Contents

Consolidated statement of comprehensive income

For the period from 7 November 2016 to 31 December 2017

	Notes	Period ended 31 December 2017 £'000
Gross Rental Income	5	9,392
Insurance/service charge income	5	57
Insurance/service charge expense	5	(57)
Net rental income	5	**9,392**
Administrative and other expenses	6	(2,318)
Operating profit before changes in fair value of investment properties		7,074
Changes in fair value of investment properties	11	2,378
Operating profit		**9,452**
Finance income		6
Profit before tax		**9,458**
Tax charge on profit for the period	8	(1)
Profit and comprehensive income (attributable to shareholders)		**9,457**
Earnings per share – basic and diluted (pence)	9	**5.82p**

No operations were discontinued in the period.

Consolidated statement of financial position

As at 31 December 2017

	Notes	31 December 2017 £'000
Non-current assets		
Investment property	11	156,226
Trade and other receivables	12	1,651
Total non-current assets		**157,877**
Current assets		
Trade and other receivables	12	119
Cash and cash equivalents	13	38,387
Total current assets		**38,506**
Total assets		**196,383**
Current liabilities		
Trade and other payables	14	(1,221)
Total current liabilities		(1,221)
Non-current liabilities		
Trade and other payables	14	(1,712)
Total liabilities		**(2,933)**
Total net assets		**193,450**
Equity		
Share capital	17	1,922
Share premium reserve	17	140,505
Capital reduction reserve	17	41,566
Retained earnings		9,457
Total equity		**193,450**
Net asset value per ordinary share (pence)	19	**100.65p**

The consolidated financial statements were approved and authorised for issue by the board of directors on 21 March 2018 and are signed on its behalf by:

Rupert Barclay Chairman
21 March 2018

Consolidated statement of cash flows

For the period from 7 November 2016 to 31 December 2017

	Notes	Period ended 31 December 2017 £'000
Cash flows from operating activities		
Profit for the period (attributable to equity shareholders)		9,457
Finance income		(6)
Less: changes in fair value of investment properties	11	(2,378)
Increase in trade and other receivables		(1,770)
Increase in trade and other payables		2,933
Net cash flow from operating activities		**8,236**
Investing activities		
Purchase of investment properties	11	(152,154)
Acquisition costs capitalised	11	(1,184)
Capital improvements	11	(510)
Interest received		6
Net cash flow from investing activities		**(153,842)**
Financing activities		
Proceeds from issue of ordinary share capital	17	192,767
Issue costs of ordinary share capital	17	(3,488)
Dividends paid	10	(5,286)
Net cash flow from financing activities		**183,993**
Net increase in cash and cash equivalents for the period		38,387
Cash and cash equivalents at the start of the period		–
Cash and cash equivalents at the end of the period		**38,387**

Consolidated statement of changes in equity

	Notes	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'000
7 November 2016		**–**	**–**	**–**	**–**	**–**
Total comprehensive income		**–**	**–**	**–**	**9,457**	**9,457**
Transactions with owners						
Issue of management shares	17	50	–	–	–	50
Cancellation of management shares	17	(50)	–	–	–	(50)
Issue of ordinary shares	17	1,922	190,845	–	–	192,767
Share issue costs	17	–	(3,488)	–	–	(3,488)
Transfer to capital reduction reserve	17	–	(46,852)	46,852	–	–
Dividends paid	10	–	–	(5,286)	–	(5,286)
31 December 2017		**1,922**	**140,505**	**41,566**	**9,457**	**193,450**

Notes to the consolidated financial statements

For the period from 7 November 2016 (incorporation date) to 31 December 2017

1. Basis of preparation

General information

The consolidated financial statements for the period from incorporation on 7 November 2016 to 31 December 2017, are prepared in accordance with International Financial Reporting Standards ('IFRS') and interpretations issued by the International Accounting Standards Board ("IASB") as adopted by the European Union and in accordance with the Companies Act 2006, except for the requirement to include prior period comparatives as this is the Company's first financial period since incorporation.

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties which have been measured at fair value.

