

## Results For Six Months Ended 30 June 2019

Released : 03/09/2019 07:00

RNS Number : 9731K  
Impact Healthcare REIT PLC  
03 September 2019

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3 September 2019

**Impact Healthcare REIT plc**

(the "Company" and with its subsidiaries, the "Group")

**RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

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 today reporting its half year results for the six month period from 1 January 2019 to 30 June 2019.

**Financial highlights**

	<b>6 months to 30 June 2019</b>	<b>6 months to 30 June 2018</b>	<b>Year to 31 December 2018</b>
Dividend per share	3.09p	3.0p	6.00p
Profit before tax	£10.94m	£8.47m	£16.47m
Earnings per share	5.05p	4.41p	8.57p
EPRA earnings per share	3.62p	3.23p	6.47p
Adjusted earnings per share <sup>1</sup>	2.58p	2.37p	5.07p
Contracted rent roll	£21.64m	£14.49m	£17.78m
Portfolio valuation	£271.6m	£184.3m	£223.8m
Net asset value ("NAV") per share	104.67p	102.03p	103.18p
Share price <sup>2</sup>	110.00p	103.00p	103.50p
Loan to value ("LTV") ratio	7.7%	11.2%	11.6%

- Successful implementation of new progressive dividend policy. Paid dividends of 3.09p per share in respect of the first half of the year, a 3% increase on H1 2018, in line with target.
- Dividends well covered by our EPRA earnings per share, which increased 12.1% to 3.62p (H1 2018: 3.23p).
- Portfolio valuation increased by 21.3% to £271.6 million as at 30 June 2019 (as at 30 June 2018: £184.3 million), reflecting £39.5 million of acquisitions, £3.1 million invested in capital improvements and a value uplift of £5.2 million. The value uplift was driven by rent increases and the Group's investment in capital improvements.
- NAV per share increased 3% to 104.67p (30 June 2018: 102.03p).
- NAV total return for the period of 4.39%, composed of a dividend paid in the period of 3.04p per share and 1.49p per share growth in NAV.
- Total expense ratio reduced 12% to 1.51% (H1 2018: 1.71%).
- Delivered a 29% increase in profit before tax to £10.94 million (30 June 2018: £8.47 million).
- The Company successfully raised £100 million of new equity from its significantly oversubscribed placing in May 2019, 85% of which has now been committed.
- Signed a £25 million debt facility during the period taking total debt facilities available to £75 million, with £25 million drawn at the period end, resulting in an LTV ratio of 7.67%, down from 11.2% as at 30 June 2018.

**Operational highlights**

- Acquired nine properties with 471 beds in the period ended 30 June 2019, adding two new tenants, taking the total number of tenants to eight<sup>3</sup>, and growing the number of properties in the portfolio to 81 with a total of 3,924 beds.
- Grew our contracted rent roll by 49% to £21.6 million (30 June 2018: £14.5 million).
- Weighted average unexpired lease term ("WAULT") of 19.6 years at 30 June 2019.
- Rent reviews in the period added £0.4 million to contracted rent, representing a 2.41% increase on the associated portfolio.

- 100% inflation linked leases.

#### Post balance sheet highlights

- Completed the acquisition of two homes in Devon and Oxfordshire, adding a further 91 beds to the portfolio.
- Exchanged contracts on a portfolio of two homes in Suffolk with a further 98 beds and adding a new tenant.
- Solicitors have been instructed in respect of a number of other transactions and the Group remains confident that it will continue to identify and execute on further acquisitions, which meet the Company's investment criteria and return profile and are expected to deliver further value for shareholders. The Group continues to exercise robust capital discipline, to deliver value at the point of acquisition or investment.

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

"This was a period of continued, but measured growth in line with the strategy we set out at IPO. These strong first half results give the Company good momentum going into the second half and make us well placed to continue to deliver value in the short and longer term.

We appreciate the support existing and new shareholders gave us in the equity placing we closed in May, the proceeds of which have given us the capacity to bring further high-quality assets into the portfolio, increasing our diversification and reducing risk.

We have strong relationships with a growing number of high-quality tenants, who offer an essential regulated service and provide good care. This in turn ensures the Group has a secure income stream.

This stands us in good stead in an uncertain economic and political environment, including where the outcome of Brexit negotiations is still uncertain, and underpins our new progressive dividend policy and total return target, which reflect our confidence in the Group's prospects."

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The Company's LEI is 213800AX3FHPMJL4IJ53.

Further information on Impact Healthcare REIT is available at [www.impactreit.uk](http://www.impactreit.uk).

#### NOTES:

Impact Healthcare REIT plc is a real estate investment trust ("REIT") which aims to provide shareholders with an attractive return, principally in the form of quarterly income distributions and with the potential for capital and income growth, through exposure to a diversified portfolio of UK healthcare real estate opportunities, in particular residential care homes. The Group's investment policy is to acquire, renovate, extend and redevelop high quality healthcare real estate assets in the UK and lease those assets primarily to healthcare operators providing residential healthcare services under full repairing and insuring leases.

The Company's intention is to pay a target dividend of 6.17 pence per share for the year to 31 December 2019<sup>4</sup>.

The Company will seek to grow the target 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.

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.

#### Notes

- 1 Adjusted earnings per share reflects underlying cash earnings per share in the year. The adjustments made to EPS in arriving at EPRA and Adjusted EPS are set out in note 10 of the Group Financial Statements.
- 2 As at 28 June 2019, 29 June 2018 and 31 December 2018 respectively.
- 3 Minster and Croftwood (both subsidiaries of Minster Care Group), Careport, Prestige, Renaissance, Welford, Maria Mallaband Countrywide Group and NHS Cumbria.
- 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.

#### A meeting for investors and analysts and live webcast and conference call will be held at 11.00am today

Maitland

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Those wishing to attend the presentation or access the live webcast and conference call are kindly asked to contact Maitland at [impacthealth-maitland@maitland.co.uk](mailto:impacthealth-maitland@maitland.co.uk) or by telephone on +44 (0) 20 7379 5151.

#### **The presentation will also be accessible on-demand**

In addition, a recorded webcast of this meeting and the presentation will also be available to download on-demand from the Company's website: [www.impactreit.uk/investors/reporting-centre/presentations/](http://www.impactreit.uk/investors/reporting-centre/presentations/)

### **CHAIRMAN'S STATEMENT**

This was a successful first half for the Group, in which we continued to build on the positive momentum we had created in 2018. We added further care homes and tenants to the portfolio and closed an over-subscribed equity offer to fund further growth, all while maintaining strong capital discipline.

