropriately sized and balanced board with the complementary skills necessary to drive the Enlarged Group forward following the Merger. The board of directors of the Company will therefore comprise: Steven Owen, Peter Cole, Laure Duhot, Richard Howell, Harry Hyman, Dr Stephen Kell OBE, Ian Krieger and Helen Mahy. In addition, it is expected that Steve Le Page and John Hearle may act as consultants to PHP for a limited period following completion of the Merger, on terms to be agreed, to assist with integration.

PHP intends to delist MedicX following completion of the Merger. Consequently, MedicX will not require listed company governance structures and accordingly, it is intended that the current MedicX Directors will cease to be directors of MedicX following completion of the Merger.

#### **6.2 Advisory and transitional services to MedicX**

Nexus, which provides property management, administrative and advisory services to PHP, has agreed to provide such services to the Enlarged Group. Accordingly, on completion of the Merger, the MedicX Investment Management Agreement will terminate. In order to provide for an orderly handover to Nexus of property management, administrative and advisory services, Octopus, the current MedicX investment adviser, and OAIFM, the current MedicX investment

manager, have entered into the Transitional Services Agreement with MedicX and Nexus which provides for access to books and records and such other transitional services as the parties may agree on arms' length terms. These arrangements are intended to minimise potential disruption to the Enlarged Group. The arrangements relating to the termination of the MedicX Investment Management Agreement are also provided for in the Transitional Services Agreement. The key terms of the Transitional Services Agreement are described in paragraph 8.2 of this Part 1 and paragraph 16.1 of Part 10 (*Additional Information*) of this document.

### 6.3 **Transfer of Octopus employees to Nexus**

PHP confirms that, under the terms of the Transitional Services Agreement, Nexus has undertaken to comply with its statutory obligations under TUPE. Under TUPE, certain persons employed by the Octopus and OAIFM, whose principal role is the carrying out of activities on behalf of MedicX, will transfer their employment to Nexus. Octopus and OAIFM have undertaken to MedicX to commence a statutory information and consultation process in connection with the proposed transfer as soon as reasonably practicable prior to completion of the Merger (but in any event no later than 28 days prior to such completion). Mike Adams, Executive Chairman of Octopus, will not be transferring to Nexus as agreed with Nexus, Octopus and Mike Adams.

### 6.4 **TUPE Deed**

PHP and Nexus have entered into the TUPE Deed, the key terms of which are:

- the parties offer cross-indemnities in respect of pre and post-TUPE transfer employment liabilities associated with those employees who will transfer under TUPE to Nexus from Octopus and OAIFM in consequence of the appointment of Nexus as the adviser for the Enlarged Group;
- the parties offer cross-indemnities in respect of pre and post-TUPE transfer employment liabilities associated with those employees who would transfer under TUPE from Nexus to PHP or a replacement service provider in the event that the Advisory Agreement expires or is terminated without renewal; and
- each party's liabilities under its indemnities are capped at a maximum amount of £3.75 million.

The TUPE Deed, which is conditional on completion of the Merger, requires the approval of Independent Shareholders at the PHP General Meeting and further details of the requirements for such approval are set in paragraph 18 of this Part 1.

### 6.5 **Advisory Agreement amendments**

As part of the Merger arrangements, certain amendments have been or will be made to the existing Advisory Agreement with Nexus. As a result of these amendments, PHP will, pursuant to the Amendment Deed, benefit from a reduction in the marginal property fee scale applied to calculate the annual property services fee payable by PHP to Nexus. In addition, PHP will, pursuant to the Deed of Variation, receive, over a five year period, a rebate of £2.5 million as a contribution by Nexus towards the cost of the one-off contractual termination fee of approximately £10 million which is payable to Octopus on termination of the MedicX Investment Management Agreement. Nexus will, at the same time, benefit from an extension of its term of appointment for an initial period of three years from the date of completion of the Merger with two years' notice thereafter to terminate. The Independent Directors consider this reduction in Nexus' net advisory fees, together with the stability created by the extension of the term of the Advisory Agreement to be fundamental to the Merger. Accordingly, the Merger is conditional on, amongst other things, the approval of the Related Party Resolution by Independent Shareholders at the PHP General Meeting.

Under the terms of the Advisory Agreement, as amended by the Deed of Variation, the fees payable for the management of the Enlarged Group's portfolio will be lower than the comparable fees paid to Octopus for the management of the MedicX portfolio under the MedicX Investment Management Agreement and, accordingly, it is expected that significant cost savings will be realised as a result.

### ***Deed of Variation***

The key terms of the Deed of Variation include:

- in respect of the services provided in relation to the properties currently owned by the MedicX Group, PHP shall pay a monthly fee to Nexus equal to 0.225 per cent. per annum of the MedicX Group's gross asset value for a period of five years from the date of completion of the Merger, after which PHP's marginal property fee scale will apply – this monthly fee will be reduced by the monthly cost contribution from Nexus referred to in the next paragraph;
- a cost contribution paid by Nexus to PHP equal to 25 per cent. of the payment made by MedicX to terminate the MedicX Investment Management Agreement with Octopus (capped at £2.5 million), such contribution to be payable in monthly instalments, over five years, by reducing the fees payable to Nexus under the Advisory Agreement with such contribution terminating five years after the date of completion of the Merger or, if earlier, the date on which the Company serves notice terminating the Advisory Agreement;
- the fee payable in respect of the provision of the finance and company secretarial services shall increase by an annual figure of £250,000;
- in respect of property management services, setting an initial term of the appointment of three years from the date of completion of the Merger and thereafter continuing until terminated on at least two years' notice; and
- in respect of financial and company secretarial services, setting an initial term of appointment of three years from the date of completion of the Merger and thereafter continuing until terminated on at least 12 months' notice.

Further details relating to the Deed of Variation are set out in paragraph 15.3 of Part 10 (*Additional Information*) of this document.

The Deed of Variation, which is conditional on completion of the Merger, requires the approval of Independent Shareholders at the PHP General Meeting and further details of the requirements for such approval are set out in paragraph 18 of this Part 1.

### ***Amendment Deed***

PHP and Nexus also entered into the Amendment Deed on 23 January 2019. The key amendments provide that PHP's current marginal property fee scale of 0.275 per cent., applied in calculating the annual property services fee, will reduce in accordance with the following scale – where the gross asset value of the portfolio is:

- between £1.75-£2.00 billion, the rate applied is 0.250 per cent.;
- between £2.00-£2.25 billion the rate applied is 0.225 per cent.; and
- £2.25 billion and above, the rate applied is 0.200 per cent.

Prior to the amendments made by the Amendment Deed, a rate of 0.250 per cent. was applied in calculating the annual property services fee where the gross asset value of the portfolio was greater than £1.75 billion.

The Amendment Deed is not conditional on completion of the Merger and does not require the approval of the PHP Shareholders.

## **6.6 Management and employees**

MedicX has no employees and therefore does not operate any pension scheme, nor does it have any arrangements in place for any employee involvement in its capital. MedicX has no place of business, research and development function or headquarters.

Following completion of the Merger, certain functions which exist in relation to MedicX's status as a publicly traded company will no longer be required or will be reduced in size, reflecting the new structure within the Enlarged Group.

## **6.7 Listing and registered office**

Following completion of the Merger, PHP will remain traded on the London Stock Exchange as a premium equity commercial company on the Official List under Chapter 6 of the Listing Rules. The registered office of PHP will remain in London following completion of the Merger.

## **7. DIVIDENDS**

Following completion of the Merger, MedicX Scheme Shareholders will benefit from an accelerated dividend cycle as PHP pays its quarterly dividends approximately one month before MedicX pays its dividend for the same quarter.

For each calendar quarter which ends before the Effective Date, MedicX Shareholders will be entitled to receive and retain the Permitted Dividends with any such dividend(s) having a record date of the earlier of: (i) the ordinary course MedicX record date for the dividend declared in respect of that calendar quarter; and (ii) the Scheme Record Time. PHP will ensure that the record date and ex-dividend date on its own dividend for the same quarter is set on or sufficiently before the Effective Date, such that MedicX Shareholders will not be entitled to receive the PHP dividend in respect of that calendar quarter in addition to the relevant Permitted Dividend.

Accordingly, MedicX Shareholders will also be entitled to receive and retain the MedicX quarterly dividend in respect of the period from October to December 2018, which was declared on 8 February 2019. Based on the expected timetable for completion of the Merger, MedicX Scheme Shareholders would receive the PHP second quarterly interim dividend in 2019, expected to be paid in May 2019.

The New Shares will be issued credited as fully paid-up and will rank *pari passu* in all respects with the Ordinary Shares in issue at the time the New Shares are issued, including the right to receive and retain dividends and other distributions declared, made or paid by reference to a record date on or after the Effective Date.

Prior to completion of the Merger, a MedicX Scheme Shareholder will therefore receive, for any completed quarters prior to the Effective Date, the Permitted Dividend in respect of such quarter(s) and, following completion of the Merger and assuming the MedicX Scheme Shareholder has retained his/her shares in the Enlarged Group, dividends declared in the ordinary course on New Shares with a record date on or after the Effective Date.

Other than Permitted Dividends, if any dividend or other distribution is authorised, declared, made or paid in respect of MedicX Shares on or after the date of the Announcement and with a record date on or before the Scheme Record Time, PHP reserves the right to adjust the Merger Ratio accordingly by reference to the amount per MedicX Share of all or part of any such dividend or other distribution.

PHP has agreed not to authorise, declare, make or pay any dividend or other distribution in excess of 1.40 pence per PHP Share per quarter on or after the date of the Announcement and prior to the Effective Date.

On 3 January 2019, PHP announced an interim dividend of 1.40 pence per Ordinary Share which will be paid on 22 February 2019 to PHP Shareholders on the register of members on 11 January 2019, in accordance with PHP's normal dividend timetable. MedicX Scheme Shareholders will not be entitled to receive this dividend.

Following completion of the Merger, the Enlarged Group will be committed to maintaining a fully-covered dividend whilst paying out substantially all of its underlying earnings. The Merger is expected to deliver a material uplift in the dividend to be received by MedicX Scheme Shareholders – on the basis of the latest PHP quarterly dividend and the expected MedicX quarterly dividend for the MedicX financial year ending 30 September 2019, this would amount to an increase of 13.5 per cent.

## **8. MERGER RELATED ARRANGEMENTS**

### **8.1 Confidentiality Agreement**

PHP and MedicX have entered into the Confidentiality Agreement, pursuant to which each has undertaken to keep certain information relating to the Merger and to the other party confidential and not to disclose such information to third parties, except to certain permitted disclosees for the purposes of evaluating the Merger or if required by applicable laws or regulations. The confidentiality obligations of each party under the Confidentiality Agreement continue for 24 months from 6 December 2018. The Confidentiality Agreement also contains customary: (a) non-solicit provisions, subject to customary carve-outs, for a period of 12 months from 6 December 2018; and (b) standstill provisions, subject to customary carve-outs, for a period of six months from 6 December 2018.



## 8.2 Transitional Services Agreement

Under the terms of the Transitional Services Agreement, the MedicX Investment Management Agreement is to be terminated immediately upon completion of the Merger and Octopus, the current MedicX investment adviser and OAIFM, MedicX's existing investment manager, have agreed to provide access to books and records and such other transitional services as the parties may agree on arm's length terms following completion of the Merger. In addition, in the period prior to completion of the Merger, Octopus and OAIFM will co-operate and consult with MedicX to identify any additional services or requirements which MedicX may require following termination of the MedicX Investment Management Agreement so as to allow MedicX and Nexus to minimise business disruption arising from termination of the MedicX Investment Management Agreement.

Other key terms of the Transitional Services Agreement include:

- a one-off, contractual termination payment of approximately £10 million, which will be payable by MedicX to Octopus, on termination of the MedicX Investment Management Agreement (in addition to all accrued and unpaid fees and expenses up to the date of completion of the Merger);
- an obligation on Octopus to indemnify MedicX for employment claims which relate to the period prior to the date of completion of the Merger or the failure by Octopus to comply with its obligations under TUPE (save to the extent that such employment claims arise from, or relate to, the determination, act or omission of Nexus); and
- an undertaking by Nexus to comply with its statutory obligations under TUPE and an indemnity given by Nexus in favour of Octopus for employment claims arising on or after the date of completion of the Merger or from the failure by Nexus to comply with its obligations under TUPE (save to the extent that such employment claims result from the act or omission of Octopus or OAIFM).

The parties to the Transitional Services Agreement have agreed that, if the Panel determines that any provision of the Transitional Services Agreement that requires MedicX, Octopus, OAIFM or Nexus to take or not to take action, whether as a direct obligation or as a condition to any other person's obligation (however expressed) prior to the date of completion of the Merger, is not permitted by Rule 21.2 of the Takeover Code, that provision shall have no effect and shall be disregarded.

## 9. STRUCTURE OF THE MERGER

### 9.1 Scheme of arrangement and New Shares

It is intended that the Merger will be implemented by means of a Court-sanctioned scheme of arrangement under Part VIII of the Guernsey Companies Law, although PHP reserves the right to effect the merger by way of a Takeover Offer. The Scheme is an arrangement between MedicX and the MedicX Scheme Shareholders and is subject to the approval of the Court. The procedure involves, among other things, an application by MedicX to the Court to sanction the Scheme and if the Court sanctions the Scheme, this will result in the MedicX Shares held by MedicX Scheme Shareholders being transferred to PHP (or its nominee(s)), and, in consideration, PHP will issue New Shares to the MedicX Scheme Shareholders on the basis of the Merger Ratio. The purpose of the Scheme is to provide for PHP to become the holder of the entire issued and to be issued ordinary share capital of MedicX, not already directly or indirectly owned by PHP.

Upon the Scheme becoming Effective it will be binding on all MedicX Scheme Shareholders, irrespective of whether or not they attended or voted at the MedicX Court Meeting and the MedicX General Meeting (and if they attended and voted, whether or not they voted in favour).

The New Shares will be issued in registered form and will be capable of being held in both certificated and uncertificated form. The New Shares will be issued by PHP to MedicX Scheme Shareholders no later than 14 days after the Effective Date. Fractions of the New Shares will not be allotted or issued pursuant to the Merger, but entitlements of MedicX Scheme Shareholders will be rounded down to the nearest whole number of New Shares and all fractions of New Shares will be aggregated and sold in the market as soon as practicable after the Merger becomes Effective. The net proceeds of such sale (after deduction of all expenses and

commissions incurred in connection with the sale) will be distributed in due proportions to MedicX Scheme Shareholders who would otherwise have been entitled to such fractions (rounded down to the nearest penny).

## **9.2 Conditions**

The Merger is subject to the terms and conditions set out in the Scheme Document. The Merger will be conditional upon the Scheme becoming unconditional and becoming Effective, subject to the Takeover Code, by not later than 11.59 p.m. on the Long Stop Date.

The Conditions include, among other things:

- (a) the approval of the Scheme by a majority in number representing 75 per cent. or more in value of the MedicX Scheme Shareholders entitled to vote and present and voting, either in person or by proxy, at the MedicX Court Meeting and at any separate class meeting which may be required by the Court or at any adjournment of any such meeting;
- (b) the MedicX Court Meeting and any separate class meeting which may be required by the Court or any adjournment of any such meeting being held on or before the 22nd day after the expected date of the MedicX Court Meeting, to be set out in the Scheme Document (or such later date as may be agreed by PHP and MedicX in writing and the Court may allow);
- (c) all resolutions in connection with, or necessary to approve and implement the Scheme, as set out in the notice of the MedicX General Meeting, being duly passed by the requisite majority or majorities at the MedicX General Meeting, or at any adjournment of that meeting;
- (d) the MedicX General Meeting or any adjournment of that meeting being held on or before the 22nd day after the expected date of the MedicX General Meeting, to be set out in the Scheme Document (or such later date as may be agreed by PHP and MedicX in writing and the Court may allow);
- (e) the sanction of the Scheme (without modification, or with such modifications as are agreed by PHP and MedicX) by the Court;
- (f) the passing at the PHP General Meeting (or at any adjournment of that meeting), in each case by the requisite majority of PHP Shareholders, of such resolution or resolutions to approve, effect and implement the Merger including: (a) the Merger Resolution; and (b) the Related Party Resolution;
- (g) the FCA having acknowledged to PHP or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of the New Shares to the Official List with a premium listing has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject) will become effective as soon as a dealing notice has been issued by the FCA and any listing conditions having been satisfied; and
- (h) the London Stock Exchange having acknowledged to PHP or its agent (and such acknowledgement not having been withdrawn) that the New Shares will be admitted to trading on the London Stock Exchange's main market for listed securities.

## **9.3 Election to switch**

Subject to obtaining the consent of the Panel, PHP reserves the right to elect to implement the Merger by way of a Takeover Offer as an alternative to the Scheme. In any event a Takeover Offer would be implemented on the same terms, so far as applicable, as those which apply to the Scheme. Further details relating to this right are set out in the terms and conditions set out in the Scheme Document.

## **10. DE-LISTING AND CANCELLATION OF TRADING OF MEDICX SHARES**

It is intended that dealings in, and for registration of transfers of, MedicX Shares (other than the registration of the transfer of the Scheme Shares to PHP pursuant to the Scheme) will be suspended shortly before the Effective Date at a time set out in the Scheme Document. It is further intended that applications will be made to the London Stock Exchange to cancel trading in MedicX Shares on the London Stock Exchange's main market for listed securities, and to the FCA to cancel the listing

of the MedicX Shares on the Official List, in each case with effect from or shortly following the Effective Date.

On the first Business Day after the Effective Date, entitlements to MedicX Shares held within the CREST system will be cancelled, and share certificates in respect of MedicX Shares will cease to be valid.

## **11. LISTING, DEALING AND SETTLEMENT OF NEW SHARES**

Prior to the Effective Date, applications will be made to the FCA and to the London Stock Exchange for the New Shares to be admitted to the premium listing segment of the Official List and for such shares to be admitted to trading on the London Stock Exchange's main market for listed securities respectively. It is expected that Admission will become effective and that unconditional dealings in the New Shares will commence on the London Stock Exchange at 8.00 a.m. on the first Business Day following the Effective Date. The New Shares will not be listed on any stock exchange other than the London Stock Exchange.

## **12. PHP GENERAL MEETING**

You will find set out at the end of this document a Notice of General Meeting convening the PHP General Meeting to be held on 28 February 2019 at 10.30 a.m. at the offices of 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 13 (*Notice of General Meeting*) of this document.

At the PHP General Meeting, the following Resolutions will be proposed:

- Resolution 1 – an ordinary resolution to:
  - (a) approve the Merger as a “class 1 transaction” for the purposes of Chapter 10 of the Listing Rules and authorise the Directors to implement the Merger; and
  - (b) authorise the Directors to allot the New Shares up to an aggregate nominal amount of £42,630,679 in connection with any allotment of New Shares pursuant to the Scheme; and
- Resolution 2 – an ordinary resolution to approve (a) the Deed of Variation pursuant to which certain terms of the Advisory Agreement are amended and (b) the TUPE Deed, each being a “related party transaction” for the purposes of Chapter 11 of the Listing Rules.

The Merger is conditional on, *inter alia*, the passing of Resolution 1 and Resolution 2. Whilst Resolution 2 is not required to effect the Proposals, given the significance of the Merger, the Independent Directors believe that the Merger should only proceed if certain amendments are made to the Advisory Agreement with Nexus, as set out in more detail in paragraph 15.3 of Part 10 (*Additional Information*) of this document.

The Company is calling the PHP General Meeting on less than 21 days' notice as permitted by the enabling resolution passed at the Company's annual general meeting held on 18 April 2018. The Company considers doing so to be merited by the business of the meeting and considers proceeding to completion of the Merger as soon as possible and minimising the risk of events arising which may result in the Merger not proceeding, to be to the advantage of PHP Shareholders as a whole.

## **13. ACTION TO BE TAKEN IN RESPECT OF THE PHP GENERAL MEETING**

You will find enclosed with this document a Form of Proxy for use at the PHP General Meeting. Whether or not you intend to be present at the PHP 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 10.30 a.m. on 26 February 2019. Completion and return of the Form of Proxy will not preclude you from attending the PHP General Meeting in person, if you so wish and are entitled.

You may also submit your proxies electronically at [www.shareview.co.uk](http://www.shareview.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 10.30 a.m. on 26 February 2019.

## 14. OVERSEAS SHAREHOLDERS

### United States

The Merger relates to the securities of a Guernsey company with a listing on the London Stock Exchange and is proposed to be implemented pursuant to a scheme of arrangement provided for under Guernsey company law. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules or the proxy solicitation rules under the US Exchange Act. Accordingly, the Scheme is subject to procedural and disclosure requirements and practices applicable to a scheme of arrangement involving a target company in Guernsey listed on the London Stock Exchange, which are different from the disclosure requirements of the US tender offer and proxy solicitation rules. If in the future the Company exercises its right to implement the Merger by way of a Takeover Offer, such Takeover Offer will be made in compliance with all applicable laws and regulations, including, without limitation, to the extent applicable, Section 14(e) of the US Exchange Act and Regulation 14E thereunder, and subject, in the case of participation by MedicX Shareholders resident in the United States, to the availability of an exemption (if any) from the registration requirements of the US Securities Act and of the securities laws of any state or other jurisdiction of the United States. Such Takeover Offer would be made by the Company and no one else. In addition to any such Takeover Offer, the Company, certain affiliated companies and the nominees or brokers (acting as agents) may make certain purchases of, or arrangements to purchase, shares in MedicX outside such Takeover Offer during the period in which such Takeover Offer would remain open for acceptance. If such purchases or arrangements to purchase were to be made, they would be made outside the United States and would comply with applicable law, including the US Exchange Act. Any information about such purchases will be disclosed as required in the United Kingdom and Guernsey, will be reported to a Regulatory Information Service of the FCA and will be available on the London Stock Exchange website: <http://www.londonstockexchange.com>.

The financial information included in this document and other documentation related to the Merger has been or will have been prepared in accordance with International Financial Reporting Standards and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

The New Shares to be issued under the Merger have not been and will not be registered under the US Securities Act, or with any securities regulatory authority or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares may not be offered, sold, resold, delivered, distributed or otherwise transferred, directly or indirectly, in or into the United States except pursuant to an exemption from the registration requirements under the US Securities Act. This document shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the New Shares in any state of the United States in which such offer, solicitation or sale would be unlawful prior to qualification under the securities laws of any such state.

The New Shares are expected to be issued in the United States in reliance upon the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) thereof. MedicX Shareholders (whether or not US persons) who are or will be affiliates (within the meaning of the US Securities Act) of the Company or MedicX prior to, or of the Company after, the Effective Date will be subject to certain US transfer restrictions relating to the New Shares received pursuant to the Merger (as described below).

The New Shares generally should not be treated as “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act and persons who receive securities under the Merger (other than “affiliates” as described in the paragraph below) may resell them without restriction under the US Securities Act.

Under US securities laws, persons who are or will be deemed to be affiliates (as defined under the US Securities Act) of the Company or MedicX prior to or of the Company after the Effective Date may be subject to timing, manner of sale and volume restrictions on the resale in the United States of New Shares received pursuant to the Merger. Whether a person is an “affiliate” of a company for such purposes depends upon the circumstances, but an “affiliate” of a company includes a person that directly, or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, that company, and may include certain officers and directors and significant shareholders of the Company and MedicX. MedicX Shareholders who believe they may be affiliates for the purposes of the US Securities Act should consult their own legal advisers prior to any resale of New Shares received under the Merger.

For the purposes of qualifying for the exemption from the registration requirements of the US Securities Act afforded by Section 3(a)(10) thereunder, MedicX will advise the Court through counsel that its sanctioning of the Scheme will be relied on by the Company as an approval of the Scheme following a hearing on the fairness of the terms and conditions of the Scheme to MedicX Shareholders, at which hearing all such shareholders are entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all such shareholders.

None of the securities referred to in this document have been approved or disapproved by the SEC or any US state securities commission, nor have any such authorities passed judgment upon the fairness or the merits of the Merger or determined if this document is accurate or complete. Any representation to the contrary is a criminal offence in the United States.

It may be difficult for US holders of MedicX Shares to enforce their rights and claims arising out of the US federal securities laws, since the Company and MedicX are organized in countries other than the United States, and some or all of their officers and directors may be residents of, and some or all of their assets may be located in, jurisdictions other than the United States. US holders of MedicX Shares may have difficulty effecting service of process within the United States upon those persons or recovering against judgments of US courts, including judgments based upon the civil liability provisions of the US federal securities laws. US holders of MedicX Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgment.

The New Shares have not been, and will not be, listed on a US securities exchange or quoted on any inter-dealer quotation system in the United States. The Company does not intend to take any action to facilitate a market in New Shares in the United States. Consequently, it is unlikely that an active trading market for the New Shares will develop in the United States.

The receipt of New Shares pursuant to the Merger by a US holders of MedicX Shares may be a taxable transaction for US federal income tax purposes and under applicable state and local tax laws. Each MedicX Shareholder is urged to consult his independent professional adviser immediately regarding the tax consequences of the Merger.

#### **Other jurisdictions**

The availability of New Shares under the Merger to MedicX Shareholders who are not resident in the UK may be affected by the laws of the relevant jurisdictions in which they are resident. This document has been prepared for the purpose of complying with English law and applicable regulations and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside of England.

This document does not constitute an offer to sell or issue or the solicitation of an offer to buy, acquire or subscribe for shares in the capital of PHP in any Excluded Territory or to any person to whom it is unlawful to make such offer or solicitation. None of the securities referred to in this document shall be sold, issued or transferred in any jurisdiction in contravention of applicable law and/or regulation.

**Overseas Shareholders should consult their own legal and tax advisers with respect to the legal and tax consequences of the Scheme in their particular circumstances.**

#### **15. TAXATION**

Information regarding taxation in the UK in relation to the Ordinary Shares is set out in paragraph 11 of Part 10 (*Additional Information*) of this document. PHP Shareholders and prospective investors 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.

#### **16. RISKS AND ADDITIONAL INFORMATION**

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



## **17. IRREVOCABLE UNDERTAKINGS**

PHP has received irrevocable undertakings from each of the Directors who hold Ordinary Shares to vote or procure votes in favour of the Merger Resolution to be proposed at the PHP General Meeting in respect of their beneficial holdings (and the beneficial holdings which are under their control and those of their close relatives) of 13,443,211 Ordinary Shares, in aggregate, representing approximately 1.728 per cent. of PHP's issued ordinary share capital as at the Latest Practicable Date.

The Independent Directors who hold Ordinary Shares have undertaken to vote or procure votes in favour of the Related Party Resolution to be proposed at the PHP General Meeting in respect of 478,387 Ordinary Shares, in aggregate, representing approximately 0.061 per cent. of PHP's issued ordinary share capital as at the close of business on the Latest Practicable Date.

In addition to the irrevocable undertakings received from each of the Directors who hold Ordinary Shares, PHP has received an undertaking from Investec Wealth & Investment to vote or procure votes in favour of the resolutions to be proposed at the PHP General Meeting in respect of 37,225,861 Ordinary Shares, representing approximately 4.784 per cent. of PHP's issued ordinary share capital as the Latest Practicable Date.

PHP has therefore received, in aggregate, irrevocable undertakings representing approximately 6.511 per cent. of PHP's issued ordinary share capital as at the Latest Practicable Date.

## **18. RELATED PARTY TRANSACTIONS**

The Board, which has been so advised by Numis in its capacity as sponsor, considers that the Related Party Transactions, on the terms described in this document, are fair and reasonable as far as PHP Shareholders are concerned. In providing such advice to the Board, Numis has taken into account the Board's commercial assessment of the Related Party Transactions. Both Harry Hyman and Richard Howell did not take part in the Board's consideration of the Related Party Transactions.

As Harry Hyman is indirectly the majority shareholder of Nexus, which is the counterparty to the Deed of Variation and the TUPE Deed, as well as being both the managing director of Nexus and PHP and Richard Howell, the finance director of PHP, is an employee of Nexus, they and Nexus are considered to be related parties of PHP for the purposes of Chapter 11 of the Listing Rules. Anita Hyman, as spouse of Harry Hyman and Fiona Howell, as spouse of Richard Howell, are also considered to be related parties of PHP for the purposes of Chapter 11 of the Listing Rules. As (i) Nexus Group Holdings Limited is a wholly owned subsidiary of Nexus Investco Limited which is owned by Harry Hyman and his children; and (ii) Nexus Central Management Services Limited holds shares as trustee for Richard Howell, they are each considered to be related parties of PHP for the purposes of Chapter 11 of the Listing Rules.

Harry Hyman, Anita Hyman and Nexus Group Holdings Limited together hold 12,836,616 Ordinary Shares in aggregate, representing approximately 1.650 per cent. of PHP's issued ordinary share capital as at the Latest Practicable Date. Richard Howell, Fiona Howell and Nexus Central Management Services Limited together hold 128,208 Ordinary Shares in aggregate, representing approximately 0.016 per cent. of PHP's issued ordinary share capital as at the Latest Practicable Date.

Therefore, in accordance with the Listing Rules, Harry Hyman, Richard Howell, Anita Hyman, Fiona Howell, Nexus Central Management Services Limited and Nexus Group Holdings Limited will not be able to vote on the resolution to approve the Related Party Transactions. Harry Hyman and Richard Howell have each undertaken not to vote on the Related Party Resolution and to take all reasonable steps to ensure that their associates will not vote on the Related Party Resolution. Both Harry Hyman and Richard Howell did not take part in the Board's consideration of the Related Party Transactions.

Accordingly, the Deed of Variation and the TUPE Deed are each conditional upon the passing of an ordinary resolution of the Independent Shareholders (which requires more than 50 per cent. of the votes cast by Independent PHP Shareholders to be cast in favour) to approve them. The Deed of Variation and TUPE Deed are also conditional upon completion of the Merger.

The key terms of the TUPE Deed and the Deed of Variation are described in paragraphs 15.2 and 15.3 of Part 10 (*Additional Information*) of this document.

## **19. FINANCIAL ADVICE**

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

## **20. BOARD RECOMMENDATION**

The Board considers the Merger Resolution to be in the best interests of PHP and the PHP Shareholders as a whole and unanimously recommends that PHP Shareholders vote in favour of the Merger Resolution, as the Directors who hold Ordinary Shares have irrevocably undertaken to do in respect of their own beneficial holdings (and the beneficial holdings which are under their control and those of their close relatives), aggregating 13,443,211 Ordinary Shares, representing approximately 1.728 per cent. of PHP's issued ordinary share capital as at the Latest Practicable Date.

The Board considers the Deed of Variation and the TUPE Deed to be in the best interests of PHP and the PHP Shareholders as a whole and unanimously recommends that PHP Shareholders vote in favour of the Related Party Resolution, as the Independent Directors who hold Ordinary Shares have irrevocably undertaken to do in respect of their own beneficial holdings (and the beneficial holdings which are under their control and those of their close relatives), aggregating 478,387 Ordinary Shares, representing approximately 0.061 per cent. of PHP's issued ordinary share capital as at the Latest Practicable Date.

Yours sincerely,

Steven Owen  
*Chairman*

## **Part 2**

### **INFORMATION ON PHP**

#### **1. OVERVIEW**

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

The Group works in partnership with 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 Group 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 2018. As at 31 December 2018, the Group held 313 primary healthcare assets, 312 completed properties and one development funding, with a total portfolio value of approximately £1.5 billion, generating an annualised rent roll of approximately £79.4 million per annum. Since that date, the Group has acquired two further asset in Leeds and Langwith, Derbyshire with a total cost of approximately £7.2 million.

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.

The Company is neither an investment fund within the meaning of Chapter 15 of the Listing Rules nor is it a closed end fund. For the purposes of the Collective Investment Scheme sourcebook in the FCA Handbook of Rules and Guidance, PHP is a commercial company listed under Chapter 6 of the Listing Rules and is a REIT for UK tax purposes.

#### **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 as a premium equity commercial company under Chapter 6 of the Listing Rules. The Company and its subsidiaries converted to become, for taxation purposes, 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.

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.

On 18 April 2018, PHP announced the successful issue of 106,481,482 ordinary shares through a firm placing, placing, open offer and offer for subscription at 108 pence per share raising £115 million before expenses.

On 5 September 2018, PHP announced the purchase by PHP ICAV of Jellia Holdings Limited, the owner of three primary care centres in the Republic of Ireland for a cost of €38.6million.

On 19 December 2018, PHP Euro Private Placement Limited issued €51 million worth of fixed rate senior secured notes, €40 million of which is due 2028 and €11 million due 2030, guaranteed by the Company.

In the period since 1 January 2016 to the date of this document, the Group has acquired 44 properties for a total consideration of £259.5 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 the Latest Practicable Date, the pipeline of acquisitions and development opportunities, representing transactions where commercial terms are agreed and contracts are in the hands of the Group's solicitors, is 30 and the pipeline of five approved projects for extension or refurbishment of existing facilities that are expected to commence within the next 12 months is £1.0 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 modern, purpose-built healthcare property in the United Kingdom and the Republic of Ireland aligned to the priorities of the NHS (and HSE in 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.

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 2018, approximately 65 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 91 per cent. of its rent from NHS and governmental bodies in the UK or the HSE in the Republic of Ireland leading to approximately 28 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 2016 through to 31 December 2018, driven by portfolio valuation uplifts, acquisitions, asset management initiatives, new developments and rental growth.

The Group’s net rental income has increased by 22.6 per cent., its EPRA earnings per share (basic) by 6.1 per cent. and its dividend per share by 8.0 per cent. from 1 January 2016 to 31 December 2018. Its EPRA NAV per share has increased by 19.8 per cent. from 1 January 2016 through to 31 December 2018.

PHP has maintained its disciplined approach to investment with the acquisition of eight assets for £106.2 million in the year ended 31 December 2018 (2017: 10 assets for £71.9 million) at an average cost of £13.3 million. The Directors consider that the attractive characteristics of the Company and the stability of its underlying income and shareholder returns have contributed to PHP delivering a 63.1 per cent. return over the five years ended 31 December 2018 compared to the FTSE All Share Index which delivered a 22.1 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 HSE and other governmental agencies (relative to the UK and Irish property market). In the UK and the Republic of Ireland the NHS, HSE and other governmental agencies, effectively reimburses approximately 91 per cent. of the rent roll as at 31 December 2018.
- The majority of 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 99.8 per cent. let as at 31 December 2018.
- As at 31 December 2018, gross contracted rents, including forward purchase commitments stood at £79.4 million, an increase of 9.8 per cent. through 2018 driven by acquisitions, rent reviews and asset management projects.
- Approximately 52 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 2018 of 1.4 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 2018, a total of 30 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 2018 was 13.1 years.
- The Directors believe that these factors differentiate the primary care property market from the wider commercial property market and are likely to shield 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 the PHP 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 2018, the portfolio comprised of 313 premises in total, of which 305 are located within the UK and 8 are located in the Republic of Ireland. The portfolio was independently valued at 31 December 2018 at an average net initial yield of 4.85 per cent. (31 December 2017: 4.91 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 (£)*	Rent roll (£)*
North, Yorkshire and Humberside	81	492,040,000	21,694,762
Midlands and East Anglia	64	293,805,000	15,531,568
		306,210,000	
London and South East	81		15,950,712
South West	22	90,310,000	4,392,146
Wales	25	124,755,000	6,307,928
Scotland	32	175,800,000	8,878,883
Republic of Ireland	8	82,959,734	5,704,800
Total	313	1,502,879,734	78,460,799

\* Unaudited.