The Group has chosen to adopt EPRA best practice guidelines for calculating key metrics such as net asset value and 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 main market of the London Stock Exchange, in the Specialist Fund Segment. 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 Company's financial position. The principal risks are set out on pages 22-24 and Note 15 to the financial statements on page 84 also provides details of the Group's financial instruments, and its exposure to liquidity and credit risk.

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 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 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.

Judgements

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.

Fair valuation of investment property

The value of investment property is determined by independent real estate valuation experts, to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction. Each property has been valued on an individual basis. The valuation experts use recognised valuation techniques in accordance with those recommended by the International Valuation Standard Committee and are compliant with IFRS 13.

The valuations have been prepared in accordance with the RICS Valuation – Global Standards 2017 incorporating the IVSC International Valuation Standards ("the Red Book"). Factors reflected include current market conditions, annual rentals, lease lengths, and location. The significant methods and assumptions used by the valuers in estimating the fair value of investment property are set out in note 11.

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 accounting, 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 lease income straight-lining assets or liabilities to the statement of comprehensive income.

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 are for 20 years with a tenant only option to extend for two periods of 10 years. It has been assumed at this stage that the tenants do not exercise the option to extend.

Business combinations

The Group acquires subsidiaries that own property. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. Where such acquisitions are not judged to be the acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based upon their relative fair values at the acquisition date. Accordingly, no goodwill or deferred tax arises.

All acquisitions in the period have been judged not to be acquisitions of a business.

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 Company holds 100% of the issued share capital in Impact Property 1 Limited ("Propco 1") and Impact Property 2 Limited ("Propco 2"). The Company and its subsidiaries, Propco 1 and Propco 2 (together "the Group") is a property investment group.

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries drawn up to 31 December 2017. 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.

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 resulting asset or liability is reflecting as a receivable or payable in the consolidated statement of financial position.

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

Notes to the consolidated financial statements

For the period from 7 November 2016 (incorporation date) to 31 December 2017

3. Summary of significant accounting policies (continued)

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 licenses are spread evenly over the remaining lease term from the date of signing the license agreement.

Income and expenses

Income and expenses are accounted for on an accruals basis. The Group's income and expenses are charged through the consolidated statement of comprehensive income.

Taxation

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

Taxation arising as a result of non-REIT taxable income comprises current and deferred tax. Taxation is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised as direct movements in equity, in which case it is also recognised as a direct movement in equity.

Current tax is the expected tax payable on any non-REIT taxable income for the period, 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. 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 in which they arise.

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 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 Group 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.

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
On 12 April 2017, an application to the High Court was successfully made for the reduction of £0.30 per share of the share premium account plus £3,000,000 which allowed the transfer of £46,851,708 to the capital reduction reserve (refer to note 17). This is a distributable reserve.

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

4. Standards issued but not yet effective
The following standards have been issued but are not effective for this accounting period and have not been adopted early:

IFRS 9 'Financial Instruments'
In July 2014, the IASB published the final version of IFRS 9 'Financial Instruments' which replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'.

The IFRS 9 requirements represent a change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

For financial liabilities, IFRS 9 largely carries forward without substantive amendment the guidance on classification and measurement from IAS 39. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss.

The standard introduces new requirements for hedge accounting that align hedge accounting more closely with risk management and establishes a more principles-based approach to hedge accounting. The standard also adds new requirements to address the impairment of financial assets and means that a loss event will no longer need to occur before an impairment allowance is recognised.

The Group's financial assets comprise of trade and other receivables, cash and cash equivalents and trade and other payables.

Under IFRS 9 financial instruments trade and other receivables and trade and other payables would be classified and measured at amortised cost. This is in line with the current accounting policies already adopted for these financial instruments. Accordingly, no adjustments are expected with regards to the measure and classification of these financial instruments.

Notes to the consolidated financial statements

For the period from 7 November 2016 (incorporation date) to 31 December 2017

4. Standards issued but not yet effective (continued)

Under IFRS 9 expected credit losses would be recognised from the point at which financial instruments are originated or purchased. There would no longer be a threshold (such as a trigger loss event of default) before expected credit losses would start to be recognised. With limited exceptions, a 12-month expected credit losses must be recognised initially for all assets subject to impairment. For example, an entity recognises a loss allowance at the initial recognition of a purchased debt instrument rather than when an event of default by the issuer occurs. The amount of expected credit losses that are recognised would depend on the change in the credit quality since initial recognition to reflect the link between expected credit losses and the pricing of the financial instrument. With limited exceptions, IFRS 9 requires that at each reporting date, an entity shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

The Group's assessment in applying the new impairment approach will result in immaterial changes given the Group's requirement for tenants to pay rental payments in advance. No restatement is anticipated in the current period once the standard is adopted and becomes effective.

