IMPACT Healthcare REIT

Interim report 2020

Sustainable long-term returns from a diversified healthcare portfolio

Impact Healthcare

Dedicated to UK healthcare real estate

Impact Healthcare REIT plc is a real estate investment trust, traded on the main market of the London Stock Exchange. We invest in a diversified portfolio of UK healthcare real estate assets, in particular residential and nursing care homes, and let them on long-term leases to high-quality operators.

We aim to provide shareholders with attractive and sustainable returns, primarily in the form of quarterly dividends. Our dividend target is 6.29p per share[1] for the year ending 31 December 2020.

Our purpose

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

Our values

Our core values are:

- to focus on the long-term sustainability of our business;
- always to act openly and transparently with all our stakeholders;
- to be practical, combining entrepreneurial nimbleness with the strength of a listed company; and
- to be efficient.

Our business model

Successfully implementing our business model ensures we maintain a high-quality business, with a rigorous focus on:

- the quality of the buildings we own
- the quality of care our tenants deliver
- the quality of the cash flows we generate.

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

Financial highlights

	At 30 June 2020 (unaudited)	At 30 June 2019 (unaudited)	Year ended 31 December 2019 (audited)
Dividends declared per share	**3.15p**	3.09p	6.17p
Profit before tax	**£11.05m**	£10.94m	£26.33m
Earnings per share ("EPS")	**3.46p**	5.05p	10.37p
EPRA EPS	**3.62p**	3.62p	6.95p
Adjusted earnings per share[1]	**2.77p**	2.58p	5.10p
Contracted rent roll	**£29.5m**	£21.6m	£23.1m
Portfolio valuation	**£346.0m**	£271.6m	£318.8m
Net asset value ("NAV") per share	**107.17p**	104.67p	106.81p
Share price[2]	**95.80p**	110.00p	108.00p
Loan to value ("LTV") ratio	**18.1%**	7.7%	6.8%
NAV total return	**3.25%**	4.39%	9.46%
Cash	**£71.0m**	£52.1m	£47.8m

1 Adjusted earnings per share reflects underlying cash earnings per share in the period. The adjustments made to EPS in arriving at EPRA and Adjusted EPS are set out in note 7 of the Interim Financial Statements.

2 As at 30 June 2020, 28 June 2019 and 31 December 2019 respectively.

Dividends declared per share

3.15p

+1.8%

EPRA EPS

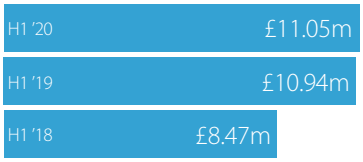
3.62p

0.0%

Profit before tax

£11.05m

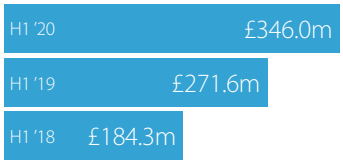
+1.0%



Portfolio valuation

£346.0m

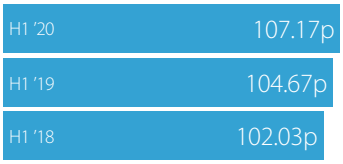
+27.4%



NAV per share

107.17p

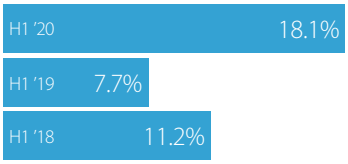
+2.4%



Loan to value

18.1%

+135.1%



Operational highlights

As at 30 June 2020

8+1+9
New properties
In the period to 30 June 2020 we acquired eight properties with 545 beds, committed to forward fund a further property with 94 beds and exchanged on a further nine properties with a further 649 beds.

1+1
New tenants
Adding one new tenant increasing the total number of tenants to 10 in the period and exchanged contracts with leases to a further new tenant. All leases continue to be inflation-linked with upwards only rent reviews.

19.5 years
WAULT
Weighted average unexpired lease term ("WAULT") of 19.5 years at 30 June 2020 (30 June 2019: 19.6 years).

£0.46m
Increase from rent reviews
Rent reviews for the period ended 30 June added £0.46 million to contracted rent, representing a 2.0% increase on the associated portfolio. 100% of rent due has been collected for the year to date.

£29.5m
Contracted rent roll
Grew the contracted rent roll by 36.6% to £29.5 million (30 June 2019: £21.6 million).

£50m
Capital raised in the year
RCF secured with HSBC on 6 April 2020.

Our Investment Manager
Impact Health Partners LLP moved from being our Investment Adviser to Investment Manager in March 2019. It sources investments for us and makes recommendations to the board, carries out the transactions the board approves and monitors the progress of our homes. It also recommends the asset management strategy for board approval and then implements it. As our AIFM since 15 March 2019, the Investment Manager now also provides portfolio management services to the Group (and the previous AIFM, Carne, continues to provide risk management function reporting to the AIFM).

Post balance sheet highlight

24%
Uplift on disposal
Following the acquisition of Red Hill in January 2020, Minster transferred residents and staff to this home from The Shrubbery, a 36-bed home nearby. The Shrubbery has now been sold at a 24% uplift to its carrying value.

Impact Healthcare at a glance

We are a long-term business and the Company's sustainable healthcare portfolio continues to provide crucial infrastructure supporting vulnerable elderly people across the UK.

A growing portfolio

104
Properties

Long leases

19.5yrs
WAULT

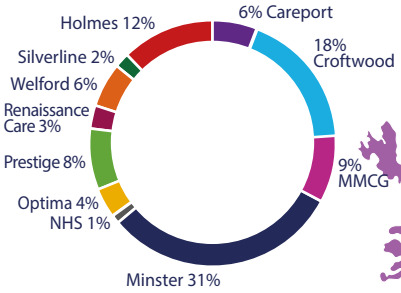
Contracted income

£29.5m
Contracted rent roll

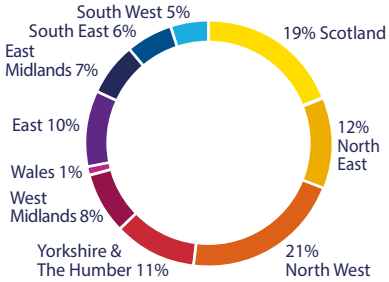
Annual rental growth

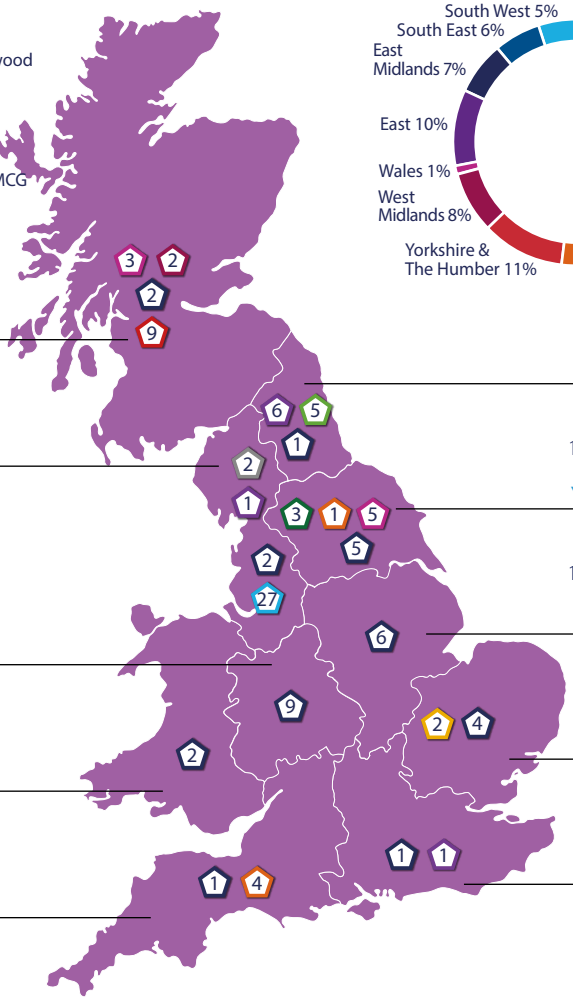
100%
Inflation linked leases[1]

Tenants by income (%)



Regionally diverse (%)
based on % portfolio market value





Scotland
Properties 16
Beds 1,095
Portfolio income 18.9%

North West
Properties 32
Beds 1,286
Portfolio income 22.2%

West Midlands
Properties 9
Beds 419
Portfolio income 7.4%

Wales
Properties 2
Beds 105
Portfolio income 1.3%

South West
Properties 5
Beds 214
Portfolio income 4.8%

North East
12 Properties
765 Beds
12.7% Portfolio income

York. & The Humber
14 Properties
877 Beds
12.6% Portfolio income

East Midlands
6 Properties
295 Beds
6.5% Portfolio income

East of England
6 Properties
395 Beds
9.7% Portfolio income

South East
2 Properties
150 Beds
3.9% Portfolio income

Careport · Croftwood* · Holmes · MMCG · Minster* · NHS
Optima · Prestige · Silverline · Renaissance · Welford

* Part of the Minster Care Group 1. The majority of leases are linked to the Retail Price Index, with a floor of 2% and a cap of 4% per annum
Note: The information on this page includes exchanged acquisitions and forward funded developments.

