IMPACT Healthcare REIT

RESULTS FOR THE 12 MONTHS ENDED 31 DECEMBER 2019

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8 April 2020

Impact Healthcare REIT plc

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

RESULTS FOR THE 12 MONTHS ENDED 31 DECEMBER 2019

The Board of Directors of 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, today announces the Company's audited results for the 12 months ended 31 December 2019.

Financial highlights

	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
Dividends declared per share	6.17p	6.00p	4.50p*
Profit before tax	£26.3m	£16.5m	£9.5m*
Earnings per share ("EPS")	10.37p	8.57p	5.82p*
EPRA EPS	6.95p	6.47p	4.35p*
Adjusted EPS [1]	5.10p	5.07p	4.39p*
Contracted rent roll	£23.1m	£17.8m	£11.9m
Portfolio valuation	£318.8m	£223.8m	£156.2m
Net asset value ("NAV") per share	106.81p	103.18p	100.65p
Share price	108.00p	103.50p	102.38p
Loan to value ratio	6.81%	11.62%	Nil
NAV total return	9.46%	8.47%	7.19%[2]

* 2017 - Period from the Company's IPO on 7 March 2017 to 31 December 2017

1 Adjusted earnings 5.10p 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 Annualised for 2017

- This was the first year of implementing our progressive dividend policy, under which we aim to grow the target dividend in line with the inflation-linked rental uplifts received in the previous year.
- Paid four dividends of 1.5425p each in relation to 2019, thereby meeting our target for the year of 6.17p per share, an increase of 2.83% on the 6.0p paid in respect of 2018.
- Dividends 112.6% covered by our EPRA earnings per share, which increased 7.4% to 6.95p (2018: 6.47p).
- Portfolio valuation increased by 42.4% to £318.8 million as at 31 December 2019 (as at 31 December 2018: £223.8 million), reflecting £73.8 million of acquisitions, £7.2 million invested in capital improvements and a value uplift of £13.9 million. The value uplift was driven by rent increases and the Group's investment in capital improvements.
- NAV per share increased 3.5% to 106.81p (31 December 2018: 103.18p).
- NAV total return for the period of 9.46%, composed of a dividend paid in the period of 6.13p per share and 3.63p per share growth in NAV.
- Delivered a 59.9% increase in profit before tax to £26.3 million (31 December 2018: £16.5 million).
- Our shares were admitted to the premium listing segment of the Official List and to trading on the premium segment of the main market of the London Stock Exchange from February 2019 and we were included in the FTSE EPRA/NAREIT Global Real Estate Index Series from the end of June.

Operational highlights

- Acquired 14 properties with 757 beds in 2019. At the year end, the portfolio comprised 86 properties with 4,274 registered beds, let to nine tenants[1].
- Adding three new tenants increasing the total number of tenants to nine[1]. All leases continue to be inflation-linked with upwards only rent reviews.
- Weighted average unexpired lease term ("**WAULT**") of 19.7 years at 31 December 2019 (31 December 2018: 19.5 years).
- Rent reviews in the year added £0.41 million to contracted rent, representing a 2.3% increase on the associated portfolio.
- Grew the contracted rent roll by 30.1% to £23.1 million (31 December 2018: £17.8 million).
- Two equity raises gave proceeds of £135 million. A further £25 million debt facility was also secured.

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

Post balance sheet highlights

- Exchanged contracts to acquire for £68.5 million of capital 17 care homes with a total of 1,194 beds. The acquisition of eight of these homes have completed, with an average yield of 7.5%.
- Agreed new leases with two new tenants, Holmes Care and Silverline Care. The new leases have fixed terms of 25 years and annual inflation-linked adjustments.
- New transactions increase contracted rent roll on completion by 25.5% (£5.9 million) to £29.0 million.
- 170 beds of asset management: Completed projects added 76 new beds at Freeland House and Diamond House and entered into a forward funding agreement for the development of a new 94-bed care home in Hartlepool.
- Secured a new £50 million revolving credit facility with HSBC.

COVID-19

As the quarter unfolded, the COVID-19 virus evolved from a potential threat to the full-blown pandemic that we are in the midst of. We believe that the Group has good resilience in the face of this crisis which comes from the satisfactory operational and financial position of our tenants and the healthy financial position of the Group.

The Group's tenants provide an essential service to the communities in which they operate and will play a critical role in helping to provide care to vulnerable elderly people during the COVID-19 pandemic. Our top priority remains the health, welfare and safety of the Group's tenants, care home residents, care professionals and wider stakeholders.

Up to the date of the publication of this report, there had been no direct effect on our tenants measured by occupancy at their homes, which the Investment Manager is now monitoring on a weekly basis. The Group's tenants have a strong level of rent cover, with an average of 1.8 times rent cover across Impact's portfolio in the year to 31 December 2019. They have limited debt in their businesses and all care home rents due to 30 June have been paid to the Group.

The Group is in a healthy financial position. We have deliberately maintained low gearing with a loan to value ("LTV") ratio of 6.8% at 31 December 2019 rising to a maximum of 18% if all the post balance sheet transactions mentioned above are completed. The Group does not have to refinance any debt before June 2023 and has £110 million of cash and available undrawn facilities against a maximum of £62 million of commitments to acquisitions, asset management, and potential deferred payments.

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

"We are a long-term business and we do not expect the fundamentals of our industry to change. The provision of residential care for the elderly is an essential service, and can be critical in reducing pressure on healthcare provided by the NHS, particularly at times of crisis. There is an imbalance between demand for care and the supply of beds creating a need for permanent capital to support the operations and growth of capable tenants and we are well-placed to provide that capital.

However, the outcomes of the COVID-19 crisis are uncertain and although we enter this period well positioned, with tenants with a current high level of rent cover and little debt on their balance sheets, we cannot rule out the possibility of one or more of our tenants defaulting. We believe the strength of our balance sheet will enable us to withstand the potential effects of this and to come though this period in a position to grow and thrive in the medium and longer term."

FOR FURTHER INFORMATION, PLEASE CONTACT:

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The Company's LEI is 213800AX3FHPMJL4IJ53.

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

NOTES:

Impact Healthcare REIT plc 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 care homes for the elderly. 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 has a progressive dividend policy with a target to grow its annual aggregate dividend in line with the inflation-linked rental uplifts received by the Group under the terms of the rent review provisions contained in the Group's leases in the prior financial year.

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.

The Company presentation of its full year results for investors and analysts will take place via a webcast and conference call at 9.00am on the day.

For those who wish to access the live webcast, please register here: https://www.investis-live.com/impact-reit/5e8479a4f9c5af8d002ad848/lklk

For those who wish to access the live conference call, please contact Maitland/AMO at impacthealth-maitland@maitland.co.uk or by telephone on +44 (0) 20 7379 5151.

The recording of the webcast/conference call will also be made available later in the day via the Company website: http://www.impactreit.uk/documents

The Annual Report and Accounts will today be available on the Company's website at www.impactreit.uk. In accordance with Listing Rule 9.6.1, copies of these documents will also be submitted today to the UK Listing Authority via the National Storage Mechanism and will be available for viewing shortly at www.morningstar.co.uk/uk/NSM.

CHAIRMAN'S STATEMENT

The Company had a successful year in 2019. This performance, combined with our strong balance sheet, places the Company in a good position to face the uncertainties caused by the COVID-19 pandemic.

The world has changed since we began work on the annual report at the beginning of 2020. The COVID-19 pandemic has affected all of us - in our businesses and our personal lives - and the future is quite uncertain. Since the end of February, reflecting this, the Company's share price has dropped before starting to recover. While this market reaction is understandable, we continue to have confidence in the underlying strength of the Company.

The majority of this report relates to the events of the last financial year, but it also contains clear statements about the going concern and viability status of your Company. You will find throughout the report that we have taken care to inform you of our thinking about the impact of COVID-19 on the risks and the outlook for your Company. In my statement, these are summarised in the Post balance sheet events, COVID-19 and Outlook and summary sections below:

Overall performance in 2019

This was another positive year for the Group. We grew the portfolio, diversified our tenant base and saw the initial benefits from asset management.

We have continued to grow the Group's NAV, which stood at £340.7 million or 106.81p per share at the year end (31 December 2018: £198.3 million or 103.18p per share).

At 31 December 2019, the portfolio was independently valued at £318.8 million (31 December 2018: £223.8 million). The acquisitions in the year were the primary contributor to this growth. The valuation uplift, resulting primarily from rent increases and asset management, was £8.5 million.

Basic earnings per share ("EPS") was 10.37p (2018: 8.57p), with EPRA EPS increasing by 7.4% to 6.95p (2018: 6.47p). Adjusted EPS was 5.10p (2018: 5.07p).

Dividends and total return

This was the first year of implementing our progressive dividend policy, under which we aim to grow the target dividend in line with the inflation-linked rental uplifts received in the previous year. We paid four dividends of 1.5425p each in relation to 2019, thereby meeting our target for the year of 6.17p per share, an increase of 2.83% on the 6.0p paid in respect of 2018. The total dividend was 112.6% covered by EPRA EPS and 82.7% by adjusted EPS.

At the start of the year, we introduced an NAV total return target of 9.0% per annum. This represents the change in the NAV over the period, plus dividends paid. The NAV total return for the year was 9.46%.

Operational performance

The Investment Manager has continued to identify a pipeline of attractive and accretive acquisition opportunities. This allowed us to add 12 care homes with 757 beds and two additional healthcare assets leased to the NHS to the portfolio during the year, for a total cost of £73.8 million. The portfolio is entirely let on long, inflation-linked leases, giving us a contracted rent roll of £23.1 million at the year end, up 30.1% since the end of 2018.

Our asset management programme continues to create value for us and our tenants. By 31 December 2019 the board had approved capital improvements totalling £18.4 million since IPO. Our asset management programme has added 189 beds so far and the Investment Manager is appraising projects at a number of other homes.

Our tenants

Diversifying our tenant base is a key element of our strategy. We added a further three tenants during 2019, bringing the total to nine[1].

Financing
We successfully raised further equity and debt finance during 2019. In May 2019, we raised £100 million through a share placing at 106p per share and, having successfully deployed this capital, we raised a further £35 million in December 2019 through a placing at 108p per share. Importantly, our shares transferred from the specialist fund segment of the main market to the premium listing segment of the London Stock Exchange in February 2019 and were included in the FTSE EPRA/NAREIT Global Real Estate Index Series from the end of June, enabling us to attract a broader range of institutional and retail shareholders.

In addition, we agreed a second revolving credit facility of £25 million with Clydesdale Bank, taking our total debt facilities to £75 million. Our drawn debt at 31 December 2019 was £25.1 million, giving us an LTV of 6.8% and £49.9 million of available but undrawn debt.

Corporate governance
As previously announced, Amanda Aldridge joined the board as a non-executive director on 1 March 2019 and became chair of the Audit Committee following the Annual General Meeting on 14 May 2019. She is a chartered accountant and was an audit and advisory partner for KPMG LLP from 1996 to 2017.

The board is committed to maintaining high standards of corporate governance and recognises the importance of governance to the successful delivery of our strategy. The board focuses on strategy at each of its regular board meetings. In addition, we had an annual strategy day in November 2019. At this meeting, we considered the Group's purpose and values and received presentations from industry experts on the care home market and on strategic finance planning from our debt advisers.

One of our core values is to focus on the long-term sustainability of our business. The board and Investment Manager have spent time this year considering our approach to sustainability and developing an environmental, social and governance ("ESG") policy.

Investment Manager
On 15 March 2019, we were pleased to appoint Impact Health Partners ("IHP") as our Investment Manager and AIFM, following its receipt of authorisation from the Financial Conduct Authority. IHP was previously our Investment Adviser. To ensure we maintain an independent risk management function, the Investment Manager has delegated responsibility for risk management to Carne, our former AIFM. These appointments simplify our operating and governance structure, as well as generating a net cost saving for us.

The Investment Manager has carried out a substantial amount of work on our behalf this year, increasing the number of homes we manage, bringing new tenants on board and strengthening its own team, in particular on the property side. This improves our ability to manage our tenants and investments, and ensure our properties are well maintained.

Post balance sheet events
The Group had an active first quarter of 2020. We exchanged contracts to acquire 17 care homes with a total of 1,194 beds. Eight of these acquisitions have completed. On completion of all of these acquisitions, we will have added two new tenants which will bring our total number of tenants to 11[1].

We have also been active in asset management, with significant developments at Freeland House and Diamond House completing during the quarter. We also committed to forward fund the development of a new 94-bed care home to be operated by Prestige, one of the Group's existing tenants. Taken together, these transactions will increase our contracted rent roll by £5.9 million to £29.0 million, a 25.5% increase on contracted rent at 31 December 2019. In addition, we have secured an additional £50 million facility with HSBC, ensuring the Company continues to be well capitalised with a strong balance sheet.

COVID-19
As the quarter unfolded, the COVID-19 virus evolved from a potential threat to the full-blown pandemic that we are in the midst of. We believe that the Group has good resilience in the face of this crisis which comes from the satisfactory operational and financial position of our tenants and the healthy financial position of the Group.

The Group's tenants provide an essential service to the communities in which they operate and will play a critical role in helping to provide care to vulnerable elderly people during the COVID-19 pandemic. Our top priority remains the health, welfare and safety of the Group's tenants, care home residents, care professionals and wider stakeholders.

Up to the date of the publication of this report, there had been no direct effect on our tenants measured by occupancy at their homes, which the Investment Manager is now monitoring on a weekly basis. The Group's tenants have a strong level of rent cover, with an average of 1.8 times rent cover across Impact's portfolio in the year to 31 December 2019. They have limited debt in their businesses and all care home rents due to 30 June have been paid to the Group.

The Group is in a healthy financial position. We have deliberately maintained low gearing with a loan to value ("LTV") ratio of 6.8% at 31 December 2019 rising to a maximum of 18% if all the post balance sheet transactions mentioned above are completed. The Group does not have to refinance any debt before June 2023 and has £110 million of cash and available undrawn facilities against a maximum of £62 million of commitments to acquisitions, asset management, and potential deferred payments.

Outlook and summary
We are a long-term business and we do not expect the fundamentals of our industry to change. The provision of residential care for the elderly is an essential service, and can be critical in reducing pressure on healthcare provided by the NHS, particularly at times of crisis. There is an imbalance between demand for care and the supply of beds creating a need for permanent capital to support the operations and growth of capable tenants and we are well-placed to provide that capital.

However, the outcomes of the COVID-19 crisis are uncertain and although we enter this period well positioned, with tenants with a current high level of rent cover and little debt on their balance sheets, we cannot rule out the possibility of one or more of our tenants defaulting. We believe the strength of our balance sheet will enable us to withstand the potential effects of this and to come though this period in a position to grow and thrive in the medium and longer term.

Rupert Barclay Chairman
7 April 2020

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

INVESTMENT MANAGER'S REPORT

2019 was another successful year for the Company. It has continued to grow and diversify its portfolio, while maintaining a strong balance sheet. The Company's resilience will be tested in 2020, but it is well placed to meet the uncertainties that lie ahead.

By their nature these reports are backward looking. However, as the Chairman writes in his statement, the world has been changed by the outbreak of the COVID-19 pandemic and it feels right at this exceptional time to begin by considering events which have happened post balance sheet.

As of the date of publishing this report there have been limited direct effects of the COVID-19 pandemic on the Company and its tenants. But it is still early days and things are likely to get worse before they get better.

Our tenants provide an essential service to the communities that they serve. Local Authorities are under a legal obligation to meet the care needs of their communities, which are nondiscretionary. Hence the demand for care is less likely to be linked to wider economic conditions. While the government's ability to fund this care has from time to time been constrained in the past, in the short-term the government has committed to provide additional financial support to protect the vulnerable from the pandemic. At a time of a healthcare crisis, you would expect demand for care beds to be more likely to rise, rather than fall. However, while there is still much we do not understand about COVID-19, it does appear to affect hot spots severely, which means there could be significant, short-term impacts on individual care homes.

