IMPACT
Healthcare REIT

Interim report 2021

Driving sustainable returns from a diversified healthcare portfolio

Impact Healthcare
Dedicated to UK healthcare real estate

Impact Healthcare REIT plc is a real estate investment trust, listed on the premium segment of the main market of the London Stock Exchange. We invest in a diversified portfolio of resilient UK healthcare real estate assets, in particular residential and nursing care homes that provide crucial social care infrastructure for vulnerable elderly people, 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, and with the potential for capital and income growth. We have a progressive dividend policy, with a dividend target of 6.41 pence per share[1] for the year ending 31 December 2021. Our medium-term NAV total return target is an average of 9.0% per annum[1].

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 and sustainable 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;**
- **be practical, combining entrepreneurial nimbleness with the strength of a listed company; and**
- **be efficient.**

Our business model
Successfully implementing each element of 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; and**
- **maintaining a healthy balance sheet.**

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.

REVIEW

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

Financial highlights

	At 30 June 2021 (unaudited)	At 30 June 2020 (unaudited)	Year ended 31 December 2020 (audited)
Dividends declared per share	**3.21p**	3.15p	6.29p
Profit before tax	**£14.51m**	£11.05m	£28.80m
Earnings per share ("EPS")	**4.41p**	3.46p	9.02p
EPRA EPS	**4.10p**	3.62p	7.25p
Adjusted earnings per share[1]	**3.26p**	2.86p[3]	5.93p
Adjusted earnings dividend cover	**102%**	91%	94%
Contracted rent roll	**£33.8m**	£29.5m	£30.9m
Portfolio valuation	**£432.4m**	£346.0m	£418.8m
Net asset value ("NAV") per share	**110.66p**	107.17p	109.58p
Share price[2]	**111.20p**	95.80p	109.00p
Loan to value ("LTV") ratio	**13.7%**	18.1%	17.8%
NAV total return	**3.88%**	3.25%	8.46%
Cash	**£17.7m**	£71.0m	£8.0m

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 2021, 30 June 2020 and 31 December 2020 respectively.

3 The removal of amortisation of loan arrangement fees was a change made in the year ended 31 December 2020 and the adjusted earnings figure for the period to 30 June 2020 has been restated to reflect this.

Dividends declared per share

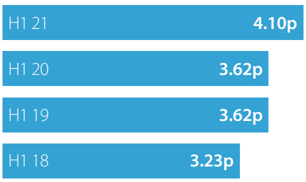
3.21p

+1.7%

EPRA EPS

4.10p

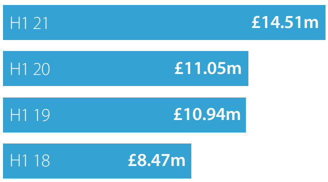
+13.1%



Profit before tax

£14.51m

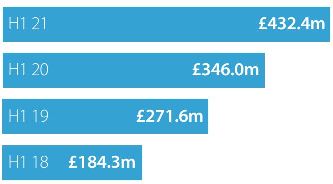
+31.3%



Portfolio valuation

£432.4m

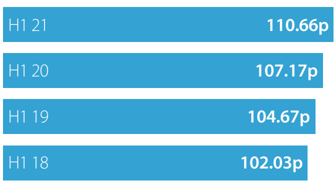
+25.0%



Net asset value ("NAV") per share

110.66p

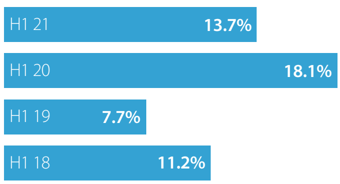
+3.3%



Loan to value ratio ("LTV")

13.7%

-24.2%



Portfolio performance

As at 30 June 2021

Operational highlights

Rent collected

100%

The Group demonstrated the resilience of its business model, collecting 100% of rent due for the period, with no changes to any lease terms or payment schedules.

Acquisitions

2

Acquired one property and exchanged contracts on another, in total adding 137 beds for a total net consideration of £15.4 million.

Forward-funded developments

+1

Committed to forward fund a further property with 80 beds. On completion, this will bring our total properties to 111 with 6,141 beds.

New tenants

+1

Added one new tenant, giving us 13 tenants[1] at the period end. All leases continue to be inflation-linked with upwards only rent reviews.

WAULT

19.5yrs

Weighted average unexpired lease term ("WAULT") of 19.5 years at 30 June 2021 (30 June 2020: 19.5 years).

Increases from rent reviews

£405k

81 properties had rent reviews during the period adding £405k to the contracted rent, representing a 2.0% increase on the associated portfolio.

Contracted rent roll

£33.8m

Grew the contracted rent roll by 14.5% to £33.8 million (30 June 2020: £29.5 million).

Debt raised in the year

£26m

New £26 million NatWest facility with an accordian agreement to extend up to £50 million; Metro facility was reduced from £50 million to £40 million.

Equity raised in the year

£35.3m

Gross proceeds from placing of new ordinary shares, admitted onto main market of the London Stock Exchange on 6 May 2021.

Environmental and Social Impact

Enhancing the social environment of our homes and their energy efficiency is fundamental to long-term value creation.

Our homes provide an important service in their communities, looking after and supporting a vulnerable segment of society. We work closely with our tenants to ensure they can provide an enjoyable, safe and caring environment that can enhance the wellbeing of their residents. In the period we have:

- published our EPRA sustainability report for 2020;
- progressed the identified opportunities to improve energy efficiency and EPC ratings; and
- engaged with tenants and their colleagues to understand better how they have cared for their residents and supported each other through the pandemic.

