



28 March 2023

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Impact Healthcare REIT plc

("Impact" or the "Company" or, together with its subsidiaries, the "Group")

FULL YEAR RESULTS FOR THE 12 MONTHS ENDED 31 DECEMBER 2022

Continuing to deliver a strong financial and operational performance, benefiting from the resilience and growth of our portfolio and the annual inflation-linked rental increases in 100% of our leases, underpinning our fully covered dividend

Impact Healthcare REIT plc (ticker: IHR), the real estate investment trust which gives investors exposure to a diversified portfolio of UK healthcare real estate assets, in particular care homes, is pleased to announce its full year results for the 12 months ended 31 December 2022.

Rupert Barclay, Chairman of Impact Healthcare REIT PLC, commented:

"We are continuing to deliver a strong financial and operational performance, benefitting from our robust, long term and responsible business model and resilient and defensive portfolio, with annual inflation-linked upward-only rent reviews in 100% of our leases. This underpinned the delivery of our dividend target of 6.54 pence per share, which was fully covered by our earnings. We remain disciplined in investing capital, while managing the business efficiently and maintaining a conservative balance sheet, helping to ensure we continue to focus on growing the portfolio responsibly and accretively and creating further value through asset management and by funding development.

2023 has started with continued high levels of volatility in financial markets. While healthcare is not immune, the essential nature of our tenants' services - which translated into zero voids and 100% rent collection for 2022 as well as further rental growth - are expected to continue to help our asset values to hold up much better than most other real estate sub-sectors. At the same time, the returns available to us on acquisitions and asset management projects remain above our cost of capital, and rising rents over the life of our leases, all of which are long duration with inflation-linked rent reviews, should support capital growth.

What we can be certain about is that care homes are critical social infrastructure, which provides an essential service for vulnerable elderly people. Demand for that service is driven by demography and acuity, and is not directly related to developments in the wider economy or financial markets. This gives care home operators a higher level of in-built resilience than tenants in many other real estate sectors, demonstrated in part by their ability to pass through inflation in the fees they charge for care. The investments and acquisitions we've made and the inflation-linked rental growth in 100% of our leases leave us well-positioned for future earnings growth and a progressive dividend."

Financial highlights

	Year ended 31 December 2022	Year ended 31 December 2021	Change
Dividends declared per share	6.54p	6.41p	2.0%
Profit before tax	£16.89m	£31.97m	(47.2)%
Earnings per share ("EPS")	4.33p	9.41p	(54.0)%
EPRA EPS*	8.37p	8.05p	4.0%
Adjusted EPS ^{7*}	7.11p	6.68p	6.4%
Adjusted earnings dividend cover	109%	104%	4.5% pts
Contracted rent roll ³	£43.1m	£38.0m	13.6%
Property investments ⁴	£568.8m	£496.9m	14.5%
Net asset values ("NAV") per share	110.17p	112.43p	(2.0)%
Total accounting return*	3.78%	8.42%	(4.6)% pts
Loan to value ("LTV")	23.9%	22.3%	1.6% pts
Cash	£22.5m	£13.3m	69.9%

Strong and resilient financial performance

- NAV at 31 December 2022 was £445.9 million (+13.1%) or 110.17 pence per share (-2.0%). (31 December 2021:

£394.2 million; 112.43 pence per share), reflecting change in market value of property portfolio, partially offset by the benefit of inflation-linked rent reviews and stable operator performance.

- Total accounting return for the year was 3.78%, comprising dividends paid of 6.51 pence and NAV reduction of 2.26 pence per share (-2.0%) in the period, compared with 9% per annum medium-term total accounting return target¹.
- Property investments independently valued at £568.8 million⁴ as at 31 December 2022, up 14.3% (31 December 2021: £496.9 million), largely reflecting acquisitions in the year, offset by the downward valuation movements described below.
- Change in fair value of investment properties was £(14.5) million (2021: £4.2 million gain), contributing to profit before tax of £16.9 million (2021: £32.0 million).

Generating secure, attractive and progressive income

- Declared four quarterly dividends of 1.635 pence for the year, meeting our dividend target of 6.54 pence per share, an increase of 2.0% (2021: 6.41 pence per share).
- Dividends declared for the year were 128% covered by EPRA earnings per share and 109% by adjusted earnings per share.
- EPS of 4.33 pence per share (2021: 9.41 pence per share) (basic and diluted), reflecting increase in rental income and £14.5 million fair value loss on the investment portfolio's value.
- Adjusted EPS up 6.4% to 7.11 pence per share (2021: 6.68 pence per share), a result of increased revenue from rent reviews and use of moderate leverage to further scale property investments.
- Targeting a dividend for the year to 31 December 2023 to increase by 3.5% to 6.77 pence per share¹.
 - The Company has a progressive dividend policy with a target to grow its annual aggregate dividend in line with the inflation-linked rental uplifts received by the Group under the terms of the rent review provisions contained in the Group's leases in the prior financial year.

Driving the growth of our annual contracted rental income

- Annual contracted rent roll³ grew by 13.6% to £43.1 million (31 December 2021: £38.0 million), as a result of:
 - Acquisition of 12 properties, contributing £4.0 million to contracted annual rent.
 - Rent reviews on 107 properties, adding £1.3 million to contracted annual rent, representing a 3.5% increase on the associated portfolio.
 - New capex commitments added a further £0.1 million to contracted annual rent.
 - Disposals as part of the Group's active portfolio management reduced contracted rent by £0.3 million.

Strong, resilient and conservative balance sheet

- Drawn debt at year end was £142.3 million, with gross LTV of 23.9%.
- Significant headroom within £241.0 million of committed debt facilities and our borrowing policy cap of 35%.
- As at 31 December 2022, weighted average term of debt facilities (excluding options to extend) was 6.3 years.
- At the year end, 70% (£100 million) of drawn debt facilities were hedged against rising interest rate costs, £75 million through long-term fixed-rate facilities and £25 million through an interest rate cap at 1% which expires in June 2023. An additional £50 million two-year interest rate cap at 3% was taken out after the year end.
- Drawn debt at the date of this report is £187.3 million, of which 80% is hedged against rising interest rates.
- Raised gross proceeds of £62.3 million from placing new ordinary shares in February and July 2022.

Operational highlights

	Year ended 31 December 2022	Year ended 31 December 2021	Change
Topped-up net initial yield ("NIY")	6.98%	6.71%	27 bps
Average NIY on acquisitions to date	7.4%	7.4%	(8) bps
Rent containing inflation-linked uplifts	100%	100%	-
Weighted average unexpired lease term ("WAULT") to first break	19.7 years	19.2 years	+0.5 years
Portfolio let	100%	100%	-
Rent cover²	1.80	1.91	(5.8)%
Rent collection	100%	100%	-
Properties⁴	135	124	8.9%
Completed beds	6,842	6,141	11.4%
Tenants⁵	14	13	+1

Continuing to demonstrate the resilience of our robust and defensive business model and portfolio

- Portfolio continues to have zero voids.

- Overall, tenants continue to perform well with average rent cover for 2022 at 1.80 (2021: 1.91)².
- Occupancy continued to improve to 86.6%⁶ by the year end, up 3.5 percentage points (31 December 2021: 83.1%), the highest it has been since early 2020.
- All leases inflation-linked with upward-only rent reviews and rental uplifts capped to avoid putting undue strain on tenants, helping to ensure sustainable long-term income.
- Collected 100% of rent due for the year, with no changes to any lease terms or payment schedules. Subsequent to the year end, rent collection for Q1 2023 was 97% including 1% from rent deposits. The overdue rent (£0.4 million) is owed by a single tenant, with whom the Investment Manager is in active discussions regarding rental payments.
- Acquired 12 properties, adding 764 beds for a total consideration of £69.2 million.
- Welcomed a new tenant, Belmont, to the Group's operators, giving us 14 tenants⁵ at the year end.
- WAULT of 19.7 years at 31 December 2022 (31 December 2021: 19.2 years).
- EPRA 'topped up' net initial yield of 6.98% as at 31 December 2022 (31 December 2021: 6.71%), compared with average net initial yield of acquisitions to date of 7.4%.
- Asset management remains a key focus. During the year we completed:
 - Internal refurbishment of Belmont House in Harrogate and upgrade of three care homes in Northern Ireland.
 - Comprehensive refurbishment and extension of Riverwell Beck in Carlisle (formerly Blackwell Vale).
 - Forward-funded development of 94-bed home in Hartlepool, with initial yield on development costs of 7.8%.
 - Phase one of the new link building at Fairview House and Fairview Court. Phase two has started which encompasses an extensive refurbishment of Fairview House and further improves its sustainability. This is due to be completed in late 2023.
 - In addition, we continue to grow a pipeline of future asset management projects, with expected average yield on cost of 8%.
- Portfolio represents approximately 1.5% of a highly fragmented UK market (with an estimated 465,000 beds for elderly care in total), adding confidence to our ability to continuing to grow through very selective accretive acquisitions, which will also further increase diversification.

Further enhancing our ESG agenda

- Developing our ESG strategy and accompanying targets;
- Produced a net zero strategy and delivery plan with a target date of 2045 and interim milestones;
- Funded environmental improvements to four homes through asset management projects and completed update of EPCs;
- Commissioned our first independent social impact report; and
- Voluntarily published our first report against the TCFD framework.

Post-year end

- Targeting a dividend for the year to 31 December 2023 to increase by 3.5% to 6.77 pence per share¹.
- Invested in a portfolio of six homes with 438 beds for consideration of £56 million, 20% of which was paid in new shares issued at 116.62 pence per share.
- Purchased an interest rate option for £1.5 million, which caps SONIA at 3% for two years on £50 million of our RCF debt.
- Sold one non-core asset for £1.25 million, in line with its latest valuation.
- As announced on 7 December 2022, Rupert Barclay (Non-Executive Chairman of the Company) will step down from the Board and resign as a Director of the Company on 31 March 2023, when Simon Laffin (currently Non-Executive Director and Chairman Designate of the Company) will become Chairman.
- As part of our succession planning, Paul Craig will be stepping down as a director at the forthcoming Annual General Meeting.

Notes

- 1 This is a target only and not a profit forecast. There can be no assurance that the target will be met and it should not be taken as an indicator of the Company's expected or actual results.
- 2 Includes the benefit of grant income, which largely ended in March 2022.
- 3 Contracted rent includes all post-tax income from investment in properties, whether generated from rental income or post-tax interest income.
- 4 This relates to the property portfolio along with property portfolios that have been invested in via loans to operators with an option for the Group to acquire.
- 5 Including Confused and Minster, which are both part of the Minster Care Group.

- 5 Including Croftwood and Minister, which are both part of the Minister Care Group.
- 6 Excludes three turn-around assets that have not reached maturity.
- 7 Adjusted earnings per share reflects underlying cash earnings per share in the period. The adjustments made to EPS in arriving at EPRA and Adjusted EPS are set out in note 11 to the Financial Statements.
- * EPRA EPS and all other EPRA alternative performance measures have been calculated in line with EPRA best practices recommendation.

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The Company's LEI is 213800AX3FHPMJL4IJ53.

Further information on Impact Healthcare REIT is available at www.impactreit.uk*

NOTES:

Impact Healthcare REIT plc acquires, renovates, extends and redevelops high quality healthcare real estate assets in the UK and lets these assets on long-term full repairing and insuring leases to high-quality established healthcare operators which offer high-quality care, under leases which provide the Company with attractive levels of rent cover.

The Company aims to provide shareholders with an attractive sustainable return, principally in the form of quarterly income distributions and with the potential for capital and income growth, through exposure to a diversified and resilient portfolio of UK healthcare real estate assets, in particular care homes for the elderly.

The Company has a progressive dividend policy with a target to grow its annual aggregate dividend in line with the inflation-linked rental uplifts received by the Group under the terms of the rent review provisions contained in the Group's leases in the prior financial year.

On this basis, the Company is targeting a dividend for the year to 31 December 2023 to increase by 3.5% to 6.77 pence per share¹.

The Group's Ordinary Shares were admitted to trading on the main market of the London Stock Exchange, premium segment, on 8 February 2019. The Company is a constituent of the FTSE EPRA/NAREIT index.

Neither the content of the Company's website, nor the content on any website accessible from hyperlinks on its website for any other website, is incorporated into, or forms part of, this announcement nor, unless previously published by means of a recognised information service, should any such content be relied upon in reaching a decision as to whether or not to acquire, continue to hold, or dispose of, securities in the Company.

* Neither the content of the Company's website, nor the content on any website accessible from hyperlinks on its website or any other website, is incorporated into, or forms part of, this announcement nor, unless previously published by means of a Regulatory Information Service, should any such content be relied upon in reaching a decision as to whether or not to acquire, continue to hold, or dispose of, securities in the Company.

RESULTS PRESENTATION

A Company presentation for investors and analysts will take place at 08:00am (GMT) today via a live webcast and conference call.

To access the live webcast, please register in advance here:

<https://www.lsegissuerservices.com/spark/ImpactHealthcareREIT/events/87ad1a74-f3be-4e52-b7d0-244e7ea9a5f8>

To access the live conference call, please register to receive unique dial-in details here:

<https://cosspreg.btc.com/prereg/key.process?key=PTBMGM7TT>

The recording of the webcast results presentation will be available later in the day via the Company's website:

<https://www.impactreit.uk/investors/reporting-centre/presentations/>

WHO WE ARE

We're a specialist and responsible owner of care homes and other healthcare properties across the UK. Elderly care

is an essential service and demand for it is high and continues to grow, as the UK's population gets older. We work with our tenants so we can grow together and help them care for more people, while continuing to improve our homes for their residents.

We take a long-term view and look to generate secure and growing income. This has allowed us to provide our shareholders with attractive and rising dividends and the potential for capital growth.

Our purpose

We invest in care homes, which are essential social infrastructure.

Our purpose is to form long-term partnerships with our tenants, through which we own and invest in the buildings they lease from us in return for a predictable and sustainable rent, enabling our tenants to concentrate on providing high-quality care to their residents.

Our values

Our core values are to:

- focus on the long-term sustainability of our business;
- invest for lasting positive social impact;
- act openly and transparently with all our stakeholders;
- be a dependable partner who's trusted to deliver; and
- combine the strengths of a listed company with entrepreneurship.

Our business model

Our business model is to own and invest in a high-quality, resilient and diversified portfolio of care homes. We choose tenants who seek to provide high-quality care and work in long-term partnership with them to grow, create value and deliver lasting social impact. In return, we receive predictable, sustainable and inflation-linked rental income, which enables us to target a progressive and covered dividend.

Our portfolio as at 31 December 2022

The care homes we own are primarily in the mid-market and have a good balance of residents funded by local authorities, the NHS and private pay.

At 31 December 2022, the portfolio's key characteristics were as follows:

- 14 tenants¹
- £568.8 million property investments
- 100% inflation-linked leases
- 135 properties
- 6,842 completed beds
- 19.7 years WAULT
- £43.1 million contracted rent roll
- £1.3 million per annum uplift in rent from 107 rent reviews

¹ Includes Mnster and Croftwood, which are both part of the Mnster Care Group.

Note: The information on this page includes forward-funded assets and portfolios invested in via a loan to the operator where the Group has an option to acquire.

CHAIRMAN'S STATEMENT

This year, the Group once again showed its resilience. We delivered good progress on a wide range of fronts, as we continued to grow the portfolio and created further value through asset management and by funding development. We've also developed our ESG strategy and set goals that will focus our efforts where we can make the most difference. As part of this, we've increased our understanding of the social value that we enable and how we can measure it.

We achieved all of this as we were buffeted by strengthening economic headwinds during 2022, caused mainly by the spike in inflation. Our tenants are in good shape overall, with one exception, which is discussed further in the Investment Manager's report. Their occupancy and fees are rising and their rent cover is above pre-pandemic levels. Demand for their services is strong and based on needs, not wants, which means it isn't directly linked to the broader economy. The urgent need for care beds to unblock space in the NHS also shows our tenants' services are crucial to society. Our tenants' performance during the year is discussed in more detail in the Investment Manager's report.

Economic uncertainty peaked at the end of the third quarter, at the time of the mini-budget, and led to a sharp rise in interest rates. This contributed to falls in asset values in many real estate sectors in the second half of 2022. While healthcare was not immune, the essential nature of our tenants' services - which translated into zero voids, 100% rent collection for 2022 and further rental growth - helped our asset values to hold up much better than most other real estate sub-sectors. At the same time, the returns available to us on acquisitions remain above our cost of capital and rising rents over the life of our leases, all of which are long duration with inflation-linked rent reviews, should support capital growth.

This is my last report to you as Chairman, as I'll be stepping down on 31 March after six years on the board. We've made great progress during these six years, growing from an initial portfolio of 56 assets and nearly 2,500 beds to 135¹ properties and 6,842 completed beds at the date of this report. We've paid a highly attractive dividend from the outset, which we've grown progressively while fully covering our payout by adjusted earnings since 2021. This has contributed to a total shareholder return of 44.1%² since inception. I'm confident that I'm handing on a business with good prospects for delivering further growth and value creation for our shareholders and all our wider stakeholders.

Successfully implementing the strategy

We continued to implement our growth strategy in 2022, investing £69.2 million in 12 care homes with 764 beds. We have since deployed a further £56 million, acquiring a further portfolio in January 2023. This transaction would have completed in 2022 had we not decided to pause the process and review its terms, following the UK's mini-Budget.

These acquisitions have further diversified the portfolio across the UK and allowed some of our existing tenants to increase the number of homes they run for us, providing the Group with a stronger covenant given the framework agreement we have in place across all homes leased to each tenant. We were also pleased to welcome our 14th tenant³. We choose tenants who prioritise high-quality care and share our vision of continuing to improve the assets.

We made good progress with asset management and committed £11.8 million to projects in 2022. These projects increase rents and asset values for us, make the homes a better business for our tenants, and a better place to live and work for residents and staff. They also enhance their environmental performance. We have a growing pipeline and expect to earn an average return of 8% on capital projects through increased rents, with the potential for capital growth in addition to this. Along with the Investment Manager, we're also very focused on maintaining our properties to a high standard and pay close attention to our tenants' repair and maintenance spend. The developments we're funding also progressed, with Merlin Manor in Hartlepool now in operation and increasing occupancy in line with our tenant's plan.

Robust and resilient financial performance

The net asset value ("NAV") at 31 December 2022 was £445.9 million or 110.17 pence per share (31 December 2021: NAV: £394.2 million; 112.43 pence per share). This small decline in NAV per share was mainly the result of the change in market value of the property portfolio, caused largely by the rise in investment yields in response to the tripling of interest rates during the year. This was partially offset by the benefits of rising rents and our asset management and development projects.

Basic and diluted earnings per share ("EPS") was 4.33 pence (2021: 9.41 pence). EPRA EPS was 8.37 pence (2021: 8.05 pence per share) and Adjusted EPS was 7.11 pence (2021: 6.68 pence).

More information on our financial performance can be found in the Investment Manager's report.

Secure, attractive and inflation-linked dividends

We aim to grow our target dividend in line with rental growth in the year before. All of our leases include inflation-linked rental growth, with floors and caps typically between 2% and 4%. We want to ensure our assets are not over-rented with leases that are sustainable and put these caps in place to ensure the rent does not become onerous for our tenants, as a result of spikes in inflation of the kind we're currently experiencing.

For 2022, we set a target total dividend of 6.54 pence per share, a 2.0% increase over 2021. We achieved this by paying four quarterly dividends of 1.635 pence each. The total dividend was 128% covered by EPRA EPS and 109% by Adjusted EPS. For 2023, our target dividend is 6.77 pence per share⁴, an increase of 3.53%.

Our total accounting return for the year was 3.78%, compared with our medium-term total accounting return target, which is an average of 9.0% a year⁴. This reflects the reduction in market value of the assets, as discussed above.

Strong and conservative balance sheet

We've always taken a prudent approach to managing our balance sheet, using debt to improve returns while keeping our leverage modest to help manage risk.

We completed several significant funding activities in the year. We raised £62.3 million of new equity through share placings; issued the remaining £38 million of our long-term institutional loan notes at a fixed rate of 3.0%; extended our revolving credit facility ("RCF") with HSBC by £25 million to £75 million; cancelled the £15 million RCF with Metro Bank; and renegotiated our RCF with Virgin Money, which increased the facility from £25 million to £50 million, extended its term to 2029 and reduced its cost. Since the year end, we've also purchased an interest rate option at a cost of £1.5 million, which caps SONIA at 3.0% for two years on £50 million of our RCF debt.

We now have £241 million of committed debt facilities. Our drawn debt at the year end was £142.3 million, giving us a gross LTV of 23.9%, and we had cash of £22.5 million. Drawn debt at the date of this report is £187.3 million, of which 80% is hedged against rising interest rates.

Enhancing sustainability

This year the Investment Manager has done considerable work on developing our ESG strategy, which the board approved after the year end. As part of this, we have improved our understanding of the social value we add and how to measure it, as well as determining the actions we can take on our pathway to net zero.

Strong governance

We're delighted that Simon Laffin joined the board as a non-executive director on 1 January 2023 and will become Chairman when I step down. He has more than 30 years' experience as a director, including in real estate, with his past roles including chairing Assura plc. As part of our succession planning, Paul Craig will be stepping down as a director at the forthcoming Annual General Meeting. On behalf of the board, I want to thank him for his important contribution to our work over nearly six years.

We ran an internal evaluation of the board and its committees during the year, which produced positive results and identified some areas where we can further improve.

Specialist, experienced and disciplined Investment Manager

We continue to benefit from the diligence and expertise of our Investment Manager, Impact Health Partners LLP. The Investment Manager effectively implements our strategy, and its close relationship with and oversight of our tenants, alongside its knowledge of the sector, has helped us to navigate the challenges of the past few years. We're pleased to see that the Investment Manager has continued to grow its team and capability, to support our goals.

Post-balance sheet events

In addition to taking out the interest rate cap discussed above, since the end of the year we've invested £56 million in a portfolio of six care homes with 438 beds to be operated by our tenant, Welford Healthcare. We paid 80% of the consideration in cash and the remainder through issuing 9.6 million new shares.

Well positioned to deliver sustainable value

We're a long-term responsible business and our resilient and defensive portfolio provides essential homes for the care of vulnerable older people across the UK. Our business model remains robust and we'll continue to be disciplined in investing capital, while managing the business efficiently. The acquisitions we've made and the indexation in our leases should support further earnings growth in 2023 and a rising dividend.

Rupert Barclay Chairman
27 March 2023

- 1 This relates to the property portfolio along with property portfolios that have been invested in via loans to operators with an option for the Group to acquire.
- 2 From inception to 31 December 2022.
- 3 Including Croftwood and Mnster, which are both part of the Mnster Care Group.
- 4 This is a target only and not a profit forecast. There can be no assurance that the target will be met and it should not be taken as an indicator of the Company's expected or actual results.

WHY INVEST?

We've created a compelling business, which is resilient and has real opportunities for growth, creating sustainable value for our shareholders and wider stakeholders.

Over the following pages, we set out how:

- We're in a **large and growing market**. The population is getting older and as people live longer, their care needs become more complex. The need for care isn't affected by the wider economy and demand for care home beds exceeds supply.
- We designed our **business model** to produce **attractive and sustainable returns**, while we carefully manage risk. These returns are underpinned by our income from long-term inflation-linked leases that have helped deliver covered dividends for investors.
- The Investment Manager has an experienced and strategic **management team**, which gives us a competitive advantage in our market.
- We generate **strong cash flows**, we're **well financed** and we're **growing our dividend**. The Company also carefully considers dividend cover and its REIT requirements when deciding the dividend quantum.
- We're **adding value and improving environmental and social performance through active management**. We balance our portfolio between core assets and value-add, and invest in our assets to increase returns, enhance environmental performance and make our homes even more appealing to residents and their carers.

Together, these strengths mean we're well positioned for further growth and value creation. We have around 1.5% of the market by number of beds, so we can continue to grow by taking market share. We've got a multi-year pipeline of asset management and development opportunities, and we'll continue our disciplined approach to adding homes to the portfolio.

For more information on our prospects, see the Chairman's statement.

A LARGE AND GROWING MARKET

Growing demand for elderly care

There were just over six million people aged over 75 living in the United Kingdom in 2022. That number is forecast almost to double over the next 50 years, to just under 12 million. The over-85s are the fastest growing segment of the UK population.

To put these numbers into context, when the NHS was founded in 1948 one in two people died before the age of 65. This figure is now one in eight. By the time they reach 65, women can expect to live on average for another 20 years, and men for another 18 years.

That's the good news. The less good news is that the majority of people will spend the last 15 years of their life with some ill health. Around 10% of people over 80 have a level of care needs which make it difficult for them to continue to live at home.

Falling supply

As the population has aged, the number of available care beds has been stagnant. This means that the total number of beds in both nursing and residential care homes for older people declined from 11.3 per 100 people aged over 75 in 2012, to 9.4 in 2021 - a 17% decrease.

This reduction in supply accelerated during the pandemic. Data from the CQC show that between March 2021 and August 2022, the number of registered care homes in England fell by 2.4%.

The failure of supply to match rising demand reflects several factors including a shift in social care policy towards home care. However, it might also reflect an element of rationing in the care system, as many elderly people struggle to access the care they need. Looking at longer-term trends, an estimated 25% of over-85s lived in elderly residential accommodation in 1996. By 2017, this had fallen to 15%.

More people are living with dementia

Alzheimer's Research UK estimates that the number of people in the UK living with dementia will increase from more than 900,000 today to 1.5 million by 2050.

Dementia is a complex condition and treatment isn't always available from the NHS. Today, just under 40% of people who've been diagnosed with the condition are living in care homes, which now have 378,000 beds registered to provide care for people with some form of dementia. There could be a substantial rise in demand for such specialist capacity over the coming decades.

Investor interest in healthcare

CBRE estimates that £25 billion has been invested in UK healthcare real estate over the past decade, of which 40% has been invested in care homes.

Annual investment volumes have been volatile, with sharp contractions in 2016, the year of the Brexit referendum, and 2020, the first year of the pandemic. In 2022, investment in the sector was £1.7 billion, a relatively high number in a year of great economic uncertainty.

The nature of the healthcare sector tends to attract long-term, index-linked investment. Turnover of asset ownership in the sector is therefore low, as investors generally have a buy-and-hold strategy. However, there has been a change over time in who the investors are. In 2019, over half the investment came from non-UK REITs. In 2022, over half the investment was from UK-based specialist healthcare investors, who are best placed to find value in a very fragmented market. Private equity has been very active in the healthcare space in the past but has pulled back as interest rates have risen.

Government policy

To put it mildly, government policy for adult social care is a complicated field. There is no national government budget for adult social care in England. Instead, publicly funded social care is mostly financed through local government revenue. This is made up of central government funding from the local government finance settlement, combined with locally raised revenue from business rates, council tax and income from fees.

This complex funding picture was further complicated by several policy changes during 2022. At the end of 2021, the then government announced ambitious reforms to adult social care, with a series of White Papers. They set out reforms aimed at increasing government funding for the sector, while capping the costs individuals would have to pay before government funding became available. The additional costs were to be funded by a 1.25% levy on National Insurance, which came into effect in April 2022.

In the mini-budget in September 2022, the Truss government announced that this levy would be scrapped in November and that the reforms would be funded from general taxation. Then, in the Autumn Statement in November 2022, Jeremy Hunt, the new Chancellor, announced he was pushing back the start date for implementing the structural reforms from October 2023 to October 2025.

While this delay was disappointing, the reason Mr Hunt gave for delaying the reforms was to avoid imposing additional costs on the government and care providers at a time when the government's priority is to create more capacity. In his Autumn Statement he said that the government would make available up to an extra £2.8 billion in 2023/24, and £4.7 billion in 2024/25 to help support adult social care and hospital discharge.