One of the most important services the Investment Manager provides to the Company is careful tenant selection, combined with developing a long-term partnership with the tenants that have been selected. A principal focus of our work during 2019 was continuing to diversify the Company's tenants while not diluting the quality of those tenants. The tenant base is still compact enough that it has been possible for the Investment Manager to be in almost constant communication with tenants as the severity of the pandemic has become apparent, monitoring their key indicators, such as occupancy, on a weekly basis. While it is too early to assess the full effect of this crisis, we believe that the quality of the Group's tenants, combined with the strength of its balance sheet, mean that it is well placed to tackle the uncertainties that lie ahead. The Investment Manager is continuing to monitor the development of COVID-19 carefully and will aim to keep all stakeholders, via the board, updated with material developments as the pandemic evolves.

Investment activity in 2019
The Group deployed £73.8 million into acquisitions during the year. All the acquisitions complied with the Group's investment criteria and have risk/return profiles in line with the existing portfolio. Additional capital has also been committed to acquisitions since the year end, as described under Subsequent events (note 28 to the consolidated financial statements).

The Group acquired a total of 14 properties with 757 beds in 2019, equivalent to 21.5% growth on the 3,517 beds owned at the end of 2018. These acquisitions, combined with rent increases received during the year, increased our contracted rent roll by 30.1%, from £17.8 million at 31 December 2018 to £23.1 million at 31 December 2019.

The acquisitions further diversified our tenant base, increasing the number of tenants we work with from six to nine[1]. The new tenants added in the year were the NHS, Maria Mallaband and Countrywide Group, and Optima Care.

The assets acquired during the year comprise 12 care homes and two properties leased to the NHS. All of the care homes have been let on fixed terms of 25 years with no tenant break rights, annual rent adjustments at RPI, with a floor of 2% and a cap of 4%, and tenant commitments to a minimum level of annual expenditure on maintenance. The two units let to the NHS are currently used as a cancer out-patient facility and an orthodontic surgery. They were acquired on existing leases, which had four and six years respectively left to run on acquisition. These properties have asset management potential in the medium-term.

The Group continued to comply with its investment policy throughout the year.

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

Asset management
Well-delivered asset management has the potential to create value for shareholders and tenants, while offering a high-quality environment for the homes' residents. The Group's asset management programme both adds beds to and improves existing homes. As the Group already owns the land and the tenants already have central services such as kitchens, laundry and offices on site, the marginal cost of adding beds is lower than for a new build and the risks are easier to assess.

Activity in the year included 11 new beds being completed and brought into operation at Garswood, and work on building two new dementia units at Freeland House (46 beds) and Diamond House (30 beds). These 76 new beds reached practical completion in early 2020. We are working with tenants on a further five projects, which will require an investment of circa £9 million, subject to board approval.

Details of the Group's approved capital expenditure programme is shown in the table below. In total, this will increase the Group's rental income by £2.04 million per annum and deliver a forecast blended yield on the capital invested of 8.3% per annum.

In addition to this capital investment, under the terms of the leases, the 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.

Home	Tenant	Capex (£m)	Beds added	Status	Description
Projects completed in prior years					
Turnpike	Croftwood	0.92	25	Completed	Conversion of closed supported living unit to care beds
Littleport	Minster	2.17	21	Completed	Development of new dementia unit

Ingersley	Croftwood	0.20	12	Completed	Conversion of closed supported living unit to care beds
Parkville II	Prestige	2.17[1]	38	Completed	Conversion of closed building to new dementia unit
Projects completed or commenced in 2019					
Garswood	Croftwood	1.10	11	Completed	Reconfiguration and extension of home
Diamond House	Minster	2.65	30	Completed	Development of new dementia unit
Freeland House	Minster	4.85	46	Completed	Development of new dementia unit
Loxley	Croftwood	0.50	4	Under way	Reconfiguration and extension of home
Old Prebendal House	Careport	0.75	N/A	Under way	Reconfiguration and improvements to home
Amberley, Craigend, Duncote Hall and Falcon	Minster	0.69	6	Part-completed	Enhancement of day spaces and bathrooms. Work completed at Amberley and Craigend.
Approved projects planned to start in 2020					
Fairview Court and House	Welford	2.35	10[2]	Awaiting planning	Link two existing homes and create new bedrooms
Hartlepool	Prestige	6.10	94	Underway	Forward funding of a new home
Total		**24.45**	**297**		

1 Maximum deferred payment

2 17 new beds in link between two buildings and reduction from 22 beds to 15 en suite rooms in Fairview House

The portfolio

The acquisitions in the year increased the number of assets in the portfolio from 72 at 31 December 2018 to 86 at the year end. As a result, the number of beds at the year end was 4,274, up 21.5% on a year earlier.

We carefully monitor the operating performance of the Group's tenants, both in terms of quality of care provided and their financial performance, which continues to be strong. The rent cover across the portfolio was 1.8 times for the year to 31 December 2019, in line with the financial performance in 2018. This reflects our intention not to dilute rent cover as we add further tenants.

Valuation

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

As at 31 December 2019, the portfolio was valued at £318.8 million, an increase of £95.0 million or 42.4% from the valuation of £223.8 million at 31 December 2018. The components of this valuation increase were as follows:

- acquisitions: £73.8 million;
- capital improvements to the Group's homes: £7.2 million; and
- valuation uplift: £13.9 million.

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

Year ended	**31 December 2019**	31 December 2018	Change%
Dividends	**6.17p**	6.0p	+2.8%
Profit before tax	**£26.3m**	£16.5m	+59.9%
Earnings per share	**10.37p**	8.57p	+21.0%
EPRA earnings per share	**6.95p**	6.47p	+7.4%
Adjusted earnings per share[1]	**5.10p**	5.07p	+0.6%

Contracted rent roll	**£23.1m**	£17.8m	+30.1%
Portfolio valuation	**£318.8m**	£223.8m	+42.4%
Net asset value ("NAV") per share	**106.81p**	103.18p	+3.5%
Share price	**108.00p**	103.50p	+4.3%
Loan to value ("LTV") ratio	**6.8%**	11.6%	-41.4%

1 Adjusted earnings 5.10p 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.

Financial results

Total net rental income for the year was £24.0 million (2018: £17.3 million), an increase of 38.5%. Under IFRS, the Group must recognise some rent in advance of receipt, reflecting the minimum 2% uplift in rents over the term of the lease, on a straight-line basis. Excluding this, cash rental income for the year was £19.1 million (2018: £13.9 million).

The Group's cost base is primarily made up of the Investment Manager's fee, other professional fees including valuations and audit, and the directors' fees. Administrative and other expenses totalled £4.6 million for 2019, including £0.2 million of costs incurred in relation to the Company's transition to the main market of the London Stock Exchange. Underlying costs were therefore £4.4 million. Administrative and other costs in 2018 were £4.3 million, including one-off deal-related costs of £0.74 million, incurred in relation to a large potential acquisition that did not proceed.

The total expense ratio, which is the Group's recurring administrative and operating costs as a percentage of average net assets, was 1.60% (2018: 1.80%). The EPRA cost ratio, which is administrative and operating costs as a percentage of gross rental income, was 19.2% (2018:24.7%). The reduction in the Group's cost ratios reflects economies of scale as the portfolio grows, plus the benefits of efficiencies.

Finance costs were £2.2 million (2018: £0.7 million), reflecting a higher average level of debt to support business growth and the Group only having arranged its initial debt facility in mid-2018, resulting in only half a year of interest charges in the prior year.

The change in fair value of investment properties was £9.1 million (2018: £4.1 million), contributing to profit before tax of £26.3 million (2018: £16.5 million). As a REIT, the Group is exempt from corporation tax on the profits and gains from its property investment business.

EPS for the year was 10.37p (2018: 8.57p), EPRA EPS was 6.95p (2018: 6.47p) and Adjusted EPS was 5.10p (2018: 5.07p). These EPS figures are the same on both a basic and diluted basis.

Dividends and distributable reserves

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 property income each year from the Group's qualifying rental business. This is calculated based on the underlying property earnings in the subsidiary property companies which is more closely aligned to the adjusted earnings.

The Company has paid four quarterly dividends of 1.5425p each in respect of the year. Three of those dividends were Property Income Distributions and one an ordinary dividend. The details of these dividends were as follows:

Quarter to	Declared	Paid	Pence/share	Cash cost £m
31 Mar 2019	1 May 2019	7 Jun 2019	1.5425[1]	4.42
30 Jun 2019	30 Jul 2019	30 Aug 2019	1.5425[1]	4.42
30 Sep 2019	23 Oct 2019	22 Nov 2019	1.5425[2]	4.42
31 Dec 2019	31 Jan 2020	21 Feb 2020	1.5425[1]	4.92
Total			**6.17**	**18.18**

1 Property Income Distribution dividend
2 Non-Property Income Distribution dividend

At 31 December 2019, the Group had distributable reserves of £66.2 million, giving it significant capacity to pay dividends in line with its dividend policy.

Equity financing

The Company successfully raised further equity financing during the year and took important steps to enable it to attract new institutional shareholders. The key events in the year were as follows:

- 5 February 2019: announced a placing programme for up to 200 million shares and the Company's migration from the specialist fund segment of the main market of the London Stock Exchange to the premium segment of the main market;
- 10 May 2019: closed an over-subscribed equity offer, in which the Company placed 94,339,623 new shares at a price of 106p per share, raising gross proceeds of £100 million;

- 24 June 2019: inclusion of the Company's shares in the FTSE EPRA/NAREIT Global Real Estate Index Series; and
- 5 December 2019: closed the placing of 32,407,407 new shares at a price of 108p per share, raising gross proceeds of £35 million.

As a result of the equity issuance during the year, the Company had 318,953,861 ordinary shares outstanding at the year end.

Debt financing
On 7 March 2019, the Group agreed a new revolving credit facility of £25.0 million with Clydesdale Bank PLC. The five-year facility has a margin of 225 or 250 basis points over three-month LIBOR, depending on the LTV ratio of the 14 properties over which the Group has granted security to Clydesdale.

At the year end, the Group therefore had the following bank facilities in place:

Lender and facility type	Expiry	Facility size £m	Drawn at 31 Dec 2019 £m
Metro Bank			
Term loan	June 2023	25.0	25.0
Revolving credit facility	June 2023	25.0	0.1
Clydesdale Bank			
Revolving credit facility	March 2024	25.0	-
Total		**75.0**	**25.1**

At 31 December 2019, the Group had £25.1 million of debt drawn from its available facilities of £75.0 million, giving an LTV ratio of 6.8% (2018: 11.6%) and cash balance of £47.8 million (2018: £1.5 million). A further £2.1 million is committed for asset management projects approved by the board and £4.2 million is estimated to be due for payment under deferred payment structures.

Acquisition pipeline
We have identified a strong pipeline of potential acquisitions for the Group, in addition to the transactions to which the Group committed in the first quarter of 2020 as outlined below. However, we have now told our various counterparties that we would like to pause those transactions while we assess the potential effect of COVID-19. We are confident that, when the situation is clearer, there will continue to be attractive acquisition opportunities for the Group and we will continue to exercise robust capital discipline, to deliver value at the point of acquisition or investment.

Post balance sheet events

- Acquisition of 17 new care homes, all leased with inflation-linked rent reviews; of these eight have completed on the signing of this annual report. These transactions introduce two new tenants to the Group and add a total of 1,194 beds. Consideration for these properties was £68.5 million with an additional £5.0 million deferred payments contingent on the trading performance of the care homes.
- The Group entered into a forward funding agreement with an existing tenant, Prestige, for the development
- of a 94-bed care home at a consideration of £6.1 million.
- Inflation-linked rent reviews following the year end added a further £0.4 million to the Group's contracted rent.
- The Group has secured a £50 million revolving credit facility with HSBC.

We would like to end by drawing attention to the extraordinary work being done by our tenants' care professionals at a time of great stress. They deserve our great respect and thanks.

Impact Health Partners Investment Manager
7 April 2020

PORTFOLIO MANAGEMENT

Our aim is to continue carefully building a portfolio of attractive UK healthcare assets, principally residential care properties, with an appropriate balance of high-quality core assets that generate attractive, secure, long-term income; and value add assets with potential to create further value for shareholders and our wider stakeholders. We continuously assess the overall balance of our portfolio, identify the right asset management and capital recycling opportunities. We categorise each of our assets as follows:

Core
These assets are the primary contributors to our long-term, stable income.

- Good quality buildings with a useful life greater than the duration of the lease
- Invested to an appropriate standard
- Stable trading, underpinning a sustainable level of rent cover

Value add
Value add assets are candidates for asset management initiatives.

- Present opportunities to deploy capital to enhance the asset and its performance
- May be a smaller home, have a low level of en-suite bathrooms or have other elements of functional obsolescence
- Value uplift through enabling the tenant to offer a new service, such as dementia and/or targeting private residents

Non-core

Non-core assets may be candidates for sale and are likely to have been acquired as part of larger portfolios.

- Limited lifespan homes with a high degree of functional obsolescence
- Higher alternative use value
- Could be geographically isolated

A strong core portfolio underpinning value:

	% of portfolio by market value
Core	69.0%
Value add	26.3%
Non-core	4.7%

Homes of scale, delivering an efficient service to residents:

	Average number of beds per property
Core	56.3
Value add	43.5
Non-core	39.5
Average	49.7

A core portfolio delivering an en suite facility service:

	% of rooms with en suite facilities
Core	94.0%
Value add	35.2%
Non-core	50.8%

A proportional rent per bed with strong rent cover across the portfolio:

	Average rent per bed
Core	£5,927
Value add	£4,340
Non-core	£3,586

Significant opportunity to enhance value from the value-add portfolio:

	% of portfolio by number of homes
Core	52.3%
Value add	38.4%
Non-core	9.3%

PORTFOLIO

At 31 December 2019, the Group owned the homes listed in the table below:

Tenant & Home	Region	Acquisition Date[1]	Beds[2]	Capital Projects[3]
Minster Care*				
Abbeywell	West Midlands		45	
Amberley	South West		30	
Ashgrove	Yorkshire & The Humber		56	
Attlee Court	Yorkshire & The Humber		68	
Broadgate	East Midlands		40	
Carnbroe	Scotland	May 2018	74	
Craigend	Scotland		48	
Diamond House	East Midlands		44	+30
Duncote Hall	East Midlands		40	
Duncote The Lakes	East Midlands		47	
Emmanuel	Yorkshire & The Humber		44	
Eryl Fryn	Wales		31	
Falcon	East Midlands		46	
Freeland	South East		65	+46
Gray's Court	East of England		87	
Grenville	East of England	May 2018	64	
	Yorkshire & The			

Hamshaw Court	Humber		45	
Ideal	West Midlands		50	
Karam Court	West Midlands		47	
Littleport Grange	East of England		80	
Meadows & Haywain	East of England		65	
Mowbray	West Midlands		39	
Mulberry Manor	Yorkshire & The Humber		49	
Rydal	North East		60	
Saffron	East Midlands	June 2017	48	
Shrubbery	West Midlands		36	
Sovereign	West Midlands	Sept 2018	60	
Stansty House	Wales		74	
Three Elms	North West		60	
Waterside	West Midlands		47	
Woodlands	North West		40	
Wordsley	West Midlands		41	
Value at 31 December 2019: £126.88m				
Croftwood Care*				
Ancliffe	North West		40	
Astbury Lodge	North West		41	
Croftwood	North West		47	
Crossways	North West		39	
Elm House	North West		40	
Florence Grogan	North West		40	
Garswood	North West		53	
Gleavewood	North West		30	
Golborne House	North West		40	
Greenacres	North West		40	
Hourigan	North West		40	
Ingersley Court	North West		46	
Lakelands	North West		40	
Leycester House	North West		40	
Loxley Hall	North West		40	+5
Lyndhurst	North West		40	
New Milton House	North West		39	
Parklands	North West		40	
The Cedars	North West		27	
The Elms	North West		41	
The Hawthorns	North West		39	
The Laurels	North West		40	
Thorley	North West		40	
Turnpike Court	North West		53	
Wealstone	North West		42	
West Haven	North West		52	
Whetstone Hey	North West		42	
Value at 31 December 2019: £64.63m				
Careport Group				
Briardene	North East	Aug 2018	60	
Derwent	North East	Aug 2019	45	
Holly Lodge	North East	Nov 2018	41	
Kingston Court	North West	Jun 2019	75	
Old Prebendal House and Court	South East	Jun 2019	39	
Sovereign Lodge and Court[4]	North East	Aug 2018	60	
The Grove	Yorkshire & The Humber	Sept 2018	55	
Value at 31 December 2019: £25.28m				
NCUH NHS Trust				
KC Riever House	North West	Jun 2019	-	
KC Surgical Unit	North West	Jun 2019	-	
Value at 31 December 2019: £4.37m				
Prestige Group				
Parkville 1 &2	North East	Mar 2018	94	
Roseville Care Centre	North East	Mar 2018	103	
Sand Banks	North East	Oct 2018	77	
Yew Tree	North East	Jan 2019	76	
Value at 31 December 2019: £24.01m				

Renaissance				
Croftbank	Scotland	Nov 2018	68	
Rosepark	Scotland	Nov 2018	60	
Value at 31 December 2019: £12.64m				
Maria Mallaband and Countrywide Group (MMCG)				
Belmont	Yorkshire & The Humber	May 2019	106	
Park springs	Scotland	May 2019	96	
Thorntree Mews Nursing Home	Scotland	May 2019	40	
Wallace View	Scotland	May 2019	60	
Value at 31 December 2019: £23.66m				
Welford Group				
Argentum Lodge	South West	Sept 2019	56	
Birchlands	Yorkshire & The Humber	Jun 2019	54	
Fairview Court and House[4]	South West	Mar 2019	73	
Holmesley	South West	Jun 2019	55	
Value at 31 December 2019: £23.37m				
Optima				
Barham	East of England	Aug 2019	45	
Baylham	East of England	Aug 2019	55	
Value at 31 December 2019: £13.95m				

1 May 2017 unless stated

2 Number of registered beds

3 Capital improvement bed additions under development

4 Treated as two properties

* Minster and Croftwood are both part of Minster Care Group

MARKET DRIVERS

A number of drivers influence demand for the care of older people. Taken together, they make it an attractive opportunity 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 are the fastest growing part of the UK population and make up the core client group for care homes. According to the Office for National Statistics, the number of people over 85 years old in the UK is forecast almost to double by 2043.