The standard will be effective for annual periods beginning on or after 1 January 2018. The Group will adopt IFRS 9 for the year ending 31 December 2018.

IFRS 16 'Leases'

In January 2016, the IASB published the final version of IFRS 16 'Leases'. IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise lease assets and lease liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from the previous leases standard, IAS 17.

The Group is still assessing the full impact of the new guidance under IFRS 16 on variable lease payments (including rental uplifts), lease modifications (including renewal options and breaks) and lease incentives. It is not anticipated that this standard will result in restatement in the current period once the standard is adopted and becomes effective.

The standard will be effective for annual periods beginning on or after 1 January 2019. The Group will adopt IFRS 16 for the year ending 31 December 2019.

The Group does not consider the adoption of any new standards or amendments, other than those noted above to be applicable to the Group.

5. Property income

	Period ended 31 December 2017 £'000
Rental income – freehold and leasehold property	**9,453**
Rent received in advance of recognition[1]	(1,712)
Rent recognised in advance of receipt[2]	1,651
Gross rental income	**9,392**
Insurance/service charge income	57
Insurance/service charge expense	(57)
Net rental income	**9,392**

1 Rent received in relation to the period from admission to acquisition, deemed to be a premium over the term of the leases of the seed acquisition portfolio
2 Rent recognised in the period to reflect the minimum 2% uplift in rents over the term of the lease on a straight line basis

Rent recognised in advance of receipt arises through the Group's accounting policy in respect of leases, which requires the recognition of rental income on a straight line basis over the lease term certain, including the passing rent as at 31 December 2017 which increases by RPI each lease anniversary with a floor of 2% and a cap of 4%. During the period, the rent received in advance of recognition less rent recognised in advance of receipt resulted in a net decrease in revenue and an offsetting entry is recognised in the consolidated statement of comprehensive income as a gain on investment property revaluation.

The following tenants are both part of the Minster Group and represent more than 10% of the property income:

	2017
Minster Care Management Ltd	60%
Croftwood Care UK Ltd	40%

6. Administrative and other expenses

	Period ended 31 December 2017 £'000
Investment Adviser fees (note 18)	1,609
Directors' remuneration (see below)	132
Auditor's fees[1]	
• Statutory audit of the Company and Group (including subsidiaries)	88
• Agreed upon procedures of the Company's 30 June 2017 interim report	13
• Audit of the 30 April 2017 Initial Financial Information of the Company	10
Administration fees	113
Investment Manager fees	80
Regulatory fees	14
Legal and professional	100
Other administrative costs	159
	2,318

1 The Auditor also received £72,000 for non-audit services performed relating to the Company's IPO. This amount has been included within share issues costs and deducted from the share premium account

The amounts shown above include irrecoverable VAT as appropriate.

Notes to the consolidated financial statements

For the period from 7 November 2016 (incorporation date) to 31 December 2017

7. Directors' remuneration

The Group had no employees in the current period. The Directors, who are the 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 period, are as follows:

	Period ended 31 December 2017 £'000
Rupert Barclay (Chairman)	32
Rosemary Boot	25
David Brooks	25
Philip Hall	25
Paul Craig	15
Employer's National Insurance	10
	132

Directors' remuneration for the period from incorporation to 31 December 2017 reflects fees for their services provided from the IPO on 7 March 2017, or later if appointed after this date.

Directors' remuneration payable at 31 December 2017 amounted to £7,000.

8. 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. Any non-qualifying profits and gains however will continue to be subject to corporation tax.