There were two government initiatives that gained less attention during 2022, but may have important longer-term consequences for the sector. First, in England the government carried out a major data collection exercise from care providers to assess the Fair Cost of Care (FCOC). The aim was to ensure that care providers can meet local authority demand at a price that covers their costs and is sustainable for the future. The data was collected by the end of October 2022 and has been a significant input into large fee increases announced by some local authorities since then, as it showed they've been paying less than the FCOC.

Second, new integrated care systems (ICSs) in England formally took up their responsibilities in July 2022. ICSs are partnerships that bring together NHS organisations and local authorities, to take collective responsibility for planning services and improving health across geographical areas. There are 42 ICSs, each covering between 500,000 and three million people. The changes have been described as the biggest legislative overhaul of the NHS in a decade.

If successful, these reforms will help to break down the silos between care for the elderly provided by the NHS, and care funded by local authorities. This should improve outcomes for the vulnerable people who need care and will make the NHS an increasingly important counterparty for elderly care providers who can deliver what the NHS needs - complex, higher acuity care.

The impact of inflation on care providers

After two years at the frontline of managing the impact of the COVID-19 pandemic on the people most at risk from the virus, care providers had been hoping for a calmer, more normal 2022. Instead they found themselves in a perfect inflationary storm, with utility, food and, above all, staff costs rising very rapidly, as general inflation peaked in double digits in October 2022.

The one cost which our tenants had capped was their rent: 90% of our rent increases are capped at 4% per annum, and 8% are capped at 5% (the remaining 2% are uncapped). We put these caps in place to make sure that our rents continue to be affordable over the long term if inflation did spike, as it now sadly has.

Two other things have helped to shelter care providers against these inflationary headwinds. First, their occupancy has been steadily rebuilding from the lows caused by the pandemic. Second, they provide an essential social service, demand for which is non-discretionary. This means they can increase their prices when they're forced to do so.

Different firms do annual surveys of fees charged by care providers. In 2022, all pointed in the same direction - substantial increases on 2021. The survey by Carterwood, for example, found that private fees for the year beginning April 2022 were up 9.6% for nursing care and 7.3% for residential care (compared to 6.1% and 6.6% in 2021), while local authority fees were up 7.4% and 6.9% (2021: 2.8% and 3.0% respectively). Our tenants performed slightly more strongly than these benchmark numbers (see the Investment Manager's report).

As ever, a note of caution is worthwhile. An increase to baseline fee rates does not necessarily translate into an increase in the fees received by operators: if they've already negotiated an unlift to those floor fees, as you would

increase in the fees received by operators, if they're already regulated an option to those fees, as you would expect a successful operator to have done. And, paradoxically, a cut in baseline fees can be good news for successful operators with strong local reputations. Some local authorities - for example, Hampshire and Oxfordshire - announced cuts in their baseline fees in 2022 as they moved away from a standard model of a set fee, to reviewing fees on a case-by-case basis, greatly expanding the range of fees offered.

With that proviso, we expect the fee increases that come into effect in April 2023 to be in line with 2022, or slightly higher, which will be helpful to our tenants as inflation comes down.

This confirms a long-term pattern, that care providers can increase their fees in line with inflation. Over the 24 years ending in April 2022, fees for nursing care have risen by an average of 3.6% per annum, and for residential care by an average of 3.5% per annum. RPI over that time averaged 2.8% per annum.

GENERATING ATTRACTIVE RETURNS

Our business model

Our business model allows us to generate attractive returns with managed risk. We consider risk from many different angles, from ensuring our balance sheet stays strong, to the way we carefully pick tenants and make sure they're performing well, to our focus on sustainability and creating a positive social impact. Our external Investment Manager is essential to our success and its strengths give us an edge in our market.

How our business model supports our purpose

Each stage of our process links to one or more aspects of our purpose:

1. Build relationships

We build strong relationships with tenants who seek to provide high-quality care and who we can work with long term. We look to add new tenants over time, which reduces risk by diversifying our business and making us more resilient, and gives us more scope to grow our business responsibly.

Link to purpose:

- Long-term partnerships with tenants

2. Identify assets

We identify attractive assets to invest in, often in partnership with existing tenants, and frequently acquired from owner-operators who are exiting the market. Our disciplined approach results in attractive net initial yields and we often buy at less than the cost of replacing the asset, which helps create a barrier to entry for new competitors. See our investment strategy for more information.

Link to purpose:

- Long-term partnerships with tenants
- Owning buildings

3. Appraise purchases

We're very selective in what we buy and rigorously check every aspect of the homes, including their environmental sustainability and the market within which it operates. This allows us to develop a plan for the improvements we'll make, once we own them.

Link to purpose:

- Owning and investing in buildings

4. Agree leases

Our leases are typically 25 years or more, so we're careful that they protect everyone's long-term interests. That means setting rents so they're well covered by tenants' profits from day one, linking rents to inflation so they rise over time but stay affordable, and requiring tenants to spend a minimum amount every year on repairs and maintenance. All our new leases also include "green" clauses, to help us work with tenants on our ESG objectives.

Link to purpose:

- Long-term partnerships with tenants
- Owning and investing in buildings
- Predictable and sustainable rent

5. Work with tenants to improve our assets

Our asset management projects include upgrading and extending our homes, so they're even better places to live and can provide care for more people, including those living with dementia. We also look to work with tenants to develop new homes in areas with strong demand. These activities require tenant consent in accordance with the long leases and will increase our rent, our tenants' revenues and the value of our homes, and make them more sustainable.

Link to purpose:

- Long-term partnerships with tenants
- Owning and investing in buildings

6. Optimise portfolio

We regularly review our assets to look for those where it makes sense to sell, so we can reinvest the proceeds and create more value. We also put in place appropriate levels of debt to enhance shareholder returns in line with our leverage policy.

Link to purpose:

- Owning and investing in buildings
- Our focus on quality

Our focus on quality

Quality is at the heart of our business model. By following the process set out above, we maintain the:

- **Quality of our buildings**, ensuring they're well maintained, that we've identified ways to improve them through asset management, and that they're fit for purpose for our tenants and their residents for years to come.
- **Quality of care**, since our income depends on our tenants providing care that meets residents' needs and attracts new residents. The Investment Manager regularly meets our tenants as well as visiting the homes, reviewing what customers are saying and considering reports from regulators. If they see any ongoing issues with

reviewing what customers are saying and considering reports from regulators. If they see any ongoing issues with care, they'll seek independent support to help resolve them, where appropriate.

- **Quality of cash flows**, which together with our prudent approach to investment ensures we maintain a **healthy balance sheet**.

The value we create

Our high-quality business generates attractive and sustainable value for our stakeholders.

- **Tenants:** Tenants can grow their business alongside ours, in a long-term relationship with affordable rents which benefits both of us.
- **Residents:** Residents benefit from security, stability and high-quality care, with a landlord who's willing to invest in their home.
- **Lenders:** Our lenders can provide long-term finance to us on attractive terms, knowing we have a secure and resilient business, with strong cash flows.
- **Shareholders:** Our model is to deliver predictable and rising revenue, so that we can pay a progressive, fully covered dividend. There is also the potential for capital growth, which supports an attractive total return.

AN EXPERIENCED AND STRATEGIC MANAGEMENT TEAM

Impact Health Partners LLP is our Investment Manager. Its role includes sourcing investments for us, closely monitoring the progress of our homes and asset management.

Our portfolio and Investment Manager are our main sources of advantage in our market. We benefit significantly from the team's skills and experience, in particular their:

1. Deep knowledge of the sector, which allows us to buy the right assets, choose the right tenants and add value by actively managing our assets.
2. Positive relationships with care home owners who might want to sell their assets, the agents they work with and with potential new tenants, all of which help our business to grow and diversify. Great relationships can help us to buy assets off-market or beat the competition even when we're not the highest bidder.
3. Asset management and development skills, so we can identify how to improve a care home before we buy it, successfully complete each project and work with our tenants to develop new homes.
4. Understanding of how care businesses work, which allows us to form supportive partnerships with our tenants.

Mahesh Patel ACA **Managing Partner**

Mahesh is a qualified accountant who has over 35 years' experience in healthcare-related industries and assets, including positions in finance. Prior to 2006, he built up and then sold three healthcare-related businesses.

Andrew Cowley MA (Oxon) **Managing Partner**

Andrew is an experienced fund manager, working in infrastructure and private equity investment since 2000. He was previously a senior managing director at Macquarie and deputy chief executive of the listed Macquarie Airports.

David Yaldron FCA **Finance Director**

David is a chartered accountant with more than 25 years' experience, having held senior financial roles in real estate and investment companies. He was previously a senior director at Grosvenor, Britain & Ireland.

Martin Robb MRICS **Managing Director**

Killian Currey-Lewis CA **Investment Director**

Simon Gould MRICS **Development Director**

Sam Josland CFA, ACA **Investment Manager**

Charlotte Finch **Investment Manager**

Sophie Shrestha ACCA **Finance Manager**

Alison Hayward **Office Manager**

OUR FOCUS ON QUALITY

Quality is at the heart of our business model. Our board and Investment Manager ensure we maintain this focus, as outlined below:

	Delivering quality in practice
<p>Quality of our buildings</p> <p>We are constantly reviewing the quality and performance of our homes in partnership with our tenants. Our asset management strategy for each home identifies opportunities to invest further to improve the quality of environment for residents and staff, for example</p>	<p>Ensuring our buildings are well maintained is the responsibility of our tenants.</p> <p>To ensure this is properly executed we will seek to visit our homes both directly and indirectly. In addition, we review and discuss with our tenants their spend on repairs and maintenance across our portfolio.</p> <p>Directly via the Investment Manager, who will routinely visit our properties to inspect and understand the operations with our tenants,</p>

<p>for residents and staff, for example the addition of specialist beds for dementia and increasing the proportion of ensuite bedrooms. We also identify opportunities for improving the environmental performance of the building.</p>	<p>to check the maintenance and progress on asset management projects at the homes and discuss opportunities for improvements. In 2022, the Investment Manager undertook 63 visits to both individual and portfolios of our homes.</p> <p>Directly via the board. A selection of board members look to engage directly with our tenants and visit some of the homes across the portfolio to understand the operations, how the tenant is performing and to help understand the challenges and opportunities across the portfolio. In 2022, our board members visited three homes.</p> <p>Indirectly through our valuer, surveyors, environmental specialists and independent social value reviewers, who support the Investment Manager in understanding the quality of our buildings and collectively undertook 197 home inspections in the year.</p>
<p>Quality of care</p> <p>The security of our rental income depends on tenants maintaining a high standard of care, so the homes remain relevant and meet the needs of residents. The Investment Manager works closely with our tenant partners to identify any areas of improvement and regularly reviews customer feedback and reports from regulators. Regular meetings and visits to homes help collaborative and proactive work with tenants to ensure quality of care is maintained. Where appropriate, we will seek independent support to resolve any ongoing issues.</p>	<p>Delivering the service of care is undertaken by our tenants; the Investment Manager monitors occupancy across our homes weekly, receive notifications on care inspections as they are produced and reviews each tenant's financial performance quarterly either via conference calls or meetings in our tenants' offices.</p> <p>If a home is rated inadequate or requires improvement, the Investment Manager will review the reports in detail, have a conversation with the tenant's operations director to understand the issues identified, the remedial actions being undertaken and whether there are any broader concerns with the operations that the tenant is looking to resolve.</p> <p>During 2022, 28 of our homes were inspected by the regulator. Our Investment Manager also undertook 44 meetings with our tenants, reviewing their overall financial and operational performance. Outside of these meetings, our Investment Management team speaks regularly with our tenants on a variety of topics including occupancy, agency usage, asset management, environmental performance and quality assurance.</p>
<p>Quality of cash flows</p> <p>We regularly review our tenants' operational and financial performance. This helps us understand the overall performance of each home and help optimise performance, enabling tenants to maintain a sustainable EBTIDA margin and achieve resilient rent cover. Disciplined capital allocation has led to attractive net initial yields on acquisitions. Careful cost control enables us to benefit from economies of scale as we grow, as many of our costs are fixed and some variable costs step down as our asset value rises. This control, and our conservative financial approach, helps to maximise cash we can distribute to shareholders.</p>	<p>The quality of our cash flows starts with our tenants as outlined above. We have a disciplined approach to ensuring we are able to target delivery of a cash covered dividend and the headroom to manage downside scenarios as detailed in our going concern and viability statements.</p> <p>Our Investment Manager also regularly engages with our debt providers, providing quarterly financial information on covenant compliance and reporting on the performance of the tenants and homes within their security pool. In 2022, we successfully enlarged our debt facility with HSBC and enlarged and extended our debt facility with Virgin Money. The Group's Investment Manager undertook site visits with both banks as part of this process, enabling them to better understand the homes and activities of our tenants.</p> <p>Shortly after the year end, we put in place an additional £50 million interest rate cap to help manage our cash flows and cash security across the Group.</p>

STRONG CASH GENERATION SUPPORTING OUR PROGRESSIVE DIVIDEND POLICY

Dividends fully covered by adjusted earnings since 2021, supporting attractive total accounting returns

We've designed our business to produce growing, long-term income. All of our leases include rent increases linked to inflation, typically with a minimum increase of 1% or 2% and a maximum of 4% or 5%, so rents stay affordable for our tenants.

This allows us to have a progressive dividend policy, which has grown our dividend by 9% since 2018 to 6.54 pence per share in 2022. This has been fully covered by EPRA earnings since 2018 and by adjusted earnings, which is the Group's benchmark for cash earnings, since 2021.

The Company has announced its target dividend for 2023 of 6.77 pence per share¹, an increase of 3.53%. As a REIT, we're required to pay out at least 90% of our profits as dividends each year.

The dividend is a key part of our total accounting return, which includes the movement in our net asset value each year. Our target is to achieve an average return of 9% a year over the medium term¹.

High-quality cash generation

As outlined in our business model, we're always focused on the quality of our cash flows.

Our cash flows rely on having tenants who perform well and pay their rent on time. We regularly review the performance of our tenants and each home, so we understand how they're doing and can offer practical support if needed. This helps our tenants to maintain their profit margins, so their rent payments are well covered. We also carefully control our own costs and benefit from economies of scale as we grow, as many of our costs are fixed and

carefully control our own costs and benefit from economies of scale as we grow, as many of our costs are fixed and some step down as our asset value rises.

The result has been a rapid increase in our operating cash flows, as we've grown the portfolio.

A prudently financed business

As a property business, prudently using a modest level of debt is a key part of our business model. It gives us additional money to invest in assets, which increases returns and reduces risk by diversifying our portfolio. At the same time, we have to balance these upsides with the need to ensure we're prudently and sustainably financed, so we're flexible and resilient. We have limited our leverage to 35% and are seeking to ensure that 75% of our drawn debt is fixed or hedged. Since the year end we have put in place a further £50 million of hedging to align with our hedging policy and 80% of our current drawn debt of £150 million is now hedged.

We carefully manage the maturity of our debt, with the capital structure including a long-term private placement that runs to 2035, and protect the business from rising interest rates through a suitable amount of fixed-rate and capped debt.

See our financing strategy for more information.

ADDING VALUE THROUGH ASSET MANAGEMENT AND DEVELOPMENT

Capital investment is a key part of our value-creation strategy and we have numerous projects at different stages across the portfolio. Many of the projects add new beds while making the homes even better places to live, improving environmental performance and helping the homes to compete better in their markets.

Investing in asset management is a great way to improve our properties, provide better facilities to our residents, whilst increasing returns. We typically target an 8% return on each project through increased rents, with the potential for capital growth in addition to this. In 2022, we invested £11.8 million in asset management projects and over the next two years, we've identified a further £16 million of projects. The main initiatives are shown below.

Asset	Project description	Capital investment	Expected completion
Mavern House	Extension and additional ensembles	£2.0m	Q4 23
Yew Tree Care Centre	New 25 beds	£1.5m	Q4 23
Wombwell Hall	Reconfiguration and upgrading	£4.0m	Q4 24
Amberley	Extension and internal reconfiguration	£2.5m	Q2 24
Craigend	Extension and internal reconfiguration	£1.2m	Q2 24
Elm House	Extension and internal reconfiguration	£1.8m	Q1 24
Barham	Extension and internal reconfiguration	£3.0m	Q3 24

For more information, see our portfolio management, asset management and development strategies and the Investment Manager's report.

The graphic on the right shows a selection of the many ways that we can improve a home through asset management, making the building a better place to live and work and improving its environmental performance.

PORTFOLIO

For the year ended 31 December 2022

Since our IPO in 2017, we've deliberately constructed a portfolio that's diversified by location, tenant and funding of our tenants' residents, which is well diversified across local authorities, the NHS and private pay. This helps to make us more resilient and means we earn a predictable income from our assets.

Our tenants

Our tenants are established healthcare providers. They seek to provide great care and have the ambition to grow their businesses alongside ours.

Region	Number of properties	Beds	% of portfolio market value
East Midlands	8	405	6.7%
East of England	9	627	11.1%
North East	12	767	9.4%
North West	33	1,348	15.6%
Northern Ireland	5	340	3.8%
Scotland	32	1,805	22.8%
South East	4	318	6.6%
South West	10	527	10.4%

South west	10	537	10.4%
Wales	2	105	0.8%
West Midlands	8	422	5.5%
Yorkshire & The Humber	12	742	7.3%

Note: The information on this page includes forward-funded assets and portfolios invested in via a loan to operator where the Group has an option to acquire.

Building strong partnerships - Welford Healthcare

- During the year we continued to build on and strengthen our partnerships with our tenants.
- Growth with existing tenants helps to de-risk the portfolio, by enabling them to develop larger and more resilient businesses, diversified by the number of homes.
- In H1 2022 we completed the purchase of three homes in south-west England and two homes in the East Midlands in partnership with Welford Healthcare. In both cases, the existing owner operator was exiting the business. Working with Welford, we acquired the freehold interests and assigned the operations to Welford with new long-term leases that reflected attractive value for both of us.
- These acquisitions took our total number of homes with them to 12. This equates to 12.6% of our annual rental income.
- All five homes are well established, with excellent local reputations, and have CQC ratings of either Good or Outstanding and benefit from favourable underlying demographics in the local catchment areas with attractive demand/supply fundamentals.
- EPC ratings are B on two homes and C on three, with a clear pathway to convert them to EPC B, in line with our ESG strategy.
- Building scale with operators provides more secure returns with enhanced diversity and a stable platform for undertaking asset management opportunities. We are on-site with Welford at Fairview House in Bristol and have a further two asset management projects in our immediate pipeline.

"We welcome the opportunity to grow our partnership with Impact, who have shown themselves to be a supportive and pro-active partner to us since our first transaction in 2018." **Peter Madden, Welford Healthcare**

2022 acquisition highlights

Capital committed

£36.1m

Number of registered beds

294

Additional rent

£2.4m

Total number of beds with Welford

649

Post-year end

In January 2023, the Group invested a further £56 million, in partnership with Welford, in six care homes across Shropshire and Cheshire, adding an additional 438 predominantly ensuite beds to the Group's portfolio. Following this, Welford now comprises c.20% of our income. This acquisition was funded 80% by cash, with the remainder in shares priced at 116.62 pence per share.

OBJECTIVES AND STRATEGY

Our objectives

Our targets are to deliver:

- a progressive dividend, with a target for 2023 of 6.77 pence per share¹; and
- an average total accounting return of 9.0% per annum¹, with the capital growth element mainly coming from rising rents and our asset management projects, rather than relying on increases in market values.

¹ This is a target only and not a profit forecast. There can be no assurance that the target will be met and it should not be taken as an indicator of the Company's expected or actual results.

Our strategy

To achieve our objectives, we:

- buy the right assets that enhance our portfolio through improved geographic and tenant diversity and are accretive to shareholder returns, by implementing our investment strategy;
- effectively manage the portfolio and individual assets, by implementing our portfolio management and asset management strategies; and
- ensure we're appropriately financed, by implementing our financing strategy.

	Our progress in 2022
Investment strategy	During 2022, we:
<ul style="list-style-type: none"> • Our investment policy allows us to invest in different types of healthcare properties. The 	<ul style="list-style-type: none"> • invested in 12 care homes with 764 beds, for a total of £60.2 million.

<p>different types of healthcare properties. The market conditions mean care homes currently offer us the best opportunities.</p> <ul style="list-style-type: none"> We manage risk by having a portfolio that's well diversified by location and tenant, by adding new tenants over time and by increasing the number of homes our tenants run. We mainly buy portfolios, which can include other types of healthcare properties where this gives us a strategic opportunity to add value or we intend to sell them on when the time is right. 	<p>total of £29.2 million,</p> <ul style="list-style-type: none"> further diversified the portfolio geographically and strengthened existing tenants by increasing the number of homes they run; and added one new tenant, to give us 14 tenants¹ at the year end. <p>Since the end of the year, we've invested £56 million in a portfolio of six care homes with 438 beds, leased to an existing tenant.</p>
<p>Portfolio management strategy</p> <ul style="list-style-type: none"> We class each of our assets as core, value-add or non-core. We make sure we have the right balance between these categories and that we identify the assets where we can add value through asset management, or which are candidates for sale. 	<p>In October 2022, we sold a non-core care home with 68 beds for £2.65 million, 4% above its valuation at 30 June 2022.</p> <p>Since the year end, we sold a further non-core home with 49 beds for £1.25 million, in line with its valuation at 31 December 2022.</p>
<p>Asset management and development strategy</p> <ul style="list-style-type: none"> Investing to add value to our assets and to enhance their social impact and sustainability is a priority for us. We also provide funding to develop new homes, once we've agreed a lease with the tenant who'll run it. This gives us better returns than buying existing homes and adds new and highly sustainable assets to the portfolio. 	<p>During 2022, we committed £11.8 million to asset management projects, which will earn an average return of 8% through higher rents.</p> <p>Notable projects we completed, in partnership with our tenants, were:</p> <ul style="list-style-type: none"> completing our project at Riverwell Beck (previously called Blackwell Vale); completing phase one of our project at Fairview and starting phase two; and refurbishments of Belmont House, Harrogate, and three homes in Northern Ireland. <p>We also reached practical completion on the 94-bed care home development we funded in Hartlepool, which is being run by Prestige.</p>
<p>Financing strategy</p> <ul style="list-style-type: none"> We fund the business through equity and debt. When we issue new shares, we aim to invest the cash as quickly as possible in assets that generate income for us, to minimise the impact on our earnings per share of holding cash. Our policy is to have a maximum Group LTV of 35% at the time we draw down the debt. We aim to hedge at least 75% of our drawn debt against rising interest rates. 	<p>We completed several significant funding initiatives in 2022. These were:</p> <ul style="list-style-type: none"> raising £62.3 million of new equity, through share placings in February and July; issuing the remaining £38 million of the long-term institutional notes we arranged in 2021; extending our RCF with HSBC by £25 million and cancelling the £15 million RCF with Metro Bank; and renegotiating our RCF with Virgin Money, increasing it from £25 million to £50 million, extending the term to 2029 and reducing its cost. <p>Since the year end, we have taken out a £50 million cap at a cost of £1.5 million, which caps SONIA at 3.0% for two years.</p>

1 Including Croftwood and Mnster, which are both part of the Mnster Care Group.

KEY PERFORMANCE INDICATORS

We use the following measures to assess the progress we're making with our strategy.

1. Total accounting return*

3.78% for the year ended 31 December 2022(2021: 8.42%)

Definition

The change in the NAV over the period, plus dividends paid, as a percentage of NAV at the start of the period.

Relevance to strategy

Shows the returns we're creating for our shareholders, by paying out our earnings and growing our portfolio value.

Commentary

NAV total return comprised dividend paid in the year of 6.51p per share and the change in NAV of (2.26)p per share, and totalled 3.78%, against our target of 9.0% per annum¹.

2. Dividends

6.54p per share for the year ended 31 December 2022 (2021: 6.41p per share)

Definition

Dividends declared in relation to the period.

Relevance to strategy

Shows the quality of our buildings and tenants, which allow us to earn a predictable income and pay a growing dividend.

Commentary

We met our dividend target for 2022. Our dividend target for 2023 is 6.77p¹, representing 3.53% growth.

3. EPRA earnings per share*

8.37p per share for the year ended 31 December 2022 (2021: 8.05p per share)

Definition

Earnings from operational activities. The EPRA calculation removes revaluation movements in the investment portfolio and interest rate derivatives, but includes rent smoothing.

Relevance to strategy

This is a key measure of our operational performance and the extent to which earnings support our dividend.

Commentary

EPRA EPS increased by 4.0%, giving 128% dividend cover.

4. EPRA "topped up" net initial yield ("NIY")*

6.98% as at 31 December 2022 (31 December 2021: 6.71%)

Definition

Annualised rental income based on the cash rents passing on the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property portfolio, increased by 6.3% to reflect a buyer's costs and adjusted for the expiration of rent-free periods or other unexpired. lease incentives.

Relevance to strategy

NIY indicates the portfolio's ability to generate income, in comparison to its market value.

Commentary

The NIY at 31 December 2022 was 6.98%. The average NIY of our acquisitions in the year was 6.50%.

5. NAV per share

110.17p per share as at 31 December 2022 (31 December 2021: 112.43p per share)

Definition

Net asset value based on the properties and other investment interests at fair value.

Relevance to strategy

We believe this is the most relevant measure of the fair value of our assets and liabilities.

Commentary

NAV at 31 December 2022 was 110.17 pence per share (-2.0%), (2021: 112.43p per share), reflecting the change in market value of the property portfolio, partially offset by the benefit of inflation-linked rent reviews and stable operator performance.

6. Gross loan to value ("LTV")*

23.85% as at 31 December 2022 (31 December 2021: 22.26%)

Definition

Our gross debt as a percentage of our gross asset value.

Relevance to strategy

This is an important indicator of the amount of debt we've used in implementing our strategy. A higher LTV can lead to higher returns but also increases downside risk.

Commentary

We have total facilities of £241 million and had drawn £142.3 million at the year end, giving an LTV of 23.85%. If the facilities were fully drawn, with no changes to the Group's current equity base, the LTV would be approximately 34.7%.

7. Weighted average unexpired lease term ("WAULT")

19.7yrs as at 31 December 2022 (31 December 2021: 19.2 years)

Definition

The average unexpired lease term of the property portfolio, weighted by annual passing rents.

Relevance to strategy

The WAULT is a key measure of the long-term security of our income. Long leases support the quality of our income stream and our dividends.

Commentary

We continued to agree new leases of 25 years or longer during 2022, offsetting some of the natural reduction in the portfolio WAULT over time.

8. Total expense ratio ("TER")*

1.67% for the year ended 31 December 2022 (2021: 1.55%)

Definition

Total recurring administration costs as a percentage of average NAV throughout the period.

Relevance to strategy

The TER is a key measure of how efficiently we're running the business.

Commentary

The TER increased 12bps in the year. The EPRA cost ratio increased to 16.59% (2021: 15.84%). Adding the interest received on loans to tenants to our rental income reduces the EPRA cost ratio to 15.4%.

¹ This is a target only and not a profit forecast. There can be no assurance that the target will be met and it should not be taken as an indicator of the Company's expected or actual results.

RESPONSIBLE INVESTMENT

Our homes are part of the UK's essential social infrastructure, allowing our tenants to care for and support some of the country's most-vulnerable people. Quality homes and strong partnerships with our tenants help us to achieve positive outcomes for society, while generating sustainable cash flows for our shareholders. We're also focused on making sure our assets are environmentally sustainable, so our portfolio remains resilient to the physical and transitional risks of climate change, and we can reduce fossil fuel use and carbon emissions from our portfolio and our tenants' operations.

The Investment Manager is a signatory to the UN Principles of Responsible Investment (UN PRI) and has embedded those principles in its risk management and investment decision-making processes.

Assessing our material issues

In 2022, we updated the materiality assessment we originally carried out in 2019 and used the results to help inform our sustainability strategy. We based the areas of questioning on the UN PRI's Real Estate and Healthcare guidelines and the relevant industry metrics defined by the Sustainability Accounting Standards Board (SASB).