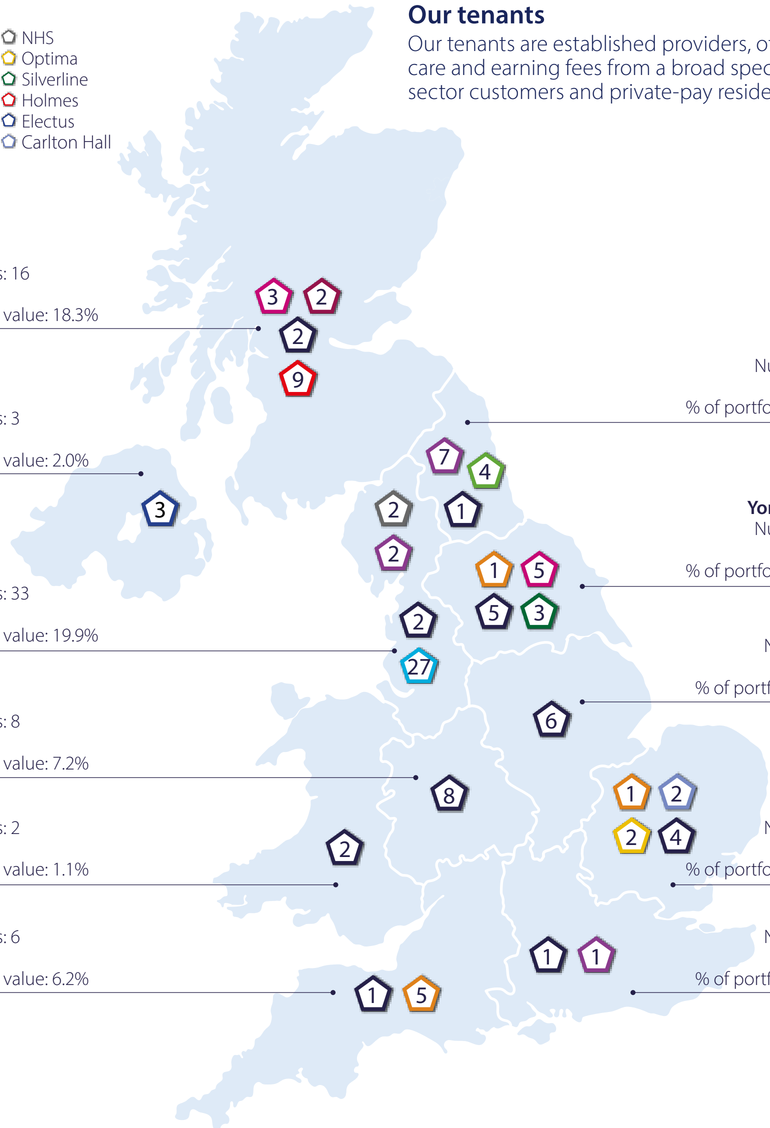
Our Investment Manager

Impact Health Partners LLP is our Investment Manager. It sources investments, carries out approved transactions, monitors the progress of our homes and provides portfolio management services to the Group. It also develops and recommends the asset management strategy for approval and then implements it.

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

Our tenants

Our tenants are established providers, offering good-quality care and earning fees from a broad spectrum of public sector customers and private-pay residents.



Tenants

- Minster*
- Croftwood*
- Prestige
- Welford
- Careport
- Renaissance
- MMCG
- NHS
- Optima
- Silverline
- Holmes
- Electus
- Carlton Hall

Scotland
Number of properties: 16
Beds: 1,095
% of portfolio market value: 18.3%

Northern Ireland
Number of properties: 3
Beds: 193
% of portfolio market value: 2.0%

North West
Number of properties: 33
Beds: 1,348
% of portfolio market value: 19.9%

West Midlands
Number of properties: 8
Beds: 419
% of portfolio market value: 7.2%

Wales
Number of properties: 2
Beds: 105
% of portfolio market value: 1.1%

South West
Number of properties: 6
Beds: 265
% of portfolio market value: 6.2%

North East
Number of properties: 12
Beds: 767
% of portfolio market value: 10.5%

Yorkshire & The Humber
Number of properties: 14
Beds: 877
% of portfolio market value: 10.7%

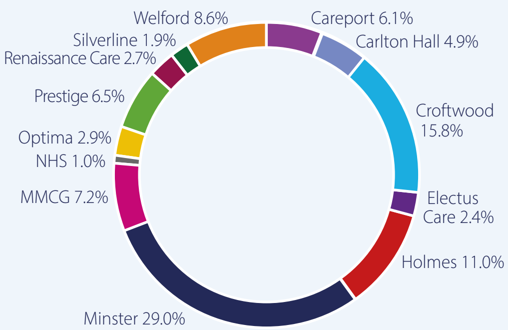
East Midlands
Number of properties: 6
Beds: 295
% of portfolio market value: 6.6%

East of England
Number of properties: 9
Beds: 627
% of portfolio market value: 12.2%

South East
Number of properties: 2
Beds: 150
% of portfolio market value: 5.3%

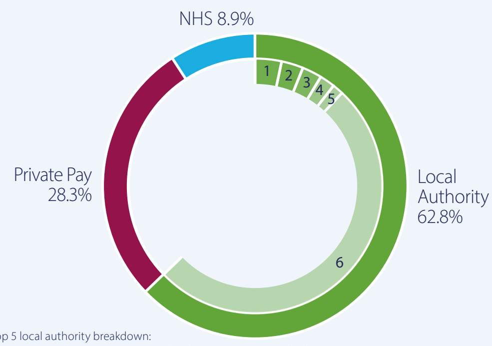
Diverse tenant base (%)

based on % of contracted rent as at 30 June 2021



Security of income (%)

based on % revenue to care home tenants



Top 5 local authority breakdown:
1. Wigan social services 3.6% **2.** Cheshire East 2.8% **3.** Cheshire West 2.4%
4. Worcestershire City Council 2.0% **5.** Redcar and Cleveland Borough Council 1.5%
6. Other 50.5%

*Part of the Minster Care Group
Note: The information on this page includes exchanged assets and forward-funded developments.

Chairman's statement

Our principal strategic aim is to deliver a resilient and robust business model over the long-term in partnership with our tenants.

A second wave of COVID-19, which peaked in January 2021, made the start of the year a dark period for the whole country. However, some light also began to appear at the end of the COVID-19 tunnel, created mainly by the success of the vaccine roll-out and growing evidence that vaccines are effective at protecting the most vulnerable from serious illness and death. The past 18 months have demonstrated how resilient our business is. There will be further – and different – challenges ahead, but we believe the Group will be well positioned to deal with them.

The impact of COVID-19 on the care sector and the Group's tenants is discussed at length on pages 11-13 and in the Investment Manager's report on pages 8-10.

In January 2021 we reviewed with the Investment Manager how the resilience buffers we had built into the Group's strategy had performed during the first phases of the pandemic and what we could do, if possible, to strengthen them for future challenges. These buffers 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 low levels of debt. All the buffers are underpinned by the fact our tenants provide an essential service, demand for which is not directly correlated with the strength or weakness of the economy.

The key tests of how resilient the Group is in practice 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. We are pleased with how well the Group, and its tenants, rose to these two tests, but will seek to avoid complacency and ensure that where lessons have been learned they are embedded into the Group's future strategy.

