

Replacement: Results For Half Year Ended June 2020

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Impact Healthcare REIT PLC
05 October 2020

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The following amendments have been made to the 'HALF YEAR RESULT FOR THE PERIOD ENDED 30 JUNE 2020' announcement released on 12 August 2020 at 7 am (RNS number 8476V).

The EPRA 'topped-up' Net Initial Yield as at 30 June 2020 is 6.78% not 7.71% as previously announced.

The updated announcement, which includes the amendment on page 15, Key performance indicators, can be found at the following link <https://www.impactreit.uk/investors/reporting-centre/reports/>

All other information remains unchanged.

The full updated announcement is shown below.

5 October 2020

Impact Healthcare REIT plc

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

Half year results for the six months ended 30 June 2020

ROBUST AND DEFENSIVE BUSINESS MODEL AND PORTFOLIO PROVIDING RESILIENT INCOME AND GROWTH

Impact Healthcare REIT plc (ticker: IHR), the real estate investment trust which gives investors exposure to a diversified portfolio of UK healthcare real estate assets, in particular care homes, today announces its half year results for the six months ended 30 June 2020 and its Q2 2020 dividend.

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

"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 healthcare portfolio continues to provide crucial social care 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 have significant liquidity and headroom, which together leave us well placed to continue to deliver value responsibly for all our stakeholders: our tenants, residents in the care homes we own, our tenants' care professionals and our shareholders."

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 price²	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

Operational highlights

- 100% collection of rent due for the year to date, underlining the resilience of the Group's defensive business model.
- 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 649 beds. On completion this will bring our total properties to 104 with 5,601 beds.
- Adding one new tenant increasing the total number of tenants to 10⁴ in the period and exchanged contracts with leases to a further new tenant, our 11th⁴. All leases continue to be inflation-linked with upwards only rent reviews.
- Weighted average unexpired lease term ("WAULT") of 19.5 years at 30 June 2020 (30 June 2019: 19.6 years).
- Rent reviews for the period ended 30 June added £0.46 million to contracted rent, representing a 2.0% increase on the associated portfolio.
- Grew the contracted rent roll by 36.6% to £29.5 million (30 June 2019: £21.6 million).
- £50m RCF secured with HSBC on 6 April 2020.

COVID-19

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 the Group and its tenants rose to these two tests.

Post balance sheet highlights

- As a result of the Group's uninterrupted collection of advance rent due for the year to date, the Board today declared the Company's second-quarter interim dividend of 1.5725 pence per share, for the period from 1 April 2020 to 30 June 2020. This is in line with the aggregate total dividend target of 6.29 pence per share³ for the year ending 31 December 2020, which was reaffirmed by the Board on 10 July 2020.
- 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.

Appointment of Joint Corporate Broker

The Company is pleased to announce the appointment of RBC Capital Markets as its Joint Corporate Broker alongside Winterflood Securities Limited with immediate effect.

Results presentation

The Company presentation for investors and analysts will take place via a webcast and conference call at 9.30am today.

For those who wish to access the live webcast, please register here: <https://www.investis-live.com/impact-reit/5f1fe575a6d0961200125f51/sfse>

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

The recording of the webcast/conference call will also be made available later in the day via the Company website: <https://www.impactreit.uk/investors/reporting-centre/presentations/>

Notes

- 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.
- 3 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.
- 4 Including Minster and Croftwood which are both part of the Minster Care Group.

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The Company's LEI is 213800AX3FHPMJL4IJ53.

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

NOTES:

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

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

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

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 in the Covid-19 Overview and in the Investment Manager's report.

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 below in the Investment Manager's Report.

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

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 beds to create hospital capacity. Several tenants were quick 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.

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.

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.

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.

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.

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

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 has reduced care home occupancy in the short term, demand for elderly care is forecast to grow over the longer term.

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.

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.

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.

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.

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.

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: 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: 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: 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")

6.78% at 30 June 2020 (+1.8% on 2019: 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: 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: 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: 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: 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).