The materiality assessment included input from board members, representatives of the Investment Manager, care home operators and two financial institutions, representing equity and debt. We had strong engagement with our stakeholders and they recognised that we've taken steps to further embed ESG considerations in the business.

We rated the issues we identified on their importance to our stakeholders and the potential impact on our business. The table below categorises the most important items into environmental, social and governance issues, and between those we can influence directly and those where we have indirect influence, as the ultimate responsibility lies with our tenants.

	Environmental	Social	Governance
Direct Influence	<ul style="list-style-type: none">• Energy efficiency management• Carbon reduction and net zero strategy	<ul style="list-style-type: none">• Close collaboration with care home operators• Refurbishment of care homes• Provision of affordable care	<ul style="list-style-type: none">• Governance and policies for our operations, acquisitions and disposals• Stakeholder engagement• Transparent reporting
Indirect Influence	<ul style="list-style-type: none">• Physical impacts of climate change• Water and waste management	<ul style="list-style-type: none">• Residential care and wellbeing• Employee wellbeing, training and retention	<ul style="list-style-type: none">• Responsible management of care homes

Key impact pillars

Having identified the material issues, we distilled the overarching themes and used them to define the three pillars of our ESG strategy. Improving the UK's social healthcare infrastructure is at the heart of our investment strategy and is therefore a central pillar of our ESG strategy. We will combine this with a robust focus on the environmental impact of our portfolio and making sure we have a comprehensive governance framework.

Environment

Strategic investment in our portfolio, to improve environmental impact

Social

Having a positive impact on the people living and working in our homes

Governance

Robust governance and transparent reporting to all stakeholders

Environment

The UK needs more care beds in the right locations and of the right standard and we help this need through our asset management projects and carefully selected new developments. At the same time, we're aware of the carbon emissions resulting from building work - known as embodied carbon - which includes the carbon footprint of the materials we use, transporting them to the site and the construction process itself. In the future, we intend to

measure embodied carbon and reduce it where we can.

Investing to improve a building and extend its life has significantly less impact on the environment than building new assets. We use refurbishment and extension projects as opportunities to improve the sustainability of a home, including fitting LED lighting, better insulation and renewable energy sources such as solar PV and air source heat pumps. We target a minimum EPC band B for all significant asset management projects. For new build projects, we will target an EPC rating of A and, where possible, we will seek a BREEAM rating of Very Good or Excellent.

When we're considering buying a home, we screen its environmental performance, including its current and expected EPC rating and energy use intensity. Specialist consultants create a full energy model for the building to identify ways to improve the EPC rating and move along the net zero pathway (see opposite). We assess any capex required for environment improvements as part of the acquisition decision process. We undertake due diligence on potential climate related risk, for example fluvial and surface water flooding.

Net zero

To help to futureproof our portfolio and preserve its value, we've developed a net zero strategy and delivery plan. To do this, we used the industry-leading CRREM (Carbon Risk Real Estate Monitor) toolkit. This shows the decarbonisation trajectory required for us to comply with the 2015 Paris Climate Agreement target to limit the global temperature increase to 1.5°C. The CRREM toolkit is the major global standard for operational decarbonisation of buildings and its pathways are aligned with science-based targets.

We've developed our net zero strategy with the assistance of a leading sustainability consultancy. We have applied the principles of the energy reduction hierarchy (see the diagram below) to the stages of the real estate lifecycle, to ensure our decarbonisation pathway is as efficient and cost effective as possible. Initially, we're focusing on reducing energy demand by engaging with our tenants and through measures such as installing LED lighting and insulation upgrades. The next stage will be more substantive retrofits and moving from fossil fuel heating systems to low-carbon electrical systems, alongside a roll out of on-site renewable energy sources such as solar PV cells. We'll offset any residual carbon emissions using recognised offsetting programmes, in accordance with the UK Green Building Council guidelines. Importantly, we have included all tenant energy and refrigerant carbon emissions in our decarbonisation strategy, which are classed as "Scope 3" under the Greenhouse Gas Protocol. We consider this to be a responsible and transparent approach to the environmental impact of our portfolio.

We have set interim targets for our net zero strategy and delivery plan, which we will continue to monitor and review as we progress.

Year	Reduction in absolute carbon emissions on a like-for-like basis	**Percentage of assets with an EPC of B or above
2025	15%	50%
2030	50%	100%
2045	90%*	100%

* At present we estimate that there will be some residual carbon emissions which we will offset. This will be kept under review as low carbon options become more widely available and effective.

** There may be cases where exemptions apply under MEES regulations in which case we will provide all viable energy efficiency measures. EPC B is for England & Wales only but an equivalent rating will be sought for assets in Scotland.

Our approach is to deliver a methodical, planned and considered decarbonisation plan working in partnership with our tenants. Based on current assumptions on available technology we estimate that we will be fully net zero in 2045, well ahead of legislative targets. We will continually review this pathway to assess whether we can accelerate this process as new low carbon options become more widely available and effective. The pathway has also been developed on the basis that the government preferred approach to the Minimum Energy Efficiency Standards (MEES), which will require all buildings to be an EPC B rating or above by 2030, comes into effect.

Creating a brighter, more energy efficient home

Riverwell Beck Care Home, Durdar Road, Blackwell, Carlisle CA2 4SE

Before

- Purpose-built two-storey care home, three miles south of Carlisle town centre. Well located on a main bus route and close to local amenities.
- 51 bedrooms with eight ensuite rooms.
- Home was well regarded locally but needed upgrading to meet modern standards.
- EPC rating of C.

What we did

- Refurbished existing home, including floor finishes, furniture, decoration and upgraded lighting.
- Added two extensions, to create six additional ensuite wet room bedrooms and a new laundry.
- New cinema room, hairdressing salon and welcoming entrance café area.
- Upgraded garden.

Outcomes

- Additional facilities and new and refurbished bedrooms and day spaces improve the resident experience and comfort.
- Additional capacity helps to meet increasing demand from the local hospital to discharge people into an appropriate community setting.
- Upgraded garden provides calm and sheltered areas for residents and their families to enjoy fresh air.
- New and larger laundry makes daily routines more efficient for staff and adds much-needed storage space.
- New high efficiency boiler, improved insulation and LED lighting throughout improves energy efficiency and reduces carbon emissions and costs for the operator.
- EPC rating improved from C to B.

"We are delighted with the outcome of the project and feedback from residents and staff has been very positive."

We are delighted with the outcome of the project and feedback from residents and staff has been very positive.

Wendy Carruthurs, Home Manager

Operator

Careport

Bedrooms

57 (+6)

Capex investment

£1.825 million

Incremental rent

£146,740

Commencement

Feb 2022

Completion

Sep 2022

Sustainability

New high efficiency boiler, increased insulation, LED lighting and lighting controls

EPC

B (previously C)

CQC Rating

Good

Partnerships with tenants

We've leased all of our portfolio to tenants on a full repairing basis, which means upgrading the building's environmental performance and buying utilities are outside our direct control. The carbon emissions are therefore classed as Scope 3 under the UN Greenhouse Gas Protocol.

However, we have a responsibility to use our influence and partnership working to improve the energy performance of the buildings, and this is key to our net zero strategy. Since 2020, we've used "Green" leases, which require tenants to plan for expected changes in environmental legislation and to share energy performance data with us. Making our buildings more energy efficient will reduce costs for our tenants and make the homes better places to live and work. It will also help to future-proof the buildings against rising expectations from customers and commissioners of care. We increasingly see our tenants working on their own energy efficiency plans and we will continue to support them so that they can comply with environmental regulations.

A vital social role

The majority of residents in our homes are funded by their local authority or the NHS. Homes for publicly funded residents have traditionally had less investment than those for private payers. This gives us an important role as a capital partner for operators who deliver vital care to residents who may have less choice. These homes can also free up much-needed bed space for the NHS, improving people's lives by reducing the time they spend in hospital and providing them with appropriate community-based care. Our homes also benefit the wider community and sustain and create local employment. We believe therefore that our long-term investment in these homes delivers positive social outcomes for residents and their families and for the staff providing care in a community setting.

We aim to have a portfolio that continues to serve both the publicly-funded and private-pay markets, with appropriate rents that allow our tenants to provide a sustainable and commercially viable care service for people, irrespective of their background. This balanced approach gives us a prudent and resilient commercial strategy, enables our tenants to grow their businesses and helps us deliver substantial positive social impact.

Positive social impact

- Majority of residents from the publicly funded sector - we provide long-term institutional investment in a sector traditionally overlooked by investors
- We set rents at appropriate levels, enabling tenants to grow and invest in quality of care and provide value for money care publicly-funded and private-pay residents
- We form long-term partnerships with tenants, with high satisfaction survey results

Our ESG framework

The tables below show our objectives against each of our three pillars, how we intend to reach those objectives and the metrics we'll use to measure our progress.

Pillar 1: Strategic investment in our portfolio to improve our environmental impact

Our objectives	How we do it	Metrics	Aligns with the following UN Sustainable Development Goals:
Ensure all assets achieve a minimum of EPC Grade C by 2026 and a minimum of B by 2030	Investing in assets that are highly energy efficient or have the potential to be with further capex	Percentage of assets with EPC of C or higher	13 Climate action
Ensure our portfolio is net zero by 2045	Modelling the carbon footprint of the portfolio and	Number of assets with improved EPC	11 Sustainable cities and communities
		Carbon intensity of portfolio	

Ensure our portfolio is resilient to climate change	implementing our net zero strategy and plan	in Kg CO ₂ e/m ² /year
	Investing in asset management projects to improve energy efficiency	Embodied carbon associated with developments and extensions
	Climate change scenario planning	Percentage of assets with green leases Absolute carbon emissions

Pillar 2: Having a positive impact on the people living and working in our homes

Our objectives	How we do it	Metrics	Aligns with the following UN Sustainable Development Goals:
Support health and well-being of vulnerable people	Investing in quality buildings and actively monitor care provider performance	Tenant satisfaction survey	3 Good health and wellbeing
Ensure access to quality and value for money care for both the publicly-funded and private-pay sectors	Developing close partnerships with operators through formal and informal engagement	Affordability of rental payments to tenants	10 Reduced inequalities
	Conducting detailed due diligence on long-term need for care	Proportion of publicly funded and private-pay residents	11 Sustainable cities and communities
	Maintaining balance of private and publicly funded residents	Independent impact report	
		CQC ratings	

Pillar 3: Robust governance and transparent reporting to all stakeholders

Our objectives	How we do it	Metrics	Aligns with the following UN Sustainable Development Goal:
Be transparent with all stakeholders	Maintain clear disclosures on operational performance	Investment Manager's UN PRI submission	8 Decent work and economic growth
Maintain robust corporate governance	Maintain policies on supplier code of conduct, anti-money laundering and bribery	EPRa sustainability rating	
Proactively listen and engage with public and private stakeholders	Manage the business in accordance with our responsible investment policy		
	Engage with tenants on good governance practices		

REPORT AGAINST THE TASK-FORCE ON CLIMATE RELATED FINANCIAL DISCLOSURES ("TCFD") FRAMEWORK

Overview

Through the 2015 Paris Climate Agreement, world governments have committed to keeping the global temperature rise to well below 2°C above pre-industrial levels and are working to limit warming to 1.5°C. In the UK, the government aims to reduce emissions by 78% by 2035 and achieve net zero by 2050. It has made net zero by 2050 part of UK law, providing opportunities to introduce further legislation and regulations to promote change.

Climate change and the laws and regulations needed to mitigate it create both risks and opportunities for our business. During 2022, the board oversaw the Investment Manager's work in this area. This included developing an initial analysis of our portfolio, defining the actions we need to take to decarbonise the portfolio over time and increasing our focus on physical risks during acquisitions and portfolio management.

Being accountable for and transparent about how we assess and manage climate-related risks and opportunities is important for maintaining our stakeholder relationships. We're therefore reporting against the Taskforce on Climate-Related Financial Disclosures (TCFD) recommendations for the first time this year. As an investment company, we're not currently required to report against TCFD, but we believe starting to do so helps our stakeholders to understand the possible effect of climate change on our business and the actions we are taking.

This is our first year of voluntary reporting against the TCFD framework and we are making progress towards full compliance with the TCFD requirements. We expect to improve our compliance in future years as we continue to

compliance with the TCFD requirements. We expect to improve our compliance in future years as we continue to refine our assessment of climate change risks and opportunities and embed climate change risk management in our day-to-day operations and acquisitions. The implementation of our net zero strategy, targets and delivery plan will also be kept under close review.

Our consideration of climate change

The Investment Manager set up an ESG working group, with members from its asset management and finance functions. The working group met regularly with external advisers during 2022, to:

- understand the potential consequences of climate change;
- review and discuss the portfolio analysis and the options for decarbonising the business;
- work through scenarios; and
- consider the associated risks and opportunities.

The working group also analysed how this work would match the expectations of the TCFD framework.

Climate change scenario planning

To improve our understanding of climate change risks and opportunities, we've considered the recommended 1.5-2 degrees warming scenario, based on the Intergovernmental Panel on Climate Change's (IPCC) defined Representative Concentration Pathway ("RCP") 2.6 (1.5-2 degrees), as well as the IPCC's RCP 4.5 (2-3.5 degrees) and RCP 8.5 (4 degrees). RCP 2.6 takes into account actions to keep warming to 1.5-2 degrees, while RCP 8.5 sets out the worst-case warming scenario. We also included IPCC's 4.5 pathway, as this is generally considered the middle-of-the-road option.

To align with our business strategy, we've defined a short-term timeframe as one to three years, medium term as five to ten years (aligned to our business plan), and a long-term timeframe as up to 25 years.

Governance

Our board is made up of non-executive directors, who set our risk appetite and oversee the Investment Manager, which is responsible for the day-to-day management of the business, risk management and strategy. The board and the Investment Manager both recognise the importance of climate action and what it means for our ongoing sustainability and success. Through the Investment Management Agreement, the Investment Manager is accountable to the board and reports regularly to the board and committees. The Investment Manager's Finance Director is responsible for reporting to the board on sustainability, including how we're mitigating climate change and the actions we're taking to adapt to it, and the progress we have been making with our revised sustainability strategy.

To supplement the ESG working group, the Investment Manager intends to set up its own formal ESG Committee, with appropriate terms of reference. This committee will be chaired by the Investment Manager's Finance Director and will meet quarterly.

Strategy

Our strategy is to invest in existing care homes through refurbishments and asset management projects, with selective new build developments. All our investment decisions take into account environmental matters and the longer term impacts of climate change.

Our net zero strategy and delivery plan will enable us to mitigate the impact of transitional climate-related risks.

Risk management

The Investment Manager has a Risk Committee which assesses and reviews our risk register every quarter and reports to the Audit Committee. The board and Audit Committee discuss and consider the principal risks twice a year. Environmental regulation has been a principal risk for us since 2019 and we changed our assessment of environmental regulation and the impact of climate change in September 2022 from Probability: Medium, Impact: Low to Probability: High, Impact: Medium. The board pushed for this decision, reflecting our need to start acting now to reduce our risks over the longer term.

As part of our acquisition due diligence, we've used specialist consultants to assess environmental performance on all acquisitions since 2020. We'll continue to factor in climate change risks and opportunities, including a broader consideration of physical risks and the decarbonisation pathway, in line with our net zero strategy.

Metrics

We've disclosed our energy consumption data since 2019, in line with the EPRA Best Practice Sustainability Requirements. Our Scope 1 and 2 emissions are minimal, and our reported emissions relate to energy that our tenants buy and use, which fall under Scope 3.

We've been modelling our portfolio as part of our net zero strategy planning and have discussed our progress in this report. Our net zero strategy takes into account projections of our future carbon emissions and decarbonisation pathways, based on the size of our current portfolio and assumptions about how it will grow. We have adopted a zero carbon target of 2045 with interim milestones for 2025 and 2030.

TCFD's recommended disclosures

1. Describe the board's oversight of climate-related risks and opportunities.

The board sets our risk appetite and oversees our risk management, which the Investment Manager carries out on our behalf, as our Alternative Investment Fund Manager (AIFM) registered with the FCA. This risk framework includes climate change and sustainability related matters. Twice a year, the board and the Investment Manager review our principal risks and consider emerging risks.

Climate change has been a principal risk for us since 2019. Following the board strategy day in October 2021, the board asked the Investment Manager to develop a sustainability strategy and carry out the analysis needed to propose a net zero strategy in 2022. These were considered and approved by the board in February 2023. The strategy and its implementation will be reviewed by the board on an annual basis.

The board has delegated responsibility to the Audit Committee for monitoring compliance with our internal financial controls, reviewing our risk management framework, reviewing external reporting related to risks and internal controls, and reviewing our processes and controls to ensure our ESG disclosures are accurate, comparable and consistent.

This is the first year that we've voluntarily reported our climate risks and opportunities using the TCFD framework. The AIFM's ESG working group, established in 2021 and responsible for leading the process, presented to the board on progress and options in August and December 2022. The board approved the strategy in February 2023.

2. Describe the management's role in assessing and managing climate-related risks and opportunities.

As an externally managed REIT, the Investment Manager performs portfolio and risk management functions on our behalf. This includes monitoring our systems and controls to manage risk, due diligence, screening potential acquisitions and ongoing management of our assets. The AIFM's ESG working group assessed our climate-related risks and opportunities during the year and these are now being embedded in our day-to-day operations. These include:

- assessing transitional and physical climate-related risks for potential acquisitions;
- developing a net zero strategy and delivery plan that sets a framework, methodology and metrics and targets for the reduction in operational carbon to net zero status by 2045 with interim milestones. The plan has been developed using the globally recognised CRREM toolkit;
- updating and reviewing the EPC ratings of our assets;
- identifying opportunities to improve energy efficiency through asset management;
- obtaining energy consumption data and reporting on GHG emissions; and
- engaging with our tenants to raise the profile of environmental issues and objectives, and identify areas of mutual benefit.

Scenario planning

To improve our understanding of physical and transitional climate risks, we've mapped 20 of our properties against the IPCC's 2.6, 4.5 and 8.5 emissions pathways. We selected these properties to provide a representative cross section of the portfolio, ensuring we had a good spread:

- across different tenants;
- across Northern Ireland, Scotland, England and Wales; and
- of different ages of properties.

3. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

We've assessed our climate-related risks and opportunities, and identified and reviewed a range of physical and transitional risks which could affect our strategy. The assessment also covered potential opportunities arising from climate change.

We grouped the risks and opportunities as follows:

- Transition risks arise from the shift to a lower-carbon economy and may involve policy, legal, fiscal, market and regulatory compliance.
- Physical risks arise from climate-related events or longer-term changes in weather patterns, which could damage our assets or affect our tenants' ability to use them.

In line with the TCFD methodology, we grouped the risks and opportunities into five subcategories: Market, Reputation, Policy & Legal, Chronic and Acute.

We then recorded the risks and opportunities on a register and ranked them by how likely they were to occur and their potential impact on our strategy. We assessed the risks and opportunities over short (one to three years), medium (five to ten years) and long-term (up to 25 years) timeframes.

4. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

As a real estate investor rather than a care home operator, many of the effects of climate change are outside our direct control. At the same time, we recognise that we and our tenants can only mitigate climate change risks and maximise any opportunities through close collaboration. We're therefore developing an ongoing stakeholder engagement plan, so we can better understand the challenges and find appropriate solutions working together.

Our net zero plan includes a granular assessment of the energy performance of each home in our portfolio. Through a combination of analysing the EPC ratings across our portfolio and our net zero planning, we're now prioritising properties that require action to reduce their carbon emissions and improve their energy efficiency. When we're looking to acquire assets, we commission specialist reports on their environmental performance and climate change considerations. We also inform our decision-making by modelling the capex required to improve their energy efficiency, in line with our net zero strategy.

5. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Having mapped our risks and opportunities under the IPCC's 2.6, 4.5 and 8.5 warming scenarios, and considered their likelihood, the mitigations we can put in place and the potential outcomes, we consider that our strategy is resilient to physical risk. We're incorporating short-term considerations into our planning and we'll continue to assess the longer-term physical risks linked to the locations of our care homes.

Environmental regulation and the impact of climate change is already a principal risk for the Group. Following a board review in September 2022 and in line with our net zero planning, we changed our assessment from Probability: Medium, Impact: Low to Probability: High, Impact: Medium.

6. Describe the organisation's processes for identifying and assessing and managing climate-related risks.

As part of the scenarios we modelled for our portfolio, we considered potential physical risks including heatwaves, water stress/drought, rainfall, flooding, wildfires and sea level rises, for a representative sample size of 20 care homes.

In terms of transition risks, we've reviewed legislative and policy changes (such as MEES and carbon taxation), as well as reporting requirements (TCFD, net zero) and other related risks, such as permanently higher utility costs, higher insurance costs and protracted planning processes. We also considered climate-related reputational risks.

We continue to monitor transition risks, including potential environmental taxes, anticipated legislation (MEES) and reputational risk, and plan to mitigate these risks by implementing our net zero strategy.

7. Describe the organisation's processes for managing climate-related risks.

Our processes for managing climate-related risks are embedded in our operations and procedures. In particular:

- we communicate regularly with our tenants on their energy use and costs, and actions to reduce them;
- climate-related considerations are core to our new acquisition and asset management due diligence process;
- we've put green leases in place, to ensure we and our tenants have common goals for energy efficiency and that we're capturing data to improve energy performance;
- we have a targeted capex programme to improve energy efficiency, add renewable energy generation where possible and reduce operating costs, to mitigate transitional and regulatory risk;
- regularly reviewing our physical risk climate scenarios to understand if risks have materially changed;
- for any assets considered at greater risk developing a resilience plan, for example flood risk management plan; and
- we've developed a well-considered net zero strategy, underpinned by our medium to long-term decarbonisation strategy.

8. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

We will continue to update and review our climate physical risk scenario planning to understand if any risks have materially changed. We will continue to assess the regulatory landscape and potential new regulations, taxes or other requirements. The Investment Manager's Development Director sits on the British Property Federation Sustainability Committee and therefore has access and insight to current industry thinking and lobbying on climate-related matters.

The AIFM's ESG working group's findings feed into the Investment Manager's risk assurance process via the Investment Manager's proposed ESG Committee. The Investment Manager's Risk Committee assesses and reviews our risk register every quarter and reports to the Audit Committee. The board considers our principal risks twice a year.

We've already identified climate change as a principal risk in our risk register. It's therefore subject to annual review and we assess and manage risk at the Investment Manager's ESG and Risk Committees and agree risk ratings before and after taking account of our mitigation strategies. The Audit Committee considers the findings of this process and the board discusses and approves the conclusions.

9. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management processes.

We disclose our GHG emissions and energy consumption each year through our EPRA Sustainability Best Practice reporting. The emissions we report are mainly Scope 3 and are aligned to the Greenhouse Gas Protocol Corporate Standard and DEFRA Environmental Reporting Guidelines.

We report Scope 3 emissions in our annual report.

See the Group's EPC ratings in our annual report.

10. Describe Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

We report our Scope 1 and 2 emissions in our EPRA Sustainable Best Practice Report www.impactreit.uk/about/sustainability/

The majority of our Scope 3 emissions come from energy that our tenants buy and use.

The related risk is that these Scope 3 emissions are beyond our direct control. However, we're mitigating this risk through the actions described in the section above: processes for managing climate-related risks.

See emissions data below.

11. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

We use several measures to understand and manage climate-related risks. We assess these when considering acquisitions or asset management projects and as part of our ongoing portfolio management, in particular in relation to our net zero strategy.

- EPC ratings
- Energy intensity per bed (kWh per bed)
- Absolute carbon emissions (tCO₂e)
- GHG emissions intensity (CO₂e per bed)
- Capex deployed on sustainability improvements (£pa)
- Net zero target of 2045 and interim targets/milestones and delivery plan
- Proportion of leases with "Green" obligations

Energy and carbon disclosures
Environmental performance measures - Impact Healthcare REIT plc ^{1,2,3,6}

Performance measure	Unit	Scope	2022	2021	Change
Electricity absolute	mWh	3	18,077	16,732	8.0%
Gas absolute	mWh	3	52,592	44,769	17.5%
Biomass/LPG/heating oil/propane absolute	mWh	3	2,758	n/a	n/a
Total indirect greenhouse gas (GHG) emissions from tenant obtained energy use	tCO ₂ e	3	13,521	11,609	16.5%
Building energy intensity	kWh/bed/year	3	10,615	10,666	-0.5%
Greenhouse gas (GHG) emissions intensity from building energy consumption	tCO ₂ e/bed/year	3	1.95	2.01	-2.8%

Environmental performance measures - Investment Manager

Performance measure	Unit	Scope	2022	2021	Change
Total electricity consumption	kWh	Total Investment Manager electricity (office) - Scope 2	5,470	5,623	-2.7%
Investment Manager energy intensity	kWh/FTE	Average kWh electricity consumption per FTE in year	521	655	-20.5%
Total indirect greenhouse gas (GHG) emissions	tCO ₂ e	Indirect - Scope 2 (location-based)	1.1	1.2	-11.9%
Business travel - land - car	tCO ₂ e	Scope 3 - private vehicles (incl. WTT ⁴)	3.7	1.0	275.2%
Business travel - land - air	tCO ₂ e	Scope 3 - flights (with RF incl. WTT ⁵)	1.6	3.0	-46.8%
Business travel - land - rail	tCO ₂ e	Scope 3 - rail (incl. WTT ⁵)	1.2	0.2	493.6%
Total emissions	tCO₂e		7.6	5.4	40.6%

- 1 Biomass energy estimated based on 2021 data.
- 2 Data for three Electus homes estimated for three months.
- 3 Data for three Silverline homes estimated for three months.
- 4 Well-to-tank (WTT) business travel - air conversion factors are used to account for the upstream Scope 3 emissions associated with extraction, refining and transportation of the aviation fuel to the plane before take-off.
- 5 Well-to-tank (WTT) conversion factors for passenger vehicles and business travel on land are used to report the upstream Scope 3 emissions associated with extraction, refining and transportation of the raw fuels before they are used to power the transport mode.
- 6 Includes additional LPG, biomass and heading oil data excluded in 2021.

Risks and opportunities associated with climate change

Risk type	Description	Timescale	Impact	Mitigation
Transitional				
Legal	Higher regulatory standards for energy performance (MEES)	Short to medium term	Potential loss of value for assets not meeting expected future standards. Assets may become "stranded" by evolving environmental legislation	We've assessed our assets for their current and expected regulatory compliance. Our leases require our tenants to ensure the buildings comply with legislation
Policy	Carbon taxation	Medium term	Additional taxation liability for the Group	Our net zero strategy has identified the current emissions and the pathway to reduce them over time. We continue to

				review potential future environmental taxation policy.
Market	Investors and markets increasing awareness of environmental performance	Medium term	Reduced pool of capital available and impact on portfolio valuation	Our net zero strategy has identified the current emissions and the pathway to reduce them over time. Investing in existing assets is far more sustainable than new build
Reputation	Investors, tenants and commissioners may have increasing expectations of real estate owners for environmental issues	Medium term	Reduced number of potential partners for the Group to work with	We disclose our net zero targets and ESG strategy and targets to give comfort that we're committed to improving environmental standards
Physical				
Extreme weather	Weather events cause disruption (e.g. flooding)	Short to long term	Risk to life of our tenants' residents Loss of revenue and disruption to operations	We've enhanced our due diligence on flood risk for acquisitions, carried out scenario planning for the existing portfolio, and have a capital investment strategy to improve resilience
Extreme weather	Water stress and heatwaves	Medium to long term	Environment within assets is detrimental for wellbeing of residents and staff. Additional capex required to retrofit cooling	Our net zero strategy includes assumptions on additional cooling requirements for existing assets
Opportunities				
Capital	New sources of capital	Short to medium term	Having a credible net zero strategy and investing in existing assets (as opposed to carbon-intensive new builds) may give us access to new capital and improved terms (sustainability linked finance)	
Technological	New and more environmentally efficiency technology comes on stream	Medium to long term	Technological advances may enable more efficient heating and cooling systems and renewable energy, resulting in lower running costs for our tenants	
Market	Commissioners and customer demand for more energy efficient homes	Medium	Technological advances may enable more efficient heating and cooling systems and renewable energy, resulting in lower running costs for our tenants	As awareness of sustainability grows homes that are low carbon may become in greater demand

SOCIAL VALUE IMPACT

6,842

beds in the portfolio with diversified geographical spread

Investing in homes meeting local need

64%

of beds are in the 40% most deprived areas of the UK

Investing in communities where care homes provide an important community resource and source of employment

75%

of beds are commissioned by local authorities or the NHS

Our approach enables operators to deliver care to a range of sectors at affordable rents

£29.9m

invested since inception on asset management and development initiatives

Increasing quality of building for staff and residents

87%

of tenants describe relationship with Impact as "very good" from tenant survey¹

Proactive partner with deep sector understanding

75%

of tenants rate Impact as "very good" as a long-term partner¹

We create lasting relationships with tenants and stability for residents and families

14

different operators²

Diversified and growing range of partners

78%

of homes have CQC ratings of Good or Outstanding

Tenant selection and active management

1 Based off responses from eight tenants

2 Includes Minster and Croftwood which are both part of Minster Care Group

INVESTMENT MANAGER'S REPORT

We were pleased with the Group's progress during 2022, as we successfully implemented its strategy for the sixth year. The strategy is designed to ensure the Group remains highly resilient during challenging times and at its heart is our aim to work closely with the Group's tenants to support their objectives and the high-quality care they deliver to residents.