Operational performance

From March to September 2020 we paused all new investment activity, due to the uncertainty created by COVID-19, and we felt it better to focus the Group's resources on its existing portfolio. We cautiously began to re-engage with potential acquisitions in late 2020. In the first half of 2021, we committed to acquire two homes and committed to forward fund the construction of a new home in Norwich. These transactions added a new tenant, taking our total number of tenants to 13[1].

Despite the pause in new investments last year, the Group has delivered substantial growth. Our investment portfolio was independently valued at £432 million as at 30 June 2021, up from £346 million on 30 June 2020, a 25% increase. We own 111 properties which offer 6,141 beds[2]. In the whole of the United Kingdom there are an estimated 465,000 beds for elderly care, so we now own 1.3% of a highly fragmented market. That gives us confidence that we can continue to grow while being very selective in looking for acquisitions which will be accretive and will reduce risk through further diversification.

Asset management is one of our key value creation tools and is starting to bear fruit. During the period, we began work on Fairview House and Fairview Court, two units we own in Bristol. Once completed, this project will be a good demonstration of the potential benefits of effective asset management, and the value it creates for home residents, staff, the tenant and for the Group as landlord.

Work is progressing well on the development of a new 94-bed care home in Hartlepool in partnership with Prestige, an existing tenant of the Group, with practical completion due in October 2021.

Our tenants

We have continued to diversify the Group's tenant base. Having started the period with 12 tenants[1], we added one during the half year, Carlton Hall. The new tenant has an interesting approach to providing a combination of care in a nursing home with delivering less acute care to residents living independently in bungalows, all on one site.

This tenant diversification is an important part of our growth strategy, enabling us to expand the business while spreading risk. We choose tenants who prioritise a positive environment for their residents and share our vision of continued asset improvement. The Board cares deeply about maintaining the Group's assets to a high standard and pays close attention to our tenants' programmes of repair and maintenance.

1 Including Croftwood and Minster, which are both part of the Minster Care Group.
2 Including exchanged assets and forward-funded developments.

Financial performance
The unaudited NAV at 30 June 2021 was £388.0 million or 110.7p per share (30 June 2020 NAV £341.8 million or 107.2p per share).

Unaudited earnings per share (EPS) for the period was 4.41p (basic and diluted), up from 3.46p in the same period in 2020. EPRA EPS was 4.10p (2019: 3.62p) and Adjusted EPS was 3.26p (2019: 2.86p)[3].

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

More information about our financial performance in the period can be found in the Investment Manager's report on pages 8-10.

Dividends and total return
In 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. The Board set a target total dividend for the year ending 31 December 2021 of 6.41p per share, a 1.91% increase over the 6.29p per share paid for the year ending 31 December 2020.

So far in 2021 we have declared two dividends in relation to the first two quarters of the year of 1.6025p each, delivering on our target. This dividend continues to be well covered by our EPRA EPS in the period of 4.10p and is also covered by our Adjusted EPS of 3.26p.

The NAV total return for the period was 3.9%.

Financing
The Group had an active first half. We raised £35 million in equity in May 2021 and used the proceeds to pay down debt. In June, we put in place an additional revolving credit facility with NatWest. It makes available a further £26 million on attractive terms at a margin of 190 basis points over SONIA, with an accordion arrangement to expand the facility to £50 million over time. In parallel, we reduced our more expensive Metro facility from £50 million to £40 million.

The Group now has £141 million of committed debt facilities. Our drawn debt at 30 June 2021 was £62.4 million, giving us a gross LTV of 13.7%. Our cash position on 30 June 2021 was £17.7 million.

Corporate governance
The Company has a strong and independent board, comprising the chairman and five other non-executive directors. Chris Santer joined the board in May 2021. He has over 25 years of real estate investment and development experience in both listed and private funds, which managed real estate investments totalling over £5 billion. The Group will benefit from his experience.

Investment Manager
Impact Health Partners LLP is our Investment Manager. The Investment Manager is working rigorously on the Group's behalf to source and provide diligently researched acquisitions and development opportunities to the Board, which continue to further the Group's diversification strategy.

The Investment Manager continues to provide comprehensive and granular analysis of the Group's tenants, demonstrating the high degree of oversight and rapport with tenants to allow these consistent information flows. Throughout this trying period, the Investment Manager's close relationship with our tenants enabled us to navigate the challenging ongoing environment of a pandemic while endeavouring to ensure we kept the welfare of all our stakeholders at the forefront of our actions.

Outlook and summary
We remain a long-term business and the Company's sustainable healthcare portfolio continues to provide crucial care-based infrastructure supporting vulnerable elderly people across the UK. The major reforms of adult social care announced by the Prime Minister on 7 September 2021 will help to reinforce the resilience of our business and that of our tenants.

The Company's business model remains robust and resilient as demonstrated by the Group's continued 100% rent receipt. We appreciate the support of new and existing shareholders in our May equity placing, the proceeds of which, along with additional financing secured in the period, allow the Group to pursue further accretive acquisitions whilst remaining well capitalised, with a strong balance sheet, and significant liquidity and headroom.

Rupert Barclay
Chairman

8 September 2021

3 The removal of amortisation of loan arrangement fees was a change made in the year ended 31 December 2020 and the adjusted earnings figure for the period to 30 June 2020 has been restated to reflect this.

Market drivers

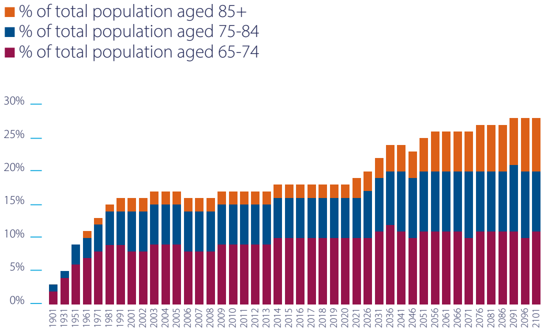
A number of drivers influence demand for the care of older people. Taken together, they make it an attractive opportunity for well-capitalised asset owners working in partnership with well-managed operators, who are committed to providing high standards of care.

1. An ageing population

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 proportion of the population over 85 years old in the UK is forecast to more than double over the next three decades, from 2.5% in 2021 to 5.2% in 2051.

The COVID-19 pandemic has reduced occupancy in care homes in the short-term. However, over the medium and longer term demand for elderly care is forecast to grow. Research by LaingBuisson, a leading consultancy in social care, forecasts that up to an additional 93,000 beds will be required to satisfy this increased demand over the next 10 years, an increase of over 20% on demand today.