#### **Operational performance**

During the period, we completed a number of acquisitions, which together added nine properties with 471 beds to the portfolio and increased our number of tenants from six\* to eight\*. Our investment portfolio was independently valued at £271.6 million as at 30 June 2019, up from £184.3 million on 30 June 2018, a 47.4% increase. Over the same time period our contracted rent roll grew by 49.3%, from £14.5 million on 30 June 2018 to £21.6 million on 30 June 2019, demonstrating that the acquisitions we have made are accretive for the Group.

Asset management is one of our key value creation tools and is starting to bear fruit. During the period, our tenants have made good progress on filling the 107 new beds we have delivered so far at Garswood House, Ingersley, Littleport, Parkville and Turnpike Court. We are making good progress on significant extensions at Diamond House and Freeland House, which when completed will offer 76 high-quality beds for specialist dementia care.

#### **Our tenants**

We have continued to diversify the Group's tenant base. Having started the year with six\* tenants, we ended the first half with eight\*, adding Maria Mallaband and Countrywide Group (MMCG) and the NHS. MMCG is a top-ten operator of care homes in the United Kingdom with 82 care homes.

This tenant diversification is an important part of our growth strategy, enabling us to expand the business while spreading risk. We choose tenants who prioritise high standards of care and a positive environment for their residents and share our vision of continued asset improvement, as well as meeting our requirements for financial stability. One of the board's priorities is to maintain its assets to a high standard and we pay close attention to our tenants' programmes of repair and maintenance.

#### **Financial performance**

The unaudited NAV at 30 June 2019 was £299.9 million or 104.67p per share (30 June 2018 NAV £196.1 million or 102.03p per share).

Unaudited earnings per share (EPS) for the period was 5.05 pence (basic and diluted), up from 4.41 pence in the same period in 2018. EPRA EPS was 3.62p (2018: 3.23p) and Adjusted EPS was 2.58p (2018: 2.37p).

Looking forward, our priorities continue to be to take a disciplined approach to allocating capital as we grow the business, while being as efficient as possible in the way we manage the business.

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

#### **Dividends and total return**

Between our inception in March 2017 and the beginning of 2019, we paid seven quarterly dividends of 1.5p per share, in line with the targets we set ourselves at IPO. At the beginning of this year we announced a new progressive dividend policy. Under this policy we aim to grow the target dividend in line with the inflation-linked rental uplifts we received in the previous financial year, which results in a target dividend for 2019 of 6.17p per share. This is a 2.83% increase on the total dividend for 2018.

So far in 2019 we have paid two dividends in relation to the first two quarters of the year of 1.5425p each, delivering on our target. This dividend continues to be well covered by our EPRA EPS of 3.62p.

The NAV total return for the period was 4.4%, in line with the NAV total return target we also introduced at the beginning of this year of 9.0% per annum.

#### **Financing**

The Group had an active first half putting in place foundations for its further growth. In February we announced a share placing programme and that our shares were migrating from the specialist fund segment of the main market of the London Stock Exchange to the premium segment of the main market. In May we activated the placing programme with a successful and over-subscribed equity offering at 106 pence per share, which raised £100 million and increased our issued share capital from 192,206,831 shares to 286,546,454 shares. At the end of June our shares were included into the FTSE EPRA/NAREIT Global Real Estate Index Series.

In addition, we increased our available debt facilities with a second revolving credit facility (RCF) of £25 million from Clydesdale Bank, taking our total debt facilities to £75 million. We used these facilities to enable us to make acquisitions during the period and then repaid the RCFs using the proceeds of the equity offering. Our drawn debt at 30 June 2019 was £25.1 million, giving us an LTV of 7.7%, in line with our deliberately conservative policy with regard to debt.

#### **Post balance sheet events**

Since the period end, we have completed the acquisition of two care homes in Devon and Oxfordshire, bringing an additional 91 beds into our portfolio. We have also exchanged contracts to acquire two homes in Suffolk, which offer 98 beds and will be operated by Optima Care, the Group's ninth tenant\*.

## Corporate governance

The Company has a strong and independent Board, comprising me as Chairman and four other Non-Executive Directors. We were delighted to welcome Amanda Aldridge as a new Non-Executive Director of the Company on 1 March 2019. Amanda qualified as a chartered accountant in 1987 and was an audit and advisory partner in KPMG LLP from 1996 until 2017. She became chair of the Audit Committee immediately after the Company's AGM on 14 May 2019. Amanda replaces David Brooks, who tragically died in 2018.

The Board is committed to achieving high standards of corporate governance. We are aware of the new matters set out in the updated AIC Corporate Governance Code and will ensure we are in compliance during 2019.

## Investment Manager

Impact Health Partners LLP is our Investment Manager. The Manager is working hard on the Group's behalf and brought acquisitions to the board which have continued to diversify the Group successfully during the first half of 2019. The Investment Manager further strengthened its team during the period, in particular by hiring a senior member of the team to focus on asset management. This will help us to build long-term partnerships with our tenants and drive further value creation.

We are pleased that the Investment Manager received the authorisations required from the FCA to enable it to move from being the Company's Investment Adviser to become our Alternative Investment Fund Manager (AIFM) on 15 March 2019. This move has helped to simplify our management structure and generate efficiencies for the Company.

## Outlook and summary

This was a period of continued, but measured growth in line with the strategy we set out at IPO. We remain well placed to deliver value in the short and longer term.

We appreciate the support existing and new shareholders gave us in the equity placing we closed in May, the proceeds of which have given us the capacity to bring further high-quality assets into the portfolio, increasing our diversification and reducing risk. We have strong relationships with a growing number of high-quality tenants, who offer an essential regulated service and provide good care. This in turn ensures the Group has a secure income stream. This stands us in good stead in an uncertain economic and political environment, including where the outcome of Brexit negotiations is still uncertain, and underpins our new progressive dividend policy and total return target, which reflect our confidence in the Group's prospects.

**Rupert Barclay**  
**Chairman**  
**3 September 2019**

\* Minster and Croftwood are both part of Minster Care Group

## INVESTMENT MANAGER'S REPORT

This was a successful half year for the Group, during which it continued to implement its proven growth strategy and deliver on its key targets, particularly dividends and total returns.

### Investment activity

During the period, the Group deployed £39.0 million into new acquisitions, all of which comply with the Group's strict investment criteria and have risk/return profiles which are consistent with the Group's existing portfolio. Further capital has been committed to transactions which had not completed before 30 June 2019.