Except in the most extreme forecasts of the potential shorter-term consequence of COVID-19 on the UK population, demand for elderly care is forecast to continue to grow over the longer term. Research by LaingBuisson, a leading consultancy in social care, forecasts that an additional 79,000 beds will be required to satisfy this increased demand over the next 10 years, an increase of 20% on demand today. Though this data was forecast prior to the outbreak of COVID-19, long-term demand is not expected to be significantly affected over the life of our leases.

2. Capacity is not rising in line with demand
Over the past 10 years, the supply of available beds has not increased. Underlying this apparent stability have been a number of changes in the structure of the market.

Independent operators, both for profit and not for profit, have continued to take market share from homes owned and operated by the public sector. At the same time, the number of independent sector homes has shrunk by 10% over the past 10 years as older, obsolete buildings are withdrawn from the market to be replaced by more modern, larger homes. The average size of an independent care home has grown from 35 beds to 42 beds in that period. The average size of care homes in Impact's portfolio is 50 beds.

3. An increasingly fragmented market
Over recent years the market has seen deconsolidation at its top end. The market share of the 10 largest independent operators has declined from a peak of 27% in 2006 to 21% in 2019. This reflects diseconomies of scale in the care business. For the larger operators, the potential benefits of access to capital at lower cost and purchasing power for consumables such as utilities and food tend to be more than cancelled out by higher group overheads and the lack of economies of scale in pay rates for care staff, which are operators' largest expenditure.

Over the same time period from 2006 to 2019, the market share of sole traders with one or two homes shrank from 49% to 32%. Groups with between three and 80 homes in the middle market have been more vibrant, growing their market share from 24% to 47%. Most of Impact's tenants are active in this part of the middle market.

4. Dementia
The Alzheimer's Society estimates that in 2019 there were 883,100 people in the UK with dementia, of whom 510,600 were suffering from a severe form of the condition. Projections by the Care Policy and Evaluation Centre at the London School of Economics suggest that the number of people with dementia could increase by 80% by 2040.

An estimated 69% of the residents in care homes in 2019 had some form of dementia. As our understanding grows on how to provide good care for people with dementia, there has been more emphasis on building dedicated units to provide this care. That has been a particular focus of our asset management activities during 2019.

5. Funding
In 2019 LaingBuisson estimates that £16.5 billion was spent on long-term care for elderly people in care homes. Approximately equal numbers of residents are now paid for either purely privately or by a combination of local authorities and the NHS. A growing minority are funded through a combination of funding from local authorities and top-up payments from their families.

There has been much debate about how the government will fund adult social care in the longer term. The Institute for Fiscal Studies estimates that total government spending on adult social care increased from £17.1 billion in 2015/16, to £23.5 billion in 2018/19, a 37% increase. About half of this money is spent on providing care for adults over 65.

After the election held in December 2019, the new government announced it would allocate an additional £1 billion for elderly care in 2020/21 and plans to start cross-party talks to develop a long-term and equitable solution for funding elderly care. The Secretary of State for Health and Social Care wrote to all MPs and Members of the House of Lords in March 2020 to initiate those talks.

6. Fees rising faster than inflation
As a result of increasing demand, limited new capacity and a shift from government provision to independent providers, the independent sector has seen sustained and above-inflation growth. Over the past two decades average weekly fees charged by operators have grown on average by 3.7% per annum. Over the same time period, RPI has averaged 2.8% per annum. This gives us confidence that the RPI linkage in our leases is sustainable.

INVESTMENT CASE

Delivering attractive and sustainable returns for our shareholders over the longer term.

1. A large and growing market
£16.5 billion pounds a year is spent on providing residential care for elderly people in the UK, approximately 0.8% of UK GDP. The market is expected to grow as the population ages. Demand for care is non-cyclical and hence more predictable, enabling us to plan for the longer term.

2. Risk-adjusted returns
We think about risk at different levels: maintaining a strong balance sheet, with modest levels of debt; monitoring the performance of tenants carefully; not diluting our level of rent cover as we add new tenants; and thinking about the future sustainability of our portfolio and how we can best manage it through asset and portfolio management.

3. Experienced and strategic management team
We benefit from the knowledge, expertise and relationships of our Investment Manager. They allow us to source and negotiate deals off market, which offer shareholders good value and deliver to vendors the certain execution they are looking for. A main focus of our Investment Manager is to establish and develop long-term partnerships with our tenants.

4. Strong cash generation and dividend growth
Our portfolio generates a high-quality, sustainable and growing income stream. This allows us to target a progressive dividend policy. We aim to grow shareholder returns through dividend increases and capital appreciation. Our strong lease structures offer us 100% inflation-linked income with low volatility.

5. Adding value through asset management
Our portfolio is carefully constructed to combine core assets which generate predictable income and assets where there is potential to add value through asset management initiatives. Asset management benefits our shareholders, our tenants and the residents in our homes.

6. Positioned for further accretive growth
At the end of 2019 we owned less than 1% of the operational beds in the highly fragmented UK elderly care market. Since early 2018 we have been growing our portfolio, adding an average of a new tenant each quarter and acquiring homes which are accretive to our portfolio. The transactions announced post balance sheet demonstrate we can continue to grow while exercising strong capital discipline.

OUR BUSINESS MODEL

Our business model is designed to achieve our purpose, which is to form long-term partnerships with our tenants, through which we own and invest in the buildings they require in return for a predictable rent, enabling our tenants to concentrate on providing excellent care to their residents.

<u>To implement our business model, we have a clear, five-stage process:</u>

Building strong relationships with high-quality care providers
Our tenants will run our homes for at least 20 years, so we want to be certain they provide good care, while running a sustainable and profitable business that generates a secure, well-covered rental stream for us. We look for tenants with a strong balance sheet, preferably with little or no debt, who have experience of improving homes, and who are ambitious to grow their businesses, through our acquiring more homes they will manage and through asset management opportunities. We draw on our Investment Manager's strong existing relationships with operators and develop relationships with new operators. The Investment Manager's deep knowledge of how to run care homes is a critical advantage in assessing potential operators.

Identify attractive assets to acquire in partnership with those operators
We look to acquire homes our existing or proposed operators would run well, by jointly reviewing their existing portfolios or identifying homes owned by third parties, where the operator could create value with us.

As there are relatively few potential buyers of portfolios, acquiring a portfolio can help us achieve a better value. However, we may buy single homes to add to an existing tenant portfolio or with a strategy to acquire more homes with the new tenant.

The Investment Manager's vendor relationships mean we can buy some homes off-market. We can also move quickly, using the

Investment Manager's knowledge to carefully and swiftly assess the quality of a potential opportunity through our selection process and procedures.

Perform rigorous due diligence and selectively purchase and lease care assets
We perform thorough due diligence, combining an in-depth assessment of the operator and its quality of care, as well as ensuring that the homes are sound, that they align with our investment objectives and that there is sufficient demand for care in the area. Where we are proposing to acquire assets operating below their potential, we identify the measures required to enable them to operate at their full potential.

We fund asset purchases through equity and a prudent level of debt, recognising that appropriate gearing can help to drive returns. Our policy is to sign individual leases of at least 20 years with our tenants, with upwards-only inflation-linked rental growth.

Work closely with our tenants to create value sustainably over the longer term
We ensure we have a detailed knowledge of our tenants' operations, helping us to work with them to identify asset management opportunities that create value for them and for us. Examples could include adding beds, improving facilities or enhancing communal space, to reposition the home in its local market. These projects increase revenue for the tenant, further strengthen their rental cover and grow rental income and capital values for us.

Our leases require our tenants to repair and maintain our buildings and our Investment Manager is diligent in ensuring compliance with this obligation.

Optimise our portfolio to enhance long-term shareholder value
We regularly review the portfolio, to ensure it remains effective and efficient for us and our operators. If we believe it is value enhancing for shareholders, we may agree with the operator to sell a home, so we can reinvest the proceeds in opportunities to create more value.

The outputs from our business model

Effectively implementing our business model ensures we maintain a high-quality business that delivers sustainable value to our shareholders and wider stakeholders. This quality is underpinned by three pillars that we use to monitor performance:

The quality of the buildings we own
We own a diversified portfolio, a significant majority of which are good-quality, upper-middle-market care homes, which provide a welcoming physical environment for their residents.

We classify the majority of our buildings as core, meaning they will be viable for at least the lease term, have a suitable design for the target client group and are in good condition. Most of the remainder of our portfolio is classified as value-add, meaning it has the potential, working in partnership with our tenants, to change the fabric of the buildings and reposition them in their local markets.

The quality of care our tenants provide
The security of our rental streams depends on our tenants providing good-quality care to their residents, so the homes remain in demand and sustain their profits. Our Investment Manager's sector knowledge helps it to engage effectively with tenants. The Investment Manager reviews CQC or relevant regulator ratings and the outcomes of inspections, visits homes and receives quarterly reports from tenants, to ensure they are maintaining their quality of care and complying with their covenants.

The quality of the cash flows we generate
Strong operators providing good care in suitable buildings generate secure and growing rental income streams for us. Our leases provide highly predictable revenue, with rental payments typically received quarterly in advance.

We carefully monitor our tenants' financial performance, paying particular attention to their ability to grow their revenues in line with or ahead of inflation, to maintain a stable EBITDA margin and hence maintain or grow our rent cover.

A disciplined approach to capital allocation has led to high net initial yields on acquisitions and a conservative approach to using debt maximises cash available for distribution to shareholders.

We also look to control our own costs rigorously and exploit economies of scale as the portfolio grows, as many of our costs are fixed and some variable costs step down as our asset value rises.

OBJECTIVES AND STRATEGY

Our objectives
We aim to provide shareholders with attractive and sustainable returns, primarily in the form of quarterly dividends, while also generating growth in net asset values over the medium-term.

Our targets are to deliver:

- a progressive dividend policy, with a total target dividend of 6.29p per share in respect of 2020[1]; and
- a NAV total return of 9.0% per annum[1]. The capital growth element of this return will be delivered largely from annual, inflation-linked rent increases and the impact of active asset management, rather than relying on yield compression.

Our strategy
To achieve our value-creation objectives, we:

- buy the right assets on the right terms, by implementing our investment strategy;
- effectively manage the portfolio as a whole as well as individual assets, by implementing our portfolio management and asset management strategies; and
- optimise our balance sheet, by implementing our financing strategy.

Investment strategy
Our investment policy allows us to invest in a broad range of healthcare real estate assets. The market dynamics underline that the

care home sector currently offers the most attractive opportunities for the Group. Our investment strategy is, therefore, to primarily acquire care homes, while continuing to broaden the range of tenants we work with, thus reducing our exposure to any one tenant.

We mainly look to acquire portfolios, which helps us to maximise value. These portfolios may include healthcare real estate assets in addition to care homes. We will acquire these where they have a future strategic opportunity to deliver care home services, or where we are confident, we can deliver value in the short-term for our shareholders, as part of our portfolio management activities.

Portfolio management strategy
We categorise each of our assets into one of three categories - core, value add and non-core. This enables us to manage appropriately the balance between these categories, so we deliver our target returns, and to identify the assets which can benefit from our approach to active asset management (see below).

Asset management strategy
A hands-on asset management strategy helps to enhance shareholder returns over the longer term while helping to mitigate risk. To deliver our target long-term shareholder returns, our asset management strategy prioritises investment in our value-add portfolio and in projects that enhance the sustainability of our assets, including those that improve the quality of the environment for residents and the sustainability of the home, while extending the useful economic life of the property.

Financing strategy
We fund our business through equity and a prudent level of debt. In doing so we look to minimise the effects of 'cash drag' on our earnings per share, which is the effect of issuing equity and holding the cash raised on the balance sheet, ahead of investing it in income-producing assets.

Our conservative gearing policy is to have a maximum Group loan-to-value ratio of 35% at the time of drawdown. Our approach to hedging and debt is designed to prudently maximise the return to shareholders while mitigating the long-term risk from interest-rate fluctuations.

The outbreak of COVID-19 has caused us to reflect on appropriate short-term measures to safeguard the Group's financial position. We are taking a prudent approach to capital management and we expect to complete all investments with exchanged contracts but are currently pausing new investments until the outcome from the COVID-19 pandemic becomes clearer.

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

INVESTMENT POLICY

Policy	Status	2019 performance
No asset can exceed 15% of the Group's gross asset value ("GAV"), at the time of investment.	✓	The largest value single home is Freeland House, which equates to 4.6% of our GAV.
No single customer paying for care provided in our assets can account for more than 15% of our tenants' aggregate revenues, at the time of acquisition.	✓	The largest single customer paying for care represents 7.9% of the aggregate revenues of the associated tenant.
The annual contracted rent from any single tenant is not expected to exceed 40% of our total annual contracted rent at 31 December 2019. Thereafter, the annual contracted rent from any single tenant is not expected to exceed 40% of our total annual contracted rent, measured at the time of investment.	✓	Minster is the largest contributor to our annual contracted rent, at 39.3%.
The portfolio will be diversified by location, focusing on areas where there is a good balance of supply and demand for care and assets are available at attractive valuations.	✓	The portfolio is well diversified by geography.
We will acquire existing modern buildings or those that are currently fit for purpose and for which the Investment Manager has developed an asset management plan.	✓	All the assets acquired during the year are suitable for our tenants' needs. Where opportunities exist, the Investment Manager works with tenants to develop asset management plans for homes.
We will grant leases linked to the Retail Price Index ("RPI"), with an unexpired term of at least 20 years and without tenant break clauses. We will seek to amend any future leases we acquire, to obtain similar terms.	✓	All leases granted during the year were RPI linked and had a term of at least 20 years.
We will not speculatively develop assets, except for refurbishing, extending or replacing existing assets, so as to reposition a home and increase rent.	✓	We did not undertake any speculative development in the year.
We may invest in forward funding agreements or forward commitments to pre-let developments, where we will own the completed asset.	✓	No additional beds were approved during the period, for development at existing assets under forward funding agreements.
The gross budgeted development costs of any refurbishment, extension or replacement of existing holdings, and/or forward funding and forward commitments, is limited to 25% of our gross assets at the time of commitment.	✓	Forward funding commitments equated to 0% of our gross assets at 31 December 2019.
We have a conservative gearing policy. Gross borrowings as a percentage of our gross assets may not exceed 35% LTV at the time of drawdown.	✓	The LTV at 31 December 2019 was 6.8%.