An ageing population



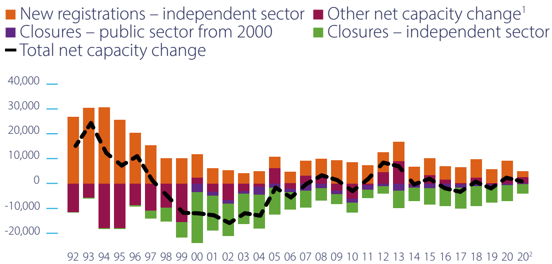
Source: Office for National Statistics

2. Capacity has not been rising in line with an ageing population

Since 2013 the number of new beds built has equalled beds being withdrawn from the market. Underlying this 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 care homes has shrunk by 9% between 2010 and 2020 as older, obsolete buildings are withdrawn from the market to be replaced by more modern, larger homes. The average size of care homes has grown from 36 beds to 42 beds in that period. The average size of homes in Impact's operational portfolio is 57 beds.

Capacity not rising in line with an ageing population



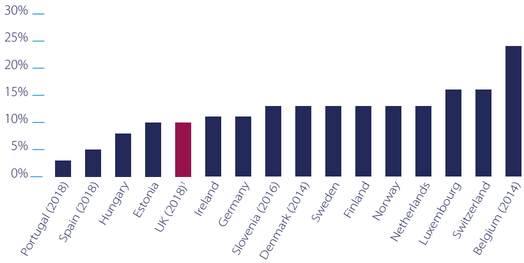
Note: Excludes changes in NHS hospital long-stay places for older people
1 Other net capacity change includes extensions and reductions to existing homes as well as re-registrations of care homes to and from client groups other than old age and dementia
2 Apr-Sep 20 (annualised)
Source: LaingBuisson database

3. Potential pent-up demand

In the UK 10% of people over 80 have long-term care needs, which can only be delivered in a care home. In other north European countries the percentage of people receiving such care is substantially higher.

There is no evidence older people in the UK are healthier than in neighbouring countries. The lower proportion of older people in care homes might instead show that current UK government policy in effect rations access to elderly care, which in turn creates pent-up demand.

Long-term elderly care recipients in institutions (other than hospitals) as % of total population aged 80+



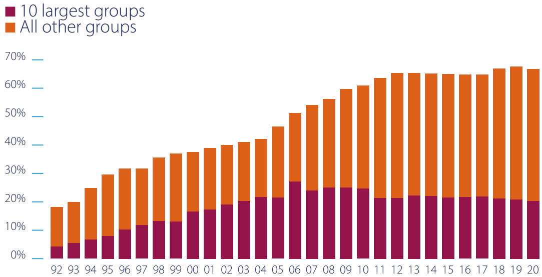
1 UK figure calculated by LaingBuisson based on data in Table 1.6
Sources: OECD, Office for National Statistics

4. A 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 20% in 2020. This reflects diseconomies of scale in the care business. For the larger operators, the potential benefits of access to capital at lower cost and purchasing power for consumables such as utilities and food tend to be more than cancelled out by higher group overheads and the lack of economies of scale in pay rates for care staff, which are operators' largest expenditure.

Over the same time period from 2006 to 2020, the market share of sole traders with between one and two homes also shrank. Mid-sized groups, which operate between 100 and 4,000 beds as local or regional clusters, have been more vibrant, growing their market share from 24% to 47%. Most of Impact's tenants are active in this part of the middle market.

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



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

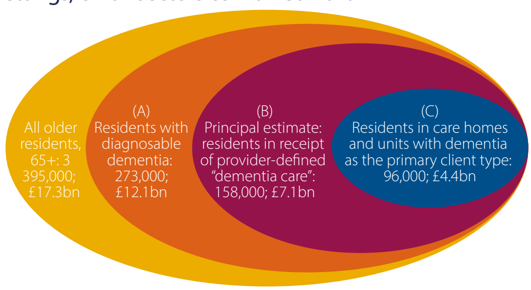
Source: LaingBuisson database

5. Dementia

The Alzheimer's Society estimates that in 2020 there were 850,000 people in the UK with some form of dementia, "with number set to rise to over 1 million by 2025 and 2 million by 2051".

An estimated 69% of the residents in care homes in 2020 had some form of dementia and 96,000 residents had acute dementia, which required a specialised level of care. As our understanding grows on how to provide good care for people with dementia, there has been more emphasis on building dedicated units to provide this care. That has been a particular focus of our asset management activities.

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



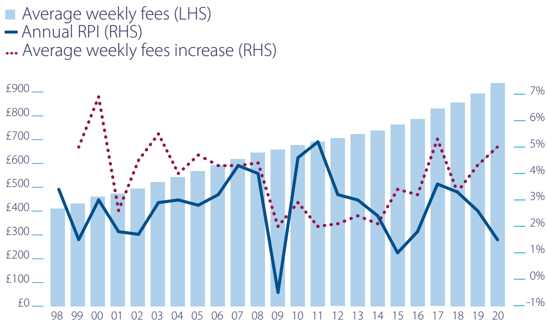
Source: LaingBuisson database

6. Fees rising faster than inflation

In 2020 LaingBuisson estimates that £17.3 billion was spent on long-term care for elderly people in care homes, a 36% increase on 2010.

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 of the fees it charges for care. Between 1998 and 2020 average weekly fees charged by operators have grown on average by 3.8% per annum for nursing care and 3.7% for residential care. 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

Investment Manager's report

Andrew Cowley, Managing Partner, Impact Healthcare Partners

In good times resilience is just a word. In bad times it makes the difference between being able to continue to deliver sustainable returns over the longer term, or not.

The second wave of COVID-19 as a whole, which peaked in early 2021, resulted in a higher number of deaths across the United Kingdom than the first wave, but had less of an impact on care homes (see page 11). Notwithstanding these challenges during the first part of the year, the Group continued to receive 100% of its rent due and to deliver on its dividend target, demonstrating its high level of resilience.

This strength is built on a number of pillars: investing in a sector which provides an essential service, demand for which is not correlated to broader economic activity and with an interesting demand/supply dynamic; effective, long-term lease structures with a high level of inflation protection; a strong balance sheet with low levels of debt; and, above all, careful tenant selection reinforced by an active partnership between the Group and its tenant after leases have been signed.

Tenant performance

We are full of admiration for how our 13 tenants[1] have met, and then overcome, the numerous challenges thrown at them over the past 18 months. It has not been easy for them.