Since 31 December 2018, the Group has acquired two further assets located in Leeds and Langwith, Derbyshire with a total cost of approximately £7.2 million.

The portfolio’s average lot size as at 31 December 2018 stood at £4.8 million (2017: £4.5 million) and 82 per cent. of the portfolio is valued at over £3.0 million.

	%	Average lot size (£m)
>£10m	27.9	15.5
£5m-£10m	27.9	6.9
£3m-£5m	26.5	3.9
£1-£3m	17.5	2.2
<£1m (including land, £1.6m)	0.2	1.0
Total	100.0	4.8



## **6. STRATEGY**

A key part of the Group'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 (or the HSE in the Republic of Ireland) and local communities in both countries. The trend in policy in the UK and the Republic of Ireland is more collaborative working with locally integrated health systems encompassing primary, secondary and social care. 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.

In response, the Group'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 88 properties with a capital value of £5 million or more representing over 55.8 per cent. of the Group's portfolio by value as at 31 December 2018, compared with 75 properties representing approximately 51 per cent. of the portfolio by value as at 31 December 2017.

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

The demand for healthcare services continues to grow as populations grow and their average age, together with the incidence of chronic conditions, increase. 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 66 million in mid-2017 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 number of people aged over 85 is projected to increase to approximately 3.2 million by mid-2041.

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 'Next Steps on the Five Year Forward View', published in March 2017, set 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 private sector in delivering the objective of creating an affordable and efficient primary care estate. The NHS Long Term Plan, published in January 2019, places the increased treatment of illness in a primary care or community setting at the core of its strategy for the next ten years of the NHS and promises to increase investment in primary and medical community health services as a share of the total national NHS revenue spend across the five years from 2019/20 to 2023/24 at a faster rate than the rising NHS budget overall.

The new five-year NHS GP contract starting in April 2019 reflects the strategic priorities of the NHS Long Term Plan in placing emphasis on the formation of primary care networks to facilitate shared decision making between practices for their total network populations (typically between 30-50,000), and, augmented service provision. 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.

In the 2018 Autumn Budget, a further £20.5 billion was allocated for the NHS over the next five years with sustainability and transformation partnership areas continuing to form a key focus of the Department of Health and Social Care's transformation agenda in England.

### **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 there will be a substantial rise in the older population in the Republic of Ireland, with predictions of between 1.5 to 1.6 million persons aged over 65 by 2051, compared with 629,800 in 2016. The proportion of over 65s is projected to grow from 13 per cent. in 2016 to between 24 per cent. and 27 per cent. in 2051.

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. In 2015, according to the Irish Health of the Nation Study, the most recent Irish government survey, the average number of GP visits was 6.2 per person and 59 per cent. of the population over 75 reported that they suffered from at least one long standing condition.

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. 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 re-enforced 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 the Republic of 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 Irish Consumer Price Index linked rent reviews, both

upwards and downwards, for between 40 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.

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 Group 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 6.4 per cent. per annum over the ten years to December 2017 which compared to 5.8 per cent. per annum for the MSCI All Properties Index.

Given that primary care property is showing a positive yield gap above underlying funding rates, 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**

Among the large owners and development funders of primary healthcare properties in the UK are NHS Property Services, GP practices and public/private partnerships under the Government's Local Improvement Financial Trust (LIFT) initiatives. The Company competes for the acquisition of properties in the UK against these bodies together with Assura plc and a number of other unquoted companies including GPI Ltd (part of the GP Group), institutional pension funds, who specialise in healthcare such as Legal & General, AXA, and Investec, and funds focused on property investment such as Waypoint Government Income Fund, Blackrock and Equitix. With gilts and corporate bonds offering low yields, the market fundamentals supporting the primary health care sector has attracted a number of investors into the healthcare property market and has translated into increased prices for acquisitions in recent years, driven largely by increased competition in the market. 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, there are a number of investors and developers actively seeking new opportunities. The Company operates a slightly different model from its main competitors in that it does not engage in development activity directly but focuses purely on investment, a model which offers downside protection relative to competitors during periods of economic weakness.

## **8. 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 2018, the Company completed a number of debt related transactions:

- A total of £40.0 million of convertible bonds were converted, at the option of the holders, into approximately 41.5 million Ordinary Shares, leaving a balance of £23.2 million of convertible bonds outstanding at 31 December 2018. Since 31 December 2018, a further £8.7 million of convertible bonds have been converted, at the option of the holders, into approximately 9.0 million Ordinary Shares.
- In July 2018, a £30.6 million secured revolving credit facility was entered into with Santander for an initial three-year term which will be used to fund UK acquisitions.
- In December 2018, new euro denominated senior secured loan notes for €51.0 million in aggregate (£45.8 million) at a blended rate of 2.4973 per cent. with a weighted average maturity of 10.4 years, were placed with UK and Irish institutional investors. The use of euro denominated debt provides a natural hedge against movements in exchange rates for the Group's portfolio of assets in Ireland.

Following the above transactions, as at 31 December 2018, debt facilities available to the Group totalled £879.9 million, of which £479.3 million is represented by fixed rate bonds or debt,

£400.6 million is on a variable rate term loan or revolving credit facility basis (of which £188 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 £679.1 million at 31 December 2018 and further contracted commitments of approximately £16.1 million, at 31 December 2018 this left approximately £184.7 million of available debt facilities to allow the Group to continue with its acquisition policy. The Group had cash reserves of £5.9 million as at 31 December 2018. The Group's interest cover for the 12 months ended 31 December 2018 and LTV ratio as at that date were 2.6 times and 44.8 per cent., respectively.

On 23 January 2019, the Group entered into a £50 million secured facility agreement with HSBC Bank UK PLC, for an 18 month period, with an interest rate of 1.75 per cent. plus LIBOR on amounts drawn down. Further details of this Standby Facility Agreement are set out in paragraph 15.9 of Part 10 (*Additional Information*) of this document. No amounts have been drawn down as at the Latest Practicable Date.

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 74 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.

## **9. ADVISER**

The Group is managed by the Board which takes all strategic and investment decisions. The Group has no employees. The Group appoints experienced advisers to provide property advisory, property management, financial management and administrative services to the Group. Investment decisions are strictly reserved for the Board and are not taken by the Adviser. Whilst the Company has service providers it is not externally managed and therefore is a commercial company under Chapter 6 of the Listing Rules and not a "closed-ended fund" or an AIF. Nexus has been appointed as an adviser to the Board with regard to property advisory, property 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 on behalf of the Board the terms of purchase of those properties and provides property management services on behalf of the Group. All acquisitions and disposals however, are undertaken only following the exclusive approval of the Board following a review of proposals presented by Nexus. In addition, matters such as changes relating to the capital structure of the Company, major capital projects, approval of operating budgets, risk management and treasury policies are documented as matters reserved for the Board. Harry Hyman is a director and shareholder of Nexus and 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 15.8 of Part 10 (*Additional Information*) of this document.

As part of the Merger, it has been proposed that Nexus will be appointed as the adviser to the Enlarged Group after the Effective Date. To reflect that Nexus will be providing services to the Enlarged Group, the Company has entered into the Deed of Variation with Nexus pursuant to which a number of amendments to the Advisory Agreement have been agreed. Given that Nexus is deemed to be a "related party" of PHP for the purposes of the Listing Rules (for the reasons set out in paragraph 1 of Part 1 (*Letter from the Chairman*) of this document) and the proposed arrangement is of a sufficient size, the Deed of Variation is treated as a "related party transaction" for the purposes of the Listing Rules and is subject to the approval of the Related Party Resolution by Independent Shareholders at the PHP General Meeting and completion of the Merger.

As part of the appointment of Nexus as the adviser to the Enlarged Group after the Effective Date and the proposed transfer of Octopus and/or OAIFM personnel to Nexus, the Company has entered into the TUPE Deed with Nexus pursuant to which an apportionment as to any liability associated with the transfer under TUPE has been agreed. Given that Nexus is deemed to be a “related party” of PHP for the purposes of the Listing Rules (for the reasons set out in paragraph 18 of Part 1 (*Letter from the Chairman*) of this document) and the proposed arrangement is of a sufficient size, the TUPE Deed is treated as a “related party transaction” for the purposes of the Listing Rules and is subject to the approval of the Related Party Resolution by Independent Shareholders at the PHP General Meeting and completion of the Merger.

## 10. INFORMATION ON THE BOARD

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

Name	Position
Steven Owen	Non-Executive Chairman
Harry Hyman	Managing Director
Richard Howell	Finance Director
Nick Wiles	Non-Executive Director and Senior Independent Director
Dr Stephen Kell O.B.E	Non-Executive Director
Geraldine Kennell	Non-Executive Director
Ian Krieger	Non-Executive Director
Peter Cole	Non-Executive Director

### **Steven Owen – Non-Executive Chairman**

Appointed to the Board in January 2014, and appointed as Chairman in April 2018, Steven Owen is Chairman of the Nomination Committee and a member of the Remuneration and Advisers Engagement Committees. A Chartered Accountant, he was Deputy CEO and Finance Director of Brixton plc until 2009.

### **Harry Hyman – Managing Director**

Harry Hyman, a Chartered Accountant and corporate treasurer, was appointed to the Board in February 1996. Harry is the founder and Managing Director of Nexus Tradeco Limited, the Adviser and the 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, an AIM listed company registered in Guernsey. 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 and non-executive chairman of Hertsford Capital Plc.

### **Richard Howell – Finance Director**

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.

### **Nick Wiles – Non-Executive Director and Senior Independent Director**

Appointed to the Board on 5 April 2016, Mr Wiles is the Chairman of the Advisers Engagement Committees and a member of the Audit, Nomination 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 and subsequently at JP Morgan Cazenove. Mr Wiles is currently non-executive Chairman of PayPoint plc a UK listed provider of cash dispensing and payment services.



**Peter Cole – *Non-Executive Director***

Peter Cole was appointed as a Director on 1 May 2018 and is a member of the Audit, Nomination and Adviser Engagement Committees. Mr Cole is a Chartered Surveyor and is the Chief Investment Officer of Hammerson plc, the FTSE listed owner, manager and developer of retail destinations in the UK, Republic of Ireland and continental Europe and he has been a main board director of Hammerson since October 1999 until 31 December 2018.

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

Appointed as a Director on 15 February 2018, Dr Kell is a member of the Audit, Nomination and Adviser Engagement Committees. He 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***

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***

Appointed as a Director on 15 February 2018, Mr Krieger is a member of the Audit, Nomination and Adviser Engagement Committees. 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.

Following the Merger, the Proposed Directors shall be appointed to the Board and Nick Wiles and Geraldine Kennell shall resign from office. A summary of the Proposed Directors biographies are set out on in paragraph 3 of Part 3 (*Information on MedicX*) of this document.



## **Part 3**

### **INFORMATION ON MEDICX**

#### **1. INTRODUCTION**

MedicX is a specialist primary healthcare infrastructure investor in modern, purpose-built primary healthcare properties in the United Kingdom and the Republic of Ireland. MedicX was registered and incorporated in Guernsey on 25 August 2006 and its ordinary shares were admitted to the Official List of the FCA and to trading on the London Stock Exchange's main market for listed securities on 2 November 2006. MedicX is a closed-ended investment company and a UK REIT. MedicX is the holding company of the MedicX Group, which holds property investments and acquires properties in accordance with MedicX's investment objective and policy. MedicX receives investment advice and management services from Octopus which is a specialist investor in, developer of, and manager of healthcare properties. MedicX's day to day management and administrative functions are outsourced to third parties<sup>4</sup> and MedicX has no executive directors or employees. MedicX funds itself by way of equity and debt in amounts determined from time to time by the MedicX Directors. MedicX does not have a fixed life.

#### **2. INVESTMENT POLICY**

MedicX's investment objective is to achieve rising rental income and capital growth from the ownership of a portfolio of mainly modern, purpose-built, primary healthcare properties.

The properties in this growing asset class form part of the core UK healthcare infrastructure and provide strong covenants with a long-term secure and rising cash flow.

The key objective of MedicX is to increase net income over time to support a rising dividend and provide capital growth. The key areas for this growth will come from rent reviews, expanding or re-configuring space, re-gearing leases and operating cost reductions. Octopus regularly reviews the entire property portfolio and has regular meetings with tenants to ensure that buildings are meeting the local healthcare needs and to identify opportunities for value enhancement.

MedicX's investment policy is to acquire the freehold or long leasehold interests in mainly modern, purpose-built primary healthcare properties, some of which may have the potential for enhancement. Assets meeting MedicX's strict investment criteria will be sourced in the open market by the investment adviser or through framework agreements with a range of best in class experienced developers. It is intended that the properties will be capable of accommodating GP practices and a range of complementary medical and other related primary healthcare and ancillary services.

Investment risks are mitigated by investing in a well-spread portfolio of primary healthcare properties primarily across the UK and the Republic of Ireland. In addition, MedicX adheres to the following principles in implementing its investment policy:

##### **2.1 Portfolio asset allocation**

- 2.1.1 rents received from any one tenant, or tenants within the same group, in any one financial year shall not exceed 20 per cent. of the total rental income of MedicX in that financial year;
- 2.1.2 UK sourced rents receivable from NHS reimbursable sources, together with Irish sourced rents receivable from Irish GPs and the HSE in any one financial year shall represent at least 80 per cent. of the total rental income of MedicX in that financial year;
- 2.1.3 no one property (including all adjacent or contiguous properties) shall at the time of acquisition represent more than 15 per cent. of the gross assets of MedicX;
- 2.1.4 at least 90 per cent. by value of the properties held shall be in the form of freehold or long leasehold (over 60 years remaining at the time of acquisition) properties or the equivalent; and
- 2.1.5 at the time of investment, no more than 20 per cent. of the properties held shall be properties located in the Republic of Ireland. However, the MedicX Directors do not expect to exceed a limit of approximately 15 per cent. of value of properties located in the Republic of Ireland, at the time of the acquisition, relative to MedicX's total value of investment properties.

## **2.2 Restrictions on borrowing**

2.2.1 the borrowings of MedicX shall not exceed 75 per cent. of the adjusted total assets (excluding goodwill) of MedicX. However, the MedicX Directors intend to target borrowings of approximately 50 per cent. and not exceeding 65 per cent. of MedicX's total assets attributable to the MedicX Shares.

Any material removal, amendment or other modification of MedicX's investment policy, and additional investment restrictions, will only take place with the approval of the MedicX Shareholders.

## **3. MEDICX DIRECTORS**

The MedicX Board is comprised solely of non-executive directors, including a chairman and a senior independent director. Each of the MedicX Directors is considered to be independent of Octopus and the directors' independence is subject to review as part of the MedicX Board's annual performance evaluation.

### **3.1 Helen Mahy, CBE**

*Non-Executive Director & Chairman*

Helen Mahy was appointed to the MedicX Board in April 2017 and has served as chairman of MedicX since 8 February 2018. Ms Mahy is chairman of The Renewables Infrastructure Group Limited, a FTSE 250 investment company, and is a non-executive director of SSE plc and of Bonheur ASA, a company listed on the Oslo Stock Exchange. Ms Mahy has also been a non-executive director of Aga Rangemaster plc, Stagecoach Group plc and SVG Capital plc (renamed Sole Realisation Company plc). In 2015, Ms Mahy was awarded a CBE for services to business and voluntary service, particularly to the legal profession and diversity in the workplace. Ms Mahy was formerly group company secretary and general counsel of National Grid plc until she retired in 2013. Ms Mahy is also an Equality and Human Rights Commissioner.

### **3.2 John Hearle**

*Non-Executive Director*

John Hearle was appointed to the MedicX Board in September 2006. Mr Hearle is a Fellow of the Royal Institution of Chartered Surveyors and a Member of the Chartered Institute of Arbitrators. Until October 2015 he headed the Healthcare Division of Aitchison Raffety Ltd and served as group chairman. Mr Hearle now operates Medical Premises Consultants (MPC), a company which continues to undertake a consultancy role for Aitchison Raffety. MPC also acts as a vehicle for Mr Hearle's work in dispute resolution where he is recognised as a healthcare property expert and an arbitrator by the President of the Royal Institution of Chartered Surveyors and regularly receives appointments for such roles.

In addition, in respect of healthcare, Mr Hearle acted as Chairman of the RICS Working Party that established the guidance for the valuation of medical premises. He was one of the founding members of the Primary Care Premises Forum and is now their joint Chairman.

### **3.3 Laure Duhot**

*Non-Executive Director*

Laure Duhot was appointed to the MedicX Board in September 2017. Over the past two years, Ms Duhot has been acting as a senior adviser for a number of property firms and fund managers across Europe, providing strategic advice and transaction support, with a focus on alternative real estate. Ms Duhot expects to join Lendlease Europe Limited as Head of Investment and Capital Markets – Europe during the second quarter of this year. Up to the end of September 2016, Ms Duhot was a Managing Director at Grainger plc where she was responsible for fund management and corporate finance, managing a number of fund vehicles in the UK and Germany, among which was the £650 million GRIP REIT which she was instrumental in setting up in 2012 and listing as a REIT in 2016. Prior to her time at Grainger plc, Ms Duhot was a senior executive at Sunrise Senior Living Inc, the leading US senior living operator, where she was responsible for international expansion, playing a key role establishing the firm's UK business. Ms Duhot was a founding partner and principal of real estate investment bank boutique Macquarie Capital Partners. Ms Duhot has also acted as a non-executive director on a number of company boards over the past 16 years, with current mandates including MIC Limited, The Guinness Partnership and InLand Homes plc.

### 3.4 Steve Le Page

*Non-Executive Director & Senior Independent Director*

Steve Le Page was appointed to the MedicX Board in November 2014. He has served as Audit Committee Chairman from December 2014 and as Senior Independent Director from July 2018. Mr Le Page is a Chartered Accountant and a Chartered Tax Adviser. Mr Le Page was a partner with PwC in the Channel Islands from 1994 until his retirement in September 2013. During his career his main role was as an audit partner working with a wide variety of financial services businesses and structures, including many listed investment funds. Mr Le Page also led PwC's Audit and Advisory businesses for approximately ten years, and for five of those years was the Senior Partner (equivalent to Executive Chairman) for the Channel Islands firm.

Since his retirement, Mr Le Page has built a small portfolio of non-executive director roles, including the London listed funds Highbridge Multi-Strategy Fund Limited, Tufton Oceanic Assets Limited (Specialist Fund Segment), Princess Private Equity Holding Limited and Volta Finance Limited (both of which he serves as chairman of the audit committee). He is a past chairman of the Guernsey International Business Association and a past president of the Guernsey Association of Chartered and Certified Accountants.

## 4. MEDICX PROPERTY PORTFOLIO

As at 30 September 2018, MedicX had 166 primary care properties across the UK and the Republic of Ireland, including three properties under construction. The portfolio had a weighted average asset age of 9.3 years, a weighted average unexpired lease length of 14.2 years and an average property value of £4.8 million. The properties are let principally to the NHS, HSE or to GPs subject to NHS rent reimbursement. The rent roll at 30 September 2018 was £44 million, with 83 per cent. of the rent receivable from UK government-funded doctors and the NHS, 7.3 per cent. from the HSE and Irish GPs, 8.5 per cent. from pharmacies and only 1.2 per cent. from other tenants.

In the financial year ended 30 September 2018, 15 properties were acquired to complement MedicX's existing portfolio, representing total new commitments of £80.3 million. These acquisitions were made up of an off-market acquisition of 12 operational and fully let primary medical centres from the One Medical group with a total cost of £65.3 million, one standing let property located in Kilkenny for £6.8 million and commitments to forward fund two UK schemes located near Glynneath in Vale of Neath and Peterborough. Following the year end, in October 2018, one property located in Harpenden was sold for proceeds of £0.6 million recognising a small profit, and reducing MedicX's portfolio to 165 properties.

As at 30 September 2018 properties valued greater than £5.0 million made up 59 per cent. of MedicX's property portfolio. MedicX's largest investment in terms of valuation is the Moorgate Primary Care Centre in Bury, which was valued at £19.5 million as at 30 September 2018. The second largest investment in terms of valuation was the Kilnamanagh Tymon Primary Care Centre in Dublin, which completed construction in May 2018. The project comprised the renovation of an empty 62,000 sq. ft. office building and now has a capital value in excess of €18 million as at 31 December 2018. Other significant investments of MedicX include Lytham Primary Care Centre in Lytham, Princeway Health Centre in Frodsham and Mullingar Primary Care Centre in the Republic of Ireland.

Of the 165 primary care properties, three are still under construction: Rialto, Vale of Neath and Peterborough. The outstanding commitment on these three properties at 30 September 2018 was £7.1 million, with UK projects expected to complete in quarter two of the 2019 financial year and Rialto expected to complete in quarter three of 2019.

The majority of MedicX properties are subject to open market rent reviews. A total of 95 rent reviews were concluded in the financial year ending 30 September 2018, with a combined rent value of £11.5 million.

From 30 September 2018 to 31 December 2018 31 leases and rents of £3.02 million have been reviewed. During the financial year ending 30 September 2018, the weighted average rental uplift from completed rent reviews was 4.84 per cent. This shows improvement over the comparable figure for 2017 where 92 reviews of £9 million of rent gave a blended annualised rental uplift of 1.02 per cent. Since 31 December 2018, no properties have been acquired or sold.

The table below sets out a breakdown of the properties based on the locations as at 31 December 2018. Please refer to Part B of Part 8 (*Property Valuation Reports*) of this document for further information on the valuation of the MedicX property portfolio as at 31 December 2018.

Region	Number of properties	Combined Net Annual Rent (£)	Combined Market Value (£)
East Midlands	22	6,540,936	109,866,000
West Midlands	12	2,151,866	78,688,000
East of England	20	4,210,539	93,335,000
London	16	4,566,971	77,432,000
Yorkshire and the Humber	20	4,788,692	73,060,000
North West	14	4,045,679	96,766,000
South West	10	2,389,733	26,637,000
South East	22	4,266,947	97,330,000
Scotland	7	1,731,098	30,999,000
Wales	11	2,775,610	45,787,500
North East	4	858,821	15,099,000
Republic of Ireland <sup>(1)</sup>	4	2,655,822	45,057,769
Properties under construction	3	—	10,961,108
Total	165	40,982,714	801,018,377

(1) Converted from Euros to GBP equivalent using a conversion rate as at 31 December 2018 of 0.89846:1.

## 5. FINANCING AND CAPITAL COMMITMENTS

The MedicX Group has eight primary debt facilities drawn. On 11 September 2018, the MedicX Group refinanced five of its umbrella loan facility agreements with Aviva and replaced it with one agreement for the value of £264.5 million, including increasing the facility held with Aviva by £30.8 million. On 8 March 2018, the Bank of Ireland facility was extended by €4.9 million bringing the total facility held with Bank of Ireland to €34.0 million. At 30 September 2018 an amount of €27.5 million had been drawn. On 8 June 2018, Aviva and Santander loan facilities were added to the MedicX Group's total facilities through a portfolio acquisition including twelve properties. Of these, eight facilities are held with Aviva (collectively referred to as the "Aviva OM" facility) and four facilities are held with Santander (collectively referred to as the "Santander OM" facility). In addition, the MedicX Group has a revolving credit facility with RBS. The RBS facility was undrawn at 30 September 2018. As at 30 September 2018, the MedicX Group had commitments of £11.4 million to complete properties under construction.

## 6. OVERVIEW, TRENDS AND COMPETITION

As MedicX operates in the same sector as PHP, please refer to paragraph 7 of Part 2 (*Information on PHP*) of this document for an overview of the market in which MedicX operates, recent trends and its competition.

## 7. INVESTMENT ADVISER

MedicX has appointed:

- Octopus as its investment adviser to provide investment advice, manage the MedicX property portfolio and the associated day to day activities, including management of tenanted properties, accounting and marketing activities; and
- OAIFM as its Alternative Investment Fund Manager under the Alternative Investment Fund Directive 2011/61/EU from 29 September 2017.

Octopus and OAIFM are each authorised and regulated by the FCA. Octopus invests in and develops properties as well as creating partnerships to deliver innovative healthcare buildings to improve the health, wealth and wellbeing of the UK. Octopus currently manages over £1.5 billion of healthcare investments across a number of platforms, with a focus on three core areas: GP surgeries, care homes and retirement housing. Octopus and OAIFM are part of the Octopus Capital group, a

fast-growing UK fund management business with leading positions in several specialist sectors including healthcare infrastructure, energy, renewable energy, property finance and smaller company investing.

Octopus has a team of over 20 of its 59 members focused on MedicX's portfolio, operations and sourcing new investment opportunities. MedicX's relationship with Octopus is governed by the terms of the MedicX Investment Management Agreement, details of which are set out in paragraph 16.2 of Part 10 (*Additional Information*) of this document.



## **Part 4**

### **OPERATING AND FINANCIAL REVIEW OF PHP**

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 2018, 2017 and 2016, which have been prepared in accordance with IFRS.

The audited financial statements of the Group for the years ended 31 December 2018, 2017 and 2016 contained in those parts of the Annual Reports and Accounts of PHP for the years ended 31 December 2018, 2017 and 2016 are incorporated by reference into this document as detailed in Part 11 (*Documentation Incorporated by Reference*) 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 4. 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**

PHP is a UK-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 2018, 2017 and 2016. 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 15.9 of Part 10 (*Additional Information*) of this document.

## 2.2 Group consolidated income statement

	Year ended 31 December		
	2018 £m	2017 £m	2016 £m
Rental income	79.6	72.5	67.4
Direct property expenses	(3.2)	(1.2)	(0.8)
<b>Net rental income</b>	<b>76.4</b>	<b>71.3</b>	<b>66.6</b>
Administrative expenses	(9.9)	(8.7)	(7.3)
Net result on property portfolio	36.0	64.5	20.7
<b>Operating profit</b>	<b>102.5</b>	<b>127.1</b>	<b>80.0</b>
Finance income	0.1	0.3	0.5
Finance costs	(29.8)	(31.9)	(33.0)
Profit on sale of land and property	0.1	—	—
Fair value gain/(loss) on derivative interest rate swaps and amortisation of cash flow hedge reserve	(1.8)	(0.3)	(2.2)
Fair value gain/(loss) on Convertible Bond	3.2	(3.3)	(1.6)
<b>Profit before taxation</b>	<b>74.3</b>	<b>91.9</b>	<b>43.7</b>
Taxation charge	—	—	—
<b>Profit for the year<sup>(1)</sup></b>	<b>74.3</b>	<b>91.9</b>	<b>43.7</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	4.1	2.8	(10.4)
<b>Other comprehensive income/(loss) for the year net of tax<sup>(1)</sup></b>	<b>4.1</b>	<b>2.8</b>	<b>(10.4)</b>
<b>Total comprehensive income for the year net of tax<sup>(1)</sup></b>	<b>78.4</b>	<b>94.7</b>	<b>33.3</b>
Earnings per share – basic	10.5p	15.3p	7.8p
Earnings per share – diluted	9.8p	14.7p	7.3p
EPRA earning per share – basic	5.2p	5.2p	4.8p
EPRA earning per share – diluted	5.2p	5.1p	4.7p

(1) Wholly attributable to the PHP Shareholders.

The above relates wholly to continuing operations.

## 2.3 Group consolidated balance sheet

	As at 31 December		
	2018 £m	2017 £m	2016 £m
<b>Non-current assets</b>			
Investment properties	1,502.9	1,361.9	1,220.2
<b>Current assets</b>			
Derivative interest rate swaps	0.6	0.3	—
Trade and other receivables	4.6	6.4	3.3
Cash and cash equivalents	5.9	3.8	5.1
	10.5	10.5	8.4
<b>Total assets</b>	<b>1,514.0</b>	<b>1,372.4</b>	<b>1,228.6</b>
<b>Current liabilities</b>			
Derivative interest rate swaps	—	(2.7)	(3.8)
Deferred rental income	(16.0)	(15.0)	(14.1)
Trade and other payables	(16.1)	(15.4)	(13.6)
Borrowings: Term loans and overdraft	(0.9)	(0.8)	(0.8)
Borrowings: bonds	(101.5)	—	—
	(134.5)	(33.9)	(32.3)
<b>Non-current liabilities</b>			
Borrowings: Term loans and overdraft	(360.5)	(411.5)	(429.4)
Borrowings: Bonds	(213.5)	(318.1)	(238.2)
Derivative interest rate swaps	(17.8)	(22.1)	(29.5)
	(591.5)	(751.7)	(697.1)
<b>Total liabilities</b>	<b>(726.0)</b>	<b>(785.6)</b>	<b>(729.4)</b>
<b>Net assets</b>	<b>788.0</b>	<b>586.8</b>	<b>499.2</b>
<b>Equity</b>			
Share capital	96.1	77.5	74.8
Share premium account	220.6	80.7	59.1
Capital reserve	2.5	1.6	1.6
Special reserve	124.8	161.4	192.8
Cash flow hedging reserve	(25.8)	(29.9)	(32.7)
Retained earnings	369.8	295.5	203.6
<b>Total equity<sup>(1)</sup></b>	<b>788.0</b>	<b>586.8</b>	<b>499.2</b>
Net asset value per share – basic	102.5p	94.7p	83.5p
EPRA net asset value per share	105.1p	100.7p	91.1p

(1) Wholly attributable to the PHP Shareholders.

## 2.4 Group consolidated cash flow statement

	Year ended 31 December		
	2018 £m	2017 £m	2016 £m
<b>Operating activities</b>			
Profit on ordinary activities before tax	74.3	91.9	43.7
Finance income	(0.1)	(0.3)	(0.5)
Finance costs	29.8	31.9	33.0
Profit on sale of land and property	(0.1)	—	—
Fair value loss/(gain) on derivatives	1.8	0.3	2.2
Fair value loss on convertible bond	(3.2)	3.3	1.6
Operating profit before financing costs	102.5	127.1	80.0
Adjustments to reconcile Group operating profit to net cash flows from operating activities:			
Revaluation gain on property portfolio	(36.0)	(64.5)	(20.7)
Fixed rent uplift	(1.6)	(1.4)	(1.5)
Decrease/(increase) in trade and other receivables	2.2	(3.1)	0.6
Increase/(decrease) in trade and other payables	1.4	2.0	(1.5)
<b>Cash generated from operations</b>	68.6	60.1	56.9
Taxation paid	—	—	(0.1)
<b>Net cash flow from operating activities</b>	68.6	60.1	56.8
<b>Investing activities</b>			
Payments to acquire investment properties	(101.9)	(75.4)	(97.4)
Interest received on development loans	—	0.3	0.6
Bank interest received	—	—	0.1
<b>Net cash flow used in investing activities</b>	(101.9)	(75.1)	(96.7)
<b>Financing activities</b>			
Proceeds from issue of shares	115.0	—	150.0
Cost of share issue	(4.0)	(0.1)	(4.8)
Term bank loan drawdowns	123.0	137.8	68.5
Term bank loan repayments	(174.0)	(155.5)	(100.3)
Proceeds of bond issues	45.4	100.0	—
Bond issue costs	(0.8)	(1.1)	—
Termination of derivative financial instruments	(5.0)	(6.2)	(14.5)
Swap interest paid	(2.4)	(3.5)	(5.0)
Non utilisation fees	(1.2)	(0.5)	(0.9)
Loan arrangement fees	(1.3)	(1.8)	(0.9)
Interest paid	(25.2)	(26.1)	(25.3)
Equity dividends paid net of scrip dividend	(34.7)	(29.8)	(24.7)
<b>Net cash flow from financing activities</b>	34.8	13.2	42.1
<b>Increase/(decrease) in cash and cash equivalents for the year</b>	1.5	(1.8)	2.2
Effect of exchange rate fluctuations on cash and cash equivalents	0.6	0.5	—
Cash and cash equivalents at start of year	3.8	5.1	2.9
<b>Cash and cash equivalents at end of year</b>	5.9	3.8	5.1

## 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		
	2018	2017	2016
Earnings per share – basic	15.3p	15.3p	7.8p
Earnings per share – EPRA	5.2p	5.2p	4.8p
Dividends paid during the period (per share)	5.40p	5.25p	5.125p
Dividend cover	101%	99%	100%
EPRA cost ratio	14.3%	13.2%	11.5%
Net assets (£'m)	788.0	586.8	499.2
Net asset value per share	102.5p	94.7p	83.5p
EPRA net asset value	105.1p	100.7p	91.1p
Total accounting return	9.7%	16.4%	9.7%
Portfolio owned, leased and committed (£'m)	1,502.9	1,361.9	1,220.2
Contracted rent roll (£'m)	79.4	72.3	68.0
Proportion of rental income derived from NHS/ Government	91%	90%	90%
Weighted average unexpired lease term	13.1 years	13.2 years	13.7 years

## 2.6 Property portfolio

Details of the property portfolio as at each period end.

	As at 31 December		
	2018 £'m	2017 £'m	2016 £'m
Investment properties	1,496.9	1,360.8	1,212.8
Properties in the course of development	6.0	1.1	7.4
Total properties owned and leased	1,502.9	1,361.9	1,220.2
Cost to complete contracted acquisitions	—	17.3	—
Cost to complete development commitments	16.1	5.7	3.3
Total completed and committed	1,519.0	1,384.9	1,223.5

## 3. OPERATING AND FINANCIAL REVIEW

### 3.1 Year ended 31 December 2018

PHP achieved further growth in earnings through 2018, acquiring eight properties, including a forward funded development in Ireland, investing in capital projects at existing assets to increase income and the longevity of leases and securing growth on rent reviews and asset management projects. 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 £5.8 million or 18.7 per cent. to £36.8 million (2017: £31.0 million) which, using the weighted average number of shares in issue in the period, equated to EPRA earnings per share unchanged at 5.2 pence (2017: 5.2 pence), reflecting the dilution from the equity raise in April 2018.

A revaluation surplus and profit on sale of properties of £36.1 million (2017: £64.5 million), less a net gain on the fair value of interest rate derivatives and convertible bond of £1.4 million (2017: loss of £3.6 million), contributed to a decrease in the profit as reported under IFRS by 19.2 per cent. to £74.3 million (2017: £91.9 million) equivalent to IFRS earnings per share of 10.5 pence (2017: 15.3 pence).



Net rental income receivable in the year ended 31 December 2018 increased by 7.2 per cent. or £5.1 million to £76.4 million (2017: £71.3 million). Property expenses, net of service charge costs recovered, increased by £0.3 million reflecting the increased size of the portfolio and professional fees relating to rent reviews and asset management initiatives.