Chairman's statement

Our aim is to deliver a resilient and robust business model over the long-term in partnership with our tenants, enabling them in turn to concentrate on delivering good quality care in the homes we own. The first half of 2020 put all business models to the test, and we are pleased with how resilient ours has proven. There will be further challenges ahead, but we continue to be well positioned to deal with them responsibly.

We work closely with all our tenants as they continue to provide an essential service to the communities in which they operate. We are a long-term business and the Company's responsibly managed healthcare portfolio continues to provide critical infrastructure supporting vulnerable elderly people across the UK. We are confident that the fundamental drivers of our industry and business remain strong.

COVID-19

The impact of COVID-19 on the care sector and the Group's tenants is discussed at length on pages 8-9 and in the Investment Manager's report on pages 12-14.

In summary, as levels of uncertainty created by the pandemic peaked at the beginning of the second quarter, we knew we had built in a number of buffers from earlier strategic decisions that had been taken. These included: a focus on careful tenant selection; negotiating lease terms which are sustainable as they were based on solid levels of initial rent cover; and maintaining a conservative balance sheet with modest levels of debt. We also knew that our tenants provide an essential service, demand for which is not directly correlated with the strength or weakness of the economy.

The key tests were whether our tenants were able to continue to provide good quality care during an exceptionally challenging period; and whether we continued to collect 100% of the rent due, without putting undue stress on our tenants. There may be a second wave, or other challenges which lie ahead, but we are confident that lessons have been learned and pleased with how well our tenants and the Group rose to these two tests.

Operational performance

Before the pandemic struck, we had exchanged contracts on a number of acquisitions, which, once all have completed, will add 17 homes with 1,194 beds to the portfolio and increase our number of tenants from nine to 11. We completed the acquisition of eight of those homes in the first quarter; the completion of the acquisition of nine homes from the Holmes Care Group ("Holmes") is subject to Scottish regulatory approvals.

Our investment portfolio was independently valued at £346.0 million as at 30 June 2020, up from £271.6 million on 30 June 2019, a 27.4% increase. Over the same time period our contracted rent roll grew by 36.6%, from £21.6 million on 30 June 2019, to £29.5 million.

Asset management is one of our key value creation tools and is starting to bear fruit. During the period, we delivered two new units specifically designed to provide high quality care for people suffering from dementia: a 30-bed unit in the grounds of Diamond House in Leicester; and a 46-bed unit attached to Freeland House outside Oxford. We also committed £6.1 million to forward fund the development of a new 94-bed care home in Hartlepool in partnership with Prestige, an existing tenant of the Group.

Our tenants

We have continued to diversify selectively the Group's tenant base. Having started the year with nine tenants, we added one during the period, Silverline, and Holmes will become our eleventh tenant once that transaction completes.

This tenant diversification is an important part of our growth strategy, enabling us to expand the business while spreading risk. We choose financially resilient tenants who prioritise a positive and safe environment for their residents, focusing on providing good quality care and share in our vision of continued asset improvement. The Board places a high priority on maintaining the Group's assets to a high standard and pays close attention to our tenants' programmes of repair and maintenance.

Financial performance

The unaudited NAV at 30 June 2020 was £341.8 million or 107.17p per share (30 June 2019 NAV £299.9 million or £104.67p per share).

Unaudited earnings per share (EPS) for the period was 3.46p (basic and diluted), down from 5.05p in the same period in 2019. EPRA EPS was 3.62p (2019: 3.62p) and Adjusted EPS was 2.77p (2019: 2.58p).

Looking forward, our priorities continue to be to take a disciplined approach to allocating capital as we responsibly and sustainably grow the business and income, delivering

attractive risk adjusted returns, while being as efficient as possible in the way we manage the business.

More information about our financial performance in the period can be found in the Investment Manager's report on pages 12-14.

Dividends and total return

At the beginning of 2019 the Company introduced a progressive dividend policy. It seeks to grow its target dividend in line with the inflation-linked rental uplifts received by the Group under the terms of the rent review provisions contained in the Group's leases in the prior financial year. 100% of the Group's leases are inflation linked. During the year to 31 December 2019, the Group received a total rent increase from RPI uplifts of £412,185. Consequently the Board set a target total dividend for the year ending 31 December 2020 of 6.29 pence per share, a 1.94% increase over the 6.17 pence per share paid for the year ending 31 December 2019.

So far in 2020 we have declared two dividends in relation to the first two quarters of the year of 1.5725p each, delivering on our target. This dividend continues to be well covered by our EPRA EPS of 3.62p.

The NAV total return for the period was 3.3%, beneath the NAV total return target we also introduced at the beginning of last year of 9.0% per annum.

Financing

The Group had an active first half putting in place an additional revolving credit facility with HSBC, which was signed in April, and represented a vote of confidence at a challenging time. It makes available a further £50 million on attractive terms at a margin of 195 basis points over three-month LIBOR.

The Group now has £125 million of committed debt facilities. Our drawn debt at 30 June 2020 was £76.1 million, giving us an LTV of 18.1%. Our cash position on 30 June 2020 was £71.0 million as we had drawn down sufficient funds to complete on the Holmes acquisition, completion of which is expected soon. The financing costs are offset by the fact that rent is due from Holmes backdated to 1 May 2020. It is the Group's intention to continue to maintain a conservative balance sheet.

Corporate governance

The Company has a strong and independent board, comprising me as Chairman and four other non-executive directors. The Board is committed to achieving high standards of corporate governance.

Investment Manager

Impact Health Partners LLP is our Investment Manager. The Manager is working hard on the Group's behalf and brought acquisitions to the Board which have continued to diversify the Group successfully during the first half of 2020.

During the pandemic, the strength of the relationship the Investment Manager has developed with the Group's tenants came to the fore. The flow of detailed and current information these relationships produced gave us comfort we knew where we stood during the darkest period of the pandemic and continues to produce some constructive ideas on how we can help our tenants.

Outlook and summary

The Group works closely with all its tenants as they continue to provide an essential service to the communities in which they operate. We remain a long-term business and the Company's sustainable healthcare portfolio continues to provide crucial infrastructure supporting vulnerable elderly people across the UK. We are confident that, despite the short-term uncertainty produced by the pandemic, the fundamental drivers of our industry and business remain strong.

The Company's business model remains robust and resilient as demonstrated by the Group's 100% collection of rent due for the year to date and we continue to be well positioned for the short and longer term. We remain well capitalised, with a strong balance sheet, and significant liquidity and headroom, which will leave us well placed to continue to responsibly deliver value to our tenants, residents in the care homes we own, our tenants' healthcare professionals and shareholders, that is sustainable over the long term.

Rupert Barclay
Chairman

12 August 2020

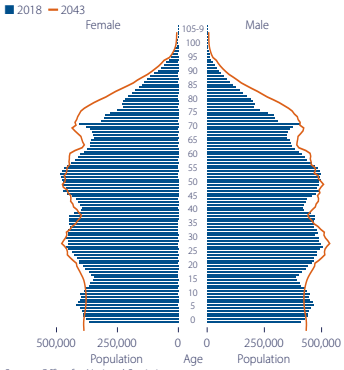
Market drivers

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. While the impact of the COVID-19 pandemic, which is discussed in more detail on pages 8-9, has reduced care home occupancy in the short term, demand for elderly care is forecast to grow over the longer term.

Age structure of the UK population

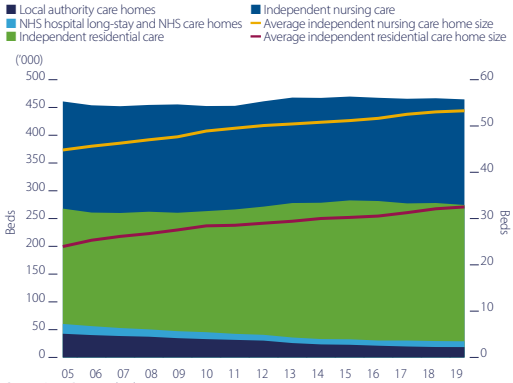


Source: Office for National Statistics

2. Capacity is not rising in line with demand

Over the past 10 years, the number of available beds has not increased. Underlying this apparent stability there 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 and smaller 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.

Average care home size (RHS) and beds by sector (LHS)

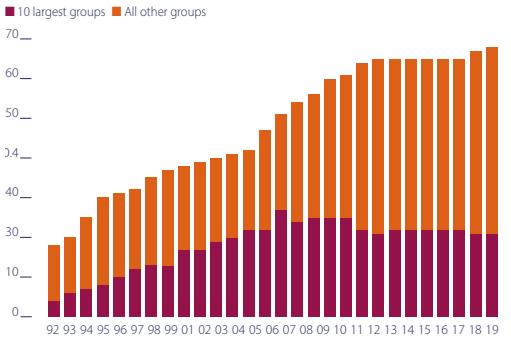


Source: LaingBuisson database

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.

Share of bed capacity owned or leased by a) the 10 largest independent sector care home groups and b) all groups[1] with three or more homes (%)



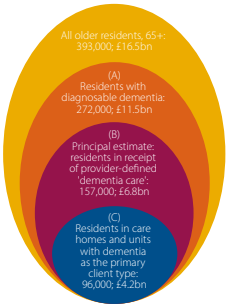
1 Groups defined as any entity under common management with three or more care homes for older people dementia (65+), £m UK annualised at March, UK 2007-2019

Source: LaingBuisson database

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.