The most challenging period was between April and June 2020, when our tenants' average occupancy fell from just under 90%, to just over 80%. It was then stable for the rest of 2020, before falling to a low of 79% during the second wave in late January 2021. By August, it had recovered to 83%[3], and a slow, but steady, recovery to more normal occupancy levels has continued since then.

Despite this fall in tenant occupancy, the Group had no voids and its rent cover improved, from a low of 1.68 times in the second quarter of 2020, to 1.88 times in the second quarter of 2021.

Three factors underpin this solid level of rent cover. First, is the care taken in setting initial rents when agreeing new leases with tenants to ensure the building is not structurally over-rented and the inflation-linked rent is likely to be received through the life of a long-term lease. Second, the support from government aimed at improving infection control measures (discussed on page 11). And, third, strong increases in the fees our tenants charge for the care they provide. The average weekly fee charged by our tenants in the first quarter of 2021 was £869, up 12% on the fees they charged a year earlier.

Investment activity

We stopped investment activity between March and September 2020, as a result of the high level of uncertainty created by the first wave of the pandemic and lockdowns, which made it impossible to carry out the detailed inspection of potential acquisitions we always carry out. On a very selective basis, we began to re-engage with potential acquisition targets in the fourth quarter of 2020.

During the first half of the year, the Group committed to acquire two care homes and committed to forward fund the development of a new home. These transactions added a new tenant, taking the Group's total number of tenants to 13[1]. At 30 June 2021, the Group owned 111 properties with 6,141 beds, up from 108 and 5,924 respectively at 31 December 2020[2].

These investments, combined with rent increases received during the period, helped to grow our contracted rent roll from £30.9 million on 31 December 2020, to £33.8 million on 30 June 2021, a 9.3% increase.

Asset management

Well delivered asset management has the potential to create value for our shareholders and tenants, while also offering a high-quality environment for new 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.

In the first half of the year we began work on a major project at Fairview House and Court, two units we acquired in 2018 on the eastern outskirts of Bristol. Once completed, these works will turn the two units into one operationally, with 17 new beds in the link building with modern kitchens and laundry in its basement improving the work

1 Including Croftwood and Minster, which are both part of the Minster Care Group.
2 Including exchanged assets and forward-funded developments.
3 Excludes three turn around homes.

environment for staff. At the same time, we will reduce the number of beds in Fairview House from 20 to 14, all of an equally high standard, and have committed additional funding to ensure the new Fairview has an EPC rating of A.

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.

Forward-funded development

In 2020, we 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 during the pandemic, but has since made good progress and practical completion is expected this autumn. During the first half of 2021, we also committed £10.5 million to forward-fund the development of a new care home in Norwich, which will be operated by our latest tenant, Carlton Hall. The forecast yield on this new home will be 7.1%.

As we emerge from the pandemic the Investment Manager is exploring further forward-funded development and asset management options with a view to enhancing shareholder returns.

Valuation

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

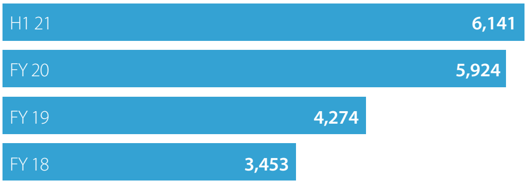
As at 30 June 2021, the portfolio was valued at £432.4 million, an increase of £13.6 million from the valuation of £418.8 million at 31 December 2020. The components of this valuation increase were as follows:

- Acquisitions completed: £ 7.7 million;
- Acquisition costs capitalised: £0.5 million;
- Capital improvements: £1.2 million; and
- valuation uplift: £4.2 million.

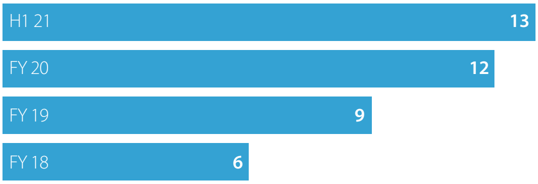
The valuation uplift was largely driven by rent increases received during the period.

Breaking ground at Fairview House and Court, from left: Rupert Barclay, Chairman; Richard Smith, Investment Director, IHP; Pyela Mwale, Registered Manager; and Andrew Cowley Managing Partner, IHP.

Beds

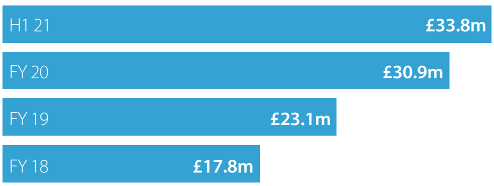


Tenants[1]



Properties

Contracted annual rent



Note: Charts include exchanged acquisitions and forward-funded developments.
1 Including Croftwood and Minster, which are both part of the Minster Care Group..

Investment Manager's report

Financial results

Total net rental income recognised for the period was £17.8 million (H1 2020: £14.8 million). Under IFRS, the Group must recognise some rent in advance of receipt, reflecting the minimum uplift in rents over the term of the leases, on a straight line basis. Cash rental income received in the period was £14.6 million (H1 2020: £11.6 million).

Administrative and other expenses totalled £2.8 million (H1 2020: £2.4 million), contributing to a total expense ratio of 1.50% for the period, up slightly on H1 2020 (1.42%), but down on the full year average for 2020 of 1.53%. The EPRA cost ratio for the period was 15.5%, down from 16.4% in H1 2020 and 17.1% for the full year 2020. Net finance costs were £1.6 million (H1 2020: £0.9 million). The change in fair value of investment properties was £1.0 million (H1 2020: -£0.4 million), contributing to profit before tax of £14.5 million (H1 2020: £11.1 million).

Earnings per share ("EPS") for the period was 4.41p (H1 2020: 3.46p) and EPRA EPS was 4.10p (H1 2020: 3.62p). Adjusted EPS, which strips out the non-cash items and one-off costs, was 3.26p (H1 2020: 2.86p).

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 32.

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 1.6025p each in respect of the period. Both dividends were Property Income Distributions. The details of these dividends were as follows:

Quarter to	Declared	Paid	Cash cost £m
31 March 2021	13 May 2021	11 June 2021	5.6
30 June 2021	29 July 2021	27 August 2021	5.6
Total			**11.2**

Dividends declared for the period were 128% covered by EPRA EPS and 102% covered by Adjusted EPS.

Financing

We continued to put in place the building blocks to allow the Group's continued development. On 30 April 2021, we completed a placing of 31.7 million new ordinary shares at 111.5p per share, which raised gross proceeds of £35 million for the Company. The net proceeds from the placing were used to pay down debt.