KEY PERFORMANCE INDICATORS

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

1. Net Asset Total Return ("NATR")	**2. Dividends**	**3. EPRA earnings per share**	**4. EPRA 'topped-up' Net Initial Yield ("NIY")**
9.46% for the year to 31 December 2019 (+11.7% on 2018)	**6.17p per share** for the year to 31 December 2019 (+2.8% on 2018)	**6.95p per share** for the year to 31 December 2019 (+7.4% on 2018)	**6.66%** at 31 December 2019 (-4.4% on 2018)
2019: 9.46% **2018: 8.47%**	**2019: 6.17p** **2018: 6.00p**	**2019: 6.95p** **2018: 6.47p**	**2019: 6.66%** **2018: 6.97%**
Definition The change in the net asset value ("NAV") over the period, plus dividends paid in the period, as a percentage of NAV at the start of the period.	**Definition** Dividends declared in relation to the period.	**Definition** Earnings from operational activities. The EPRA calculation removes revaluation movements in the investment portfolio and interest rate derivatives, but includes rent smoothing.	**Definition** Annualised rental income based on the cash rents passing on the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property portfolio, increased by 6.5% to reflect a buyer's costs and adjusted for the expiration of rent-free periods or other unexpired lease incentives.
Relevance to strategy Demonstrates our ability to add value for our shareholders, by distributing earnings and growing our portfolio value.	**Relevance to strategy** Reflects our ability to generate a secure and growing income stream from our portfolio.	**Relevance to strategy** A key measure of a property company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	**Relevance to strategy** This measure should make it easier for investors to judge for themselves how the valuations of one portfolio compares with another portfolio.
Commentary The net asset total return comprised a dividend of 6.13p per share in the period and NAV growth of 3.63p per share. Our target is a net asset total return of 9.0% per annum.	**Commentary** We implemented our new progressive dividend policy and met our dividend target for the year. Our dividend target for 2020 is 6.29p, representing 1.94% growth.	**Commentary** EPRA EPS increased by 7.42% giving 112.64% dividend cover.	**Commentary** The average net initial yield of the acquisitions made in 2019 was 6.64%.

5. NAV per share	**6. Gross Loan to Value ("LTV")**	**7. Weighted Average Unexpired Lease Term ("WAULT")**	**8. Total Expense Ratio ("TER")**
106.81p per share at 31 December 2019 (+3.5% on 2018)	**6.81% per share** as at 31 December 2019 (-41.4% on 2018)	**19.7 years** as at 31 December 2019 (+0.6% on 2018)	**1.60%** as at 31 December 2019 (-11.1% on 2018)
2019: 106.81p **2018: 103.18p**	**2019: 6.81%** **2018: 11.62%**	**2019: 19.7yrs** **2018: 19.5yrs**	**2019: 1.60%** **2018: 1.80%**
Definition Net asset value based on the properties and other investment interests at fair value.	**Definition** The proportion of our gross asset value that is funded by borrowings.	**Definition** The average unexpired lease term of the property portfolio, weighted by annual passing rents.	**Definition** Total recurring administration costs as a percentage of average net asset value throughout the period.
Relevance to strategy Provides shareholders with the most relevant information on the fair value of the assets and liabilities within a property investment company with a long-term strategy.	**Relevance to strategy** We have a conservative gearing policy, with borrowings as a percentage of Group assets limited to 35% at the time of drawdown.	**Relevance to strategy** The WAULT is a key measure of the secure nature of our portfolio. Long lease terms underpin the quality of our income stream and hence our dividends.	**Relevance to strategy** The TER is a key measure of our operational efficiency.

Commentary NAV growth during the year was driven primarily by rent increases and the benefits of active asset management.	**Commentary** The Group has total debt facilities of £75 million, of which £25.1 million had been drawn at the year end. If the facilities were fully drawn, with no changes to the Group's current gross asset value, the LTV would be approximately 20.3%.	**Commentary** All the leases entered into during 2019 had fixed terms of 25 years. The Group's policy is to only grant leases of at least 20 years, without any tenant break clauses.	**Commentary** TER has reduced due to the Group benefitting from economies of scale as the portfolio grows. The EPRA cost ratio, calculated by dividing our administrative and operating costs by gross rental income, was 19.15% for the year (2018: 24.69%).

SUSTAINABILITY

Generating attractive financial returns from our business, continues to be vital for the long-term sustainability of Impact as a business. The long-term success of our business requires us to have a well-considered approach to sustainability that is part of our business strategy DNA and to take into consideration the interests of our stakeholders and wider society in the way that we do business.

We are looking closely into how we can work in harmony with the communities of which we are a part of and to have a positive impact on the customers, shareholders and other stakeholders which we serve and how we can minimise our effects on the environment in which we operate. The balance between our financial and wider social returns and impact needs to be central to our business and growth strategy and culture as we look to position ourselves for the years ahead.

Our approach to sustainability
A key piece of work this year has been to determine our approach to sustainability issues and develop our environmental and social policies and bring these together with governance in an overarching ESG policy, along with a data-gathering exercise to determine the baseline for these elements of our performance.

Background
While the Group does not control the day-to-day running of its homes, its value creation model offers numerous touchpoints for maximising opportunities and minimising the risks associated with ESG issues in its homes. These range from the strategy and due diligence procedures applied to asset selection and acquisitions, to the emphasis on securing leases with operators who demonstrate the highest quality of care to residents, and working with them to identify asset management opportunities, and including aspects such as energy efficiency and renewables.

During the year, we reviewed the requirements of the Global Real Estate Sustainability Benchmark and EPRA's Sustainability Best Practice Recommendations, to ensure that the Group's strategy and reporting are aligned to these widely-used industry standards, where applicable. We have begun the process of data capture, which will allow us to report against these standards if we conclude that it is appropriate to do so.

Our ESG policy
We believe that a robust approach to environmental, social and governance issues is intrinsic to developing a strong, sustainable business. It is a fundamental part of our business model and activities. This means having in place the right checks and balances, decision-making frameworks and management processes to promote long-term thinking.

We have established our core principles of sustainability which are detailed in the table (bottom). Our ESG policy is available in full on our website.

By utilising these guiding principles our aims are:

- To be transparent in our conduct and reporting.
- To create homes which are better prepared for the future - more efficient, climate resilient, more comfortable for our tenants' residents and staff, and respecting the environment.
- To foster co-operative and successful relationships with tenants, residents, shareholders and lenders to create long-term shared value for all.
- Acknowledging and utilising the importance of our relationships with our tenants, we also aim to create and support a healthy, safe, and positive living environment, which the residents are proud to call home.

Actions for 2020
Some of our key actions for 2020 include:

- Putting in place policies which address anti-corruption and bribery, whistleblowing and supplier code of conduct.
- Develop a sustainability strategy and plan, including policies, material issues, targets, and risks and opportunities, to ensure ongoing relevance and effectiveness.
- Recognise the urgency of addressing climate change and explore taking baseline measurements against which to establish targets.

Our core principles of sustainability
Conduct our business with integrity and in an open and ethical manner and require the same standards from our stakeholder relationships.

Operate in an environmentally sustainable manner and minimise the environmental impact of our operations, including on climate change.

Climate resilience - protecting the business from the future effects of climate change and anticipated low carbon transition policies.

Extend the economically useful lives of our buildings through monitoring our tenant obligations and investing in refurbishment and reconfiguration.

Disseminate the Group's policies to advisors, suppliers, occupiers and our key stakeholders.

Comply with all legal and regulatory requirements and, where feasible, exceed minimum compliance.

Promote diversity and inclusion throughout our activities.

STAKEHOLDERS

Stakeholder relationships underpin our business model and the design and execution of our strategic objectives

Relationships
The board has identified our key stakeholders as our tenants, the residents in our care homes, our shareholders and our lenders. Given the nature of its services the Investment Manager has significant dealings with shareholders, lenders and other stakeholders, as such it provides an integral point of contact between the Group and its stakeholders.

The Investment Manager is one of our two main service providers, along with the Administrator. They and our other service providers are fundamental to the quality of our product and to ensuring we meet the high standards of conduct that we set ourselves. The Management Engagement Committee (MEC) meets at least annually to review the performance of the key service providers and the board has regular interactions with the Investment Manager and the Administrator.

The Group has a number of other stakeholders, in addition to the key stakeholders discussed in this section. These include the government and regulators, who set and oversee the policies and regulations that govern the care home sector. We do not have direct relationships with the government or regulators, as these relationships are managed by our tenants as the operators of the care homes.

Employees and directors
As an externally managed business, the Group has no employees and therefore does not require any employee related policies. At the year end, the board comprised five non-executive directors, including the Chairman. Three of the directors are male and two are female.

Key stakeholder	How we engage	Stakeholder interests
Tenants The Group has a steadily growing tenant base, comprising strong national and local operators. Working in long-term partnership with our tenants is central to our ability to grow our business while managing risk.	We engage through a variety of formal and informal mechanisms, including site visits and meetings. We also receive quarterly reports from tenants setting out their performance and work with tenants to identify and implement asset management opportunities. The board looks to meet new tenants when they are appointed, or within six months of appointment. A number of tenants have presented to the board on aspects of their business, and the directors also keep abreast of their views through quarterly reporting, site visits and ad hoc meetings.	Our tenants' interests include our: • ability to support their business plans through acquisitions and asset management; • financial strength; and • knowledge and understanding of their operations.
Tenants' residents The quality of care our tenants provide to their residents is of prime importance to us. The quality of care is central to residents' quality of life and also directly influences demand for our tenants' services, which in turn affects their ability to pay rent to us.	Our tenants are responsible for the relationship with residents and we do not directly engage with them, except for residents we may meet during site visits. We regularly monitor the CQC rating for each home and the outcomes of inspections, and engage with tenants where necessary on the findings. The board also carefully monitors CQC ratings, to ensure tenants are managing their homes properly and therefore providing an appropriate resident experience.	Residents' interests include: • the quality of care provided by our tenants; • the quality of their home and the investment in regular repairs and maintenance; • the security and stability of their home; and • our ability to improve their home through asset management.

Shareholders To continue to grow our business, we need a well-informed and supportive shareholder base. We therefore look to ensure regular and open communications and high quality corporate reporting.	The Investment Manager conducts a regular programme of meetings with institutional investors, as well as opinion formers such as analysts and the financial press. We also look to provide regular and timely news flow. Other important communication channels include our interim and annual reports and the annual general meeting. Members of the board offered to meet major shareholders in Spring 2019, with one taking up the opportunity. Shareholders are also invited to speak to the Chairman and other directors when the Company is raising funds through share placings. The board receives regular investor relations reports, containing information about changes to the Company's shareholder base and feedback from investor meetings.	Shareholders' interests include: • the security and growth of our dividend; • our ability to source accretive investments and add value through asset management; • developments in the care home market; • the quality of our environmental, sustainability and corporate governance policies; and • our financial and operational performance.
Lenders An appropriate amount of gearing is important for generating higher returns. We therefore look to build strong relationships with lenders, who will provide the debt facilities needed to support our business growth.	The Investment Manager is responsible for engaging with our lenders. It does this through quarterly reporting. Information about debt funding is provided as appropriate to the board, as part of its regular papers ahead of board meetings. The board also received a presentation during the year from the Group's debt advisers, as part of the annual strategy day.	Lenders' interests include: • the quality of the security we provide for our loans; • our ability to meet our interest payments; and • the diversification and strength of our income streams.

PRINCIPAL RISKS AND UNCERTAINTIES

POLITICAL

1. Changes to government social care policy (including Brexit)
Probability: Medium
Impact: Moderate
Care for older people is at the heart of our business. The government may change policy or introduce legislation that affects the sector. This creates both opportunity and risk, depending on the nature of the changes proposed and our preparedness to engage in the drafting and implementation of legislation.

The route to a negotiated settlement on leaving the EU still remains unclear and as a result the effects on the Group and our tenants' operations is uncertain.

Of particular note is the UK care sector's partial reliance on workers from other EU countries. There is a risk that the UK's withdrawal from the EU will result in stricter controls on EU citizens moving to and working in the UK, thus restricting our tenants' ability to hire sufficient staff, especially nurses. This may result in higher staff costs and reduced service levels, with an adverse effect on our tenants' profitability.

Mitigation
The Investment Manager closely monitors developments around funding for adult social care. The new government formed in December 2019 is committed to entering into cross-party talks for that funding. The Secretary of State for the Health and Social Care wrote to all members of Parliament and Members of the House of Lords to initiate those talks in March 2020.

There is normally a lead time of at least a year before new legislation comes into effect, giving us time to adapt if necessary.

Different policies will apply in England, Wales, Scotland and Northern Ireland, enabling us to focus investment in the countries with favourable regulatory regimes.

In relation to Brexit, the Investment Manager actively engages with tenants and regularly reviews their ability to recruit and retain different categories of staff. We continue to monitor staff costs and agency use, as an indicator of potential issues.

Change in the year: No change

Opportunity
Increased focus by the government on elderly care may provide increased revenue opportunities with focused investment aligned with changing regulation.

2. Pandemics
Probability: High
Impact: Major

Significant outbreaks of infectious diseases, in particular pandemics such as COVID-19, can have long lasting and far-reaching effects across all businesses. Care for older people is a particular area of heightened concern.

The immediate risks of an outbreak are reduced occupancy at care homes and the lack of availability of key workers at the care homes as a result of infection or a requirement to self-isolate.

Should a pandemic take hold and not be capable of being contained, it could compound and enhance a number of principal risks, not least general economic conditions, default of one or more tenants and ability to meet our financing obligations.

Mitigation
The healthcare sector, including care home operators and staff, are experienced in preparing for and implementing procedures to deal with infections.

As the NHS prepares for a continuing and growing outbreak of the COVID-19 pandemic, our tenants have noticed an increase in demand for beds as the NHS seeks to relieve pressure on hospitals. This increase in demand could help mitigate the effect on reduced occupancy if an outbreak occurs in a care home.

Tenants are exploring all options to reduce the impact of staff shortages including recruitment from the hospitality sector.

Change in the year: New

Opportunity
The opportunity to support the NHS in relieving bed blocking at hospitals and provide appropriate care in a suitable environment for older people.

MARKET CONDITIONS

3. Adverse change in investment opportunities
Probability: Medium
Impact: Low
Our investment objective allows us to invest in further assets. Market conditions may restrict the availability of investments and reduce our ability to identify and acquire suitable assets that would generate acceptable returns. Any delay in investing funding raised or drawn will reduce our returns.

With the effect of COVID-19, our focus is on supporting our existing portfolio and the resilience of our balance sheet. It is not our intention to make further investments until the outlook as a result of the pandemic is clearer.

Mitigation
We have a robust due diligence process to assess new investments, to ensure they align with our investment objectives and that we understand and appropriately manage any associated risks.

The quantity of deal flow that the Investment Manager is reviewing allows us to be selective in the homes that we are acquiring. Short-term reductions in the valuation of assets could also make the terms of new acquisitions more attractive.

Change in the year: increased

Opportunity
We undertake a measured approach to raising equity and securing debt to ensure it aligns with our investment pipeline.

4. General economic conditions
Probability: High
Impact: Moderate
Adverse market conditions in our target areas could result in a decline in real estate valuations, lower market rents and suboptimal occupancy, including tenancy terms.

Adverse economic conditions bring greater risk of tenant default or covenant breaches.

A weakening market may also limit our ability to grow through acquisition. Market conditions as a result of COVID-19, have paused the majority of investment activity. There is no immediate effect on trading performance of care home operators, however if this changes, it will increase the risk of tenant defaults, impacting on valuations across the market.

Mitigation
Our homes are let on leases of at least 20 years, with annual rental increases linked to the Retail Price Index. We regularly assess and monitor the financial robustness of our tenants.

Demand for care home places is relatively uncorrelated to economic conditions. A decline in the economy would therefore take time to have an effect on our business.

Our year end LTV was 6.8% and our investment and growth strategy ensures Group leverage is limited to 35%, limiting our overall reliance on leverage.

The Company's strategy is to deliver growth through both acquisition and asset management. If the investment market is restricted, the Company can continue to progress asset management opportunities, to continue to deliver growth.

Change in the year: increased
Continued uncertainty about the general economic outlook and the effects of COVID-19 in recent weeks has increased our focus on this risk since last year's review.

Opportunity

With adverse market conditions comes increased opportunity for additional assets that meet our investment criteria and we have established relationships across the market to seek out these opportunities as they arise.

5. Weakening care market
Probability: Low
Impact: Moderate
Several factors may affect the market for care for older people, including:

- adverse conditions in the healthcare sector;
- local authority funding partners amending their payment terms, affecting our tenants' revenues; and
- increased regulatory responsibility and associated costs for our tenants.