Strong and resilient tenants

The Group signs long-term leases of 20 years or more with its tenants. That means we're very selective about new tenants and it's extremely important to us that their businesses are strong and resilient, so they can successfully weather challenges such as COVID-19 and the current high levels of inflation.

Inflation rose significantly in the second half of 2022, reaching levels not seen in several decades. While inflation isn't expected to persist at this level and the government and Bank of England are committed to bringing it down, the level it will settle at is unclear and further periods of volatility seem likely. In the current environment both tenants and the Group have benefited from the principles we've consistently applied since the business was founded. Specifically:

- we set rents at prudent and sustainable levels when the Group first partners with a tenant;
- we've ensured that 100% of the leases have inflation-linked rents; and
- we've focused on keeping rents affordable for tenants over the life of the lease, by putting caps and floors in place on our rent increases.

The link to inflation means the Group benefits from the certainty of rising rents each year. In 98% of the leases these uplifts are capped, at 4% in 90% of the leases and 5% in 8% of them. Two NHS leases have no floor or caps. Caps give the Group's tenants some protection when inflation spikes, and the floors, which kicked in in 2019, mean the Group gets progressive rental growth when inflation is low.

The success of our approach is shown by the tenants' overall rent cover, which was 1.8 times in 2022, which is higher than before the pandemic. The Group received 100% of rent due for 2022 and has no voids.

Since the year end one tenant, who manages seven of the Group's homes and accounts for less than 4% of the Group's contracted rent, has not paid its rent for the first quarter of 2023 and we've drawn down on rent deposits relating to four of the homes for the first quarter. This portfolio includes three homes acquired in the first quarter of 2020 as a turnaround project, but the turnaround was made significantly more challenging by the COVID pandemic. We're in active discussions with this tenant to resolve the situation in a way which shouldn't affect the residents and staff in these homes.

Tenants generally benefited from rising occupancy and fees, and this is reflected in the rent cover across our tenant group. Across the portfolio, occupancy averaged 81% during 2021. In January 2022, it was 83%, and had recovered to 87% by the end of the year. In the fourth quarter of 2021, tenants' average weekly fee (AWF) was £822, excluding any COVID-19 infection control grants from the government. By the fourth quarter of 2022, the AWF had increased to £926, a 13% increase that matched inflation. The Group's tenants provide an essential service and the sector has shown over long periods that it can increase fees ahead of inflation. Over the past two decades, nursing and residential care fees rose by 3.8% and 3.6% a year respectively, while RPI averaged 2.8% a year.

The growth in tenants' revenues as they rebuilt occupancy and benefited from AWF increases, helped to offset the very sharp rises in some of their costs. During 2022, they spent an average of 2.8% of their revenues on gas and electricity, up from 2.0% in 2021. Their spending on food as a percentage of revenues rose from 3.6% to 3.8%.

Tenants' top line growth also enabled them to give their staff substantial pay increases: staff pay per resident rose by an average of 10% in 2022. The most common problem tenants reported during the year was their greater need for temporary agency staff. This appears to have been caused by many staff being forced to self-isolate during the Omicron wave of the pandemic in early 2022, and staff who had gone on furlough deciding not to return to work. Tenants spent an average of 5.9% of their revenues on agency staff during 2021. This increased to an average of 8.7% in 2022. The Group's tenants are working hard to reduce their usage of agency staff, for example by putting in place strategies for overseas recruitment of nurses and senior carers.

We closely monitor the financial and operational performance of each of tenant. If we're not satisfied with a tenant's performance and its attempts to address the problem, we can, if necessary, give notice to the tenant and bring in a replacement to run the homes.

Operational highlights

Year ended 31 December	2022	2021	Change
Topped-up net initial yield ("NIY")	6.98%	6.71%	27 bps
Average NIY on acquisitions to date	7.4%	7.4%	(8) bps
Rents containing inflation-linked uplifts	100%	100%	-
Weighted average unexpired lease term ("WAULT") to first break	19.7 years	19.2 years	+0.5 years
Portfolio let	100%	100%	-
Rent cover ⁴	1.80	1.91	(5.8)%
Rent collection	100%	100%	-
Properties ⁵	135	124	8.9%
Completed beds	6,842	6,141	11.4%
Tenants ⁶	14	13	+1

Managing the portfolio

We've carefully constructed the portfolio to give the Group a good balance of core and value-add assets. We classify the assets as follows:

- **Core:** These are the main contributors to the Group's long-term, stable income. These are good-quality, well-invested homes that are trading well and have sustainable rent cover.
- **Value-add:** These are candidates for asset management, where we can invest capital to improve the asset and its performance. This can also allow tenants to offer new services, such as dementia care.
- **Non-core:** These are candidates for sale, for example because they have more value for an alternative use, and it's likely we bought them as part of larger portfolios.

We actively manage the portfolio, disposing of non-core assets and turning value-add assets into core assets through asset management (see below).

Investing for growth

During the year, the Group invested £69.2 million in 12 care homes with 764 beds. At the year end, the Group had a portfolio of 135 properties with 7,416 beds (31 December 2021: 124 properties and 6,720 beds)¹. These figures include homes the Group owns directly and 12 homes it has invested in through loans to tenants, where the Group has options to buy the assets.

In making these investments, we followed our policy of managing risk by diversifying the portfolio. The homes the Group invested in are spread around the UK, including Scotland, Kent, Nottinghamshire, Devon and Somerset, and we increased the number of homes existing tenants run, helping to diversify their businesses and add to their resilience. We also welcomed the Group's 14th tenant², Belmont Healthcare. When the Group buys assets, we ensure they're either already at an EPC B or there's a clear plan to achieve that rating, and we take account of any additional capital needed in the investment decision.

The homes the Group invested in during the year and the rent increases received due to the index-linking in the leases grew the contracted rent roll³ by 13.6%, from £38.0 million on 31 December 2021 to £43.1 million at the year end. This has since risen to £47.9 million at 27 March 2023, including rent reviews and the portfolio of six care homes invested in since the year end.

1 Based on the ratings across all of the portfolio, using the England & Wales methodology.

2 Including Croftwood and Mnster, which are both part of the Mnster Care Group.

3 Contracted rent is an annualised number that includes all income from investments in properties, whether generated from rental income or post-tax interest income.

4 Includes the benefit of grant income, which largely ended in March 2022.

5 This relates to the property portfolio along with property portfolios that have been invested in via loans to operators with an option for the Group to acquire.

6 Including Croftwood and Mnster, which are both part of the Mnster Care Group

Value-enhancing asset management

Asset management is an increasingly important part of our strategy, as it benefits many of our stakeholders. In particular:

- shareholders gain because we earn an average return on our investment of 8% through increased rents, and we also increase the value of the buildings;
- we improve the environmental efficiency of the home through increased energy efficiency and, where possible, we will add renewable energy sources such as solar panels or air source heat pumps;
- by extending homes and increasing the number of bedrooms, we increase capacity for the local social care market and make them more efficient for tenants to operate;
- residents benefit from having an even better place to live, in line with our social objectives;
- tenants' staff have a better working environment, with improved facilities such as kitchens, laundries and staff rooms; and
- tenants will benefit from our appraisal process, which tests the business case for the investment and the affordability of the proposed increased rent.

During 2022, the Group deployed £7.8 million to asset management projects that have a projected return of 8%. We work in partnership with tenants to implement these schemes and completed the following notable projects in 2022:

- refurbishments at Belmont House, Harrogate and three homes in Northern Ireland;
- the project at Riverwell Beck, which was previously called Blackwell Vale and
- the new link building that connects Fairview House and Fairview Court in Bristol, with phase two now under way, which involves a comprehensive upgrade of Fairview House, adding ensembles to bedrooms, improving the residents' day spaces and increasing energy efficiency, so the new combined building will have an EPC rating of A.

Asset management is an important part of the Group's strategy and we continually review the portfolio and engage with tenants to identify opportunities. We've identified a further pipeline of projects, which we intend to start over the next 12 months.

Improving EPC ratings is an important part of the asset management programme and the Group's environmental objectives. From 1 April 2023, under the Minimum Energy Efficiency Standards ("MEES") a lease on a commercial property in England and Wales cannot continue if the EPC rating is below E. No properties in the portfolio will be caught by this. The minimum EPC requirement is expected to increase to C by 2027 and B by 2030. The average rating across the portfolio is C and, in line with the Group's ESG objectives, we have a strategy in place to ensure compliance.

Keeping our properties in good repair

Making sure the properties are consistently well-maintained is just as important as investing in major asset management projects. The leases require tenants to keep the buildings in good condition, through ongoing repairs and maintenance. We monitor the amount they spend on this, regularly inspect the assets and hold progress meetings at homes with the tenants.

All the leases also require tenants to ensure the home complies with legislation, including on environmental performance. Since October 2020, new leases ensure tenants provide us with data such as their energy use, so we can track environmental performance and support improvements. The new leases also aim for tenants to use 25% of the maintenance spend on environmental improvements.

Value-enhancing forward-funded development

During 2022, the Group deployed £4.0 million to forward-funded development and Merlin Manor, the care home development the Group funded in Hartlepool, reached practical completion during the first half of 2022. It's now in the occupancy build-up phase and we're pleased that it's attracting residents in line with the tenant's plan. The Group provided £6.1 million to fund the development, achieving a yield on these costs of 7.8%. The completion value of the asset included a £1.9 million increase in value in the period or a 30% profit on cost.

In Norwich, the Group has committed to fund a new care home development, which we believe will be the best of its type in the area. Planning permission for the project has been delayed while issues relating to nutrient neutrality in the River Wensum basin are resolved. We now expect planning permission to be granted in H1 2023.

Funding new builds remains a small but important part of the Group's strategy. We also recognise the environmental benefits of repurposing and future-proofing existing buildings, and we're actively considering this as we recognise the complexities of achieving net zero.

We require all new development and asset management projects to achieve a minimum EPC B, or an EPC A where possible.

Portfolio valuation

Each quarter, Cushman & Wakefield independently values the portfolio in accordance with the RICS Valuation - Professional Standard (the "Red Book").

As at 31 December 2022, the portfolio was valued at £532.5 million, a 15.9% or £73.0 million increase from the valuation of £459.4 million at 31 December 2021. The increase was made up as follows:

	Contribution to valuation increase	
	£m	%
Acquisitions completed	69.2	15.1
Acquisition costs capitalised	2.6	0.6
Capital improvements	11.8	2.6
Disposals	(2.5)	(0.5)
Less: Like-for-like valuation movement	(8.1)	(1.7)
Total	73.0	15.9

Interest rates rose sharply in the year, leading to valuation yields shifting upwards in the fourth quarter of 2022, including in healthcare. As a result, the portfolio EPRA "topped up" initial yield increased 27 basis points to 6.98% as at 31 December 2022. Investment activity is continuing in the market, including the Group's investment in a portfolio for £56 million in January 2023, for an equivalent EPRA "topped-up" initial yield of 6.55%. This activity reflects confidence in the market sector and its ability to continue to generate accretive returns to stakeholders in a higher interest rate environment.

In addition to the portfolio above, the Group invested in 12 care homes, in December 2021, by way of a loan for £37.5 million. This loan is subject to an option for the freehold property interests, which are therefore also independently valued by Cushman & Wakefield. The value of this portfolio is £36.4 million with the reduction in value and associated costs reflected in the £1.8 million "Put option" liability.

Strong financial results against a challenging backdrop

Total net rental income for the year increased by 16.1% to £42.2 million (2021: £36.4 million). This reflected growth in the portfolio and the rental uplifts generated by the leases. Under IFRS, the Group is required to recognise some rent as income before it receives it, reflecting the minimum uplifts in rents over the lease terms, on a straight-line basis. The cash rental income for the year increased by 17.8% to £35.9 million (2021: £30.5 million).

Administrative and other expenses totalled £7.0 million (2021: £5.8 million), which led to a total expense ratio of 1.67% for the year (2021: 1.55%). The EPRA cost ratio was 16.6%, up from 15.8% in 2021, as revenue doesn't include income the Group receives on loans to tenants to buy property portfolios, where it has an option to acquire. Including this income in revenue gives an adjusted cost ratio of 15.4%.

Finance costs were £5.4 million (2021: £3.3 million). Interest income was £3.2 million (2021: £0.1 million), reflecting property investments made via a loan to tenants.

The change in the fair value of investment properties, driven by upwards movements in investment yields in the second half as interest rates rose sharply, causing profit before tax to fall to £16.9 million in 2022 from £32.0 million in 2021.

Earnings per share ("EPS") for the year was 4.33 pence (2021: 9.41 pence). The Group's EPRA EPS and Adjusted EPS were both up on the previous year. EPRA EPS was 8.37 pence (2021: 8.05 pence per share). Adjusted EPS, which strips out non-cash and one-off items, was 7.11 pence (2021: 6.68 pence).

These EPS figures are all on both a basic and diluted basis. More information on the calculation of EPS can be found in note 11 to the financial statements.

Attractive and fully covered dividends

As a REIT, the Company must distribute at least 90% of its qualifying profits each year. The Company has therefore declared four quarterly dividends of 1.635 pence each in respect of 2022, meeting the total dividend target of 6.54 pence per share, up 2.0% on the 6.41 pence paid in respect of 2021. All four dividends were Property Income Distributions.

The details of these dividends were as follows:

Quarter to	Declared	Paid	Cash cost £m
31 Mar 2022	25 Apr 2022	20 May 2022	6.3
30 Jun 2022	16 Aug 2022	9 Sep 2022	6.6
30 Sep 2022	21 Oct 2022	25 Nov 2022	6.6
31 Dec 2022	31 Jan 2023	24 Feb 2023	6.6
Total			25.7

The total dividend for 2022 was 128% covered by EPRA EPS and 109% covered by Adjusted EPS.

Strong and prudent balance sheet

During the year, we continued to successfully raise financing to support the Group's growth strategy. On 21 February 2022, the Company completed a placing of 35.1 million new ordinary shares at 114.0 pence per share, which raised gross proceeds of £40.0 million. On 8 July 2022, the Company raised a further £22.3 million by placing 19.0 million new ordinary shares at 117.0 pence per share. After the year end the Company also issued a further 9.6 million new ordinary shares at 116.6 pence per share, as part of the acquisition of six care homes discussed later.

Our approach to using debt to grow the business has always been conservative. At 31 December 2022, the Group had five facilities totalling £241.0 million, of which we'd drawn £142.3 million (31 December 2021: £114.5 million), giving headroom of £98.7 million and a gross LTV of 23.9% (31 December 2021: 22.3%). The Group also had £22.5 million of cash.

In November 2022, we extended the Group's RCF with HSBC by £25 million to £75 million, which allowed us to cancel the £15 million RCF with Metro Bank. This increased the Group's facilities by £10 million, while improving the covenants and reducing the cost of debt, with the HSBC margin being 65 bps lower than on the Metro facility.

In December 2022, we renegotiated the £50 million RCF with Clydesdale Bank, trading as Virgin Money. This increased the facility from the previous £25 million, extended its maturity from March 2024 to December 2029 and reduced the margin over SONIA by 25 bps to 200 bps.

As a result, the Group's facilities at the year end were as follows:

	Expiry	Facility size (£m)	Drawn at 31 Dec 2022 (£m)	Propco interest cover covenant	Propco LTV covenant
Metro Bank					
Term loan	Jun 2023	15.0	15.0	200%	35%
Virgin Money					
RCF	Dec 2029	50.0	17.0	200%	50%

HSBC					
RCF	Apr 2025 ⁴	75.0	10.0	250%	55%
NatWest					
RCF	Jun 2024 ⁵	26.0 ⁶	25.3	250%	50%
Private placement					
Senior secured notes	Dec 2035	37.0	37.0	250%	55%
Senior secured notes	Jun 2035	38.0	38.0	250%	55%
Total		241.0	142.3		

4 With the option to extend for one year to April 2026, subject to HSBC's agreement.

5 With the option to extend for up to two years to June 2026, subject to NatWest's agreement.

6 An accordion agreement is in place to increase this to £50 million, subject to NatWest's agreement.

At the year end, the Group had substantial headroom within the covenants on these facilities.

The renegotiated Virgin Money facility increased the weighted average term of the Group's debt facilities to 6.3 years at 31 December 2022, excluding any options to extend. The only facility that matures in 2023 is the £15 million term loan with Metro Bank, which we can repay from the Group's existing facilities.

The Group's policy is to hedge at least 75% of its drawn debt against interest rate increases. At the year end, the Group had fixed or capped 70% of its drawn debt or 41% of its total facilities (31% fixed and 10% from a 1% interest rate cap which expires in June 2023).

Since the end of the year, we have put a further £50 million interest cap in place, which caps SONIA at 3.0% for two years. The cap's cost was £1.5 million. As a result, we'd hedged 80% of the Group's drawn debt at 27 March 2023.

Post-year end activities

On 10 January 2023, the Group announced an investment of £56 million in six care homes (438 beds) in Shropshire and Cheshire.

Outlook

2023 has started with continued high levels of volatility in financial markets. Fixed income markets started the year with severe whiplash as global bonds followed their best ever January performance with their worst February performance since 1990. These sharp moves in the cost of capital contributed to the second largest bank failure ever in the United States in March, which in turn has led investors to question if Central Banks can increase interest rates as much as was assumed in February, causing the bond markets to rally again.

We expect the uncertainty caused by this volatility to continue for some time. However, what we can be certain about is that care homes are crucial social infrastructure that provide an essential service for vulnerable elderly people. Demand for that service is driven by demography and acuity, and is not directly related to developments in the wider economy or financial markets. This gives care home operators a higher level of in-built resilience than tenants in many other real estate sectors, demonstrated in part by their ability to pass through inflation in the fees they charge for care, as discussed above.

There was a pause in most investment activity after the mini-budget in September 2022. That hiatus ended in late 2022 and there is once again a functioning market of buyers and sellers for care home assets, at price levels that reflect the new, higher cost of capital, which is also reflected in the year-end valuation for the Group's investment portfolio. We expect the relatively high level of resilience and attractive yields available in the sector to attract more investor interest, rather than less, during an uncertain time.

Impact Health Partners LLP
Investment Manager
27 March 2023

STAKEHOLDERS

Our key stakeholders are our tenants, their residents, our shareholders and our lenders. The ways we typically engage with them are set out in the table below.

The Investment Manager is the main point of contact with our stakeholders and is one of our two main service providers, along with the Administrator. The board regularly interacts with the Investment Manager and the Administrator and the Management Engagement Committee ("MEC") meets at least once a year to review their performance and our other key service providers.

The Group also has other stakeholders, including central and local government, NHS and regulators, who set and oversee the policies and rules that govern the care home sector. However, we don't have direct relationships with local government, the NHS or the regulators, as our tenants manage these relationships as operators of the care homes.

Employees and directors

As an externally managed business, we don't have any employees and therefore don't have any employee-related policies or disclosures.

At the year end, the board comprised six non-executive directors including the Chairman, of which four were male and two were female. Simon Laffin joined as Chairman designate in January 2023; two male directors are stepping down by the Annual General Meeting, meaning the board will be five, of which two are female.

Stakeholder	Stakeholder interests	How we engage	Stakeholder engagement in practice
<p>Tenants</p> <p>We have a steadily growing tenant base, with a mix of strong national and local operators. We work in long-term partnership with our tenants, to grow our business while managing risk.</p>	<p>Our tenants' interests include:</p> <ul style="list-style-type: none"> our ability to support their businesses through acquisitions and asset management; our financial strength; our knowledge and understanding of their operations; and our ability to share best practice with them. 	<p>The Investment Manager engages with tenants on a weekly and monthly basis and in more depth each quarter, when it receives reports from them setting out their performance. The Investment Manager holds meetings and visits homes and sites, works with tenants on acquisition and asset management opportunities, and shares best practices.</p> <p>See our business model for more information.</p> <p>The board looks to meet new tenants within six months of acquisition if not before. During the year, the board held calls with the majority of tenants, to hear their experience of working with the Investment Manager and learn more about their opportunities and challenges</p>	<p>The engagement during the year has continued to help us formulate our asset management plans, which will benefit:</p> <ul style="list-style-type: none"> tenants, by adding new beds, making the homes more attractive to potential residents and improving their energy efficiency; and residents, by making the homes better places to live and able to accommodate more residents. <p>We've currently identified £16 million of further asset management opportunities. For example, we're investing around £2 million in Mavern House in Wiltshire, which will see us add a net seven new bedrooms and create six new ensembles. We're also planning to invest around £4 million in Wombwell Hall, Kent, which will see the home reconfigured to enable an innovative dementia focused care facility, along with upgrades to residents, communal spaces and energy efficiency.</p> <p>The board's direct engagement with tenants has also given the directors first-hand knowledge of our tenants' growth ambitions, the challenges they are facing and the role we can play in supporting them, which will underpin the board's oversight of tenant performance in the coming year.</p> <p>In addition, we engaged with tenants when developing the materiality assessment for our ESG strategy</p>
<p>Tenants' residents</p> <p>The quality of care our tenants provide is very important to us. It's central to residents' quality of life and directly influences demand for our tenants' services, which in turn affects their ability to pay rent to us.</p>	<p>Tenants' residents' interests include:</p> <ul style="list-style-type: none"> the quality of their care; the quality of their home and how well it's maintained; the security and stability of their home and the tenant that runs it; and our ability to invest in the home, to make it a better place to live and to support additional needs such as dementia. 	<p>Our tenants are responsible for looking after residents and we don't directly engage with them, except when we meet them during home visits.</p> <p>The Investment Manager monitors the CQC rating for every home and the outcomes of inspections, and engages with tenants on the findings. It also pays close attention to tenants' repairs and maintenance, to ensure the homes remain good places to live.</p> <p>The board also carefully monitors CQC ratings, to ensure tenants are managing their homes properly.</p>	
<p>Shareholders</p> <p>To grow our business, we need well-informed and supportive shareholders. We look to communicate regularly and openly and provide high-quality corporate reporting.</p>	<p>Shareholders' interests include:</p> <ul style="list-style-type: none"> the security and growth of our dividend; our ability to add value through acquisitions and asset management; our financial and operational performance; our ESG strategy and performance; conditions in the care 	<p>The Investment Manager regularly meets institutional investors, analysts and the financial press. We provide timely news flow and also communicate through our interim and annual reports and the annual general meeting.</p> <p>The Chairman and Senior Independent Director offer meetings to major shareholders each year. The board receives regular investor relations reports.</p> <p>See relations with shareholders for more information.</p>	<p>The Investment Manager engaged with our shareholders on a wide range of topics during the year. In particular, this has continued to highlight the importance of a well-considered and long-term approach to ESG issues, including the impact of climate change and reaching net zero. The Investment Manager specifically engaged with an important institutional shareholder when developing the materiality assessment for our refined ESG strategy. In addition, although we're not yet required to report under TCFD, we've voluntarily published our first report against the</p>

home market; and
the quality of our
corporate governance.

published our first report against the
TCFD framework, recognising the
importance of this information to
shareholders and other
stakeholders.

<p>Lenders We use an appropriate amount of debt to generate higher returns. We therefore build strong relationships with lenders, who provide the debt facilities we need to grow our business.</p>	<p>Lenders' interests include: the quality of the security we provide for our loans; our ability to meet our interest payments; the resilience of our revenue; and ESG.</p>	<p>The Investment Manager engages with our lenders through quarterly compliance reporting. The board receives information about debt funding as part of its regular meeting papers and at other times when needed.</p>	<p>Our strong relationships with our lenders enabled us to agree new or extended facilities with HSBC and Virgin Money during the year. The board also welcomed a representative from Virgin Money to its board meeting in August to better understand their view of the market and help the board consider additional risks and opportunities, particularly with Virgin Money's significant experience in development funding.</p>
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PRINCIPAL RISKS AND UNCERTAINTIES

Our risk assessment

The table below shows the Group's post-mitigation principal risks and uncertainties.

1. Changes to government social care policy
2. Infectious diseases
3. General economic conditions
4. Weakening care market
5. Significant tenant default
6. Underinvestment in care homes by tenants
7. Environmental regulation and impact of climate change
8. Ability to meet our debt financing obligations
9. Reliance on the Investment Manager
10. Reputation (new)

Political

1. Changes to government social care policy

Probability: Medium

Impact: Moderate

Change in the year: No change

Our business provides premises in which our tenant operators provide care for vulnerable people. Government has a responsibility to ensure the delivery of affordable care for all that need it. Changes in government legislation and funding affect the market in which we operate, by changing requirements that may affect revenue or costs. This could reduce our tenants' ability to pay their rent and result in changes to valuations of our properties.

The government published a White Paper in December 2021 that set out measures for reforming adult social care, including £5.4 billion of incremental funding between 2022 and 2025. This was followed by a further White Paper in February 2022 outlining how the NHS and local government can come together to deliver care for their communities. However, in November 2022 the government cancelled its planned health and social care levy and announced a two-year delay to funding due to the current economic challenges. Timeframe and funding for implementation of the planned changes continue to be uncertain.

Mitigation

It is not in the interests of any political party to undermine the viability of the care home sector. If operators were to fail and premises be repurposed to other uses, the government and local authorities would have to step in to provide alternatives. Such an outcome would undoubtedly increase public sector funding of the sector.

We have little sway over government policy, although we seek to educate and influence decision-makers to see the need for a successful elderly care sector.

The Investment Manager closely monitors policy developments and engages with representative organisations and care home operators to ensure it is fully informed on proposals and their likely effect.

Opportunity

Increased funding by the government on elderly care may provide increased growth opportunities.

Market conditions

2. Infectious diseases

Probability: Moderate

Impact: Moderate

Change in the year: Decrease

Significant outbreaks of infectious diseases, in particular pandemics such as COVID-19, can have long-lasting and far-reaching effects across all businesses. Care for older people is a particular area of heightened concern. The risks from an outbreak include reduced occupancy at care homes and the lack of availability of key workers at the care homes as a result of infection or a requirement to self-isolate. Restoring occupancy to normal levels could take time to achieve with increased availability of beds across the sector and increased price competition, adding to the long-term challenge of financial stability for tenants.

Should a pandemic take hold and not be capable of being contained, it could compound and enhance a number of principal risks, including general economic conditions, significant tenant default and the ability to meet our financing obligations.

While COVID-19 remains a risk to health, vaccinations have reduced the level of hospitalisations and those falling seriously ill from COVID-19 in care homes. There remains a risk of further variants that could result in increased restrictions and health concerns for the residents and carers in our care homes.