Administrative costs, excluding the PIF payable to the Adviser, rose by 4.9 per cent. to £8.6 million (2017: £8.2 million), reflecting the increased size of the portfolio and additional regulatory costs. The Group's EPRA cost ratio, excluding the PIF, increased slightly to 12.6 per cent. for the year compared with 12.5 per cent. incurred during 2017.

Dividends at 5.40 pence per share increased by 2.9 per cent. over 2017 (5.25 pence per share). The total value of dividends distributed in the year increased by 16.6 per cent. to £36.6 million (2017: £31.4 million) and were fully 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 in the year albeit at a slower rate than experienced in the previous year.

The strong investment market resulted in a valuation surplus and profit on sales of investment properties of £36.1 million or 2.5 per cent. (2017: £64.5 million or 5.0 per cent.), after allowing for the cost of acquisitions and capital expenditure in the year to 31 December 2018. The surplus was generated by rental growth across the portfolio arising from rent reviews and asset management projects which accounted for approximately 60 per cent. of the surplus and the balance was due to a six basis points reduction in the net initial yield to 4.85 per cent. (2017: 4.91 per cent.), with the true equivalent yield reducing to 4.99 per cent. (2017: 5.09 per cent.).

The valuation uplift, combined with the portfolio's growing income, helped to deliver a total property return of 8.0 per cent. in the year ended 31 December 2018 (2017: 10.8 per cent.) outperforming the MSCI UK Monthly Property Index, All Assets by 70 basis points.

The revaluation surplus and profit on sales of properties in the year of £36.1 million (2017: £64.5 million) was the main factor for the increase in the EPRA NAV by 4.4 per cent. to 105.1 pence (2017: 100.7 pence) which when added to the dividends paid produced a total EPRA NAV return for the year of 9.7 per cent. (2017: 16.4 per cent.).

### ***Property portfolio***

At 31 December 2018, the portfolio comprised of 313 assets, including one development, independently valued at £1.503 billion (2017: £1.362 billion). This comprised of 312 that were completed and rent producing and one that was on-site, under construction.

Eight assets were acquired in the year, including six assets in the Republic of Ireland, comprising seven standing let investments, and one development assets for a total of £106.2 million. The acquisitions had a large average lot size of £13.3 million, added £5.9 million of additional rent, had an average of 23.5 years of unexpired lease term. The acquisitions in the year increased the average lot size in the portfolio to £4.8 million (2017: £4.5 million).

The aggregate value of the Group's property assets totalled £1.503 billion, generating a surplus, including the profit on the sale of investment properties, of £36.1 million for the year, after allowing for acquisition costs and capital invested in asset management projects. This represented a valuation increase of 4.7 pence per share.

At 31 December 2018, PHP's portfolio reflected an average net initial yield of 4.85 per cent. (2017: 4.91 per cent.) and a true equivalent yield of 4.99 per cent. (2017: 5.09 per cent.).

### ***Property management***

During 2018, PHP concluded and documented 187 rent reviews with a combined rental value of £23.6 million, adding £1.1 million to its contracted rent roll or an overall uplift of 4.7 per cent., equating to 1.4 per cent. per annum. The rental growth achieved represented an increase over the 1.1 per cent. per annum achieved in 2017. Of these reviews, 0.4 per cent. per annum were achieved on open market reviews, 2.7 per cent. per annum on RPI-based reviews and 2.6 per cent. per annum on fixed uplift reviews. In addition, a further 29 open market reviews were agreed in principle, which would add another £0.1 million to the contracted rent roll and represented an uplift of 1.0 per cent. per annum.

PHP continued to work to enhance and extend existing assets within the portfolio and 16 projects were completed in the year to 31 December 2018. These projects required the investment of £4.4 million and generated £0.2 million of additional rental income.

A further five projects were approved by the NHS requiring PHP to invest a further £0.9 million once contracted. Once completed, the projects would extend the WAULT on these premises to just over 20 years and were expected to generate £0.1 million of additional rental income.

#### ***Debt funding***

As at 31 December 2018, total available loan facilities were £879.9 million (2017: £844.3 million) of which £679.1 million (2017: £724.2 million) had been drawn. Cash balances of £5.9 million (2017: £3.8 million) resulted in Group net debt of £673.2 million (2017: £720.3 million). Contracted capital commitments at the balance sheet date totalled £16.1 million (2017: £23.0 million) and resulted in headroom of £190.6 million (2017: £101.0 million) from existing facilities available to the Group. Capital commitments comprised developments of £16.0 million and asset management projects on site of £0.1 million.

The £115.0 million (£111.2 million net of expenses) equity raise in April 2018, conversion of the convertible bonds with a nominal value of £40.0 million and growth in the valuation of the portfolio saw the Group's loan to value fall to 44.8 per cent. (2017: 52.9 per cent.). The Group's average cost of debt reduced by 19 basis points to 3.90 per cent. (2017: 4.09 per cent.) and the weighted average maturity of debt facilities was extended to 5.4 years (2017: 6.3 years).

In July 2018, a £30.6 million secured revolving credit facility was entered into with Santander for an initial three-year term which will be used to fund UK acquisitions.

In December 2018, new euro denominated senior secured loan notes for €51.0 million in aggregate (£45.8 million) at a blended rate of 2.4973 per cent. with a weighted average maturity of 10.4 years, were placed with UK and Irish institutional investors. The use of euro denominated debt provides a natural hedge against movements in exchange rates for its portfolio of assets in Ireland.

Post period end in January 2019 a £50 million unsecured revolving credit facility was entered into with HSBC, for an 18-month period, conditional and commencing on completion of the proposed merger with MedicX.

In July 2018, fixed rate swaps with a nominal value of £70 million and a blended rate of 4.52 per cent., were cancelled for a two-year period until July 2020, for a one-off payment of £5.0 million, equivalent to 0.7 pence per share on an EPRA net asset value basis. The cancellation resulted in total interest savings of £2.5 million per annum.

During the year ended 31 December 2018, there was a net gain of £2.2 million (2017: gain of £2.6 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 £17.3 million (2017: £24.5 million).

During the year ended 31 December 2018, convertible bonds with a nominal value of £40.0 million (2017: £19.3 million) were, at the holders' option, converted, resulting in approximately 41.5 million (2017: 19.8 million) of new Ordinary Shares being issued. The nominal value of the convertible bonds outstanding at 31 December 2018 was £23.2 million (2017: £63.2 million). On 11 October 2018 the conversion price of the convertible bonds was adjusted from 97.5 pence to 96.16 pence in accordance with the dividend protection provisions as set out in accordance with the conditions of issue of the convertible bond.

### **3.2 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, equated 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 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.

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 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 net initial yield 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 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 were 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).

### 3.3 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.

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 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.

## **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.

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.

A 4.76 per cent. fixed rate swap with a nominal value of £20 million, effective until July 2027, was cancelled in 2017 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 in 2017 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 in 2017 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.

During 2018, a total of £40.0 million of convertible bonds were converted, at the option of the holders, into approximately 41.5 million Ordinary Shares, leaving a balance of £23.2 million of convertible bonds outstanding at 31 December 2018. Since 31 December 2018, a further £8.7 million of convertible bonds have been converted, at the option of the holders, into approximately 9.0 million Ordinary Shares.

In July 2018, a £30.6 million secured revolving credit facility was entered into with Santander for an initial three-year term which will be used to fund UK acquisitions.

In December 2018, new euro denominated senior secured loan notes for €51.0 million in aggregate (£45.8 million) at a blended rate of 2.4973 per cent. with a weighted average maturity of 10.4 years, were placed with UK and Irish institutional investors. The use of euro denominated debt provides a natural hedge against movements in exchange rates for its portfolio of assets in Ireland.

Post period end in January 2019, a £50 million unsecured revolving credit facility was entered into with HSBC, for an 18-month period, conditional and commencing on completion of the proposed merger with MedicX.

<b>Provider</b>	<b>Maturity</b>	<b>Facility Maximum at 31 Dec 2018 £m</b>
RBS (overdraft)	June 2019	5.0
Convertible Bond	May 2019	23.2
Retail Bond	July 2019	75.0
HSBC	July 2020	50.0
Lloyds	December 2020	30.0
Barclays/AIB	January 2021	115.0
Santander	July 2021	30.6
RBS	March 2022	100.0
Aviva	December 2022	25.0
Secured Bond	December 2025	70.0
2017 Secured Note	March 2027	100.0
Aviva	August 2024	50.0
Aviva	November 2028	75.0
€40m Series A 2018 Secured Note	December 2028	35.9
Aviva	August 2029	63.0
€11m Series B 2018 Secured Note	December 2030	9.9
Aviva	January 2032 <sup>(1)</sup>	22.3
<b>Total</b>		<b>879.9</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 15.9 of Part 10 (*Additional Information*) of this document.

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 2018.

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

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
LTV ratio (%)	44.8	52.9	53.7
Interest cover (times)	2.6	2.25	2.05

#### 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.

#### **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 audited consolidated financial statements for the year ended 31 December 2018 and are incorporated into this section by reference.

#### **4.5 Equity**

PHP has one type of equity being the Ordinary Shares. At 31 December 2018, PHP had 769,130,328 Ordinary Shares issued compared to 619,448,578 Ordinary Shares as at 31 December 2017 and 598,185,192 Ordinary Shares as at 31 December 2016.

#### **4.6 Cash flows**

Details of PHP's cash flows for the years ended 31 December 2018, 2017 and 2016 are set out in paragraph 2.4 of this Part 4.

### **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 9.5 per cent., from 0.80 pence per Ordinary Share for the year ended June 1997, to 5.40 pence per Ordinary Share paid during the year ended 31 December 2018 (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 PHP Shareholders during the financial periods under review, being the years ended 31 December 2016, 2017 and 2018. The Board decided in February 2016 in order to accelerate the timing of cash flow to PHP Shareholders to pay four quarterly interim rather than final dividends at the present time.

	Year ended 31 December		
	2018	2017	2016
Interim dividend per share	1.35	1.31p	1.28125p
Number of qualifying shares	620,576,782	598,185,192	446,281,348
Further interim dividend per share	1.35	1.31p	1.28125p
Number of qualifying shares	624,251,370	598,336,264	446,627,017
Further interim dividend per share	1.35	1.31p	1.28125p
Number of qualifying shares	732,381,367	598,932,424	597,171,537
Further interim dividend per share	1.35	1.32p	1.28125p
Number of qualifying shares	737,166,294	599,526,403	597,928,486
Total dividend per share relating to the year	5.40p	5.25p	5.125p

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 2019, the Company declared a quarterly dividend of 1.4 pence per Ordinary Share which will be paid on 22 February 2019 to PHP Shareholders on the register on 11 January 2019.



## 7. STATEMENT OF CAPITALISATION AND INDEBTEDNESS

Set out below is a statement of capitalisation and indebtedness of the Group at 31 December 2018.

	As at 31 December 2018 £m
<b>(i) Capitalisation</b>	
<b>Total Current debt</b>	
Secured <sup>(2)(3)</sup>	0.9
Unsecured <sup>(2)(4)</sup>	98.2
<b>Total non-current debt (excluding current portion of long-term debt)</b>	
Secured <sup>(3)</sup>	580.0
Unsecured <sup>(2)(4)</sup>	—
<b>Shareholder's equity:</b>	
Share capital	96.1
Share premium	220.6
Other reserve	2.5
Special reserve	124.8
Hedging reserve	(25.8)
Retained earnings	369.8
<b>Total capitalisation</b>	<b>1,467.1</b>
<b>(ii) Net-indebtedness</b>	
Cash and cash equivalents	5.9
<b>Liquidity</b>	<b>5.9</b>
Current bank debt <sup>(2)</sup>	(0.9)
Current portion of non-current debt <sup>(2)(4)</sup>	(98.2)
<b>Current financial debt</b>	<b>(99.1)</b>
<b>Net current financial indebtedness</b>	<b>(93.2)</b>
Non current bank loans <sup>(2)</sup>	(364.2)
Bonds issued <sup>(2)</sup>	(215.8)
<b>Non current financial indebtedness</b>	<b>(580.0)</b>
<b>Net financial indebtedness</b>	<b>(673.2)</b>

Notes:

- (1) The Group holds a derivative financial instrument portfolio that hedges the cash flows of certain borrowings. As at 31 December 2018, the mark to market valuation of these instruments was a net liability of £17.3 million. This sum is not reflected in the indebtedness analysis. The cash flow hedging reserve associated with these derivative financial instruments is £25.8 million. The balance of this mark to model valuation has been charged to retained earnings.
- (2) The Group's debt is shown gross of unamortised issue costs.
- (3) 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.
- (4) Unsecured debt relates to the Group's £23.2 million Convertible Bond at nominal value and £75 million Retail Bond.

## **Part 5**

### **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 2018, 2017 and 2016 are incorporated by reference into this document, as detailed in Part 11 (Documentation Incorporated by Reference) of this document.*

*Deloitte LLP of 1 New Street Square, London EC4A 3HQ is registered to carry out audit work in the UK and the Republic of Ireland by the Institute of Chartered Accountants in England and Wales and has issued unqualified audit opinions on the consolidated financial statements of the Group included in the Annual Report and Accounts of PHP for the years ended 31 December 2018, 2017 and 2016.*

## Part 6

### OPERATING AND FINANCIAL REVIEW OF MEDICX

Some of the information in this operating and financial review and elsewhere in this document includes forward-looking statements that reflect the MedicX Group's plans, estimates and belief and may involve risks and uncertainties. The following discussion of the MedicX Group's financial condition and results of operations should be read in conjunction with the MedicX Group's historical financial information as at and for the financial years ended 30 September 2018, 30 September 2017 and 30 September 2016 and the accompanying notes incorporated by reference in Part 7 (*Historical Financial Information of MedicX*). The financial information included or incorporated by reference in this Part 6 has been extracted without material adjustment.

#### 1. INFORMATION INCORPORATED BY REFERENCE

The operating and financial reviews included in the following documents (as identified in paragraph 2 of this Part 6 below) are incorporated by reference into this document:

- (1) The MedicX 2016 Annual Report and Financial Statements
- (2) The MedicX 2017 Annual Report and Financial Statements
- (3) The MedicX 2018 Annual Report and Financial Statements

#### 2. CROSS-REFERENCE LIST

The following list is intended to enable investors to identify easily the items of information which have been incorporated by reference into this document. The parts of these documents which are not incorporated by reference into this document are either not relevant for investors or are covered elsewhere in this document. To the extent that any part of any information referred to below itself contains information which is incorporated by reference, such information shall not form part of this document.

##### 2.1 MedicX 2016 Annual Report and Financial Statements

The page numbers below refer to the relevant pages of the MedicX 2016 Annual Report and Financial Statements:

- (1) Pages 2 to 3 (*Financial highlights and key achievements*)
- (2) Pages 12 to 15 (*Investment adviser's report*)
- (3) Page 17 (*Dividend policy*)
- (4) Page 30 (*Risk management*)
- (5) Pages 35 to 57 (*Financial statements*)

##### 2.2 MedicX 2017 Annual Report and Financial Statements

The page numbers below refer to the relevant pages of the MedicX 2017 Annual Report and Financial Statements:

- (1) Pages 2 to 3 (*Financial highlights and key achievements*)
- (2) Pages 8 to 9 (*Business model*)
- (3) Pages 14 to 15 (*Market overview*)
- (4) Pages 24 to 27 (*Investment adviser's report*)
- (5) Page 29 (*Dividend policy*)
- (6) Pages 30 to 31 (*Principal risks and uncertainties*)
- (7) Pages 60 to 89 (*Financial Statements*)

##### 2.3 MedicX 2018 Annual Report and Financial Statements

The page numbers below refer to the relevant pages of the MedicX 2018 Annual Report and Financial Statements:

- (1) Pages 2 to 3 (*Financial highlights and key achievements*)
- (2) Pages 10 to 11 (*Market overview*)
- (3) Pages 12 to 13 (*Business model*)

- (4) Page 19 (*Dividend policy*)
- (5) Pages 22 to 27 (*Investment adviser's report*)
- (6) Pages 28 to 29 (*Principal risks and uncertainties*)
- (7) Pages 64 to 89 (*Financial Statements*)

## Part 7

### HISTORICAL FINANCIAL INFORMATION ON MEDICX

#### PART A

##### Selected historical financial information relating to the MedicX Group

The selected financial information for the MedicX Group set out in this Part A has been extracted without material adjustment from the historical financial information set out in Part B of this Part 7. Investors should read the whole of this document before making an investment decision and not rely solely on the summarised information in this Part 7.

#### CONSOLIDATED INCOME STATEMENT

The table below sets out certain consolidated income statement information relating to the MedicX Group for the three years ended 30 September 2018, 30 September 2017 and 30 September 2016 (which is audited) and prepared in accordance with IFRS as adopted by the EU.

#### CONSOLIDATED INCOME STATEMENT DATA:

	Year ended 30 September		
	2018	2017	2016
	£m	£m	£m
Rent receivable	40.3	37.1	35.1
Service charge income	0.6	0.1	—
Other income	0.3	0.2	0.4
<b>Total income</b>	<b>41.2</b>	<b>37.4</b>	<b>35.5</b>
Direct property expenses	(1.5)	(1.4)	(1.2)
Service charge expenses	(0.6)	(0.1)	—
<b>Net rental income</b>	<b>39.1</b>	<b>35.9</b>	<b>34.3</b>
Total expenses	(6.0)	(6.1)	(7.3)
Realised and unrealised valuation movements	32.4	18.6	15.6
Finance income	0.2	0.4	1.1
Finance costs	(16.7)	(15.6)	(15.5)
<b>Profit before taxation</b>	<b>49.1</b>	<b>33.3</b>	<b>28.2</b>
Taxation charge	(2.9)	5.3	(1.6)
<b>Profit for the year</b>	<b>46.1</b>	<b>38.6</b>	<b>26.6</b>
Earnings per share – basic and diluted	10.7p	9.4p	7.1p
EPRA earnings per share	3.9p	3.5p	3.4p

The above relates wholly to continuing operations and is wholly attributable to the MedicX Shareholders.

#### CONSOLIDATED BALANCE SHEET

The table below sets out certain consolidated balance sheet information relating to the MedicX Group for the three years ended 30 September 2018, prepared in accordance with IFRS as adopted by the EU.



**CONDENSED CONSOLIDATED BALANCE SHEET**  
**Selected Consolidated Statement of Financial Position**

	<b>Year ended 30 September</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Non-current assets	807,797	681,390	612,264
Current assets	27,963	39,321	29,487
<b>Total assets</b>	<b>835,760</b>	<b>720,711</b>	<b>641,751</b>
Current liabilities	25,631	20,895	21,906
Non-current liabilities	451,412	372,614	341,684
<b>Total liabilities</b>	<b>477,043</b>	<b>393,509</b>	<b>363,590</b>
<b>Net Assets</b>	<b>358,717</b>	<b>327,202</b>	<b>278,161</b>
Total equity attributable to equity holders of the parent	358,717	327,202	278,161

## CONSOLIDATED STATEMENT OF CASH FLOWS

The table below sets out certain consolidated cash flow information relating to the MedicX Group for the three years ended 30 September 2018, prepared in accordance with IFRS as adopted by the EU.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

### Selected Consolidated Cash Flows

	Year ended 30 September		
	2018 £m	2017 £m	2016 £m
Net cash flow from operating activities	16,534	15,101	11,408
Net cash flow used in investing activities	(51,932)	(50,665)	(36,281)
Net cash flow from/(used in) financing activities	22,082	46,724	(11,069)
Cash and cash equivalents at the beginning of year	32,145	20,968	56,910
Cash and cash equivalents at the end of year	18,888	32,145	20,968

## UNAUDITED STATEMENT OF EPRA NAV PER MEDICX SHARE

Set out below is an unaudited statement of net assets value per MedicX Share (the “**Unaudited Financial Information**”) as at 31 December 2018. The Unaudited Financial Information has been prepared for illustrative purposes only.

The 31 December 2018 unaudited EPRA NAV, unaudited EPRA NNNAV, unaudited EPRA NAV per MedicX Share and unaudited EPRA NNNAV per MedicX Share values are set out in the table below.

£'000	30 September 2017	30 September 2018	Unaudited as at 31 December 2018
IFRS net assets	327,202	358,717	358,383
EPRA net assets	327,777	362,219	360,525
EPRA NNNAV	284,628	331,793	320,805
IFRS net asset value per MedicX Share (p)	76.3	81.0	80.9
EPRA net asset value per MedicX Share (p)	76.5	81.8	81.4
EPRA NNNAV value per MedicX Share (p)	66.4	74.9	72.4

## PART B

### Historical financial information relating to the MedicX Group

The audited consolidated financial statements of MedicX included in:

- (A) the MedicX 2018 Annual Report and Financial Statements;
- (B) the MedicX 2017 Annual Report and Financial Statements; and
- (C) the MedicX 2016 Annual Report and Financial Statement,

together with the audit opinions thereon and notes thereto, are incorporated by reference into this document as set out in Part 11 (*Documentation Incorporated by Reference*) and available for inspection as set out in paragraph 25 of Part 10 (*Additional Information*) of this document. Each of these consolidated financial statements was prepared in accordance with IFRS as adopted by the EU. As applied to the MedicX Group in these consolidated financial statements, there are no material differences from IFRS as issued by the IASB; therefore, these consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB. Each of the consolidated financial statements was audited by KPMG LLP and the audit report for each such financial year was unqualified. KPMG LLP is a firm of chartered accountants registered with the Institute of Chartered Accounts in England and Wales.

In addition, the MedicX Unaudited Statement of EPRA NAV as at 31 December 2018 is incorporated by reference into this document as set out in Part 11 (*Documentation Incorporated by Reference*) and is available for inspection as set out in paragraph 25 of Part 10 (*Additional Information*) of this document.

The Directors and the Proposed Directors confirm that no material adjustment needs to be made to the financial information of the MedicX Group for the financial years ended 30 September 2018, 2017 and 2016 to achieve consistency with the PHP Group's accounting policies for the financial year ended 31 December 2018. The MedicX Group's accounting policies under which this financial information was prepared are not materially different from the PHP Group's accounting policies.

## **Part 8**

### **PROPERTY VALUATION REPORTS**

#### **PART A: VALUATION OF PHP'S PORTFOLIO**

This Part A comprises the PHP Valuation Report, which values the properties owned by the Group in the United Kingdom and the Republic of Ireland as at 31 December 2018. The PHP Valuation Report covers all of the investment properties and developments which are owned by the Group.



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

**Lambert Smith Hampton**  
Interchange Place  
Edmund Street  
Birmingham  
B3 2TA

The Directors  
MedicX Fund Limited  
Regency Court  
Gategny Esplanade  
St Peter Port  
Guernsey GY1 1WW

T +44 (0)121 236 2066  
[www.lsh.co.uk](http://www.lsh.co.uk)

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

Evercore Partners International LLP  
15 Stanhope Gate  
London W1K 1LN  
(in its capacity as Financial Advisor to MedicX)

8 February 2019

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 2018. 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 2018.

The valuation has been prepared in accordance with the relevant provisions of the City Code on Takeovers and Mergers (the “**Code**”) and 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 Guidance as set out within the 2017 Global Standards and with particular reference to the local Professional Standards – UK (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 all-share offer by PHP for MedicX Fund Limited and the admission of new ordinary shares in the capital of PHP to the premium listing segment of 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.

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 within the last 36 months, in accordance with an agreed three year rolling programme of inspections, by various qualified surveyors. A summary of the dates of inspection are set out below:

Year	Number	Percentage
2016	93	30%
2017	111	35%
2018	101	32%
2019	8	3%
<b>TOTAL</b>	<b>313</b>	<b>100%</b>

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, the Code, the Prospectus Rules and the Listing Rules, 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

PHP is currently committed to acquiring a property in the course of development. We understand that investment property under construction is now to be brought into the scope of IAS 40 Investment Property. Therefore we have provided a Market Value of this property on the following Special Assumptions:

- *that all works to construct the proposed development 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; and*
- *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 2018 and those within the course of construction with a legal commitment to purchase.



#### **4. TENURE AND TENANCIES**

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

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

#### **5. NET ANNUAL RENTS**

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

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

#### **6. FLOOR AREAS**

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

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

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

#### **7. CONDITION AND REPAIR**

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

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

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

#### **8. ENVIRONMENTAL PROTECTION ACT**

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

## **9. PLANT AND MACHINERY**

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

## **10. TOWN PLANNING**

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

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

## **11. GENERAL COMMENTS**

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

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

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

To the extent that we have been supplied with information by PHP 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 2018, is:

**£1,502,879,734**  
**(One Billion, Five Hundred and Two Million Eight Hundred and**  
**Seventy Nine Thousand Seven Hundred and Thirty Four Pounds)**

made up as follows:

Category of Property	Number of properties owned as at 31 December 2018	Value of properties owned as at 31 December 2018 (£)
<b>Freehold/Heritable</b>		
Properties held as investments	263	1,231,384,972
<b>Leasehold</b>		
Properties held as investments	49	265,549,229
<b>Properties which are in the course of construction</b>		
Properties to be held as investments	1	5,945,533
<b>Total</b>	<b>313</b>	<b>1,502,879,734</b>

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 2018.

### GEOGRAPHICAL SPLIT OF PROPERTIES

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

Total in number	Geographical region	Combined Net Annual Rent £ pa	Combined Market Value £
81	North, Yorkshire and Humberside	21,694,762	429,040,000
64	Midlands and East Anglia	15,531,568	293,805,000
81	South East and London	15,950,712	306,210,000
22	South West	4,392,146	90,310,000
25	Wales	6,307,928	124,755,000
32	Scotland	8,878,883	175,800,000
8	Republic of Ireland	5,704,800	82,959,734 *
<b>313</b>		<b>78,460,799</b>	<b>1,502,879,734</b>

\* The properties in the Republic of Ireland have been valued at a total of €92,301,000 and this value has been converted to the sterling equivalent shown above based on a conversion rate as at 31 December 2018 of 1:1.126.

## DEVELOPMENT SUMMARY

	Bray PCC, Ireland	
	£m	€m
<b>Total costs</b>		
Land acquisition	3.8	4.2
Construction costs and associated fees	2.1	2.4
<b>Total per valuation 31 December 2018</b>	5.9	6.6
Costs to complete	16.0	17.8
<b>Total gross valuation</b>	21.9	24.4
<b>Planning permission</b>	Yes	
<b>Date of planning consent*</b>	7 August	
<b>Anticipated completion date</b>	2015	
	Autumn 2019	

\* There are no conditions attaching to the consent which affect the value of the property.

This valuation has been prepared for inclusion in the Prospectus and the Scheme Document.

This valuation is provided to the addressees as set out on the first page of this report in accordance with Rule 29 of the Code and solely for the purpose of the Merger. We acknowledge that this valuation report will be published on a website in accordance with Rule 26.3 of the Code.

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.

LSH has given and not withdrawn its consent for the inclusion of this valuation report in the Prospectus and the Scheme Document.

Yours faithfully

**Tim Sandford**

*Director*

For and on behalf of Lambert Smith Hampton

## **PART B: VALUATION OF MEDICX'S PORTFOLIO**

This Part B comprises

Section A: the MedicX UK Valuation Report, which values the properties owned by the MedicX Group in the UK at 31 December 2018; and

Section B: the MedicX ROI Valuation Report which values the properties owned by the MedicX Group in the Republic of Ireland at 31 December 2018.

Together the MedicX Valuation Reports cover all investment properties and developments owned by the MedicX Group.

## SECTION A: MEDICX UK VALUATION REPORT



Your Reference 493590BRI – Healthcare  
Our ref  
Project Number  
Direct line 0117 930 5704  
Andrew.sproson@eu.jll.com

### **Private & Confidential**

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

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

MedicX Fund Limited  
Regency Court  
Glatigny Esplanade  
St Peter Port  
Guernsey  
GY1 1WW

Evercore Partners International LLP  
15 Stanhope Gate  
London  
W1K 1LN

8 February 2019

Dear Sirs,

### **Valuation of the Freehold, Leasehold and Part Freehold and Part Leasehold interests in the Properties for inclusion in the Prospectus and the Scheme Document – Project Fleming**

#### **Introduction**

In accordance with our signed engagement letter with MedicX Fund Limited (the “**Company**”), dated 24 January 2019, we, Jones Lang LaSalle Limited, Chartered Surveyors, have considered properties owned by the Company, in order to advise you of our opinion of the Market Value (as defined below) as at 31 December 2018, of the Freehold (“**F/H**”), Leasehold (“**LH**”) or Part Freehold, Part Leasehold (“**Part F/H, Part LH**”) interests in each of these properties (the “**Properties**” and each a “**Property**”), as appropriate.

The effective valuation date is 31 December 2018.



## Purpose of Valuation

We understand that this valuation report (the “**Summary Valuation Report**”) is required to confirm the Market Value of certain real estate assets of the Company as at 31 December 2018. Furthermore this Summary Valuation Report will be included in the prospectus (the “**Prospectus**”) which is to be published by Primary Health Properties PLC (“**PHP**”) and the scheme document to be published by the Company (the “**Scheme Document**”) in connection with the recommended merger pursuant to which PHP will acquire the entire issued and to be issued capital of the Company not already owned by it (the “**Merger**”).

We can confirm that we are a corporate member of The Royal Institution of Chartered Surveyors and that we have sufficient current local and national knowledge of the particular market and the skills and understanding necessary to undertake the valuation competently. We have prepared our Summary Valuation Report as independent External Valuers as defined in the RICS Valuation – Professional Standards, January 2014 (revised April 2015) and updated in the RICS Valuation – Global Standards 2017, Valuation Professional Standard 4 and International Valuation Standards Framework (the “**Red Book**”), and are qualified for the purposes of the valuations. The valuation accords with the RICS Valuation – Professional Standards, January 2014 (revised April 2015) and the International Valuation Standards.

We currently value the Properties contained in the Schedule on a quarterly basis on behalf of the Company.

In accordance with Practice Statement 5 we confirm that we have held a fee earning relationship with MedicX for approximately 10 years with two of the signatories to this report having signed annual and interim valuation reports for the client for less than two years. There has been rotation of signatories over the period. We confirm that in the preceding financial year the proportion of the total fees payable by MedicX to the total fee income of JLL is less than 5 per cent.

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

We confirm that we do not have any material interest in MedicX or any of its properties.

## Basis of Valuation and Assumptions

We set out below the basis and assumptions we have used in preparing our Summary Valuation Report followed by a summary of the aggregate values of the F/H and L/H and Part F/H, Part L/H interests in the Properties described in the attached Schedule.

We confirm that the value of the Properties has been assessed on the basis of Market Value in accordance with the appropriate sections of both the current Practice Statements (“**PS**”), and United Kingdom Practice Statements (“**UKPS**”) contained within the Red Book. This is an internationally accepted method of valuation in accordance with the International Valuation Standards (“**IVS**”).

The Definition of Market Value as defined in the IVS 104 paragraph 30.1 is: “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”.

Our valuation has also been undertaken in accordance with the relevant provisions of the City Code on Takeovers and Mergers (the “**Code**”) and has been undertaken by us as External Valuers as defined in the RICS Valuation Standards (being independent experts for the purposes of paragraph 130 of the ESMA Guidelines). The Properties are held as investments and developments subject to development agreements with third parties and we have therefore used the appropriate property investment valuation methodology to calculate the Market Values.

We have valued the properties individually and have reported aggregate values excluding any addition or deduction if a sale as a portfolio were contemplated.

## Material Change

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

- we have not been informed by the Company of any material change since 31 December 2018, in any matter relating to any specific property covered by our Summary Valuation Report which in our opinion would have a material effect on the value as at the date of this report;

- in relation to market conditions and movements in the property markets in which the Properties covered by our Summary Valuation Report are located, we do not consider that the movement in respect of the Properties constitutes a material change in value since 31 December 2018; and
- minor changes to the valuation figures as at 31 December 2018 compared with those at 30 September 2018 are largely due to changes to the rents typically through rent review agreements, and changes to yields reflecting market conditions. One property was sold following the 30 September 2018 valuation located at Harpenden.

### Valuation Approaches

We have utilised the following valuation approach.

The income capitalisation method is based on capitalising the net income stream at an appropriate yield. In establishing the net income stream we have reflected the current rent (gross rent) payable to lease expiry, at which point the valuer has assumed that each unit of occupation will be let at their opinion of Market Rent. The valuer has made allowances for voids and rent free periods where appropriate, as well as deducting non-recoverable costs where applicable. For example where the landlord is responsible for external repairs and insurance a deduction of about 5% would be made to the gross rent and the net rent would be used within the valuation calculation and multiplied by a capitalisation factor (Years Purchase).

The comparable method is used to select the appropriate yield, which has been adjusted for the location of the building, specification, tenant credit quality, continued use probability, unexpired lease length, lease terms and lot size amongst other factors. Where there is a potential reversion to a different net rent a term and reversion method of valuation or hardcore method may be adopted rather than an initial yield basis. For example, on vacant accommodation or where a rent increase on review or reletting is anticipated.

The same method is adopted in respect of properties in the course of development with there being a **Special Assumption** that the building and scheme is completed and let at the date of valuation. We are informed the development company in each case is responsible for development risks such as cost overruns and that the Company will only acquire the properties in the course of development upon completion.

### Valuation

On the basis outlined in this Summary Valuation Report and subject to the comments and assumptions set out in this report and subject to the comments in the JLL “General Terms and Conditions of Business” and “General Principles (Medical Centres)”, we are of the opinion that the aggregate of the individual Market Values, as at 31 December 2018, of the Freehold/Heritable and Long-Leasehold interests, subject to and with the benefit of various occupational leases but subject to the Special Assumption stated in this report, is:

Category of Property	Number of Properties owned as at 31 December 2018	Value of Properties owned as at 31 December 2018
<b><u>Freehold/Heritable</u></b>		
Properties held as investments	126	572,295,500
<b><u>Long Leasehold</u></b>		
Properties held as investments	32	£172,704,000
Properties which are in the course of Construction (PUC)	2	£4,714,000
<b>Total</b>	<b>160</b>	<b>£749,713,500</b>

There are no negative values to report.

Below we summarise the total aggregate values by Tenure, excluding properties under construction:

Number of Properties	Region	Combined Net Annual Rent £ pa	Combined Market Value £
22	East Midlands	6,540,936	109,866,000
12	West Midlands	2,151,866	78,688,000
20	East of England	4,210,539	93,335,000
16	London	4,566,971	77,432,000
	Yorkshire and the		
20	Humber	4,788,692	73,060,000
14	North West	4,045,679	96,766,000
10	South West	2,389,733	26, 637,000
22	South East	4,266,947	97,330,000
7	Scotland	1,731,098	30,999,000
11	Wales	2,775,610	45,787,500
4	North East	858,821	15,099,000
158	<b>Total</b>	<b>38,326,892</b>	<b>744,999,500</b>

### Realisation Costs

Our Valuation is exclusive of VAT and no allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal of any Property.