Tax charge in the consolidated statement of comprehensive income:

	Period ended 31 December 2017 £'000
UK corporation tax	1

Reconciliation of the corporation tax charge:

	Period ended 31 December 2017 £'000
Profit before tax	**9,458**
Theoretical tax at UK corporation tax rate (19%)	1,797
Effects of:	
Investment property revaluation not taxable	(452)
Qualifying property rental business not taxable	(1,344)
Total tax charge	1

The Company and its subsidiaries operate as a UK Group REIT. Subject to continuing compliance with certain rules, the UK REIT rules exempt the profits of the Group's UK property rental business from UK corporation tax. Capital gains on the Group's UK properties are also generally exempt from UK corporation tax, provided they are not held for trading.

9. 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.

The number of ordinary shares is based on the time weighted average number of ordinary shares in issue from the date of the Initial Public Offering (IPO) on March 7 2017 to 31 December 2017. This excludes the period from 7 November 2016 to 7 March 2017 when the Company was dormant. Refer to note 17 for the movement in shares issued. The weighted average number of shares for the period has been calculated as 162,552,476.

	Period ended 31 December 2017 Total
Net attributable to ordinary shareholders	
Total comprehensive income (£'000)	9,457
Average number of ordinary shares	162,552,476
Basic and diluted earnings per share (pence)[1]	**5.82p**

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 revaluation movements on investment properties.

EPRA earnings have been adjusted to exclude the effect of straight lining of rental income in order for the board to consider the level of cash covered dividend. The upfront initial lease rental payment received for the period between incorporation and the portfolio acquisition results in an uplift in the current period.

The reconciliations are provided in the table below:

	Period ended 31 December 2017 £'000
Net attributable to ordinary shareholders	
Total comprehensive income	**9,457**
Adjusted for:	
Change in fair value of investment property during the period	(2,317)
Rental income arising from recognising guaranteed rent uplifts and initial lease rental payment	(61)
EPRA earnings	**7,079**
Adjusted for:	
Rental income arising from recognising guaranteed rent uplifts and initial lease rental payment	61
Adjusted earnings	**7,140**
Average number of Ordinary shares	162,552,476
Earnings per share (pence)[1]	**5.82p**
EPRA basic and diluted earnings per share (pence)[1]	**4.35p**
Adjusted basic and diluted earnings per share (pence)[1]	**4.39p**

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

Notes to the consolidated financial statements

For the period from 7 November 2016 (incorporation date) to 31 December 2017

10. Dividends

	Dividend rate (pence per share)	Period ended 31 December 2017 £'000
First interim dividend (ex-dividend on 10 August 2017)	1.5p	**2,403**
Second interim dividend (ex-dividend – 16 November 2017)	1.5p	**2,883**
Total dividends paid		5,286
Total dividends paid for the period	3.0p	
Total dividends unpaid but declared	1.5p	
Total dividends declared for the period	4.5p	

On 31 July 2017, the Company declared a fully covered dividend of 1.50 pence per ordinary share (£2.4 million in total) for the period to 30 June 2017. This dividend was a Property Income Distribution ("PID") and paid on 31 August 2017.

On 1 November 2017, the Company declared a dividend of 1.50 pence per ordinary share (£2.9 million in total) for the period from 1 July 2017 to 30 September 2017. This dividend was a Property Income Distribution ("PID") and paid on 30 November 2017.

On 1 February 2018, the Company declared a dividend of 1.50 pence per ordinary share for the period from 30 September 2017 to 31 December 2017 with an ex-dividend date on 8 February 2018. This dividend is a Property Income Distribution ("PID") and was paid on 22 February 2018 to shareholders on the register on 9 February 2018.

11. Investment property

In accordance with IAS 40: Investment Property, the properties have been independently fair valued by Cushman & Wakefield, an accredited independent valuer with a recognised and relevant professional qualification and with recent experience in the locations and categories of the investment property being valued. The valuations have been prepared in accordance with the RICS Valuation – Global Standards 2017 incorporating the IVSC International Valuation Standards ("the Red Book"). The valuers have sufficient current local and national knowledge of the particular property markets involved, and have the skills and understanding to undertake the valuations competently.

The valuation models prepared in accordance with those recommended by the International Valuation Standards Committee have been applied and are consistent with the principles in IFRS 13.

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 period have been treated as asset purchases rather than business combinations because they are considered to be acquisitions of properties rather than businesses.