Number and annual costs of older people (65+) with dementia in care homes and NHS long-stay residential settings, UK all sectors combined 2019

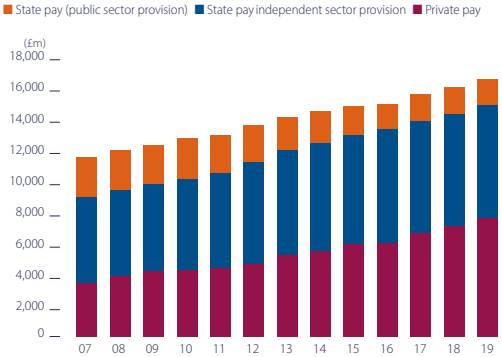


Source: LaingBuisson database

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. During the pandemic, the government made an additional £3.2 billion available to local authorities to fund adult social care, and made a grant of £600 million to fund infection control measures, primarily in care homes. As a result of the pandemic, the government considering structural reforms of the elderly care sector which may result in substantial increases in funding.

Market value of payer group[1] (£m)



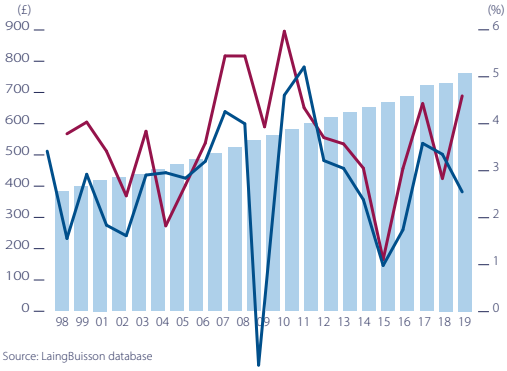
1. Self-pay and state-pay, nursing, residential and long-stay hospital care of older people and people with dementia (65+), £m UK annualised at March, UK 2007-2019. Top-up payments included in state pay.

Source: LaingBuisson database

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.

Average weekly fees (£) versus RPI (%)



Source: LaingBuisson database

COVID-19 overview

Over the six-month period being reported on, COVID-19 evolved from a localised outbreak into a global pandemic declared by the World Health Organisation on 11 March 2020. The Group has demonstrated its resilience during the exceptionally high levels of uncertainty created by the pandemic and remains well and defensively positioned.

What happened?

The first death in the UK attributed to COVID-19 happened in an English hospital on 2 March. Hospital deaths in England and Wales peaked 37 days later on 8 April at 1,002. The first care home death from COVID-19 happened on 13 March, and daily care home deaths from COVID-19 peaked 35 days later at 434. The death rate then began to fall, with deaths in care homes attributed to COVID-19 in England and Wales decreasing from a daily average of 292 in April, to 158 in May, 37 in June, and 10 during the first 24 days of July.

Notifications about deaths in care homes in England must be sent to the Care Quality Commission without delay, which means it has been able to build the most timely picture of care home deaths. According to CQC data, up to 17 July 14,003 residents had died in English care homes from COVID-19. In parallel Public Health England is responsible for tracking outbreaks of infectious diseases, with an outbreak defined as two or more people in the same location having the disease. By early July, PHE data show that 43% of care homes in England had an outbreak of COVID-19.

The other constituent parts of the United Kingdom record their data on different bases. The Scottish government estimates that in the year to 13 July, 4,193 people had died of COVID-19 in Scotland and that 1,950 of those deaths occurred in care homes, 47% of the total. This is significantly higher than in England and Wales, where 30% of total deaths occurred in care homes. Northern Ireland, where the Group does not currently have any homes, had suffered 844 COVID-19 deaths in the year to 10 July.

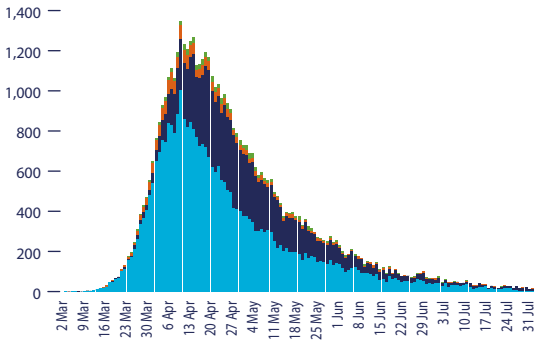
COVID-19 has affected the elderly far more than the young. Of the 50,505 people recorded by the ONS as dying from COVID-19 in England and Wales in the year to 10 July, 84% were over 70 and 22% were over 90. COVID-19 sadly accelerated many of these deaths, which might explain why since the end of May deaths from other causes have been below the five-year average.

How our tenants responded

Our tenants have been through three phases of the pandemic.

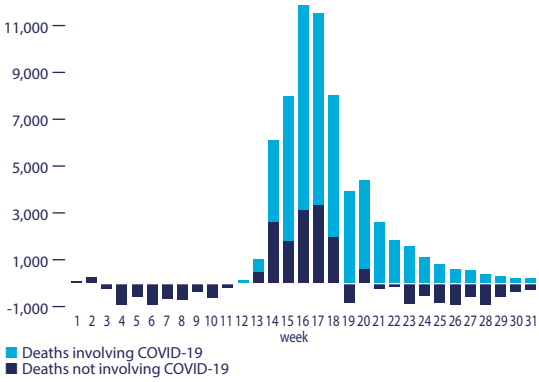
Phase one, in early March, they began preparing for what was to come. They put in place protocols to halt visits to the homes, typically before government guidance was published, increased stockpiles of PPE and looked at measures to ensure they would have sufficient staff available to continue to provide care, such as regular temperature screenings, emotional support and resilience training, food deliveries to carers' homes and providing accommodation in or nearby the homes. It is in this phase that the NHS was most active in seeking to block book beds to create hospital capacity. Several tenants were quick

COVID-19 deaths by location in England and Wales



Source: https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/deathsregisteredweeklyinenglandandwalesprovisional/latest

Weekly deaths above or below the five-year average in England and Wales



Source: https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/deathsregisteredweeklyinenglandandwalesprovisional/latest

to raise concerns on whether it was wise to accept these contracts, as the people being discharged from hospital had not been tested for the virus. In practice, most tenants had limited capacity to offer block contracts on the scale the NHS was seeking, because 62% of the Group's homes had occupancy substantially better than 90% in late March.

Building stockpiles of PPE was expensive. Tenants' expenditure on medical supplies and cleaning almost doubled between March and April, but has since reduced reflecting normalised pricing for PPE as it becomes more readily available. Staffing pressures peaked in the week of lockdown (23 March), when many staff were forced to self-isolate for one or two weeks. This led to a spike in the use of agency staff to ensure enough staff were available to provide care, but this was soon brought under control as permanent staff returned to work.

Phase two was the hardest period for our tenants with the death rate peaking, homes in lockdown to visitors and new admissions, and limited testing available to confirm suspected cases of COVID-19. The Investment Manager stayed in very close contact with the Group's tenants during this period and was impressed by tenants' success in maintaining staff morale during such a challenging period.

Phase three started as it became clear the death rate was returning to more normal levels. During the course of June, the Group's tenants began focussing on measures required to reopen carefully homes to new admissions, whilst ensuring the safety of existing residents and staff. In this period, testing did become widely available in care homes for both residents and staff. We are pleased to confirm that as at the end of July there are no residents with COVID-19 in any of the Group's homes.

Our tenants' number of occupied beds (not including Holmes) at the end of June were down 8% from their level at the beginning of March, but have since started to recover.

How the Group has assisted its tenants

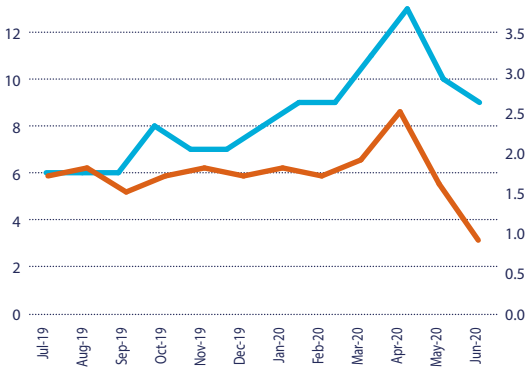
From the beginning of March, the Investment Manager has been in constant communication with all the tenants. In addition to the detailed monthly operating and financial data the Investment Manager receives from all tenants at the end of each quarter, the Group asked its tenants to provide weekly occupancy data for the duration of the pandemic, along with a situation report on how the pandemic is affecting their operations. Where appropriate, the Investment Manager has shared information amongst the tenants and ideas on how to best manage challenges caused by the pandemic and measures being put in place as the UK starts to recover from it.

In April, as pressures on PPE supplies mounted and wholesalers were only responsive to large orders focussed on the NHS, the Investment Manager placed a large order for masks and then allocated to tenants as required.