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

Mitigation
We work closely with our tenants to understand the underlying performance of the individual homes, so we identify any concerns early and can explore mitigating actions such as additional investment, or discussing with our tenants staffing levels and the public/ private resident mix.

Change in the year: No change

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

UNDERPERFORMANCE OF ASSETS

6. Default of one or more tenants
Probability: Medium/High
Impact: Major
Our IPO was based on the acquisition of a Seed Portfolio of homes, with two tenants under a single framework agreement (the "Tenant Group"). Even with an additional seven tenants, we continue to have a high exposure to a Tenant Group default, albeit this risk is decreasing as we continue to diversify. A Tenant Group default would affect the value of our homes and both our ability to pay dividends to our shareholders and to meet our financing obligations.

Residents of care homes are in the high risk bracket of the effects of COVID-19. As a result, a continuing pandemic could have a material effect on tenant viability from reduced occupancy resulting in an increased risk of default.

Mitigation
The Investment Manager actively engages with all of our tenants, with regular reviews of performance, repairs and maintenance spend, and strategic planning.

The tenants have controls in place to identify issues early and resolve them. They have a clear objective to enhance the homes and their rent cover.

Our investment policy is focused on diversifying our tenant base, to reduce the effect of a single tenant default.

The initial effect of COVID 19 is to increase demand and inquiries for beds as the NHS seeks to relieve bed pressure in hospitals.

Change in the year: Increased
The evolving risk of COVID-19 has increased the risk of tenant default if occupancy begins to decline.

Opportunity
We have strong mutually rewarding relationships with our tenants and a diversified tenant base with a range of strengths. We have the opportunity to explore different service provisions at our homes to ensure they are successful. This could (for example) be through a change of tenant at an individual home.

7. Underinvestment by tenants in the repair and maintenance of our assets
Probability: Low
Impact Low
The attractiveness of our portfolio is based on the quality of the operators, measured by their regulatory and financial performance, and our properties' ability to provide effective space from which our tenants can operate.

This does not require our homes to be new but it does require them to be well maintained and fit for purpose.

There is a risk that a tenant fails to adequately repair and maintain the properties it leases from us, in accordance with the agreed annual repair and maintenance budget. This could result in reduced bed occupancy and/ or increased future maintenance costs, with a material adverse effect on our financial position and business prospects.

Mitigation
All of our leases with tenants have full repair and maintenance obligations, with the additional clarity of a minimum spend per annum per bed (based on a three-year average spend), which tenants are required to report against and we actively monitor.

Failure to comply with the terms of the lease will result in a default enabling us to replace the tenant in an extreme circumstance.

Change in the year: Decreased

Opportunity

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

8. Environmental regulation
Probability: Medium
Impact: Moderate
Tightening environmental regulations may increase the need for investment or redevelopment of our portfolio and restrict our tenants' ability to provide care and earn revenue.

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

In addition, as part of our asset management strategy we are undertaking a review of our buildings with an EPC rating of C and below and preparing asset management plans to improve these ratings.

Change in the year: New

Opportunity
Investment in our homes by the Company and our tenants will make our homes more sustainable over the long term.

FINANCING

9. Ability to meet our debt financing obligations
Probability: Medium
Impact: Moderate
If we are unable to operate within our debt covenants, this could lead to default and our debt funding being recalled.

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

With the effect of COVID-19, the risk of more than one tenant, or our largest tenant, having a material reduction in occupancy and therefore defaulting has increased. As a result there is a greater risk of a financing default.

Mitigation
We continually monitor our debt covenant compliance, to ensure we have sufficient headroom and to give us early warning of any issues that may arise. Our LTV is low (limited to 35% on a group-wide basis) and we selectively enter into interest rate caps to mitigate the risk of interest rate rises.

Furthermore, we invest in homes with long WAULTs, reducing the volatility in our property values.

Assets are held outside of the security groups currently secured by the existing debt and can be transferred into the security pool if LTV breaches are anticipated.

Holding a higher level of cash on our balance sheet to enable us to manage a drop in income and service our financing obligations is part of our strategic planning during this pandemic.

Change in the year: Increased

Opportunity
Our investment policy limits our gearing and exposure to movements in interest rates. This improves our opportunity to secure financing at attractive rates while remaining resilient to interest rate rises, which may in turn present additional investment opportunities.

CORPORATE RISK

10. Reliance on the Investment Manager
Probability: Low
Impact: Major
As an externally managed Company, we rely on the Investment Manager's services and reputation to execute our strategy and support our day-to day relationships.

As a result, our performance will depend to some extent on the Investment Manager's ability and the retention of its key staff.

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

Mitigation
We have an Investment Management Agreement with the Investment Manager, which sets out the basis on which the Investment Manager provides services to us, the restrictions it must operate within and certain additional rights we have, such as a right of pre-emption for investment opportunities. The Agreement may be terminated by 12 months' notice, which cannot be served before the fourth anniversary of Admission, except in certain circumstances such as a material breach, when it can be terminated immediately.

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

The board has put in a number of controls and procedures to mitigate the risk of conflicts.

Change in the year: No change

Opportunity
The Company has secured an experienced team that is delivering on the investment objectives for our shareholders.

TAXATION RISK

11. Maintaining REIT status
Probability: Low
Impact: Major
We are a UK REIT and have a tax-efficient corporate structure. Any change to our tax status or in UK tax legislation could affect our ability to achieve our investment objectives and provide favourable returns to shareholders.

The Company is obligated to pay 90% of its PID income to shareholders, withholding dividends could result in a breach of its REIT obligations.

If the Company fails to remain a REIT, our primary profits and gains will be subject to UK corporation tax.

Mitigation
The board is ultimately responsible for ensuring we adhere to the UK REIT Regime. The board has engaged a third party tax adviser to help monitor our REIT status and ensure our investment and shareholding structure do not put this status at risk.

The Company has 12 months after the year end to satisfy its PID dividend obligations for the year. The Company currently meets the majority of its PID dividend obligations in the year the income is generated, providing it with greater flexibility on the timing of future dividend payments.

Change in the year: Increased

Opportunity
The REIT structure enables us to deliver tax efficient returns to our shareholders.

OTHER RISKS THAT WE MONITOR CLOSELY

Cyber security
Inappropriate access to customer or Company data may lead to loss of sensitive information and result in a material adverse effect on the Company's financial condition, reputation and investor confidence.

Conflicts of interest
Risk that a transaction with a related party may not be at arm's length. The board has in place a conflicts of interest policy and reviews its potential conflicts regularly.

Financial management
Budgets and plans may be inaccurate, based on unrealistic assumptions or inappropriately applied leading to adverse material financial conditions, performance, results, and investor concerns.

Development activity
Development contracts have inherent risks in relation to cost and quality management that can result in cost overruns and delays. The 2020 year presents a challenge to developments due to slowing in construction activity in wake of the COVID-19 outbreak; we continue to monitor this risk as the situation evolves.

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

GOING CONCERN AND VIABILITY

Going Concern Statement
At 7 April 2020 the Group had cash of £27.2 million and a further £83.4 million in headroom on the Group's committed debt facilities. £25.6 million of this cash is held in the parent company current and deposit accounts. There are £98.9 million of undrawn debt facilities, of which £83.4 million is drawable immediately, and £15.5 million is conditional on security registration of Scottish assets and completion of acquisitions that are exchanged.

At 7 April 2020 £54.6 million is committed to acquisitions and asset management and a further £7.2 million to financial performance based deferred payments, all of which are expected to deliver incremental rental returns. There is no intention to make further commitments to acquisitions or asset management opportunities until the impact of COVID-19 pandemic is clearer.

The COVID-19 pandemic increases the risk, at a tenant level, of a fall in occupancy, reduced availability of staff, and increased operational costs, which could result in tenant default. As part of our going concern assessment we have modelled downside scenarios including single and multiple tenant defaults or rent payment holidays for periods of up to 12 months. Analysis of the impact of tenants not paying rent on banking covenants indicates potential breaches of interest cover covenants. Latest PRA guidance to banks is that waivers should be provided in these COVID-19 related circumstances, however, we have also considered the scenario where banks do not provide these waivers. Mitigating actions which could be taken at the Group's discretion include use of central funds to reduce debt, in particular charging pools, to avoid covenant breaches and reduction or suspension of dividends.

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

Assessment of viability
The period over which the directors consider it feasible and appropriate to report on the Group's viability is the five-year period to 31 March 2025. This period has been selected because it is the period that is used for the Group's medium-term business plans.

The Principal risks and uncertainties section summarises those matters that could prevent the Group from delivering on its strategy and is derived from our robust assessment of the principal risks to our business model, future performance, liquidity and solvency. A number of these principal risks, because of their nature or potential impact, could also threaten the Group's ability to continue in business in its current form if they were to occur.

The assumptions underpinning these cash flow forecasts and covenant compliance forecasts have been tested to explore the resilience of the Group to the current COVID-19 pandemic and the potential impact of the Group's other significant risks, or a combination of those risks.

COVID-19 pandemic and associated risks
The effects of the COVID-19 pandemic as outlined in the going concern statement above, have been applied to our assessment of viability.

Other significant risks
The impact of tenants having rising operational and finance costs and defaulting as a result of poor operational performance are more probable in the current operating environment and are effectively considered in the section above. All of the sensitivity scenarios modelled include no further acquisitions and asset management opportunities beyond those already committed so they effectively take account of the risk of the weakened investment and financing market we are currently experiencing. In all scenarios modelled it has been assumed that there are no significant changes to regulatory policies or levels of funding by local authorities.

The remaining principal risks, while having an impact on the Group's business model, are not considered by the directors to have a reasonable likelihood of impacting the Group's viability over the next five years to 31 March 2025.

Sensitivities and mitigating actions
The sensitivities performed were designed to be severe but plausible, and to take full account of the availability of mitigating actions that could be taken to avoid, or reduce, the impact or occurrence of the underlying risks. Mitigating actions which could be taken at the Group's discretion include use of central funds to reduce debt, in particular charging pools, to avoid covenant breaches and reduction or suspension of dividend payments.

Stress tests
We have considered the fall in property values which could be sustained without an impact on banking covenants including acquisitions that have exchanged but not completed, the Group is expecting to have drawn debt of £75.0 million and assets with a value of c.£390 million. Values could fall by over £200 million from this valuation before loan to value covenant breaches would arise. As part of this, the Group can utilise its unsecured assets and undrawn debt facilities to manage the leverage and level of drawn debt within each security pool.

We have further considered the effect of a reduction in rent on interest cover covenants. The Group could sustain a fall of over two thirds in rent and remain compliant with its interest cover covenants.

Extreme - permanently impaired
We have also considered an extreme scenario where trading performance of our tenants has been permanently impaired and the banks exercise their security rights over the relevant properties. In this extreme scenario, the remaining assets within the group would be reduced by an estimated 50%, but would be more than sufficient to cover any costs and liabilities of the business and would allow the directors to consider whether to continue in a reduced form or begin an orderly winding up.

Availability of finance
The Group does not have a refinancing event occurring until June 2023. However, financing is arranged in advance of expected requirements and the directors have reasonable confidence that additional replacement debt facilities will be put in place. Furthermore, the Group has the ability to make disposals of investment properties to meet its future financing requirements.

Viability Statement
Having considered the forecast cash flows and the impact of the sensitivities in combination, the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period ending 31 March 2025.

SECTION 172 STATEMENT

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

In doing the above the directors have taken into account the following:

(a) the likely consequences of any decision in the long-term;

(b) the interests of the Company's employees;

(c) the need to foster the Company's business relationships with suppliers, customers and others;

(d) the impact of the Company's operations on the community and the environment;

(e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly as between members of the Company.

This annual report demonstrates how we act in accordance with these requirements of s.172.

The role of the board
The board has overall responsibility for setting our purpose, strategy and objectives, approving our investment activities - including acquisitions and capital improvement programmes - and reviewing our performance. The board delegates day-to-day responsibility for managing the portfolio to the Investment Manager.

Understanding stakeholder views

As an externally managed property investment company, we do not have any employees and have an indirect impact on the community and the environment, as our tenants are responsible for operating our homes. The board working with the Investment Manager has therefore identified our tenants, their residents, our shareholders and lenders as our key stakeholders.

Understanding our stakeholder's views has influenced our investment strategy, including our focus on tenant diversification and introduction of a consolidated ESG policy.

Key board decisions
The board's principal decisions each year typically include approving acquisitions, capital expenditure and capital raises (equity and debt), making acquisitions and paying dividends. During 2019, the board also approved the appointment of Impact Health Partners as the Group's Investment Manager.

Where potential conflicts of interest arose, these were discussed at the board and resolved in line with the formal Conflicts of Interest policy. No conflicts of interest occurred that prevented the directors from carrying out their duties during the year.

The nature of the Group's business means that the directors must consider the long-term impact of its decisions, given that the Group expects its relationships with tenants to last for a minimum of 20 years.

The Group relies on a reputation for high standards of business conduct and this is reflected in one of our core values, which is to always act openly and transparently with all of our stakeholders. The directors are aware that potential tenants will only sign leases of 20 years or more with landlords they can trust and want to work in partnership with over the long term.

Board approval of the Strategic report
The Strategic report was approved on behalf of the board by:

Rupert Barclay Chairman
7 April 2020

STATEMENTS OF RESPONSIBILITIES

Directors' statement of responsibilities
The directors are responsible for preparing the annual report and the Group and parent company financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare the Group and Company financial statements for each financial year. The Group financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the Company financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group and Company for that year.

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

• select suitable accounting policies and then apply them consistently;

• make judgements and estimates that are reasonable and prudent;

• for the Group financial statements, state whether they have been prepared in accordance with IFRS's as adopted by the European Union, subject to any material departures disclosed and explained in the Group financial statements;

• for the Company financial statements, state whether they have been prepared in accordance with Financial Reporting Standard 102 ("FRS102"), subject to any material departures disclosed and explained in the Company financial statements; and

• prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that its financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

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

Disclosure of information to the auditor
The directors who were members of the board at the time of approving the Directors' report have confirmed that:

• so far as each director is aware, there is no relevant audit information of which the Company's auditor is not aware; and

• each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Directors' responsibility statement, pursuant to DTR4
We confirm that to the best of our knowledge:

• the financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and Article 4 of the IAS Regulation and, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole; and

• the Management Report includes a fair review of the development and performance of the business and the financial position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the board by:
Rupert Barclay Chairman
7 April 2020

Consolidated statement of comprehensive income

For the year ended 31 December 2019

	Notes	31 December 2019 Total £'000	31 December 2018 Total £'000
Gross rental income	5	23,980	17,309
Insurance/service charge income	5	252	155
Insurance/service charge expense	5	(254)	(158)
Net rental Income		**23,978**	**17,306**
Administrative and other expenses	6	(4,589)	(4,270)
Operating profit before changes in fair value of investment properties		19,389	13,036
Changes in fair value of investment properties	12	9,070	4,134
Operating profit		**28,459**	**17,170**
Finance income		110	39
Finance expense	8	(2,237)	(737)
Profit before tax		**26,332**	**16,472**
Tax charge on profit for the year	9	-	-
Profit and total comprehensive income (attributable to shareholders)		**26,332**	**16,472**
Earnings per share - basic and diluted (pence)	10	**10.37p**	**8.57p**

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

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

Consolidated statement of financial position

As at 31 December 2019

	Notes	31 December 2019 £'000	31 December 2018 £'000
Non-current assets			
Investment property	12	310,542	220,463
Interest rate derivatives	17	94	477
Trade and other receivables	13	10,017	5,248
Total non-current assets		**320,653**	**226,188**
Current assets			
Trade and other receivables	13	554	587
Cash and cash equivalents	14	47,790	1,470
Total current assets		**48,344**	**2,057**
Total assets		**368,997**	**228,245**
Current liabilities			
Trade and other payables	15	(3,086)	(3,333)
Total current liabilities		**(3,086)**	**(3,333)**

Non-current liabilities			
Bank borrowings	16	(23,461)	(24,709)
Trade and other payables	15	(1,768)	(1,866)
Total non-current liabilities		**(25,229)**	**(26,575)**
Total liabilities		**(28,315)**	**(29,908)**
Total net assets		**340,682**	**198,337**
Equity			
Share capital	20	3,189	1,922
Share premium reserve	20	271,341	140,452
Capital reduction reserve	20	24,077	35,800
Retained earnings		42,075	20,163
Total equity		**340,682**	**198,337**
Net Asset Value per ordinary Share (pence)	22	**106.81**	**103.18p**