In the event that the Properties were to be sold at the valuations contained in this Summary Valuation Report, any gains realised on such disposals over the book value for tax purposes would be subject to taxation in the applicable jurisdiction. In connection with the Merger it is not contemplated that the liability to taxation as described above will crystallise.

### Development Summary

We have valued the properties under construction (PUC) assuming they are completed and let at the date of valuation. In doing so, we have adopted a market-based approach to the completed developments, which results in headline summary figures of:

Property	MV assuming completed	Costs to Complete	MV less Costs to Complete
Ref 153 Vale of Neath	£4,911,000	£1,827,000	£3,084,000
Ref 184 Peterborough Western Avenue	£3,540,000	£1,910,000	£1,630,000
<b>Total</b>	<b>£8,451,000</b>	<b>£3,737,000</b>	<b>£4,714,000</b>

### Assumptions and Sources of Information

An assumption is stated in the Glossary to the Red Book to be a “supposition taken to be true” (“**assumption**”). Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a valuer as part of the valuation process. In undertaking our valuations, we have made a number of assumptions and have relied on certain sources of information. We believe that the assumptions we have made are reasonable, taking into account our knowledge of the Properties, and the contents of reports made available to us. However, in the event that any of these assumptions prove to be incorrect then our valuations should be reviewed. The assumptions we have made for the purposes of our valuations are referred to below.

We have made the following **Special Assumption** as agreed with the Company:

In the case of the two properties contracted for acquisition under development agreements we assume that the buildings and schemes are completed and let at the date of valuation and full collateral warranties licences and statutory consents are in place. We are informed the development company in each case is responsible for development risks such as cost overruns and that the Company will only acquire the properties in the course of development upon full completion and letting.

The anticipated date of completion and letting/occupation for Vale of Neath is mid April 2019 and planning consent was granted on 17 December 2015 for the construction of a new primary healthcare centre and pharmacy with associated works. There are no conditions attaching to the consent which materially affect the value of the property.

The anticipated date of completion and letting/occupation for Peterborough is mid June 2019 and detailed planning consent was granted 30 June 2016 for the construction of a new medical centre and ancillary pharmacy. There are no conditions attaching to the consent which materially affect the value of the property.

### **Inspections**

We have inspected all of the Properties contained within the portfolio with the exception of Ref 115 Tottenham (Nil Value) and properties in the course of construction. The table below identified year of inspection, number and percentage. The majority of properties were inspected or re-inspected on various dates within the last 36 months, in accordance with an agree three year rolling programme of inspection, by various qualified surveyors. Andrew Sproson FRICS and Yvette Mhlanga MRICS have undertaken this valuation report and are qualified for the purposes of this instruction and the report has also been overseen by Richard Petty FRICS and Alan Bennett MRICS.

<b>Year</b>	<b>Number</b>	<b>Percentage</b>
2015	14	9%
2016	28	18%
2017	38	24%
2018	78	49%
Total	158	100%

### **Information**

We have made an assumption that the information which the Company and its professional advisers have supplied to us in respect of the Properties is both full and correct.

It follows that we have made an assumption that details of all matters likely to affect value within their collective knowledge such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions have been made available to us and that the information is up to date.

### **Title**

We have relied on details of tenure provided to us previously by the Company. We have considered the available information in the valuation of the Properties.

### **Floor Areas**

We have been provided with floor areas by the Company and have assumed that these are gross or net and have been prepared in accordance with the RICS' Code of Measuring Practice appropriate for medical centres. As agreed, we have relied upon these floor areas for the purposes of this valuation exercise. For the avoidance of doubt, we have not been able to gain access to consulting rooms in use at the time of our inspection. We have undertaken check measurements where allowed by occupiers. We have been provided with agreed floor areas negotiated at rent review or ratified by the District Valuer acting on behalf of NHS occupiers.

### **Plant and Machinery**

Landlords' fixtures such as lifts, boilers, partitioning, floor coverings, suspended ceilings, reception desks, automatic doors, lighting, heating, air-conditioning, and other normal installations found in NHS medical centres have been treated as an integral part of each Property and are included within our valuations. Medical equipment, computer equipment, tenant's fixtures and specialist trade fittings have been excluded from our valuations.

No specialist tests have been carried out on any of these service systems and for the purposes of our valuations, we have assumed that all are in good working order and in compliance with any relevant statute bye-law or regulation.

## **Environmental Investigations and Ground Conditions**

We were not instructed to carry out site surveys or environmental assessments nor have we investigated any historical records, to establish whether any land or premises are or have been, contaminated. Unless we have been provided with information to the contrary, we have assumed that the Properties are not, nor are likely to be, affected by land contamination and that there are no ground conditions which would affect the present or future use of the Properties.

We were not instructed to carry out structural surveys of the Properties, but we have reflected any apparent wants of repair in our opinion of the value as appropriate. Properties have been valued on the basis of the Company's advice. Save where we have been specifically advised to the contrary, we have assumed that no deleterious materials have been used in the construction of any of the subject buildings.

## **Planning**

We have relied on planning information provided to us by the Company. We understand that there are no adverse Town Planning, Highway or other schemes or proposals, which would materially impact our opinion of value. We have assumed that the Properties have been erected and are being occupied and used in accordance with all necessary consents and that there are no outstanding statutory notices that would materially impact our opinion of value. We have assumed that all buildings comply with all statutory and Local Authority requirements including building, fire and health and safety regulations.

## **Tenure and Tenancies**

We have not read copies of the leases and have instead relied on the tenancy information provided to us by the Company and their lawyers for the purposes of our valuation.

We have not conducted credit enquires into the financial status of any of the tenants. However, in undertaking our valuations we have reflected our understanding of the market perception of the financial status of the tenants. We have also assumed that each tenant is capable of meeting its leasehold obligations and that there are no undisclosed breaches of covenant. The majority of rental income is either from GP's subject to NHS rent reimbursement or from NHS Property Services or NHS Trusts.

## **Responsibility**

This Valuation and the Schedule are provided to the addressees as set out on the first page of this certificate in accordance with Rule 29 of the Code and solely for the purpose of the Merger. We acknowledge that this Summary Valuation Report, together with a schedule providing a breakdown of the aggregate valuation contained herein, will be published on a website in accordance with Rule 26.3 of the Code.

For the purposes of Prospectus Rule 5.5.3(R)(2)(f), we are responsible for this Summary Valuation Report and accept responsibility for the information contained in this Summary 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 Summary Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. This Summary Valuation Report complies with Rule 5.6.5G of the Prospectus Rules and paragraphs 128 to 130 of the ESMA Guidelines.

Except for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent provided under the Prospectus Rules, 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 the Summary Valuation Report or our statement set out above required by and given solely for the purposes of complying with Annex 1, item 23.1 of Commission Regulation (EC) No 809/2004.

Neither the whole nor any part of this Summary Valuation Report nor any reference thereto may be included in any other published document, circular or statement, nor published in any way without our written approval of the form and context in which it is to appear. For the avoidance of doubt, such approval is required whether or not Jones Lang LaSalle Limited are referred to by name and whether or not the contents of our Summary Valuation Report are combined with other reports. Such approval shall not be unreasonably withheld. Notwithstanding the foregoing, the contents and data contained in this Summary Valuation Report may be cited and summarised elsewhere in the Prospectus and the Scheme Document.

Notwithstanding any other provision contained within this Summary Valuation Report, this Summary Valuation Report may also be relied upon by PHP and may be disclosed in any litigation or regulatory enquiry or investigation or action in connection with the Merger.

Jones Lang La Salle has given and not withdrawn its consent for the inclusion of this Summary Valuation Report in the Prospectus and the Scheme Document.

Yours faithfully,

**Andrew Sproson**  
**FRICS Director**  
**For and on behalf of**  
**Jones Lang La Salle Limited**

**Richard Petty**  
**FRICS Lead Director**  
**For and on behalf of**  
**Jones Lang La Salle Limited**

**Alan Bennett**  
**MRICS Director**  
**For and on behalf of**  
**Jones Lang La Salle Limited**



## SECTION B: MEDICX ROI VALUATION REPORT



6 Shannon Street  
Limerick  
Ireland  
Tel +353 (0)61 418 111  
[www.cushmanwakefield.com](http://www.cushmanwakefield.com)

### VALUATION RECORD

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

The Directors  
MedicX Fund Limited  
Regency Court  
Glategny Esplanade  
St Peter Port  
Guernsey  
GY1 1WW

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

Evercore Partners International LLP  
15 Stanhope Gate  
London  
W1K 1LN

8 February 2019

**Property:** The addresses and names of the properties (the “**Properties**” and each of them a “**Property**”) is set out in Section 8 below.

## 1. Instructions

### 1.1 Appointment

We, Cushman & Wakefield (“C&W”) are pleased to submit our report and valuation (the “**Valuation Report**”), which has been prepared in accordance with the engagement letter entered into between us dated 6 February 2019 (the “**Engagement Letter**”). The Engagement Letter and the terms set out therein, together with our Terms of Business, which were sent to you with our Engagement Letter, constitute the “**Engagement**”.

It is essential to understand that the contents of this Valuation Report are subject to the various matters we have assumed, which are referred to and confirmed in section 2 below. Unless otherwise defined, all capitalised terms herein shall be as defined in the Engagement.

### 1.2 Compliance with RICS Valuation – Global Standards

We confirm that the valuation and Valuation Report have been prepared in accordance with the RICS Valuation – Global Standards which incorporate the International Valuation Standards (“**IVS**”) and the RICS Valuation Standards (the “**RICS Red Book**”) edition current at the Valuation Date. It follows that the valuations are compliant with “**IVS**”.

### 1.3 Status of Valuer and Conflicts of Interest

We confirm that all valuers who have contributed to the valuation have complied with the requirements of PS 1 of the RICS Red Book. We confirm that we have sufficient current knowledge of the relevant markets, and the skills and understanding to undertake the valuation competently. We confirm that John Buckley has overall responsibility for the valuation and is in a position to provide an objective and unbiased valuation and is competent to undertake the valuation. Finally, we confirm that we have undertaken the valuation acting as an External Valuer as defined in the RICS Red Book.

C&W have current involvement with the Properties in that they are the incumbent valuers to MedicX Fund Limited (the “**Company**”) and provide quarterly valuations for inclusion in the Company’s accounts.

We therefore confirm that C&W have current, anticipated and previous recent involvement with the Property. The advice includes quarterly valuations of the Properties for accounts purposes.

### 1.4 Purpose of Valuation

We understand that our valuation report is required to confirm the Market Value of certain real estate assets as at 31 December 2018 (“**Valuation Report**”). The Valuation Report will be included in the prospectus (the “**Prospectus**”) which is to be published by Primary Health Properties PLC in connection with the recommended all-share merger pursuant to which Primary Health Properties PLC will acquire the entire issued and to be issued capital of the Company not already owned by it (the “**Merger**”) and the scheme document to be published by the Company in connection with the Merger (the “**Scheme Document**”, together the “**Offer Documents**”), (the “**Purpose of Valuation**”).

Therefore, in accordance with UK Valuation Practice Guidance Application 3 (“**UK VPGA 3**”) and UK Valuation Professional Standard 4 we have made certain disclosures in connection with this valuation instruction and our relationship with you. These are included in item 1.5 below

### 1.5 Disclosures required under the provisions of UK VPGA 3 and UK VPS 4

#### Signatories

The valuation personnel responsible for this instruction will be George Hanley, Associate Director, MSCSI, MRICS, QFA and John Buckley, Director, MSCSI, MRICS. We currently value the Properties contained in the Portfolio on a quarterly basis on behalf of Octopus Healthcare Adviser Ltd (“**Octopus**”). We confirm that there is no conflict of interest in undertaking this instruction.

In accordance with Practice Statement 5 we confirm that we have held a fee earning relationship with Octopus for approximately 2 years with the signatories to this letter having signed annual and interim valuation reports for the client for approximately 2 years. We confirm that in the preceding year the proportion of the total fees payable by Octopus to the total fee income of C&W is less than 5 per cent.

We do not consider that any conflict of interest arises for us in preparing our valuation, and Octopus has confirmed to us that it also considers this to be the case. We confirm that we do not have any material interest in Octopus or any of its properties.

C&W endorses the RICS view that it is good practice to rotate the valuer responsible for Regulated Purpose Valuations at intervals not exceeding seven years.

#### **C&W's relationship with the client**

C&W have been undertaking valuation instructions for the Octopus for approximately 2 years and we confirm that C&W have current, anticipated and previous recent involvement with certain of the properties. We confirm that this factor has been discussed with the Company who has agreed for C&W to act in such capacities.

#### **Fee income from the Company**

C&W's financial year is 31 December 2018. We confirm that the proportion of fees payable by Octopus to C&W combined in the financial year to 31 December 2018 was less than 5%. We anticipate that the proportion of fees payable by the Company to C&W in the financial year to 31 December 2019 will remain at less than 5% of combined group turnover.

### **1.6 Inspection**

All of the Properties have been inspected or re-inspected on various dates between 28 March 2018 and 27 September 2018 by George Hanley, MRICS, MSCSI, QFA who is qualified for the purposes of this instruction.

### **1.7 Planning Consent**

In relation to Rialto Primary Care Centre we confirm that Dublin City Council granted planning permission on the 3 November 2014 for the following:

*“Demolition of nos.379 and 383 South Circular Road, Rialto, Dublin 87 and the construction of a new 3-storey Primary Care Centre over a basement car park. The proposed development consisting of GP Clinics and Pharmacy at ground floor level and HSE Primary Care Team Clinics and Offices at first and second floor levels. 15 no. car parking spaces and ancillary plant areas proposed at basement level.”*

An Bord Plenála upheld the grant of planning permission on 1 July 2015 following a third party appeal subject to a number of conditions as set out under Planning Reference Number 3366/14.

Having reviewed the grant of planning permission we are not aware of any conditions attaching to the planning consent which would affect our opinion of Market Value as outlined below.

## **2. Assumptions and Sources of Information**

An Assumption is stated in the Glossary to the RICS Red Book to be a “supposition taken to be true” (“**Assumption**”). In this context, Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a valuer as part of the valuation process. In undertaking our valuations, we have made a number of Assumptions and have relied on certain sources of information. Where appropriate, the Company or Octopus has confirmed that our Assumptions are correct so far as they are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed. The Assumptions we have made for the purposes of our valuation are referred to below:

### **2.1 Title**

Save as disclosed either in any Certificate of Title or unless specifically advised to the contrary by the Company or its advisers and as referred to in the Valuation Report, C&W have made the Assumption that there is good and marketable title in all cases and that the each Property is free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoings.

C&W have made an Assumption that each Property is free from mortgages, charges or other encumbrances.

If verification of the accuracy of any site plans contained in the Valuation Report is required, the matter must be referred to the Company's legal advisers.

C&W have made the Assumption that roads and sewers serving each Property have been adopted and that each Property has all necessary rights of access over common estate roads, paths, corridors and stairways, and rights to use common parking areas, loading areas and other facilities.

## **2.2 Condition of Structure and Services, Deleterious Materials and Ground Conditions**

Due regard has been paid by C&W to the apparent general state of repair and condition of each Property, but a condition or structural survey has not been undertaken, nor have woodwork or other parts of the structure which are covered, unexposed or inaccessible, been inspected. Therefore, C&W are unable to report that each Property is structurally sound or is free from any defects. C&W have made an Assumption that each Property is free from any rot, infestation, adverse toxic chemical treatments, and structural, design or any other defects other than such as may be mentioned in the Valuation Report.

C&W have not arranged for investigations to be made to determine whether any deleterious, hazardous or harmful materials (including but not limited to high alumina cement concrete or calcium chloride additive) have been used in the construction or any alterations, and therefore C&W is unable to confirm that each Property is free from risk in this regard. For the purposes of the Valuation Report, C&W have made an Assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

C&W have not carried out an asbestos inspection and did not act as an asbestos inspector in completing the valuation inspection of each Property that may fall within the Control of the Asbestos at Work Regulations 2012. C&W have not made an enquiry of the duty holder (as defined in the Control of Asbestos at Work Regulations 2012), of an existence of an Asbestos Register or of any plan for the management of asbestos to be made. Where relevant, C&W have made an Assumption that there is a duty holder, as defined in the Control of Asbestos at Work Regulations 2012 and that a Register of Asbestos and Effective Management Plan is in place, which does not require any immediate expenditure, or pose a significant risk to health, or breach the HSE regulations. C&W recommends that such enquiries be undertaken by the Company's legal advisers during normal pre-contract or pre-loan enquiries.

No mining, geological or other investigations have been undertaken by C&W to certify that the sites are free from any defect as to foundations. C&W have made an Assumption that all buildings have been constructed having appropriate regard to existing ground conditions or that these would have no unusual or adverse effect on building costs, property values or viability of any development or existing buildings.

C&W have made the Assumptions that there are no services on, or crossing the site in a position which would inhibit development or make it unduly expensive, and that the site has no archaeological significance, which might adversely affect the present or future occupation, development or value of each Property.

No tests have been carried out by C&W as to electrical, electronic, heating, plant and machinery equipment or any other services nor have the drains been tested. However, C&W have made an Assumption that all building services (including, but not limited to lifts, electrical, electronic, gas, plumbing, heating, drainage, sprinklers, ventilation, air conditioning and security systems) and property services (such as incoming mains, waste, drains, utility supplies etc.) are in good working order and without any defect whatsoever.

## **2.3 Environmental Matters**

We have made enquiries of the Environment Agency website in order, so far as reasonably possible, to establish the potential existence of contamination arising out of previous or present uses of the sites and any adjoining sites. We have not undertaken a formal environment assessment.

Our enquiries and inspection have provided no evidence that there is a significant risk of contamination in respect of any of the Properties. Accordingly, you have instructed us to make an Assumption that no contamination or other adverse environmental matters exist in relation to the Properties sufficient to affect value. Other than as referred to above, we have not made any investigations into past or present uses, either of the Properties or any neighbouring land to establish whether there is any contamination or potential for contamination to the subject

Properties. Commensurate with our Assumptions set out above we have made no allowance in these valuations for any effect in respect of actual or potential contamination of land or buildings.

A purchaser in the market would, in practice, undertake further investigations than those undertaken by us. If it is subsequently established that contamination exists at any of the Properties or on any neighbouring land or that any of the premises have been, or are being, put to any contaminative use then this might reduce the values now reported.

#### 2.4 **Flooding**

Where our inspections and enquiries of the Environment Agency have provided no evidence that the Properties are exposed to significant risk of flooding, unless you have instructed otherwise, we have made an Assumption that each property is located outside the extent of high chance of flood. This is categorised as being a chance of flooding equivalent to 3.3% (1 in 30).

#### 2.5 **Areas**

Where C&W have measured and calculated the floor areas, measurement is in accordance with the RICS Professional Statement RICS Property Measurement 1st Edition 2015. Where C&W have been provided with floor areas, C&W have made an Assumption that the areas have been measured and calculated in accordance with the RICS Professional Statement RICS Property Measurement 1st Edition 2015.

#### 2.6 **Statutory Requirements and Planning**

Save as disclosed in a Certificate of Title, or unless otherwise advised, C&W have made the Assumption that all of the buildings have been constructed in full compliance with valid town planning and building regulations approvals and that where necessary, they have the benefit of current Fire Risk Assessments compliant with the requirements of the Regulatory Reform (Fire Safety) Order 2005. Similarly, C&W have also made the Assumption that each Property is not subject to any outstanding statutory notices as to construction, use or occupation and that all existing uses of each Property are duly authorised or established and that no adverse planning conditions or restrictions apply. C&W have made the Assumption that each Property complies with all relevant statutory requirements.

Energy Performance Certificates (“EPC”) must be made available for all properties, when bought or sold, subject to certain exemptions. If a Property is not exempt from the requirements of this Directive C&W have made an Assumption that an EPC is made available, free of charge, to a purchaser of all the interests which are the subject of the Valuation.

In addition, in England and Wales the Minimum Energy Efficiency Standards Regulations come into force in April 2018 and their effect will be to make it unlawful to rent out a premises with an EPC rating which, according to Government proposals issued in February 2015, falls below an E rating. C&W have asked the bank or its advisors for information relating to the EPC ratings of each Property if the relevant Property is not exempt from these requirements. In any instance where C&W have not been provided with an up to date EPC rating C&W have made the Assumption that the subject property meets the minimum requirements to enable it to be let after April 2018.

In Scotland, the Energy Performance of Non-Domestic Buildings (Scotland) Regulation 2016 (the “**Regulation**”) requires that qualifying properties have an energy assessment completed and an action plan prepared prior to sale or leasing. If a Property is not exempt from the requirements of the Regulation C&W have made an Assumption that an energy assessment and action plan is made available, free of charge, to a purchaser of the interests which are the subject of the Valuation Report and that there is no capital expenditure required in order to comply with the requirements of the Regulation.

In any instance where C&W is to value a Property with the benefit of a recently granted planning consent, or on the Special Assumption that planning consent is granted, C&W have made an Assumption that it will not be challenged under Judicial Review. Such a challenge can be brought by anyone (even those with only a tenuous connection with the relevant Property, or the area in which it is located) within a period of three months of the granting of a planning consent. When a planning consent is granted subject to a Section 106 Agreement, the three-month period commences when the Section 106 Agreement is signed by all parties.

## 2.7 Tenancies and Leasing

C&W's opinion of the Market Value is subject to existing leases of which the Company or its advisors have made C&W aware but otherwise reflects an Assumption of vacant possession. Where C&W has undertaken to read the leases and related documents provided to it, C&W have made an Assumption that copies of all relevant documents have been sent to C&W and that they are complete and up to date.

Where C&W relies on tenancy and lease information provided to it, unless such information reveals otherwise, C&W have made the Assumption that all occupational leases are on full repairing and insuring terms, with no unusual or onerous provisions or covenants that would affect value.

C&W have made an Assumption that vacant possession can be given of all accommodation which is unlet or occupied by the entity/borrower or its employees on service tenancies. C&W have not taken account of any leases between subsidiaries unless C&W states otherwise in the Valuation Report.

C&W have not undertaken investigations into the financial strength of any tenants unless otherwise referred to in the Valuation Report. Unless C&W have become aware by general knowledge, or have been specifically advised to the contrary, C&W have made an Assumption that:

- a) where a Property is occupied under leases then the tenants are financially in a position to meet their obligations, and
- b) there are no material arrears of rent or service charges, breaches of covenant, current or anticipated tenant disputes.

However, the Valuation reflects a potential purchaser's likely opinion of the credit worthiness of the type of tenants actually in occupation or responsible for meeting lease commitments, or likely to be in occupation.

C&W have taken into account any information the Company or its advisors provided concerning tenants' improvements. Otherwise, if the extent of tenants' alterations or improvements cannot be confirmed, C&W have made an Assumption that the relevant Property was let with all alterations and improvements evident during C&W's inspection (or, in the case of a Valuation without internal inspection, as described within the information provided by the Company).

C&W have made an Assumption that wherever rent reviews or lease renewals are pending or impending, with anticipated reversionary changes, all notices have been served validly within the appropriate time limits.

## 2.8 Information

C&W have made an Assumption that the information provided by the Company and/or its professional advisers in respect of each Property that has been valued is both full and correct. C&W have made an Assumption that details of all matters relevant to value within their collective knowledge, including but not limited to matters such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions, have been made available to it, and that such information is up to date.

Information provided includes, but is not limited to, the following information provided by Octopus:

- leasing information;
- details of irrecoverable revenue costs, void liabilities, revenue costs;
- details of current negotiations in hand, including rent reviews, dilapidation claims, details of any CPOs, highway schemes, outstanding requirements under legislation or similar;
- costs, timetables and specification details relating to properties in the course of refurbishment / development or to be refurbished / developed in the future.

## 3. Basis of valuation

The basis of value for this Valuation Report as required by the City Code on Takeovers and Mergers (the "Code") and the Listing Rules is Market Value and therefore these valuations have been prepared on a Market Value basis.



Market Value as referred to in Valuation Professional Standard 4, Item 4 of the current edition of the RICS Valuation – Global Standard which incorporate the IVS and the RICS Red Book, and applying the conceptual framework which is set out in IVS104:

*“The estimate 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.”*

#### **Market Value**

The value of the Properties have been assessed in accordance with the relevant parts of the current RICS Red Book. In particular, we have assessed Market Value as referred to in VPS 4 item 4 of the RICS Red Book and applying the conceptual framework which is set out in IVS 104. Under these provisions, the term “Market Value” means “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.”

Our opinion of the Market Value of the Properties has been primarily derived using comparable recent market transactions on arm’s length terms.

The Listing Rules require that the basis of valuation should be Market Value. Our previous valuations for the subject portfolio were for financial reporting purposes and were provided on the basis of Fair Value – IFRS. However, the references in the IFRS 13 definition to market participants and a sale make it clear that for most practical purposes the concept of Fair Value is consistent with that of Market Value and so there will be no difference between them in terms of the valuation figure reported.

The Properties are held as investments and developments subject to development agreements with third parties and we have used the appropriate property investment valuation methodology to calculate the Market Values.

We have valued the Properties individually and have reported aggregate values excluding any addition or deduction if a sale as a portfolio were contemplated.

#### **4. Taxation and costs**

We have not made any adjustment to reflect any liability to taxation that may arise on disposal, nor for any costs associated with disposal incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposal.

We have reflected purchaser’s acquisition costs in our valuation in line with normal market practice.

No allowances are made for any expenses of realisation, or for taxation, which might arise in the event of a disposal. All property is considered as if free and clear of all mortgages or other charges, which may be secured thereon. However, we take into account purchaser’s costs in investment valuations in accordance with market conventions.

No allowance is made for the possible impact of potential legislation which is under consideration. Valuations are prepared and expressed exclusive of VAT payments, unless otherwise stated.

In the event that the Properties (or any of them) were to be sold at the valuation contained in this Valuation Report, any gains realised on such disposals over the book value for tax purposes may be subject to taxation in the applicable jurisdiction. In connection with the Merger it is not contemplated that the liability to taxation as described above will crystallise.

#### **5. VAT**

The capital valuations and rentals included in this Valuation Report are net of value added tax at the prevailing rate.

## **6. Property information**

### **6.1 Enquiries**

We have undertaken and completed the various matters referred to in the “Scope of Services” section of the VSS.

Save as referred to below, the results of our enquiries and inspections do not contradict the Assumptions which we have made and are referred to in the VSS.

## **7. Valuation Approach and Reasoning**

- 7.1 Our opinion of the Market Value of the Properties has been primarily derived using comparable recent rental and investment market transactions on arm’s length terms. We have adopted an investment method of valuation based on an income approach and adopted a suitable market capitalisation rate based on analysis of comparable market transactions.

For property in the course of development, the market value will reflect the investment value of the completed property, assuming that it had been completed at the valuation date, less the anticipated costs to complete, including the costs of finance and other holding costs.

## **8. Valuation**

Having regard to the foregoing, we are of the opinion that the aggregate of the Market Values (“Aggregate Value”), as at 31 December 2018 (Valuation Date), of each of the freehold and leasehold property interests owned by the Company subject to the Assumptions and comments in our Reports and Appendices was:

**€57,103,129 (Fifty Seven Million One Hundred and Three Thousand One Hundred and Twenty Nine Euros)**

In arriving at our opinion of Market Value of the aggregate of the interests of the Properties, we have valued each Property individually. As such, we have assumed that the Properties would be marketed in an orderly way and not all placed on the market at the same time. Values are reported in euros (€). There are no negative values to report.

Category of Property	Number of Properties Owned as at 31 December 2018	Value of Properties Owned as at 31 December 2018
Freehold/Heritable Properties held as investment	4	€50,150,000
Properties which are in the course of Construction (PUC)	1	€6,953,129*
<b>TOTAL</b>	<b>5</b>	<b>€57,103,129</b>

## 9. Aggregate Value Apportionment

The Aggregate Value as at the Valuation Date is as follows:

Property Address	Name of Property	Net Annual Rent P.A. (€)	Aggregate Market Value (€)	Aggregate Market Value (£)**
Mullingar	Mullingar Primary Healthcare Centre	€1,015,250	€16,400,000	£14,734,744
Crumlin	Crumlin Primary Care Centre, Crumlin	€436,166	€7,950,000	£7,142,757
Tallaght	Kilnamanagh Primary Care Centre	€972,870	€18,000,000	£16,172,280
Kilkenny	Ayrfield Primary Care Centre	€531,685	€7,800,000	£7,007,988
Rialto	Rialto Primary Care Centre	€0	€6,953,129*	£6,247,108
<b>TOTAL</b>		<b>€2,955,971</b>	<b>€57,103,129</b>	<b>£51,304,877</b>

\* Rialto Primary Care Centre is currently in the Course of Development. We have applied a Special Assumption Value on the basis that it is complete and operational of €11,100,000. We are advised by Octopus that the completion costs (inclusive of cost of finance and other holding costs) to be €4,146,871. We have deducted these costs from our Special Assumption Value to arrive at a Market Value of €6,953,129.

For the purposes of our Valuation of Rialto Primary Care Centre we have assumed an estimated practical completion date of 1<sup>st</sup> November 2019 as advised by Octopus.

\*\* Converted from Euros to GBP equivalent using a conversion rate as at 31 December 2018 of 0.89846:1.

As at 30 September 2018 (MedicX's 2018 Annual Report) we reported an Aggregate Market Value of €62,900,000. As outlined above our opinion of Market Value was provided on a Special Assumption basis that Rialto Primary Care Centre was complete and operational. We did not deduct completion costs for the purpose of this valuation.

## 10. Responsibility

Our Valuation Report is provided to the addressees as set out on the first page of this report (the "Addressees") in accordance with the Code and the Listing Rules and the Prospectus Rules for the purpose of valuation. We acknowledge that the Valuation Report will be published on a website in accordance with Rule 26.3 of the Code.

For the purposes of Prospectus Rule 5.5.3(R)(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 CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses no. 809/2004.

Cushman & Wakefield has given and has not withdrawn its consent to the inclusion of this Valuation Report in the Offer Documents. We confirm that the Valuations have been prepared in accordance with the requirements of Rule 29 of the Code. The Properties have been valued by a valuer who is qualified for the purposes of the valuation in accordance with Rule 29 of the Code.

Except for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent provided under the Prospectus Rules, to the fullest extent permitted by law we will 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 the Valuation Report or our statement set out above required by and given solely for the purposes of complying with Annex 1, item 23.1 of Commission Regulation (EC) No 809/2004.

Neither the whole nor any part of the Valuation Report nor any reference thereto may be included in any other published document, circular or statement, nor published in any way without our written approval of the form and context in which it is to appear. For the avoidance of doubt, such approval is required whether or not C&W are referred to by name and whether or not the contents of the Valuation Report are combined with other reports. Such approval shall not be unreasonably withheld. Notwithstanding the foregoing, the contents and data contained in the Valuation Report may be cited and summarised elsewhere in the Offer Documents.

Notwithstanding any other provisions contained within the Valuation Report, the Valuation Report may be disclosed by the Addressees in any litigation or regulatory enquiry or investigation or action in connection with the Merger, including by a regulatory body such as the Panel on Takeovers and Mergers and the Financial Conduct Authority.

#### **11. Material Difference**

For the purposes of Rule 29.4 of the Code, we confirm that in our opinion the current valuation of the Property as at the date of this Valuation Report would not be materially different from the valuation of the Property as at the Valuation Date.

#### **12. Disclosure**

Except for in connection with the Purpose of the Valuation set out above you must not disclose the contents of this Valuation Report to a third party in any way, including where we are not referred to by name or if the Valuation Report is to be combined with other reports, documents or information, without first obtaining our written approval to the form and context of the proposed disclosure in accordance with the terms of the Engagement. We will not approve any disclosure that does not refer adequately to the terms of the Engagement and any Special Assumptions or Departures that we have made.

This Valuation Report or any part of it may not be modified, altered (including altering the context in which the Valuation Report is displayed) or reproduced without our prior written consent. Any person who breaches this provision shall indemnify us against all claims, costs, losses and expenses that we may suffer as a result of such breach.

To the extent permitted by law, we hereby exclude all liability arising from use of and/or reliance on this Valuation Report by any person or persons except as otherwise set out in the terms of the Engagement.

Signed for and on behalf of Cushman & Wakefield

---

John Buckley MSCSI MRICS  
Director  
For and on behalf of  
Cushman & Wakefield

---

George Hanley MSCSI MRICS QFA  
Associate Director  
For and on behalf of  
Cushman & Wakefield

## PART 9

### UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

#### Section A – Unaudited Pro Forma Financial Information

The unaudited pro forma financial information of the Enlarged Group in this Part 9 is based on the consolidated net assets and results of the Group for the year ended 31 December 2018 and on the basis of the notes below. The pro forma financial information has been prepared to illustrate the effect of the Merger on the income statement of the Group for the year ended 31 December 2018 as if the Merger had taken place on 1 January 2018 and on the consolidated net assets of the Group as if the Merger had taken place on 31 December 2018.

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 or results.

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 2018.

#### UNAUDITED PRO FORMA INCOME STATEMENT OF THE ENLARGED GROUP

		Adjustments		
		MedicX		
	Group for the year ended 31 December 2018 (Note 1) £m	Group for the year ended 30 September 2018 (Note 2) £m	Acquisition Adjustments (Note 3) £m	Unaudited pro forma of the Enlarged Group £m
<b>Continuing operations</b>				
Rental income	79.6	41.2	—	120.8
Property costs	(3.2)	(2.1)	—	(5.3)
<b>Net rental income</b>	<b>76.4</b>	<b>39.1</b>	<b>—</b>	<b>115.5</b>
Administrative expenses	(9.9)	(6.0)	—	(15.9)
Net valuation gain on investment properties	36.0	32.2	—	68.2
Profit on disposal of investment properties	0.1	0.1	—	0.2
Share of net profit of equity accounted joint venture	—	0.1	—	0.1
<b>Operating profit</b>	<b>102.6</b>	<b>65.5</b>	<b>—</b>	<b>168.1</b>
Finance income	0.1	0.2	—	0.3
Finance costs	(29.8)	(16.7)	—	(46.5)
Fair value loss on derivative interest rate swaps and amortisation of hedging reserve	(1.8)	—	—	(1.8)
Fair value loss on convertible bond	3.2	—	—	3.2
Transaction costs	—	—	(10.0)	(10.0)
<b>Profit before taxation</b>	<b>74.3</b>	<b>49.0</b>	<b>(10.0)</b>	<b>113.3</b>
Taxation charge	—	(2.9)	—	(2.9)
<b>Profit after taxation</b>	<b>74.3</b>	<b>46.1</b>	<b>(10.0)</b>	<b>110.4</b>

---

Notes:

- (1) The results of the Group as at 31 December 2018 have been extracted without material adjustment from the audited consolidated financial statements and results of the Group for the year ended 31 December 2018, as incorporated by reference in Part 11 (*Documentation Incorporated by Reference*) of this document.
- (2) The results of the MedicX Group have been extracted without material adjustment from the audited consolidated financial statements of the MedicX Group for the year ended 30 September 2018, as incorporated by reference in Part 11 (*Documentation Incorporated by Reference*) of this document.
- (3) The acquisition adjustments column reflects:
  - (i) Total costs of the Merger of approximately £24.5 million, excluding VAT, are made up of:
    - approximately £7.5 million in relation to the Group, as explained in paragraph 24.1 of Part 10 (*Additional Information*) of this document;
    - approximately £10 million relating to an amount payable to Octopus on termination of the MedicX Investment Management Agreement, as explained in paragraph 16.1 of Part 10 (*Additional Information*) of this document; and
    - further costs of approximately £7.0 million for MedicX's expenses relating to the Merger, as set out in the Scheme Document.The amount of approximately £10 million payable to Octopus will be expensed in the income statement, as reflected in this adjustment. The remaining approximately £14.5 million relates to advisors fees payable by the Company and the MedicX Group in connection with the Merger, and will be capitalised.
  - (ii) Adjustment to accounting policies relating to capitalisation of interest and license fees, presentation of lease incentive balances, and debt modification impacts as required by IFRS 9 are immaterial to the Enlarged Group and therefore no adjustments have been reflected.
- (4) No adjustment has been made to reflect any changes in finance or tax charges which may arise as a result of the Merger in years subsequent to the Merger.
- (5) The unaudited pro forma financial information does not take into account trading of the Group subsequent to 31 December 2018, or trading of the MedicX Group post 30 September 2018.



## UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

	Adjustments			
	Consolidated net assets of the Group as at 31 December 2018 Note 1 £'m	Consolidated net assets of the MedicX Group as at 31 December 2018 Note 2 £'m	Acquisition adjustments Note 3 £'m	Pro forma consolidated net assets as at 31 December 2018 £'m
<b>Non current assets</b>				
Investment properties	1,502.9	807.9	14.5	2,325.3
Investment in equity accounted joint venture	—	1.1	—	1.1
Derivative interest rate swaps	0.6	—	—	0.6
<b>Total non-current assets</b>	<b>1,503.5</b>	<b>809.0</b>	<b>14.5</b>	<b>2,327.0</b>
<b>Current assets</b>				
Trade and other receivables	4.6	9.0	—	13.6
Cash and cash equivalents	5.9	16.0	—	21.9
	<b>10.5</b>	<b>25.0</b>	<b>—</b>	<b>35.5</b>
<b>Total assets</b>	<b>1,514.0</b>	<b>834.0</b>	<b>14.5</b>	<b>2,362.5</b>
<b>Current liabilities</b>				
Deferred rental income	(16.0)	(10.2)	—	(26.2)
Trade and other payables	(16.1)	(13.6)	—	(29.7)
Borrowings: bonds, term loans and overdrafts	(102.4)	(2.6)	(24.5)	(129.5)
	<b>(134.5)</b>	<b>(26.4)</b>	<b>(24.5)</b>	<b>(185.4)</b>
<b>Non current liabilities</b>				
Borrowings: bonds, term loans and overdrafts	(573.7)	(445.8)	—	(1,019.5)
Derivative interest rate swaps	(17.8)	—	—	(17.8)
Head lease liabilities	—	(1.3)	—	(1.3)
Deferred tax liability	—	(2.1)	—	(2.1)
	<b>(591.5)</b>	<b>(449.2)</b>	<b>—</b>	<b>(1,040.7)</b>
<b>Total liabilities</b>	<b>(726.0)</b>	<b>(475.6)</b>	<b>(24.5)</b>	<b>(1,226.1)</b>
<b>Net assets</b>	<b>788.0</b>	<b>358.4</b>	<b>(10.0)</b>	<b>1,136.4</b>

### Notes:

- (1) The net assets of the Group as at 31 December 2018 have been extracted without material adjustment from the audited consolidated financial statements and results of the Group for the year ended 31 December 2018, as incorporated by reference in Part 11 (*Documentation Incorporated by Reference*) of this document.
- (2) The financial information of the MedicX Group as at 31 December 2018 has been extracted without material adjustment from the unaudited statement of EPRA NAV per MedicX Share as at 31 December 2018, as set out in the Scheme Circular and incorporated by reference in Part 11 (*Documentation Incorporated by Reference*) of this document.
- (3) (i) No adjustment for goodwill is included as the acquisition of the MedicX Group will be accounted for as an asset acquisition, rather than a business combination as per *IFRS 3 – Business Combinations*. (ii) As explained in note (3)(i) of the *pro forma* income statement, transaction costs of approximately £14.5 million relating to advisors fees payable by the Company and the MedicX Group in connection with the Merger are expected to be capitalised as part of the investment properties caption. (iii) Adjustment to accounting policies relating to capitalisation of interest and license fees, presentation of lease incentive balances, and debt modification impacts per IFRS 9 are immaterial to the Enlarged Group and no adjustments are reflected. (iv) The *pro forma* statement of net assets does not reflect the fair value adjustment to the 'Borrowings; bonds, term loans and overdraft' balance, as the fair value measurement of this item will only be performed subsequent to completion of the Merger.
- (4) The unaudited *pro forma* financial information does not take into account trading of the Group or the MedicX Group subsequent to the year end balance sheet date of 31 December 2018.

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



Deloitte LLP  
1 New Street Square  
London EC4A 3HQ

The Board of Directors (including the Proposed 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

8 February 2019

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 9 (*Unaudited Pro Forma Financial Information of the Enlarged Group*) of the Company’s combined circular and prospectus dated 8 February 2019 (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 Merger might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the audited consolidated financial statements for the year ended 31 December 2018. 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.

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**

*Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered address at 1 New Street Square, London, EC4A 3HQ, United Kingdom. Deloitte LLP is the United Kingdom affiliate of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NWE LLP do not provide services to clients.*

## Part 10

### ADDITIONAL INFORMATION

#### 1. RESPONSIBILITY

- 1.1 The Company and each of the Directors and the Proposed Directors, whose names are set out on page 39 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company, the Directors and the Proposed 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 the PHP Valuation Report set out at Part A of Part 8 (*Property Valuation Reports*) 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 the PHP Valuation Report is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.3 Jones Lang LaSalle accepts responsibility for the information contained in the MedicX UK Valuation Report set out at Section A of Part B of Part 8 (*Property Valuation Reports*) of this document. To the best of the knowledge and belief of Jones Lang LaSalle, and having taken all reasonable care to ensure that such is the case, the information contained in the MedicX UK Valuation Report is in accordance with the facts and does not omit anything likely to materially affect the import of such information.
- 1.4 Cushman & Wakefield accepts responsibility for the information contained in the MedicX ROI Valuation Report set out at Section B of Part B of Part 8 (*Property Valuation Reports*) of this document. To the best of the knowledge and belief of Cushman & Wakefield, and having taken all reasonable care to ensure that such is the case, the information contained in the MedicX ROI Valuation Report is in accordance with the facts and does not omit anything likely to materially affect the import of such information.

#### 2. INCORPORATION AND REGISTERED OFFICE OF PHP

- 2.1 The Company 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 listing segment of the Official List as a premium commercial company under Chapter 6 of the Listing Rules 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 1 New Street Square, London EC4A 3HQ, is the auditor of PHP. Deloitte LLP is registered to carry out audit work in the UK and the Republic of Ireland by the Institute of Chartered Accountants in England and Wales.

### 3. SHARE CAPITAL OF PHP

- 3.1 As at the Latest Practicable Date 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	778,177,744	£97,272,218.00

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

Class of Share	Following completion of the Merger	
	Number	Amount
Issued and fully paid ordinary shares of 12.5 pence each	1,119,223,171	£139,902,896.38

The number of Ordinary Shares in issue immediately following completion of the Merger assumes that no further Ordinary Shares will be issued between the date of publication of this document and completion of the Merger.

- 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 2018	619,448,578
31 December 2018	769,130,328

### 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 14 April 2016, in connection with a firm placing, placing, open offer and offer for subscription, the Company issued 150,000,000 Ordinary Shares;
  - (ii) on 18 April 2018, in connection with a firm placing, placing, open offer and offer for subscription, the Company issued 106,481,482 Ordinary Shares; and
  - (iii) between 30 November 2017 and 5 February 2019, the Company issued 70,229,547 Ordinary Shares in exchange for 680 preference shares of £100,000 each in the capital of PHP Finance Jersey issued in connection with the conversion of £68.0 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 PHP General Meeting

At the PHP General Meeting, the Merger Resolution will be voted on by the PHP Shareholders for the purposes of approving the Merger and authorising the Directors to issue New Shares in connection with the Merger. The Notice of General Meeting, which sets out the Merger Resolution in full, is set out in Part 13 (*Notice of the General Meeting*) of this document. The Merger Resolution proposes that the terms of the Merger be approved as a “Class 1 transaction” for the purposes of the Listing Rules and the Directors be authorised to allot and issue the New Shares in connection with the Merger.

The Directors have no present intention to allot shares, other than in relation to the proposed Merger 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.

As at the Latest Practicable Date, there were no warrants or options to subscribe for Ordinary Shares that are outstanding

## 4. SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

The Articles are available for inspection at the address specified in paragraph 2.3 of this Part 10.

#### 4.1 Articles

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

(a) ***Votes of members***

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

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

(b) ***Transmission of shares***

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

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

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

- (i) he or any such person is in default in supplying to the Company the information thereby required within: (A) 14 days after service of the notice (or such longer period as may be specified in such notice) if the shares specified in such notice represent at least 0.25 per cent. of the shares of the class to which such shares belong in issue on the date of service of such notice; or (B) 28 days after service of the notice (or such longer period as may be specified in such notice) in any other case; or



- (ii) (in purported compliance with such notice, he or any such person has made a statement which, in the opinion of the board, is false or misleading in any material particular (and in the latter case he or any such person has failed to correct such statement within a further period of 14 days after service of a further notice in writing requiring him so to correct it).

(d) ***Dividends***

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

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

Subject to the provisions of the Statutes, the board may if it thinks fit from time to time pay to the members such interim dividends as appear to the board to be justified by the profits of the Company and in particular (but without prejudice to the generality of the foregoing) if at any time the share capital of the Company is divided into different classes, the board may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferred rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and the board may also pay half-yearly or at other suitable intervals to be settled by it any dividend which may be payable at a fixed rate if it is of the opinion that the profits justify the payment. Provided the directors act in a *bona fide* manner they shall not incur any responsibility to the holders of shares conferring a preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferred rights.

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

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

Any dividend, instalment of dividend or interest or other monies payable in cash in respect of any share may be paid by cheque or warrant payable to the order of the member entitled thereto or (in the case of joint holders) of that member whose name stands first on the register in respect of the joint holding. Every such cheque or warrant shall (unless otherwise directed) be sent by post to the last registered address of the member entitled thereto and payment of the cheque or warrant shall be a good discharge to the Company for the same. If cheques or warrants in respect of dividends are returned undelivered or are left uncashed on two consecutive occasions, or have been returned undelivered or left uncashed on one occasion and the board, on making reasonable enquiries, has failed to establish any new address of the member or person concerned, then the board may determine that the Company shall cease sending such cheques or

warrants by post to the member or person concerned. The Company may, if so directed, pay any dividend, instalment of dividend or interest or other monies as aforesaid by credit transfer to a bank account nominated by the member entitled to such payment which transfer shall be a good discharge to the Company for the same. Every such cheque or warrant shall be sent and every credit transfer made at the risk of the person entitled to the money represented thereby. No unpaid dividend or interest shall bear interest as against the Company.

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

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

The board may, in its absolute discretion, withhold the payments of any dividend to a member in respect of any share held by him in relation to which he or any other person has been duly served with a notice under section 793 of the Companies Act (or any other statutory provision or provision of the Articles for the time being in force enabling the Company by notice in writing to require any person to give any information regarding that share).

(e) ***Scrip dividends***

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

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

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

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

The Company may, by ordinary resolution:

- (i) consolidate all or any of its share capital into shares of larger amounts than its existing shares;
- (ii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person; and

- (iii) subject to the Companies Act, sub-divide all or any of its shares into shares of a smaller amount and may by resolution determine that the shares resulting from such sub-division may have any preferred or other special rights or be subject to any restrictions as compared with the others.

(h) ***General meetings***

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

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

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

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

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

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

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

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

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

- (i) is in respect of only one class of shares;
- (ii) is in favour of not more than four joint transferees;
- (iii) is duly stamped (if required); and

- (iv) is delivered for registration to the registered office of the Company or such other places as the board may decide accompanied by the share certificate and such other evidence as the board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so.

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

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

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

Subject to certain exceptions, the board may, in its absolute discretion, refuse to register any transfer of shares which does not appear to it to be a transfer pursuant to an arm's length sale and which relates to shares held by a member in relation to which he or any other person appearing to be interested in such shares has been duly served with a notice under section 793 of the Companies Act (or under any other statutory provision or provision of the Articles for the time being in force enabling the Company by notice in writing to require any person to give any information regarding those shares).

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

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

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

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

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

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

A director may hold any other office or place of profit under the Company (except that of auditor) in conjunction with his office of director. A director may hold office as a director or other officer or otherwise be interested in any other company of which the Company is a member or in which the Company is otherwise interested and, unless

otherwise agreed, shall not be liable to account to the Company for any remuneration or other benefits receivable by him as a director or officer of, or by virtue of his interest in, such other company.

(l) ***Directors***

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

There shall be available to be paid out of the funds of the Company to the directors as fees in each year an aggregate sum not exceeding £500,000 as the board may determine, such sum to be divided among such directors in such proportion and manner as they may agree or, in default of agreement, equally provided that any such director holding the office of director for part of a year shall, unless otherwise agreed, be entitled only to a proportionate part of such fee. The Company may by ordinary resolution increase the amount of the fees payable under Article 82. The provisions of Article 82 shall not apply to the remuneration of any Managing Director or director holding executive office whose remuneration shall be determined in accordance with the provisions of Articles 91.1 and 91.4 or Article 84.

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

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

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

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

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

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

- (i) the giving of any guarantee, security or indemnity to him in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting thereof;



- (iv) any proposal concerning any other company in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise howsoever provided that he (together with any person connected with him within the meaning of section 252 of the Companies Act) is not the holder of or beneficially interested in 1 per cent. or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for the purpose of Article 87 to be a material interest in all circumstances);
- (v) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval by the board of HMRC for taxation purposes or which does not accord to any director as such any privilege or benefit not accorded to the employees to which the scheme or fund relate;
- (vi) any contract, arrangement or proposal for the benefit of employees of the Group under which the director benefits in a similar manner as the employees or which does not accord to any director as such any privilege or benefit not accorded to the employees to which the scheme or fund relates; and
- (vii) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of directors or for the benefit of persons including directors.

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

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

provided that the authorisation is only effective if:

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

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

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



## 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 10).

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 10.

The Special Article:

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

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

### (b) *Identification of Substantial Shareholders*

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

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

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

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

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

- (i) the Substantial Shareholder concerned is not beneficially entitled to the dividends (see also paragraph 4.2(d) below);
- (ii) the shareholding is not part of a Substantial Shareholding;

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

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

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

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

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

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

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

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

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

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

The Special Article provides that if a dividend is in fact paid on Ordinary Shares forming part of a Substantial Shareholding (which might occur, for example, if a Substantial Shareholding is split among a number of nominees and is not notified to the Company prior to a dividend payment date) the dividends so paid are to be held on trust by the recipient for any person (who is not a Substantial Shareholder) nominated by the Substantial Shareholder concerned. The person nominated as the beneficiary could be the purchaser of the Ordinary Shares if the Substantial Shareholder is in the process of selling down their holding so as not to cause the Company to breach the Substantial Shareholder rule. If the Substantial Shareholder does not nominate anyone within 12 years, the dividend concerned will be held on trust for the Company or such charity as the board may nominate.

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

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

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

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

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

(g) ***Takeovers***

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

(h) ***Other***

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

The Special Article may be amended by special resolution passed by the PHP 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 10, which powers may include the ability to arrange for the sale of Ordinary Shares on behalf of PHP Shareholders.

### **4.3 REIT Articles 158.1 to 164 (the Special Article)**

*“158 Cardinal principle*

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

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

*159 Definitions and interpretation*

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

- |                |  |
|----------------|--|
| “business day” | means a day (not being a Saturday or Sunday) on which banks are normally open for business in London;  |
| “Distribution” | means any dividend or other distribution on or in respect of the shares of the Company and references to a Distribution being paid include a distribution not involving a cash payment being made; |

“Distribution Transfer”	means a disposal or transfer (however effected) by a Person of his rights to a Distribution from the Company such that he is not beneficially entitled (directly or indirectly) to such a Distribution and no Person who is so entitled subsequent to such disposal or transfer (whether the immediate transferee or not) is (whether as a result of the transfer or not) a Substantial Shareholder;
“Distribution Transfer Certificate”	means a certificate in such form as the directors may specify from time to time to the effect that the relevant Person has made a Distribution Transfer, which certificate may be required by the directors to satisfy them that a Substantial Shareholder is not beneficially entitled (directly or indirectly) to a Distribution;
“Excess Charge”	means, in relation to a Distribution which is paid or payable to a Person, all tax or other amounts which the directors consider may become payable by the Company or any other member of the Group under Regulation 10 of the Real Estate Investment Trusts (Breach of Conditions) Regulations 2006 (as such regulation may be modified, supplemented or replaced from time to time) and any interest, penalties, fines or surcharge attributable to such tax as a result of such Distribution being paid to or in respect of that Person;
“Group”	means the Company and the other companies in its group for the purposes of section 134 of the Finance Act 2006 (as such section may be modified, supplemented or replaced from time to time);
“HMRC”	means HM Revenue & Customs;
“interest in the Company”	includes, without limitation, an interest in a Distribution made or to be made by the Company;
“Person”	includes a body of Persons, corporate or unincorporated, wherever domiciled;
“Relevant Registered Shareholder”	means a shareholder who holds all or some of the shares in the Company that comprise a Substantial Shareholding (whether or not a Substantial Shareholder);
“Reporting Obligation”	means any obligation from time to time of the Company to provide information or reports to HMRC as a result of or in connection with the Company’s status as a REIT;
“Substantial Shareholder”	means any person whose interest in the Company, whether legal or beneficial, direct or indirect, may cause any member of the Group to be liable to pay tax under Regulation 10 of the Real Estate Investment Trusts (Breach of Conditions) Regulations 2006 (as such legislation may be modified, supplemented or replaced from time to time) on or in connection with the making of a distribution to or in respect of such person including, at the date of adoption of the Special Article, any holder of excessive rights as defined in the Real Estate Investment Trusts (Breach of Conditions) Regulations 2006; and
“Substantial Shareholding”	means the shares in the Company in relation to which or by virtue of which (in whole or in part) a Person is a Substantial Shareholder.

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

- (a) to be addressed to the Company, the directors or such other Persons as the directors may determine (including HMRC);
- (b) to include such information as the directors consider is required for the Company to comply with any Reporting Obligation;

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

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

#### 160 *Notification of Substantial Shareholder and other status*

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

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

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

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

#### 161 *Distributions in respect of Substantial Shareholdings*

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

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

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



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

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

- (a) if it is established to the satisfaction of the directors that the condition in Article 161.2 is not satisfied in relation to such shares, in which case the whole amount of the Distribution withheld shall be paid; and
- (b) if the directors are satisfied that sufficient interests in all or some of the shares concerned have been transferred to a third party so that such transferred shares no longer form part of the Substantial Shareholding, in which case the Distribution attributable to such shares shall be paid (provided the directors are satisfied that following such transfer such shares concerned do not form part of a Substantial Shareholding); and
- (c) if the directors are satisfied that as a result of a transfer of interests in shares referred to in (b) above the remaining shares no longer form part of a Substantial Shareholding, in which case the Distribution attributable to such shares shall be paid.

In this Article 161.3, references to the “transfer” of a share include the disposal (by any means) of beneficial ownership of, control of voting rights in respect of and beneficial entitlement to dividends in respect of, that share.

161.4 A Substantial Shareholder may satisfy the directors that he is not beneficially entitled to a Distribution by providing a Distribution Transfer Certificate. The directors shall be entitled to (but shall not be bound to) accept a Distribution Transfer Certificate as evidence of the matters therein stated and the directors shall be entitled to require such other information, certifications or declarations as they think fit.

161.5 The directors may withhold payment of a Distribution on or in respect of any shares in the Company if any notice given by the directors pursuant to Article 160.2 in relation to such shares shall not have been complied with to the satisfaction of the directors within the period specified in such notice. Any Distribution so withheld will be paid when the notice is complied with to the satisfaction of the directors unless the directors withhold payment pursuant to 161.1 and until such payment the Persons who would otherwise be entitled to the Distribution shall have no right to the Distribution or its payment.

161.6 If the directors decide that payment of a Distribution should be withheld under Article 161.1 or Article 161.5, they shall within five business days give notice in writing of that decision to the Relevant Registered Shareholder.

161.7 If any Distribution shall be paid on a Substantial Shareholding and an Excess Charge becomes payable, the Substantial Shareholder shall pay the amount of such Excess Charge and all costs and expenses incurred by the Company in connection with the recovery of such amount to the Company on demand by the Company. Without prejudice to the right of the Company to claim such amount from the Substantial Shareholder, such recovery may be made out of the proceeds of any disposal pursuant to Article 163.2 or out of any subsequent Distribution in respect of the shares to such Person or to the shareholders of all shares in relation to or by virtue of which the directors believe that Person has an interest in the Company (whether that Person is at that time a Substantial Shareholder or not).

## *162 Distribution trust*

162.1 If a Distribution is paid on or in respect of a Substantial Shareholding (except where the Distribution is paid in circumstances where the Substantial Shareholder is not beneficially entitled to the Distribution), the Distribution and any income arising from it shall be held by the payee or other recipient to whom the Distribution is transferred by the payee on trust absolutely for the Persons nominated by the relevant Substantial Shareholder under Article 162.2 in such proportions as the relevant Substantial Shareholder shall in the nomination direct or, subject to and in default of such nomination being validly made within 12 years after the date the Distribution is made, for the Company as may be nominated by the directors from time to time.



- 162.2 The relevant Substantial Shareholder of shares of the Company in respect of which a Distribution is paid shall be entitled to nominate in writing any two or more Persons (not being Substantial Shareholders) to be the beneficiaries of the trust on which the Distribution is held under Article 162.1 and the Substantial Shareholder may in any such nomination state the proportions in which the Distribution is to be held on trust for the nominated Persons, failing which the Distribution shall be held on trust for the nominated Persons in equal proportions. No Person may be nominated under this Articles 158.1 to 164 (inclusive) who is, or would on becoming a beneficiary in accordance with the nomination become, a Substantial Shareholder. If the Substantial Shareholder making the nomination is not by virtue of Article 162.1 the trustee of the trust, the nomination shall not take effect until it is delivered to the Person who is the trustee.
- 162.3 Any income arising from a Distribution which is held on trust under Article 162.1 shall until the earlier of (i) the making of a valid nomination under Article 162.2 and (ii) the expiry of the period of 12 years from the date when the Distribution is paid be accumulated as an accretion to the Distribution. Income shall be treated as arising when payable, so that no apportionment shall take place.
- 162.4 No Person who by virtue of Article 162.1 holds a Distribution on trust shall be under any obligation to invest the Distribution or to deposit it in an interest-bearing account.
- 162.5 No Person who by virtue of Article 162.1 holds a Distribution on trust shall be liable for any breach of trust unless due to his own wilful fraud or wrongdoing or, in the case of an incorporated Person, the fraud or wilful wrongdoing of its directors, officers or employees.

### *163 Obligation to dispose*

163.1 If at any time, the directors believe that:

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

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

163.2 If:

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

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

of a share in uncertificated form, may make such arrangements as they think fit on behalf of the relevant holder or holders to transfer title to the relevant share through a relevant system.

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

#### *164 General*

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

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 PHP 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 PHP Shareholders. The consideration offered to the PHP 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 PHP 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 PHP 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 PHP Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a PHP 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>
Steven Owen	Non-Executive Chairman
Harry Hyman	Managing Director
Richard Howell	Finance Director
Nick Wiles	Non-Executive Director and Senior Independent Director
Peter Cole	Non-Executive Director
Stephen Kell	Non-Executive Director
Geraldine Kennell	Non-Executive Director
Ian Krieger	Non-Executive Director

The Proposed Directors, and their proposed principal functions are as follows:

<b>Name</b>	<b>Position</b>
Helen Mahy	Non-Executive Deputy Chairman and Senior Independent Director
Laure Duhot	Non-Executive Director

- 6.1 The business address of each of the Directors and, following their appointment, the Proposed Directors is 5<sup>th</sup> 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 10 of Part 2 (*Information on PHP*) of this document.
- 6.3 The biographical details of the Proposed Directors are set out in paragraph 3 of Part 3 (*Information on MedicX*) of this document.
- 6.4 In addition to their directorships of the Company and companies in the PHP Group or MedicX and companies in the MedicX Group, (as applicable) the Directors and the Proposed 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) ***Steven Jonathan Owen***

**Current**

Ice Campus Ventures Limited  
Wye Valley Partners LLP

**Former**

Wales in London Limited  
Milford Haven Port Authority

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

**Current**

Biopharma Credit PLC  
Conscious Chocolates Limited  
Hertsford Capital Plc  
EducationInvestor Limited  
Fortissimo Group Limited  
HAV 2018 Limited  
HealthInvestor Asia Limited  
HealthInvestor Limited  
Health Investments Limited  
Investor Publishing Limited  
Motorstep 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

**Former**

I Value PLC (dissolved 2014)  
Nexus Structured Finance Limited  
(dissolved 2014)  
NHR Acquisitions Limited  
(dissolved 2014)  
SJPLL Limited (dissolved 2018)  
The Quoted Companies Alliance  
S4 Capital PLC

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  
Nexus Tradeco Holdings Limited  
Nexus Tradeco Limited  
ORBIG Limited  
Pine Property Services Limited  
Q1Care Limited  
Summit Germany Limited  
The Healthcare REIT Limited  
The Opera Awards Foundation  
The Opera Awards Limited  
The Raw Chocolate Company Limited  
Vintage Wine Sellers Limited

(iii) ***Richard Howell***

**Current**

Wells Farm Property Owners Limited

**Former**

Metric GP Income Plus Limited  
Metric Income Plus Nominee Limited

(iv) ***Peter William Beaumont Cole***

**Current**

280 Bishopsgate Investments Limited  
Abbey Retail Park Limited  
Bishopsgate Goodsynd Regeneration Limited  
Bristol Alliance (GP) Limited  
Bristol Alliance Nominee No.1 Limited  
Bristol Alliance Nominee No.2 Limited  
Christchurch UK Limited  
Crocusford Limited  
Croydon Car Park Limited  
Croydon (GP1) Limited  
Croydon (GP2) Limited  
Croydon Management Services Limited  
Croydon Property Investments Limited  
Dundrum Car Park GP Limited  
Dundrum Retail GP Designated Activity Company  
Grantchester Developments (Birmingham) Limited  
Grantchester Developments (Falkirk) Limited  
Grantchester Properties (Gloucester) Limited  
Grantchester Properties (Luton) Limited  
Grantchester Property Management Limited  
Grantchester Properties (Middlesbrough) Limited  
Grantchester Properties (Nottingham) Limited  
Grantchester Properties (Sunderland) Limited  
Grantchester Properties (Port Talbot)

**Former**

9-13 Grosvenor Street (GP) Limited  
9-13 Grosvenor Street Nominees No.1 Limited  
9-13 Grosvenor Street Nominees No.2 Limited  
99 Bishopgate (No.1) Limited (dissolved 2014)  
99 Bishopgate (No.2) Limited (dissolved 2014)  
Forwardground Property Management Limited  
Grand Central (GP) Limited  
Grand Central No 1 Limited  
Grand Central No 2 Limited  
Hammerson plc  
Hammerson Birmingham Properties Limited  
Hammerson Investments (No.24) Limited (dissolved 2016)  
Hammerson Investments (No. 30) Limited (dissolved 2015)  
Hammerson Investments (No.31) Limited (dissolved 2015)  
Hammerson Investments (No.32) Limited (dissolved 2015)  
Hammerson Investments (No.33) Limited (dissolved 2015)  
Hammerson Investments (No.34) Limited (dissolved 2015)  
Hammerson London Wall (GP) Limited (dissolved 2015)  
Hammerson (Drakehouse) Limited  
Hammerson (Kirkcaldy) Limited

Limited	Hammerson (Thanet) Limited
Grantchester Limited	Highcross Leicester (GP) Limited
Grantchester Group Limited	LWP (Nominee 1) Limited
Grantchester Holdings Limited	(dissolved 2015)
Grantchester Investments Limited	LWP (Nominee 2) Limited
Hammerson (60 Threadneedle Street)	(dissolved 2015)
Limited	Silverburn Investment Advisors Limited
Hammerson (9-13 Grosvenor Street)	Westchester Properties (Thanet) Limited
Limited	Rhone (Jersey) Limited
Hammerson (Bicester No. 2) Limited	
Hammerson (Brent Cross) Limited	
Hammerson (Brent South) Limited	
Hammerson (Cramlington I) Limited	
Hammerson Croydon (GP1) Limited	
Hammerson Croydon (GP2) Limited	
Hammerson (Didcot II) Limited	
Hammerson (Abbey) Limited	
Hammerson (Bristol) Limited	
Hammerson (Cardiff) Limited	
Hammerson (Centurion) Limited	
Hammerson (Coventry) Limited	
Hammerson (Cricklewood) Limited	
Hammerson (Croydon) Limited	
Hammerson (Didcot) Limited	
Hammerson (Folkestone) Limited	
Hammerson Group Limited	
Hammerson Investments Limited	
Hammerson (Kingston) Limited	
Hammerson (Leeds) Limited	
Hammerson (Lichfield) Limited	
Hammerson LLC	
Hammerson (Merthyr) Limited	
Hammerson Employee Share Plan	
Trustees Limited	
Hammerson (Newcastle) Limited	
Hammerson (Newtownabbey) Limited	
Hammerson Operations Limited	
Hammerson (Paddington) Limited	
Hammerson Ravenhead Limited	
Hammerson (Rugby) Limited	
Hammerson (Staines) Limited	
Hammerson (Telford) Limited	
Hammerson (Euston Square) Limited	
Hammerson (Watermark) Limited	
Hammerson Group Management Limited	
Hammerson Investments (No 12) Limited	
Hammerson Investments (No.13) Limited	
Hammerson Investments (No.16) Limited	
Hammerson Investments (No. 23)	
Limited	
Hammerson Investments (No.26) Limited	
Hammerson Investments (No.35) Limited	
Hammerson Investments (No.36) Limited	
Hammerson Investments (No.37) Limited	
Hammerson International Holdings	
Limited	
Hammerson (Leeds Developments)	
Limited	
Hammerson (Leeds GP) Limited	



Hammerson (Leeds Investments) Limited  
 Hammerson (Leicester GP) Limited  
 Hammerson (Milton Keynes) Limited  
 Hammerson (Moor House) Properties Limited  
 Hammerson Oracle Properties Limited  
 Hammerson (Parc Tawe I) Limited  
 Hammerson Peterborough (No 1) Limited  
 Hammerson Peterborough (No 2) Limited  
 Hammerson Peterborough (GP) Limited  
 Hammerson Project Management Limited  
 Hammerson Retail Parks Holdings Limited  
 Hammerson MGLP 2 Limited  
 Hammerson Shelf Co 10 Limited  
 Hammerson (Exeter II) Limited  
 Hammerson Shelf Co 7 Limited  
 Hammerson Shelf Co 9 Limited  
 Hammerson Sheffield (NRQ) Limited  
 Hammerson Share Option Scheme Trustees Limited  
 Hammerson UK Properties plc  
 Hammerson (Value Retail Investments) Limited  
 Hammerson (Victoria Gate) Limited  
 Hammerson (Victoria Investments) Limited  
 Leeds (GP1) Limited  
 Leeds (GP2) Limited  
 Mentboost Limited  
 Monesan Limited  
 Moor House General Partner Limited  
 New Southgate Limited  
 Precis (1474) Limited  
 Rectory Management (Pirton) Limited  
 RT Group Developments Limited  
 RT Group Property Investments Limited  
 Spitalfields Developments Limited  
 Spitalfields Holdings Limited  
 Triskelion Property Holding Designated Activity Company  
 Union Square Developments Limited  
 Westchester Holdings Limited  
 Westchester Property Holdings Limited

(v) ***Dr Stephen Wallace Kell***

**Current**

Larwood Health Partnership  
 Community Consulting Limited  
 Community Health Partners Limited

**Former**

Hill House School Limited  
 Steve Kell Consulting Ltd (dissolved 2017)

(vi) ***Geraldine Ann Kennell***

**Current**

Two NFL LLP  
 Silverfleet Capital 2004 LP  
 Silverfleet Capital FP 2005 LP  
 Silverfleet Capital FP 2006 LP  
 Silverfleet Capital 2009 GP LP Inc

**Former**

Fleet Energy Limited  
 Ivy TopCo Limited  
 Silverfleet Capital DMP LP  
 Silverfleet Capital 2010 GP LP Inc  
 Silverfleet Capital Partners LLP

- |        |   |  |
|--------|---|--|
|        | Silverfleet Capital 2011-2012 GP LP Inc<br>Silverfleet Capital Partners Affiliates Fund LP<br>Silverfleet Capital Partners Affiliates' (B) LP<br>Silverfleet Capital Partners GP LP<br>Silverfleet Capital Partners GP II LP  | Silverfleet Capital 2008 GP LP Inc   |
| (vii)  | <b><i>Ian Stephen Krieger</i></b><br><b>Current</b><br>Safestore Holdings plc<br>Premier Foods plc<br>Capital & Regional plc<br>Anthony Nolan Trading Limited<br>Nuffield Trading Limited<br>The Nuffield Trust for Research and Policy Studies in Health Services<br>Anthony Nolan | <b>Former</b><br>—   |
| (viii) | <b><i>Nicholas Winston Brian Wiles</i></b><br><b>Current</b><br>Paypoint PLC<br>Nomina No 540 LLP   | <b>Former</b><br>HPA Licensing Limited<br>Coban 2017 Corporate Partner Limited   |
| (ix)   | <b><i>Helen Mahy</i></b><br><b>Current</b><br>The Renewables Infrastructure Group Limited<br>SSE plc<br>Bonheur ASA<br>Staffhurst Associates Limited<br>Basil the Spaniel Company Limited   | <b>Former</b><br>Sole Realisation Company plc (previously SVG Capital PLC)<br>Stagecoach Group plc<br>Obelisk Legal Support Solutions Limited<br>Ganger Rolf ASA                                       |
| (x)    | <b><i>Laure Duhot</i></b><br><b>Current</b><br>InLand Homes plc<br>Lauderdale House Society Limited<br>Duhot-Consult Limited<br>The Guinness Partnership Group<br>The Guinness Association Limited<br>MIC Limited   | <b>Former</b><br>GRIP REIT plc<br>GRIP UK Holdings Limited<br>Vesta (General Partner) Limited<br>Grainger Trust Limited<br>First Property Asset Management Limited<br>Sunco II LLP<br>Mount Halla SARL |
- (g) Save as disclosed in this paragraph 6.5(g) of this Part 10, none of the Directors or Proposed Directors have been associated with any bankruptcies, receiverships or liquidations in the last five years:
- Harry Hyman***
- (i) 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.
- (ii) 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.
- 6.5 Save as disclosed in this paragraph 6 of this Part 10 and at the date of this document none of the Directors of PHP or the Proposed Directors 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.
- 6.6 None of the Directors or the Proposed Directors has any family relationship with another Director or Proposed Director. Save as disclosed in paragraph 7.8 below, none of the Directors or the Proposed Directors have any potential conflicts of interest between their duties to the Company and their private interests or other duties.