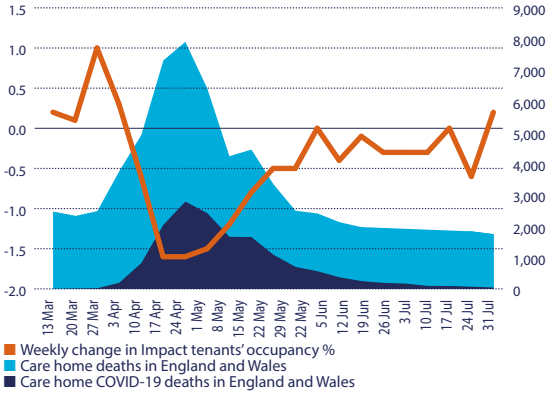
In June, as thoughts turned to measures to enable the careful reopening of homes to new admissions and visitors, the Group agreed to fund the purchase and installation of thermal scanners at all its homes. The scanners will support tenants' existing infection control procedures through enabling the remote reading of the body temperature of all staff and visitors who are entering the building.

Above: temperature monitoring equipment is being installed at all our homes to check all visitors and staff before entry.

Average cost margins (%)



Tenant's weekly occupancy change (%) vs. weekly deaths in over 75 year olds



9.

Holmes Care Group

Carefully expanding our tenant profile

In March 2020, we exchanged contracts to add Holmes as a new tenant to our portfolio. Holmes is an award-winning family run care group, celebrating over 35 years in the care industry. It operates 13 homes across the United Kingdom, including nine homes and a day centre which will be leased from Impact in Scotland. Holmes' purpose is to enrich the lives of residents and their families, employees and local communities and in turn provide outstanding care and support.

"We look forward to working with Holmes as partners to expand our portfolio in Scotland. We have agreed a partnership with strong levels of rent cover, ensuring sustainability, which will allow them to continue to deliver first-class care." Andrew Cowley, Managing Partner of Impact Health Partners.

The nine purpose built care homes are located in Scotland, one home is in Aberdeen and the other eight are located around Glasgow and in the central belt, totalling 649 bedrooms all with en suite facilities.

Holmes was awarded a 'Top 20 Mid-size Care Home Groups 2020' award in February 2020 from carehome.co.uk, an industry guide to nursing and residential homes providing care in the United Kingdom. **"Through our partnership with Impact, we can continue to focus on delivering high quality person-centred care"** says Sharifa Lakhani, Managing Director of Holmes Care Group, **"we look forward to building upon their experience and knowledge in the sector to expand our business in the future."**

9.

Holmes Care Group

Beds: 649
Exchanged: March 2020
Net Purchase Price: £47.5 million
Portfolio income: 12%

Locations

1. **Almond Court**, Drumchapel
2. **Almond View**, Drumchapel
3. **Bankview Care Home**, Banknock
4. **Bankview Day Care Centre**, Banknock
5. **Beechwood Care Home**, Wishaw
6. **Craigielea Care Home**, Renfrew
7. **Grandholm Care Home**, Aberdeen
8. **Heatherfield Nursing Home**, Armadale
9. **Larkfield View Care Centre**, Greenock
10. **Three Towns Care Home**, Stevenston

Investment Manager's report

A great deal of thought has been put into developing and implementing the Group's strategy and business model. One of the main aims of that strategy is to have a resilient and defensive business, which can deliver in good times as well as bad. The first two months of the year were a good time and the next four months were challenging. Notwithstanding the challenges, the Group continued to receive 100% of its rent due and to deliver on its dividend target, demonstrating its resilience.

Andrew Cowley, Managing Partner, Impact Healthcare Partners

Investment activity

During the first quarter of the year, the Group committed £68.5 million into new acquisitions, all of which comply with the Group's strict investment criteria and have risk/return profiles which are consistent with the Group's existing portfolio. During March, further acquisitions were put on hold until the level of uncertainty caused by the pandemic had decreased.

In aggregate, the Group exchanged contracts to acquire a further 17 properties with 1,194 beds, a 27.9% increase on the number of beds at 31 December 2019 (4,274). The average yield on these transactions is 7.5%. These investments, combined with rent increases received during the period, helped to grow our contracted rent roll from £23.1 million on 31 December 2019, to £29.5 million on 30 June 2020, a 27.7% increase.

The acquisitions further diversified the portfolio geographically and will add two new tenants to the Group: Silverline and Holmes. All our new leases have minimum fixed terms of 25 years, no tenant break rights, options to extend and annual rent adjustments at RPI, with either a floor of 2% and a cap of 4% or a floor of 1% and a cap of 5%.

At 30 June, contracts to acquire nine homes operated by Holmes which exchanged in March, remain outstanding with completion subject to regulatory approvals by the Care Inspectorate in Scotland. Rent on that acquisition is due from 1 May 2020, regardless of when completion does take place.

Asset management

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

In the first half of the year we completed two large new units attached to existing homes, which will be used to deliver high quality care for people with dementia. A 30-bed unit at Diamond House in Leicester opened in February and has already achieved 43% occupancy. A 46-bed unit at Freeland House near Oxford received regulatory approval to open at the end of the half-year. In addition, we have committed to forward fund a new, 94-bed care home in Hartlepool at a total cost of £6.1 million. The home is being built and will be operated by Prestige, one of the Group's existing tenants, and will deliver a yield of 7.8% on completion. Construction work was interrupted for nine weeks during the pandemic, but has now resumed.

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

The portfolio

As a result of the acquisitions and asset management activity described above, at 30 June 2020 the portfolio comprised 94 properties, with just over 4,800 beds (approximately 1% of the beds available in the UK), and will grow to 104 properties with over 5,600 beds on completion of the Holmes transaction and the forward funded development of Hartlepool. A complete list of all the assets in the portfolio can be found on page 19.

How our tenants managed the challenges caused by the COVID-19 pandemic is discussed in detail on pages 8-9. On average, occupancy across the portfolio fell by 8% between the first week of March, when the first deaths from COVID-19 were recorded in the UK, to the end of June. Occupancy has since stabilised and is starting to recover. The portfolio's rent cover has reduced from 1.8 times in the 12 months to 31 December 2019, to a still healthy 1.7 times in the six months to 30 June 2020.

One reason why rent cover has held up well, despite falls in occupancy, are substantial fee increases across the portfolio: the average weekly fee charged by our tenants for providing care in April 2020 was 12.5% higher than in April 2019. This is partly driven by good-quality new acquisitions but also by strong level of underlying fees growth.

Solid levels of rent cover have enabled our tenants to pay the rent due in full without undue stress. 79% of our rent is payable quarterly in advance and 21% monthly in advance. For the year to date we have collected 100% of the rent due.

Valuation

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

As at 30 June 2020, the portfolio was valued at £346.0 million, an increase of £27.2 million from the valuation of £318.8 million at 31 December 2019. The components of this valuation increase were as follows:

- acquisitions: £22.6 million;
- acquisition costs capitalised: £0.8 million
- capital improvements: £1.0 million; and
- valuation uplift: £2.8 million.

The valuation uplift was largely driven by rent increases received during the period.

Financial results

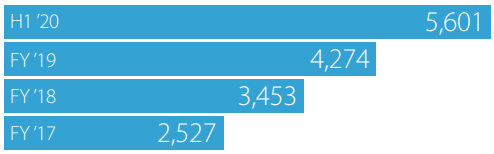
Total net rental income recognised for the period was £14.8 million (H1 2019: £10.8 million). Under IFRS, the Group must recognise some rent in advance of receipt, reflecting the minimum 2% uplift in rents over the term of the leases, on a straight line basis. Cash rental income received in the period was £11.6 million (H1 2019: £8.6 million).

Administrative and other expenses totalled £2.4 million (H1 2019: £2.1 million). Net finance costs were £0.9 million (H1 2019: £1.2 million). The change in fair value of investment properties was (£0.4) million (H1 2019: £3.4 million), contributing to profit before tax of £11.1 million (H1 2019: £ 10.9 million).

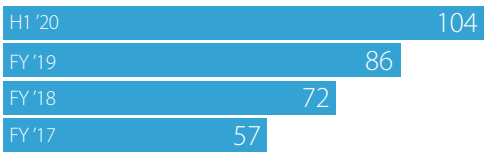
Earnings per share ("EPS") for the period was 3.46p (H1 2019: 5.05p) and EPRA EPS was 3.62p (H1 2019: 3.62p).

All the EPS figures listed above are on both a basic and diluted basis. More information on the calculation of EPS can be found in note 7 to the financial statements on page 30.

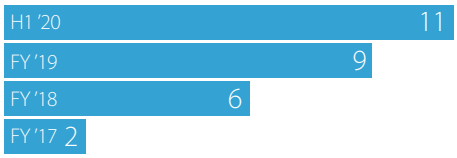
Beds



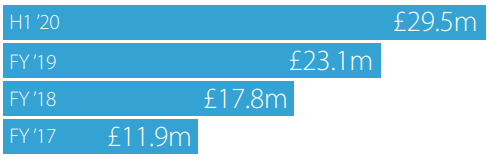
Properties



Tenants



Contracted annual rent



Note: Charts include exchanged acquisitions and forward funded developments.

Investment Manager's report

Dividends

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

The Company has declared two quarterly dividends of 1.5725p each in respect of the period in line with our target. Both dividends were Property Income Distributions. The details of these dividends were as follows:

Quarter to	Declared	Paid	Cash cost £m
31 March 2020	7 May 2020	12 June 2020	5.0
30 June 2020	12 August 2020	To be paid	5.0
Total			**10.0**

Earnings per share cover for the total dividend is discussed in the Chairman's statement on pages 4-5.