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

The consolidated financial statements for Impact Healthcare REIT plc (registered number:10464966) were approved and authorised for issue by the board of directors on 7 April 2020 and are signed on its behalf by:

Rupert Barclay, Chairman

Consolidated statement of cash flows

For the year ended 31 December 2019

	Notes	31 December 2019 £'000	31 December 2018 £'000
Cash flows from operating activities			
Profit for the year (attributable to equity shareholders)		26,332	16,472
Finance income		(110)	(39)
Finance expense	8	2,237	737
Changes in fair value of investment properties	12	(9,070)	(4,134)
Net cash flow before working capital changes		19,389	13,036
Working capital changes			
Increase in trade and other receivables	13	(4,736)	(4,065)
increase in trade and other payables	15	288	1,020
Net cash flow generated from operating activities		**14,941**	**9,991**
Investing activities			
Purchase of investment properties	12	(69,969)	(53,365)
Acquisition costs capitalised	12	(3,447)	(1,711)
Capital improvements	12	(8,226)	(3,886)
Interest received		110	39
Net cash flow used in investing activities		**(81,532)**	**(58,923)**
Financing activities			
Proceeds from issue of ordinary share capital	20	135,000	-
Issue costs of ordinary share capital	20	(2,844)	(53)
Bank borrowings drawn	16,24	35,971	26,000
Bank borrowings repaid	16,24	(36,844)	-

Loan arrangement fees paid	16,24	(791)	(1,483)
Loan commitment fees paid	8	(395)	-
Interest rate cap premium paid	17,24	-	(582)
Interest paid on bank borrowings	8	(1,043)	(256)
Dividends paid to equity holders	11	(16,143)	(11,611)
Net cash flow generated from financing activities		**112,911**	**12,015**
Net increase / (decrease) in cash and cash equivalents for the year		46,320	(36,917)
Cash and cash equivalents at the start of the year	14	1,470	38,387
Cash and cash equivalents at the end of the year		**47,790**	**1,470**

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

Consolidated statement of changes in equity

For the year ended 31 December 2019

	Notes	Share capital	Share premium	Capital reduction reserve	Retained earnings	Total
		£'000	£'000	£'000	£'000	£'000
1 January 2019		**1,922**	**140,452**	**35,800**	**20,163**	**198,337**
Total comprehensive income		**-**	**-**	**-**	**26,332**	**26,332**
Transactions with owners						
Dividends paid	11	-	-	(11,723)	(4,420)	(16,143)
Shares issued	20	1,267	133,733	-	-	135,000
Share issue costs	20	-	(2,844)	-	-	(2,844)
31 December 2019		**3,189**	**271,341**	**24,077**	**42,075**	**340,682**

For the year ended 31 December 2018

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. Basis of preparation

General information

The consolidated financial statements for the year ended 31 December 2019 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, with comparatives presented for the year ended 31 December 2018.

The financial information does not constitute the Group and Parent Company's statutory accounts for the year ended 31 December 2019 or the year ended 31 December 2018 but is derived from those accounts. The Group and Parent Company's statutory accounts for the year ended 31 December 2018 have been delivered to the Registrar of Companies. The Group and Parent Company's statutory accounts for the year ended 31 December 2019 will be delivered to the Registrar of Companies in due course. The Auditor has reported on both the December 2019 and December 2018 accounts; the reports were unqualified, did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report and did not contain any statement under Section 498 of the Companies Act 2006.

The principal accounting policies adopted in the preparation of this financial information are set out below. The policies have been consistently applied to both years, with the exception of the adoption of IFRS 16 in the year to 31 December 2019.

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties and the interest rate derivative 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 are listed on the Premium Listing 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 Group's financial position, cash flows, and liquidity position. The principal risks and note 18 to the financial statements also provides details of the Group's financial instruments and its exposure to liquidity and credit risk.

The effect of the COVID-19 pandemic has been considered by the directors. The directors have reviewed the forecasts for the Group taking into account the impact of COVID-19 on trading over the twelve months from the date of signing this annual report. The forecasts have been assessed against a range of possible downside outcomes incorporating significantly lower levels of income in line with the possible effects of the pandemic, see Going concern and viability and Subsequent events (note 28), for further detail.

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

2. Significant accounting judgements, estimates and assumptions

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

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

2.1 Judgements

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

The leases when signed, are for between 20 and 25 years with a tenant-only option to extend for one or two periods of 10 years. At the inception of the lease, the directors do not judge any extension of the leases to be reasonably certain and, as such do not factor any lease extensions into their considerations of lease incentives and their treatment.

Business combinations
The Group acquires subsidiaries that own property and other property interests. 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 that are capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. 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. The fair value of assets and liabilities are established using industry-leading third-party professionals, instructed by the Company.

During 2019, the Group completed the acquisition of a number of assets and SPV's. The assets held by the SPV's have been incorporated into the existing subsidiaries of the Group without maintaining any of the underlying activities of the purchased SPV. The directors have reviewed the terms of the acquisition and determined that a business, as defined by IFRS 3, was not acquired. In the context of the acquisitions during the year, the principal consideration was whether an integrated set of activities were acquired. As part of the acquisition, new agreements were entered into between the Group and the operators of the assets, with the management of the assets going forward being independent of the SPV's purchased and their previous activities. No significant functions were acquired as part of the purchases and, as such the acquisitions are not determined by directors to be business combinations under IFRS 3.

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 12.

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

The nature of uncertainty regarding the estimation of fair value as well as sensitivity analysis has been considered as set out in note 12.

3. Summary of significant accounting policies

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

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries drawn up to 31 December 2019. Subsidiaries are those entities, including special purpose entities, controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

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

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

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

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

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

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

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

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

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

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

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

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

Investment properties are initially recognised at cost, being the fair value of consideration given, including transaction costs associated with the investment property. Investment properties are recognised when the risk and rewards on the acquired properties passes to the Group on completion of the purchase Any subsequent capital expenditure incurred in improving investment properties is capitalised in the period incurred and included within the book cost of the property.

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

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

Trade and other receivables
Trade receivables comprises mainly of lease income receivable.

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

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

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

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

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

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

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

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

The key estimation techniques including key inputs and assumptions regarding the Group's ECL provision for trade and other receivables are included as part of the Group's assessment of credit risk as set out in note 18.

Cash and cash equivalents
Cash and cash equivalents include cash at bank and deposits held at call with banks.

Dividends
Dividends are recognised when they become legally payable.

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

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

Capital reduction reserve
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. This is a distributable reserve.

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

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

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

Interest rate derivatives
Derivative financial instruments, comprising interest rate caps for hedging purposes, are initially recognised at fair value and are subsequently measured at fair value, being the estimated amount that the Group would receive or pay to terminate the agreement at the year end date, taking into account current interest rate expectations and the current credit rating of the Group and its counterparties. Premiums payable under such arrangements are initially capitalised into the Consolidated statement of financial position.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole. Changes in fair value of interest rate derivatives are recognised within the Consolidated statement of comprehensive income in the period in which they occur.

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

4. Standards issued and effective from 1 January 2019

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS effective for the Group as of 1 January 2019. This adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- IFRS 16 'Leases'

IFRS 16 'Leases'

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The change in definition of a lease under IFRS 16 mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

The only sub-leases the Group holds are in relation to properties transferred by way of 999 year leases. The Group continues to recognise investment property held in relation to these leases.

The Group has applied IFRS 16 from 1 January 2019 and adopted the modified retrospective approach without restatement of comparative information.

The adoption of IFRS 16 including the above changes does not have a significant impact on the Group's disclosure on leases from what was previously disclosed under IAS 17.

4.1 Standards issued but not yet effective

The following standard has been issued but is not effective for this accounting period and has not been adopted early:

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

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Rental income cash received in the year/period	**19,113**	**13,866**
Rent received in advance of recognition[1]	98	(154)
Rent recognised in advance of receipt[2]	4,769	3,597
Gross rental income	**23,980**	**17,309**
Insurance/service charge income	252	155
Insurance/service charge expense	(254)	(158)
Net rental income	**23,978**	**17,306**

1 Rent premiums received in prior periods as well as any rent premiums received during the year, deemed to be a premium over the term of the leases.
2 Relates to both rent free periods being recognised on a straight-line basis over the term of the lease and rent recognised in the period to reflect the minimum 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.

Minster Care Management Ltd and Croftwood Care UK Ltd are both part of the Minster Care Group and represent more than 10% of the gross rental income:

	2019	2018
Minster Care Management Ltd	43.3%	56.6%
Croftwood Care UK Ltd	25.4%	34.4%
Others	31.3%	9.0%

6. Administrative and other expenses

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Investment Manager fees (note 21)	2,756	2,364
Directors' remuneration (see note 7)	193	165
Auditor's fees		
- Statutory audit of the Company and Group (including subsidiaries)	166	90
- Additional fees payable to the auditor in respect of the 2018 audit	22	-

- Agreed upon procedures of the Company's interim report	13	11
- Other services	15	55
Total Auditor's fees	216	156
Administration fees	345	301
Regulatory fees	38	25
Legal and professional	419	286
Other administrative costs	451	266
One-off costs[1]	171	707
	4,589	**4,270**

1. One-off costs relate to premium listing costs incurred during the year. In the prior year costs were incurred on a large acquisition opportunity that did not proceed. Total costs were £742,000, £707,000 is separately disclosed above with the balance of £35,000 included in the items within this note.

The amounts shown above include irrecoverable VAT as appropriate.

7. Directors' remuneration

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

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Rupert Barclay (Chairman)	46	42
Rosemary Boot	35	33
David Brooks[1]	-	16
Philip Hall	33[2]	31
Paul Craig	33	31
Amanda Aldridge	31	-
Employer's National Insurance	15	12
	193	**165**

1. David Brooks died on 13 July 2018.
2. An additional £3,399 in expenses was paid to Philip Hall during the 2019 year.

Directors' remuneration payable at 31 December 2019 amounted to £8,000 (2018: £15,000).

8. Finance expenses

	Note	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Interest payable on bank borrowings		1,043	440
Commitment fee payable on bank borrowings		395	79
Amortisation of loan arrangement fee		416	113
Changes in fair value of interest rate derivatives	17	383	105
		2,237	737

The total interest payable on financial liabilities carried at amortised cost comprises interest payable on bank borrowings which were £25.1 million at 31 December 2019 (2018: £26.0 million). Amortisation on loan arrangement fees relates to capitalised fees being amortised over the term of the facility, in the year ended 31 December 2019 £791,000 was capitalised (2018: £1,483,000).

9. Taxation

As a REIT, the Group is exempt from corporation tax on the profits and gains from its property investment business, provided it continues to meet certain conditions as per REIT regulations. For the year ended 31 December 2019 and the year ended 31 December 2018, the Group did not have any non-qualifying profits except interest income on bank deposits.

Tax charge in the Consolidated statement of comprehensive income:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
UK corporation tax	-	-

Reconciliation of the corporation tax charge:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Profit before tax	**26,332**	**16,472**
Theoretical tax at UK corporation tax rate (19%)	5,003	3,130
Effects of:		
REIT exempt income	(3,352)	(2,350)
Non-taxable items	(1,651)	(765)
Residual losses	-	(15)
Total tax charge	-	-

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

10. Earnings per share

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

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	£'000
Total comprehensive income (attributable to shareholders)	**26,332**	**16,472**
Adjusted for:		
- Revaluation movement	(13,937)	(7,577)
- Rental income arising from recognising rental premiums and future guaranteed rent uplifts	4,867	3,443
Change in fair value of investment properties	(9,070)	(4,134)
Change in fair value of interest rate derivative	383	105
EPRA earnings	**17,645**	**12,443**
Adjusted for:		
Rental income arising from recognising rental premiums and future guaranteed rent uplifts	(4,867)	(3,443)
Non-recurring costs	171	742
Adjusted Earnings	**12,949**	**9,742**
Average number of ordinary shares	253,954,592	192,206,831
Earnings per share (pence)[1]	**10.37p**	**8.57p**
EPRA basic and diluted earnings per share (pence)[1]	**6.95p**	**6.47p**
Adjusted basic and diluted earnings per share (pence)[1]	**5.10p**	**5.07p**

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

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

The EPRA earnings are arrived at by adjusting for the changes in fair value of 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 costs.

These include non-recurring listing fees incurred in the current year. In the prior year, non-recurring costs included due diligence costs incurred on a large transaction that was not reflective of the standard underlying costs. These have been adjusted to enable the board to consider the level of ongoing cash earnings.

11. Dividends

	Dividend rate (pence per share)	31 December 2019 £'000	31 December 2018 £'000
Third interim dividend for the period ended 31 December 2017 (ex-dividend - 8 February 2018)	1.5p	-	2,883
First interim dividend for the period ended 31 December 2018 (ex-dividend - 3 May 2018)	1.5p	-	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
Forth 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	-
Second interim dividend for the period ended 31 December 2019 (ex-dividend - 8 August 2019)	1.5425p	4,420	-
Third interim dividend for the period ended 31 December 2019 (ex-dividend - 31 October 2019)	1.5425p	4,420	-
Total dividends paid		**16,143**	**11,532**
Total dividends paid in respect of the year		4.6275p	4.5p
Total dividends unpaid but declared in respect of the year		1.5425p	1.5p
Total dividends declared in respect of the year - per share		**6.17p**	**6.0p**

On 30 January 2019, the Company declared an interim dividend of 1.50 pence per ordinary share for the period from 1 November 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 1 January 2019 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 and was paid in August 2019.

On 23 October 2019, the Company declared an interim dividend of 1.5425 pence per share for the period from 1 July 2019 to 30 September 2019 and was paid in November 2019.

On 31 January 2020, the Company declared an interim dividend of 1.5425 pence per share for the period from 1 October 2019 to 31 December 2019 payable on 21 February 2020.

12. Investment property

In accordance with the RICS 'Red Book' the properties have been independently valued on the basis of fair value by Cushman & Wakefield an accredited independent valuer with a recognised professional qualification. They have recent and relevant experience in the locations and categories of investment property being valued and skills and understanding to undertake the valuations competently. The properties have been valued on an individual basis and their values aggregated rather than the portfolio valued as a single entity. The valuers have used recognised valuation techniques in accordance with those recommended by the International Valuation Standards Committee and are compliant with IFRS13. Factors reflected include current market conditions, annual rentals, lease lengths, property condition including improvements affected during the year, rent coverage, location and comparable evidence.

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

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

	As at 31 December 2019	As at 31 December 2018
	£'000	£'000
Opening value	223,845	156,165
Property additions	69,969	53,365
Acquisition costs capitalised	3,857	2,071
Capital improvements	7,183	4,667
Revaluation movement	13,937	7,577
Closing value per independent valuation report	**318,791**	**223,845**
Guaranteed rent reviews and initial lease rental payment net (debtor) / creditor	(8,249)	(3,382)
Closing fair value per Consolidated statement of financial position	**310,542**	**220,463**

During the year, the Group acquired an additional 14 properties.

The majority of the properties owned are freehold except for nine 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 2019	31 December 2018
	£'000	£'000
Revaluation movement	13,937	7,577
Rental income arising from recognising rental premiums and guaranteed rent uplifts	(4,867)	(3,443)
Change in fair value of investment properties	**9,070**	**4,134**

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

	Note	Year ended 31 December 2019	Year ended 31 December 2018
		£'000	£'000
Rent received in advance of recognition[1]	5	98	(154)
Rent recognised in advance of receipt[2]	5	4,769	3,597
Rental income arising from recognising rental premium and future guaranteed rent uplifts		**4,867**	**3,443**

1 Rent premiums received during the year reflected over the term of the lease.
2 Relates to both rent free periods being recognised on a straight-line basis over the term of the lease and rent recognised in the period to reflect the minimum 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 fair value which is defined in the RICS 'Red Book' as the "price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" in accordance with IFRS 13. The concept of fair value is considered to be consistent with that of market value. The valuation takes into consideration the current market conditions including improvements effected during the year, annual rentals, lease lengths, property condition, rent coverage and location.

Unobservable inputs
These include: estimated 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 3.22% to 10.00% across the portfolio.