	31 December 2017 Total[1] £'000
Opening value	–
Property additions	152,154
Acquisition costs capitalised	1,184
Capital improvements	510
Revaluation movement	2,317
Closing value per independent valuation report	**156,165**
Rental income arising from recognising guaranteed rent uplifts and initial lease rental payment	61
Closing fair value per consolidation statement of financial position	**156,226**

1 Investment properties were held freehold and long leasehold during the period.

During the period, the Group successfully acquired 57 properties with 2,527 beds. The acquisition of the seed portfolio of 56 care homes completed on 4 May 2017, for total consideration of £148.75 million. On 29 June the Group acquired Saffron Court for £3.4 million. The majority of the properties acquired are freehold except for 6 properties which are long leasehold under 999 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:

	31 December 2017 £'000
Revaluation movement	2,317
Rental income arising from recognising guaranteed rent uplifts and initial lease rental payment	61
Change in fair value of investment properties	**2,378**

Notes to the consolidated financial statements

For the period from 7 November 2016 (incorporation date) to 31 December 2017

11. Investment property (continued)

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. During the period, the Group benefited from an upfront premium to reflect a rent calculation from the date of admission. For accounting purposes, this premium is being reflected over the term of the lease. In addition, the Group benefits from a minimum annual rental uplift of 2% on all leases. For accounting purposes these uplifts are also incorporated to recognise income on a straight line basis. The elements are reporting in the table below.

	Note	Period ended 31 December 2017 £'000
Rent received in advance of recognition[1]	5	(1,712)
Rent recognised in advance of receipt[2]	5	1,651
Rental income arising from recognising guaranteed rent uplifts and initial lease rental payment		**(61)**

1 Rent received in relation to the period from admission to acquisition, deemed to be a premium over the term of the leases of the seed acquisition portfolio
2 Rent recognised in the period to reflect the minimum 2% uplift in rents over the term of the 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 market value which is defined in the RICS Valuation Standards as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion." Market value as defined by RICS Valuation Standards is the equivalent of fair value under IFRS.

Unobservable inputs

These include: estimated rental value ("ERV") based on market conditions prevailing at the valuation date; 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); 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 5.5% to 9% across the portfolio.

A 0.25% movement of the valuation yield would have approximately a £5.2 million impact on the investment property valuation. A 1% movement in the rental income would have approximately a £1.6 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;

– Level 3 – unobservable inputs.

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

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets measured at fair value:				
Investment properties	**156,226**	–	–	**156,226**

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

12. Trade and other receivables

	31 December 2017 £'000
Non-current	
Rent recognised in advance of receipt	1,651
Current	
Prepayments	119
	1,770

13. Cash and cash equivalents

	31 December 2017 £'000
Cash and cash equivalents	38,387

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

14. Trade and other payables

	31 December 2017 £'000
Non-current	
Rent received in advance of recognition	1,712
Current	
Trade and other payables	354
Withholding tax payable – (PID Dividends)	329
Insurance service charge income received in advance	28
Capital improvements payable	510
	1,221
	2,933

Notes to the consolidated financial statements

For the period from 7 November 2016 (incorporation date) to 31 December 2017

15. 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.

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

	Total £'000
Financial Assets:	
Cash and cash equivalents	38,387
Financial liabilities:	
Trade and other payables	1,193

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

Market risk (including interest rate risk)

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

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 would result in an increase of £192,000 or a decrease of £192,000.

Credit risk

Credit risk is the risk that 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 also minimised 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 minimising credit risk. Outstanding trade receivables are regularly monitored.

At the reporting date, the Group's financial assets exposed to credit risk amounted to £nil.

Credit risk also arises with the cash balances held with banks and financial institutions. The board of directors 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.

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 continuous monitoring of forecast and actual cash flows by management ensuring it has appropriate levels of cash and available drawings to meet liabilities as they fall due.

The Group's financial liabilities based on the contractual undiscounted payments amounting to £1,193,000 are expected to be settled within 3 months.

16. 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 is targeting an aggregate dividend of 6.0p per share for the first 12 months from Admission which equates to a yield of 6 per cent per annum on the IPO Issue Price, payable in quarterly instalments.

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.