Financing

We continued to put in place the building blocks to help support the Group's continued development. A key milestone was achieved on 6 April 2020, when we announced a new £50 million revolving credit facility signed with HSBC at a margin of 195 basis points over three-month LIBOR. £34.5 million can be immediately drawn down under the HSBC facility, and £15.5 million is conditional on security registration of Scottish assets and the completion of transactions which have exchanged.

We continue to take a conservative approach to managing the Group's balance sheet. At 30 June 2020 drawn debt was £76.1 million, giving an LTV of 18.1%. However, this debt is largely offset by our cash position at 30 June of £71.0 million. Prior to the end of the period we drew down the money required to complete Holmes acquisition (£47.5 million), as completion could take place at short notice and interest charges on the drawn debt are significantly less than the rent due from Holmes since 1 May 2020.

In addition to the cash on the balance sheet we have £48.9 million of undrawn debt facilities, leaving headroom of £58.1 million once all committed capital for completion of exchanged acquisitions, deferred payments and capital expenditure have been financed.

Post Balance sheet event

We have divided our portfolio into core, non-core and value add assets. After the end of the first half of 2020 we successfully sold the Shrubbery, a non-core asset. In January 2020 we had bought Red Hill, a 90-bed home in Worcester, near the Shrubbery, with the aim of moving the residents and staff from the Shrubbery to Red Hill. Once this was smoothly accomplished by Minster, our tenant, the Shrubbery was put up for sale. In August we sold the Shrubbery for a 24% uplift to its most recent investment valuation, and a 29% increase on its purchase price.

Acquisition pipeline

When we paused new acquisitions in March, we had a strong pipeline of potential acquisitions. As the level of uncertainty created by the pandemic starts to reduce, we will review when and how to re-engage with potential acquisitions, while at all times exercising robust capital discipline in order to deliver value at the point of acquisition or investment.

Impact Health Partners LLP
Investment Manager

12 August 2020

Key performance indicators

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

1. Net Asset Total Return ("NATR")

3.25%

for the period to 30 June 2020
(-26.0% on 2019)

H1 '20	3.25%
H1 '19	4.39%

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.

2. Dividends

3.145p

per share

for the period to 30 June 2020
(+1.8% on 2019)

H1 '20	3.145p
H1 '19	3.09p

Definition

Dividends declared in relation to the period.

3. EPRA earnings per share

3.62p

per share

for the period to 30 June 2020
(0.0% on 2019)

H1 '20	3.62p
H1 '19	3.62p

Definition

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

4. EPRA 'topped-up' Net Initial Yield ("NIY")

7.71%

at 30 June 2020
(+15.8% on 2019)

H1 '20	7.71%
FY '19	6.66%

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.

5. NAV per share

107.17p

per share

at 30 June 2020
(+0.3% on 2019)

H1 '20	107.17p
FY '19	106.81p

Definition

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

6. Gross Loan to Value ("LTV")

18.1%

per share

as at 30 June 2020
(+166.2% on 2019)

H1 '20	18.1%
FY '19	6.8%

Definition

The proportion of our gross asset value that is funded by borrowings.

7. Weighted Average Unexpired Lease Term ("WAULT")

19.5yrs

as at 30 June 2020
(-1.0% on 2019)

H1 '20	19.5yrs
FY '19	19.7yrs

Definition

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

8. Total Expense Ratio ("TER")

1.42%

as at 30 June 2020
(-6.0% on 2019)

H1 '20	1.42%
H1 '19	1.51%

Definition

Total recurring administration costs as a percentage of average net asset value throughout the period. EPRA cost ratio was 16.4% (down from 19.0% in H1'19)

Impact committed to forward funding a 94-bed care home in Hartlepool to be leased to Prestige (3)

Impact committed £0.3 million towards enhancement works with Silverline

Impact approved schedule of improvement works with MMCG for four Yorkshire homes

March

Practical completion of 76 new beds at Diamond House (1) and Freeland House (2)

January

CQC registered new development at Diamond House

February

Asset management timeline

Hartlepool

Update on development progress

In March, Impact entered into a forward funding arrangement with an existing tenant, Prestige, for the development of a 94-bed care home in Hartlepool. The development was expected to be completed within 12 months from the arrangement date after which the care home will be leased to Prestige.

However, due to the COVID-19 pandemic, the development site was closed for a period of nine weeks and reopened at the start of May. The closure has caused a delay to expected 12-month time frame and it is anticipated that the development will now be completed in March 2021.

Good progress is being made on site, with all initial ground works having been completed and the block and brickwork of the care home at first floor level (3).

Fairview House and Court

Approval of planning permission

Impact and Welford have been successful in gaining planning permission for a new link building to join existing adjacent care homes, Fairview House and Fairview Court in Bristol (4).

Works include the extension and a comprehensive refurbishment of the Fairview House building. Whilst in general, both care homes are occupied to full capacity, both our tenant, Welford Care, and ourselves plan to future proof the viability of the successful business by modernising the facilities on site to keep ahead of market demands.

The proposed improvements will increase the spatial standards of existing bedrooms to Fairview House by amalgamating multiple bedrooms together and adding new en-suite wetrooms where necessary. Overall, the new link and internal reconfiguration will increase number of bedrooms by 10 (net). Linking the two existing buildings allows the sharing of communal facilities, ensures Disability Discrimination Act compliant access to all parts of both buildings for residents and reduces staff travel distances by centralising the kitchen and laundry.

We anticipate that construction work will commence on site in early 2021 and have a 12-month build program.

April

Impact published Environmental, Social and Governance Policy

CQC registered new development at Freeland House

May

Impact granted planning permission for new link building between Fairview House and Fairview Court (4)

Impact granted planning permission for a new 21-bed extension to Elm House

June

Impact published EPRA Sustainability Report

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.

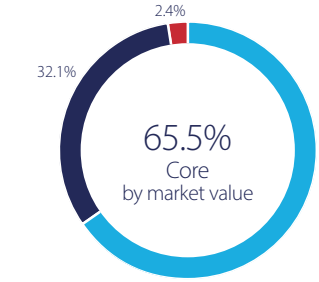
- Present opportunities to deploy capital to enhance the asset and its performance
- May be a smaller home, have a low level of en-suite bathrooms or have other elements of functional obsolescence
- Value uplift through enabling the tenant to offer a new service, such as dementia and/or targeting private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

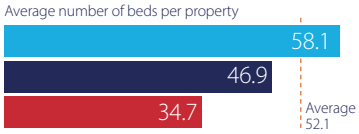
A strong core portfolio underpinning value



Core Value add Non-core

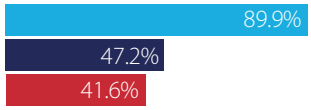
Homes of scale, delivering an efficient service to residents

Average number of beds per property



A core portfolio delivering an en suite facility service

Rooms with en-suite bathrooms

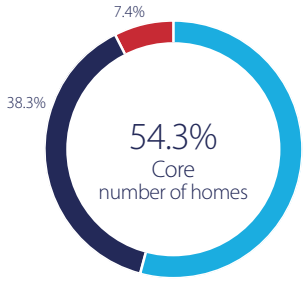


A proportional rent per bed with strong rent cover across the portfolio

Average rent per bed

Core Value add Non-core

Significant opportunity to enhance value from the value-add portfolio



Core Value add Non-core

Portfolio

At 30 June 2020, the Group owned the homes listed in the table below:

Tenant and home	Region	Acquisition date[1]	Beds[2]	Capital projects[3]
Careport				
Briardene	North East	Aug 2018	60	
Derwent	North East	Aug 2018	45	
Holly Lodge	North East	Nov 2018	41	
Kingston Court	North West	Jun 2019	75	
Old Prebendal House and Court	South East	Jun 2019	39	
Sovereign Court and Lodge[4]	North East	Aug 2018	60	
The Grove	North East	Sep 2018	55	
Value at 30 June 2020: £26.85m				
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 House	North West		40	
Turnpike Court	North West		53	
Wealstone	North West		42	
Westhaven	North West		52	
Whetstone Hey	North West		42	
Value at 30 June 2020: £65.91m				
Maria Mallaband and Countrywide Group (MMCG)				
Belmont House	York. & The Humber	May 2019	106	
Croft House	York. & The Humber	Mar 2020	75	
Heeley Bank	York. & The Humber	Mar 2020	68	
Howgate House	York. & The Humber	Mar 2020	67	
Manor Park	York. & The Humber	Mar 2020	63	
Park Springs	Scotland	May 2019	96	
Thorntree Mews	Scotland	May 2019	40	
Wallace View	Scotland	May 2019	60	
Value at 30 June 2020: £35.05m				
Holmes Care Group[5]				
Almond Court	Scotland	Mar 2020	42	
Almond View	Scotland	Mar 2020	78	
Bankview (&BDCC)	Scotland	Mar 2020	65	
Beechwood	Scotland	Mar 2020	90	
Craigielea	Scotland	Mar 2020	85	
Grandholm	Scotland	Mar 2020	79	
Heatherfield	Scotland	Mar 2020	60	
Larkfield View	Scotland	Mar 2020	90	
Three Towns	Scotland	Mar 2020	60	