In aggregate, the Group acquired a further nine properties with 471 beds, a 13.7% increase on the number of beds at 31 December 2018. These acquisitions, combined with rent increases received during the period, helped to grow our contracted rent roll from £17.8 million on 31 December 2018, to £21.6 million on 30 June 2019, a 21.3% increase.

The acquisitions further diversified the portfolio geographically and added two new tenants to the Group: Maria Mallaband and Countrywide Group and the NHS. With the exception of our two properties leased to the NHS, all our leases have minimum fixed terms of 20 years, no tenant break rights, options to extend and annual rent adjustments at RPI, with a floor of 2% and a cap of 4%.

### Asset management

Well delivered asset management has the potential to create value for our shareholders and tenants, while also offering a high quality environment for residents at our homes. In all our asset management opportunities we are adding beds and improving existing homes. We already own the land and our tenants have central services (kitchens, laundry, staff offices) on site so the marginal cost of adding beds is lower than with a new build and the risks easier to assess.

So far we have built, and our tenants have brought into operation, 107 beds at five of our homes. Laura Hill, who joined the Investment Manager in January 2019 to lead on asset management is currently working hard on live projects at 10 of our homes, which when completed will deliver 124 new beds. We are working closely with our tenants to expand this asset management pipeline.

In addition to this capital investment aimed at increasing capacity and repositioning homes, under the terms of the leases our tenants are fully responsible for keeping the Group's buildings in good repair through regular repair and maintenance programmes. We monitor these programmes carefully, to ensure they are being effectively implemented.

### The portfolio

As a result of the acquisitions and asset management activity described above, at 30 June 2019 the portfolio comprised 81 properties, with just under 4,000 beds (approximately 0.9% of the beds available in the UK). A complete list of all the assets in the portfolio can be found below.

We are pleased with the current operating performance of our tenants. They have done consistently better than the national averages in the quality of care they provide, as assessed by the relevant national healthcare regulator, while delivering good financial performance. The portfolio's rent cover for the six months to 30 June 2019 was 1.8 times.

## Valuation

The portfolio is independently valued by Cushman & Wakefield each quarter, in accordance with the RICS Valuation - Professional Standard (the "Red Book").

As at 30 June 2019, the portfolio was valued at £271.6 million, an increase of £47.8 million or 21.4% from the valuation of £223.8 million at 31 December 2018. The components of this valuation increase were as follows:

- acquisitions: £39.5 million;
- capital improvements in homes: £ 3.1 million; and
- valuation uplift: £5.2 million.

The like-for-like valuation uplift was driven by rent increases during the period as well as the Group's capital improvement investments.

## Financial results

Total net rental income recognised for the period was £10.8 million (H1 2018: £7.9 million). Under IFRS, the Group must recognise some rent in advance of receipt, reflecting the minimum 2% uplift in rents over the term of the leases, on a straight line basis. Cash rental income received in the period was £8.6 million (H1 2018: £6.2 million).

Administrative and other expenses totalled £2.0 million (H1 2018: £1.6 million). Net finance costs were £1.2 million (H1 2018: £0.1 million). The change in fair value of investment properties was £3.4 million (H1 2018: £2.3 million), contributing to profit before tax of £10.9 million (H1 2018: £8.5million).

Earnings per share ("EPS") for the period was 5.05p (2018: 4.41p) and EPRA EPS was 3.62p (2018: 3.23p).

All the EPS figures listed above are on both a basic and diluted basis. More information on the calculation of EPS can be found in note 7 to the financial statements.

## Dividends

To ensure the Company benefits from the full exemption from tax on rental income afforded by the UK REIT regime, it must distribute at least 90% of the qualifying profits each year from the Group's qualifying rental business.

The Company has declared and paid two quarterly dividends of 1.5425p each in respect of the period. Both dividends were Property Income Distributions and the details were as follows:

Quarter to	Declared	Paid	Cash cost £m
31 March 2019	1 May 2019	7 June 2019	4.42
30 June 2019	30 July 2019	30 August 2019	4.42
<b>Total</b>			<b>8.84</b>

Earnings per share cover for the total dividend is discussed in the Chairman's statement.

## Financing

We were busy in the first half putting in place the building blocks to allow the Group's continued development. The key milestones were:

- 5 February 2019: placing programme for up to 200 million shares and migration from the specialist fund segment of the main market of the London Stock Exchange to the premium segment of the main market.
- 7 March 2019: new £25 million revolving credit facility signed with Clydesdale at a margin of between 225bp and 250bp over three-month LIBOR, taking the Group's total available debt to £75 million.
- 10 May 2019: closing of an over-subscribed equity offer in which we placed 94.3 million new shares at a price of £1.06 per share with a combination of the Group's existing shareholders and new shareholders.
- 24 June: inclusion of the Company's shares in the FTSE EPRA/NAREIT Global Real Estate Index Series.

We continue to take a conservative approach to managing the Group's balance sheet. Immediately before the successful equity placing, we had drawn debt of £61.8 million. After the equity placing, we repaid both revolving loans in full, but left the £25 million term element of the Metro loan in place. This left us with an LTV of 7.7% at 30 June 2019 and £50 million of debt available to redraw to fund further acquisitions and capital investments.

## Post balance sheet events

We completed on the acquisition of two care homes after 30 June 2019:

- Holmesley in Devon, which is leased to Welford, an existing tenant; and
- Old Prebendal House in Oxfordshire, which has been leased to Careport, also an existing tenant.

We also exchanged contracts to acquire two care homes in Suffolk, which on completion will be leased to Optima Care, a new, high-quality tenant for the Group with a particular focus on complex elderly care.

## Acquisition pipeline

When we published the prospectus for the equity placing programme on 11 February 2019, we said that we were working on 11 potential acquisitions. Including the post balance sheet items mentioned above, we have now executed on five of those transactions. Solicitors have been instructed in respect of a number of other transactions.

We remain confident that we will continue to identify and execute on further acquisitions, which meet the Company's investment criteria and return profile and are expected to deliver further value for shareholders. We continue to exercise robust capital discipline, to deliver value at the point of acquisition or investment.

**Impact Health Partners LLP**  
**Investment Manager**  
**3 September 2019**

#### KEY PERFORMANCE INDICATORS

The Group uses the following measures to assess its strategic progress.