Mitigation

The healthcare sector, including care home operators and staff, is experienced in preparing for and implementing procedures to deal with infections as evidenced by their response to other infectious diseases, that were prevalent before COVID-19, which are now returning.

Central government and local authorities provided support to operators to help deal with the infection control measures, staff sick pay and the immediate effects of a potential reduction in occupancy. This was evidenced during the height of the COVID-19 pandemic and would be sought in any future infectious disease outbreaks.

Ensuring our tenants maintain strong rent cover enables them to better react to any immediate and unforeseen changes.

3. General economic conditions

Probability: High

Impact: Moderate

Change in the year: No change

The economy is in a period of high inflation as a result of several factors including staffing shortages, supply chain issues and heightened gas and electricity prices. Interest rates have risen sharply and are not expected to return to the levels experienced for the past 15 years. This combination of factors is having a continued effect on global economies and supply chains. Higher interest rates have hit property valuations across all sectors in the UK including healthcare. If they continue to rise, they could put further pressure on valuations and bank funding financial covenants.

Local authorities may not have adequate funding, putting pressure on care operator's fee levels. Should this result in weakening tenants' profitability, this would put pressure on rental levels and valuations, possibly leading to tenant default or covenant breaches.

Mitigation

We believe that tenant profitability with long-term affordable rents is key to sustainable profitability and risk management. Our homes are let on leases of at least 20 years, with annual rental increases linked to the Retail Price Index, the majority with floors and caps of between 2% and 4%. We regularly assess and monitor the financial robustness of our tenants and, in particular, the rent cover. We generally acquire homes with a proven track record that should ensure rent cover towards 2.0x can be achieved. The caps on our rental increases help protect our tenants particularly in times of high inflation.

Our strategy is to keep average leverage below the cap of 35% adding additional resilience to our financing structure.

Opportunity

The Group has a growth strategy with a view of the long-term opportunity in healthcare property. In a downward trending market, it enables us to make acquisitions at more attractive yields and in an upward trending market, to enhance value and improve rent cover.

4. Weakening care market

Probability: Medium

Impact: Moderate

Change in the year: No change

Several factors may affect the market for care for older people, including:

- adverse conditions in the healthcare sector;
- local authority funders amending their payment terms, affecting our tenants' revenues;
- increased regulatory responsibility and associated costs for our tenants that are not offset by an increase in fees; and
- competition or alternative forms of care provision.

These could all materially affect our tenants' covenant strength and their ability to pay rent, resulting in a reduction in the value of the care home and a higher risk of default.

Mitigation

We monitor every care home that we own to understand its underlying performance, so that we can identify any concerns early and can explore mitigating actions such as additional investment, or discussing with our tenants staffing levels and the acuity of the care provided.

Opportunity

Our investment criteria seek to identify assets that can be acquired at or below their replacement cost, with strong rent cover to ensure our tenants have resilient operating cash flows. This provides us and our tenants the headroom to invest in our assets and their services to ensure our tenants are the providers of choice in a changing market.

Underperformance of assets

5. Significant tenant default

Probability: Medium

Impact: Moderate

Change in the year: No change

As a result of the tenant diversification, we have clarified this risk to reflect a risk of a significant tenant default which may arise as a result of a default of a single large tenant (typically above 10% of rent roll) or a combination of defaults of our smaller tenants.

The default of tenants, or failing to act quickly and decisively when confronted with a failing tenant, would affect the value of our homes and, if significant, our ability to pay dividends to our shareholders and to meet our financing obligations.

A default, or a risk of default, can arise due to rising costs, reduced occupancy and changing fee rates. These can arise from a variety of issues, which can include but are not restricted to:

- internal pressures such as poor cost control, poor management or quality of care resulting in a home closure; or
- transitional issues when taking on a new home; or
- external pressures such as increased competition, inflationary pressures or infectious diseases

The availability of staff continues to be a challenge across the healthcare sector and rising food and utility costs are challenging.

Mitigation

Our tenants have shown themselves to be resilient and have displayed an ability to pass on most inflationary pressure in higher fees and have been helped by our rent caps. Apart from our close monitoring of individual operator and home performance, we also ensure a diversified and high-quality tenant base. In general, our low levels of leverage and fully covered dividend limit the effect on the performance of the Group. We are able to re-tenant homes with a new operator or one of our existing tenants. Recently one tenant has defaulted and we are actively engaging with this tenant while exploring all options.

Opportunity

We have the opportunity to explore different service provisions at our homes to ensure they are successful and meeting the demands of the current market.

6. Underinvestment in care homes by tenants

Probability: Moderate

Impact Medium

Change in the year: No change

The attractiveness of our portfolio is based on the quality of the operators, measured by their regulatory and financial performance, and our properties' ability to provide effective space from which our tenants can operate. The most important point is to have homes that are well suited to residents' needs and their ability to pay. They do not have to be newly built, but they need to be comfortable, fit for purpose and affordable.

There is a risk that increased investment is required to ensure the homes are compliant with environmental regulations. This includes the expectation that regulation will be put in place for all leased properties to be English EPC C by 2027 and EPC B by 2030.

There is also a risk that insufficient investment is made and homes become unattractive to residents.

Mitigation

All of our leases have full repair and maintenance obligations on tenants including a minimum spend per annum per bed (based on a three-year average spend), which tenants are required to report against and we actively monitor. In addition, all our leases require our tenants to meet all legal requirements to enable them to continue to operate as a care home.

Failure to comply with the terms of the lease results in a default, enabling us to replace the tenant in extreme circumstances.

As part of our acquisition due diligence, we undertake further assessment of improvements that will enhance the quality of service and environmental sustainability of the homes. Where appropriate we jointly commit with our tenants to ensure appropriate works are undertaken within the first 12 to 18 months of the home's operation under the lease.

Opportunity

We work very closely with our tenants to identify opportunities to maintain and enhance the portfolio and, where appropriate, agree to fund these improvements, in return for an increase in rent. The benefit of operating a portfolio reduces our exposure to changes in individual properties.

7. Environmental regulation and impact of climate change

Probability: High

Impact: Medium

Change in the year¹: Increase

Tightening environmental regulations increase the need for investment or redevelopment of our portfolio and could restrict our tenants' ability to provide care and earn revenue.

Failure to consider the effects of climate change could accelerate the obsolescence of our care homes (both physical and low carbon transition risks) with corresponding implications to value and long-term income generation.

Mitigation

Our leases require that our tenants maintain our buildings in line with regulatory requirements.

We have undertaken a review of our portfolio, analysing its carbon footprint and current and potential EPC ratings to ensure our investment strategy supports carbon reduction and improved EPC ratings across our portfolio and preparedness for future legislation. Our current estimates is that an investment of, on average, £2.4 million per year is required on the current portfolio to deliver this strategy and we will work with our tenants to implement these measures. We have undertaken additional analysis on the further actions required to reduce the carbon footprint of our care homes and we have developed a delivery plan with interim milestones, reaching our net zero target in 2045. This will enable our actions now to help mitigate the longer-term risks to our portfolio and society as a whole.

As part of our acquisition due diligence, we also undertake an environmental assessment of the homes to ensure they are EPC compliant and we identify improvements that can be made to the homes and, where appropriate, commit to these with our tenants from the outset. Our valuers also include commentary around the risk of flooding for the asset within their valuation report, which forms part of the building's environmental assessment.

Opportunity

There is an opportunity for us to invest in our homes to ensure they remain fit for purpose with the potential for this investment to be value-enhancing.

Financing

8. Ability to meet our debt financing obligations

Probability: Medium

Impact: Moderate

Change in the year: No change

If we are unable to operate within our debt covenants (primarily interest cover and LTV covenants), this could lead to a default and our debt funding being recalled.

Interest on our variable rate debt facilities is payable based on a margin over SONIA and bank base rates. Any adverse movements in these rates could significantly impair our profitability and ability to pay dividends to shareholders.

Mitigation

We seek to ensure appropriate levels of leverage are put in place with mitigating measures that enable us to manage our debt financing in downside scenarios. These measures include but are not limited to leverage and hedging policies and ring fenced security pools with no cross-default provisions. See the going concern section, where risks and mitigations are reviewed in detail.

Opportunity

As we grow, we have the opportunity to implement more attractive financial structures including long-term funding and sustainability-linked loans that can enhance the financial returns for our stakeholders and reduce the risks of default.

Corporate risk

9. Reliance on the Investment Manager

Probability: Low

Impact: Major

Change in the year: No change

As an externally managed company, we rely on the Investment Manager's services and reputation to execute our strategy and support our day-to-day relationships.

Our performance depends on the Investment Manager's capabilities, the retention of its key staff and its ability to deliver business continuity.

There is a risk of potential conflict of interest with the Investment Manager and its initial tenant for the Seed Portfolio.

Mitigation

We have an Investment Management Agreement, which sets out the basis on which the Investment Manager provides services to us, the restrictions it must operate within and certain additional rights we have, such as a right of pre-emption for investment opportunities. The Agreement may be terminated on 12 months' notice.

The Management Engagement Committee's role and responsibilities include reviewing the Investment Manager's performance. The board as a whole remains actively engaged with the Investment Manager to ensure a positive and collaborative working relationship.

The board has put in a number of controls and procedures to mitigate the risk of conflicts. For example, all investment decisions with related parties require board approval.

10. Reputational risk

Probability: Medium

Impact: Moderate

Change in the year: NEW

There are a variety of circumstances that could damage our reputation and have a corresponding impact on value for all stakeholders. Some examples include:

Our tenants operate in a challenging market caring for people with significant needs and they need to ensure there is adequate training of their carers to provide high-quality care. There is a risk that the training is not properly administered or adhered to, resulting in a poor quality of care. The care home could be embargoed and its reputation damaged. Our tenant could be fined, and occupancy could fall and may struggle to recover leading to weaker trading.

managed. Our tenant could be injured, and occupancy could fall and they may struggle to recover leading to weaker trading, putting at risk the tenant's ability to pay rent and affect the valuation of the property.

Our tenants employ a large workforce of carers and support staff and they need to ensure they are properly supporting these staff and not breaching minimum wage and modern slavery standards. This could result in fines and operational difficulties for the tenants putting at risk the tenant's ability to pay rent.

A combination of the above risks could result in negative publicity for the REIT and reduced investor confidence.

There are related party activities, which we disclose, between the Investment Manager and the Minster Group. If there is a breakdown in trust on related party disclosures this could damage both tenant and the Group's reputation and ability to raise further equity financing or renew its debt facilities.

Mitigation

We monitor and work closely with our tenants to understand when and where standards may have fallen below those expected by their residents, residents' families, staff and the regulators. We support and challenge our tenants where these standards are not upheld.

The board ensures that related party activities are transparently disclosed and decisions taken are in the best interest of stakeholders. Legal advice is sought where necessary to ensure disclosures are properly and promptly disclosed.

Other risks that we monitor closely

Adverse change in investment opportunities

A change in the market conditions and availability of investments may provide opportunities as well as risks.

Taxation risk

We are a UK REIT and subject to rules to maintain that status. Any change to our tax status or in UK tax legislation could affect our ability to achieve our investment objectives and our ability to provide favourable returns to shareholders.

Cyber security

Inappropriate access to customer or company data may lead to loss of sensitive information and result in a material adverse effect on the Company's financial condition, reputation and investor confidence. The Group has relatively few IT systems as the Investment Manager operates the business trading and the Administrator runs the accounting and banking systems.

Financial management

Budgets and plans may be inaccurate, based on unrealistic assumptions or inappropriately applied, leading to material adverse financial conditions, performance, results and investor concerns. The board review financial results, forecasts and variances on at least a quarterly basis.

Development activity

Development contracts have inherent risks in relation to cost and quality management that can result in cost overruns and delays. The pandemic and subsequent high inflationary environment have produced a challenge to developments due to a slowdown in construction activity and rising costs; we continue to monitor this risk as the situation evolves.

The Company has a robust risk management framework in place to monitor and mitigate all of the above risks.

SECTION 172(1) STATEMENT

The directors have considered the matters set out in section 172(1)(a)-(f) of the Companies Act 2006 when performing their duty under section 172. They consider that they have acted in good faith in the way that would be most likely to promote the success of the Company for the benefit of its members as a whole, while also considering the broad range of stakeholders who interact with our business.

Taking account of our stakeholder views

Information on our stakeholder engagement, including how the board keeps itself informed about stakeholder views and how we take their views into account in decision-making, can be found in this report.

Key board decisions

The board's principal decisions each year typically include approving acquisitions, capital expenditure, raising equity and debt, and dividend payments.

Other key decision in the year included the equity raises and refinancing.

Matter	Response
a) The likely consequence of any decision in the long term.	<p>The nature of our business means that the directors have to consider the long-term impact of their decisions, given that we expect our tenant relationships to last for at least 20 years.</p> <p>During the year, the board considered and approved our investments in 12 care homes on leases of up to 35 years.</p>
b) The interests of the Company's employees.	<p>This is not applicable, as we do not have any employees.</p>
c) The need to foster the Company's business relationships with suppliers, customers and others.	<p>Our tenants are our customers. Developing long-term relationships with them is central to our business model. During the year, all the directors took part in calls with our tenants, to understand their views on a range of issues. The board also reviews reports of tenant performance at each scheduled meetings.</p> <p>Our main suppliers are our service providers, in particular the Investment Manager</p>

Our main suppliers are our service providers, in particular the investment manager and Administrator. The board engages frequently with both, including at its regular board meetings. Information on our service provider relationships can be found in the Management Engagement Committee report.

d) The impact of the Company's operations on the community and environment.	As our tenants operate our care homes, they're responsible for relationships with their local communities and for the environmental impact of running the homes. However, we work closely with our tenants to improve the sustainability of our assets. The board has a strong focus on ESG matters and considers them at every regular meeting. The board also held a separate sessions on our ESG strategy in August and December 2022 and a further meeting was held in February 2023. The board has developed its ESG strategy and net zero pathway and milestones.
e) The desirability of the Company maintaining a reputation for high standards of business conduct.	<p>The directors understand that tenants will only sign long-term leases with landlords they can trust and want to work with. The Group therefore relies on a reputation for high standards of business conduct. This is reflected in our core values, which include acting openly and transparently with all of our stakeholders, as well as in our ESG strategy.</p> <p>The directors continue to directly engage with our stakeholders, such as the tenant call noted above, contributing to open and transparent relationships.</p>
f) The need to act fairly between members of the Company.	As at the date of this report all directors are independent. This ensures that all decisions taken by the board or committees reflect the interests of shareholders as a whole.

Case study: considering our stakeholders' interests

During the year, the board spent time considering a potential investment in six care homes in Shropshire and Cheshire, which we announced shortly after the year end.

Background

We invested £56 million in the homes, funding 80% in cash and the remainder through issuing 9.6 million shares at 116.62 pence per share. The homes have 438 beds, including 400 en-suites. Four homes have EPC B ratings and two have C ratings, and we've developed outline strategies to increase the C ratings to B.

We've initially invested through a loan to Welford Healthcare, an existing tenant who'll operate the homes. This allowed Welford to buy the legal entities that own the assets, so it could immediately take over running the homes. Once the CQC has approved the transfer, we have the option to acquire the homes and Welford has the option to sell them to us to repay the loan. While the loan is in place, we'll receive interest payments at 8.4% per annum and, when either option is exercised, new 35-year leases come into effect, which we've pre-agreed with Welford. These specify initial rent of £3.9 million a year, which is a gross initial yield of 7.0%.

The homes were owned and run by Morris Care Limited, which has a strong reputation and good working relationships with its local authorities and NHS. The homes will continue to trade under the Morris brand for the next three years.

We funded the cash element of the investment by drawing down existing debt facilities. To provide certainty about the cost, we also took out a £50 million interest rate cap, which caps the SONIA rate at 3.0% for two years.

The stakeholder interests we considered

Tenants

One of our objectives is to grow with our tenants, which helps to diversify their businesses and improve their resilience. With this transaction, our relationship with Welford has increased to 18 homes with 1,087 beds. Welford also benefited from Morris Care's operational management transferring across to it, ensuring it has the capacity to successfully take on the increased business.

Residents

By structuring the deal as a "loan to buy" transaction, we avoided a potentially long transition period while waiting for the CQC to approve the homes' transfer to new legal entities. Allowing Welford to take over immediately means it can ensure residents receive a consistently high standard of care.

Shareholders

The transaction benefits shareholders, adding six high-quality assets to the portfolio, generating an attractive income and strengthening an important tenant. Shareholders are also protected while the loan remains in force, as the structure includes security over the care homes and several operational covenants.

Long-term effect of the decision

The new leases we've pre-agreed with Welford run for 35 years, on our standard terms. The transaction will deliver long-term benefits, as the rents in the new leases are index linked, which will grow our revenues over time and help to increase the capital values of the assets.

GOING CONCERN AND VIABILITY

The board regularly monitors both the Company's and the Group's ability to continue as a going concern and its longer-term viability. The going concern assessment covers the 12-month period to 31 March 2024. Summaries of the Group's liquidity position, actual and prospective compliance with loan covenants and the financial strength of its tenants are considered at the scheduled quarterly board meetings and more often as required. As part of the Group's assessment the modelling includes (but is not limited to), the identification of uncertainties facing the Group, including:

- The risk of default of the Group's tenants taking into consideration current rent cover. We review the occupancy

- The risks of default of the Group's tenants taking into consideration current rent cover. We review the occupancy performance of each tenant over the preceding 12 months and then run sensitivities by tenant including a drop in occupancy of 5%, an increase in staff costs by 5% and other costs by 10% and the effect these sensitivities have on rent cover and appraise the risk of a tenant default as low, medium or high;
- The risk of a fall in investment property values. This may be because of a multitude of risks (as outlined in the Principal Risks and Uncertainties section). We review the resulting impact on the Group's debt covenants and the remedial action that may be taken, including the extent of the resources available to the Company to cure covenant breaches; and
- The board also considered the expiry of the £15 million Metro facility in June 2023. In the second half of 2022, the Group secured two increases to debt facilities, one on improved terms and with an extended maturity. Following this, there is sufficient headroom available to repay the Metro term loan as it falls due.

The Group's forecasting model includes a variety of stress tests including reduction in investment property valuations, restriction of income from tenants (i.e. non-payment of rent), the inclusion of increases in underlying costs and increases in interest rates. Reverse stress tests have been prepared to evaluate how much valuations or net income would need to fall to trigger defaults in each of the security pools. Mitigating actions including stopping dividend payments, corresponding reductions in costs as valuations fall and the use of unsecured properties to prevent covenant breaches were also considered. The sensitivity scenarios reviewed by the Audit Committee and the board include:

- Non-payment of rent for all medium and high-risk tenants for six months while increasing SONIA and bank base rates to 4.5% on variable interest rate loans;
- assessing the level of loss of rents that could be sustained within a security group before each covenant or default level is triggered; and
- assessing the loss of rents or valuation that could be sustained before the Group's unsecured assets would be fully utilised in application to cure rights within debt facilities.

The detailed scenario modelling is performed by the Investment Manager and presented to the Audit Committee for its review, challenge and debate. The projections and scenarios considered in connection with the approval of this financial information had particular regard to stresses arising from rising inflation and interest rates and, in particular, the impact on the trading and financial strength of the Group's tenants as highlighted above.

Property values would need to fall by more than 33% before loan to value covenant breaches would arise with all facilities being fully drawn. Rental income would need to fall by 37% before interest cover covenant breaches would arise with all facilities being fully drawn.

Going concern statement

The board has weighed up the risks to going concern set out above, together with the ability of the Company to take mitigating action in response to those risks. The board considers that the combination of their conclusions as to the tenants' prospects, the headroom available on debt covenants and the liquidity available to the Group to deal with stressed scenarios on income and valuation outlook, leads to a conclusion that the Company and the Group are each able to continue in business for the foreseeable future. The board therefore consider it appropriate to adopt the going concern basis in the preparation of this financial information.

Viability statement

The period over which the directors consider it feasible and appropriate to report on the Group's viability is the five-year period to 31 March 2028. This period has been selected because it is the period that is used for the Group's medium-term business plans. The Board considers the resilience of projected liquidity, as well as compliance with debt covenants, under a range of inflation and property valuation assumptions. These scenarios include stress tests and reverse stress tests consistent with those described in the paragraphs preceding the going concern statement and include a consideration of mitigating actions that may be taken to avert or mitigate potential threats to viability.

Given the longer period of assessment covered by the viability review, further analysis is conducted in order to test the reasonableness of the key assumptions made and to examine potential alternative outcomes and mitigating actions relating to those risks and assumptions. These included:

- Debt refinancings during the forecast period, beyond the £15 million Metro facility. In relation to additional refinancing obligations within the period of the viability assessment, the directors have reasonable confidence that extensions or replacement debt facilities will be put in place.
- Furthermore, the Group has the ability to make disposals of investment properties to meet its future financing requirements; however, this assessment did not assume any disposals took place.
- In 2024, the Company's articles of association require the board to propose an ordinary resolution at the Annual General Meeting for the Company to continue in its current form. This will be the first continuation vote since the Company's inception, if the vote is passed the Company will continue its business as presently constituted and the continuation vote will be held at every fifth annual general meeting thereafter. If the vote is not passed the directors shall within three months after the date of the resolution, put forward proposals to members to the effect that the Company be reconstructed, reorganised or wound up. The board are not aware of any significant or material issues raised by shareholders in relation to this Continuation Vote, but will continue to engage with shareholders as the 2024 Annual General Meeting approaches.

Having considered the forecast cash flows and the impact of the sensitivities in combination, the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period ending 31 March 2028.

STATEMENTS OF RESPONSIBILITIES

Directors' statement of responsibilities

The directors are responsible for preparing the annual report and the Group and parent company financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare the Group and Company financial statements for each financial year. The Group financial statements have been prepared in

accordance with UK adopted international accounting standards. The Company financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group and Company for that year.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK adopted international accounting standards, subject to any material departures disclosed and explained in the Group financial statements;
- for the Company financial statements, state whether they have been prepared in accordance with Financial Reporting Standard 102 (FRS 102), subject to any material departures disclosed and explained in the Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that its financial statements comply with the Companies Act 2006.

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a directors' report, a strategic report, a directors' remuneration report and a corporate governance statement that comply with that law and those regulations.

Website publication

The directors are responsible for ensuring the annual report, including the financial statements, is made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website (at <http://www.impactreit.uk>) is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibility statement, pursuant to DTR4

We confirm that to the best of our knowledge:

- the financial statements have been prepared in accordance with UK adopted international accounting standards and, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole; and
- the Management Report includes a fair review of the development and performance of the business and the financial position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the board by:

Rupert Barclay Chairman

27 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	31 December 2022 Total £'000	31 December 2021 Total £'000
Gross rental income	5	42,242	36,398
Insurance/service charge income	5	704	496
Insurance/service charge expense	5	(704)	(496)
Net rental income		42,242	36,398
Administrative and other expenses	6	(7,009)	(5,766)
Profit on disposal of investment properties	13	130	308
Operating profit before changes in fair value		35,363	30,940
Changes in fair value of put option	16	(1,811)	-
Changes in fair value of investment properties	13	(14,456)	4,220
Operating profit		19,096	35,160
Finance income	8	3,200	72
Finance expense	9	(5,408)	(3,264)
Profit before tax		16,888	31,968
Tax charge on profit for the year	10	-	-
Profit and total comprehensive income (attributable to shareholders)		16,888	31,968
Earnings per share - basic and diluted (pence)	11	4.33p	9.41p

The results are derived from continuing operations during the year, the Group had no other comprehensive income in the current or prior year.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	31 December 2022 £'000	31 December 2021 £'000
Non current assets			
Investment property	13	504,318	437,635
Interest rate derivatives	18, 25	-	94
Trade and other receivables	14	68,131	61,948
Total non current assets		572,449	499,677
Current assets			
Trade and other receivables	14	1,181	1,557
Interest rate derivatives	18, 25	363	-
Cash and cash equivalents	15	22,531	13,261
Total current assets		24,075	14,818
Total assets		596,524	514,495
Current liabilities			
Borrowings	17, 25	(14,814)	-
Trade and other payables	16	(9,126)	(6,703)
Total current liabilities		(23,940)	(6,703)
Non current liabilities			
Borrowings	17, 25	(122,382)	(110,907)
Put option	16	(1,811)	-
Trade and other payables	16	(2,471)	(2,641)
Total non current liabilities		(126,664)	(113,548)
Total liabilities		(150,604)	(120,251)
Total net assets		445,920	394,244
Equity			
Share capital	21	4,048	3,506
Share premium reserve	21	365,642	305,672
Capital reduction reserve	21	24,077	24,077
Retained earnings		52,153	60,989
Total equity		445,920	394,244
Net Asset Value per ordinary share (pence)	23	110.17p	112.43p

The consolidated financial statements for Impact Healthcare REIT plc (registered number: 10464966) were approved and authorised for issue by the board of directors on 27 March 2022 and are signed on its behalf by:

Rupert Barclay Chairman

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	31 December 2022 £'000	31 December 2021 £'000
Cash flows from operating activities			
Profit for the year (attributable to equity shareholders)		16,888	31,968
Finance income	8	(3,200)	(72)
Finance expense	9	5,408	3,264
Profit on disposal of investment properties	13	(130)	(308)
Changes in fair value of put option	16	1,811	-
Changes in fair value of investment properties	13	14,456	(4,220)
Net cash flow before working capital changes		35,233	30,632
Working capital changes			

Increase in trade and other receivables		(5,952)	(9,183)
Increase in trade and other payables		207	2,133
Net cash flow generated from operating activities		29,488	23,582
Investing activities			
Purchase of investment properties	13	(69,217)	(26,900)
Proceeds on sale of investment property		2,625	1,676
Acquisition costs capitalised		(2,661)	(1,230)
Capital improvements		(11,195)	(1,050)
Loan advanced to operator for portfolio acquisition		-	(37,500)
Loan associated costs		(478)	(93)
Interest received		3,270	2
Net cash flow used in investing activities		(77,656)	(65,095)
Financing activities			
Proceeds from issue of shares	21	62,269	35,334
Issue costs of ordinary share capital	21	(1,757)	(707)
Borrowings drawn	17, 25	85,074	92,685
Borrowings repaid	17, 25	(57,362)	(54,507)
Loan arrangement fees paid	25	(1,265)	(1,844)
Loan commitment fees paid		(628)	(430)
Interest payments received on interest rate derivatives	25	112	-
Interest paid on bank borrowings		(3,281)	(1,864)
Dividends paid to equity holders	12	(25,724)	(21,872)
Net cash flow generated from financing activities		57,438	46,795
Net (decrease)/increase in cash and cash equivalents for the year		9,270	5,282
Cash and cash equivalents at the start of the year		13,261	7,979
Cash and cash equivalents at the end of the year		22,531	13,261

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Notes	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'000
1 January 2022		3,506	305,672	24,077	60,989	394,244
Total comprehensive income		-	-	-	16,888	16,888
Transactions with owners						
Dividends paid	12	-	-	-	(25,724)	(25,724)
Share issue	21	542	61,727	-	-	62,269
Share issue costs	21	-	(1,757)	-	-	(1,757)
31 December 2022		4,048	365,642	24,077	52,153	445,920

For the year ended 31 December 2021

	Notes	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'000
1 January 2021		3,189	271,362	24,077	50,893	349,521
Total comprehensive income		-	-	-	31,968	31,968
Transactions with owners						
Dividends paid	12	-	-	-	(21,872)	(21,872)
Share issue	21	317	35,017	-	-	35,334
Share issue costs	21	-	(707)	-	-	(707)
31 December 2021		3,506	305,672	24,077	60,989	394,244

For the year ended 31 December 2022

1. Basis of preparation

General information

The consolidated financial statements for the year ended 31 December 2022 are prepared in accordance with UK adopted international accounting standards.