1 May 2017 unless stated
2 Number of registered beds
3 Capital improvement bed additions under development
4 Treated as two properties
5 At the period end these properties had exchanged but not yet completed
6 This property is a forward-funded development that is currently under construction
7 This property was closed during the period and sold subsequently
* Minster and Croftwood are both part of Minster Care Group

Tenant and home	Region	Acquisition date[1]	Beds[2]	Capital projects[3]
Minster Care*				
Abbeywell	West Midlands		45	
Amberley	South West		30	
Ashgrove	York. & The Humber		56	
Attlee	York. & The Humber		68	
Broadgate	East Midlands		40	
Carnbroe	Scotland	May 2018	74	
Craigend	Scotland		48	
Diamond House	East Midlands		74	
Duncote Hall	East Midlands		40	
Duncote, The Lakes	East Midlands		47	
Emmanuel	York. & The Humber		44	
Eryl Fryn	Wales		31	
Falcon House	East Midlands		46	
Freeland House	South East		111	
Gray's Court	East of England		87	
Grenville	East of England	May 2018	64	
Hamshaw Court	York. & The 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	York. & The Humber		49	
Red Hill	West Midlands	Jan 2020	90	
Rydal	North East		60	
Saffron	East Midlands	Jun 2017	48	
Shrubbery[7]	West Midlands		–	
Sovereign House	West Midlands		60	
Stansty House	Wales		74	
Three Elms	North West		60	
Waterside	West Midlands		47	
Woodlands Court	North West		40	
Wordsley	West Midlands		41	
Value at 30 June 2020: £130.29m				
NCUH NHS Trust				
Reiver House	North West	Jun 2019	–	
Surgical Unit	North West	Jun 2019	–	
Value at 30 June 2020: £4.41m				
Optima				
Barham	East of England	Aug 2019	44	
Baylham	East of England	Aug 2019	55	
Value at 30 June 2020: £13.95m				
Prestige Group				
Hartlepool[6]	North East	Mar 2020	–	+94
Parkville 1 & 2	North East	Mar 2018	94	
Roseville	North East	Mar 2018	103	
Sandbanks	North East	Oct 2018	77	
Yew Tree	North East	Jan 2019	76	
Value at 30 June 2020: £31.42m				
Renaissance Care				
Croftbank	Scotland	Nov 2018	68	
Rosepark	Scotland	Nov 2018	60	
Value at 30 June 2020: £12.47m				
Silverline				
Laurel Bank	York. & The Humber	Mar 2020	63	
The Beeches	York. & The Humber	Mar 2020	60	
Willow Bank	York. & The Humber	Mar 2020	59	
Value at 30 June 2020: £7.96m				
Welford				
Argentum Lodge	South West	Sep 2019	56	
Birchlands	York. & The Humber	Jun 2019	54	
Fairview Court & House[4]	South West	Mar 2018	73	
Holmesley	South West	Jun 2019	55	
Value at 30 June 2020: £23.79m				

Principal risks and uncertainties

The board has been regularly evaluating the performance of and risks to the business arising from the ongoing effects of the COVID-19 pandemic and the wider operating environment. The pandemic is not over and its outcome remains uncertain. The principal risks and uncertainties as outlined on pages 24-28 of our 2019 Annual report are reconfirmed with the following updates from our evaluation in the period.

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

The risks as outlined in the 2019 Annual report are reconfirmed with the following updates from our evaluation in the period.

- **Pandemics** The effects of COVID-19 have been included in our report on pages 8-9 and in the Investment Manager's report on pages 12-14. While the number of cases has reduced from its peak in April 2020 and testing has become more widely available, there remains a risk of a second wave. Our care homes have enhanced their infection control measures to prevent infection in homes and identify and contain cases should they arise.
- **Changes to government policy (including Brexit)** The heightened focus on adult social care, and in particular care homes, as a result of COVID-19, has increased the probability of changes to future government policy and a demand for increased funding. It remains too early to assess the incremental risk and opportunity that this may bring. The outcome of Brexit continues to remain unclear and the manager continues to engage with tenants on staff planning in the event of a hard Brexit.
- **Adverse change in investment opportunities** Investment activity largely ceased in the care home market during the early stages of COVID-19. Investment activity returned from the second half of Q2 onwards as confidence was restored in the long-term outlook based on an understanding of how individual homes and tenants have performed over this period.
- **General economic conditions** There is continued uncertainty about the scale and duration of the economic downturn caused by the pandemic. Care for older people remains an important and increasing focus, and the market remains relatively uncorrelated to broader economic conditions.
- **Weakening care market** Whilst the pandemic has resulted in a reduction in occupancy in the short term, the need for well run and safe environments for older people to be cared for has been highlighted. The opportunity for properly funded care that aligns with this need may improve as a result of this focus.
- **Default of one or more tenants** and **Ability to meet our debt financing obligations** Our tenants have shown themselves to be resilient in their ability to operate in the challenging environment this year. Their rent cover was set at a level to help them sustain fluctuations in income and maintain their own business operations and access to testing and PPE has increased their ability to identify and protect their residents and contain any outbreaks as they arise. However, there remains a heightened risk that a continuation and/or second wave of infections could lead to default of one or more tenants. This in turn would result in a financing default.
- **Underinvestment by tenants in repair and maintenance of our assets** There is a heightened risk that repair and maintenance programmes fall behind as our tenants are closely managing their cash flow and avoiding non-essential contractors on site. We will continue to mitigate this risk by working closely with our tenants to schedule work on a three-year cycle.

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

As regards the six months to 31 December 2020, the course of the pandemic may cause further changes to the probability and impact of these principal risks. These have all been considered as part of our going concern assessment which is reported on page 26.

Rupert Barclay
Chairman

12 August 2020

Directors' responsibilities

The directors confirm that to the best of their knowledge, this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union and that the operating and financial review on pages 10-12 includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 of the Disclosure and Transparency rules of the United Kingdom's Financial Conduct Authority, namely:

- an indication of important events that have occurred during the first period of the financial year and their impact on the condensed financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first period of the financial year and any material changes in the related party transactions disclosed in the 2019 Annual report as disclosed in note 21.

A list of the directors is shown on page 37.

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

For and on behalf of the board

Rupert Barclay
Chairman

12 August 2020

Condensed consolidated statement of comprehensive income

	Notes	Six months ended 30 June 2020 (unaudited) £'000	Six months ended 30 June 2019 (unaudited) £'000	Year ended 31 December 2019 (audited) £'000
Gross rental income	5	14,846	10,816	23,980
Insurance/service charge income	5	164	111	252
Insurance/service charge expense	5	(166)	(113)	(254)
Net rental Income		**14,844**	**10,814**	**23,978**
Administrative and other expenses		(2,429)	(2,051)	(4,589)
Operating profit before changes in fair value of investment properties		12,415	8,763	19,389
Changes in fair value of investment properties	9	(430)	3,416	9,070
Operating profit		**11,985**	**12,179**	**28,459**
Finance income		47	35	110
Finance expense		(981)	(1,268)	(2,237)
Profit before tax		**11,051**	**10,946**	**26,332**
Tax charge on profit for the period/year	6	–	–	–
Profit and comprehensive income (attributable to shareholders)		**11,051**	**10,946**	**26,332**
Earnings per share – basic and diluted (pence)	7	**3.46p**	**5.05p**	**10.37p**

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

Condensed consolidated statement of financial position

	Notes	As at 30 June 2020 (unaudited) £'000	As at 30 June 2019 (unaudited) £'000	As at 31 December 2019 (audited) £'000
Non-current assets				
Investment property	9	334,541	265,976	310,542
Interest rate derivatives	11	21	157	94
Trade and other receivables		13,171	7,459	10,017
Total non-current assets		**347,733**	**273,592**	**320,653**
Current assets				
Trade and other receivables		1,112	1,536	554
Cash and cash equivalents		71,037	52,147	47,790
Total current assets		**72,149**	**53,683**	**48,344**
Total assets		**419,882**	**327,275**	**368,997**
Current liabilities				
Trade and other payables		(2,436)	(2,255)	(3,086)
Total current liabilities		**(2,436)**	**(2,255)**	**(3,086)**
Non-current liabilities				
Bank borrowings	10	(73,908)	(23,272)	(23,461)
Trade and other payables		(1,719)	(1,818)	(1,768)
Total non-current liabilities		**(75,627)**	**(25,090)**	**(25,229)**
Total liabilities		**(78,063)**	**(27,345)**	**(28,315)**
Total net assets		**341,819**	**299,930**	**340,682**
Equity				
Share capital	12	3,189	2,865	3,189
Share premium reserve	13	271,362	237,459	271,341
Capital reduction reserve		24,077	35,800	24,077
Retained earnings		43,191	23,806	42,075
Total equity		**341,819**	**299,930**	**340,682**
Net Asset Value per ordinary share (pence)	15	**107.17p**	**104.67p**	**106.81p**