KPI and definition	Performance
<b>1 Net Asset Total Return</b> The change in the net asset value over the period, plus dividends paid.	<b>4.39%</b> for the period to 30 June 2019 (period to 30 June 2018: 4.35%)
<b>2 Dividends</b> Dividends paid to shareholders and declared in relation to the period.	<b>3.09p per share</b> for the period to 30 June 2019 (period to 30 June 2018: 3.00p)
<b>3 EPRA earnings per share</b> Earnings from operational activities.	<b>3.62p per share</b> for the period to 30 June 2019 (period to 30 June 2018: 3.23p)
<b>4 EPRA 'topped-up' NIY</b> Annualised rental income based on the cash rents passing on the balance sheet date, less nonrecoverable property operating expenses, divided by the market value of the property portfolio, increased by 6.5% to reflect a buyer's costs and adjusted for the expiration of rent-free periods or other unexpired lease incentives	<b>7.12%</b> as at 30 June 2019 (as at 31 December 2018: 6.97%)
<b>5 NAV per share</b> Net asset value based on the properties and other investment interests at fair value	<b>104.67p per share</b> as at 30 June 2019 (as at 31 December 2018: 103.18p)
<b>6 Gross Loan to Value ("LTV")</b> The proportion of our gross asset value that is financed by borrowings.	<b>7.67%</b> as at 30 June 2019 (as at 31 December 2018: 11.62%)
<b>7 Weighted Average Unexpired Lease Term ("WAULT")</b> The average unexpired lease term of the property portfolio, weighted by annual passing rents.	<b>19.6 years</b> as at 30 June 2019 (as at 31 December 2018: 19.5 years)
<b>8 Total Expense Ratio ("TER")</b> Total recurring administration costs as a percentage of average net asset value throughout the period.	<b>1.51%</b> for the period to 30 June 2019 (period to 30 June 2018: 1.71%)

#### Market drivers

A number of drivers influence demand for, and provision of, care for older people. This makes it an attractive investment market for well-capitalised asset owners working in partnership with well-managed operators, who are committed to providing high standards of care.

##### 1: Growing demand

People aged over 85, the age group most likely to need care, are the fastest growing segment of the UK population. According to the Office for National Statistics, the number of people over 85 years old in the UK is forecast to double by 2041, from 1.6 million in 2016 to 3.2 million. At the moment, around 15% of those over 85 require a level of care which can only be provided in either a hospital or a care home.

##### 2: Capacity has shrunk from its peak

The number of available residential and nursing home beds in the UK rose rapidly in the 1970s and 1980s, reaching a peak of 563,100 in 1996. It has since declined by 17% from that level, to 464,800 in 2018. This decline is the result of obsolete homes withdrawing from the market, homes being sold for change of use and the amount of new development activity coming to completion. In the years to March 2016 and March 2017, the number of available beds fell by 1,700 and 4,300 respectively. However, in the year to March 2018 there was a small net increase of 900 beds.

##### 3: Severe pressure on the NHS

In the 12 months to May 2019, the NHS in England lost 1,650,875 bed days through delayed transfers. Pressure on the NHS remains severe with Simon Stevens, the CEO of NHS England, estimating that patients who stay in hospitals for more than three weeks, most of them elderly, occupy one in five hospital beds or the equivalent of 36 hospitals.

Acute hospitals are not only more expensive than other care settings, they do not always offer the best environment for the care of elderly people with multiple, long-term chronic medical conditions.

#### 4: Growing calls for major reforms of the system

funding to adult social care (which includes care for working age adults and care at home, as well as money spent on residential care for the elderly). According to research by the House of Commons Library, local authorities will have access to an additional £10 billion in social care funding between 2017/18 and 2019/20.

Additional government funding for adult social care

Social Care Precept	Local Authorities can raise council tax levels by up to 2% in each year between 2017/18 and 2019/20
Improved Better Care Fund	£4.4 billion transferred from the NHS budget to fund social care
Adult Social Care Support Grant	£240 million for local authorities in 2017/18 and £150 million in 2018/19
Social Care Package to Ease Winter Pressure	£240 million in each of 2018/19 and 2019/20
Social Care Support Grant	£410 million in 2019/20

There is widespread recognition that more needs to be done to find a long-term funding solution for the challenges and opportunities presented by an ageing population. Reports published in 2019 by The House of Lords Economic Affairs Committee, The King's Fund, The Institute for Public Policy Research and Policy Exchange have all suggested that the best solution would be to make personal care for the elderly free at the point of delivery, just as medical care provided by the NHS is free. The new government formed by Boris Johnson in July has committed to develop a long-term solution for social care. However, any structural reforms requiring legislation seem unlikely in the short-term given the government's focus on Brexit.

#### 5 A growing market

Despite this lack of clarity in long-term government policy, as a result of increasing demand and a shift from government provision to independent providers, the independent sector has seen sustained and above-inflation growth. Since 2005, the revenues of for-profit independent providers have increased by 4.2% per annum, and for non-profit independent providers by 4.3% per annum.

According to research by LaingBuisson, the estimated annualised value of residential care services for people over 65 in the UK, as at 31 March 2018, was £16.9 billion.

#### The portfolio

Name of home	Region	Acquisition date <sup>1</sup>	Beds	Capital projects <sup>3</sup>
<b>Minster Care*</b>				
Abbeywell	West Midlands		45	
Amberley	South West		27	
Ashgrove	Yorkshire & Humber		56	
Attlee Court	Yorkshire & Humber		68	
Broadgate	East Midlands		40	
Carnbroe	Scotland	May 2018	74	
Craigend	Scotland		48	
Diamond	East Midlands		44	30
Duncote Hall	East Midlands		38	
Duncote The Lakes	East Midlands		45	
Emmanuel	Yorkshire & Humber		37	
Eryl Fryn	Wales		29	
Falcon	East Midlands		46	
Freeland	South East		62	46
Gray's Court	East of England		87	
Grenville	East of England	May 2018	64	
Hamshaw Court	Yorkshire & Humber		45	
Ideal	West Midlands		44	
Karam Court	West Midlands		47	
Littleport Grange	East of England		75	
MEADOWS & Haywain	East of England		65	
Mowbray	West Midlands		37	
Mulberry Manor	Yorkshire & Humber		60	
Rydal	North East		57	
Saffron	East Midlands	June 2017	48	
Shrubbery	West Midlands		29	
Sovereign	West Midlands	Sept 2018	60	
Stansty House	Wales		74	
Three Elms	North West		56	
Waterside	West Midlands		47	
Woodlands Court	North West		40	
Wordsley	West Midlands		41	
<b>Value at 30 June 2019: £120.38m</b>				