The financial information does not constitute the Group's financial statements for the periods ended 31 December 2022 or 31 December 2021, but is derived from those financial statements. Financial statements for the year ended 31 December 2021 have been delivered to the Registrar of Companies and those for the year ended 31 December 2022 will be delivered following the Company's Annual General Meeting. The auditor's reports on both the 31 December 2021 and 31 December 2022 financial statements were unqualified; did not draw attention to any matters by way of emphasis; and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, the put option and the interest rate derivative, which have been measured at fair value.

The Group has chosen to adopt EPRA best practices recommendations guidelines for calculating key metrics such as earnings per share.

The Company is a public listed company incorporated and domiciled in England and Wales. The Company's ordinary shares are listed on the Premium Listing Segment of the Official List and trade on the premium segment of the main market of the London Stock Exchange. The registered address of the Company is disclosed in the corporate information.

Convention

The consolidated financial statements are presented in Sterling, which is also the Group's functional currency, and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

Going concern

The Strategic report describes the Group's financial position, cash flows and liquidity position. The principal risks are set out in this report and note 19 to the financial statements also provide details of the Group's financial instruments and its exposure to liquidity and credit risk.

The ongoing effect of the high inflationary environment and rising interest rates have been considered by the directors. The directors have reviewed the forecasts for the Group taking into account the impact of increasing interest rates and rising costs, as a result of inflation, on trading over the 12 months from the date of signing this annual report. The forecasts have been assessed against a range of possible downside outcomes incorporating significantly lower levels of income and higher costs, see Going concern and viability for further detail.

The directors believe that there are currently no material uncertainties in relation to the Group's ability to continue for a period of at least 12 months from the date of approval of the Group's financial statements. The board is, therefore, of the opinion that the going concern basis adopted in the preparation of the annual report is appropriate.

2. Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosures. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustment to the carrying amount of the assets or liabilities in future periods.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are disclosed below:

2.1 Judgements

Operating lease contracts - the Group as lessor

The Group has acquired investment properties that are subject to commercial property leases with tenants. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, particularly the duration of the lease terms and minimum lease payments, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the leases as operating leases.

The leases, when signed, are for between 20 and 30 years with a tenant only option to extend for one or two periods of ten years. At the inception of the lease, management do not judge any extension of the leases to be reasonably certain and, as such, do not factor any lease extensions into their considerations of lease incentives and their treatment.

2.2 Estimates

Fair valuation of investment property

The valuations have been prepared in accordance with the RICS Valuation - current edition of the global and UK standards as at the valuation date, or the RICS "Red Book" as it has become widely known.

The basis of value adopted is that of fair value being "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" in accordance with IFRS 13. The concept of fair value is considered to be consistent with that of market value.

The significant methods and assumptions used by the valuers in estimating the fair value of the investment properties are set out in note 13.

Gains or losses arising from changes in the fair values are included in the Consolidated statement of comprehensive income in the period in which they arise. In order to avoid double counting, the assessed fair value may be increased or reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or

guaranteed minimum rent uplifts at the inception of the lease.

The nature of uncertainty regarding the estimation of fair value as well as sensitivity analysis has been considered as set out in note 13.

Put and call options

The fair value of the assets underlying the put and call options, being the property portfolio to which they relate, are measured in line with investment property, the fair value movement is shown on the Consolidated statement of comprehensive income as Changes in fair value of put/call option, and on the Consolidated statement of financial position as put/call option. Further detail of these options is outlined in note 16.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries drawn up to 31 December 2022. Subsidiaries are those entities, including special purpose entities, controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from **the date that control commences until the date that control ceases**.

Segmental information

The board is of the opinion that the Group is engaged in a single segment business, being the investment in the United Kingdom in healthcare assets. The board consider that these properties have similar economic characteristics and as a result these individual properties have been aggregated into a single reportable operating element. Reporting on tenants providing greater than 10% of revenue is included in note 5.

Rental income

Rental income arising on investment properties is included in gross rental income in the Consolidated statement of comprehensive income and is accounted for on a straight line basis over the lease term. The change in the RPI is reviewed annually, with the minimum uplifts being taken into consideration when accounting for the rental income on a straight line basis upon inception of the lease. The resulting asset or liability is reflected as a receivable or payable in the Consolidated statement of financial position.

When a contract includes both lease and non lease components, the Group applies IFRS 16 to allocate the consideration under the contract to each component.

The valuation of investment properties is increased or reduced by the total of the unamortised lease incentive and straight line receivable or payable balances. Any remaining balances in respect of properties disposed of are included in the calculation of the profit or loss arising at disposal.

The initial lease rental payments and guaranteed rental uplifts are spread evenly over the lease term, even if payments are not made on such a basis. The lease term is the non cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, except for where, at the inception of the lease, the directors have no certainty that the tenant will exercise that option.

Increased rental payments arising from the variation of the lease on capital improvement licences are spread evenly over the remaining lease term from the date of signing the licence agreement.

At each rent review, the uplift in rent is calculated in accordance with the terms of the lease. If greater than the minimum uplift then the uplift above and beyond the minimum recognised is calculated and recognised in the period in which it arises, with there being no rebasing of the amounts to recognise over the remaining lease.

Finance income

Finance income is accounted for on an accruals basis.

Service charges, insurance and other expenses recoverable from tenants

Income arising from expenses recharged to tenants is recognised in the year which the compensation becomes receivable. Service, insurance and other similar charges that are recoverable are included in gross rental income as the directors consider that the Group acts as principal in this respect.

Finance expense

Finance expenses consist principally of interest payable, amortisation of loan arrangement fees and fair value movements on interest rate derivatives.

Loan arrangement fees are expensed over the term of the relevant loan. Interest payable and other finance costs which the Group incurs on bank facilities, are expensed in the period to which they relate.

Taxation

The Group is a REIT in relation to its property investments and is therefore exempt from tax, subject to the Group maintaining its REIT status.

Current tax is the expected tax payable on any non REIT taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date.

Investment properties

Investment properties consist of land and buildings (principally care homes) which are held to earn rental income and for capital growth potential.

Investment properties are initially recognised at cost, being the fair value of consideration given, including transaction costs associated with the investment property. Investment properties are recognised when the risk and rewards on

costs associated with the investment property. Investment properties are recognised when the risk and rewards on the acquired properties pass to the Group on completion of the purchase. Any subsequent capital expenditure incurred in improving investment properties is capitalised in the period incurred and included within the book cost of the property.

After initial recognition, investment properties are measured at fair value, with gains and losses recognised in the Consolidated statement of comprehensive income in the period which they arise. Fair value measurement takes into consideration the improvements to the investment property during the year taking into account the future cash flows from increases in rent that have been contracted in relation to the improvement and discounting them at an appropriate rate to reflect the percentage of completion of the works being undertaken and the risk to completion that remains.

Gains and losses on disposals of investment properties are determined as the difference between net disposal proceeds and the carrying value of the asset. These are recognised in the Consolidated statement of comprehensive income in the period in which they arise.

Trade and other receivables

Trade receivables comprise mainly lease income receivable.

Trade and other receivables are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost less impairment.

The Group applies the amortised cost basis as trade and other receivables are normally held with an objective to collect contractual cash flows, i.e. "held to collect"; which comprises payment of principal and interest on the principal amount outstanding.

The Group applies the IFRS 9 simplified approach to measuring the expected credit losses ("ECLs") for trade receivables whereby the allowance or provision for all trade receivables are based on the lifetime ECLs.

The Group applies the general approach for initial recognition and subsequent measurement of ECL provisions for the loan receivable and other receivables which have maturities of 12 months or more and have a significant finance component.

This approach comprises of a three stage approach to evaluating ECLs. These stages are classified as follows:

Stage one

Twelve month ECLs are recognised in profit or loss at initial recognition and a loss allowance is established. For financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk at the reporting date, the loss allowance for 12 month ECLs is maintained and updated for changes in amount. Interest revenue is calculated on the gross carrying amount of the asset (i.e. without reduction for ECLs).

Stage two

If the credit risk increases significantly and the resulting credit quality is not considered to be low credit risk, full lifetime ECLs are recognised and includes those financial instruments that do not have objective evidence of a credit loss event. Interest revenue is still calculated on the gross carrying amount of the asset.

Stage three

If the credit risk of a financial asset increases to the point that it is considered credit impaired (there is objective evidence of impairment at the reporting date), lifetime ECLs continue to be recognised. For financial assets in this stage, lifetime ECLs will generally be individually assessed. Interest revenue is calculated on the amortised cost net carrying amount (amortised cost less impairment).

The key estimation techniques including key inputs and assumptions regarding the Group's ECL provision for trade and other receivables are included as part of the Group's assessment of credit risk as set out in note 19.

Rent smoothing adjustments are not considered to be financial assets as the amounts are not yet contractually due. As such, the requirements of IFRS 9 (including the expected credit loss method) are not applied to those balances, although the credit risk is considered in the determination of the fair value of the related property.

Put and call options

Put and call option instruments, comprising the right for an operator to sell to the Group or Impact to acquire from the operator the share capital of a company holding a portfolio of properties, are measured at fair value.

Changes in fair value of put and call option instrument are recognised within the Consolidated statement of comprehensive income in the period in which they occur.

The Group does not apply hedge accounting in accordance with IFRS 9.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and deposits with maturities of three months, or less, held at call with banks.

Dividends

Dividends are recognised when they become legally payable.

Share capital

The share capital relates to amounts subscribed for share capital at its par value.

Share premium

The surplus of net proceeds received from the issuance of new shares over their par value is credited to this account and the related issue costs are deducted from this account. The reserve is non distributable.

Capital reduction reserve

The capital reduction reserve is the result of the transfer of a portion of share premium into a distributable reserve.

Trade payables

Trade payables

Trade payables are initially recognised at their fair value and are subsequently measured at amortised cost.

Borrowings

All borrowings are initially recognised at fair value net of attributable transaction costs. After initial recognition, all borrowings are measured at amortised cost, using the effective interest method. The effective interest rate is calculated to include all associated transaction costs.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. The fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates within finance costs in the Consolidated statement of comprehensive income.

Interest rate derivatives

Derivative financial instruments, comprising interest rate caps for hedging purposes, are initially recognised at fair value and are subsequently measured at fair value.

Changes in fair value of interest rate derivatives are recognised within the Consolidated statement of comprehensive income in the period in which they occur.

The Group does not apply hedge accounting in accordance with IFRS 9.

4. New standards issued

4.1 New standards issued with effect from 1 January 2022

No new standards have been applied that have had a material effect on the financial position or performance of the Group.

4.2 New standards issued but not yet effective

There are no new standards issued but not yet effective that are expected to have a material effect on the Group.

5. Property income

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Rental income cash received in the year	35,889	30,472
Rent received in advance of recognition ¹	170	143
Rent recognised in advance of receipt ²	6,324	5,873
Rental lease incentive amortisation ³	(141)	(90)
Gross rental income	42,242	36,398
Insurance/service charge income	704	496
Insurance/service charge expense	(704)	(496)
Net rental income	42,242	36,398

1 This relates to movement in rent premiums received in prior periods as well as any rent premiums received during the year, deemed to be a premium over the term of the lease.

2 Relates to movement in both rent free periods being recognised on a straight line basis over the term of the lease and rent recognised in the period to reflect the minimum uplift in rents over the term of the lease on a straight line basis.

3 Lease incentives relate to the amortisation of payments made to tenants that are not part of any acquisition contractual obligations. These payments are made in return for an increase in rent.

For accounting purposes, premiums received are reflected on a straight line basis over the term of the lease. In addition, the Group benefits from a minimum annual rental uplift of 1% or 2% on all care home leases. For accounting purposes these uplifts are also incorporated to recognise income on a straight line basis.

Insurance/service charge relates to property insurance that is paid by the Group and recharged to tenants.

Minster Care Management Limited and Croftwood Care UK Limited are both part of the Minster Care Group Limited and together represent 44.7% of Gross rental income; Holmes Care Group Limited also represents more than 10% of the Gross rental income:

	2022	2021
Minster Care Management Ltd	29.3%	31.1%
Croftwood Care UK Ltd	15.4%	17.3%
Holmes Care	10.3%	11.6%
Others	45.0%	40.0%

6. Administrative and other expenses

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Investment Manager fees (see note 22)	4,581	3,858
Directors' remuneration (see note 7)	250	221
Auditor's fees		
- Statutory audit of the Company and Group (including subsidiaries)	280	203
- Agreed upon procedures for the Company's interim report	16	14

Total auditor's fees ¹	296	217
Administration fees	497	472
Regulatory fees	18	20
Legal and professional	630	509
Recruitment services and remuneration committee advice	70	12
Other administrative costs	667	457
	7,009	5,766

1 In 2022, the Auditor also received fees of £66,000 (2021: £nil) relating to other advisory services in relation to share issues during the year. These fees have been recognised in Share premium as share issue costs.

The amounts shown above include irrecoverable VAT as appropriate.

7. Directors' remuneration

The Group had no employees in the current or prior period. The directors, who are key management personnel of the Company, are appointed under letters of appointment for services. Directors' remuneration, all of which represents their fees for services provided during the year, are as follows:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Rupert Barclay (Chairman)	49	46
Rosemary Boot	35	33
Philip Hall	35	33
Paul Craig	35	33
Amanda Aldridge	41	38
Chris Santer	35	21
	230	204
Employer's National Insurance	20	17
	250	221

Directors' remuneration payable at 31 December 2022 amounted to £10,242 (2021: £8,860).

8. Finance income

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
	Note	
Bank interest	8	2
Loan interest	3,192	70
	3,200	72

Loan interest income relates to interest on loans made to operators to purchase property portfolios. Upon granting these loans the Group enters into put and call option agreements that allows it to purchase the property owning entity for £1 upon certain conditions being met.

9. Finance expenses

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
	Note	
Interest payable on bank borrowings	3,985	1,874
Commitment fee payable on borrowings	599	517
Amortisation of loan arrangement fee	1,205	960
Changes in fair value of interest rate derivatives	18 (381)	(87)
	5,408	3,264

The total interest payable on financial liabilities carried at amortised cost comprises interest payable on borrowings, which was £142.3 million at 31 December 2022 (2021: £114.5 million). Amortisation on loan arrangement fees relates to capitalised fees being amortised over the term of the facility, in the year ended 31 December 2022 £2,628,000 was capitalised (2021: £2,444,000).

10. Taxation

As a REIT, the Group is exempt from corporation tax on the profits and gains from its property investment business, provided it continues to meet certain conditions as per REIT regulations. For the year ended 31 December 2022 and the year ended 31 December 2021, the Group did not have any non qualifying profits except interest income.

Tax charge in the Consolidated statement of comprehensive income:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
UK corporation tax	-	-

Reconciliation of the corporation tax charge:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Profit before tax	16,888	31,968
Theoretical tax at UK corporation tax rate (19%)	3,209	6,074
Effects of:		
REIT exempt income	(5,905)	(5,256)
Non taxable items	2,696	(818)
Total tax charge	-	-

Under the UK REIT rules within which the Group operates, capital gains on the Group's UK properties are generally exempt from UK corporation tax, provided they are not held for trading.

11. Earnings per share

Earnings per share (EPS) amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the Company by the time weighted average number of ordinary shares outstanding during the period. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Total comprehensive income (attributable to shareholders)	16,888	31,968
Adjusted for:		
- Revaluation movement	8,103	(12,896)
- Rental lease incentive	(141)	2,660
- Rental income arising from recognising rental premiums and future guaranteed rent uplifts	6,494	6,016
Change in fair value of investment properties	14,456	(4,220)
Change in fair value of put option	1,811	-
Profit on disposal of investment property	(130)	(308)
Change in fair value of interest rate derivative	(381)	(87)
EPRA earnings	32,644	27,353
Adjusted for:		
Rental income arising from recognising rental premiums and future guaranteed rent uplifts	(6,494)	(6,016)
Amortisation of lease incentives	141	90
Interest received on interest rate cap	112	-
Amortisation of loan arrangement fees	1,205	960
Profit on disposal of investment property	130	308
Adjusted earnings	27,738	22,695
Average number of ordinary shares	390,058,661	339,705,743
Earnings per share (pence)¹	4.33p	9.41p
EPRA basic and diluted earnings per share (pence)¹	8.37p	8.05p
Adjusted basic and diluted earnings per share (pence)¹	7.11p	6.68p

¹ There is no difference between basic and diluted earnings per share.

The European Public Real Estate Association ("EPRA") publishes guidelines for calculating adjusted earnings designed to represent core operational activities.

The EPRA earnings are arrived at by adjusting for the changes in fair value of investment properties and interest rate derivatives, and removal of profit or loss on disposal of investment properties.

Adjusted earnings:

Adjusted earnings is used by the board to help assess the Group's ability to deliver a cash covered dividend from recurring net income. The metric reduces EPRA earnings by other non cash items credited or charged to the Group statement of comprehensive income including the effect of straight lining of rental income from fixed rental uplift adjustments and amortisation of loan arrangement fees. The metric also adjusts for any one off costs that are not expected to be recurring.

Fixed rental uplift adjustments relate to adjustments to net rental income on leases with minimum uplifts embedded within their review profiles. The total minimum income recognised over the lease term is recognised on a straight line basis and therefore not supported by cash flows during the early term of the lease, but this reverses towards the end of the lease.

The board uses the adjusted earnings alongside the available distributable reserves in its consideration and approval of dividends.

12. Dividends

	Dividend rate (pence per share)	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Fourth interim dividend for the period ended 31 December 2020 (ex dividend - 11 February 2021)	1.5725p	-	5,015
First interim dividend for the period ended 31 December 2021 (ex dividend - 27 May 2021)	1.6025p	-	5,619
Second interim dividend for the period ended 31 December 2021 (ex dividend - 5 August 2021)	1.6025p	-	5,619
Third interim dividend for the period ended 31 December 2021 (ex dividend - 28 October 2021)	1.6025p	-	5,619
Fourth interim dividend for the period ended 31 December 2021 (ex dividend - 25 February 2022)	1.6025p	6,181	-
First interim dividend for the period ended 31 December 2022 (ex dividend - 5 May 2022)	1.6350p	6,307	-
Second interim dividend for the period ended 31 December 2022 (ex dividend - 25 August 2022)	1.6350p	6,618	-
Third interim dividend for the period ended 31 December 2022 (ex dividend - 3 November 2022)	1.6350p	6,618	-
Total dividends paid		25,724	21,872
Total dividends paid in respect of the year		4.9050p	4.8075p
Total dividends unpaid but declared in respect of the year		1.6350p	1.6025p
Total dividends declared in respect of the year - per share		6.54p	6.41p

On 4 February 2022, the Company declared an interim dividend of 1.6025 pence per share for the period from 1 October 2021 to 31 December 2021 and was paid on 11 March 2022.

On 25 April 2022, the Company declared an interim dividend of 1.6350 pence per ordinary share for the period from 1 January 2022 to 31 March 2022 and was paid on 20 May 2022.

On 16 August 2022, the Company declared an interim dividend of 1.6350 pence per share for the period from 1 April 2022 to 30 June 2022 and was paid on 9 September 2022.

On 21 October 2022, The Company declared an interim dividend of 1.6350 pence per share for the period 1 July 2022 to 30 September 2022 and was paid on 24 November 2022.

13. Investment property

In accordance with the RICS "Red Book" the properties have been independently valued on the basis of fair value by Cushman & Wakefield, an accredited independent valuer with a recognised professional qualification. They have recent and relevant experience in the locations and categories of investment property being valued and skills and understanding to undertake the valuations competently. The properties have been valued on an individual basis and their values aggregated rather than the portfolio valued as a single entity. The valuers have used recognised valuation techniques in accordance with those recommended by the International Valuation Standards Committee and are compliant with IFRS 13. Factors reflected include current market conditions, annual rentals, lease lengths, property condition including improvements affected during the year, rent coverage, location and comparable evidence.

The valuations are the ultimate responsibility of the directors. Accordingly, the critical assumptions used in establishing the independent valuation are reviewed by the board.

All corporate acquisitions during the year have been treated as asset purchases rather than business combinations because they are considered to be acquisitions of properties rather than businesses.

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Opening value	459,442	418,788
Property additions	69,217	26,900
Property disposals ¹	(2,495)	(1,368)
Acquisition costs capitalised	2,591	1,311
Capital improvements	11,826	915
Revaluation movement	(8,102)	12,896
Closing value per independent valuation report	532,479	459,442
Guaranteed rent reviews debtor	(28,112)	(21,788)
Lease incentive debtor	(2,519)	(2,660)
Rent premium creditor	2,470	2,641
Closing fair value per Consolidation statement of financial position	504,318	437,635

¹ In 2022 the carrying value of disposals was £2,495,000 (2021: £1,368,000), this combined with the profit on disposal of £130,000 (2021: £308,000) makes up the total net proceeds shown in the Consolidated statement of cash flows.

During the year, the Group acquired an additional 12 assets. During the year the Group disposed of one property.

The majority of the properties owned are freehold except for 11 properties which are long leasehold, eight of these are under a minimum of 999-year leases at a peppercorn rent and the remaining three are under 125 year leases at a peppercorn rent.

Change in fair value of investment properties

The following elements are included in the change in fair value of investment properties reported in the consolidated financial statements:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Revaluation movement	(8,102)	12,896
Rental lease incentive ¹	141	(2,660)
Rental income arising from recognising rental premiums and guaranteed rent uplifts	(6,495)	(6,016)
Change in fair value of investment properties	(14,456)	4,220

¹ Lease incentives relate to the amortisation of payments made to tenants that are not part of any acquisition contractual obligations. These payments are made in return for an increase in rent.

Rental income arising from recognising guaranteed rent uplifts and initial lease rental payment includes the adjustments to rental receipts for the period to reflect the total minimum income recognised over the expected lease terms on a straight line basis. Rent premiums received are being reflected on a straight line basis over the term of the lease. In addition, the Group benefits from a minimum annual rental uplift of 1% or 2% on all leases. These uplifts are also incorporated to recognise income on a straight line basis. The elements are reported in the table below. Capital improvements funded by the Group are undertaken under Deeds of Variation to the leases. The period between signing the Deed of Variation and rent commencing is a rent free period and rent is recognised on a straight line basis from the signing of the Deed of Variation.

	Note	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Rent received in advance of recognition ¹	5	170	143
Rent recognised in advance of receipt ²	5	6,324	5,873
Rental income arising from recognising rental premium and future guaranteed rent uplifts		6,494	6,016

¹ Rent premiums received in prior periods as well as any rent premiums received during the year, deemed to be a premium over the term of the lease.

² Relates to both rent free periods being recognised on a straight line basis over the term of the lease and rent recognised in the period to reflect the minimum 1% or 2% uplift in rents over the term of the care home lease on a straight line basis.

Descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining fair values are as follows:

Valuation techniques used to derive fair values

The valuations have been prepared on the basis of fair value which is defined in the RICS "Red Book" as the "price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" in accordance with IFRS 13. The concept of fair value is considered to be consistent with that of market value. The valuation takes into consideration the current market conditions including improvements effected during the year, annual rentals, lease lengths, property condition, rent coverage and location.

Unobservable inputs

These include: estimated average increase in rent based on both market estimations and contractual situations; equivalent yield (defined as the weighted average of the net initial yield and reversionary yield); estimated rental value ("ERV") based on market conditions prevailing at the valuation date and the physical condition of the property determined by inspections on a rotational basis. A decrease in the ERV would decrease fair value. A decrease in the equivalent yield would increase the fair value. An increase in the remaining lease term would increase the fair value.

Sensitivity of measurement of significant unobservable inputs

Initial yields range from 3.75% to 12.50% across the portfolio, the EPRA "topped-up" net initial yield for the portfolio was 6.98% as at 31 December 2022. ERVs range from £73k to £1,238k across the portfolio.

A 0.25% movement of the valuation yield would have approximately a £18.2 million impact on the investment property valuation. A 1% movement in the rental income would have approximately a £5.3 million impact on the investment property valuation.

Fair value hierarchy

The Group is required to classify fair value measurements of its investment properties using a fair value hierarchy, in accordance with IFRS 13 "Fair Value Measurement". This hierarchy reflects the subjectivity of the inputs used, and has the following levels:

Level 1 - unadjusted quoted prices in active markets;

Level 2 - observable inputs other than quoted prices included within level 1; and

Level 3 - unobservable inputs.

The following table provides the fair value measurement hierarchy for investment property:

	Date of valuation	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets measured at fair value:					
Investment properties	31 December 2022	504,318	-	-	504,318
Investment properties	31 December 2021	437,635	-	-	437,635

There have been no transfers between any of the levels during the year.

14. Trade and other receivables

	31 December 2022 As at £'000	31 December 2021 As at £'000
Non current		
Rent recognised in advance of receipt	28,112	21,788
Rental lease incentive	2,519	2,660
Loan receivable ¹	37,500	37,500
	68,131	61,948
Current		
Loan interest receivable ¹	-	70
Loan associated costs	671	748
Prepayments	510	739
	1,181	1,557
	69,312	63,505

¹ In December 2021, the Group entered into a loan agreement with the Holmes Care Group, in which the Group provided a term loan facility of £37,500,000 which bears interest at 8.57% per annum. The funds were lent to Holmes Care Group to acquire a portfolio of properties. Upon certain conditions being met, a put and call option for the Group to acquire this portfolio of assets for £1 is exercisable (see note 16 for further detail).

No impairment losses have been recognised during the year (refer to note 19).

15. Cash and cash equivalents

	31 December 2022 As at £'000	31 December 2021 As at £'000
Cash and cash equivalents	22,531	13,261

Included as part of cash and cash equivalents is restricted cash of £14.7m (2021: nil). This restricted cash relates to the proceeds of the loan notes issued and will be released upon addition of the designated properties into the security pool.

16. Trade and other payables

	31 December 2022 As at £'000	31 December 2021 As at £'000
Non current		
Rent received in advance of recognition	2,471	2,641
Put option	1,811	-
Current		
Trade and other payables	3,420	2,859
Interest payable	1,149	474
Withholding tax payable - (PID Dividends)	609	505
Rental received in advance	1,949	1,427
Rental deposits	443	443
Capital improvements payable	1,556	995
	9,126	6,703
	13,408	9,344

To reconcile Working capital changes in the Consolidated statement of cash flows, the Interest payable and Capital improvements payable movements are excluded as these are allocated to Financing activities and Investing activities respectively.

On 23 December 2021, the Group entered into a loan agreement with the Holmes Care Group, in which the Group provided a term loan facility of £37,500,000 which bears interest at 8.57% per annum. The funds were lent to Holmes Care Group to acquire a portfolio of properties.

On the same date, put and call options were entered into between entities owned by Holmes Care Group and Impact Property 6 Limited which, upon certain conditions being met, gives the Group the right to acquire and Holmes Care

Group the right to sell the company holding the portfolio of properties and the £37,500,000 loan liability, to the options' counterparty for consideration of £1.

This option becomes exercisable primarily upon Holmes Care Group receiving approval from the Care Inspectorate to re-register the operations of the care homes into another operating entity. This is considered to be a substantive condition to be met before the options will be exercisable and therefore management do not consider there is any present ownership interest in the property company which may be acquired at a future date. The fair value of the option reflects the underlying investment properties, offset by loan and interest due at the balance sheet date. The investment properties have been valued on the same basis as the Group's investment property (see note 3 for further detail).

17. Borrowings

A summary of the bank borrowings drawn in the period are shown below:

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
At the beginning of the year	114,548	76,370
Borrowings drawn in the year	85,074	92,685
Borrowings repaid in the year	(57,362)	(54,507)
Total bank borrowings drawn¹	142,260	114,548

¹ Total bank borrowings drawn are equal to its fair value

As at 31 December 2022, the Group had £241 million (2021: £168 million) of available facilities of which £98.7 million was undrawn (2021: £53.4 million).