Condensed consolidated statement of cash flows

	Notes	Six months ended 30 June 2020 (unaudited) £'000	Six months ended 30 June 2019 (unaudited) £'000	Year ended 31 December 2019 (audited) £'000
Cash flows from operating activities				
Profit for the period/year (attributable to equity shareholders)		11,051	10,946	26,332
Finance income		(47)	(35)	(110)
Finance expense		981	1,268	2,237
Changes in fair value of investment properties	9	430	(3,416)	(9,070)
Net cash flow before working capital changes		12,415	8,763	19,389
Working capital changes				
Increase in trade and other receivables		(3,712)	(3,160)	(4,736)
Increase/(decrease) in trade and other payables		(554)	(810)	288
Net cash flow from operating activities		**8,149**	**4,793**	**14,941**
Investing activities				
Purchase of investment properties	9	(22,556)	(36,899)	(69,969)
Acquisition costs capitalised	9	(807)	(2,724)	(3,447)
Capital improvements	9	(1,266)	(3,131)	(8,226)
Interest received		47	35	110
Net cash flow from investing activities		**(24,582)**	**(42,719)**	**(81,532)**
Financing activities				
Proceeds from issue of ordinary share capital	12	–	100,000	135,000
Issue costs of ordinary share capital	13	21	(2,050)	(2,844)
Bank borrowings drawn	10	51,002	35,969	35,971
Bank borrowings repaid	10	–	(36,844)	(36,844)
Loan arrangement fees paid		(828)	(751)	(791)
Loan commitment fees paid		(147)	–	(395)
Interest paid bank borrowings		(433)	(578)	(1,043)
Dividends paid to equity holders	8	(9,935)	(7,143)	(16,143)
Net cash flow from financing activities		**39,680**	**88,603**	**112,911**
Net increase in cash and cash equivalents for the period		23,247	50,677	46,320
Cash and cash equivalents at the start of the period		47,790	1,470	1,470
Cash and cash equivalents at the end of the period		**71,037**	**52,147**	**47,790**

Condensed consolidated statement of changes in equity

Six months ended 30 June 2020 (unaudited)

	Notes	Share capital (unaudited) £'000	Share premium (unaudited) £'000	Capital reduction reserve (unaudited) £'000	Retained earnings (unaudited) £'000	Total (unaudited) £'000
1 January 2020		**3,189**	**271,341**	**24,077**	**42,075**	**340,682**
Total comprehensive income		**–**	**–**	**–**	**11,051**	**11,051**
Transactions with owners						
Dividends paid	8	–	–	–	(9,935)	(9,935)
Share issue costs	13	–	21	–	–	21
30 June 2020		**3,189**	**271,362**	**24,077**	**43,191**	**341,819**

Six months ended 30 June 2019 (unaudited)

	Notes	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'000
1 January 2019		**1,922**	**140,452**	**35,800**	**20,163**	**198,337**
Total comprehensive income		**–**	**–**	**–**	**10,946**	**10,946**
Transactions with owners						
Dividends paid	8	–	–	–	(7,303)	(7,303)
Shares issued	12, 13	943	99,057	–	–	100,000
Share issue costs	13	–	(2,050)	–	–	(2,050)
30 June 2019		**2,865**	**237,459**	**35,800**	**23,806**	**299,930**

12 months ended 31 December 2019 (audited)

	Notes	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'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	8	–	–	(11,723)	(4,420)	(16,143)
Shares issued	12, 13	1,267	133,733	–	–	135,000
Share issue costs	13	–	(2,844)	–	–	(2,844)
31 December 2019		**3,189**	**271,341**	**24,077**	**42,075**	**340,682**

Notes to the condensed consolidated financial statements

1. Basis of preparation

General information

These unaudited condensed consolidated financial statements for the six month period ended 30 June 2020, are prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the International Accounting Standards Board ("IASB") and IAS34 "Interim Financial Reporting" as adopted by the European Union, including the comparative information for the six months period ended 30 June 2019 and for the year ended 31 December 2019.

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

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

The Company is a public listed company incorporated and domiciled in England and Wales. The Company's ordinary shares are listed on the Premium Listing Segment. The registered address of the Company is disclosed in the Corporate Information.

The Condensed consolidated financial statements presented herein for the period to 30 June 2020 does not constitute full statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's annual report and accounts for the year to 31 December 2019 have been delivered to the Registrar of Companies. The Group's independent auditor's report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2016.

Convention

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

Going concern

At 31 July 2020 the Group had cash of £74.3 million. Of this, £71.0 million is held in the parent company current and deposit accounts. There are £48.9 million of undrawn debt facilities, of which £33.4 million is drawable immediately, and £15.5 million is conditional on security registration of Scottish assets and completion of acquisitions that are exchanged.

At 31 July 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.

As part of the directors' consideration of the appropriateness of adopting the going concern basis in preparing the interim report and financial statements, we have modelled downside scenarios for a period of 18 months including single and multiple tenant defaults or rent payment holidays for periods of up to 12 months. Interest cover and LTV covenants are in place on all of the Group's banking facilities. 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. We have assumed no significant structural changes to the business will be needed in any of the scenarios modelled.

Further, whilst we are confident of our liquidity position even under our most extreme downside modelling scenarios, during June 2020 we have drawn down the £50 million incremental funding, which is required for the completion of our exchanged acquisition, to ensure funds are readily available and held at Group level. 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 interim statements. The board is, therefore, of the opinion that the going concern basis adopted in the preparation of the interim report is appropriate.

2. Significant accounting judgements, estimates and assumptions

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

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 the year ended 31 December 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.

For acquisitions occurring from 1 January 2020 onwards we have considered the IFRS 3 amendments to the definition of a business to determine if a business combination has occurred. All acquisitions in the current period were deemed asset acquisitions as none included acquisition of an integrated set of activities that combine an input and a substantive process to produce goods or services.

2. Significant accounting judgements, estimates and assumptions (continued)

2.2 Estimates

Fair valuation of investment property

The Valuations have been prepared in accordance with the RICS Valuation – Global Standards 2017 or the RICS 'Red Book' as it has become widely known.

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

The significant methods and assumptions used by the valuers in estimating the fair value of the investment properties are set out in note 9.

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

3. Summary of significant accounting policies

The accounting policies adopted in this report are consistent with those applied in the Group's statutory accounts for the year ended 31 December 2019 and are expected to be consistently applied during the year ended 31 December 2020.

In addition, the following accounting policy will apply for the year ended 31 December 2020 and therefore the current six month period ended 30 June 2020:

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.

4. Standards issued but not yet effective

The Group does not consider the adoption of any new standards or amendments to be applicable to the Group.

5. Property income

	Six months ended 30 June 2020 (unaudited) £'000	Six months ended 30 June 2019 (unaudited) £'000	Year ended 31 December 2019 (audited) £'000
Rental income cash received in the period/year	**11,643**	**8,556**	**19,113**
Rent received in advance of recognition[1]	49	49	98
Rent recognised in advance of receipt[2]	3,154	2,211	4,769
Gross rental income	**14,846**	**10,816**	**23,980**
Insurance/service charge income	164	111	252
Insurance/service charge expense	(166)	(113)	(254)
Net rental income	**14,844**	**10,814**	**23,978**

1 Rent premiums received in prior periods as well as any rent premiums received during the period/year, deemed to be a premium over the term of the leases.
2 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.

6. Taxation

As a REIT, the Group is exempt from corporation tax on the profits and gains from its property investment business, provided it continues to meet certain conditions as per REIT regulations. For the period ending 30 June 2020 and 30 June 2019, the Group did not have any non-qualifying profits except interest income on bank deposits.

7. Earnings per share

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

	Six months ended 30 June 2020 (unaudited) £'000	Six months ended 30 June 2019 (unaudited) £'000	Year ended 31 December 2019 (audited) £'000
Total comprehensive income (attributable to ordinary shareholders)	**11,051**	**10,946**	**26,332**
Adjusted for:			
– Revaluation movement	(2,773)	(5,677)	(13,937)
– Rental income arising from recognising rental premiums and future guaranteed rent uplifts	3,203	2,260	4,867
Change in fair value of investment properties	430	(3,417)	(9,070)
Change in fair value of interest rate derivative	73	320	383
EPRA earnings	**11,554**	**7,849**	**17,645**
Adjusted for:			
– Rental income arising from recognising rental premiums and future guaranteed rent uplifts	(3,203)	(2,260)	(4,867)
– Non-recurring costs	–	–	171
– Rent premium due from exchanged contracts	488	–	–
Adjusted earnings	**8,839**	**5,589**	**12,949**
Average number of ordinary shares	318,953,861	216,703,860	253,954,592
Earnings per share (pence)[1]	**3.46p**	**5.05p**	**10.37p**
EPRA basic and diluted earnings per share (pence)[1]	**3.62p**	**3.62p**	**6.95p**
Adjusted basic and diluted earnings per share (pence)[1]	**2.77p**	**2.58p**	**5.10p**

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.

In the prior year, these include non-recurring listing fees incurred. These have been adjusted to enable the board to consider the level of ongoing cash earnings.

8. Dividends

	Dividend rate per share pence	Six months ended 30 June 2020 (unaudited) £'000	Six months ended 30 June 2019 (unaudited) £'000	31 December 2019 (audited) £'000
Forth interim dividend for the period ended 31 December 2018 (ex-dividend – 7 February 2019)	1.5p	–	2,883	2,883
First interim dividend for the period ended 31 December 2019 (ex-dividend – 16 May 2019)	1.5425p	–	4,420	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]	1.5425p	–	–	4,420
Forth interim dividend for the period ended 31 December 2019 (ex-dividend – 6 February 2020)	1.5425p	4,920	–	–
First interim dividend for the period ended 31 December 2020 (ex-dividend – 21 May 2020)	1.5725p	5,015	–	–
Total dividends paid		**9,935**	**7,303**	**16,143**
Total dividends paid in respect of the period/year		1.5725p	1.5425p	4.6275p
Total dividends unpaid but declared in respect of the period/year		1.5725p	1.5425p	1.5425p
Total dividends declared in respect of the period/year – per share		**3.1450p**	**3.0850p**	**6.1700p**

1 This was a non-Property Income Distribution dividend, all other dividends recorded above are Property Income Distribution dividends.