<b>Croftwood Care*</b>				
Ancliffe	North West		40	
Astbury Lodge	North West		41	
Croftwood	North West		44	
Crossways	North West		39	
Elm House	North West		39	
Florence Grogan	North West		40	
Garswood	North West		40	11
Gleavewood	North West		30	
Golborne House	North West		40	
Greenacres	North West		40	
Hourigan	North West		40	
Ingersley Court	North West		45	
Lakelands	North West		40	
Leycester House	North West		40	
Loxley Hall	North West		36	5
Lyndhurst Home	North West		40	
New Milton House	West Midlands		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	North West		40	
Turnpike Court	North West		53	
Wealstone	North West		42	
Westhaven	North West		52	
Whetstone Hey	North West		41	
<b>Value at 30 June 2019: £62.29m</b>				
<b>Careport</b>				
Briardene	North East	Aug 2018	59	
Derwent	North East	Aug 2018	45	
Holly Lodge	North East	Nov 2018	41	
Kingston Court	North East	Jun 2019	74	
Sovereign Court	North East	Aug 2018	12	
Sovereign Lodge	North East	Aug 2018	48	
The Grove	Yorkshire and The Humber	Sep 2018	55	
<b>Value at 30 June 2019: £19.31m</b>				
<b>NCUH NHS Trust</b>				
Reiver House	North West	Jun 2019	-	
Surgical Unit	North West	Jun 2019	-	
<b>Value at 30 June 2019: £4.37m</b>				
<b>Prestige Group</b>				
Parkville 1 & 2	North East	Mar 2018	93	
Roseville Care Centre	North East	Mar 2018	103	
Sand Banks	North East	Oct 2018	77	
Yew Tree	North East	Jan 2019	76	
<b>Value at 30 June 2019: £20.24m</b>				
<b>Renaissance Care</b>				
Croftbank	Scotland	Nov 2018	68	
Rosepark	Scotland	Nov 2018	58	
<b>Value at 30 June 2019: £11.81m</b>				
<b>Maria Mallaband and Countrywide Group (MMCG)</b>				
Belmont House	York & The Humber	May 2019	100	
Parksprings	Scotland	May 2019	70	
Thorntree Mews	Scotland	May 2019	40	
Wallace View	Scotland	May 2019	60	
<b>Value at 30 June 2019: £23.29m</b>				
<b>Welford</b>				
Birchlands	York & The Humber	Jun 2019	51	
Fairview Court/House <sup>2</sup>	South West	Mar 2018	71	
<b>Value at 30 June 2019: £9.93m</b>				

**Notes**

- 1: May 2017 unless stated
  - 2: Treated as two properties
  - 3: Capital improvement bed additions under development
- \* Minster and Croftwood are both part of Minster Care Group

**PRINCIPAL RISKS AND UNCERTAINTIES**

The board considers that the principal risks and uncertainties for the business, as presented on pages 22-25 of our 2018 Annual



Report, have not changed significantly during the period.

A key element of the board's operational processes is effective risk management. The group reviews the level of risk and the group's risk appetite annually with reporting against this framework assessed quarterly. Risk is inherent in any business, and the board seeks to ensure that risks are minimised while delivering progressive returns for shareholders. Key considerations of this approach are summarised below.

- primary investment focuses on healthcare real estate which has tended to be less cyclical than other real estate sectors;
- investments focused on properties and tenants with strong rent cover and with a mix of local authority and privately funded residents, providing a diverse underlying operating income base and corresponding rent security;
- the Group benefits from long initial lease terms, with upwards-only annual rent reviews, providing clear visibility of income;
- active asset management to ensure properties are well maintained, and resilient for the term of the lease;
- the Group does not commit to greenfield developments; and
- debt funding is limited to 35% LTV with the expectation to fix or hedge the majority of interest costs that are expected to be permanently drawn.

The approach taken by the board is rigorous and thorough. It ensures that the assessment of risk remains appropriate and relevant.

The board is continuing to monitor the risks that may arise from the UK 's exit from the European Union ("Brexit"). The final outcome and method of exit remains unclear and it is too early to understand fully the impact this will have on our business and our sector. The impact of Brexit on the macro-economic environment could lead to political uncertainty and volatility in interest rates, which could in turn affect our investment and occupier market our ability to execute our investment strategy and our tenant's ability to recruit staff and source supplies.

The board has concluded that there have been no significant changes to the principal risks and uncertainties faced by the Group, nor do they anticipate any significant changes during the remaining six months to 31 December 2019. Full disclosure of risks and uncertainties faced by the Company are set out within the 2018 Annual Report.

**Rupert Barclay**  
**Chairman**  
**3 September 2019**

#### DIRECTORS' RESPONSIBILITIES

The directors confirm that to the best of their knowledge, this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union and that the operating and financial review includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 of the Disclosure and Transparency rules of the United Kingdom's Financial Conduct Authority, namely:

- an indication of important events that have occurred during the first period of the financial year and their impact on the condensed financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first period of the financial year and any material changes in the related party transactions disclosed in the 2018 Annual Report as disclosed in note 14.

Shareholder information is as disclosed on the Impact Healthcare REIT plc website.

For and on behalf of the board

**Rupert Barclay**  
**Chairman**  
**3 September 2019**

#### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)	Year ended 31 December 2018 (audited)
		Total	Total	Total
	Notes	£'000	£'000	£'000
Gross rental income	5	10,816	7,864	17,309
Insurance/service charge income	5	111	155	155
Insurance/service charge expense	5	(113)	(155)	(158)
<b>Net rental income</b>		<b>10,814</b>	<b>7,864</b>	<b>17,306</b>
Administrative and other expenses		(2,051)	(1,644)	(4,270)

Operating profit before changes in fair value of investment properties		8,763	6,220	13,036
Changes in fair value of investment properties	9	3,416	2,339	4,134
<b>Operating profit</b>		<b>12,179</b>	<b>8,559</b>	<b>17,170</b>
Finance income		35	20	39
Finance expense		(1,268)	(103)	(737)
<b>Profit before tax</b>		<b>10,946</b>	<b>8,476</b>	<b>16,472</b>
Tax charge on profit for the period/year	6	-	(8)	-
<b>Profit and comprehensive income (attributable to shareholders)</b>		<b>10,946</b>	<b>8,468</b>	<b>16,472</b>
<b>Earnings per share - basic and diluted (pence)</b>	7	<b>5.05p</b>	<b>4.41p</b>	<b>8.57p</b>

The results are derived from continuing operations during the period/year.

#### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2019 (unaudited) £'000	As at 30 June 2018 (unaudited) £'000	As at 31 December 2018 (audited) £'000
<b>Non-current assets</b>				
Investment property	9	265,976	182,754	220,463
Interest rate derivatives	11	157	506	477
Trade and other receivables		7,459	3,259	5,248
<b>Total non-current assets</b>		<b>273,592</b>	<b>186,519</b>	<b>226,188</b>
<b>Current assets</b>				
Trade and other receivables		1,536	195	587
Cash and cash equivalents		52,147	36,160	1,470
<b>Total current assets</b>		<b>53,683</b>	<b>36,355</b>	<b>2,057</b>
<b>Total assets</b>		<b>327,275</b>	<b>222,874</b>	<b>228,245</b>
<b>Current liabilities</b>				
Trade and other payables		(2,255)	(1,044)	(3,333)
<b>Total current liabilities</b>		<b>(2,255)</b>	<b>(1,044)</b>	<b>(3,333)</b>
<b>Non-current liabilities</b>				
Bank borrowings	10	(23,272)	(24,063)	(24,709)
Trade and other payables		(1,818)	(1,668)	(1,866)
<b>Total non-current liabilities</b>		<b>(25,090)</b>	<b>(25,731)</b>	<b>(26,575)</b>
<b>Total liabilities</b>		<b>(27,345)</b>	<b>(26,775)</b>	<b>(29,908)</b>
<b>Total net assets</b>		<b>299,930</b>	<b>196,099</b>	<b>198,337</b>
<b>Equity</b>				
Share capital	12	2,865	1,922	1,922
Share premium reserve	13	237,459	140,452	140,452
Capital reduction reserve		35,800	35,800	35,800
Retained earnings		23,806	17,925	20,163
<b>Total equity</b>		<b>299,930</b>	<b>196,099</b>	<b>198,337</b>
<b>Net Asset Value per ordinary share (pence)</b>	15	<b>104.67p</b>	<b>102.03p</b>	<b>103.18p</b>

#### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June 2019 (unaudited) £'000	Six months ended 30 June 2018 (unaudited) £'000	Year ended 31 December 2018 (audited) £'000
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<b>1 January 2018</b>		<b>1,922</b>	<b>140,505</b>	<b>41,566</b>	<b>9,457</b>	<b>193,450</b>
<b>Total comprehensive income</b>		-	-	-	8,468	8,468
<b>Transactions with owners</b>						
Dividends paid	8	-	-	(5,766)	-	(5,766)
Share issue costs	13	-	(53)	-	-	(53)
<b>30 June 2018</b>		<b>1,922</b>	<b>140,452</b>	<b>35,800</b>	<b>17,925</b>	<b>196,099</b>

12 months ended 31 December 2018 (audited)

Notes	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'000
<b>1 January 2018</b>	<b>1,922</b>	<b>140,505</b>	<b>41,566</b>	<b>9,457</b>	<b>193,450</b>
<b>Total comprehensive income</b>	-	-	-	16,472	16,472
<b>Transactions with owners</b>					
Dividends paid	8	-	(5,766)	(5,766)	(11,532)
Share issue costs	13	-	(53)	-	(53)
<b>31 December 2018</b>	<b>1,922</b>	<b>140,452</b>	<b>35,800</b>	<b>20,163</b>	<b>198,337</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of Preparation

#### General information

These unaudited condensed consolidated financial statements for the six month period ended 30 June 2019, are prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the International Accounting Standards Board ("IASB") and IAS34 "Interim Financial Reporting" as adopted by the European Union, including the comparative information for the six months period ended 30 June 2018 and for the year ended 31 December 2018.

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

The Group has chosen to adopt EPRA best practice 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 were listed on the Specialist Fund Segment and moved to the Premium Listing Segment on 8 February 2019. The registered address of the Company is disclosed in the Corporate Information.

The condensed consolidated financial statements presented herein for the year to 31 December 2018 does not constitute full statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's annual report and accounts for the year to 31 December 2018 have been delivered to the Registrar of Companies. The Group's independent auditor's report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2016.

#### Convention

The condensed 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 directors have considered the Group's financial position as well as the principal risks of the Group.

The majority of the Group's property assets are let to tenants on long leases with annual rent reviews linked to RPI with a 2% floor and a 4% cap, providing a stable and long term income stream. This coupled with a visible and relatively stable cost base provide additional security when assessing the Group's financial position.

The Group has been in compliance with all of the financial covenants of the Group's loan facilities as applicable throughout the period.

The directors have also considered the capital commitments of the Group and the post balance sheet investments.

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 the Group's financial statements. The board is, therefore, of the opinion that the going concern basis adopted in the preparation of the interim 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.

#### 2.1 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:

### 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 25 years with a tenant-only option to extend for one or 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.

In the current and preceding year all acquisitions were accounted for as asset acquisitions as none of the acquisitions included the acquisition of an integrated set of activities.

### Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

## 2.2 Estimates

### Fair valuation of investment property

The valuations have been prepared in accordance with the RICS Valuation - Global Standards 2017 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 9.

Gains or losses arising from changes in the fair values are included in the condensed 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 to the condensed consolidated statement of comprehensive income.

## 3. Summary of significant accounting policies

The accounting policies adopted in this report are consistent with those applied in the Group's statutory accounts for the period ended 31 December 2018 and are expected to be consistently applied during the year ended 31 December 2019.

In addition, the following accounting policies will apply for the year ended 31 December 2019 and therefore the current six month period ended 30 June 2019:

### 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 and has not had a material impact on the Group.

## 4. Standards issued but not yet effective

### IFRS 3 'Business Combinations'

On 22 October 2018, the IASB issued 'Definition of a Business (Amendments to IFRS 3)' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

The standard is not expected to have material impact on the Group and the Group already performs this assessment. Refer to note 2 where this assessment is considered.

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

	Six months ended 30 June 2019 (unaudited) Total £'000	Six months ended 30 June 2018 (unaudited) Total £'000	Year ended 31 December 2018 (audited) Total £'000
<b>Rental income cash received in the period/year</b>	<b>8,556</b>	<b>6,212</b>	<b>13,866</b>
Rent received in advance of recognition <sup>1</sup>	49	44	(154)
Rent recognised in advance of receipt <sup>2</sup>	2,211	1,608	3,597
<b>Gross rental income</b>	<b>10,816</b>	<b>7,864</b>	<b>17,309</b>
Insurance/service charge income	111	155	155
Insurance/service charge expense	(113)	(155)	(158)
<b>Net rental income</b>	<b>10,814</b>	<b>7,864</b>	<b>17,306</b>

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

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.

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 2% on all leases. For accounting purposes these uplifts are also incorporated to recognise income on a straight-line basis.