17. 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 7 November 2016	–	–	–	–	–
Issue of management shares	50,002	50	–	–	50
Cancellation of management shares	(50,000)	(50)	–	–	(50)
Shares issued 7 March 2017	146,172,358	1,462	144,710	–	146,172
Shares issued 5 May 2017	14,000,000	140	13,860	–	14,000
Shares issued 13 November 2017	32,034,471	320	32,275		32,595
	192,206,831	1,922	190,845	–	192,767
Share issue costs	–	–	(3,488)	–	(3,488)
Transfer to capital reduction reserve	–	–	(46,852)	46,852	–
Dividend declared (note 10)	–	–	–	(5,286)	(5,286)
As at 31 December 2017	**192,206,831**	**1,922**	**140,505**	**41,566**	**183,993**

On incorporation the Company issued 2 ordinary shares of £0.01 each and 50,000 management shares of £1 each which were fully paid up. These were issued to Impact Health Partners LLP. The 50,000 management shares were redeemed following the IPO.

On 7 March 2017 Impact Healthcare REIT PLC raised £143.2 million net of share issue costs through its IPO and the ordinary shares issued were admitted to trading on the Specialist Fund Segment of the main market of the London Stock Exchange. The company's ticker symbol is (IHR). The initial public offer by the company involved the issue of 146,172,360 ordinary shares to the relevant subscriber at a price of 100p per ordinary share.

The consideration received in excess of the par value of shares issued (net of total expenses of issue) of £141,793,095, was credited to the share premium account.

On 12 April 2017, an application to the High Court by Special Resolution was successfully made for the capital of the Company to be reduced by the reduction of the share premium account by an amount equal to 30p multiplied by the number of ordinary shares in issue immediately following Admission plus £3,000,000. This was effected by a transfer to the capital reduction reserve.

Notes to the consolidated financial statements

For the period from 7 November 2016 (incorporation date) to 31 December 2017

17. Share capital, share premium and capital reduction reserve (continued)

On 5 May 2017, the Company issued a further 14,000,000 Ordinary Shares at a price of 100p per ordinary share raising gross proceeds of £14 million. This increased the total number of ordinary shares in the Company in issue to 160,172,360. The consideration received in excess of the par value of shares issued of £13,860,000, was credited to the share premium account.

On 13 November 2017, the Company issued a further 32,034,471 Ordinary Shares at a price of 101.75p per ordinary share raising gross proceeds of £32.6 million. This increased the total number of ordinary shares in the Company in issue to 192,206,831. The consideration received in excess of the par value of shares issued of £32,275,000, was credited to the share premium account.

18. Transactions with related parties

Investment Adviser

The fees calculated and paid for the period to the Investment Adviser were as follows:

For the period from 7 November 2016 to	Period ended 31 December 2017 £'000
Impact Health Partners LLP	**1,609**

For the period ended 31 December 2017 the principals and finance director of Impact Health Partners LLP, the Investment Adviser, 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 5.20%,0.31% and 0.02% respectively (either directly or through a wholly-owned company) of the total issued ordinary share capital of Impact Healthcare REIT plc. Mr Patel also (directly and indirectly) holds a majority 72.5% stake in Minster Care Group Limited (MCGL), the company which was established to be the holding company of each of the initial tenants to which the Company leased the seed portfolio upon completion of the acquisition of the seed portfolio. Mr Cowley also holds a 20% interest in MCGL. 100% of the Group's rental income is received from MCGL or its subsidiaries. There were no trade receivables or payables outstanding at the period end.

During the period the key management of Impact Health Partners LLP received the following dividends from Impact Healthcare REIT plc: Mahesh Patel £300,000; Andrew Cowley £18,000 and David Yaldron £525.

In addition, prior to the acquisition of the seed portfolio, Mr Patel was a beneficial owner of the seed portfolio so he became entitled to a share of the total consideration payable by the Company on the acquisition of the seed portfolio.

Directors' interests

Paul Craig is a director of the Company. He is also the portfolio manager at Old Mutual Global Investors, which has an interest in 39,617,784 ordinary shares of the Company through funds under management. The remaining directors do not hold significant interest in the ordinary share capital of the Company.