On 28 June 2021 we announced a new £26 million revolving credit facility signed with NatWest at a margin of 190 basis points over SONIA. The facility has a fully documented accordion agreement to increase it to £50 million, subject to lender approval. At the same time the size of the Group's facility with Metro was reduced from £50 million, to £40 million.

We continue to take a conservative approach to managing the Group's balance sheet. At 30 June 2021, the Group had four debt facilities totalling £141 million, of which £62.4 million was drawn (31 December 2020: £76.4 million), giving a gross LTV of 13.7% (31 December 2021 17.8%). As at 30 June 2021 the weighted average term of debt facilities (excluding options to extend) was 2.2 years.

At 30 June 2021, we had £78.6 million of undrawn debt facilities and £17.7 million cash, leaving headroom to finance all committed contingent liabilities for deferred payments and capital expenditure, as well as to pursue a selected number of acquisition opportunities.

Outlook

On 7 September 2021 the Prime Minister announced major structural reforms of adult social care in England. A 1.25% increase in National Insurance and dividend tax hypothecated to fund health and adult social care is expected to raise £36 billion over the next three years. We will analyse the implications of these reforms with care, but on first reflection expect them to be a step change in repositioning care homes as critical social infrastructure.

The Investment Manager remains confident that it will be able to identify acquisitions which will be accretive for the Group; will help to reduce risk through further diversification; and some of which will have potential for further value creation through active asset management.

Impact Health Partners LLP
Investment Manager

8 September 2021

The impact of COVID-19 on care homes

A second wave of the pandemic hit the United Kingdom immediately after Christmas 2020. In the first eight weeks of 2021, 50,161 deaths were linked to COVID-19 in England and Wales, according to ONS data. This was 8% more COVID-19 deaths than the 46,457 which occurred in the peak of the first wave over the 10 weeks beginning on 28 March 2020.

Care homes, however, were less severely affected during the second wave compared to the first. Between weeks 12 and 24 of 2020, there were 26,805 excess deaths from all causes (ie, including COVID-19) in care homes above the five-year average. In the first seven weeks of 2021 during the peak of the second wave, there were 4,201 excess deaths in care homes, a decline of 84% from the first wave. Between weeks eight and 32 of 2021, deaths in care homes were 6,662 below their five-year average.

This reduced impact of the second wave – and minimal impact from the third wave – on care homes reflects a number of factors. Tragically, the first is the number of the most vulnerable elderly people who had already died in the first wave. More positively, it also reflects the success of the vaccination programme in shielding the most vulnerable and care homes' great efforts to improve infection control.

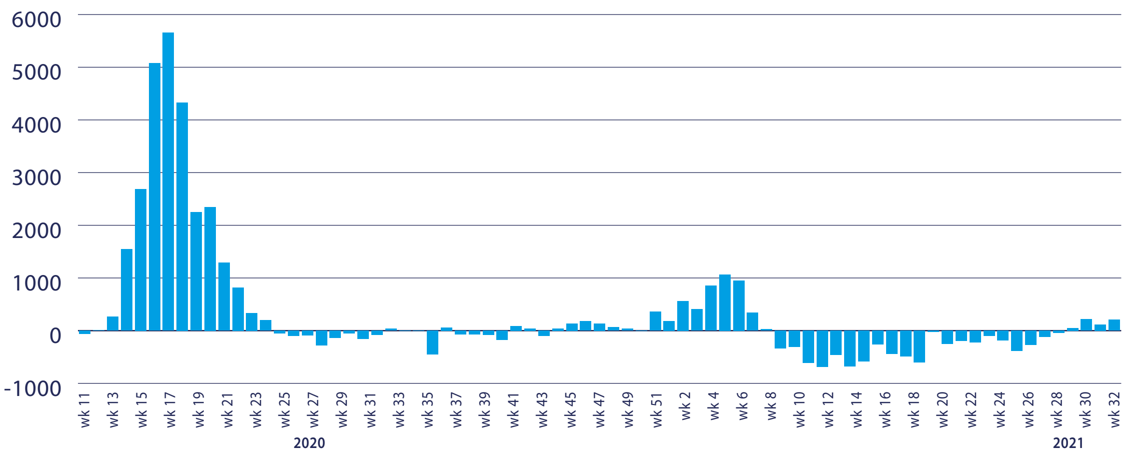
By mid-February 2021, 100% of the residents at care homes owned by the Group had received their first dose of a vaccine, with second doses largely completed before the end of the quarter. The majority of staff had been fully vaccinated by mid-year, and the government has made it mandatory for all care workers to be vaccinated from 11 November 2021.

Over the past 18 months care homes operators have been working intensively to improve infection control measures and have received substantial support from government to support these efforts. Between May 2020 and June 2021, the Adult Social Care Infection Control Fund provided £1.35 billion ring-fenced funding for infection prevention and control, and a further £288 million for rapid testing in care settings. 70% of this funding was dedicated to care homes for the elderly. This fund has now been extended to September 2021 with an additional £251 million of funding.

One of the major side effects of the pandemic, and the lockdowns which it caused, has been an interruption in normal medical care. During the first wave in 2020, GPs were advised to stop referring patients for dementia assessments. These assessments did resume after the first wave, but in the six months to April 2021, GPs carried out 50% fewer dementia assessments and made 33% fewer referrals to dementia clinics than in the same period in 2019/20. As a result, the number of recorded dementia diagnoses in England declined from 472,890 in December 2019, to a low of 427,021 in February 2021.

With lockdowns coming to an end and life starting to return to normal, the number of dementia diagnoses is likely to increase, which is one factor pointing to potential pent-up demand for a level of care which can only be provided in a care home.

Excess deaths in care homes above the five year average



Source: https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/deathsregisteredweeklyinenglandandwalesprovisional/weekending16july2021

Tenants' resilience

Going the extra mile

1. The visiting pod, designed and built by the maintenance man for residents to meet friends and family.
2. Local singers perform for residents outside the window to keep their spirits raised.
3. Zoom meetings with families were arranged for residents.

The past 18 months have been very challenging for all in the care sector, and particularly for those close to the front line. Our tenants' care and support teams have worked in sometimes very difficult circumstances and we were keen to find a way to give some recognition to how they had tried to go the extra mile. Working in partnership with our tenants, our Investment Manager launched a competition aimed at giving recognition to some of these efforts.