## 6. 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 period ending 30 June 2019 and 30 June 2018, the Group did not have any non-qualifying profits except interest income on bank deposits.

## 7. 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.

	Six months ended 30 June 2019 (unaudited) Total £'000	Six months ended 30 June 2018 (unaudited) Total £'000	Year ended 31 December 2018 (audited) Total £'000
<b>Total comprehensive income (attributable to ordinary shareholders)</b>	<b>10,946</b>	<b>8,468</b>	<b>16,472</b>
Adjusted for:			
Revaluation movement	(5,677)	(3,991)	(7,577)
Rental income arising from recognising rental premiums and future guaranteed rent uplifts	2,260	1,652	3,443
Change in fair value of investment properties	(3,417)	(2,339)	(4,134)
Change in fair value of interest rate derivative	320	76	105
<b>EPRA earnings</b>	<b>7,849</b>	<b>6,205</b>	<b>12,443</b>
Adjusted for:			
Rental income arising from recognising rental premiums and future guaranteed rent uplifts	(2,260)	(1,652)	(3,443)
Non-recurring due diligence costs	-	-	742
<b>Adjusted earnings</b>	<b>5,589</b>	<b>4,553</b>	<b>9,742</b>
Average number of ordinary shares	216,703,860	192,206,831	192,206,831
<b>Earnings per share (pence)<sup>1</sup></b>	<b>5.05p</b>	<b>4.41p</b>	<b>8.57p</b>
<b>EPRA basic and diluted earnings per share (pence)<sup>1</sup></b>	<b>3.62p</b>	<b>3.23p</b>	<b>6.47p</b>
<b>Adjusted basic and diluted earnings per share (pence)<sup>1</sup></b>	<b>2.58p</b>	<b>2.37p</b>	<b>5.07p</b>

<sup>1</sup> 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 on investment properties and interest rate derivatives.

### Adjusted Earnings:

EPRA earnings have been adjusted to exclude the effect of straight lining of rental income and one-off due diligence costs incurred in the year on a large transaction that is not reflective of the standard underlying costs. These have been adjusted to enable the board to consider the level of sustainable cash earnings.

## 8. Dividends

	Dividend rate per share pence	Six months ended 30 June 2019 (unaudited) £'000	Six months ended 30 June 2018 (unaudited) £'000	31 December 2018 (audited) £'000
Third interim dividend for the period ended 31 December 2017 (ex-dividend - 8 February 2018)	1.5p	-	2,883	2,883
First interim dividend for the period ended 31 December 2018 (ex-dividend - 3 May 2018)	1.5p	-	2,883	2,883
Second interim dividend for the period				

ended 31 December 2018 (ex-dividend - 16 August 2018)	1.5p	-	-	2,883
Third interim dividend for the period ended 31 December 2018 (ex-dividend - 1 November 2018)	1.5p	-	-	2,883
Fourth interim dividend for the period ended 31 December 2018 (ex-dividend - 7 February 2019)	1.5p	2,883	-	-
First interim dividend for the period ended 31 December 2019 (ex-dividend - 16 May 2019)	1.5425p	4,420		
<b>Total dividends paid</b>		<b>7,303</b>	<b>5,766</b>	<b>11,532</b>
Total dividends paid in respect of the period/year	1.5425p	1.5p	4.5p	
Total dividends unpaid but declared in respect of the period/year	1.5425p	1.5p	1.5p	
<b>Total dividends declared in respect of the period/year - per share</b>		<b>3.0850p</b>	<b>3.0p</b>	<b>6.0p</b>

On 30 January 2019, the Company declared an interim dividend of 1.50 pence per ordinary share for the period from 30 September 2018 to 31 December 2018 and was paid in February 2019.

On 1 May 2019, the Company declared an interim dividend of 1.5425 pence per ordinary share for the period from 31 December 2018 to 31 March 2019 and was paid in June 2019.

On 30 July 2019, the Company declared an interim dividend of 1.5425 pence per share for the period from 1 April 2019 to 30 June 2019 paid in August 2019.

### 9. 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 the portfolio valued as a single entity. The valuers have used recognised valuation techniques in accordance with those recommended by International Valuation Standards Committee and are compliant with IFRS13. Factors reflected include current market conditions, annual rentals, lease lengths, property condition including improvements affected during the year, rent coverage and location.

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

	As at 30 June 2019 (unaudited) Total £'000	As at 30 June 2018 (unaudited) Total £'000	As at 31 December 2018 (audited) Total £'000
Opening value	223,845	156,165	156,165
Property additions	36,899	22,810	53,365
Acquisition costs capitalised	2,065	604	2,071
Capital improvements	3,131	775	4,667
Revaluation movement	5,677	3,991	7,577
<b>Closing value per independent valuation report</b>	<b>271,617</b>	<b>184,345</b>	<b>223,845</b>
Guaranteed rent reviews and initial lease rental payment net (debtor) / creditor	(5,641)	(1,591)	(3,382)
<b>Closing fair value per condensed consolidation statement of financial position</b>	<b>265,976</b>	<b>182,754</b>	<b>220,463</b>

1 Investment properties include freehold and long leasehold properties

### Change in fair value of investment properties

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

	Six months ended 30 June 2019 (unaudited) Total £'000	Six months ended 30 June 2018 (unaudited) Total £'000	31 December 2018 (audited) Total £'000
Revaluation movement	5,677	3,991	7,577
Rental income arising from recognising rental premiums and future guaranteed rent uplifts	(2,260)	(1,652)	(3,443)
<b>Change in fair value of investment properties</b>	<b>3,417</b>	<b>2,339</b>	<b>4,134</b>



## 10. Bank borrowings

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

	As at 30 June 2019	As at 30 June 2018	As at 31 December 2018
		Total	Total
		£'000	£'000
At the beginning of the period/year	26,000	-	-
Bank borrowings drawn in the period <sup>2</sup>	35,969	25,000	26,000
Bank borrowings repaid in the period <sup>2</sup>	(36,844)	-	-
<b>Total bank borrowings drawn</b>	<b>25,125</b>	<b>25,000</b>	<b>26,000</b>
<b>Total bank borrowings undrawn</b>	<b>49,875</b>	<b>25,000</b>	<b>24,000</b>

### New facility - Clydesdale credit facility

On 6 March 2019, the Group agreed a new revolving credit facility of £25 million (the "Clydesdale Facility") with Clydesdale Bank PLC ("Clydesdale"). The Group drew down £12.3 million from the Clydesdale Facility and repaid the amount in full during the period.