During the period the Directors received the following dividends from Impact Healthcare REIT plc: Rupert Barclay £3,000; David Brooks £900; Rosemary Boot £900 and Philip Hall £900. In addition, funds managed by Paul Craig received dividends from the Company of £1,111,767.

Directors' remuneration for the period is disclosed in note 7 as well as in the Directors' Remuneration Report..

19. Net Asset Value (NAV) per share

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

EPRA has issued guidelines aimed at providing a measure of net asset value on the basis of long term fair values. There are no adjustments between basic and EPRA NAV.

	31 December 2017 £'000
Net assets per consolidated statement of financial position	193,450
Adjustments	–
EPRA NAV	193,450
Issued share capital (number)	192,206,831
Basic and EPRA NAV per share	**100.65p**

20. Operating leases

The future minimum lease payments under non-cancellable operating leases receivable by the Group are as follows:

	Within 12 months £'000	2-5 years £'000	>5 years £'000	Total £'000
31 December 2017	11,827	50,654	218,274	280,755

The Group's investment properties are leased to tenants under the terms of a property lease that includes upward only rent reviews which are performed annually. These are linked to annual RPI uplifts, with a floor of 2% and cap of 4%.

21. Capital commitments

The Group has entered into a License for Alteration and Deed of Variation contract for 2 of its properties namely, Turnpike Court and Littleport Grange Nursing Home, on 17 November and 18 December 2017 respectively with an expected date of completion on the improvements of the properties being April and August 2018 respectively. The Group has committed to cover up to a maximum of £1.1 million and £2.6 million respectively in relation to the cost of improvements on these properties.

22. Contingent liabilities

Full relief for Stamp Duty Land Tax (SDLT) has been granted in relation to the transfer of properties between companies which are members of the group. Should there be a change in control of the Company within 3 years of completion, or a single shareholder acquires a substantial stake in the Company a liability in the subsidiary companies could arise. This is equal to approximately 5% of the aggregate value of the properties and is estimated at £7.5million on the net purchase price of assets acquired in the period.

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.

Notes to the consolidated financial statements

For the period from 7 November 2016 (incorporation date) to 31 December 2017

23. Subsequent events

Acquisition

On 11 January 2018, the board of directors announced that the Group had exchanged contracts to acquire as part of a sale and leaseback transaction a portfolio of three purpose-built care homes in the North-East of England for a total consideration of £17 million (including costs). The completion was conditional on, among other things, regulatory approvals, on the individual properties. The first of the three assets completed on 16 March 2018.

The Portfolio is being acquired from the Prestige Care Group ("Prestige"), a developer and operator of care homes with over 20 years' experience in the care industry. The portfolio comprises a total of 234 high-quality care beds and an additional 40 beds which present an asset management opportunity. Prestige will continue to operate the homes as the Group's tenant following completion. The net initial yield and level of rent cover are expected to be in line with the terms on which the Group acquired its initial seed portfolio.

Rent review

The investment properties comprising 57 care homes previously acquired from Minster and Croftwood on 5 May 2017, were subject to their annual rent review on 7 March 2018 which is linked to the annual RPI over the 12 month period with a floor of 2% and a cap of 4%.

As a result of this review the annual passing rent increased on the 7th March 2018 from £11.6 million to £12.1 million and the annual contracted rent increased from £11.9 million to £12.3 million.

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 balance sheet as at 31 December 2017

Company Registration Number: 10464966

	Notes	As at 31 December 2017 £'000
Non-current assets		
Investment in subsidiaries	6	153,338
Total non-current assets		**153,338**
Current assets		
Trade and other receivables	7	91
Cash and cash equivalents	8	38,387
Total current assets		**38,478**
Total assets		**191,816**
Current liabilities		
Trade and other payables	9	(683)
Loan from Group companies		(9,453)
Total liabilities		**(10,136)**
Total net assets		**181,680**
Equity		
Share capital	10	1,922
Share premium reserve	10	140,505
Capital reduction reserve	10	41,566
Retained earnings		(2,313)
Total equity		**181,680**
Net Asset Value per ordinary share (pence)	12	**94.52p**

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The loss attributable to the Parent Company for the period ended 31 December 2017 amounted to £2.3 million.