The aim was to seek out individuals or teams working within our homes who have been innovative in their battle against the pandemic, or just deserve recognition for their continued hard work, perseverance and spirit. We have given cash prizes to the most inspiring staff teams, to be spent at their discretion on home improvements to enhance staff welfare and staff wellbeing.

There were some amazing entries, and all were deserving of recognition. Staff members expressed themselves in a number of ways from poems to photos. Their initiative, commitment and perseverance has been outstanding.

We have summarised here some of the themes which came out of the entries.

All about teamwork

"During the pandemic the staff really put the T in team work. The home came together as a family. The virus, horrific as it was, actually strengthened relationships and made the home a stronger team. We started to get to know each other better and had more respect for each other, we cried together had a lot of laughter together and built a Covid army."

"Working in a residential home is not just about day-to-day routines caring for older people,

1.

it's about having fun! And bringing smiles to faces. There's not a day gone by this past year where we as a team haven't smiled, laughed and felt fulfilled."

Adapting the building

"We soon realised that the visiting restrictions were going to be with us for quite some time. Our maintenance man single-handedly designed and built a visiting pod, making sure it was comfortable whilst mitigating any potential risk of transmission. This is the kind of feedback we got from visitors:

'It was wonderful to be able to visit an old friend – at the moment, I am the only one who can – in the brand new pod. I was not particularly looking forward to meeting through glass, especially as the two of us had enjoyed sitting in the gazebo outside on lucky autumn days when the sun shone and geese and hens provided amusement. The pod, however, has been thoughtfully designed, with great craftsmanship. It was well arranged with two comfortable armchairs and side tables either side of an impressive wall-to-wall and ceiling-to-ceiling piece of plate glass, which enables you to see the person you are visiting as if you were in the same room. It was good, as a visitor, not to have to wear a mask in the pod and to be able to take my coat off and relax. The speaker system was excellent and we had no difficulty in hearing each other."

2.

3.

Adapting home life

“During lockdown not only did we do video calls to families, our activities co-ordinator also did our own church services as religion is very important to our residents. Residents benefited greatly because we became extremely close, more like a family instead of a team.”

“The Staff worked hard to keep our residents upbeat, and our families connected. We entered a national competition called ‘Active Seniors Care Home Olympics’. This entailed a set weekly Olympic Activity including butterfly kicks, curls, walking and movement. Our staff, residents and their families all joined in. Families took photos of themselves doing the activity and posted them on our private Facebook page.”

“When our care home had to stop all but essential visitors, our residents missed their families and friends greatly. Helen and her imagination got to work. She asked the residents, ‘If you had the chance to go anywhere, where would you go?’ In their imaginations, with help from Helen, our residents travelled to London and had afternoon tea with the Queen, flew to America and met with President Trump. They got dressed up in their finery and had a day at the races at Royal Ascot. Helen really wanted a horse that day, so with her talents a horse did appear much to the delight of our residents. Helen was the front of the horse, but due to 2m social distancing rules we couldn’t put anyone else as the back of the horse, so again Helen improvised. Everyone saw a horse, but no one noticed that the back of our horse had four legs courtesy of a nearby table.”

Key performance indicators

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

1. Net Asset Total Return ("NATR")

3.88%

for the period to 30 June 2021 (19% on 2020)

H1 21	3.88%
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

3.21p

per share

for the period to 30 June 2021 (2% on 2020)

H1 21	3.21p
H1 20	3.15p
H1 19	3.09p

Definition

Dividends declared in relation to the period.

3. EPRA earnings per share

4.10p

per share

for the period to 30 June 2021
(13% on 2020)

H1 21	4.10p
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")

6.75%

at 30 June 2021
(0% on 2020)

H1 21	6.75%
H1 20	6.78%
H1 19	7.23%

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 6.3% to reflect a buyer's costs and adjusted for the expiration of rent-free periods or other unexpired lease incentives.

5. NAV per share

110.66p

per share

at 30 June 2021 (3% on 2020)

H1 21	110.66p
H1 20	107.17p
H1 19	104.67p

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

6. Gross Loan to Value ("LTV")

13.72%

per share

as at 30 June 2021 (-24% on 2020)

H1 21	13.72%
H1 20	18.10%
H1 19	7.67%

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 2021
(0% on 2020)

H1 21	19.5yrs
H1 20	19.5yrs
H1 19	19.6yrs

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

8. Total Expense Ratio ("TER")

1.50%

as at 30 June 2021
(5% on 2020)

H1 21	1.50%
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 15.5% (down from 16.4% in H1'20)

New investment

Carlton Hall, Carlton Colville, Lowestoft

In April 2021, we exchanged contracts for the sale and leaseback of an 86-bed home in Suffolk and agreed to forward-fund an 80-bed property in Norwich, welcoming in the Group's thirteenth tenant, Carlton Hall.

The operational asset is situated on 10 acres of manicured grounds in part of a care village community consisting of 49 retirement bungalows and a thriving coffee shop. Carlton Hall seamlessly integrates the higher acuity nursing care residents on the same site as independent bungalows, housing those with lower care needs.

Building on the proven success of Carlton Hall, the Group has entered into forward-funding agreement of a new home that will be situated in a care village alongside a first phase of 19 bungalows; this blueprint is expected to have potential to pave the way for further developments of this layout.

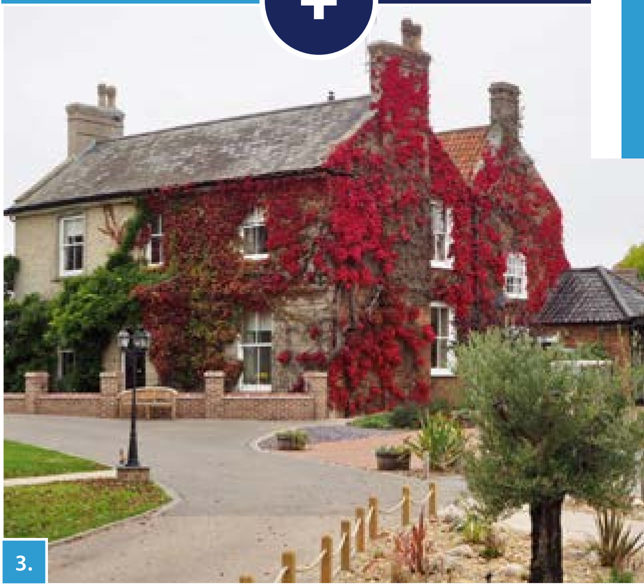
These two transactions have not only allowed the Group to deploy capital on favourable terms but also to further the continued strategy of tenant and geographic diversification.