## **7. TERMS OF APPOINTMENT, REMUNERATION AND BENEFITS OF DIRECTORS**

- 7.1 No director has a service contract with the Company nor are they appointed for a specific term of office.
- 7.2 A letter of appointment with Harry Hyman dated 7 February 2019 sets out the basis of Harry Hyman's appointment to the board since 5 February 1996. The appointment as Managing Director of the Company is subject to the terms of the Advisory Agreement, the Articles, the Listing Rules and applicable law. The appointment is conditional on his continued employment with Nexus and no fee is paid by the Company under the letter of appointment. The appointment is subject to re-election by shareholders in line with the other Directors, which is currently on an annual basis. In line with the Advisory Agreement, Harry Hyman must give 12 months written notice to resign as director of the Company.
- 7.3 A letter of appointment with Richard Howell dated 26 April 2017 sets out the terms of his appointment to the board since 1 April 2017. The appointment as Finance Director is subject to the Articles, the Listing Rules and applicable law. The appointment is conditional on his continued employment with Nexus and no fee is paid by the Company under the letter of appointment. The appointment is subject to re-election by shareholders at the same time as the other Directors, currently annually.
- 7.4 The fee for the service of Harry Hyman is paid to Nexus pursuant to the Advisory Agreement which is summarised in paragraph 15.8 of this Part 10.
- 7.5 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.

Each of the Proposed Directors will be engaged pursuant to a letter of appointment with PHP, the terms of which will be broadly similar to those of the current Non-executive Directors.

- 7.6 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.
- 7.7 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 £41,500 per annum for the Directors and £74,500 per annum for the Chairman. 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.

- 7.8 No amounts have been set aside or accrued by the Group to provide pension, retirement or similar benefits to the Directors or the Proposed Directors.
- 7.9 Harry Hyman is a director of Nexus and various Nexus subsidiaries, a director and shareholder of Nexus Group Holdings Limited which holds 12,330,000 Ordinary Shares. 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 15.8 of this Part 10 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.
- 7.10 The aggregate remuneration paid to the Directors for the year ended 31 December 2018 was as follows:

	<b>Year ended 31 December 2018 (£)</b>
Steven Owen	67,210
Harry Hyman <sup>(1)</sup>	41,875
Richard Howell	nil
Peter Cole (appointed 1 May 2018)	27,686
Dr Stephen Kell (appointed 15 February 2018)	36,125
Geraldine Kennell	41,125
Ian Krieger (appointed 15 February 2018)	43,152
Nick Wiles	43,875
Total	<b>313,345</b>

Notes:

(1) Paid to Nexus Tradeco Limited.

- 7.11 No Director received any benefits in kind.
- 7.12 In connection with the Merger, the Board established a special project committee consisting of the Chairman (Steven Owen), the Senior Independent Director (Nick Wiles), the Managing Director (Harry Hyman) and the Finance Director (Richard Howell) to lead the transaction. The Chairman and the Senior Independent Director both agreed to take on significant additional duties and responsibilities, by serving on the committee, which has been meeting on a weekly basis since the summer of 2018. In recognition of these additional duties and responsibilities, on 29 January 2019 the Remuneration Committee approved additional fees of £25,000 and £15,000 to the Chairman and Senior Independent Director respectively.

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

Save as set out in paragraphs 8.1, 8.2 and 8.3 below, no Director or Proposed Director has any interests (beneficial or non-beneficial) in the share capital of the Company or any of its subsidiaries.

### **8.1 Directors' and Proposed Directors' shareholdings**

The interests (all of which are beneficial unless otherwise stated) of the Directors and the Proposed 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 or Proposed Director) interests

of a person closely associated (within the meaning of the Market Abuse Regulation) with a Director or a Proposed Director and the existence of which was known to or could, with reasonable diligence, be ascertained by the relevant Director or Proposed Director as at the Latest Practicable Date, together with such interests as are expected to be held immediately following Admission are as follows:

Name	As at the Latest Practicable Date		Immediately following Admission
	Number of Ordinary Shares	Percentage of existing issued share capital	Percentage of enlarged issued share capital
Steven Owen	73,149 <sup>(1)</sup>	0.009	0.007
Harry Hyman	12,836,616 <sup>(2)</sup>	1.650	1.147
Richard Howell	128,208 <sup>(3)</sup>	0.016	0.011
Nick Wiles	51,624	0.007	0.005
Stephen Kell	14,182	0.002	0.001
Geraldine Kennell	257,951	0.033	0.023
Ian Krieger	81,481	0.010	0.007
Peter Cole	—	—	—
Helen Mahy	—	—	0.004 <sup>(4)</sup>
Laure Duhot	—	—	0.002 <sup>(4)</sup>

Notes:

(1) This includes 23,822 Ordinary Shares held by Siân Owen.

(2) This includes 43,301 Ordinary Shares held by Anita Hyman and 12,330,000 Ordinary Shares held by Nexus Group Holdings Limited.

(3) This includes 101,155 Ordinary Shares held by Fiona Howell and 12,268 Ordinary Shares held by Nexus Central Management Services Limited, as bare trustee.

(4) As at the Latest Practicable Date, Helen Mahy held 52,548 MedicX Shares and Laure Duhot held 30,090 MedicX Shares and are expected to receive 40,461 and 23,169 New Shares respectively pursuant to the Merger.

Taken together, the combined percentage interest of the Directors and the Proposed Directors in the issued ordinary share capital of the Company as at the Latest Practicable Date was approximately 1.728 per cent. Taken together, the combined percentage interest of the Directors (excluding Geraldine Kennell and Nick Wiles who are expected to resign on completion of the Merger) and the Proposed Directors in the issued ordinary share capital of the Company immediately following Admission is expected to be approximately 1.179 per cent.

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

- (a) have been notified by each Director and Proposed Director pursuant to the Market Abuse Regulation before the Latest Practicable Date; or
- (b) are interests of a person closely associated (within the meaning of the Market Abuse Regulation) with a Director or a Proposed Director 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 the Company or any of its subsidiaries for the benefit of any of the Directors or the Proposed Directors.

## 8.2 Pledges of Ordinary Shares

As at the Latest Practicable Date, the 12,330,000 Ordinary Shares held by Nexus Group Holdings Limited are subject to a debenture and fixed charge over all of that company's assets to its bank. The Company has been informed that Nexus Group Holdings Limited, which has drawn down approximately £1.6 million of its term loan 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' and Proposed Directors' options and awards

As at the Latest Practicable Date, none of the Directors or the Proposed Directors held any 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 PHP SHAREHOLDERS IN THE COMPANY

- 9.1 As at the Latest Practicable Date, the Company had been notified of or was otherwise aware of the following PHP Shareholders who were directly or indirectly interested in 3 per cent. or more of the issued Ordinary Shares:

Name	As at the Latest Practicable Date	
	Number of Ordinary Shares	Percentage of existing issued share capital
Blackrock Investment Management	53,620,192	6.89
Investec Wealth & Investment	37,219,936	4.78
Hargreaves Lansdown	30,925,436	3.97
Vanguard Group	29,770,149	3.83
Troy Asset Management	26,260,000	3.76
CCLA Investment Management	26,864,669	3.45

- 9.2 Save as disclosed in this paragraph 9, the Company is not aware of any person who, as at the Latest Practicable Date, 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 the Latest Practicable Date, 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 PHP Shareholders referred to in this paragraph 9 have different voting rights from any other holder of Ordinary Shares in respect of such shares held by them.

## 10. CORPORATE GOVERNANCE AND PHP 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 July 2018, the Financial Reporting Council ("FRC") published the 2018 edition of the Corporate Governance Code which contains broad principles and specific provisions to assist how boards operate. The Corporate Governance Code applies to the Company's current financial year starting on 1 January 2019. The Board considers that the Company has complied with the provisions of the Corporate Governance Code during the current financial year to the date of this document.

The Corporate Governance Code states that the board should identify the directors it considers to be independent and sets out circumstances which are likely to impair, or could impair, a director's independence. Steven Owen, Nick Wiles, Peter Cole, Geraldine Kennell, Stephen Kell and Ian Krieger are deemed independent when assessed against the circumstances set out in the Corporate Governance Code. 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 PHP 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 five Non-Executive Directors. Six members of the Board are considered to be independent. Details of the Chairman, the Directors and their individual roles are shown in paragraph 10 of Part 2 (*Information on PHP*). 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. Nick Wiles is the current Senior Independent Director but shall be replaced by Helen Mahy following completion of the Merger. He is and, following completion of the Merger, Helen will be available to PHP Shareholders if they have any concerns that cannot be resolved through the normal channels. The role is to support the Chairman and act as his sounding board when required and, if necessary, to act as an intermediary for the other Directors.

## 10.2 Board Diversity

The Board believes that it must include the right blend of individuals whose skills and experience have been derived from a variety of backgrounds. Directors must demonstrate independence of mind, integrity and willingness to challenge constructively. Appointments are made first and foremost on the basis of merit using objective criteria and taking into account the recognised benefits of all types of diversity. The Board will continue to ensure that diversity is taken into account when considering any new appointments.

## 10.3 Committees

The Board is currently assisted in fulfilling its responsibilities by five committees, being the audit, remuneration, nomination, advisers engagement and standing committees. The terms of reference for these committees are set out below.

### (a) *Audit committee*

The audit committee currently comprises Ian Krieger (Chairman), Peter Cole, Stephen Kell, Geraldine Kennell and Nick Wiles, though other directors, including the Chairman, may be invited to attend. The committee meets at least twice each year and the committee holds regular meetings with representatives of the Adviser, and with the external auditors.

The committee's main objectives are, *inter alia*: to monitor the integrity of the Group's financial statements and the robustness of the financial, operational, compliance controls and systems of risk management relied on by the Group.

The committee also reviews any matters raised by the external auditors. The external auditors are invited to attend meetings regularly. The external auditors have unrestricted access to the members of the audit committee, and the committee ensures that meetings are used as an open avenue of communication between the external auditors and the Board. The committee receives regular updates and monitors the status of actions taken by management to address issues raised. The Adviser provides risk management reports to the audit committee on risk assessment and internal controls in place. The Adviser also meets with the audit committee to review the audit plans and progress, accounting processes and early drafts of the financial reports.

The audit committee is responsible for recommending the appointment and dismissal of external auditors and their terms of engagement; assessing their performance; receiving regular reports, independently of the Adviser where necessary; determining the external auditors' independence; approving the external auditors' fees and conducting an audit tender process when appropriate.

Following completion of the Merger, Geraldine Kennell and Nick Wiles shall be replaced by Helen Mahy and Laure Duhot.

(b) ***Nomination committee***

The nomination committee currently comprises Steven Owen (Chairman), Peter Cole, Stephen Kell, Geraldine Kennell, Ian Krieger and Nick Wiles. It reviews from time to time the combination and balance of experience, core competencies and other attributes of the Board, and gives consideration to succession planning and identifying candidates as non-executive directors to bring to the Board for approval.

Following completion of the Merger, Geraldine Kennell and Nick Wiles shall be replaced by Helen Mahy and Laure Duhot.

(c) ***Remuneration committee***

The remuneration committee currently comprises Geraldine Kennell (Chairman), Peter Cole, Stephen Kell, Ian Krieger, Steven Owen and Nick Wiles. 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 and the fees of the other non-executive directors are reviewed by the Chairman and the Managing Director on an annual basis. Following completion of the Merger, Geraldine Kennell will be replaced with Helen Mahy as Chairman of the remuneration committee and Nick Wiles will be replaced with Laure Duhot.

(d) ***Adviser engagement committee***

The advisers engagement committee currently comprises Nick Wiles (Chairman), Peter Cole, Stephen Kell, Geraldine Kennell, Ian Krieger and Steven Owen and meets at least twice annually to review the terms of the Advisory Agreement and the performance of the Adviser. Following completion of the Merger, Nick Wiles shall be replaced with Laure Duhot as Chairman of the adviser engagement committee and Geraldine Kennell shall be replaced with Helen Mahy.

(e) ***Standing committee***

The standing committee currently consists of Steven Owen, 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.

## **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 PHP Shareholders who are resident (and in the case of individuals, domiciled in the UK and not Scottish taxpayers) 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 PHP Shareholders such as dealers in securities. Any PHP 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**

The disposal (or deemed disposal) by a PHP Shareholder of all or part of the New Shares issued to him may, depending on the PHP Shareholder's circumstances, render him liable to UK tax on capital gains.

A disposal by a PHP Shareholder within the charge to UK capital gains tax, such as an individual, trustee or personal representative, will, subject to the availability to the PHP Shareholder of any exemptions, reliefs and/or allowable losses, be subject to tax on any gain. The 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 which is currently set at £46,350. 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 by a PHP Shareholder whilst they are not resident in the UK.

Any gain on a disposal by a PHP 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 PHP Shareholder of any exemptions, reliefs and/or allowable losses, be subject to corporation tax at the current rate of 19 per cent. (due to reduce to 17 per cent. from 1 April 2020).

Shareholders who are not resident in the UK for tax purposes may not, depending on their personal circumstances, be liable to UK taxation on chargeable gains arising from the sale or other disposal of their New Shares (unless they carry on a trade, profession or vocation in the UK through a branch or agency with which their New Shares are connected or, in the case of a corporate PHP Shareholder, through a permanent establishment in connection with which the New Shares are held).

However, from 6 April 2019, capital gains derived on disposal of their New Shares by Shareholders who are not resident in the UK will also be liable to UK tax. Subject to the availability to the PHP Shareholder of any exemption, relief and/or allowable losses they should be subject to UK tax in the same way as set out above. However, only gains arising since 6 April 2019 should be chargeable.

Shareholders who are resident for tax purposes outside the UK may be subject to foreign taxation on capital gains depending on their circumstances.

### 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 PHP Shareholders with a certificate setting out the gross amount of the PID, the amount of tax withheld and the net amount of the PID. Any reduction in tax realised by the application of a reduced treaty rate or sovereign immunity must be reclaimed by the recipient.

##### (B) *PHP Shareholders solely resident in the UK*

Where tax has been withheld at source, PHP 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 their PID. PHP 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) *PHP Shareholders who are not resident for tax purposes in the UK*

It is not possible for a PHP 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 PHP 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 PHP 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*

PHP 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 profit) 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 PHP Shareholder concerned is entitled to that treatment. For that purpose, the Company will require such PHP Shareholders to submit a valid claim form (copies of which may be obtained on request from the Company's Registrars). PHP Shareholders should note that the Company may seek recovery from PHP 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 PHP Shareholder turns out to have been mistaken.

(ii) *Individuals*

Subject to certain exceptions, a PID will generally be treated in the hands of PHP 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 PHP Shareholder. This means that surplus expenses from a PHP Shareholder's different UK property business cannot be off-set against a PID as part of a single calculation of the profits of the PHP Shareholder's UK property business. Based on the 2018/19 tax rates, a PHP Shareholder who is subject to 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.

PHP shareholders who are Scottish taxpayers should seek specific tax advice in respect of PIDs received from the Company.

(iii) *UK tax resident corporate Shareholders*

Subject to certain exceptions, a PID will generally be treated in the hands of PHP 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 PHP 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 PHP Shareholder. This means that any surplus expenses from a PHP Shareholder’s different property business cannot be offset against a PID as part of a single calculation of the PHP Shareholder’s property profits. A withholding will not generally be made on a PID paid to a PHP 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 PHP 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 PHP Shareholders may also be subject to tax on such PIDs under any law to which they are subject outside the UK. Such PHP 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 PHP 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 (2018/2019 tax year) on the first £2,000 of dividend income per year. UK resident individual PHP Shareholders will pay tax on any dividends received over the dividend allowance at the following rates: 7.5 per cent. to the extent that the dividend income falls within the basic rate band, 32.5 per cent. to the extent that the dividend income falls within the higher rate band, and 38.1 per cent. to the extent that the dividend income exceeds the higher rate band. Whilst dividends within the dividend allowance should be tax free, these dividends will still count towards the threshold for the purposes of applying the basic rate, higher rate and additional rate tax bands. Scottish taxpayer PHP Shareholders may wish to consult their own professional advisers if they are in any doubt as to their tax position in respect of dividends.

(iii) *Companies*

Non-PID Dividends received by a UK company from another UK resident company are taxable subject to a number of exemptions. It is expected that generally one of these exemptions would apply to exempt a UK resident corporate shareholder from tax on the receipt of any Non-PID Dividend received from the



Company in respect of the New Shares, although whether an exempt class applies and whether the other conditions are not will depend on the circumstances of the particular Shareholder.

(iv) *Non UK tax-residents*

Non-UK resident PHP Shareholders may be liable to foreign taxation on Non-PID Dividends paid by the Company. Such PHP 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 no charge to stamp duty or SDRT.

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. Transfers of Ordinary Shares to a company connected to the transferor may, absent a relief, be subject to stamp duty and/or SDRT based on the market value of the transferring Ordinary Shares if this exceeds the value of the actual consideration.

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 to US investors. A non-US entity treated as a corporation for US federal income tax purposes will be classified as a PFIC for any taxable year in which at least 75 per cent. of its gross income consists of "passive income" or at least 50 per cent. of the average value of its assets produce, or are held for the production of, passive income. For purposes of these tests, passive income includes dividends, interest, gains from the sale or exchange of investment property, and rents and royalties other than rents and royalties that are received from unrelated parties in connection with the active conduct of a trade or business. The Company has not determined whether it was a PFIC for any prior taxable year. If the Company were classified as a PFIC for any taxable year, a US holder that held Ordinary Shares at any time during such taxable year generally would be subject to adverse tax consequences on certain distributions in respect of such Ordinary Shares and on gains realized on the sale or other disposition of such Ordinary Shares, including taxation thereof as ordinary income and an interest charge on taxes treated as deferred. In the event the Company were a PFIC, dividends paid on Ordinary Shares would not qualify for the preferential US federal income tax rates generally available to US holders who are individuals. Certain elections might be available to mitigate the adverse tax consequences of classification as a PFIC. However, the Company does



not expect to provide the information needed to make a “qualified electing fund” election, and a “mark to market” election will be available only if the Ordinary Shares are “regularly traded” for US federal income tax purposes. All prospective purchasers of New Shares are urged to consult 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 US state, local or other taxing jurisdiction.

## 12. SUBSIDIARY UNDERTAKINGS

The Company is the holding company of the Group and, following completion of the Merger, will become the holding company of the Enlarged Group. The table below contains a list of the principal subsidiary undertakings and associated undertakings of the Company following completion of the Merger (each of which is considered by the Directors to be likely to have a significant effect on the assessment of the assets, liabilities, the financial position and/or the profits and losses of the Enlarged Group). Unless otherwise stated to the contrary, all are wholly-owned, directly or indirectly and in each case the issued share capital is fully paid.

Subsidiary	Holding	Percentage of equity and voting rights held	Country of incorporation	Principal activity
Anchor Meadow Limited	Ordinary shares	100	England and Wales	Property investment
Carden Medical Investments Limited	Ordinary shares	100	Scotland	Property investment
Chelmsley Associates Limited	Ordinary shares	100	England and Wales	Property investment
Crestdown Limited	Ordinary shares	100	England and Wales	Property investment
Ettrick Health Limited	Ordinary shares	100	Jersey	Property investment
GPG No5 Limited	Ordinary Shares	100	England and Wales	Property Investment
Gracemount Medical Centre Limited	Ordinary shares	100	Scotland	Property investment
Health Investments Limited	Ordinary shares	100	England and Wales	Property investment
HMC Estates Holdings Limited	Ordinary shares	100	Jersey	Property investment
Jellia Holdings Limited	Ordinary shares	100	Republic of Ireland	Property investment
Leighton Health Limited	Ordinary shares	100	England and Wales	Property investment
MedicX (Fakenham) Ltd	Ordinary Shares	100	England and Wales	Property Investment
MedicX GPG Holdings Limited	Ordinary Shares	100	Guernsey	Property Investment
MedicX Properties Bridlington Ltd	Ordinary Shares	100	England and Wales	Property Investment
MedicX Properties I Limited	Ordinary Shares	100	Guernsey	Property Investment
MedicX Properties II Ltd	Ordinary Shares	100	England and Wales	Property Investment
MedicX Properties III Ltd	Ordinary Shares	100	England and Wales	Property Investment
MedicX Properties Ireland Limited	Ordinary Shares	100	Guernsey	Property Investment
MedicX Properties IV Ltd	Ordinary Shares	100	England and Wales	Property Investment
MedicX Properties OM Ltd	Ordinary Shares	100	England and Wales	Property Investment
MedicX Properties Otley Ltd	Ordinary Shares	100	England and Wales	Property Investment
MedicX Properties V Limited	Ordinary Shares	100	Guernsey	Property Investment
MedicX Properties VI Limited	Ordinary Shares	100	Guernsey	Property Investment
MedicX Properties VII Limited	Ordinary Shares	100	Guernsey	Property Investment
MedicX Properties VIII Limited	Ordinary Shares	100	Guernsey	Property Investment
MedicX Properties Windermere Ltd	Ordinary Shares	100	England and Wales	Property Investment
Motorstep Limited	Ordinary shares	100	England and Wales	Property investment
PatientFirst (Burnley) Limited	Ordinary shares	100	England and Wales	Property investment
PatientFirst (Hinckley) Limited	Ordinary shares	100	England and Wales	Property investment
PatientFirst Partnerships Limited	Ordinary shares	100	England and Wales	Property investment
PHIP (5) Limited	Ordinary shares	100	England and Wales	Property investment
PHIP (Chester) Limited	Ordinary shares	100	England and Wales	Property investment
PHIP (Milton Keynes) Limited	Ordinary shares	100	England and Wales	Property investment
PHIP (Stourbridge) Limited	Ordinary shares	100	England and Wales	Property investment
PHP (Bingham) Limited	Ordinary shares	100	England and Wales	Property investment
PHP (FRMC) Limited	Ordinary shares	100	England and Wales	Property investment
PHP (Ipswich) Limited	Ordinary shares	100	England and Wales	Property investment
PHP (Project Finance) Limited	Ordinary shares	100	England and Wales	Property investment
PHP 2013 Holdings Limited	Ordinary shares	100	England and Wales	Property investment
PHP Ashington Limited	Ordinary shares	100	England and Wales	Property investment
PHP AssetCo (2011) Limited	Ordinary shares	100	England and Wales	Property investment
PHP Bond Finance PLC	Ordinary shares	100	England and Wales	Non-trading
PHP Clinics Limited	Ordinary shares	100	England and Wales	Property investment
PHP Empire Holdings Limited	Ordinary shares	100	England and Wales	Property investment

<b>Subsidiary</b>	<b>Holding</b>	<b>Percentage of equity and voting rights held</b>	<b>Country of incorporation</b>	<b>Principal activity</b>
PHP Euro Private Placement Limited	Ordinary shares	100	England and Wales	Non-trading
PHP Finance (Jersey) Limited	Ordinary shares	100	Jersey	Non-trading
PHP Glen Spean Limited	Ordinary shares	100	England and Wales	Property investment
PHP Healthcare (Holdings) Limited	Ordinary shares	100	England and Wales	Property investment
PHP Healthcare Investments (Holdings) Limited	Ordinary shares	100	England and Wales	Property investment
PHP Healthcare Investments Limited	Ordinary shares	100	England and Wales	Property investment
PHP Investments (2011) 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
PHP Medical Investments Limited	Ordinary shares	100	England and Wales	Property investment
PHP Medical Properties Limited	Ordinary shares	100	England and Wales	Property investment
PHP Primary Properties (Haymarket) Limited	Ordinary shares	100	England and Wales	Property investment
PHP Primary Properties Limited	Ordinary shares	100	England and Wales	Property investment
PHP SB Limited	Ordinary shares	100	England and Wales	Non-trading
PHP St. Johns Limited	Ordinary shares	100	England and Wales	Property investment
PHP STL Limited	Ordinary shares	100	England and Wales	Property investment
PHPI Cellbridge Limited	Ordinary shares	100	Republic of Ireland	Property investment
PHPI Navan Road Limited	Ordinary shares	100	Republic of Ireland	Property investment
PHPI Newbridge Limited	Ordinary shares	100	Republic of Ireland	Property investment
Primary Health Investment Properties Limited	Ordinary shares	100	England and Wales	Property investment
Primary Health Investment Properties (No 10) 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
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 (No 8) Limited	Ordinary shares	100	England and Wales	Property investment
Primary Health Investment Properties (No 9) Limited	Ordinary shares	100	England and Wales	Property investment
Primary Health Investment Properties (No.11) Limited	Ordinary shares	100	England and Wales	Property investment
Primary Health Investment Properties (Sutton) Limited	Ordinary shares	100	England and Wales	Property investment
Primary Health Properties ICAV	Ordinary shares	100	Republic of Ireland	Property investment
Primary Medical Property Investments Limited	Ordinary Shares	100	England and Wales	Property Investment
White Horse Centre Limited	Ordinary shares	100	England and Wales	Property investment
Wincanton Healthcare Limited	Ordinary shares	100	England and Wales	Property investment

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, the MedicX Group has never employed any employees and the Enlarged Group shall not have 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 OF THE PHP GROUP**

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 the Company 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 Sponsor's Agreement**

PHP entered into a sponsor's agreement dated 8 February 2019 with Numis relating to the Proposals pursuant to which Numis agreed to act as sole sponsor for PHP for the purposes of the Listing Rules (the "**Sponsor's Agreement**").

Under the terms of the Sponsor's Agreement, PHP has given certain customary warranties and undertakings to Numis including, amongst others, warranties in relation to the business, the accounting records and the legal compliance of the Company and in relation to information contained in this document. Certain of the warranties and undertakings extend to the position of the Enlarged Group. The Company agreed to provide the Sponsor with certain customary indemnities pursuant to the terms of the Sponsor's Agreement. The indemnities provided by the Company indemnify Numis against certain liabilities including, in respect of the accuracy of the information contained in this document, losses arising from a breach of the Sponsor's Agreement and in respect of certain other losses suffered or incurred in connection with the Proposals. The liability of the Company under the Sponsor's Agreement is not limited in time or amount. In addition, the Sponsor's Agreement provides that the Sponsor may, in its absolute discretion terminate the Sponsor's Agreement before Admission in certain specified circumstances which are customary for an agreement of this nature.

##### **15.2 TUPE Deed**

PHP and Nexus entered into the TUPE Deed on 24 January 2019. Under the terms of the TUPE Deed the parties give cross-indemnities in respect of pre and post-TUPE transfer employment liabilities associated with those employees which will transfer under TUPE to Nexus in consequence of the appointment of Nexus as the adviser for the Enlarged Group. In addition the parties give cross-indemnities in respect of pre and post-TUPE transfer employment liabilities associated with those employees which will transfer under TUPE from Nexus to PHP or a replacement service provider in the event that the Advisory Agreement expires or is terminated without renewal. Each party's liability under its indemnities are capped at a maximum liability of £3.75 million.

The TUPE Deed requires the approval of Independent Shareholders at the PHP General Meeting and further details of the requirements for such approval are set out in paragraph 13 of Part 1 (*Letter from the Chairman*) of this document. The TUPE Deed is conditional on the completion of the Merger having taken place before the Long Stop Date.

##### **15.3 Deed of Variation**

The Company and Nexus entered into the Deed of Variation on 24 January 2019 which amends, the terms of the Advisory Agreement pursuant to which Nexus shall provide services to, following the Merger, the Enlarged Group as follows: (i) in respect of the services provided in relation to the MedicX Group, the Company shall pay a monthly fee to Nexus which shall be equal to 0.225 per cent. per annum of the MedicX Group's gross asset value (the value of the total assets (less cash balances)) for a period of five years from the date of completion of the Merger; (ii) a cost contribution paid by Nexus to the Company equal to 25 per cent. of the payment made to terminate the MedicX Investment Management Agreement with Octopus (capped at £2.5 million), such contribution to be payable in monthly instalments, over five years, by reducing the fees payable to Nexus under the Advisory Agreement capped with such contribution terminating five years after the date of completion of the Merger or, if earlier, the date on which the Company serves notice terminating the Advisory Agreement; (iii) the fee payable in respect of the provision of the finance and company secretarial services shall increase

by an annual figure of £250,000; and (iv) in respect of property management services, setting an initial term of the appointment of three years from the date of completion of the Merger and thereafter continuing until terminated on at least two years notice; and (v) in respect of financial and company secretarial services, setting an initial term of the appointment of three years from the date of completion of the Merger and thereafter continuing until terminated on at least 12 months' notice.

The Deed of Variation requires the approval of Independent Shareholders at the PHP General Meeting and further details of the requirements for such approval are set out in paragraph 18 of Part 1 (*Letter from the Chairman*) of this document. The Deed of Variation is conditional on the completion of the Merger having taken place before the Long Stop Date.

#### 15.4 Numis engagement letter

On 16 August 2018, the Company entered into an engagement letter with Numis pursuant to which Numis was appointed as lead financial adviser in relation to the potential offer for the entire issued share capital of MedicX. On completion of the Merger, the Company has agreed to pay Numis (a) a success fee of 0.63 per cent. of the aggregate value of the fully diluted share capital of MedicX at the relevant offer price as set out in the offer or scheme document (the “**Consideration**”); and (ii) at its sole discretion, an incentive fee of up to 0.12 per cent. of the Consideration. The engagement letter contains certain other terms which are customary for this type of agreement, including an indemnity in favour of Numis for any losses suffered or incurred in connection with the Merger.

#### 15.5 Peel Hunt engagement letter

On 23 August 2018, the Company entered into an engagement letter with Peel Hunt pursuant to which Peel Hunt was appointed as joint financial adviser in relation to the potential offer for the entire issued share capital of MedicX. On completion of the Merger, the Company has agreed to pay Peel Hunt (a) a success fee of 0.42 per cent. of the Consideration; and (ii) at its sole discretion, an incentive fee of up to 0.08 per cent. of the Consideration. The engagement letter contains certain other terms which are customary for this type of agreement, including an indemnity in favour of Peel Hunt for any losses suffered or incurred in connection with the Merger.

#### 15.6 Placing Agreement

The Company 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 were appointed as the Company's agents in relation to the firm placing, placing, open offer and offer for subscription of 106,481,482 Ordinary Shares and joint underwriters in relation to the firm placing and Numis was appointed as the Company's sponsor for the purposes of the Listing Rules. The Company paid a corporate finance success fee of £175,000 to Numis, a fee of 2 per cent. of the gross proceeds split equally between Numis and Peel Hunt and a fee of 0.2 per cent. of the gross proceeds split between Numis and Peel Hunt at the Company's discretion for acting as agents and joint underwriters in the capital raising.

The Company gave 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 the prospectus. The Company 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. The liability of the Company under the Placing Agreement is not limited in time or amount.

#### 15.7 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 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 PHP Shareholders is greater than 20 per cent. of the average price of the Ordinary Shares; (v) in the case of a change of control of the Company; (vi) following the occurrence of an event of default; or (vii) where the price per £100,000 principal amount of the Convertible Bonds is less than the adjusted parity value in effect for the Convertible Bonds for a certain period. Further details on the terms for conversion, and the price at which the Convertible Bonds may convert (and how adjustments to that price are calculated) can be found under “Terms and Conditions of the Bonds – 6 Conversion of Bonds” in the listing particulars dated 14 August 2014 (the “**Listing Particulars**”).

PHP Finance Jersey may, at its option, redeem all, but not some only, of the Convertible Bonds at their principal amount, together with accrued but unpaid interest: (i) on or after 20 June 2017, if the parity value of the Convertible Bonds exceeds £130,000; or (ii) at any time if conversion rights have been exercised and/or purchases and/or redemptions effected in respect of 85 per cent. or more in principal amount of the Convertible Bonds originally issued, as described under “Terms and Conditions of the Bonds – 7(b) Redemption at the Option of the Issuer” of the Listing Particulars. Additionally, PHP Finance Jersey may, at its option, redeem all, but not some only, of the Convertible Bonds at any time at



their principal amount together with accrued but unpaid interest, in the event of certain tax changes as described under “Terms and Conditions of the Bonds – 7(c) Redemption for Taxation Reasons” of the Listing Particulars.

On the occurrence of a change of control of the Company, the holder of each Convertible Bond will have the right to require PHP Finance Jersey to redeem that Convertible Bond at its principal amount together with accrued but unpaid interest.

An event of default, such as non-payment of any principal or interest due in respect of the Convertible Bonds, would trigger the right of the holder of each Convertible Bond to request the 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) **2017 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 “**2017 Secured Notes**”). Interest on the 2017 Secured Notes is payable semi annually in arrears, commencing on 31 December 2017. The 2017 Secured Notes are direct, secured obligations of PHP SB and the guarantee in respect of the 2017 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 “**2017 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 “**2017 Note Purchase Agreement**”) are secured by security granted by PHP SB, the Company and the 2017 Secured Note Original Charging Subsidiaries to Prudential Trustee Company Limited as security trustee, including legal mortgages over certain properties owned by the 2017 Secured Note Original Charging Subsidiaries, fixed and floating charges over certain assets owned by PHP SB and the 2017 Secured Note Original Charging Subsidiaries, assignments by PHP SB and the 2017 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 2017 Note Purchase Agreement, PHP SB, the Company and the 2017 Secured Note Original Charging Subsidiaries made certain representations and warranties regarding, amongst other things, PHP SB, the Company and the 2017 Secured Note Original Charging Subsidiaries and agreed to provide certain information on an ongoing basis to the security trustee.

PHP SB may, at its option, prepay at any time all, but not some only, of the 2017 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 “**2017 Make-Whole Amount**”). Additionally, PHP SB may, at its option, redeem all, but not some only, of the affected 2017 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 2017 Secured Note will have the option to require PHP SB to redeem that 2017 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 2017 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 2017 Secured Notes at that time to declare all the 2017 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 2017 Secured Notes may declare such 2017 Secured Notes to be immediately due and payable. Upon such declaration, the relevant 2017 Secured Notes shall mature and the entire unpaid principal amount of such 2017 Secured Notes plus (x) all accrued and unpaid interest thereon and (y) the 2017 Make-Whole Amount shall be immediately due and payable.