A 0.25% movement of the valuation yield would have approximately a £12.7 million impact on the investment property valuation. A 1% movement in the rental income would have approximately a £3.2 million impact on the investment property valuation.

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

- Level 1 - unadjusted quoted prices in active markets;
- Level 2 - observable inputs other than quoted prices included within level 1; and
- Level 3 - unobservable inputs.

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

	Date of valuation	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets measured at fair value:					
Investment properties	31 December 2019	310,542	-	-	310,542
Investment properties	31 December 2018	220,463	-	-	220,463

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

13. Trade and other receivables

	31 December 2019 £'000	31 December 2018 £'000
Non-current		
Rent recognised in advance of receipt	10,017	5,248
Current		
Loan receivable[1]	69	250
Prepayments	485	337
	10,571	**5,835**

1. During the year ended 31 December 2018, the Group entered into a loan agreement with Mariposa Care Group Limited (Careport) in which the Group provided a term loan facility of £250,000 which bears interest at 7.5% per annum. During the year ended 31 December 2019, the Group entered into a revolving loan agreement with Careport which includes a facility up to £250,000 to settle the former loan. The existing loan facility also bears interest at 7.5%.

No impairment losses have been recognised during the year (refer to note 18).

14. Cash and cash equivalents

	31 December 2019 £'000	31 December 2018 £'000
Cash and cash equivalents	**47,790**	**1,470**

Included as part of cash and cash equivalents are funds held on overnight deposit of £39,090,000 (2018: £983,000).

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

15. Trade and other payables

	31 December 2019 £'000	31 December 2018 £'000
Non-current		
Rent received in advance of recognition	1,768	1,866

Current		
Trade and other payables	1,158	1,195
Interest payable	250	236
Withholding tax payable - (PID Dividends)	-	250
Rental received in advance	659	-
Capital improvements payable	1,019	1,652
	3,086	3,333
	4,854	**5,199**

16. Bank borrowings

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

	As at 31 December 2019	As at 31 December 2018
	£'000	£'000
At the beginning of the year	26,000	-
Bank borrowings drawn in the year	35,971	26,000
Bank borrowings repaid in the year	(36,844)	-
Total bank borrowings drawn[1]	**25,127**	**26,000**
Total bank borrowings undrawn	**49,873**	**24,000**

1. Total bank borrowings drawn are equal to its fair value

The Group signed a £50 million five-year loan facility with Metro Bank PLC (the "Loan Facility") on 15 June 2018, this facility terminates on 15 June 2023. The Loan Facility has two elements: an interest only term loan of £25 million (the "Term Loan") which was fully drawn at 31 December 2019 and 31 December 2018, and a revolving credit facility of £25 million (the "RCF"), £127,000 thousand of which was drawn at 31 December 2019 (2018: £1 million). The Group drew down £23.7 million under existing loan facilities with Metro Bank PLC and repaid £24.5 million during the year ended 31 December 2019.

The Loan Facility has a margin of 265 basis points over Metro Bank PLC's published Base Lending Rate. The five-year Term Loan is repayable without penalty after two years, and with a 1% penalty if prepaid within the first two years. Amounts drawn under the RCF can be repaid at any time without penalty. The loan is secured over a portfolio of 54 care homes held in wholly-owned Group companies (Impact Property 1 Limited (IP1) and Impact Property 2 Limited (IP2)). These assets had a closing value per the independent valuation report of £176.2 million as at 31 December 2019 (2018: £160.7 million). The lender also hold charges over the shares of the subsidiaries and intermediate holding companies.

On 6 March 2019, the Group agreed a new revolving credit facility of £25 million (the "Clydesdale Facility") with Clydesdale Bank PLC ("Clydesdale"), this facility terminates on 6 March 2024. The Group drew down £12.3 million from the Clydesdale Facility and repaid the amount in full during the year ended 31 December 2019.

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 held in a wholly-owned Group company (Impact Property 3 Limited (IP3)). Under the bank covenants related to the loans the Group is required to ensure that the:

- Loan to value of IP1 and IP2 combined does not exceed 35%;
- Loan to value of IP3 does not exceed 55%;
- Interest cover of IP1 and IP2 combined based on passing rent from the ring-fenced properties must exceed 200%;
- Interest cover of IP3 based on passing rent from the ring-fenced properties must exceed 325%.

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

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

	As at 31 December 2019	As at 31 December 2018
	£'000	£'000
Bank borrowings drawn: due after more than one year [1]	25,127	26,000
Arrangements fees - brought forward	(1,291)	-
Arrangement fees paid during the year[1]	(791)	(1,483)
Amortisation of loan arrangement fees	416	192
Non-current liabilities: Bank borrowings	**23,461**	**24,709**

1. Represents cash flow arising from financing activities.

Maturity analysis of borrowings:

	As at 31 December 2019	As at 31 December 2018
	£'000	£'000
Repayable between one and two years	-	-
Repayable between two and five years	25,127	26,000
Repayable in over five years	-	-
Total	**25,127**	**26,000**

The weighted average term of the Group's debt as at the year end is 3.5 years (2018: 4.5 years).

17. Interest rate derivatives

As at

	31 December 2019 £'000	As at 31 December 2018 £'000
At the beginning of the year	477	-
Interest cap costs paid	-	582
Change in fair value of interest rate derivatives	(383)	(105)
	94	**477**

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

The interest rate cap was acquired at a premium of £570,000, plus associated costs of £12,000.

The fair value of the derivative interest rate cap contract is estimated by discounting expected future cash flows using market interest rates. A sensitivity analysis performed to assess the impact of an increase of 0.25% in the interest rate would result in an increase of £70,000 in the fair value of the interest rate derivative. A decrease of 0.25% in the interest rate would result in a decrease of £42,000 in the fair value of the interest rate derivative.

At 31 December 2019 the Group has a loan of £25.1 million (2018: £26.0 million) which is exposed to interest rate risk.

18. Financial instruments and financial risk management

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

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

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Financial assets at amortised cost:		
Loan receivable	69	250
Cash and cash equivalents	47,790	1,470
Financial assets at fair value:		
Interest rate derivative	94	477
Financial liabilities at amortised cost:		
Bank borrowings	23,461	24,709
Trade and other payables	2,427	3,333

The interest rate derivative is the only financial instrument that is measured at fair value through the Group's Consolidated statement of comprehensive income.

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

	Date of Valuation	Total £'000	Level 1* £'000	Level 2* £'000	Level 3* £'000
Assets measured at fair value:					
Interest rate derivative	31 December 2019	-	-	94	-
Interest rate derivative	31 December 2018	-	-	477	-

*The fair value categories are defined in note 12

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

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

The Group monitors its interest rate exposure on a regular basis. A sensitivity analysis performed to ascertain the impact on profit or loss and net assets of a 50 basis point shift in interest rates on the Group's cash balances would result in an increase of £238,950 (2018: £7,350) or a decrease of £238,950 (2018: £7,350).

The financial liabilities held by the Group that are affected by interest rate risk are principally the Group's borrowings. The Group has entered into an interest rate derivative to reduce its exposure to interest rate risk on term debt (refer to note 17).

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 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. There are no outstanding trade receivables at 31 December 2019.

At 31 December 2019, the Group is exposed to credit risk in relation to the loan receivable from one of its tenants, Careport, of £69,000 (2018: £250,000). In assessing the probability of default of the individual debtor, the directors have considered a number of factors including history of default, past experience, future expectations as well as the support the debtor receives from its parent company and the ability to settle the loan receivable when due. In assessing the ECL provision of the loan receivable, the impairment loss identified by the directors was considered immaterial.

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

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

	< 3 months £'000	3-12 months £'000	1-2 years £'000	2-5 years £'000	>5 years £'000	Total £'000
31 December 2019:						
Bank borrowings	-	-	-	25,127	-	25,127
Trade and other payables	2,427	-	-	-	-	2,427
31 December 2018:						
Bank borrowings	-	-	-	26,000	-	26,000
Trade and other payables	3,333	-	-	-	-	3,333

19. 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 has met its targeted aggregate dividend of 6.0 pence per share for the first 12 months from IPO which equates to a yield of 6% per annum on the IPO Issue Price, payable in quarterly instalments. The Company achieved its increased targeted aggregate dividend to 6.17 pence per share for the year ended 31 December 2019.

As at 31 December 2019, the Group remains within its maximum loan to value ("LTV") which is 35% of gross asset value of the Group as a whole. The Group has a further £49.9 million RCF facilities available from which the Group can draw.

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

20. Share capital, Share premium and Capital reduction reserve

	Shares in issue Number	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Total £'000
As at 31 December 2017	**192,206,831**	**1,922**	**140,505**	**41,566**	**183,993**
Share issue costs[1]	-	-	(53)	-	(53)
Dividends declared (note 11)	-	-	-	(5,766)	(5,766)
As at 31					

December 2018	**192,206,831**	**1,922**	**140,452**	**35,800**	**178,174**
Shares issued 15 May 2019	94,339,623	943	99,057	-	100,000
Shares issued 9 December 2019	32,407,407	324	34,676	-	35,000
Share issue costs	-	-	(2,844)	-	(2,844)
Dividends declared (note 11)	-	-	-	(11,723)	(11,723)
As at 31 December 2019	**318,953,861**	**3,189**	**271,341**	**24,077**	**298,607**

1. Share issue costs for the year 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.

The Company had 318,953,861 shares of nominal value of 1 pence each in issue at the end of the year (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 £100.0 million.

On 9 December 2019, the Company issued a further 32,407,407 ordinary shares at a price of 108 pence per ordinary share raising gross proceeds of £35.0 million.

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

21. Transactions with related parties

Investment Manager

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

	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Amounts payable to Impact Health Partners LLP		
Net fee	2,674	1,970
VAT	82	394
Gross fee	**2,756**	**2,364**

For the year ended 31 December 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 3.42%, 0.28% and 0.02% respectively (either directly, with related parties or through a wholly-owned company) of the total issued ordinary share capital of Impact Healthcare REIT plc. Mr Patel also (directly and/or indirectly) holds a majority 72.5% stake in Minster Care Group Limited "MCGL". Mr Cowley also holds a 20% interest in MCGL. 68.7% of the Group's rental income was received from MCGL or its subsidiaries. A trade receivable of £349,490 was outstanding at the year end (2018: none).

During the year the key management of Impact Health Partners LLP received the following dividends from Impact Healthcare REIT plc: Mahesh Patel £666,915 (2018: £600,000); Andrew Cowley £51,190 (2018: £37,800) and David Yaldron £3,378 (2018: £2,400).

Directors' interests

Paul Craig is a director of the Company. He is also the portfolio manager at Quilter Investors, which has an interest in 54,073,678 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 £9,982 (2018: £6,000); Rosemary Boot £1,838 (2018: £1,800) and Philip Hall £1,838 (2018: £1,800). In addition, funds managed by Paul Craig received dividends from the Company of £3,136,080 (2018: £2,377,067).

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

Minster Care Group Limited ("MCGL")

MCGL is considered a related party, as a tenant, which is majority owned by the principals of the Investment Manager. The Group has undertaken the following transactions with MCGL:

- On 5 May 2017, the Company entered into a sale and leaseback of 56 homes and a further home was transferred under the sale and leaseback in June 2017. The net purchase price of this portfolio was £156.2 million. The group entered into new leases for two more properties on 22 May 2018 with net purchase price of £8.0 million.

- In accordance with the leases, undertook rent review uplifts on 7 March 2019 in relation to the portfolios acquired on 5 May 2017 and June 2017. On 22 May 2019 a rent review uplift was carried out for two other properties acquired on 22 May 2018.

- Out of approved capital improvement expenditure of £5.2 million (on three homes in 2018) and £7.9 million (on eight homes in 2017) in MCGL portfolio, £11.7 million has been delivered and £1.4 million is remaining at 31 December 2019 (on two homes).

These transactions were fully compliant with the Company's related party policy.

22. 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 31 December 2019 £'000	As at 31 December 2018 £'000
Net assets per Consolidated statement of financial position	340,682	198,337
Fair value of derivatives	(94)	(477)
EPRA NAV	340,588	197,860
Issued share capital (number)	318,953,861	192,206,831
Basic NAV per share	**106.81**	**103.18**
EPRA NAV per share	**106.78**	**102.94**

23. Operating leases

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

	31 December 2019 £'000	31 December 2018 £'000
Year one	22,713	16,649
Year two	23,685	17,209
Year three	24,152	18,141
Year four	24,584	18,510
Year five	25,160	18,868
Onwards	462,013	322,370
Total	**582,307**	**411,747**

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

24. Reconciliation of liabilities to cash flows from financing activities

	Notes	Bank Borrowings £'000	Interest rate derivative £'000	Total £'000
As at 1 January 2018		-	-	-
Cash flows from financing activities:				
Bank borrowings drawn	16	26,000	-	26,000
Loan arrangement fees paid	16	(1,483)	-	(1,483)
Interest rate cap premium paid	17	-	(582)	(582)
Non-cash movements:				
Amortisation of loan arrangement fees	16	192	-	192
Fair value movement	17	-	105	105
As at 31 December 2018		**24,709**	**(477)**	**24,232**
Cash flows from financing activities:				
Bank borrowings drawn	16	35,971	-	35,971
Bank borrowings repaid	16	(36,844)	-	(36,844)
Loan arrangement fees paid	16	(791)	-	(791)
Non-cash movements:				
Amortisation of loan arrangement fees	16	416	-	416
Fair value movement	17	-	383	383
As at 31 December 2019		**23,461**	**(94)**	**23,367**

25. Capital commitments

The Group has entered into Licenses for Alterations and Deeds of Variation for one of its properties in 2019 (2018: five) and completed its capital commitments on another of its properties during 2019. At the 31 December 2019 the Group had Capex outstanding on five properties (2018: five), of these two have completed since the year end, and the other three are due for completion in 2020. The Group has outstanding capital commitments of £2.1 million (2018: £8.3 million) in relation to the cost of improvements on these properties.

The Group has paid £2.7 million committed deferred payments on one property as at 31 December 2019 in return for increased rent of £0.22 million from January 2020 based on trading performance at September 2019 as per the agreement. The Group has remaining commitments estimated at £2.1 million (2018: £4.9million).

26. 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 £9.4 million (2018: £8.9 million) on the net purchase price of assets acquired in corporate acquisitions since incorporation. £7.0 million of this contingent liability relates to the SDLT on the seed portfolio, in the 2020 year these properties will have been owned for three years and hence this portion of the contingent liability will no longer be recognised.

27. Controlling parties

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

28. Subsequent events

- On 6 January 2020, the Group completed the acquisition of Red Hill Nursing Home in Worcester and leased it to an existing tenant, Minster (see note 21). This added 90 beds to the Group's portfolio for an initial consideration of £3.0 million with a performance based deferred payment of £2.0 million. The initial consideration was funded from the Group's cash.

- On 3 March 2020, the Group completed the acquisition of three care homes in Bradford which have been leased to a new tenant for the Group, Silverline Care. This added 182 beds to the Group's portfolio at a consideration of £7.5 million, this was funded from the Group's cash.

- On 7 March 2020, the Group exchanged on a portfolio of nine Scottish care homes in a sale and leaseback with Holmes Care, a new tenant for the Group. This portfolio totals 649 beds for an initial consideration of £47.5 million with a deferred payment of up to £3 million based on the tenant's performance over the 12 months from exchange. The acquisition has not completed at the date of the signing of this annual report.

- On 7 March 2020, the Group entered into a forward funding arrangement with an existing tenant, Prestige, for the development of a 94 bed care home in Hartlepool. Total consideration is £6.1 million, this is expected to be completed within 12 months from the arrangement date at which point it will be leased to Prestige. This was funded from the Group's cash.

- On 10 March 2020, the Group completed on four care homes in Yorkshire which have been leased to MMCG. Total consideration for the 273 beds was £10.5 million, this was funded from the Group's cash.

Rent reviews took place in the period between year end and the date of this report as follows:

- On 7 March 2020 in relation to the portfolio of assets acquired in May 2017 in relation to the IPO, let to Minster and Croftwood.

- On 16 March 2020 in relation to a single asset let to Prestige.

- On 18 March 2020 in relation to two assets let to NHS.

- On 23 March 2010 in relation to a single asset let to Welford.