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

Portfolio

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

Tenant & Home	Region	Acquisition Date ¹	Beds ²	Capital Projects ³
Careport				
Briardene	North East	Aug 2018	60	
Derwent	North East	Aug 2019	45	
Holly Lodge	North East	Nov 2018	41	
Kingston Court	North West	Jun 2019	75	
Old Prebendal House and Court	South East	Jun 2019	39	
Sovereign Lodge and Court ⁴	North East	Aug 2018	60	
The Grove	Yorkshire & The Humber	Sept 2018	55	
Value at 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	North West		40	
Tumpike Court	North West		53	
Wealstone	North West		42	
West Haven	North West		52	
Whetstone Hey	North West		42	
Value at 30 June 2020: £65.91m				
Maria Mallaband and Countrywide Group (MMCG)				
Belmont House	Yorkshire & The Humber	May 2019	106	
Croft House	Yorkshire & The Humber	Mar 2020	75	
Heeley Bank	Yorkshire & The Humber	Mar 2020	68	
Howgate House	Yorkshire & The Humber	Mar 2020	67	
Manor Park	Yorkshire & The Humber	Mar 2020	63	
Park springs	Scotland	May 2019	96	
Thorn tree Mews	Scotland	May 2019	40	
Wallace View	Scotland	May 2019	60	
Value at 30 June 2020: £35.05m				
Holmes Care Group⁵				
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	
Minster Care*				
Abbeywell	West Midlands		45	
Amberley	South West		30	
Ashgrove	Yorkshire & The Humber		56	
Attlee Court	Yorkshire & The Humber		68	
Broadgate	East Midlands		40	
Carnbroe	Scotland	May 2018	74	
Craigend	Scotland		48	
Diamond House	East Midlands		44	
Duncote Hall	East Midlands		40	
Duncote The Lakes	East Midlands		47	
Emmanuel	Yorkshire & The Humber		44	
Eryl Fryn	Wales		31	
Falcon	East Midlands		46	
Freeland	South East		65	
Gray's Court	East of England		87	
Grenville	East of England	May 2018	64	
Hamshaw Court	Yorkshire & 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	Yorkshire & The Humber		49	
Rydal	North East		60	
Saffron	East Midlands	June 2017	48	
Shrubbery	West Midlands		36	
Sovereign	West Midlands	Sept 2018	60	
Stansty House	Wales		74	
Three Elms	North West		60	
Waterside	West Midlands		47	
Woodlands	North West		40	
Wordsley	West Midlands		41	
Value at 30 June 2020: £130.29m				
NCUH NHS Trust				
Riever 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	45	
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	
Sand Banks	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	Yorkshire & The Humber	Mar 2020	63	
The Beeches	Yorkshire & The Humber	Mar 2020	60	
Willow Bank	Yorkshire & The Humber	Mar 2020	59	
Value at 30 June 2020: £7.96m				
Welford				
Argentum Lodge	South West	Sept 2019	56	
Birchlands	Yorkshire & 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				

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

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 COVID-19 overview and in the Investment Manager's report. 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.

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 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.

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

		Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)	Year ended 31 December 2019 (audited)
	Notes	£'000	£'000	£'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
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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 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)	Share premium (unaudited)	Capital reduction reserve (unaudited)	Retained earnings (unaudited)	Total (unaudited)
	£'000	£'000	£'000	£'000	£'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 (unaudited)	Share premium (unaudited)	Capital reduction reserve (unaudited)	Retained earnings (unaudited)	Total (unaudited)
	£'000	£'000	£'000	£'000	£'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

For the year 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	26,322

Transactions with owners						
Dividends paid	18	-	-	(11,723)	(4,420)	(16,143)
	12,					
Shares issued	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 year 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.

2.2 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 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 condensed 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	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 loans, the Group entered into an interest rate cap with the notional value of £25 million and a strike rate of 1% effective from 21 June 2018 with a termination date of 15 June 2023. The fair value of the interest rate cap is based on a floating reference of one month LIBOR.

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

12. Share capital

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)	Year ended 31 December 2019 (audited)
Shares in issue	£'000	£'000	£'000
At the beginning of the period/year	192,206,831	3,189	1,922
Shares issued - 15 May 2019	94,339,623	-	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)	Six months ended 30 June 2019 (unaudited)	Year ended 31 December 2019 (audited)
	£'000	£'000	£'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)	Six months ended 30 June 2019 (unaudited)	Year ended 31 December 2019 (audited)
	£'000	£'000	£'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 54,091,678 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 period 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

Directors	Rupert Barclay - non-executive Chairman Amanda Aldridge non-executive director Rosemary Boot - senior independent non-executive director Paul Craig - non-executive director Philip Hall - non-executive director
Registered office	The Scalpel 18 th Floor 52 Lime Street London EC3M 7AF

	Telephone: +44(0)207 409 0181
Investment Manager	Impact Health Partners LLP 149-151 Regent Street London W1B 4JD
Independent Auditor	BDO LLP 55 Baker Street London W1U 7EU
Administrator & Secretary	JTC (UK) Limited The Scalpel 18 th Floor 52 Lime Street London EC3M 7AF
Depository	Indos Financial Limited 54 Fenchurch Street London EC3M 3JY
Registrar	Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Legal Advisers	Travers Smith LLP 10 Snow Hill London EC1A 2AL
Financial adviser and Joint Corporate Broker	Winterflood Securities Limited The Atrium Building Cannon Bridge 25 Dowgate Hill London EC4R 2GA
Joint Corporate Broker	RBC Europe Limited 100 Bishopsgate London EC2N 4AA
Communications Adviser	Maitland/AMO 3 Pancras Square London N1C 4AG
Company Registration Number	10464966

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