The net proceeds from the 2017 Secured Notes were used by PHP to acquire the 2017 Secured Notes Original Charging Subsidiaries and were advanced by PHP SB to the 2017 Secured Notes 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 2017 Secured Notes, 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 2017 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.

(e) ***2018 Secured Notes***

On 19 December 2018, PHP Euro Private Placement Limited ("**PHP EPP**") issued two series of notes, being €40 million 2.460 per cent. secured notes due 19 December 2028 and €11 million 2.633 per cent. secured notes due 19 December 2030 guaranteed by the Company (the "**2018 Secured Notes**"). Interest on the 2018 Secured Notes is payable semi-annually in arrears, commencing on 30 June 2019. The 2018 Secured Notes are direct, secured obligations of PHP EPP and the guarantee in respect of the 2018 Secured Notes is a direct, unconditional and unsecured obligation of the Company. The 2018 Secured Notes were issued pursuant to a note purchase agreement dated 10 December 2018 and made between PHP EPP, the Company and the parties named in Schedule A thereto (the "**2018 Note Purchase Agreement**") which provides the ability for PHP EPP to issue further series of notes up to a maximum of €200 million of aggregate principal amount of notes issued.

The net proceeds from the 2018 Secured Notes were lent by PHP EPP to PHP ICAV pursuant to an intercompany loan agreement (the "**Intercompany Loan**") to repay outstanding intra-group debt owed by PHP ICAV to the Company. The obligations of PHP ICAV in respect of the Intercompany Loan are secured by security granted by PHP ICAV and certain subsidiaries of PHP ICAV (together, the "**2018 Secured Notes Original Charging Subsidiaries**") to PHP EPP, including legal mortgages over certain properties owned by the 2018 Secured Notes Original Charging Subsidiaries, fixed and floating charges over certain assets owned by the 2018 Secured Note Original Charging Subsidiaries, assignments by the 2018 Secured Note Original Charging Subsidiaries of their rights, title and interest in certain insurance policies and leases and a fixed charge over each 2018 Secured Notes Original Charging Subsidiary rights, title and interest in the share capital of any other 2018 Secured Notes Original Charging Subsidiary it owns (the "**Intercompany Loan Security**").

The obligations of PHP EPP and the Company in respect of the 2018 Secured Notes and the 2018 Note Purchase Agreement are then secured by security granted by PHP EPP and the Company to Prudential Trustee Company Limited as security trustee, including fixed and floating charges over certain assets owned by PHP EPP, assignments by PHP

EPP of its rights, title and interest in the Intercompany Loan Security and the Intercompany Loan and a fixed charge over the Company's rights, title and interest in the share capital of PHP EPP and PHP ICAV.

Pursuant to the 2018 Note Purchase Agreement, PHP EPP and the Company made certain representations and warranties regarding, amongst other things, PHP EPP, the Company and the 2018 Secured Note Original Charging Subsidiaries and agreed to provide certain information on an ongoing basis to the security trustee.

PHP EPP may, at its option, prepay at any time all, but not some only, of a series of the 2018 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 interpolated Euro mid-swaps rate plus 0.25 per cent., which in no event shall be less than zero (the "**2018 Make-Whole Amount**"). Additionally, PHP EPP may, at its option, redeem all, but not some only, of the affected 2018 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 EPP becoming obligated to make additional payments of interest equal to 5 per cent. or more of the aggregate amount of interest payments on a particular series of notes or (ii) the Company being unable for reasons outside its control to procure payment by PHP EPP 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 2018 Secured Note will have the option to require PHP EPP to redeem that 2018 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 2018 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 2018 Secured Notes at that time to declare all the 2018 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 2018 Secured Notes may declare such 2018 Secured Notes to be immediately due and payable. Upon such declaration, the relevant 2018 Secured Notes shall mature and the entire unpaid principal amount of such 2018 Secured Notes plus (x) all accrued and unpaid interest thereon and (y) the 2018 Make-Whole Amount shall be immediately due and payable.

In connection with the issue of the 2018 Secured Notes, the Company entered into an engagement letter dated 8 November 2018 confirming the appointment of 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 2018 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.

#### 15.8 Advisory Agreement

Pursuant to an advisory agreement dated 14 March 1996 (as amended, restated and novated from time to time and last materially varied by the Amendment Deed dated 23 January 2019) (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. Nexus has procured Mr Hyman's services to carry out the function of Managing Director of the Company during the course of Nexus's appointment under the Advisory Agreement.

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 £41,500 per annum).

The current annual management 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.
Between £1.75 billion and £2 billion	0.2500 per cent.
Between £2 billion and £2.25 billion	0.2250 per cent.
Above £2.25 billion	0.2000 per cent.

In addition, the Company has agreed to pay Nexus an annual finance and secretarial 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 the Company’s dividend cover to fall below 98 per cent. The Nexus key executives working and continuing to work on the Group’s account, other than Harry Hyman, will receive a minimum of 25 per cent. of any PIF paid, to aid staff motivation and retention of which 50 per cent. will be satisfied in Ordinary Shares (unless agreed by the Company and Nexus), subject to such key executives remaining employed within the Nexus group of companies at the relevant time.

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 include such other payment as the Company may in its absolute discretion deem appropriate to compensate Nexus. In such circumstances further PIF shall be payable in respect of the reference period in which termination occurs and any accrued credits carried forward in the notional cumulative account shall be paid to Nexus. 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. In addition there are provisions allowing the Company to terminate the Advisory Agreement where Nexus is in default (which includes any change of control of Nexus without the consent of the Company (other than on the death of Mr Hyman)) by serving at least 14 days’ notice of termination.

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.

With effect from the completion of the Merger and subject to passing the Related Party Resolution, the Company entered into the Deed of Variation in respect of the Advisory Agreement to alter the terms upon which Nexus shall provide services to the Enlarged Group. The proposed amendments are set out in paragraph 15.3 of this Part 10.



## 15.9 Banking facilities

### *Standby Facility Agreement*

On 23 January 2019, Primary Health Investment Properties (No.11) Limited (“**PHIP No.11**”), a wholly-owned subsidiary of the Company entered into a facility agreement with HSBC Bank UK PLC (“**HSBC**”) pursuant to which HSBC made available to PHIP No.11 a revolving credit facility for an aggregate maximum amount of £50,000,000.

The interest payable on amounts drawn under the facility is 1.75 per cent. plus LIBOR. A non-utilisation fee of 0.80 per cent is payable on the committed amount which is not drawn.

The term of the facility ends on the earlier of the date 18 months after the date of the facility agreement and 31 October 2020.

The Company and five of its subsidiaries have guaranteed the amounts owed by PHIP No.11 under the facility agreement. PHIP No.11 and the five subsidiaries have each granted a debenture to HSBC comprising fixed and floating charges over their respective assets which in the case of the five subsidiaries, includes a legal mortgage over the property owned by it.

The financial covenants include loan to value and interest cover.

### *RBS Facility Agreement*

On 21 March 2017 the Company (as guarantor), Primary Health Investment Properties Limited (as borrower and guarantor) and certain other subsidiaries of the Company (as guarantors which, together with Primary Health Investment Properties Limited, granted fixed and floating charges over their respective assets in favour of RBS by way of security for the loans outstanding under the facility) entered into an agreement with RBS amending and restating existing facilities. The amendments included the following:

- (a) the existing term facility was reduced to £50 million. New provisions included an optional accordion facility increasing the commitments by up to £50 million at the discretion of RBS. The option to establish the accordion facility was made available for 12 months after the date of the third amendment and restatement agreement;
- (b) an option to extend the maturity date of the facility was included, which, if exercised, would extend the date on which all loans are to be repaid to 21 March 2021. The option to extend was exercised on 13 February 2018;
- (c) an interest rate margin of 1.70 per cent. applies if the amount of outstanding loans as a percentage of the value of the security assets is equal to or less than 40 per cent, and if it exceeds 40 per cent. the interest rate margin rises to 1.90 per cent., in each case plus LIBOR (and mandatory costs, if applicable); and
- (d) the pool of property assets over which security was granted was reduced, commensurate with the amount of the facility.

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. Additional properties were transferred into the pool of assets comprising the security for the facility.

### *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 was then payable 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. 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 principal guarantee in favour of Barclays.

On 20 August 2014, by an amendment and restatement deed additional properties were taken into the collateral pool (and additional guarantors), the maturity date of the facility agreement was extended to 25 March 2018 and the facility was divided 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 margin payable was reduced 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. All other 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 to provide for, *inter alia*, the accession of AIB as an additional lender and PHP Empire Holdings Limited as an additional guarantor, charging its properties. 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. An accordion option was introduced, exercisable during the period of 36 months from 7 January 2016, increasing the Tranche A facility or the Tranche B facility by a maximum of £50 million at the discretion of each lender.

On 7 October 2016, further amendments to the terms of the facility agreement were agreed 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.

#### *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 includes a development facility for financing an approved development which is limited to £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. 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, *inter alia*, to extend the termination date of the facility to 15 July 2020. 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. Euros were added as a borrowing currency subject to a limit for Euro denominated loans of up to 50 per cent. of the total commitments under the facility.

#### *Aviva Facility Agreements*

- a) On 29 December 2017 PHP Investments No.2 Limited (“**PHPI No.2**”) entered into a facility agreement with Aviva Public Private Finance (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. per annum,. The loan is repayable in full on the final repayment date. There is no amortisation. If any amount of the loan is repaid before the termination date a prepayment fee is payable which 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.

The security structure cross-collateralises the asset pool of PHPI No.2 and three other companies owned directly or indirectly by PHP Healthcare Investments (Holdings) Limited being: PHPI No.1 Limited; Health Investments Limited and Motorstep Limited. As security for its loan, PHPI No.2 has granted legal mortgages over a pool of 31 properties that it owns. The amounts outstanding under the facility are guaranteed by PHPI No.1; HIL and Motorstep Limited. 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. Similarly, the security which HIL has granted to Aviva in connection with its own loan is also security for the PHPI No.2 loan



The facility agreement contains the representations, undertakings and events of default typical for such documentation and for a loan secured on real estate.

The occurrence of an event 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 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 PHP Healthcare Investments Limited pursuant to which PHPI No.1 became the borrower under a £25 million facility agreement dated 15 December 2010. On 8 May 2018 PHPI No.1 (as borrower), PHPI No.2 and HIL (as guarantors) and Aviva entered into an agreement amending and restating that facility agreement.

The termination date of the loan is 17 December 2022. Interest is payable quarterly on the loan at a fixed rate of 3.63 per cent. per annum. There are no scheduled capital repayments.

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

The same cross-collateralisation issues relating to an event of default described in paragraph (a) above in connection with the loan facility between PHPI No.2 and Aviva apply to the PHPI No.1 facility agreement.

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 and are in substantially the same terms as the facility between PHPI No.2 and Aviva described in paragraph (a) above.

- c) On 8 May 2018 HIL (as borrower), Motorstep Limited (as additional guarantor) and PHPI No.1 and PHPI No.2 (as original guarantors) entered into an amendment and restatement agreement consolidating 19 original facilities agreements with Aviva (as lender; arranger; agent and security agent) under which term loan facilities then amounting to £22,724,509.18 in aggregate had been made available to HIL by Aviva. Pursuant to the amendment and restatement agreement, the terms governing the original facility agreements are identical, subject to variations in the original interest rates and final repayment dates.

The termination dates of the loans range from 15 April 2022 to 23 December 2034.

Interest is payable quarterly on each loan under the original facility agreements at a specified fixed rate. The fixed rates of the loans range from 5.54 per cent. per annum to 7 per cent.

Each loan is repayable in instalments in accordance with its amortisation schedule.

As security for the loans, HIL has granted legal mortgages over a pool of 13 properties that it owns and Motorstep Limited, the wholly owned subsidiary of HIL, has granted a legal mortgage over the single property that it owns. PHPI No.1 and PHPI No.2 have guaranteed the indebtedness of HIL to Aviva and their respective properties are charged in favour of Aviva as security for those guaranteed obligations.

The same cross-collateralisation issues relating to an event of default described in paragraphs (a) and (b) above in connection with the loan facility between PHPI No.2 and Aviva and PHPI No.1 and Aviva respectively apply to the PHPI No.1 facility agreement.

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 and are in substantially the same terms as the facilities between PHPI No.1 and Aviva and PHPI No.2 and Aviva described in paragraphs (a) and (b) above.

- 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. 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 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 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 customary covenants, representations and events of default. There is a provision to allow substitution of properties at the request of PHPPPL. The facility (and also the facility described in paragraph (e) below) is secured by legal charges over all the properties owned by PHPPPL, including standard security over properties situated in Scotland, assignments and assignments of rental income and a share charge over the shares in PHPPPL by PHP Primary Properties (Haymarket) Limited as chargor.
- 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 except that 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**”) under which a multicurrency revolving facility of up to £30 million was made available to PHIP (5) by Lloyds. The facility is available in Sterling or 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) had an option to extend the termination date to the date falling one year after the initial termination date (the “**First Extension Date**”) This extension was requested and agreed by Lloyds on 14 December 2018, extending the termination date to 29 December 2021. PHIP (5) has a further option to extend the facility by a further year. 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). 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) include an extension fee of 0.1 per cent. of the amount payable on the date of each extension 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) has granted legal mortgages over a pool of 13 properties that it owns.

The loan facility is based on the Loan Market Association terms. The facility agreement contains the representations, undertakings and events of default typical for loan secured on real estate.

### *Santander Facility Agreement*

On 27 July 2018, PHP STL Limited (“**PHP STL**”), as borrower, and six of its wholly-owned subsidiaries, as guarantors, entered into a facility agreement with Santander under which Santander made available to PHP STL a sterling revolving loan facility with a maximum commitment up to £30,575,000.

The termination date is three years after the date of the facility agreement on or by which date the full amount of the outstanding loans, interest and any other fees or costs must be repaid in full. If any charged property is sold before the final repayment date, PHP STL is required to repay part of the loan. The amount repayable is equal to 125 per cent. of the amount of loan that has been allocated to each property under the terms of the facility agreement.

PHP STL must pay interest on the outstanding loans (no more than 10 loans outstanding at any time) on each interest payment date being 8 January, 8 April, 8 July and 8 October in each year at a rate equal to LIBOR plus a margin of 1.70 per cent. per annum. PHP STL must also pay a commitment fee at the rate of 40 per cent. of the margin on the undrawn, available commitment. The commitment fee is payable quarterly during the period the facility is available to utilise.

PHP STL and its subsidiaries, which have guaranteed the amounts outstanding under the facility agreement, have each granted security in favour of Santander over all their respective assets by way of fixed and floating charges. There are 20 properties in aggregate charged under the security arrangements.

The facility agreement is based on the Loan Market Association terms. It contains representations, undertakings and events of default typical for loans secured on real estate.

#### **15.10 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:

<b>Counterparty</b>	<b>Contracted Rate</b>	<b>Start Date</b>	<b>Maturity Date</b>	<b>Current Notional Value £'m</b>
Royal Bank of Scotland PLC	0.87% <sup>(1)</sup>	20-Sep-07	11-Aug-21	50
	0.87% <sup>(1)</sup>	04-Sep-07	11-Aug-21	38
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
HSBC Bank plc	4.455%	04-Jul-16	02-Jul-26	10
	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. MATERIAL CONTRACTS OF THE MEDICX GROUP**

### **16.1 Transitional Services Agreement**

The Transitional Services Agreement entered into by MedicX, Octopus, OAIFM and Nexus dated 24 January 2019 sets out certain transitional services to be provided by Octopus and OAIFM on a temporary basis whilst the transfer of the related services is passed from Octopus to Nexus. Pursuant to the terms of the agreement:

- i) the Octopus employees will transfer to Nexus under TUPE;

- ii) Octopus and OAIFM will discharge and fulfil all obligations in respect of employment costs (including all remuneration, benefits, entitlements, employer taxes and National Insurance contributions) which arise as before completion of the Merger and thereafter Nexus shall be responsible for all employment costs;
- iii) a one-off, contractual termination payment of approximately £10 million will be payable to Octopus, the current MedicX investment adviser, on termination of the MedicX Investment Management Agreement, in accordance with the terms of the MedicX Investment Management Agreement; and
- iv) Octopus and OAIFM have agreed to cooperate and consult with MedicX in relation to additional services which may be required following termination of the MedicX Investment Management Agreement to minimise disruption.

The Transitional Services Agreement is conditional on the Merger being implemented no later than the Long Stop Date.

## 16.2 MedicX Investment Management Agreement

Octopus and OAIFM are appointed as investment adviser and investment manager (respectively) pursuant to the terms of an investment advisory and management agreement originally dated 29 September 2017, as amended by a deed of amendment dated 10 December 2018 (the “**MedicX Investment Management Agreement**”).

The duties of Octopus under the MedicX Investment Management Agreement include the sourcing of investment opportunities that meet the investment criteria of MedicX, controlling the acquisition and development of approved projects to completion, management of all complete properties within the portfolio, provision of accounting and management reporting services and providing marketing and investor relations services to MedicX. Under the MedicX Investment Management Agreement, Octopus may delegate certain property management responsibilities to other suitable parties on terms such that Octopus remains responsible for the performance of those responsibilities. The notice period for termination of the MedicX Investment Management Agreement by MedicX is two years.

Following the amendment to the MedicX Investment Management Agreement on 10 December 2018, the fees payable under the MedicX Investment Management Agreement are as follows:

- 16.2.1 a tiered investment advisory fee set at 0.50 per cent. per annum on healthcare property assets up to £250 million, 0.40 per cent. per annum payable on assets between £250 million and £1.25 billion, and 0.30 per cent. per annum payable on assets over £1.25 billion;
- 16.2.2 a property management fee of 3 per cent. per annum of gross rental income up to £25 million, and 1.5 per cent. per annum property management fee on gross rental income over £25 million; and
- 16.2.3 where, a member of the MedicX Group acquires any property by way of purchasing a corporate entity which owns such property a corporate transaction fee of 1 per cent. of the gross asset value of such a property being acquired.

Octopus provides accounting administration services for no additional fee.

In addition, OAIFM acts as MedicX’s Alternative Investment Fund Manager for an annual fee of £1 per annum.

## 16.3 Aviva Facility

On 11 September 2018, MedicX completed a refinancing (the “**MedicX Aviva Refinancing**”) of its facilities with Aviva, entering into a new facility of £264.5 million (the “**MedicX Aviva Facility**”). The MedicX Aviva Facility is comprised of a 10 year interest only tranche of £30.8 million; and a 15 year partially amortising tranche of £233.7 million, with £40 million amortisation spread over the 15 year term and a bullet of £193.7 million at maturity. MedicX benefited from resetting the loan to value secured thereby releasing £25 million of property collateral. The MedicX Aviva Refinancing, which was conducted without incurring break fees on the refinanced loan facilities, combined 46 tranches across 20 legacy loan agreements, into two tranches under one new loan agreement. The MedicX Aviva Refinancing also enabled a legal entity rationalisation process as the new MedicX Aviva Facility has a single borrower entity rather than the eight previous borrowers.

The MedicX Aviva Facility contains a change of control clause which is triggered if (a) the borrower (MedicX Properties IX Limited) ceases to be owned by MedicX, (b) MedicX Properties IX Limited ceases to be directly or indirectly owned by an entity of good standing that is listed on a recognised stock exchange or (c) if a person or group of persons (other than MedicX) gains control of the borrower (a “**Fund Change of Control**”). Aviva can only require prepayment and cancellation of the amounts outstanding under the MedicX Aviva Facility as a result of a Fund Change of Control in limited circumstances including sanctions breaches, KYC issues, reputational concerns with the new owner (with the lender having to act reasonably) or a historic bad business relationship with the new owner (with the lender having to act reasonably) or a deterioration in the effectiveness of the finance documents as a result of the change of control. MedicX has obtained Aviva’s written confirmation that the Merger would not trigger Aviva’s right to require prepayment and cancellation of the MedicX Aviva Facility under the terms of the facility agreement.

The MedicX Aviva Facility documentation is substantially based on the Loan Market Association terms. The facility agreement contains representations, undertakings and events of default typical for a loan secured on real estate. The MedicX Aviva Facility continues to be secured by all of the security which secured the historic 46 tranches (which includes charges by way of legal mortgage over the designated pool of property collateral charged to Aviva), fixed and floating charges granted by MedicX Properties IX Limited and certain of its subsidiaries and share security over MedicX Properties IX and certain of its subsidiaries. As security over these entities has also been granted in favour of RBS to secure the RBS RCF, Aviva and RBS entered into priority and subordination arrangements in respect of the RBS RCF and the MedicX Aviva Facility.

#### 16.4 Bank of Ireland Facility

Pursuant to a facilities agreement dated 6 March 2017, as amended on 11 July 2017 (the “**Original Facilities**”), MedicX Properties Ireland Limited entered into an agreement with the Bank of Ireland to borrow up to €29.1 million for the provision of development facilities (relating to the acquisition and development of four properties in Crumlin, Mullingar, Rialto and Tallaght).

On 8 March 2018, these facilities with the Bank of Ireland were enlarged by way of an amendment and restatement to include a fifth tranche, which was immediately fully drawn, in the amount of €4.875 million secured over a completed property at Kilkenny (the “**Kilkenny Investment Facility**”).

Until the practical completion of all four developments and commencement of payment of rent by those tenants, the development facilities are interest only at a rate of 3-4 per cent. plus 3 month EURIBOR and have a maturity of up to 2.5 years after first utilisation. At 30 September 2018 an amount of €27.5 million was drawn in aggregate under the Original Facilities and the Kilkenny Investment Facility.

Under the terms of the Original Facilities, the development facilities will be refinanced by conversion into an investment facility (the “**Investment Facility**”) on the date the last of the four development properties is completed and *inter alia* such completion is accepted by the Bank of Ireland and a new valuation is provided (the “**BOI Refinancing Date**”). It is anticipated that the four development properties will be completed by November 2019. The Investment Facility will then be entered into on the BOI Refinancing Date and together with the existing Kilkenny Investment Facility, both will be partially amortising, with an interest rate of 3 per cent. plus 3 month EURIBOR and have a maturity of 5 years after utilisation. The Kilkenny Investment Facility will amortise at the rate of €42,500 per quarter on each interest payment date of the Kilkenny tranche of €4.875 million; and the Investment Facility will amortise at a rate of €250,000 per quarter on each interest payment date of the original four tranches of the development facilities up to €29.1 million.

The Original Facilities and Kilkenny Investment Facility are documented in a single facility agreement that is substantially based on the Loan Market Association terms. The facility agreement contains representations, undertakings and events of default typical for a loan secured on real estate.



The Original Facilities and Kilkenny Investment Facility are secured by all monies fixed and floating charges, including legal mortgages over a designated pool of property assets, together with share security granted over the entire issued share capital of MedicX Properties Ireland Limited that secures the amounts outstanding under the Original Facilities and Kilkenny Investment Facility only.

#### 16.5 RBS Revolving Credit Facility

Pursuant to a facilities agreement dated 19 September 2013, as amended on 15 September 2016 and 11 September 2018, MedicX entered into a revolving credit facility with RBS (the “**RBS RCF**”) with an aggregate original total commitment of £20 million with an accordion feature to increase the amount commitments by a minimum amount of £5 million (or such lesser amount as agreed with RBS) on no more than three occasions up to a total commitment amount of £30 million. At 11 September 2018 the total commitments were increased to £25 million. Interest payable under the revolving credit facility on amounts drawn is 2 per cent. plus LIBOR. The RBS RCF was undrawn as at 31 January 2019.

The RBS RCF is substantially based on the Loan Market Association terms. The facility agreement contains representations, undertakings and events of default typical for a loan secured on real estate. The RBS RCF is secured by fixed and floating charges granted by MedicX, together with share security over the entire issued share capital of a number of MedicX’s direct and indirect subsidiaries. As security over these entities has also been granted in favour of Aviva to secure the MedicX Aviva Facility, Aviva and RBS entered into priority and subordination arrangements in respect of the RBS RCF and the MedicX Aviva Facility.

A change of control will occur under the RBS RCF if any person or group of persons acting in concert gains control of the MedicX (other than under a Permitted Reorganisation), or following a Permitted Reorganisation, any person or group of persons acting in concert gains control of the SPV owning MedicX. An “Exit” will occur on the occurrence of a de-listing of MedicX (or following a Permitted Reorganisation, an SPV de-listing), the total commitments will be cancelled and all outstanding amounts will be immediately due and payable. On the occurrence of a change of control or Exit the total commitments shall be cancelled and all amounts outstanding shall be immediately due and payable.

For the purposes of the above:

“**control**” means holding 30 per cent. or more of the issued share capital of the relevant company, ability to appoint a majority of directors or give or cause directions to be given with respect to the operating and financial policies of the relevant company; and

“**Permitted Reorganisation**” means the acquisition of the entire issued share capital of MedicX by a new SPV, the shares of which are traded on the London Stock Exchange, provided always that all of the lenders have provided their written consent to such reorganisation (such consent not to be unreasonably withheld or delayed). As the RBS RCF is undrawn as at 31 January 2019 there will be no break costs payable should RBS elect not to waive the Exit and change of control events occurring as a result of the proposed Merger. In those circumstances the commitments would be cancelled.

#### 16.6 Aviva OM Facility

On 8 June 2018, the MedicX Group acquired a portfolio of 12 properties. The portfolio was acquired together with eight loan facilities lent by Aviva (collectively referred to as the “**Aviva OM Facility**”). All of the loans under the Aviva OM Facility are advanced to MedicX Properties OM Limited. Each loan under the Aviva OM Facility has interest only and amortised components with the interest rates ranging from 5.03 per cent. to 6.45 per cent. The maturities of the loans range from 13 December 2027 to 28 June 2040. Following the MedicX Aviva Refinancing, the principal amount outstanding under the Aviva OM Facility totalled £26.26 million.

The loans under the Aviva OM Facility were advanced under short form loan documentation containing customary representations, covenants and events of default for loans of this nature. Amounts outstanding under the Aviva OM Facility are secured by fixed and floating charges (including charges by way of legal mortgage over a designated pool of property assets) securing all monies owed by MedicX Properties OM Limited and its holding company, any subsidiaries or associates to Aviva (and any of its subsidiaries).



In the Aviva OM Facility, MedicX Properties OM Limited covenants that there shall be no change of control of a MedicX Properties OM Limited or any of its subsidiaries without the prior written consent of Aviva and an event of default will occur under the Aviva OM Facility if a change of control occurs within Aviva's prior written consent. For these purposes, "control" means the ability (directly or indirectly and whether by ownership of share capital, possession of voting power, by contract or otherwise) has the power to appoint/remove the majority of the board or otherwise controls or has the power to control the affairs and policies of the relevant company. Change of control should be construed accordingly. As the Merger would result in an indirect change in the power to control the affairs of MedicX Properties OM Limited, MedicX has obtained Aviva's prior written consent to the Merger.

#### 16.7 **Santander OM Facility**

On 8 June 2018, the MedicX Group acquired a portfolio of 12 properties. The portfolio was acquired together with four loan facilities lent by Santander (collectively referred to as the "**Santander OM Facility**"). Each loan under the Santander OM Facility is advanced to a different borrower within the MedicX Group (being MedicX Properties Bridlington Limited, MedicX Properties Windermere Limited, MedicX Properties Oley Limited and MedicX Properties OM Limited). Each loan under the Santander OM Facility has interest only and amortised components with the interest rates ranging from 2 per cent. plus LIBOR to 2.5 per cent. plus LIBOR. The maturity of the loans range from 4 December 2019 to 30 June 2022. Following the MedicX Aviva Refinancing, the principal amount outstanding under the Santander OM Facility totalled £3.468 million.

The loans under the Santander OM Facility were advanced under short form loan documentation containing customary representations, covenants and events of default for loans of this nature. Amounts outstanding under the Santander OM Facility are secured as follows:

- a) MedicX Properties Bridlington Limited granted a charge by way of legal mortgage over the property owned by it and charges and security assignments over certain related assets, including insurances and rental income, as security for all monies owed by it to any member of the Santander group from time to time;
- b) MedicX Properties Windermere Limited granted a charge by way of legal mortgage over the property owned by it and charges and security assignments over certain related assets, including insurances and rental income, together with a floating charge over all of its assets and undertaking, as security for all monies owed by it to any member of the Santander group from time to time;
- c) MedicX Properties Otley Limited granted a charge by way of legal mortgage over the property owned by it and charges and security assignments over certain related assets, including insurances and rental income, together with a floating charge over all of its assets and undertaking, as security for all monies owed by it to any member of the Santander group from time to time; and
- d) MedicX Properties OM Limited granted a charge by way of legal mortgage over the property owned by it and charges and security assignments over certain related assets, including insurances and rental income, as security for all monies owed by it to any member of the Santander group from time to time.

#### 16.8 **Ignis Note Purchase Agreements**

On 22 August 2014, Ignis Investment Services Limited ("**Ignis**") in its capacity as investment manager for and on behalf of a private investor entered into a note purchase agreement to purchase £50 million; 3.8 per cent. senior loan notes due on 22 August 2019 issued by MedicX Properties VIII Limited ("**MedicX VIII**") (the "**Ignis Note Purchase Agreement 1**"). Pursuant to the Ignis Note Purchase Agreement 1, on 22 August 2014, MedicX VIII, issued and the private investor purchased notes in the principal amount of £15 million which were subsequently reissued on 31 January 2015 in the name of Vidacos Nominees Limited; and on 15 December 2014, MedicX VIII issued and Vidacos Nominees Limited purchased notes in the principal amount of £35 million. The Ignis Note Purchase Agreement 1 was amended on 31 July 2015, such that the maturity date of the notes was extended to 7 December 2028 with a consequential amendment of the interest rate applicable to the notes to 3.99 per cent.. The notes issued by MedicX VIII are secured by fixed and floating charges granted by MedicX VIII and its subsidiaries (MedicX LHP Limited and MedicX LHF Limited), including charges by way of legal mortgage over the property owned by each entity.

A change of control will occur under the Ignis Note Purchase Agreement 1 if any person or persons acting in concert or any subsidiary of any such person becomes interested directly or indirectly, in more than 50 per cent. of the capital of MedicX VIII (or equivalent voting rights). As a result the proposed Merger may constitute a change of control under the Ignis Note Purchase Agreement 1. On the occurrence of a change of control the holders of the notes shall have the option (exercisable within the period of 90 days following notice of the change of control) to require MedicX VIII to redeem the notes. MedicX VIII has obtained confirmation from the holders of the notes that their rights to require redemption as a result of the proposed Merger has been irrevocably waived. On 26 July 2017, Ignis for and on behalf of a new private investor also entered into a note purchase agreement to purchase £27.5 million, 3.0 per cent. senior loan notes due 30 September 2028 issued by MedicX Properties VI Limited (“**MedicX VI**”) (the “**Ignis Note Purchase Agreement 2**”). The notes issued by MedicX VI are secured by fixed and floating charges granted by MedicX VI including charges by way of legal mortgage over the property owned MedicX VI.

A change of control will occur under the Ignis Note Purchase Agreement 2 if any person or persons acting in concert or any subsidiary of any such person becomes interested directly or indirectly, in more than 50 per cent. of the capital of MedicX VI (or equivalent voting rights). As a result the Merger may constitute a change of control under the Ignis Note Purchase Agreement 2. On the occurrence of a change of control the holders of the notes shall have the option (exercisable within the period of 90 days following notice of the change of control) to require MedicX VI to redeem the notes. MedicX VI has obtained confirmation from the holders of the notes that their rights to require redemption as a result of the proposed Merger has been irrevocably waived.

Pursuant to the terms of a Global Agreement dated 26 July 2017, the notes issued by MedicX VI pursuant to the Ignis Note Purchase Agreement 2 and the SL Note Purchase Agreement (described below) were cross-collateralised.

#### 16.9 **Standard Life Note Purchase Agreement**

On 30 April 2015, Standard Life Investments Limited, as agent for Standard Life Assurance Limited entered into a note purchase agreement (the “**SL Note Purchase Agreement**”) to purchase £50 million, 3.838 per cent. senior loan notes due 30 September 2028 issued by MedicX VI. The notes issued by MedicX VI are secured by fixed and floating charges granted by MedicX VI including charges by way of legal mortgage over the property owned MedicX VI.

A change of control will occur under the SL Note Purchase Agreement if any person or persons acting in concert or any subsidiary of any such person becomes interested directly or indirectly, in more than 50 per cent. of the capital of MedicX VI (or equivalent voting rights). As a result the proposed Merger may constitute a change of control under the SL Note Purchase Agreement. On the occurrence of a change of control the holders of the notes shall have the option (exercisable within the period of 90 days following notice of the change of control) to require MedicX VI to redeem the notes. MedicX VI has obtained confirmation from the holders of the notes that their rights to require redemption as a result of the proposed Merger has been irrevocably waived.

#### 16.10 **Administration Agreements**

OAIFM, as investment manager has procured that each member of the MedicX Group has entered into a separate administration agreement with International Administration Group (Guernsey) Limited for the provision of administrative services which was renewed with effect from 29 September 2017.

### 17. **LEGAL AND ARBITRATION PROCEEDINGS**

#### 17.1 ***PHP Group***

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 month period prior to publication of this document, which may have, or have had in the recent past, a significant effect on the Company’s and/or the Group’s financial position or profitability.

## 17.2 *MedicX Group*

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 month period prior to the publication of this document, which may have, or have had in the recent past, a significant effect on MedicX's and/or the MedicX Group's financial position or profitability.

## 18. 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 2016, 31 December 2017 and 31 December 2018:

Period ended	Dividend per Ordinary Share in pence reported
12 months to 31 December 2018	5.4p
12 months to 31 December 2017	5.25p
12 months to 31 December 2016	5.125p

There are no arrangements in existence under which future dividends are to be waived or agreed to be waived.

## 19. WORKING CAPITAL

In the opinion of PHP, after taking into account existing bank facilities available to the Group, 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.

In the opinion of PHP, after taking into account existing bank facilities available to the Enlarged Group, the working capital available to the Enlarged Group is sufficient for its present requirements, that is, for at least the 12 months following the date of this document.

## 20. NO SIGNIFICANT CHANGE

### 20.1 *PHP Group*

There has been no significant change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest audited accounts have been prepared.

There has been no material change in the valuation of the properties which are the subject of the PHP Valuation Report set out in Part A of Part 8 (*Property Valuation Reports*) of this document since 31 December 2018, being the effective date the PHP Valuation Report was prepared.

### 20.2 *MedicX Group*

There has been no significant change in the financial or trading position of the MedicX Group since 30 September 2018, being the date to which the latest annual report of the MedicX Group was prepared.