The Group signed a £50 million five-year loan facility with Metro Bank PLC (the "Metro Facility") on 15 June 2018; this facility terminates on 15 June 2023. The Metro Facility initially had two elements: a term loan of £25 million (the "Term Loan") and a revolving credit facility of £25 million (the "RCF"). During 2022, the Group cancelled its RCF. As at 31 December 2022, the balance of the Term Loan was £15 million (31 December 2021: £15 million) and the cancelled RCF £nil (31 December 2021: £7.3 million).

The Metro Facility has a margin of 265 basis points over Metro Bank PLC's published Base Lending Rate. The five-year Term Loan can be repaid without penalty. The loan is secured against a portfolio of 16 care homes (2021: 38) held in wholly owned Group companies (Impact Property 1 Limited (IP1) and Impact Property 2 Limited (IP2)). These assets had a closing value per the independent valuation report of £53.9 million as at 31 December 2022 (2021: £109.4 million). The change in value from 2021 to 2022 is primarily driven by the removal of assets from the security pool upon the cancellation of the RCF portion of the loan facility. The lender also holds charges over the shares of the subsidiaries and intermediate holding companies.

On 23 December 2022, the Group agreed a seven year revolving credit facility of £50 million (the "Clydesdale Facility") with Clydesdale Bank PLC ("Clydesdale"), replacing the £25 million revolving credit facility previously secured with Clydesdale which was due to expire in 2024; this facility terminates on 23 December 2029. In 2022, the Group drew down £12 million (2021: £5 million) from the Clydesdale Facility and repaid £5 million (2021: £5 million). As at 31 December 2022, the Group had drawn £17 million (2021: £10 million) from the Clydesdale Facility.

The Clydesdale Facility has a margin of 200 basis points over SONIA and is secured against a portfolio of 23 properties (2021: 15), 20 of which are held in a wholly owned Group company (Impact Property 3 Limited (IP3)). These assets had a closing value per the independent valuation report of £110.9 million as at 31 December 2022 (2021: £68.7 million).

On 6 April 2020, the Group secured a three year revolving credit facility of £50 million (the "HSBC Facility") with HSBC UK Bank Plc ("HSBC") with two one year extension options, subject to HSBC approval. On 31 October 2022, the HSBC Facility was amended and restated to £75 million with a maturity in 2025 and a one-year extension option. The Group drew down £35 million (2021: £15 million) from the HSBC Facility and repaid £45 million (2021: £16 million) in 2022. As at 31 December 2022, the Group had drawn £10 million (2021: £20 million) from the HSBC Facility.

The HSBC Facility has a margin of 200 or 205 basis points over SONIA, depending on the loan to value ratio of the 34 properties (2021: 22) over which the Group has granted security to HSBC as security for the loan held in a wholly owned Group company (Impact Property 4 Limited (IP4)). These assets had a closing value per the independent valuation report of £146.8 million as at 31 December 2022 (2021: £114.1 million).

On 25 June 2021, the Group agreed a revolving credit facility of £26 million (the "NatWest Facility") with National Westminster Bank Plc ("NatWest"). The Group did not draw down (2021: £25 million) from the NatWest Facility and made no repayments (2021: £nil) in 2022. As at 31 December 2022, the Group had drawn £25.3 million (2021: £25.3 million) from the NatWest Facility.

The three-year NatWest Facility has a margin of 190 basis points per annum over SONIA and is secured against a portfolio of 16 properties (2021: 16) which are held in a wholly owned Group company (Impact Property 7 Limited (IP7)). These assets had a closing value per the independent valuation report of £64.7 million as at 31 December 2022 (2021: £61.2 million).

On 21 December 2021, the Group agreed a long-term debt financing in the form of senior secured notes of £75 million with two large institutional investors. The Group issued £75 million of senior secured notes ("Notes"), comprising two tranches with a weighted average coupon of 2.967%, and a weighted average maturity of 14 years. The first tranche comprises of £37 million of Notes at a fixed coupon of 2.932% which were issued on 21 December 2021 and mature in December 2035. The second tranche comprises of £38 million of Notes at a fixed coupon of 3.002% which were issued on 20 June 2022 and mature in June 2035. The debt is secured over a portfolio of 21 care homes (2021: 14)

held in a wholly owned Group company (Impact Property 8 Limited (IP8)). These assets had a closing value per the independent valuation report of £128.9 million as at 31 December 2022 (2021: £82.5 million). The debt has been guaranteed by Impact Healthcare REIT plc.

Under the covenants related to the loans the Group is required to ensure that the:

	IP1 and IP2	IP3	IP4	IP7	IP8
Loan to value does not exceed	35%	50%	55%	50%	55%
Interest cover based on passing rent from the ring-fenced properties must exceed	200%	250%	250%	250%	250%

The Group has been in compliance with all of the financial covenants of the loan facilities as applicable throughout the year covered by these financial statements.

Any fees associated with arranging the borrowings unamortised as at the year end are offset against amounts drawn on the facilities as shown in the table below:

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Borrowings drawn	142,260	114,548
Arrangement fees - brought forward	(3,641)	(2,157)
Arrangement fees incurred during the year	(2,628)	(2,444)
Amortisation of loan arrangement fees	1,205	960
Borrowings at amortised cost	137,196	110,907

<i>Borrowings at amortised cost due within one year</i>	14,814	-
<i>Borrowings at amortised cost due after one year</i>	122,382	110,907

Maturity analysis of borrowings:

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Repayable within one year	15,000	-
Repayable between one and two years	25,260	22,286
Repayable between two and five years	10,000	55,262
Repayable in over five years	92,000	37,000
Total	142,260	114,548

The weighted average term of the Group's committed facilities is 6.3 years (2021: 4.7 years).

18. Interest rate derivatives

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
At the beginning of the year	94	7
Change in fair value of interest rate derivatives	381	87
Payments received on interest rate derivative	(112)	-
	363	94

To mitigate the interest rate risk that arises as a result of entering into variable rate linked loans, the Group entered into an interest rate cap with the notional value of £25 million and a strike rate of 1% effective from 21 June 2018 with a termination date of 15 June 2023. The fair value of the interest rate cap is based on a floating reference of 1-month SONIA.

At 31 December 2022, the Group had loans of £67.3 million (2021: £77.5 million) which were exposed to interest rate risk.

19. Financial instruments and financial risk management

The Group's principal financial assets and liabilities are those that arise directly from its operations: trade and other receivables, trade and other payables and cash held at bank. The Group's other principal financial assets and liabilities are borrowings and interest rate derivatives, the main purpose of which is to finance the acquisition and development of the Group's investment property portfolio and hedge against the interest rate risk arising.

Set out below is a comparison by class of the carrying amounts of the Group's financial instruments:

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Financial assets at amortised cost:		
Loan receivable	37,500	37,570
Cash and cash equivalents	22,531	13,261
Financial assets at fair value:		
Interest rate derivative	363	94
Financial liabilities at amortised cost:		

Borrowings		137,196	110,907
Trade and other payables		6,568	4,711
Financial liabilities at fair value:			
Put option		1,811	-

The interest rate derivative and put option are the only financial instruments that are measured at fair value through the Group's Consolidated statement of comprehensive income.

The following table provides the fair value measurement hierarchy for the interest rate derivative and put option:

	Date of Valuation	Total £'000	Level 1* £'000	Level 2* £'000	Level 3* £'000
Assets measured at fair value:					
Interest rate derivative	31 December 2022	-	-	363	-
Interest rate derivative	31 December 2021	-	-	94	-
Financial liabilities at fair value:					
Put option	31 December 2022	-	-	-	1,811
Put option	31 December 2021	-	-	-	-

* The fair value categories are defined in note 13

Risk management

The Group is exposed to market risk (including interest rate risk), credit risk and liquidity risk. The board oversees the management of these risks. The board reviews and agrees policies for managing each of the risks that are summarised below.

Market risk (including interest rate risk)

Market risk is the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market prices. The financial assets held by the Group that are affected by interest rate risk are principally the Group's cash balances and the interest rate derivative.

The Group monitors its interest rate exposure on a regular basis. A sensitivity analysis performed to ascertain the impact on profit or loss and net assets of a 50-basis point shift in interest rates on the Group's cash balances would result in an increase of £112,660 (2021: £66,310) or a decrease of £112,660 (2021: £66,310) in interest receivable for the year.

The financial liabilities held by the Group that are affected by interest rate risk are principally the Group's borrowings. The Group has entered into an interest rate derivative to reduce its exposure to interest rate risk on its Metro floating-rate term debt (refer to note 18). A sensitivity analysis is performed to ascertain the impact on profit or loss and net assets of a 50-basis point shift in interest rates on the Group's unhedged borrowings would result in an increase of £211,300 (2021: £447,740) or a decrease of £211,300 (2021: £447,740) in interest payable for the year.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group is exposed to credit risks from its leasing activities. Credit risk is reduced by requiring tenants to pay rentals in advance under their lease obligations. The credit quality of the tenant is also assessed based at the time of entering into a lease agreement thereby reducing credit risk. Outstanding trade receivables are regularly monitored. There are no outstanding trade receivables at 31 December 2022.

Credit risk also arises with the cash balances held with banks and financial institutions. The board believes that the credit risk on current account cash balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit rating agencies. The impairment loss identified on cash balances was considered immaterial.

The loan of £37.5 million, granted to one of the Group's operators, is secured against the property portfolio it was used to purchase. Periodic valuations of these properties are carried out to assess if the loan is credit impaired. There has been no deterioration in credit quality since initial recognition and the 12-month expected credit losses are nil.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due, as the majority of the Group's assets are property investments and are therefore not readily realisable. The Group's objective is to ensure it has sufficient available funds for its operations and to fund its capital expenditure. This is achieved by regular monitoring of forecast and actual cash flows by the AIFM ensuring the Group has appropriate levels of cash and available drawings to meet liabilities as they fall due.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	<3 months £'000	3 12 months £'000	1 2 years £'000	2 5 years £'000	>5 years £'000	Total £'000
31 December 2022:						
Borrowings	-	15,000	25,260	10,000	92,000	142,260
Interest and commitment fees on borrowings	968	2 765	3 458	8 195	18 065	33 451

Borrowings	500	2,100	3,700	5,100	10,000	30,700
Trade and other payables	6,568	-	-	-	-	6,568
31 December 2021:						
Borrowings	-	-	22,286	55,262	37,000	114,548
Interest and commitment fees on borrowings	629	2,544	3,393	3,527	19,400	29,493
Trade and other payables	4,771	-	-	-	-	4,771

20. Capital management

The objective of the Group is to acquire, own, lease, renovate, extend and redevelop high quality, healthcare real estate assets in the UK and lease those assets, under full repairing and insuring leases, primarily to healthcare operators providing residential healthcare services. This provides ordinary shareholders with an attractive level of income together with the potential for income and capital growth from investing in a diversified portfolio of freehold and long leasehold care homes.

The board has responsibility for ensuring the Group's ability to continue as a going concern and continues to qualify for UK REIT status. This involves the ability to borrow monies in the short and long term and pay dividends out of reserves, all of which are considered and approved by the board on a regular basis.

The Company achieved its increased targeted aggregate dividend of 6.54 pence per share for the year ended 31 December 2022 and its target aggregate dividend of 6.41 pence per share for the year ended 31 December 2021.

As at 31 December 2022, the Group remains within its maximum loan to value ("LTV") covenant which is 35% of gross asset value of the Group as a whole. The Group has a further £98.7 million RCF facilities available from which it can draw.

To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or buyback shares for cancellation or for holding in treasury. Capital consists of ordinary share capital, other capital reserves and retained earnings.

21. Share capital, share premium and capital reduction reserve

	Shares in issue Number	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Total £'000
As at 31 December 2020	318,953,861	3,189	271,362	24,077	298,628
Share issue	31,690,327	317	35,017	-	35,334
Share issue costs	-	-	(707)	-	(707)
As at 31 December 2021	350,644,188	3,506	305,672	24,077	333,255
Share issue	54,120,140	542	61,727	-	62,269
Share issue cost	-	-	(1,757)	-	(1,757)
As at 31 December 2022	404,764,328	4,048	365,642	24,077	393,767

The Company had 404,764,328 shares of nominal value of 1 pence each in issue at the end of the year (2021: 350,644,188).

On 21 February 2022, the Company issued 35,087,720 ordinary shares at a price of 1.14 pence per ordinary share raising gross proceeds of £40,000,000.

On 8 July 2022, the Company issued a further 19,032,420 ordinary shares at a price of 1.17 pence per ordinary share raising gross proceeds of £22,267,931.

22. Transactions with related parties

Investment Manager

The fees calculated and paid for the year to the Investment Manager were as follows:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Amounts payable to Impact Health Partners LLP		
Net fee	4,581	3,858
Gross fee	4,581	3,858

For the year ended 31 December 2022, the principals and Finance Director of Impact Health Partners LLP, the Investment Manager, are considered key management personnel. Mr Patel and Mr Cowley are the principals and Mr Yaldron is the Finance Director of Impact Health Partners LLP and they own 3.14%, 0.35% and 0.02% respectively (either directly, with related parties or through a wholly owned company) of the total issued ordinary share capital of Impact Healthcare REIT plc. Mr Patel also (directly and/or indirectly) holds a majority 72.5% stake in Minster Care Group Limited "MCGL". Mr Cowley also holds a 20% interest in MCGL. 41% of the Group's rental income was received from MCGL or its subsidiaries. A trade receivable of £nil was outstanding at the year end (2021: £nil).

During the year the key management of Impact Health Partners LLP received the following dividends from Impact Healthcare REIT plc: Mahesh Patel £723,120 (2021: £704,160); Andrew Cowley £91,871 (2021: £71,140) and David

Healthcare REIT plc. (March 2021: £723,100 (2021: £701,100), Andrew Cowley £31,011 (2021: £14,140) and David Yaldron £7,975 (2021: £5,319).

Directors' interests

Paul Craig is a director of the Company. He was also the portfolio manager at Quilter Investors, which has an interest in 66,923,191 ordinary shares of the Company through funds under management. The remaining directors who are shareholders in the Company do not hold significant interest in the ordinary share capital of the Company.

During the year the directors, who are considered key management personnel, received the following dividends from the Company: Rupert Barclay £11,927 (2021: £11,694); Rosemary Boot £1,952 (2021: £1,914); Chris Santer £920 (2021: £201) and Philip Hall £1,952 (2021: £1,914). In addition, funds which were managed by Paul Craig received dividends from the Company of £4,089,458 (2021: £3,582,078).

Directors' remuneration for the year is disclosed in note 7 as well as in the Directors' remuneration report.

Minster Care Group Limited ("MCGL")

MCGL, a tenant of the Group, is considered a related party as it is majority owned by the principals of the Investment Manager. As at 31 December 2022, the Group leased 59 properties to MCGL (2021: 60), all properties owned for over one year underwent an inflation-linked rent review in line with their lease provisions. In 2022, the Group entered into no new leases with MCGL (2021: one new lease at a rent of £414,000) and disposed of one property let to MCGL to a third party, the lease, which was subject to annual rent of £278,661, was cancelled with 15 years remaining (2021: disposed of no properties). In 2021, the Group paid a performance-related deferred payment on one property of £2.0 million in return for a £160,000 increase in rent. In 2022, the Group spent £0.8 million on approved capital expenditure, which was rentalised at 8% (2021: £0.2 million). These transactions were fully compliant with the Company's related party policy.

23. Net Asset Value (NAV) per share

Basic NAV per share is calculated by dividing net assets in the Consolidated statement of financial position attributable to ordinary equity holders of the Company by the number of ordinary shares outstanding at the end of the year. As there are no dilutive instruments outstanding, basic and diluted NAV per share are identical.

The Group has chosen to adopt EPRA net tangible assets ("EPRA NTA") as its primary EPRA NAV measure as it most closely aligns with the business practices of the Group. The adjustments between NAV and EPRA NTA are reflected in the following table:

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Net assets per Consolidated statement of financial position	445,920	394,244
Fair value of derivatives	(363)	(94)
EPRA NTA	445,557	394,150
Issued share capital (number)	404,764,328	350,644,188
Basic NAV per share	110.17p	112.43p
EPRA NTA per share	110.08p	112.41p

24. Operating leases

The following table sets out the maturity analysis of leases receivables, showing the undiscounted lease payments under non cancellable operating leases receivable by the Group:

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Year one	40,477	33,281
Year two	41,125	33,904
Year three	41,901	34,538
Year four	42,509	35,034
Year five	43,270	35,693
Onwards	762,841	612,974
Total	972,123	785,424

The Group's investment properties are leased to tenants under the terms of property leases that include upward only rent reviews that are performed annually. These are annual inflation uplifts linked to either CPI or RPI. RPI linked leases have a floor and cap at either 2% and 4% or 1% and 5%.

25. Reconciliation of liabilities to cash flows from financing activities

	Notes	Borrowings £'000	Interest rate derivative £'000	Interest payable £'000	Total £'000
As at 1 January 2021		74,213	(7)	377	74,583
Cash flows from financing activities:					
Borrowings drawn	17	92,685	-	-	92,685
Borrowings repaid	17	(54,507)	-	-	(54,507)
Loan arrangement fees paid	17	(1,844)	-	-	(1,844)
Interest and commitment fees paid		-	-	(2,294)	(2,294)

Non cash movements:					
Amortisation of loan arrangement fees	17	960	-	-	960
Fair value movement	18	-	(87)	-	(87)
Loan arrangement fees accrued		(600)	-	-	(600)
Interest and commitment charge	9	-	-	2,391	2,391
As at 31 December 2021		110,907	(94)	474	111,287

Cash flows from financing activities:

Borrowings drawn	17	85,074	-	-	85,074
Borrowings repaid	17	(57,362)	-	-	(57,362)
Loan arrangement fees paid	17	(1,265)	-	-	(1,265)
Interest received	18	-	112	-	112
Interest and commitment fees paid		-	-	(3,909)	(3,909)

Non cash movements:

Amortisation of loan arrangement fees	17	1,205	-	-	1,205
Fair value movement	18	-	(381)	-	(381)
Loan arrangement fees accrued		(1,363)	-	-	(1,363)
Interest and commitment charge	9	-	-	4,584	4,584
As at 31 December 2022		137,196	(363)	1,149	137,982

26. Capital commitments

At 31 December 2022, the Group had committed capital expenditure on one forward-funded development of a new property and on capital improvements to three existing properties; this amounted to £9.2 million (2021: £19.8 million).

The Group has committed to deferred payment agreements on two acquisitions in return for increased rent based on trading performance. As at 31 December 2022, the total capital commitment for these deferred payments is estimated at £4.6 million (2021: £6.5 million).

27. Controlling parties

The Company is not aware of any person who, directly or indirectly, owns or controls the Company. The Company is not aware of any arrangements the operations of which may give rise to a change in control of the Company.

28. Subsequent events

In January 2023, the Group invested in six care homes in Shropshire and Cheshire, for consideration of £56.0 million. 80% (£44.8 million) of the consideration was paid in cash with the remainder paid in shares issued at 116.62 pence per share, which was the last reported NAV. This investment has been made via a loan to the operator to acquire the portfolio, where the Group has an option to acquire for £1 consideration. These properties will be leased to an existing tenant, Welford, for an initial annual rent of £3.9 million.

In January 2023, the Group purchased an interest rate option for £1.5 million, which caps SONIA at 3.0% for two years on £50 million.

In February 2023, the Group exchanged contracts to sell a non-core care home for £1.25 million, in line with the latest valuation as at 31 December 2022. As part of the sale the Group entered into a lease surrender with the incumbent tenant, Minster.

The following rent reviews took place in the period between year end and the date of this report:

- (i) on 3 March 2023, in relation to six assets let to Silverline;
- (ii) on 7 March 2023, in relation to a portfolio of 57 assets let to Minster and Croftwood;
- (iii) on 10 March 2023, in relation to three assets let to MMCG;
- (iv) on 21 January 2023 and 16 March 2023, in relation to two assets let to Prestige;
- (v) on 18 March 2023, in relation to two assets let to the NHS; and
- (vi) on 7 February 2023, in relation to two assets let to Electus.

Rent reviews were linked to the annual RPI over the 12 months up to the rent review date, with a floor of 2% and a cap of 4% for Minster, Croftwood, Prestige, Silverline, MMCG and Electus. The two properties let to the NHS had an annual consumer price index-linked rent review. These rent reviews have contributed £0.8 million to annual contracted rent.

The Group has paid £0.3 million of capital expenditure in relation to £9.2 million of committed capital expenditure outstanding as at 31 December 2022.

No other significant events have occurred between the statement of financial position date and the date when the financial statements have been authorised by the directors, which would require adjustments to, or disclosure in, the financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

Company Registration Number: 10464966

31 December 31 December

	Notes	2022 £'000	2021 £'000
Non current assets			
Investment in subsidiaries	6	430,079	392,486
Total non current assets		430,079	392,486
Current assets			
Trade and other receivables	7	18,862	7,828
Cash and cash equivalents	8	283	10,336
Total current assets		19,145	18,164
Total assets		449,224	410,650
Current liabilities			
Trade and other payables	9	(11,720)	(25,490)
Total liabilities		(11,720)	(25,490)
Total net assets		437,504	385,160
Equity			
Share capital	10	4,048	3,506
Share premium reserve	10	365,642	305,672
Capital reduction reserve	10	24,077	24,077
Retained earnings		43,737	51,905
Total equity		437,504	385,160

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The profit attributable to the parent company for the year ended 31 December 2022 amounted to £17,556,000 (2021: profit of £36,504,000).

The financial statements were approved and authorised for issue by the board of directors on 27 March 2023 and are signed on its behalf by:

Rupert Barclay Chairman

The accompanying notes form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Notes	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'000
1 January 2022		3,506	305,672	24,077	51,905	385,160
Total comprehensive income		-	-	-	17,556	17,556
Transactions with owners						
Dividends paid	5	-	-	-	(25,724)	(25,724)
Share issue	10	542	61,727	-	-	62,269
Share issue costs	10	-	(1,757)	-	-	(1,757)
31 December 2022		4,048	365,642	24,077	43,737	437,504

For the year ended 31 December 2021

	Notes	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'000
1 January 2021		3,189	271,362	24,077	37,273	335,901
Total comprehensive income		-	-	-	36,504	36,504
Transactions with owners						
Dividends paid	5	-	-	-	(21,872)	(21,872)
Share issue	10	317	35,017	-	-	35,334
Share issue costs	10	-	(707)	-	-	(707)
31 December 2021		3,506	305,672	24,077	51,905	385,160

The accompanying notes form an integral part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. Basis of preparation

General information

The financial statements for the year ended 31 December 2022, are prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102") and in accordance with the Companies Act 2006, with comparatives presented for the year ended 31 December 2021.

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 102.

In preparing the separate financial statements of the Company, advantage has been taken of the following disclosure exemptions available in FRS 102:

A reconciliation of the number of shares outstanding at the beginning and end of the period has not been presented as the reconciliations of the Group and the parent company would be identical;

No statement of cash flows has been presented for the parent company;

Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole;

The requirement to present related party disclosures between the Company and fellow subsidiaries where ownership is all 100%; and

No disclosures have been given for the aggregate remuneration of the key management personnel of the Company as their remuneration is included in the totals for the Group as a whole.

Convention

The financial statements are presented in Sterling, which is also the Company's functional currency, and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

Going concern

After making enquiries and bearing in mind the nature of the Company's business and assets, the directors consider that the Company has adequate resources to continue in operational existence for the next 12 months from the date of approval of these financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The ongoing effect of the high inflationary environment and rising interest rates have been considered by the directors. The directors have reviewed the forecasts for the Group taking into account the impact of increasing interest rates and rising costs, as a result of inflation, on trading over the 12 months from the date of signing this annual report. The forecasts have been assessed against a range of possible downside outcomes incorporating significantly lower levels of income and higher costs, see Going concern and viability for further detail.

The directors believe that there are currently no material uncertainties in relation to the Company's ability to continue for a period of at least 12 months from the date of approval of the Company's financial statements.

The board is, therefore, of the opinion that the going concern basis adopted in the preparation of the annual report is appropriate.

2. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosures. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustment to the carrying amount of the assets or liabilities in future periods.

The most significant estimates, assumptions and judgements relate to the determination of carrying value of unlisted investments in the Company's subsidiary undertakings. The nature, facts and circumstance of the investment are taken into account in assessing whether there are any indications of impairment. Provisions provided reflect any reduction in net asset value of subsidiaries in the year.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Trade and other receivables

Trade and other receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are initially recognised at fair value and subsequently measured at amortised cost. A provision for impairment is made when there is objective evidence that the Company will not be able to recover balances in full.

Balances are written off when the probability of recovery is assessed as being remote.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and short term deposits.

Dividends

Dividends

Dividends are recognised when they become legally payable.

Share premium

The surplus of net proceeds received from the issuance of new shares over their par value is credited to this account and the related issue costs are deducted from this account. The reserve is non distributable.

Capital reduction reserve

The capital reduction reserve is the result of the transfer of a portion of the share premium into a distributable reserve.

Trade and other payables

Trade payables are initially recognised at their fair value and are subsequently measured at cost.

Investments in subsidiaries

The investments in subsidiary companies are included in the Company's statement of financial position at cost less provision for impairment.

4. Taxation

The Company is exempt from corporation tax on the profits and gains from its property investment business, provided it continues to meet certain conditions as per REIT regulations. Any non qualifying profits and gains however, will continue to be subject to corporation tax.

Tax charge included in total comprehensive income:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
UK corporation tax	-	-

5. Dividends

Details of dividends paid by the Company are included in note 12 to the consolidated financial statements.

6. Investment in subsidiaries

	31 December 2022 £'000	31 December 2021 £'000
At the beginning of the year	392,486	369,371
Additions	93,425	210,135
Impairment	(55,832)	(187,020)
At the end of the year	430,079	392,486

The Company has the following subsidiaries:

	Principal activity	Country of incorporation	Ownership %
Impact Property 1 Limited ("Propco 1")*	Real Estate Investment	England and Wales	100
Impact Property 2 Limited ("Propco 2")*	Real Estate Investment	England and Wales	100
Impact Property 3 Limited ("Propco 3")*	Real Estate Investment	England and Wales	100
Impact Property 4 Limited ("Propco 4")*	Real Estate Investment	England and Wales	100
Impact Property 5 Limited ("Propco 5")*	Real Estate Investment	England and Wales	100
Impact Property 6 Limited ("Propco 6")*	Real Estate Investment	England and Wales	100
Impact Property 7 Limited ("Propco 7")*	Real Estate Investment	England and Wales	100
Impact Property 8 Limited ("Propco 8")*	Real Estate Investment	England and Wales	100
Impact Property 9 Limited ("Propco 9")*	Real Estate Investment	England and Wales	100
Impact Finance 1 Limited ("Finance 1")*	Financing company	England and Wales	100
Impact Finance 2 Limited ("Finance 2")*	Financing company	England and Wales	100
Impact Finance 3 Limited ("Finance 3")*	Financing company	England and Wales	100
Impact Finance 4 Limited ("Finance 4")*	Financing company	England and Wales	100
Impact Finance 5 Limited ("Finance 5")*	Financing company	England and Wales	100
Impact Finance 6 Limited ("Finance 6")*	Financing company	England and Wales	100
Impact Holdco 1 Limited ("Holdco 1")	Investment holding company	England and Wales	100
Impact Holdco 2 Limited ("Holdco 2")	Investment holding company	England and Wales	100
Impact Holdco 3 Limited ("Holdco 3")	Investment holding company	England and Wales	100
Impact Holdco 4 Limited ("Holdco 4")	Investment holding company	England and Wales	100
Impact Holdco 5 Limited ("Holdco 5")	Investment holding company	England and Wales	100
Impact Holdco 6 Limited ("Holdco 6")	Investment holding company	England and Wales	100
Roseville Property Limited [#]	Property holding company	England and Wales	100
Sandbanks Property Redcar Limited [#]	Property holding company	England and Wales	100
Cardinal Healthcare (UK) Ltd [#]	Property holding company	England and Wales	100
Cholwell Care (Nailsea) Limited [#]	Property holding company	England and Wales	100
Barham Care Centre Limited [#]	Property holding company	England and Wales	100
Baylham Care Centre Limited [#]	Property holding company	England and Wales	100
Butterfly Cumbria Properties Limited*	Property holding company	England and Wales	100
The Holmes Care Holdings Limited [#]	Property holding company	England and Wales	100
Hollyblue Healthcare (Countrywide) Limited [#]	Property holding company	England and Wales	100
Hollyblue Healthcare (Ulster) Limited [#]	Property holding company	England and Wales	100

Property holding company	England and Wales	100	
Tower Bridge Homes Care Limited*#	Property holding company	England and Wales	100
The Holmes Care Group GB Limited*#	Property holding company	England and Wales	100
Beeley (Holdings) Limited*#	Property holding company	England and Wales	100
Hillcrest House Limited*	Property holding company	England and Wales	100
Springhill Properties (No.1) Limited*#	Property holding company	England and Wales	100
Carlton Hall (Lowestoft) Limited*	Property holding company	England and Wales	100
Abingdon Manor Care Centre Limited*	Property holding company	Northern Ireland	100
Larne Care Centre Limited*	Property holding company	Northern Ireland	100
Larne C C Limited*	Property holding company	Northern Ireland	100
Eastleigh Care Group Limited*	Property holding company	England and Wales	100
Woodleigh Christian Care Home Limited*	Property holding company	England and Wales	100
Welford Bidco 2 Midco Limited*	Investment holding company	England and Wales	100
Welford Bidco 4 Midco Limited*	Investment holding company	England and Wales	100

* As at 31 December 2022 these entities were held indirectly by the Company.