The five-year Clydesdale Facility has a margin of 225 or 250 basis points over three-month LIBOR, depending on the loan-to value ratio of the 14 properties over which the Group has granted security to Clydesdale as security for the loan.

The Group drew down £23.7 million under existing loan facilities with Metro Bank PLC and repaid £24.5 million during the period.

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

	As at 30 June 2019	As at 30 June 2018	As at 31 December 2018
		Total	Total
	£'000	£'000	£'000
<b>Bank borrowings drawn: due after more than one year</b>	<b>25,125</b>	<b>25,000</b>	<b>26,000</b>
Arrangements fees - carried forward	(1,291)	-	-
Arrangement fees paid during the year <sup>2</sup>	(751)	(943)	(1,483)
Amortisation of loan arrangement fees <sup>1</sup>	189	6	192
<b>Non-current liabilities: Bank borrowings</b>	<b>23,272</b>	<b>24,063</b>	<b>24,709</b>

1. Included in the Group's consolidated statement of comprehensive income are net loan finance costs of £948,692 (June 2018: £27,375; December 2018: £632,000) which includes loan arrangement fees and commitment of £332,816 (June 2018: £5,800; December 2018: £192,000)

2. Represents cash flow arising from financing activities.

## 11. Interest rate derivatives

	As at 30 June 2019	As at 30 June 2018	As at 31 December 2018
	(unaudited)	(unaudited)	(audited)
	Total	Total	Total
	£'000	£'000	£'000
At the beginning of the period	477	-	-
Interest cap costs paid	-	582	582
Changes in fair value of interest rate derivatives	(320)	(76)	(105)
	<b>157</b>	<b>506</b>	<b>477</b>

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 one month LIBOR.

The fair value of the derivative interest rate cap contract is estimated by discounting expected future cash flows using market interest rates.

## 12. Share capital

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	(unaudited)	(unaudited)	(audited)
	Total	Total	Total
	£'000	£'000	£'000
Shares in issue			
At the beginning of the period/year	192,206,831	1,922	1,922
Shares issued - 15 May 2019	94,339,623	943	-
	<b>286,546,454</b>	<b>2,865</b>	<b>1,922</b>

The Company had 286,546,454 shares of nominal value of 1 pence each in issue at the end of the period (30 June 2018: 192,206,831, 31 December 2018: 192,206,831).

On 15 May 2019, the Company issued a further 94,339,623 Ordinary Shares at a price of 106 pence per ordinary share raising gross proceeds of £100 million. This increased the total number of ordinary shares in the Company in issue to 286,546,454.

There were no shares issued during the year ended 31 December 2018

### 13. Share premium

Share premium comprises share capital subscribed for in excess of nominal value less costs directly attributed to share issuances.

	Six months ended 30 June 2019 (unaudited) Total £'000	Six months ended 30 June 2018 (unaudited) Total £'000	Year ended 31 December 2018 (audited) Total £'000
At the beginning of the period	140,452	140,505	140,505
Shares issued 14 May 2019	99,057	-	-
Share issue costs <sup>1</sup>	(2,050)	(53)	(53)
	<b>237,459</b>	<b>140,452</b>	<b>140,452</b>

1. Share issue costs in the six months ended 30 June 2018 and year ended 31 December 2018 includes incremental costs invoiced in the period in relation to the shares issued in November 2017. These costs had not been accrued at 31 December 2017.

### 14. Transactions with related parties

#### Investment Adviser

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

	Six months ended 30 June 2019 (unaudited) Total £'000	Six months ended 30 June 2018 (unaudited) Total £'000	Year ended 31 December 2018 (audited) Total £'000
<b>Impact Health Partners LLP</b>	<b>1,212</b>	<b>1,173</b>	<b>2,364</b>

For the six month period ended 30 June 2019 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 3.49%, 0.22% and 0.02% respectively (either directly or through a wholly-owned company) of the total issued ordinary share capital of Impact Healthcare REIT plc. In addition, Impact Health Partners LLP held 0.11% directly. 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. 65% of the Group's rental income was received from MCGL or its subsidiaries. There were no trade receivables or payables outstanding at the period end.

During the year the key management of Impact Health Partners LLP received the following dividends from Impact Healthcare REIT plc: Mahesh Patel £304,250; Andrew Cowley £19,472 and David Yaldron £1,673 and Impact Health Partner LLP £4,848.

#### Directors' interests

Paul Craig is a director of the Company. He is also the portfolio manager at Quilter Investors (formerly Old Mutual Global Investors), which has an interest in 55,332,303 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 £4,328; Rosemary Boot £913, and Philip Hall £913. In addition, funds managed by Paul Craig received dividends from the Company of £1,447,768.

### 15. 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.

EPRA has issued guidelines aimed at providing a measure of net asset value on the basis of long term fair values. The adjustments between basic and EPRA NAV are reflected in the following table:

	As at 30 June 2019 (unaudited) £'000	As at 30 June 2018 (unaudited) £'000	As at 31 December 2018 (audited) £'000
Net assets per condensed consolidated statement of financial position	299,930	196,099	198,337
Fair value of derivatives	(157)	(506)	(477)
EPRA NAV	299,773	195,593	197,860
Issued share capital (number)	286,546,454	192,206,831	192,206,831
<b>Basic NAV per share</b>	<b>104.67p</b>	<b>102.03p</b>	<b>103.18</b>
<b>EPRA NAV per share</b>	<b>104.62p</b>	<b>101.76p</b>	<b>102.94</b>

#### **16. Capital commitments**

During the period the Group had capital commitments in relation to the capital improvements on its portfolio of £5.8 million.

The Group has committed to deferred payment agreements on two properties in return for increased rent, based on trading performance at the trigger dates. Total expected commitments under these deferred payment agreements are estimated at £4.9million.

The Group had a further £11.4 million committed to two acquisitions which had exchanged and completed after the balance sheet date.

#### **17. 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 three 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 £8.9 million on the net purchase price of assets acquired in corporate acquisitions since incorporation.

#### **18. 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.

#### **19. Subsequent events**

##### **Acquisitions**

On 13 August 2019, the board of directors announced that the Group had exchanged contracts to acquire two care homes comprising 98 beds for a net purchase price of £12.9 million.

The homes will be leased to a new operator for the Group, Optima Care ("Optima"), our ninth tenant. Optima is a specialist health and social care provider with experience in operating residential dementia care homes for the elderly.

The homes will be leased to Optima on Impact's standard terms with a fixed term of 25 years and the rent subject to annual RPI uplifts with a floor of 2% pa and a cap of 4% pa. The homes are rated Outstanding and Good by CQC.

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