The financial statements were approved and authorised for issue by the board of directors on 21 March 2018 and are signed on its behalf by:

Rupert Barclay Chairman
21 March 2018

Company statement of changes in equity

	Notes	Undistributable reserves Share capital £'000	Share premium £'000	Distributable reserves Capital reduction reserve £'000	Retained earnings £'000	Total £'000
7 November 2016		–	–	–	–	–
Total comprehensive loss		–	–	–	**(2,313)**	**(2,313)**
Transactions with owners						
Issue of management shares		50	–	–	–	50
Cancellation of management shares		(50)	–	–	–	(50)
Issue of ordinary shares	10	1,922	190,845	–	–	192,767
Share issue costs	10	–	(3,488)	–	–	(3,488)
Transfer to capital reduction reserve	10	–	(46,852)	46,852	–	–
Dividends paid	5	–	–	(5,286)	–	(5,286)
31 December 2017		**1,922**	**140,505**	**41,566**	**(2,313)**	**181,680**

Notes to the Company financial statements

For the period from 7 November 2016 (incorporation date) to 31 December 2017

1. Basis of preparation

General information

The financial statements for the period from incorporation on 7 November 2016 to 31 December 2017, 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, except for the requirement to include prior period comparatives as this is the Company's first financial period since incorporation.

Disclosure exemptions adopted

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

Therefore these financial statements do not include:

- A statement of cash flows;
- Presentation of a reconciliation of shares outstanding in the period;
- Financial instrument disclosures where equivalent disclosures have been presented in Note 15 to the Consolidated Financial Statements and
- The disclosure of the remuneration of key management personnel.

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

In assessing the going concern basis of accounting, the Directors have had regard to the guidance issued by the Financial Reporting Council. 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 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.

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. There were no significant accounting judgements, estimates or assumptions in preparing these financial statements.

3. Summary of significant accounting policies

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

Income and expenses

Income and expenses are accounted for on an accruals basis. The Company's income and expenses are charged through the statement of comprehensive income.

Notes to the Company financial statements

For the period from 7 November 2016 (incorporation date) to 31 December 2017

3. Summary of significant accounting policies (continued)

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 Group 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.

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

On 12 April 2017, an application to the High Court was successfully made for the reduction of £0.30 per share of the share premium account plus £3,000,000 which allowed the transfer of £46,851,708 to the capital reduction reserve (refer to note 10). This is a distributable reserve.

Trade 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 balance sheet 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 in the consolidated statement of comprehensive income:

	Period ended 31 December 2017 £'000
UK corporation tax	1

5. Dividends

Details of dividends paid by the Company are included in Note 10 to the Consolidated Financial Statements.

6. Investment in subsidiaries

	Total £'000
As at 7 November 2016	–
Cost of investments acquired through share purchases	153,338
As at 31 December 2017	153,338

The Company has the following subsidiaries as at 31 December 2017:

	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

The registered address for both the above subsidiaries is: 7th Floor 9 Berkeley Street, London, London, England, W1J 8DW.

7. Trade and other receivables

	31 December 2017 £'000
Prepayments	91

As at 31 December 2017, there were no trade receivables past due or impaired.

8. Cash and cash equivalents

	31 December 2017 £'000
Cash and cash equivalents	38,387

9. Trade and other payables

	31 December 2017 £'000
Trade and other payables	354
Withholding tax payable – (PID Dividends)	329
	683

Notes to the Company financial statements

For the period from 7 November 2016 (incorporation date) to 31 December 2017

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 is included in Note 17 to the Consolidated Financial Statements.

11. Transactions with related parties

The Company has taken advantage of the exemption 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 18 of the consolidated financial statements for disclosure of related party transactions of the Group.

12. Net asset value (NAV) per share

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

EPRA has issued guidelines aimed at providing a measure of net asset value on the basis of long term fair values. There are no adjustments between basic and EPRA NAV.

	31 December 2017 £'000
Net assets per statement of financial position	181,680
Adjustments	–
EPRA NAV	181,680
Issued share capital (number)	192,206,831
Basic and EPRA NAV per share	**94.52p**

13. Capital commitments

See Note 21 to the consolidated financial statements where the capital commitments of the Company and Group have been disclosed.

14. Subsequent events

Significant events after the reporting period are the same as those of the Group. See Note 23 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.