As at 31 December 2022 these entities are in the process of winding up.

The registered address for the above subsidiaries incorporated in England and Wales is:

The Scalpel, 18th Floor, 52 Lime Street, London EC3M 7AF, England

The registered address for the above subsidiaries incorporated in Northern Ireland is:

21 Arthur Street, Belfast, BT1 4GA, Northern Ireland

Where the entity is in the process of winding up, the registered address is that of the liquidator appointed by the Company.

7. Trade and other receivables

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Loan to Group companies	18,658	7,766
Prepayments	204	62
	<u>18,862</u>	<u>7,828</u>

As at 31 December 2022, there were no trade receivables past due or impaired (2021: none). Loans to subsidiaries are interest free, repayable on demand and management expect them to be settled within the next 12 months.

8. Cash and cash equivalents

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Cash and cash equivalents	283	10,336

None of the Company's cash balances are held in restricted accounts.

9. Trade and other payables

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Loan from Group companies	9,977	23,954
Trade and other payables	1,743	1,536
	<u>11,720</u>	<u>25,490</u>

Loans from Group companies are unsecured, interest-free and are repayable on demand.

10. Share capital, share premium and capital reduction reserve

Details on movements in share capital, share premium and capital reduction reserve of the Company are the same as that of the Group and are included in note 21 to the consolidated financial statements.

11. Transactions with related parties

The Company has taken advantage of the exemption provided by FRS 102 not to disclose transactions with other members of the Group as the Company's own financial statements are presented together with its consolidated financial statements.

See note 22 of the consolidated financial statements for disclosure of related party transactions of the Group.

12. Capital commitments

There were no capital commitments held by the Company (2021: nil).

13. Contingent liabilities

On 21 December 2021, the Company guaranteed a long-term loan note issue made by its wholly owned subsidiary. The loan notes total £75 million and mature in 2035. See note 17 of the consolidated financial statements for further detail.

14. Subsequent events

Significant events after the reporting period are the same as those of the Group. See note 28 to the consolidated financial statements.

No other significant events have occurred between the Statement of financial position date and the date when the financial statements have been authorised by the directors, which would require adjustments to, or disclosure in, the financial statements.

EPRA PERFORMANCE MEASURES (UNAUDITED)

The table below shows additional performance measures, calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association (EPRA). We provide these measures to aid comparison with other European real estate businesses.

1. EPRA earnings per share	2.1 EPRA net reinstatement value ("NRV")	2.2 EPRA net tangible assets ("NTA")
£32.6m 8.37p per share for the year to 31 December 2022 (for the year to 31 December 2021: £27.4m / 8.05p)	£479.7m 118.51p per share for the year to 31 December 2022 (for the year to 31 December 2021: £423.7m / 120.84p per share)	£445.6m 110.08p per share for the year to 31 December 2022 (for the year to 31 December 2021: £394.2m / 112.41p per share)
Definition Earnings from operational activities. The EPRA calculation removes revaluation movements in the investment portfolio and interest rate derivatives, but includes rent smoothing.	Definition Net asset value adjusted for fair value of derivatives and transaction costs under the assumption they will not crystallise if the company never sells assets.	Definition Net asset value adjusted for fair value of derivatives as these will not crystallise if held to maturity.
Purpose A key measure of a company's underlying operating results are an indication of the extent to which current dividend payments are supported by earnings.	Purpose The aim of this measure is to represent the value required to rebuild the entity.	Purpose This represents the value of the company assuming assets are bought and sold.

2.3 EPRA net disposal value ("NDV")	3.1 EPRA Net Initial Yield ("NIY")	3.2 EPRA "topped-up" NIY
£440.9m 108.92p per share for the year to 31 December 2022 (for the year to 31 December 2021: £398.8m / 111.16p per share)	6.98% for the year 31 December 2022 (for the year to 31 December 2021: 6.71%)	6.98% for the year to 31 December 2022 (for the year to 31 December 2021: 6.71%)

<p>2.3 EPRA net disposal value</p> <p>Definition Net asset value adjusted to align borrowings to their drawn amount. If the company was in an immediate disposal scenario certain assets and liabilities are adjusted to show the full value if not held to maturity.</p>	<p>3.1 EPRA Net Initial Yield ("NIY")</p> <p>Definition Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.</p>	<p>3.2 EPRA "topped-up" NIY</p> <p>Definition This measure adjusts the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives, such as discounted rent periods and step rents).</p>
<p>Purpose This measure aims to show the shareholders' value under a disposal scenario.</p>	<p>Purpose This measure should make it easier for investors to judge for themselves how the valuation of one portfolio compares with another portfolio.</p>	<p>Purpose This measure should make it easier for investors to judge for themselves how the valuation of one portfolio compares with another portfolio.</p>

4. EPRA vacancy rate	5. EPRA cost ratio	6. Like-for-like rental growth
0.00%	16.59%	5.07%
for the year to 31 December 2022 (for the year to 31 December 2021: 0.00%)	for the year to 31 December 2022 (for the year to 31 December 2021: 15.84%)	for the year to 31 December 2022 (for the year to 31 December 2021: 5.74%)
Definition Estimated market rental value (ERV) of vacant space divided by the ERV of the whole portfolio.	Definition Administrative and operating costs (including, and excluding, direct vacancy costs) divided by gross rental income.	Definition Rental growth on the portfolio of properties that have been owned and operational for two full reporting cycles.
Purpose A "pure" (%) measure of investment property space that is vacant, based on ERV.	Purpose A key measure, to enable meaningful measurement of the changes in a company's operating costs. The EPRA cost ratio does not include the interest income received on the Group's property investments made via a loan to operator, adjusting for this gives a cost ratio of 15.4%.	Purpose Growth of rental income excludes acquisitions and disposals, but includes increases in rent from inflationary uplifts and rentalised capital expenditure. This allows stakeholders to estimate the organic income growth.

NOTES TO THE EPRA PERFORMANCE MEASURES (UNAUDITED)

For the year ended 31 December 2022

1. EPRA earnings per share

	31 December 2022 £'000	31 December 2021 £'000
Total comprehensive income (attributable to shareholders)	16,888	31,968

Adjusted for:		
	(130)	(308)
Profit on disposal of investment property		
	1,811	-
Change in fair value of put option		
	8,103	(12,896)
Change in fair value of investment properties		
	(141)	2,660
Rental lease incentives		
Rental income arising from recognising guaranteed rent uplifts and rental premiums	6,494	6,016
	16,137	(4,528)
Change in fair value of interest rate derivatives	(381)	(87)
Profits to calculate EPRA earnings per share	32,644	27,353
Weighted average number of ordinary shares (basic and diluted)	390,058,661	339,761,521
EPRA earnings per share - basic and diluted	8.37p	8.05p

2. EPRA NAV measures

The updated EPRA best practice recommendations, released in October 2020, give three new NAV metrics: EPRA net reinstatement value ("NRV"), EPRA net tangible assets ("NTA") and EPRA net disposal value ("NDV") to replace the previously reported EPRA NAV and EPRA NNAV. NRV aims to show the value of assets on a long-term basis, adjusting for items that would not be expected to crystallise under normal circumstances, NTA is calculated on the basis that assets are bought and sold whilst NDV intends to show shareholders the value of assets and liabilities in the event they cannot be held until maturity. The Group has adopted NTA as its primary EPRA NAV measure as it most closely aligns with the Group's business practices.

As at 31 December 2022:			
	EPRA NRV/ £'000	EPRA NTA £'000	EPRA NDV £'000
Net assets at end of year	445,919	445,919	445,919
Exclude:			
Fair value of derivatives	(363)	(363)	-
Include:			
Fair value of debt ¹	-	-	(5,064)
Transaction costs ²	34,139	-	-
Net assets (per EPRA NAV measure)	479,695	445,556	440,855
Shares in issue at 31 December (basic and diluted)	404,764,329	404,764,329	404,764,329
Net assets per share (per EPRA NAV measure)	118.51p	110.08p	108.92p

2. EPRA NAV measures

As at 31 December 2021:			
	EPRA NRV/ £'000	EPRA NTA £'000	EPRA NDV £'000
Net assets at end of year	394,244	394,244	394,244
Exclude:			
Fair value of derivatives	(94)	(94)	-
Include:			
Fair value of debt ¹	-	-	(4,471)
Transaction costs ²	29,581	-	-
Net assets (per EPRA NAV measure)	423,731	394,150	389,773
Shares in issue at 31 December (basic and diluted)	350,644,188	350,644,188	350,644,188
Net assets per share (per EPRA NAV measure)	120.84p	112.41p	111.16p

¹ Difference between interest-bearing loans and borrowings included in the balance sheet at amortised cost, and fair value of interest-bearing loans and borrowings at draw n amount.

² NTA and NDV are calculated using property values in line with IFRS, where values are net of real estate transfer tax and other purchasers' costs.

These transaction costs are added back for NRV.

3 EPRA net initial yield ("NIY") and EPRA "Market-adj" NIY

3. EPRA net initial yield (NIT) and EPRA topped-up NIT

	31 December 2022 £'000	31 December 2021 £'000
Investment property - wholly owned	532,478	459,442
Less capital improvements under construction	(7,535)	(5,614)
Completed property portfolio	524,943	453,828
Allowance for estimated purchasers' cost ¹	33,071	28,591
Gross up completed property portfolio valuation (B)	558,014	482,419
Annualised cash passing rental income	38,932	32,353
Property outgoing (non-recoverable insurance)	-	-
Annualised net rents (A)	38,932	32,353
Add:		
Contractual uplifts on rent-free periods of funded capital improvements	-	-
Topped-up net annualised rent (C)	38,932	32,353
EPRA net initial yield (A/B)	6.98%	6.71%
EPRA topped-up net initial yield (C/B)	6.98%	6.71%

¹ Assumes a purchaser of the Company's portfolio would pay SDLT and transaction costs equal to 6.3% of the portfolio's value.

4. EPRA vacancy rate

	31 December 2022 £'000	31 December 2021 £'000
Estimated rental value of vacant space	-	-
Estimated rental value of the whole portfolio	39,476	30,277
EPRA vacancy rate	0.00%	0.00%

5. EPRA cost ratio

	31 December 2022 £'000	31 December 2021 £'000
Administrative and other expenses	7,008	5,766
Net service charge cost	-	-
Total costs including and excluding vacant property costs	7,008	5,766
Gross rental income	42,243	36,398
Total EPRA cost ratio (including, and excluding, direct vacancy costs)	16.59%	15.84%

None of the costs in this note have been capitalised. Only costs directly associated with the purchase of properties as well as subsequent value-enhancing capital expenditure qualify as acquisition costs and are capitalised.

6. Like-for-like rental growth

This note shows the rental income and market value for property assets that have been owned and operational for two full reporting periods, hence all below information relates to the property portfolio that has been owned and operational since 31 December 2020.

	Rent £'000	Market value £'000
Property portfolio as at 31 December 2020	28,713	413,338
Inflation-linked rental uplifts	740	
Rental uplifts in return for capital improvements or deferred payments	932	
Increase/(decrease) due to vacancy rate	-	
Property portfolio as at 31 December 2021	30,385	426,867
Inflation-linked rental uplifts	1,273	
Rental uplifts in return for capital improvements or deferred payments	269	
Increase/(decrease) due to vacancy rate	-	
Property portfolio as at 31 December 2022	31,926	428,104

All properties operate within the same sector, UK healthcare.

ALTERNATIVE PERFORMANCE MEASURES

The other alternative performance measures may not be comparable with similarly titled measures presented by other companies. Alternative performance measures should not be viewed in isolation but as supplementary information.

1. Total expense ratio ("TER")

Total recurring administration costs as a percentage of average NAV throughout the period.

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Opening NAV	394,244	349,521
Closing NAV	445,919	394,244
Average NAV for the year	420,082	371,883
Administrative expenses	7,008	5,766
One-off costs	-	-
Recurring expenses	7,008	5,766
TER	1.67%	1.55%

2. Total accounting return

The growth in NAV per share plus dividends paid expressed as a percentage of NAV per share at the beginning of the period.

	Year ended 31 December 2022	Year ended 31 December 2021
Opening NAV per share (pence)	112.43	109.58
Closing NAV per share (pence)	110.17	112.43
NAV growth for the year (pence)	(2.26)	2.85
Dividends per share paid in the year (pence)	6.51	6.38
Total return (pence)	4.25	9.23
Total accounting return	3.78%	8.42%

3. Gross loan to value ("LTV")

The gross debt as a percentage of our gross asset value.

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Gross debt	142,260	114,548
Gross assets	596,524	514,495
LTV	23.85%	22.26%

4. Property Investments

This relates to the portfolio valuation along with investments via loans to operators for the acquisition of property portfolios.

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Portfolio valuation	532,478	459,442
Investments in properties via loans to operators	36,360	37,500

Property Investments	568,838	496,942

AIFM STATEMENT (UNAUDITED)

Impact Health Partners LLP have served as the Alternative Investment Fund Manager since 15 March 2019; references in this statement to "AIFM" are to Impact Health Partners LLP.

Quantitative remuneration disclosure for the AIFM

Information in relation to the remuneration paid by the AIFM is available upon request.

Liquidity

At the date of this annual report there are no assets held by the Company which are subject to special arrangements arising from their illiquid nature. There has been no change to the liquidity management system and procedures during the period since incorporation. Please refer to note 19 in the financial statements for an analysis of the Company's liabilities and their maturity dates at 31 December 2022.

The current risk profile of the Company and the risk management systems employed by the AIFM to manage those risks

The Company's risk management framework and risk appetite are set out in "Audit, risk and internal control" on pages 82-85 of the annual report.

Please refer to page 60 for the board's assessment of the principal risks and uncertainties facing the Company. The AIFM has assessed the current risk profile of the Company to be low.

Leverage

The Group's maximum and actual leverage levels at 31 December 2022 are shown below:

Leverage exposure	Gross method	Commitment
Maximum limit	200.0%	200.0%
Actual	126.7%	131.8%

For the purposes of (i) the EU Alternative Investment Fund Managers Directive (Directive 2011/61/EU) (the "EU AIFMD"); and (ii) the UK version of EU AIFMD as it forms part of UK law by virtue of the European Union (Withdrawal) Act 2018, and as implemented by the Financial Conduct Authority in the UK (the "UK AIFMD"), leverage is any method that increases the Group's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of the Group's exposure to its net asset value and is calculated on both a gross and commitment method.

Under the gross method, exposure represents the sum of the Group's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other. Both methods include the Group's interest rate swaps measured at notional value.

There has been no change to the maximum level of leverage that the AIFM may employ on behalf of the Company. The actual level of gearing employed by the Company at 31 December 2022 was 23.85%.

Material changes to information

Article 23 of the EU AIFMD (in respect of the marketing of the Company in the EU) and FUND 3.2.2, 3.2.5 and 3.2.6 if the UK AIFMD (in respect of the marketing of the Company in the UK) require certain information to be made available to investors before they invest (the "Required Information") and require material changes to the Required Information to be disclosed to investors. An updated copy of the Company's disclosure schedule containing the Required Information was published on 27 January 2022. There have been no other material changes to the Required Information.

INVESTMENT POLICY

The Company's investment policy is to acquire, own, lease, renovate, extend and redevelop high-quality, healthcare real estate assets in the UK, in particular elderly care homes, and to lease those assets to care home operators and other healthcare service providers under full repairing and insuring leases.

The Company pursues the investment policy as follows:

Policy	Status
In order to manage risk in the portfolio, at the time of investment, no single asset shall exceed in value 15% of the total gross asset value of the Group.	achieved
No single customer paying for care provided in assets owned by the Group will account for more than 15% of the aggregate revenues of the tenants to whom the Group's assets are leased from time to time, measured at the time of acquisition.	achieved
The annual contracted rent from any single tenant is not expected to exceed 10% of the total	achieved

The annual contracted rent from any single tenant is not expected to exceed 40% of the total annual contracted rent of the Group, measured at the time of investment.	achieved
The portfolio will be diversified by location across the UK with focus on areas where there is a good balance of supply and demand for the provision of care and assets are available at attractive valuations.	achieved
Within these locations, the Group will acquire existing modern buildings or those that are currently considered fit for purpose by occupiers, but in respect of which the Investment Manager has developed a plan to add value to, and improve the environmental sustainability of, the asset through targeted capital expenditure.	achieved
Leases granted by the Group will be linked to inflation, have long duration (with an unexpired lease term of at least 20 years) and will not be subject to break clauses. The Group will seek to amend any future leases acquired by the Group to obtain similar terms.	achieved
The Group will not undertake speculative development (that is, development of property which has not been leased or preleased), subject to the limitation in the final bullet below, so as to reposition a home in its local market and thus to increase the rent due.	achieved
The Group may invest in forward-funding agreements or forward commitments to pre-let developments, or as part of a structured acquisition of an asset, subject to the limitation in the final bullet below, where the Group will own the asset on the completion of the work, or has the ability to acquire the asset upon agreed conditions being satisfied.	achieved
The gross budgeted development costs of any refurbishment, extension or replacement of existing holdings and/or forward funding and forward commitments, is limited to 25% of the Company's gross assets at the time of commitment.	achieved

The Group is permitted to generate up to 15% of its gross income in any financial year from non-rental revenue or profit-related payments from the tenants in addition to the rental income due under the leases. The Group is also permitted to invest up to:

- (i) 10% of its gross assets, at the time of investment, in non-residential Healthcare Real Estate Assets, such as properties which accommodate GP or dental practices and other healthcare-related services including occupational health and physiotherapy practices, pharmacies and hospitals or in non-healthcare-related residential assets attached to residential Healthcare Real Estate Assets;
- (ii) 25% of its gross assets, at the time of investment, in indirect property investment funds (including joint ventures) with a similar investment policy to that of the Company; and
- (iii) 15% of its gross assets, at the time of investment, in other closed-ended investment funds listed on the Official List. The directors have no current intention to acquire non-residential Healthcare Real Estate Assets or indirect property investment funds.

The Group may also acquire or establish companies, funds or other SPVs which themselves own assets falling within the Company's investment policy.

The Group will not acquire any asset or enter into any lease or related agreement if that would:

- (i) result in a breach of the conditions applying to the Company to hold real estate investment trust ("REIT") status or
- (ii) result in any investment by the Group in assets located outside of the UK.

The Company may invest cash held for working capital purposes and awaiting investment in cash deposits, gilts and money market funds. It will not invest in derivatives but it may use derivatives for hedging purposes.

Any material change to the investment policy will require the prior approval of shareholders.

OUR PORTFOLIO

At 31 December 2022, the Group owned the homes listed in the table below:

Tenant and home	Region	Acquisition date ¹	Beds ²	Capital projects ³
Belmont Healthcare				
Madeira Lodge	South East	Nov 2022	48	
Wombwell Hall	South East	Nov 2022	120	

Value at 31 December 2022: £13.6m				
Careport				
Briardene	North East	Aug 2018	60	
Derwent	North East	Aug 2018	45	
Holly Lodge	North East	Nov 2018	41	
Kingston Court	North West	Jun 2019	75	
Old Prebendal House and Court	South East	Jun 2019	39	
Riverwell Beck	North West	Dec 2020	60	+6
Sovereign Court and Lodge	North East	Aug 2018	60	
The Grove	North East	Sep 2018	57	
Value at 31 December 2022: £33.2m				
Carlton Hall				
Carlton Hall	East of England	Sep 2021	86	
Oasis Development Site	East of England	Sep 2021	-	+80
Value at 31 December 2022: £13.4m				
Croftwood Care*				
Ancliffe	North West		40	
Astbury Lodge	North West		41	
Croftwood	North West		47	
Crossways	North West		39	
Elm House	North West		40	
Florence Grogan	North West		40	
Garswood	North West		53	
Gleavewood	North West		32	
Golborne House	North West		40	
Greenacres	North West		40	
Hourigan	North West		40	
Ingersley Court	North West		46	
Lakelands	North West		40	
Leycester House	North West		40	
Loxley Hall	North West		40	+5
Lyndhurst	North West		40	
New Milton House	North West		39	
Parklands	North West		40	
The Cedars	North West		27	
The Elms	North West		41	
The Hawthorns	North West		39	
The Laurels	North West		40	
Thorley House	North West		40	
Turnpike Court	North West		53	
Wealstone	North West		42	
Westhaven	North West		52	
Whetstone Hey	North West		42	

Value at 31 December 2022: £69.3m

Tenant and home	Region	Acquisition date ¹	Beds ²	Capital projects ³
Electus Care				
Abingdon Manor	Northern Ireland	Feb 2022	60	
Cedarhurst Lodge	Northern Ireland	Dec 2020	67	
Edgewater Lodge	Northern Ireland	Dec 2020	75	
Larne	Northern Ireland	Feb 2022	87	
Saintfield Lodge	Northern Ireland	Dec 2020	51	

Value at 31 December 2022: £22.0m

Holmes Care Group				
Alexander House ⁵	Scotland	Dec 2021	44	
Almond Court	Scotland	Aug 2020	42	
Almond View	Scotland	Aug 2020	78	
Bankview (&BVDC)	Scotland	Aug 2020	65	
Barrogil House ⁵	Scotland	Dec 2021	40	
Beechwood	Scotland	Aug 2020	90	
Camilla ⁵	Scotland	Dec 2021	42	
Craigie House ⁵	Scotland	Dec 2021	30	
Cragielea	Scotland	Aug 2020	85	
Femlea House ⁵	Scotland	Dec 2021	38	
Finavon Court ⁵	Scotland	Dec 2021	24	
Grandholm	Scotland	Aug 2020	79	
Heatherfield	Scotland	Aug 2020	60	
Larkfield	Scotland	Aug 2020	90	
Lomond View ⁵	Scotland	Dec 2021	50	
Methven House ⁵	Scotland	Dec 2021	62	
Preston House ⁵	Scotland	Dec 2021	64	
Roselea House ⁵	Scotland	Dec 2021	20	
Three Towns	Scotland	Aug 2020	60	
Walton House ⁵	Scotland	Dec 2021	40	
Willow House ⁵	Scotland	Dec 2021	40	

Value at 31 December 2022: £89.3m

Maria Mallaband and Countrywide Group (MMCG)				
Belmont House	Yorkshire & The Humber	May 2019	106	
Croft House	Yorkshire & The Humber	Mar 2020	68	
Howgate House	Yorkshire & The Humber	Mar 2020	63	
Manor Park	Yorkshire & The Humber	Mar 2020	75	
Parksprings	Scotland	May 2019	96	
Thomtree Mews	Scotland	May 2019	40	
Wallace View	Scotland	May 2019	60	

Value at 31 December 2022: £34.4m

Tenant and home	Region	Acquisition date ¹	Beds ²	Capital projects ³
Minster Care*				
Abbeywell	West Midlands		45	
Amberley	South West		30	
Ashgrove	Yorkshire & The Humber		56	
Broadgate	East Midlands		40	
Cambroe	Scotland	May 2018	74	
Craigend	Scotland		48	
Diamond House	East Midlands		74	
Duncote Hall	East Midlands		40	
Duncote, The Lakes	East Midlands		47	
Emmanuel	Yorkshire & The Humber		44	
Eryl Fryn	Wales		31	
Falcon House	East Midlands		46	
Freeland House	South East		111	
Gray's Court	East of England		87	
Grenville	East of England	May 2018	64	
Hamshaw Court	Yorkshire & The Humber		45	
Hillcrest	South West	Nov 2021	88	
Ideal	West Midlands		50	
Karam Court	West Midlands		47	
Littleport Grange	East of England		80	
Meadows & Haywain	East of England		65	
Mowbray	West Midlands		39	
Mulberry Manor	Yorkshire & The Humber		49	
Red Hill	West Midlands	Jan 2020	90	
Rydal	North East		60	
Saffron	East Midlands	Jun 2017	48	
Sovereign House	West Midlands		60	
Stansty House	Wales		74	
Three Elms	North West		60	
Waterside	West Midlands		47	
Woodlands Court	North West		40	
Wordsley	West Midlands		44	
Value at 31 December 2022: £134.4m				
NCUH NHS Trust				
Reiver House	North West	Jun 2019	-	
Surgical Unit	North West	Jun 2019	-	
Value at 31 December 2022: £4.1m				
Optima				
Robson	East of England	Aug 2019	44	

Barnam	East of England	Aug 2019	44	
Baylham	East of England	Aug 2019	55	
Value at 31 December 2022: £15.0m				
Tenant and home	Region	Acquisition date ¹	Beds ²	Capital ³ projects ³
Prestige Group				
Merlin Manor Care Centre	North East	Mar 2020	94	
Parkville	North East	Mar 2018	94	
Roseville	North East	Mar 2018	103	
Sandbanks	North East	Oct 2018	77	
Yew Tree	North East	Jan 2019	76	
Value at 31 December 2022: £33.4m				
Renaissance Care				
Croftbank	Scotland	Nov 2018	68	
Rosepark	Scotland	Nov 2018	60	
Value at 31 December 2022: £12.9m				
Silverline				
Baillieston	Scotland	Aug 2022	60	
Cardonald	Scotland	Aug 2022	35	
Laurel Bank	Yorkshire & The Humber	Mar 2020	63	
Springhill	Scotland	Nov 2021	61	
Stobhill	Scotland	Aug 2022	60	
The Beeches	Yorkshire & The Humber	Mar 2020	60	
Willow Bank	Yorkshire & The Humber	Mar 2020	59	
Value at 31 December 2022: £18.5m				
Welford				
Argentum Lodge	South West	Sep 2019	56	
Baily House	East Midland	Jun 2022	66	
Birchlands	Yorkshire & The Humber	Jun 2019	54	
Eastleigh - East Street & Rossiter House	South West	May 2022	54	
Eastleigh - Periton Road	South West	May 2022	69	
Eastleigh - Raleigh Mead	South West	May 2022	61	
Fairview Court and House ⁴	South West	Mar 2018	73	+11
Mavern House	South West	Jan 2021	51	+8
St Peter's House	East of England	Dec 2020	66	
Vale View Heights Care Home	South West	Jun 2019	55	
Woodleigh Christian Care Home	East Midlands	Jun 2022	44	
Value at 31 December 2022: £75.3m				

1 May 2017 unless stated

2 Number of registered beds

3 Capital projects are those that have been approved by the Board and are in the process of being developed

- 3 Capital improvement bed additions under development
- 4 Treated as two properties
- 5 These assets were invested in via a loan
- * Croftwood Care and Minster Care are both part of Minster Care Group

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