Rent reviews were linked to the annual RPI over the 12 months up to the rent review date with a floor of 2% and a cap of 4% for Minster, Croftwood, Prestige and Welford except for two asset for Minster had a nine months pro rata rent review and NHS properties had annual CPI linked rent reviews.

As a result of these reviews and transactions occurring post year end, the annual contracted rent increased from £23.1 million to £29.4 million, of which £0.4 million was from rent reviews.

Following the 2019 year end the Group secured a £50 million revolving credit facility with HSBC. UK Bank plc ("HSBC") for an initial term of three years. This facility has a margin of 195 or 205 basis points per annum over three-month LIBOR depending on the loan to value ratio of the properties over which the Group has granted security to HSBC as security of the loan. At the signing of this annual report 17 of the Group's properties are used as security for this facility.

On the 11 March 2020 the World Health Organisation recognised the spread of COVID-19 to be a pandemic with over a million cases reported across the world at the signing date of this annual report. The severity of the spread has caused significant strain on the global economy and stringent measures to be taken to subdue the outbreak by policy-makers worldwide. We are unable to forecast the financial consequence of this pandemic, as it cannot be quantified at this time; however, the changes as a result of COVID-19 to date have been:

• a revised assessment of going concern and viability, including scenarios that consider the effect of payment holidays on rent for our tenants of up to 12 months, and also the effect of tenant defaults and breaches of our loan covenants.

• Cushman & Wakefield, our independent valuers, since the 18 March 2020 (after the valuation report date for 31 December 2019) have notified us that they will be adding a material uncertainty statement to all future valuation reports. We expect this to be included in their Q1 report due towards the end of April 2020.

Further details can be seen in the Principal risks and uncertainties, Chairman's statement, Investment Manager's report and Going concern and Viability sections of the annual report and accounts.

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

Company statement of financial position

As at 31 December 2019

Company Registration Number: 10464966

	Notes	31 December 2019 £'000	31 December 2018 £'000
Non-current assets			
Investment in subsidiaries	6	242,990	188,223
Total non-current assets		**242,990**	**188,223**
Current assets			

Trade and other receivables	7	44,829	39,963
Cash and cash equivalents	8	46,702	41
Total current assets		**91,531**	**40,004**
Total assets		**334,521**	**228,227**
Current liabilities			
Trade and other payables	9	(27,215)	(37,404)
Total liabilities		**(27,215)**	**(37,404)**
Total net assets		**307,306**	**190,823**
Equity			
Share capital	10	3,189	1,922
Share premium reserve	10	271,341	140,452
Capital reduction reserve	10	24,077	35,800
Retained earnings		8,699	12,649
Total equity		**307,306**	**190,823**
Net Asset Value per ordinary Share (pence)	12	**96.35p**	**99.28p**

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The profit attributable to the parent company for the year ended 31 December 2019 amounted to £470,000 (2018: profit of £20.7 million).

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

The financial statements were approved and authorised for issue by the board of directors on 7 April 2020 and are signed on its behalf by:

Rupert Barclay, Chairman

Company statement of changes in equity

1 January 2018		**1,922**	**140,505**	**41,566**	**(2,313)**	**181,680**
Total comprehensive income		-	-	-	20,728	20,728
Transactions with owners						
Dividends paid	5	-	-	(5,766)	(5,766)	(11,532)
Share issue costs	10	-	(53)	-	-	(53)
31 December 2018		**1,922**	**140,452**	**35,800**	**12,649**	**190,823**

	Notes	Share capital	Share premium	Capital reduction reserve	Retained earnings	Total
		£'000	£'000	£'000	£'000	£'000
1 January 2019		**1,922**	**140,452**	**35,800**	**12,649**	**190,823**
Total comprehensive income		-	-	-	470	470
Transactions with owners						
Dividends paid	5	-	-	(11,723)	(4,420)	(16,143)
Shares issued	10	1,267	133,733	-	-	135,000
Share issue costs	10	-	(2,844)	-	-	(2,844)

31 December 2019	**3,189**	**271,341**	**24,077**	**8,699**	**307,306**

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. Basis of Preparation

General information
The financial statements for the year ended 31 December 2019, are prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102") and in accordance with the Companies Act 2006, with comparatives presented for the year ended 31 December 2018.

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

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

- A reconciliation of the number of shares outstanding at the beginning and end of the period has not been presented as the reconciliations of the group and the parent company would be identical;
- No statement of cash flows has been presented for the parent company
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole;
- The requirement to present related party disclosures between the Company and fellow subsidiaries where ownership is all 100%; and
- No disclosures have been given for the aggregate remuneration of the key management personnel of the Company as their remuneration is included in the totals for the Group as a whole.

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

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

The effect of the COVID-19 pandemic has been considered by the directors. The directors have reviewed the forecasts for the Group taking into account the impact of COVID-19 on trading over the 12 months from the date of signing this annual report. The forecasts have been assessed against a range of possible downside outcomes incorporating significantly lower levels of income in line with the possible effects of the pandemic, see Going concern and viability report and Subsequent events for further detail.

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.

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

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

Cash and cash equivalents
Cash and cash equivalents include cash at bank and deposits on call.

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. This is a distributable reserve.

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

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

impairment.

4. Taxation

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

Tax charge included in total comprehensive income:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
UK corporation tax	-	-

5. Dividends

Details of dividends paid by the Company are included in note 11 to the consolidated financial statements.

6. Investment in subsidiaries

	31 December 2019 £'000	31 December 2018 £'000
At the beginning of the year	188,223	153,338
Cost of investments acquired through share purchases	54,767	34,885
At the end of the year	**242,990**	**188,223**

The Company has the following subsidiaries:

	Principal activity	Country of incorporation	Ownership %
Impact Property 1 Limited ("Propco 1")*	Real Estate Investment	England and Wales	100
Impact Property 2 Limited ("Propco 2")*	Real Estate Investment	England and Wales	100
Impact Property 3 Limited ("Propco 3")*	Real Estate Investment	England and Wales	100
Impact Property 4 Limited ("Propco 4")	Real Estate Investment	England and Wales	100
Impact Property 5 Limited ("Propco 5")	Real Estate Investment	England and Wales	100
Impact Finance 1 Limited ("Finance 1")*	Financing company	England and Wales	100
Impact Finance 2 Limited ("Finance 2")*	Financing company	England and Wales	100
Impact Finance 3 Limited ("Finance 3")*	Financing company	England and Wales	100
Impact Holdco 1 Limited ("Holdco 1")	Investment holding company	England and Wales	100
Impact Holdco 2 Limited ("Holdco 2")	Investment holding company	England and Wales	100
Impact Holdco 3 Limited ("Holdco 3")	Investment holding company	England and Wales	100
Alpha Care Management Services Group Limited*	Intermediate holding company	England and Wales	100
Alpha Care (Grenville) Limited *	Property holding company	England and Wales	100
Umber (GP) Limited*	Intermediate holding company	Jersey	100
Umber Properties Limited*	Intermediate holding company	Jersey	100
Umber Properties LP*	Property holding partnership	Jersey	100
Roseville Property Limited*	Property holding company	England and Wales	100
Sandbanks Property Redcar Limited*	Property holding company	England and Wales	100
Cardinal Healthcare (UK) Ltd*	Property holding company	England and Wales	100
Cholwell Care (Nailsea) Limited*	Property holding company	England and Wales	100
Barham Care Centre Limited*	Property holding company	England and Wales	100
Baylham Care Centre Limited*	Property holding company	England and Wales	100
Butterfly Cumbria Properties Limited*	Property holding company	England and Wales	100

*As at 31 December 2019 these entities were held indirectly by the Company.

The registered address for the above subsidiaries is:

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

7. Trade and other receivables

	31 December 2019 £'000	31 December 2018 £'000
Loan to Group companies	43,829	39,694
Interest on loans to Group companies	805	-
Loan receivable[1]	69	250
Prepayments	126	19

	44,829	39,963

1. During the year ended 31 December 2018, the Group entered into a loan agreement with Mariposa Care Group Limited (Careport) in which the Group provided a term loan facility of £250,000 which bears interest at 7.5% per annum. During the year ended 31 December 2019, the Group entered into a revolving loan agreement with Careport which includes a facility up to £250,000 to settle the former loan. The existing loan facility also bears interest at 7.5%.

As at 31 December 2019, there were no trade receivables past due or impaired (2018: none).

Loans to Group companies are unsecured and are repayable on demand.

8. Cash and cash equivalents

	31 December 2019 £'000	31 December 2018 £'000
Cash and cash equivalents	**46,702**	**41**

Included as part of cash and cash equivalents are funds held on overnight deposit of £39,090,000.

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

9. Trade and other payables

	31 December 2019 £'000	31 December 2018 £'000
Loan from Group companies	26,358	36,147
Trade and other payables	857	1,007
Withholding tax payable - (PID Dividends)	-	250
	27,215	**37,404**

Loans from Group companies are unsecured and are repayable on demand.

10. Share capital, Share premium and Capital reduction reserve

Details on movements in share capital, share premium and capital reduction reserve of the Company are the same as that of the Group and are included in note 20 to the consolidated financial statements.

11. Transactions with related parties

The Company has taken advantage of the exemption provided by FRS102 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 21 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 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. There are no adjustments between basic and EPRA NAV.

	31 December 2019 £'000	31 December 2018 £'000
Net assets per statement of financial position	307,306	190,823
EPRA NAV	307,306	190,823
Issued share capital (number)	318,953,861	192,206,831
Basic and EPRA NAV per share	**96.35p**	**99.28p**

13. Capital commitments

There were no capital commitments held by the Company (2018: nil).

14. Subsequent events

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

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

EPRA PERFORMANCE MEASURES (UNAUDITED)

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

1. EPRA earnings per share

£17.6m

6.95p per share

for the year to 31 December 2019 (for the year to 31 December 2018: £12.4m / 6.47p)

2019: 6.95p
2018: 6.47p

Definition

Earnings from operational activities.

Purpose
A key measure of a company's underlying operating results are an indication of the extent to which current dividend payments are supported by earnings.

2. EPRA NAV per share
£340.6m
106.78p per share
for the year to 31 December 2019 (for the year to 31 December 2018: £197.9m / 102.94p)

2019: 106.78p
2018: 102.94p

Definition
Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise under normal circumstances of an investment property business.

Purpose
Makes adjustments to the IFRS NAV to provide stakeholders with the most relevant information on the fair value of assets and liabilities within a true real estate investment company with long term investment strategy and what would be necessary to recreate the company through the investment markets based on its current structure.

3. EPRA Triple Net Asset Value (NNNAV)
£339.0m
106.29p per share
for the year to 31 December 2019 (for the year to 31 December 2018: £197.0m / 102.52p)

2019: 106.29p
2018: 102.52p

Definition
EPRA NAV adjusted to include the fair values of:
(i) financial instruments;
(ii) debt and;
(iii) deferred taxes.

Purpose
Makes adjustments to EPRA NAV to provide stakeholders with the most relevant information on the current fair value of all the assets and liabilities within a real estate company.

4.1. EPRA Net Initial Yield (NIY)
6.66%
for the year 31 December 2019 (for the year to 31 December 2018: 6.85%)

2019: 6.66%
2018: 6.85%

Definition
Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.

Purpose
This measure should make it easier for investors to judge for themselves how the valuation of one portfolio compares with another portfolio.

4.2 EPRA "topped-up" NIY
6.66%
for the year to 31 December 2019 (for the year to 31 December 2018: 6.97%)

2019: 6.66%
2018: 6.97%

Definition
This measure adjusts the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives, such as discounted rent periods and step rents).

Purpose
This measure should make it easier for investors to judge for themselves how the valuation of one portfolio compares with another portfolio.

5. EPRA vacancy rate
0.00%
for the year to 31 December 2019 (for the year to 31 December 2018: 0.00%)

Definition
Estimated market rental value (ERV) of vacant space divided by the ERV of the whole portfolio.

Purpose
A "pure" (%) measure of investment property space that is vacant, based on ERV.

6. EPRA cost ratio
19.15%
for the year to 31 December 2019 (for the year to 31 December 2018: 24.69%)

2019: 19.15%
2018: 24.69%

Definition
Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.

Purpose
A key measure, to enable meaningful measurement of the changes in a company's operating costs.

7. Like-for-like rental growth
2.56%
for the year to 31 December 2019 (for the year to 31 December 2018: 3.96%)

2019: 2.56%
2018: 3.96%

Definition
Rental growth on the portfolio of properties that have been owned and operational for two full reporting cycles.

Purpose
Growth of rental income excluding acquisitions, disposals and capital expenditure allows stakeholders to estimate the organic income growth.

NOTES TO THE EPRA PERFORMANCE MEASURES (UNAUDITED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1. EPRA earnings per share

	31 Dec 19 £'000	31 Dec 18 £'000
Total comprehensive income (attributable to shareholders)	**26,333**	**16,472**
Adjusted for:		
Change in fair value of investment properties	(13,937)	(7,577)
Rental income arising from recognising guaranteed rent uplifts and rental premiums	4,867	3,443
	(9,070)	(4,134)
Change in fair value of interest rate derivatives	383	105
Profits to calculate EPRA earnings per share	**17,646**	**12,443**
Weighted average number of Ordinary shares (basic and diluted)	253,954,292	192,206,831
EPRA earnings per share - basic and diluted	**6.95p**	**6.47p**

2. EPRA NAV per share

	31 Dec 19 £'000	31 Dec 18 £'000
Net assets at end of period	**340,682**	**198,337**
Adjustments to calculate EPRA NAV		
Fair value of derivatives	(95)	(477)
EPRA NAV	**340,587**	**197,860**
Shares in issue at 31 December (Basic and diluted)	318,953,861	192,206,831
EPRA NAV per share	**106.78p**	**102.94p**

3. EPRA NNNAV per share

	31 Dec 19 £'000	31 Dec 18 £'000
EPRA net assets at end of period	**340,588**	**197,860**
include:		
Fair value of financial instruments	95	477
Fair value of debt[1]	(1,666)	(1,291)
EPRA NNNAV	**339,017**	**197,047**
Shares in issue at 31 December (Basic and diluted)	318,953,861	192,206,831

EPRA NNAV per share	**106.29p**	**102.52p**

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

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

	31 Dec 19 £'000	31 Dec 18 £'000
Investment property - wholly owned	**318,791**	**223,844**
Less capital improvements under construction	(6,954)	(1,076)
Completed property portfolio	**311,837**	**222,768**
Allowance for estimated purchasers'' costs[1]	19,765	13,878
Gross up completed property portfolio valuation (B)	**331,602**	**236,647**
Annualised cash passing rental income	**22,081**	**16,214**
property outgoings (non recoverable insurance)	(2)	(3)
Annualised net rents (A)	**22,079**	**16,211**
Add		
Contractual uplifts on rent free periods of funded capital improvements	-	276
Topped-up net annualised rent (C)	**22,079**	**16,487**
EPRA Net Initial Yield (A/B)	**6.66%**	**6.85%**
EPRA Topped-Up Net Initial Yield (C/B)	**6.66%**	**6.97%**

1 Assumes a purchaser of the Company's portfolio would pay SDLT and transaction costs equal to 6.2% of the portfolio's value

5. EPRA vacancy rate

	31 Dec 19 £'000	31 Dec 18 £'000
Estimated rental value of vacant space	-	-
Estimated rental value of the whole portfolio	22,512	16,509
EPRA Vacancy rate	**0.00%**	**0.00%**

6. EPRA cost ratio

	31 Dec 19 £'000	31 Dec 18 £'000
Administrative and other expenses	4,589	4,270
Net service charge cost	2	3
Total costs including and excluding vacant property costs	4,591	4,273
Gross rental income	23,980	17,309
Total EPRA cost ratio (including, and excluding, direct vacancy costs)	**19.15%**	**24.69%**

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

7. Like-for-like rental growth

This note shows the rental income and market value for property assets that have been owned and operational for two full reporting periods, hence all below information relates to the property portfolio owned as at the 31 December 2017:

	Contracted rent	Market value

	£'000	£'000
Property portfolio as at 31 December 2017	11,600	156,165
Inflation-linked rental uplifts	459	
Increase/(decrease) due to vacancy rates	-	
Property portfolio as at 31 December 2018	**12,059**	**167,489**
Inflation-linked rental uplifts	309	
Increase/(decrease) due to vacancy rates	-	
Property portfolio as at 31 December 2019	**12,368**	**182,878**

All properties operate within the same sector, UK healthcare.

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