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.

On 21 May 2020, the Company declared an interim dividend of 1.5725 pence per ordinary share for the period from 1 January 2020 to 31 March 2020 and was paid in June 2020.

On 12 August 2020, the Company declared an interim dividend of 1.5725 pence per share for the period from 1 April 2020 to 30 June 2020 payable in September 2020.

9. Investment property

In accordance with the RICS 'Red Book' the properties have been independently valued on the basis of fair value by Cushman & Wakefield an accredited independent valuer with a recognised professional qualification. They have recent and relevant experience in the locations and categories of investment property being valued and skills and understanding to undertake the valuations competently. The properties have been valued on an individual basis and their values aggregated rather 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 period, rent coverage, location and comparable evidence. The valuation, in accordance with industry practice for this asset class, was subject to a material uncertainty clause consistent with that reported in the prior quarter. Following the period end the material uncertainty clause has been removed for this asset class and will not apply to future valuations unless reinstated.

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

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

	As at 30 June 2020 (unaudited) £'000	As at 30 June 2019 (unaudited) £'000	As at 31 December 2019 (audited) £'000
Opening value	318,791	223,845	223,845
Property additions	22,556	36,899	69,969
Acquisition costs capitalised	856	2,065	3,857
Capital improvements	1,017	3,131	7,183
Revaluation movement	2,773	5,677	13,937
Closing value per independent valuation report	**345,993**	**271,617**	**318,791**
Guaranteed rent reviews and initial lease rental payment net (debtor)/creditor	(11,452)	(5,641)	(8,249)
Closing fair value per consolidation statement of financial position	**334,541**	**265,976**	**310,542**

1 Investment properties include freehold and long leasehold properties.

Change in fair value of investment properties

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

	Six months ended 30 June 2020 (unaudited) £'000	Six months ended 30 June 2019 (unaudited) £'000	Year ended 31 December 2019 (audited) £'000
Revaluation movement	2,773	5,677	13,937
Rental income arising from recognising rental premiums and future guaranteed rent uplifts	(3,203)	(2,260)	(4,867)
Change in fair value of investment properties	**(430)**	**3,417**	**9,070**

10. Bank borrowings

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

	As at 30 June 2020 (unaudited) £'000	As at 30 June 2019 (unaudited) £'000	As at 31 December 2019 (audited) £'000
At the beginning of the period/year	25,127	26,000	26,000
Bank borrowings drawn in the period/year	51,002	35,969	35,971
Bank borrowings repaid in the period/year	–	(36,844)	(36,844)
Total bank borrowings drawn	**76,129**	**25,125**	**25,127**
Total bank borrowings undrawn	**48,871**	**49,875**	**49,873**

New facility – HSBC UK Bank Plc

On 6 April 2020, the Group agreed a new revolving credit facility of £50 million (the "HSBC Facility") with HSBC UK Bank Plc ("HSBC"). The Group drew down £21 million from the HSBC Facility for the period.

The three-year HSBC Facility has a margin of 195 or 205 basis points over one-month LIBOR, depending on the loan-to value ratio of the 16 properties over which the Group has granted security to HSBC as security for the loan.

The Group drew down £50 million under its existing loan facilities with Metro Bank PLC and Clydesdale Bank PLC during the period.

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

	As at 30 June 2020 (unaudited) £'000	As at 30 June 2019 (unaudited) £'000	As at 31 December 2019 (audited) £'000
Bank borrowings drawn: due after more than one year	**76,129**	**25,125**	**25,127**
Arrangements fees – carried forward	(1,666)	(1,291)	(1,291)
Arrangement fees paid during the year[1]	(828)	(751)	(791)
Amortisation of loan arrangement fees	273	189	416
Non-current liabilities: bank borrowings	**73,908**	**23,272**	**23,461**

1 Represents cash flow arising from financing activities.

11. Interest rate derivatives

	As at 30 June 2020 (unaudited) £'000	As at 30 June 2019 (unaudited) £'000	As at 31 December 2019 (audited) £'000
At the beginning of the period	94	477	477
Changes in fair value of interest rate derivatives	(73)	(320)	(383)
	21	**157**	**94**

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

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

12. Share capital

	Shares in issue	Six months ended 30 June 2020 (unaudited) £'000	Six months ended 30 June 2019 (unaudited) £'000	Year ended 31 December 2019 (audited) £'000
At the beginning of the period/year	192,206,831	3,189	1,922	1,922
Shares issued – 15 May 2019	94,339,623	–	943	943
Shares issued – 9 December 2019	32,407,407	–	–	324
	318,953,861	**3,189**	**2,865**	**3,189**

No shares were issued during the period ended 30 June 2020.

13. Share premium

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

	Six months ended 30 June 2020 (unaudited) £'000	Six months ended 30 June 2019 (unaudited) £'000	Year ended 31 December 2019 (audited) £'000
At the beginning of the period	271,341	140,452	140,452
Shares issued 15 May 2019	–	99,057	99,057
Shares issued 9 December 2019	–	–	34,676
Share issue costs	21	(2,050)	(2,844)
	271,362	**237,459**	**271,341**

14. Transactions with related parties

Investment Manager

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

	Six months ended 30 June 2020 (unaudited) £'000	Six months ended 30 June 2019 (unaudited) £'000	Year ended 31 December 2019 (audited) £'000
Impact Health Partners LLP	**1,760**	**1,212**	**2,756**

For the six month period ended 30 June 2020 the principals and finance director of Impact Health Partners LLP, the Investment Manager, are considered key management personnel. Mr Patel and Mr Cowley are the principals and Mr Yaldron is the finance director of Impact Health Partners LLP and they own 3.49%, 0.22% and 0.02% respectively (either directly or through a wholly-owned company) of the total issued ordinary share capital of Impact Healthcare REIT plc. In addition, Impact Health Partners LLP held 0.11% directly. Mr Patel also (directly and/or indirectly) holds a majority 72.5% stake in Minster Care Group Limited "MCGL". Mr Cowley also holds a 20% interest in MCGL. 61% of the Group's rental income was received from MCGL or its subsidiaries during the period. A deferred payment agreement has been entered into with MCGL on one property that is contingent upon enhanced trading performance. The maximum amount of this deferred payment is £2 million which is payable in return for incremental rent that is accretive to the Group. There were no trade receivables or payables outstanding at the period end.

During the year the key management of Impact Health Partners LLP received the following dividends from Impact Healthcare REIT plc: Mahesh Patel £339,476; Andrew Cowley £27,897 and David Yaldron £1,713.

Directors' interests

Paul Craig is a director of the Company. He is also the portfolio manager at Quilter Investors (formerly Old Mutual Global Investors), which has an interest in 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 £5,709; Rosemary Boot £935; and Philip Hall £935. In addition, funds managed by Paul Craig received dividends from the Company of £1,684,395.

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

15. Net Asset Value (NAV) per share

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

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

	As at 30 June 2020 (unaudited) £'000	As at 30 June 2019 (unaudited) £'000	As at 31 December 2019 (audited) £'000
Net assets per Condensed consolidated statement of financial position	341,819	299,930	340,682
Fair value of derivatives	(21)	(157)	(94)
EPRA NAV	341,798	299,773	340,588
Issued share capital (number)	318,953,861	286,546,454	318,953,861
Basic NAV per share	**107.17p**	**104.67p**	**106.81p**
EPRA NAV per share	**107.16p**	**104.62p**	**106.78p**

16. Capital commitments

At 30 June 2020 the Group had committed capital expenditure on a forward funded development of a new property and on capital improvements to four existing properties, this amounted to £6.3 million.

The Group has committed to deferred payment agreements on three acquisitions in return for increased rent based on trading performance. As at 30 June 2020 the total capital commitment for these deferred payments was are estimated at £7.2 million.

The Group had a further £47.5 million committed to the acquisition of nine properties which were exchanged during the period and expected to complete after the balance sheet date.

17. Contingent liabilities

Full relief for Stamp Duty Land Tax (SDLT) has been granted in relation to the transfer of properties between companies which are members of the Group. Should there be a change in control of the Company within three years of completion, or a single shareholder acquires a substantial stake in the Company a liability in the subsidiary companies could arise. This is equal to approximately 5% of the aggregate value of the properties and is estimated as £3.2 million (31 December 2019: £9.4 million) on the net purchase price of the assets acquired in corporate acquisitions since incorporation. The bulk of the contingent liability at the 2019 year end related to the SDLT on the seed portfolio, as at 30 June 2020 these properties had been owned for in excess of three years and hence this portion of the contingent liability is no longer recognised.

18. Controlling parties

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

19. Subsequent events

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.

Corporate information

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Rupert Barclay non-executive Chairman

Rosemary Boot senior independent non-executive director

Paul Craig non-executive director

Philip Hall non-executive director

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