There has been no material change in the valuation of the properties which are the subject of the MedicX Valuation Reports set out in Part B of Part 8 (*Property Valuation Reports*) of this document since 31 December 2018, being the effective date each such MedicX Valuation Report was prepared.

## 21. 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 2016, note 27 to the financial statements for the year ended 31 December 2017 and note 28 to the consolidated financial statements for the year ended 31 December 2018) 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 2016 and 31 December 2018 the Company paid £21.3 million pursuant to the Advisory Agreement.

## 22. SYNERGY INFORMATION

Paragraph 3 of Part 1 (*Letter from the Chairman*) contains statements of estimated cost savings and synergies expected to arise from the Merger (together, the “**Quantified Financial Benefits Statement**”).

A copy of the Quantified Financial Benefits Statement is set out below:

*“The Directors, having reviewed and analysed the potential synergies of the Enlarged Group, as well as taking into account factors they can influence, believe that the Enlarged Group can deliver shareholder value through expected realisation of approximately £4.0 million of recurring cost synergies from the end of the first year following the Effective Date, reducing to £3.5 million of recurring cost synergies from the sixth year following the Effective Date.*

*The cost synergies will be realised principally from:*

- i) **Management fee savings:** Unification of property management under Nexus delivering approximately £3.0 million of cost savings per annum derived from £2.5 million of lower management fees charged on the MedicX investment properties and a £0.5 million rebate given by Nexus for the management of the investment properties in the first five years following the Effective Date; and*
- ii) **Administration and direct property cost savings:** Rationalisation of duplicated listing, administration and operational expenses and reducing direct property costs through procurement and scale benefits, delivering an estimated £1.0 million of run rate cost savings per annum by the end of the first full year of operation.*

*The Directors expect the management fee savings to be achieved from the Effective Date, with the administration and direct property cost savings delivered progressively through the first year, resulting in a first year synergy of £3.8 million, rising to the £4.0 million run rate by the end of the first year following the Effective Date and £3.5 million run rate from the sixth year following the Effective Date.*

*In order to achieve the management fee savings, the Enlarged Group will incur a one-off contractual termination payment of approximately £10 million payable to Octopus, the current MedicX investment adviser, on termination of the MedicX Investment Management Agreement. This payment will fall due within the first year following the Effective Date. The Directors expect that any costs incurred in the realisation of the other cost synergies will be immaterial.*

*The identified cost synergies will accrue as a direct result of the Merger and would not be achieved on a standalone basis. The estimated cost synergies referred to above reflect both the beneficial elements and the relevant costs.*

*The Directors do not expect any material dis-synergies to arise in connection with the Merger.*

*These statements relating to identified cost savings and estimated savings relate to future actions or circumstances which by their nature involve risks, uncertainties and contingencies. As a consequence, the identified synergies and estimated savings referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated.”*

### **Bases of belief and principal assumptions**

Following commencement of discussions regarding the Merger, a team of Nexus staff (the “Synergy Team”) was established to evaluate and assess the potential synergies available arising from the Merger.

The team, which comprises senior Nexus personnel, has worked to identify, challenge and quantify potential synergies. The assessment and quantification of the potential synergies have been informed by Nexus management’s industry experience and knowledge.

In preparing the Quantified Financial Benefits Statement, Octopus has shared certain operating and financial information to facilitate a detailed analysis in support of evaluating the potential synergies available from creation of the Enlarged Group. The Synergy Team has performed a bottom-up analysis of costs included in the Octopus financial information and has sought to include in the synergy analysis those costs which the team believe will be either reduced or eliminated from within the Enlarged Group.

In general, the synergy assumptions related to the administration and direct property synergies have in turn been risk adjusted, exercising a degree of prudence in the calculation of the estimated synergy benefits set out above. The management fee savings are based on the terms of the Deed of Variation.

The cost bases used as the basis for the quantified financial benefits exercise are the Octopus full year budgeted expenses for the financial year ended 30 September 2019, the Nexus full year budgeted

expenses for the financial year ended 31 December 2019 and the independent valuation of MedicX's UK and Republic of Ireland property portfolios as at 30 September 2018.

Attainment of the management fee savings is conditional upon the Deed of Variation being approved by the Independent Shareholders at the PHP General Meeting and the terms of the Advisory Agreement remaining as amended (effected by the Deed of Variation) as set out in more detail in Part 1 (*Letter from the Chairman*) of this document.

The Directors have, in addition, made the following assumptions:

- The value of MedicX's property portfolio remaining at or above the 30 September 2018 independent valuation of £806.7 million.
- PHP retains its status as a UK-REIT in the future.
- There will be no material impact on the underlying operations of either PHP or MedicX or their ability to continue to conduct their business.
- There will be no material change to macroeconomic, political, regulatory or legal conditions in the markets or regions in which PHP and MedicX operate that will materially impact on the implementation of the proposed cost savings.
- There will be no change in tax legislation or tax rates or other legislation in the UK or the Republic of Ireland that could materially impact the ability to achieve any benefits.

## Reports

As required by Rule 28.1(a) of the Takeover Code, Deloitte, as reporting accountants to PHP, and Numis and Peel Hunt, as financial advisers to PHP, have provided the opinions required under that Rule at the time of the Announcement.

## Notes

These statements are not intended as a profit forecast and should not be interpreted as such. These statements of estimated synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the estimated synergies referred to may not be achieved, or may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. Neither the Quantified Financial Benefits Statement nor any other statement in this document should be construed as a profit forecast or interpreted to mean that PHP's earnings in the first full year following the Effective Date, or in any subsequent period, will necessarily match or be greater than or be less than those of PHP or MedicX for the relevant preceding financial period or any other period.

Due to the scale of the Enlarged Group, there may be additional changes to the Enlarged Group's operations. As a result, and given the fact that the changes relate to the future, the resulting synergies may be materially greater or less than those estimated.

## 23. STATUTORY AUDITORS AND CONSENTS

- 23.1 Deloitte LLP, whose address is 1 New Street Square, London EC4A 3HQ, and which is registered to carry out audit work in the UK and the Republic of Ireland by the Institute of Chartered Accountants in England and Wales has audited the annual consolidated financial statements of PHP for the financial years ended 31 December 2018, 2017 and 2016. Statutory accounts of PHP for each of the years ended 31 December 2016 and 2017 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.
- 23.2 Deloitte LLP has given and not withdrawn its written consent to the inclusion of its report on the unaudited *pro forma* financial information in Part 9 (*Unaudited Pro Forma Financial Information of the Enlarged Group*) 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.
- 23.3 Lambert Smith Hampton Group Limited has given and not withdrawn its written consent to the inclusion in this document of its report in Part A of Part 8 (*Property Valuation Reports*) 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 report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.



- 23.4 Jones Lang LaSalle Limited has given and not withdrawn its written consent to the inclusion in this document of its report in Section A of Part B of Part 8 (*Property Valuation Reports*) 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 report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.
- 23.5 Cushman & Wakefield Ireland Limited has given and not withdrawn its written consent to the inclusion in this document of its report in Section B of Part B of Part 8 (*Property Valuation Reports*) 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 report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.
- 23.6 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.
- 23.7 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.

## **24. GENERAL**

- 24.1 The total costs and expenses of, and incidental to, the Merger payable by the Company are estimated to amount to approximately £7.5 million (excluding VAT).
- 24.2 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 PHP 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 PHP Shareholders in a general meeting.
- 24.3 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.
- 24.4 The New Shares will be in registered form and, from Admission, will be capable of being held in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Where New Shares are held in certificated form, share certificates will be sent to the registered members by first-class post. Where New Shares are held in CREST, the relevant CREST stock account of the registered members will be credited. The New Shares will be admitted with the ISIN GB00BYRJ5J14 and SEDOL (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.

## **25. 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 Admission and will also be available for inspection at the PHP 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 2016, 31 December 2017 and 31 December 2018;
- (c) the annual reports and audited consolidated accounts of the MedicX Group for the financial years ended 30 September 2016, 30 September 2017 and 30 September 2018;
- (d) the consent letters referred to in paragraph 23 of this Part 10;
- (e) the PHP Valuation Report contained in Part A of Part 8 (*Property Valuation Reports*) of this document;
- (f) the MedicX Valuation Reports contained in Part B of Part 8 (*Property Valuation Reports*) of this document;
- (g) this document;
- (h) the TUPE Deed;



- (i) the Deed of Variation;
- (j) the Scheme Document (which includes the MedicX Unaudited Statement of EPRA NAV set out in Part 7);
- (k) the Announcement; and
- (l) the report by Deloitte on the unaudited *pro forma* financial information set out in section B of Part 9 (*Unaudited Pro Forma Financial Information of the Enlarged Group*) of this document.

## Part 11

### DOCUMENTATION INCORPORATED BY REFERENCE

#### 1. INFORMATION INCORPORATED BY REFERENCE

The following documents relating to the PHP Group are incorporated by reference into this document:

- (1) The PHP 2016 Annual Report
- (2) The PHP 2017 Annual Report
- (3) The PHP 2018 Annual Report

The table below sets out the various section of such documents which are incorporated by reference into this document:

Annual Report and Accounts for the period ended 31 December 2018	Chairman's Statement	6-9
	Director's Report	65-69
	Independent Auditors' Report	71-77
	Group Income Statement	78
	Group Balance Sheet	79
	Group Cashflow Statement	80
	Group statement of changes in equity	81
	Notes to the financial statements	82-119
Annual Report and Accounts for the period ended 31 December 2017	Chairman's Statement	4-7
	Director's Report	56-61
	Independent Auditors' Report	63-68
	Group Income Statement	69
	Group Balance Sheet	70
	Group Cashflow Statement	71
	Group statement of changes in equity	72
	Notes to the financial statements	73-100
Annual Report and Accounts for the period ended 31 December 2016	Chairman's statement	4-7
	Director's Report	57-61
	Independent Auditors' Report	63-68
	Group Income Statement	69
	Group Balance Sheet	70
	Group Cashflow Statement	71
	Group statement of changes in equity	72
	Notes to the financial statements	73-96

The following documents relating to the MedicX Group are incorporated by reference into this document:

- (1) The MedicX 2016 Annual Report and Financial Statements
- (2) The MedicX 2017 Annual Report and Financial Statements
- (3) The MedicX 2018 Annual Report and Financial Statements
- (4) The MedicX Unaudited Statement of EPRA NAV

The table below sets out the various section of such documents which are incorporated by reference into this document:

Annual Report and Financial Statements for the period ended 30 September 2018	Chairman's Statement	14-17
	Director's Report	42-45
	Independent Auditors' Report	57-61
	Group Income Statement	64
	Group Balance Sheet	65
	Group Cashflow Statement	67
	Group statement of changes in equity	66
	Notes to the financial statements	68-88
Annual Report and Financial Statements for the period ended 30 September 2017	Chairman's Statement	10-13
	Director's Report	40-43
	Independent Auditors' Report	54-57
	Group Income Statement	60
	Group Balance Sheet	61
	Group Cashflow Statement	63
	Group statement of changes in equity	62
	Notes to the financial statements	64-88
Annual Report and Financial Statements for the period ended 30 September 2016	Chairman's Statement	4-7
	Director's Report	19-21
	Independent Auditors' Report	33-34
	Group Income Statement	35
	Group Balance Sheet	36
	Group Cashflow Statement	38
	Group statement of changes in equity	37
	Notes to the financial statements	39-56
Scheme Document	Unaudited statement of EPRA NAV per MedicX Share	67-69

## Part 12

### 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>2017 Secured Notes</b>	the fixed rate secured notes due 2027 issued by PHP SB Limited and guaranteed by the Company
<b>2018 Secured Notes</b>	the fixed rate secured notes due 2028 and 2030 issued by PHP Euro Private Placement Limited and guaranteed by the Company
<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>	admission of the New Shares issued pursuant to the Merger to the premium listing segment of the Official List becoming effective in accordance with the Listing Rules and the admission of such shares to trading on 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 15.8 of Part 10 ( <i>Additional Information</i> ) of this document including, where the context requires, as amended by (a) the Amendment Deed and (b) subject to the passing of the Related Party Resolution and completion of the Merger, the Deed of Variation
<b>AIB</b>	AIB Group (UK) p.l.c.
<b>AIF</b>	(in accordance with article 4(1)(a) of AIFMD) a collective investment undertaking including investment compartments thereof, which (a) raises capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors; and (b) does not require authorisation pursuant to article 5 of UCITS
<b>AIFMD</b>	Directive 2011/61/EU of the European Parliament and of the council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No /060/2009 and (EU) No /095/2010
<b>AIM</b>	the AIM market of the London Stock Exchange
<b>Amendment Deed</b>	the deed of variation dated 23 January 2019 to the Advisory Agreement as described at paragraph 6.5 of Part 1 ( <i>Letter from the Chairman</i> ) of this document
<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>Announcement</b>	the joint announcement of the Merger made by PHP and MedicX on 24 January 2019 pursuant to Rule 2.7 of the Takeover Code, including its Appendices
<b>Articles</b>	the articles of association of the Company, details of which are set out in paragraph 4 of Part 10 ( <i>Additional Information</i> ) of this document
<b>Aviva</b>	Aviva Public Private Finance Limited
<b>Barclays</b>	Barclays Bank PLC
<b>Board</b>	the Directors of PHP
<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>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 of a share as derived from the Daily Official List on a particular day
<b>CMA</b>	Competition and Markets Authority
<b>Code</b>	the US Internal Revenue Code of 1986, as amended
<b>Companies Act</b>	the Companies Act 2006 as amended
<b>Conditions</b>	the conditions relating to the Merger as summarised in paragraph 9.2 of Part 1 ( <i>Letter from the Chairman</i> ) of this document and set out in full in Part 3 ( <i>Conditions to and further terms of the Merger</i> ) of the Scheme Document
<b>Confidentiality Agreement</b>	the confidentiality agreement entered into between PHP and MedicX dated 22 August 2018 as amended by an amendment deed entered into by the same parties dated 7 December 2018
<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 July 2018 by the Financial Reporting Council
<b>Costs Directions</b>	the 2004 Costs Directions and the 2013 Costs Directions
<b>Court</b>	the Royal Court of Guernsey, The Royal Court House, St Peter Port, Guernsey GY1 2NZ
<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>Cushman &amp; Wakefield</b>	Cushman & Wakefield Ireland Limited (as property valuers to MedicX)
<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>Deed of Variation</b>	the deed of variation dated 24 January 2019 to the Advisory Agreement to be approved by the Independent Shareholders at the PHP General Meeting as described at paragraph 15.3 of Part 10 ( <i>Additional Information</i> ) of this document
<b>Directors</b>	the executive directors and non-executive directors of the Company, whose names appear on page 39 of this document
<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 the Republic of Ireland
<b>Effective</b>	(a) if the Merger is implemented by way of the Scheme, the Scheme having become effective pursuant to its terms; or (b) if the Merger is implemented by way of a Takeover Offer, the Takeover Offer having become unconditional in all respects in accordance with the requirements of the Takeover Code
<b>Effective Date</b>	the date on which the Merger becomes Effective, expected to be 14 March 2019
<b>Enlarged Group</b>	the Company and its subsidiaries and subsidiary undertakings, including MedicX, following the Merger becoming effective
<b>Enlarged Share Capital</b>	the issued ordinary share capital of the Company after the Merger and following the issue of New Shares to MedicX Shareholders in connection with the Merger
<b>EPRA</b>	the European Public Real Estate Association index
<b>EPRA NAV</b>	net asset value calculated in accordance with the guidelines issued by EPRA from time to time
<b>EPRA NNNNAV</b>	EPRA NAV adjusted to reflect the fair value of financial instruments, debt and deferred taxes
<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-US or other employee benefit plan that is subject to any federal, state, local or non-US 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>Excluded Territories</b>	the United States, Australia, Canada, Japan, South Africa and New Zealand and any other jurisdiction where the extension or availability of the New Shares to be issued pursuant to the Merger (and any other transaction contemplated thereby) would breach any applicable law or regulation
<b>Existing Ordinary Shares</b>	the 778,177,744 Ordinary Shares in issue as at the date of this document
<b>Financial Conduct Authority or FCA</b>	the Financial Conduct Authority of the United Kingdom
<b>Form of Proxy</b>	the form of proxy for use at the PHP General Meeting
<b>FSMA</b>	the Financial Services and Markets Act 2000, as amended
<b>GDP</b>	gross domestic product
<b>GP</b>	General Practitioner
<b>Guernsey Companies Law</b>	the Companies (Guernsey) Law 2008, as amended
<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 the Republic of 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>Independent Directors</b>	the independent Directors who are independent of Nexus, being the Directors other than Harry Hyman and Richard Howell
<b>Independent Shareholders</b>	the shareholders of the Company other than Harry Hyman, Anita Hyman, Nexus Central Management Services Limited, Nexus Group Holdings Limited, Richard Howell and Fiona Howell and each of their associates
<b>ISIN</b>	International Securities Identification Number
<b>Jones Lang LaSalle</b>	Jones Lang LaSalle Limited (as property valuers to MedicX)
<b>Latest Practicable Date</b>	the close of business on 7 February 2019 (being the latest practicable date prior to the date of this document for ascertaining certain information contained in this document)
<b>LIBOR</b>	London inter bank offered rate
<b>LIFT</b>	the Local Improvement Financial Trust initiatives
<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>Long Stop Date</b>	31 August 2019 or such later date (if any) as PHP and MedicX may agree, with the consent of the Panel, and the Court (if required) may allow
<b>LSH</b>	Lambert Smith Hampton Group Limited (as property valuers to PHP), 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
<b>MedicX</b>	MedicX Fund Limited, a non-cellular company incorporated in Guernsey (registered number 45397) whose registered office is at Regency Court, Glatigny Esplanade, St Peter Port, Guernsey, GY1 1WW
<b>MedicX 2016 Annual Report and Financial Statements</b>	the audited accounts of the MedicX Group for the period from 1 October 2015 to 30 September 2016
<b>MedicX 2017 Annual Report and Financial Statements</b>	the audited accounts of the MedicX Group for the period from 1 October 2016 to 30 September 2017
<b>MedicX 2018 Annual Report and Financial Statements</b>	the audited accounts of the MedicX Group for the period from 1 October 2017 to 30 September 2018
<b>MedicX Court Hearing</b>	the Court hearing at which MedicX will seek an order sanctioning the Scheme (with or without modification) pursuant to section 110 of the Guernsey Companies Law and otherwise in accordance with Part VIII of the Guernsey Companies Law, including any adjournment thereof which is expected to take place at 9.30 a.m. on 14 March 2019 at the Court
<b>MedicX Court Meeting</b>	the meeting of the MedicX Scheme Shareholders to be convened by order of the Court pursuant to section 107 of the Guernsey Companies Law, to consider and if thought fit, to approve the Scheme, with or without modification (including any adjournment, postponement or reconvention of any such meeting)
<b>MedicX Directors or MedicX Board</b>	the board of directors of MedicX whose names are set out in paragraph 3 of Part 3 ( <i>Information on MedicX</i> ) of this document
<b>MedicX General Meeting</b>	the general meeting of MedicX to be convened by the MedicX Directors and expected to be held on 1 March 2019 immediately following the MedicX Court Meeting
<b>MedicX Group</b>	MedicX and its subsidiary undertakings and, where the context permits, each of them
<b>MedicX Investment Management Agreement</b>	the investment advisory and management agreement dated 29 September 2017 between (1) Octopus and (2) MedicX, as amended by a deed of amendment dated 10 December 2018 described at paragraph 16.2 of Part 10 ( <i>Additional Information</i> ) of this document
<b>MedicX Scheme Shareholders</b>	the holders of Scheme Shares
<b>MedicX Shareholder</b>	a holder of MedicX Shares
<b>MedicX Shares</b>	ordinary shares of no par value in the capital of the MedicX
<b>MedicX ROI Valuation Report</b>	the valuation report in respect of the properties owned by MedicX in the Republic of Ireland prepared by Cushman & Wakefield set out in Section B of Part B of Part 8 ( <i>Property Valuation Report</i> ) of this document
<b>MedicX UK Valuation Report</b>	the valuation report in respect of the properties owned by MedicX in the United Kingdom prepared by Jones Lang LaSalle and set out in Section A of Part B of Part 8 ( <i>Property Valuation Report</i> ) of this document
<b>MedicX Unaudited Statement of EPRA NAV</b>	the unaudited statement of net asset value per MedicX Share as at 31 December 2018 as set out in part 7 of the Scheme Document
<b>MedicX Valuation Reports</b>	the MedicX UK Valuation Report and the MedicX ROI Valuation Report
<b>Member State</b>	a sovereign state which is a member of the European Union

<b>Merger</b>	the proposed direct or indirect acquisition of the entire issued and to be issued share capital of MedicX by PHP not already owned by or on behalf of the PHP Group, comprising the Merger Ratio, to be implemented by way of the Scheme or (should PHP so elect, subject to the consent of the Panel (where necessary) and with MedicX's prior written consent) by way of a Takeover Offer
<b>Merger Ratio</b>	the ratio of 0.77 New Shares for each MedicX Share
<b>Merger Resolution</b>	the first resolution to be proposed at the PHP General Meeting, approving the Merger and the allotment of the New Shares
<b>New Shares</b>	the new Ordinary Shares to be issued and allotted, credited as full paid, to the MedicX Scheme Shareholders pursuant to the Merger
<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-PID Dividend</b>	any dividend of the Company other than a PID
<b>Notice of General Meeting</b>	the notice of the PHP General Meeting contained in Part 13 ( <i>Notice of General Meeting</i> ) of this document
<b>Numis</b>	Numis Securities Limited
<b>OAIFM</b>	Octopus AIF Management Limited of 6th Floor, 33 Holborn, London, EC1N 2HT
<b>Octopus</b>	Octopus Healthcare Adviser Ltd of 6th Floor, 33 Holborn, London, EC1N 2HT
<b>Octopus Group</b>	Octopus and its subsidiary undertakings and, where the context permit, each of them
<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>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>Overseas Shareholders</b>	PHP Shareholders or MedicX Shareholders with registered addresses outside the United Kingdom or who are citizens or residents outside the United Kingdom
<b>Panel</b>	the Panel on Takeovers and Mergers
<b>PCT</b>	Primary Care Trust
<b>Peel Hunt</b>	Peel Hunt LLP
<b>Permitted Dividend</b>	any dividend in respect of MedicX Shares declared in respect of any calendar quarter which ends before the Effective Date by MedicX subject to an agreed maximum amount of 0.95 pence per MedicX Share per quarter
<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 2016 Annual Report and Accounts</b>	the audited accounts of the PHP Group for the period from 1 January 2016 to 31 December 2016

<b>PHP 2017 Annual Report and Accounts</b>	the audited accounts of the PHP Group for the period from 1 January 2017 to 31 December 2017
<b>PHP 2018 Annual Report and Accounts</b>	the audited accounts of the PHP Group for the period from 1 January 2018 to 31 December 2018
<b>PHP Bond Finance</b>	PHP Bond Finance plc
<b>PHP Finance Jersey</b>	PHP Finance (Jersey) Limited
<b>PHP General Meeting</b>	the general meeting of PHP to be held at 10.30 a.m. on 28 February 2019 notice of which is set out in Part 13 ( <i>Notice of General Meeting</i> ) of this document
<b>PHP Group or Group</b>	the Company and each of its subsidiaries and subsidiary undertakings from time to time
<b>PHP Shareholder</b>	a holder of Ordinary Shares from time to time
<b>PHP Valuation Report</b>	the valuation report in respect of the properties owned by PHP in the UK and Republic of Ireland prepared by LSH and set out in Part A of Part 8 ( <i>Property Valuation Reports</i> ) of this document
<b>PHPI No.1</b>	PHP Investments No.1 Limited
<b>PHPI No.2</b>	PHP Investments No.2 Limited
<b>PHPPPL</b>	PHP Primary Properties Limited
<b>PID</b>	property income distribution
<b>PIF</b>	the performance incentive fee under the Advisory Agreement
<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 PHP Valuation Report and the MedicX Valuation Reports
<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>Proposals</b>	the Merger, the offer of New Shares made in connection with the Merger to MedicX Shareholders, Admission and the approval of the Related Party Transactions
<b>Proposed Board</b>	the proposed board of directors following the Merger made up of the Directors and the Proposed Directors
<b>Proposed Directors</b>	Helen Mahy and Laure Duhot
<b>Quantified Financial Benefits Statement</b>	the quantified financial benefits statement set out in paragraph 22 of Part 10 ( <i>Additional Information</i> ) of this document
<b>RBS</b>	The Royal Bank of Scotland PLC
<b>Registrars or Equiniti</b>	Equiniti Limited
<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>Related Party Transactions</b>	(i) the Deed of Variation as described in paragraph 15.3 of Part 10 ( <i>Additional Information</i> ) of this document and (ii) the TUPE Deed as described in paragraph 15.2 of Part 10 ( <i>Additional Information</i> ), both of which are subject to the approval of the Independent Shareholders at the PHP General Meeting and completion of the Merger

<b>Related Party Resolution</b>	the second resolution to be proposed at the PHP General Meeting, approving the Related Party Transactions
<b>Resolutions</b>	the resolutions to be proposed at the PHP General Meeting, comprising the Merger Resolution and the Related Party Resolution 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>Scheme or Scheme of Arrangement</b>	the proposed scheme of arrangement under Part VIII of the Guernsey Companies Law between MedicX and the MedicX Scheme Shareholders set out in the Scheme Document pursuant to which MedicX Scheme Shareholders shall be issued New Shares by PHP
<b>Scheme Document</b>	the scheme document to be posted to the MedicX Shareholders on the same date as this document
<b>Scheme Record Time</b>	the time and date specified in the Scheme Document by reference to which the entitlements of MedicX Scheme Shareholders under the Scheme will be determined, expected to be 6.00 pm on 13 March 2019 (being the Business Day immediately prior to the date of the MedicX Court Hearing);
<b>Scheme Shares</b>	the MedicX Shares: (i) in issue as at the date of the Scheme Document; (ii) issued after the date of the Scheme Document and before the Voting Record Time; and (iii) (if any) issued at or after the Voting Record Time and before the Scheme Record Time either on terms that the original or any subsequent holders of such shares are to be bound by the Scheme or in respect of which their holders are, or shall have agreed in writing to be, bound by the Scheme and in each case remaining in issue at the Scheme Record Time but excluding any MedicX Shares registered in the name of or beneficially owned by PHP or its nominees or any other member of the PHP Group at any relevant date or time
<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>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>Sponsor’s Agreement</b>	the sponsor’s agreement dated 8 February 2019 between the Company and Numis relating to the Merger and further described in paragraph 15.1 of Part 10 ( <i>Additional Information</i> ) of this document
<b>Standby Facility</b>	the facility agreement entered into by the Company with HSBC Bank UK plc, as described in paragraph 15.9 of Part 10 ( <i>Additional Information</i> ) of this document

<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
<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>Takeover Code</b>	the City Code on Takeovers and Mergers
<b>Takeover Offer</b>	if the Merger is implemented by way of a takeover offer (which shall be an offer for the purposes of section 337 of the Guernsey Companies Law), the offer to be made by or on behalf of PHP, or an associated undertaking thereof, to acquire the entire issued and to be issued ordinary share capital of MedicX including, where the context admits, any subsequent revision, variation, extension or renewal of such offer;
<b>TUPE</b>	the Transfer of Undertakings (Protection of Employment) Regulations 2006
<b>TUPE Deed</b>	the deed in respect of the obligations of Nexus under TUPE arising on termination of the MedicX Investment Management Agreement dated 24 January 2019 between (1) Nexus and (2) PHP and which is conditional on (a) the approval of the Independent Shareholders at the PHP General Meeting and (b) completion of the Merger, as described at paragraph 15.2 of Part 10 ( <i>Additional Information</i> ) of this document
<b>UCITS Directive</b>	the European Parliament and Council Directive of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertaking for collective investment in transferable securities (UCITS) (No 2009/65/EC), as amended
<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 Exchange Act</b>	the United States Securities Exchange Act of 1934, as amended
<b>US Securities Act</b>	the United States Securities Act of 1933, as amended



**United States or US**

the United States of America, its territories and possessions, any state of the United States and the District of Columbia

**Voting Record Time**

6.30 p.m. on 27 February 2019 or, if either of the MedicX Court Meeting or the MedicX General Meeting is adjourned, 6.30 p.m. on a day which is not more than 48 hours before the time set for such adjourned meeting (excluding any part of a day that is not a working day)

**WAULT**

weighted average unexpired lease term remaining

## Part 13

### 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 28 February 2019 at 10:30 a.m. at the offices of 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.

#### ORDINARY RESOLUTIONS

1. THAT, subject to the passing of Resolution 2 below:

- (a) the proposed acquisition (which is a “Class 1 transaction” for the purposes of the listing rules and regulations made by the Financial Conduct Authority (the “**FCA**”) under the Financial Services and Markets Act 2000 and contained in the FCA’s publication of the same name, as amended from time to time (the “**Listing Rules**”)) by the Company of the entire issued and to be issued share capital of MedicX Fund Limited (“**MedicX**”), to be effected pursuant to a scheme of arrangement under Part VIII of the Companies (Guernsey) Law 2008 (the “**Scheme**”) (or by way of a takeover offer (which shall be an offer for the purposes of section 337 of the Companies (Guernsey) Law 2008, as amended) (the “**Offer**”) (the “**Merger**”) on the terms and subject to the conditions as described in the combined prospectus and circular sent to shareholders in the Company on 8 February 2019 (the “**Prospectus**”), a copy of which is produced to the meeting, be and is hereby approved and the directors of the Company (the “**Board**”) (or any duly constituted committee thereof) be and is authorised to: (1) take all such steps as the Board considers to be necessary or desirable in connection with, and to implement, the Merger (including, without limitation, approving and entering into any associated or ancillary agreements in connection with the Merger on behalf of the Company); and (2) to agree such modifications, variation, revisions, waivers, extensions or amendments to any of the terms and conditions of the Merger and any associated and ancillary agreements, deemed necessary or desirable by the Board (or any duly constituted committee thereof) (provided such modifications, variations, revisions, waivers, extensions or amendments do not materially change the terms of the Merger for the purposes of Listing Rule 10.5.2), as they may in their absolute discretion think fit; and
- (b) subject to and conditional upon:
  - i. the Scheme becoming effective, except for the conditions relating to:
    - 1. the delivery of the order of the Royal Court of Guernsey sanctioning the Scheme to the Guernsey Registry;
    - 2. the FCA having acknowledged to the Company or its agent (and such acknowledgment not having been withdrawn) that the application for the admission of the new ordinary shares of 12.5 pence each in the capital of the Company (the “**New Shares**”) to be issued pursuant to the Scheme (or, as the case may be, the Offer) to listing on the premium listing segment of the Official List maintained by the FCA has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject (the “**listing conditions**”)) will become effective as soon as a dealing notice has been issued by the FCA and any listing conditions having been satisfied and London Stock Exchange plc having acknowledged to the Company or its agent (and such acknowledgment not having been withdrawn) that the New Shares will be admitted to trading on the main market of London Stock Exchange plc (“**Admission**”); or, as the case may be,
  - ii. an Offer becoming or being declared wholly unconditional (except for Admission),

the directors of the Company (the “**Directors**”) be and hereby are generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (in addition, to the extent unutilised, to the authority granted to the Directors at the Company’s general meeting held on 18 April 2018 immediately following its annual general meeting which remains in full force and effect) to exercise all the powers of the Company to allot the New Shares and grant rights to subscribe for or to convert any security into shares in the Company, up to an aggregate nominal amount of £42,630,679, in each case, credited as fully paid, with authority to deal with fractional entitlements arising out of such allotment as they think fit and to take all such other steps as they may in their absolute discretion deem necessary, expedient or appropriate to implement such allotments in connection with the Merger, and which authority shall expire at the close of business on the fifth anniversary of the date of this resolution (unless previously revoked, renewed or varied by the Company in general meeting), save that the Company may before such expiry make an offer or enter into an agreement which would or might require shares to be allotted, or rights to subscribe for or to convert securities into shares to be granted, after such expiry and the Directors may allot shares or grant such rights in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired.

2. THAT,

- (a) the deed of variation dated 24 January 2019 between the Company and Nexus Tradeco Limited amending the advisory agreement dated 14 March 1996 (as amended, restated and novated from time to time) as originally made between the Company, JO Hambro Capital Management Limited and Nexus Property Management Services Limited) (the “**Deed of Variation**”); and
- (b) the deed of indemnity dated 24 January 2019 between the Company and Nexus Tradeco Limited (the “**TUPE Deed**”),

be and are hereby approved and the Board be and is authorised to: (1) take all such steps as the Board considers to be necessary or desirable in connection with, and to effect the entry by the Company into the Deed of Variation (including, without limitation, approving and entering into any associated or ancillary agreements in connection with the Deed of Variation on behalf of the Company) and the TUPE Deed (including, without limitation, approving and entering into any associated or ancillary agreements in connection with the TUPE Deed on behalf of the Company); and (2) to agree such modifications, variation, revisions, waivers, extensions or amendments to any of the terms and conditions of the Deed of Variation and the TUPE Deed and any associated and ancillary agreements, deemed necessary or desirable by the Board (provided such modifications, variations, revisions, waivers, extensions or amendments do not materially change the terms of the Deed of Variation and/or the TUPE Deed for the purposes of Listing Rule 11.1.7A), as it may in its absolute discretion think fit.

**Dated: 8 February 2019**

*Registered Office:*

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

By order of the Board  
Nexus Management Services Limited  
*Company Secretary*

Notes:

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the general meeting. A shareholder may appoint more than one proxy in relation to the general meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder’s name and the number of shares in relation to which they are authorised to act as your proxy (which in aggregate should not exceed the number of shares held by you). Please indicate if the proxy instruction is one of multiple instructions being given. All proxy forms must be signed and should be returned together in the same envelope.
2. A proxy form is provided with this notice and instructions for use are shown on the proxy form. In order to be valid, a completed proxy form must be returned to the Company by one of the following methods:
  - in hard copy form by post, by courier or by hand to the Company’s Registrar, Equiniti at the address shown on the proxy form to be received not less than 48 hours before the time fixed for the general meeting or any adjournment(s) thereof (excluding any part of any day that is not a working day); or

- in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below, which must be received by Equiniti not less than 48 hours before the time fixed for the general meeting or any adjournment(s) thereof (excluding any part of any day that is not a working day). Please note that any electronic communication sent to Equiniti in respect of the appointment of a proxy that is found to contain a computer virus will not be accepted.

As an alternative to completing the hard-copy proxy form, you can appoint a proxy electronically by logging onto the website [www.shareview.co.uk](http://www.shareview.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 10.30 a.m. on 26 February 2019.

- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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 26 February 2019 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.
- 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.
- 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).
- As at 7 February 2019 the Company’s issued share capital consisted of 778,177,744 Ordinary Shares carrying one vote each and therefore the total number of voting rights is 778,177,744.