1. Carlton Hall day space.
2. Bungalow gardens.
3. Carlton Hall.
4. Bedroom at the bakehouse.

1.

+1
tenant

£24.8m
Capital committed

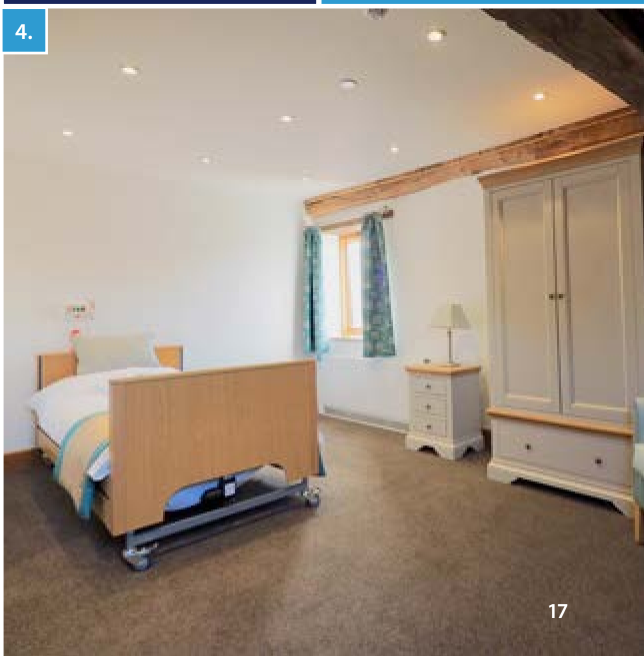


3.

+166
beds

+8.0%
contracted annual rent

2.



4.

Portfolio

At 30 June 2021, the Group owned the homes listed in the table below:

Tenant and home	Region	Acquisition date[1]	Beds[2]	Capital Projects[3]
Careport				
Blackwell Vale	North West	Dec 2020	60	
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	57	
Value at 30 June 2021: £32.80m				
Carlton Hall				
Carlton Hall	East of England	Apr 2021†	86	
Oasis	East of England	Apr 2021	–	+80
Value at 30 June 2021: £2.40m				
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		32	
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	
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 2021: £68.78m				

Tenant and home	Region	Acquisition date[1]	Beds[2]	Capital Projects[3]
Electus Care				
Cedarhurst Lodge	Northern Ireland	Dec 2020	67	
Edgewater Lodge	Northern Ireland	Dec 2020	75	
Saintfield Lodge	Northern Ireland	Dec 2020	51	
Value at 30 June 2021: £8.80m				
Maria Mallaband and Countrywide Group (MMCG)				
Belmont House	York. & The Humber	May 2019	106	
Croft House	York. & The Humber	Mar 2020	68	
Heeley Bank	York. & The Humber	Mar 2020	67	
Howgate House	York. & The Humber	Mar 2020	63	
Manor Park	York. & The Humber	Mar 2020	75	
Park Springs	Scotland	May 2019	96	
Thorntree Mews	Scotland	May 2019	40	
Wallace View	Scotland	May 2019	60	
Value at 30 June 2021: £36.46m				
Holmes Care Group				
Almond Court	Scotland	Aug 2020	42	
Almond View	Scotland	Aug 2020	78	
Bankview (&BVDC)	Scotland	Aug 2020	65	
Beechwood	Scotland	Aug 2020	90	
Cragielea	Scotland	Aug 2020	85	
Grandholm	Scotland	Aug 2020	79	
Heatherfield	Scotland	Aug 2020	60	
Larkfield	Scotland	Aug 2020	90	
Three Towns	Scotland	Aug 2020	60	
Value at 30 June 2021: £50.41m				

1 May 2017 unless stated
2 Number of registered beds
3 Capital improvement bed additions under development
4 Treated as two properties
* Minster and Croftwood are both part of Minster Care Group
† Date of exchange

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	
Cambroe	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	
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 2021: £132.40m				

Tenant and home	Region	Acquisition date[1]	Beds[2]	Capital Projects[3]
NCUH NHS Trust				
Reiver House	North West	Jun 2019	–	
Surgical Unit	North West	Jun 2019	–	
Value at 30 June 2021: £4.40m				
Optima				
Barham	East of England	Aug 2019	44	
Baylham	East of England	Aug 2019	55	
Value at 30 June 2021: £14.25m				
Prestige Group				
Hartlepool	North East	Mar 2020	–	+94
Parkville	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 2021: £22.80m				
Renaissance Care				
Croftbank	Scotland	Nov 2018	68	
Rosepark	Scotland	Nov 2018	60	
Value at 30 June 2021: £12.76m				
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 2021: £7.76m				
Welford				
Argentum Lodge	South West	Sep 2019	56	
Birchlands	York. & The Humber	Jun 2019	54	
Fairview Court and House[4]	South West	Mar 2018	73	+11
Holmesley	South West	Jun 2019	55	
Mavern House	South West	Jan 2021	51	+6
St Peter's House	East of England	Dec 2020	66	
Value at 30 June 2021: £38.38m				

1 May 2017 unless stated
2 Number of registered beds
3 Capital improvement bed additions under development
4 Treated as two properties
* Minster and Croftwood are both part of Minster Care Group

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.

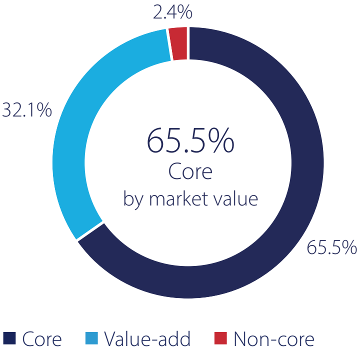
- Present opportunities to deploy capital to enhance the asset and its performance
- May be a smaller home, have a low level of en-suite bathrooms or have other elements of functional obsolescence or environmental performance improvements
- Value uplift through enabling the tenant to offer a new service,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

Non-core

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

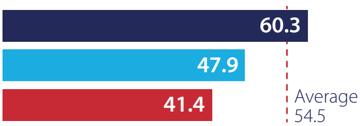
- Limited lifespan homes with a high degree of functional obsolescence
- Higher alternative use value
- Could be geographically isolated

A strong core portfolio underpinning value



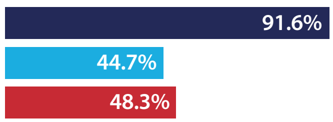
Homes of scale, delivering an efficient service to residents

Average number of beds per property



A core portfolio delivering an en suite facility service

Rooms with en-suite bathrooms

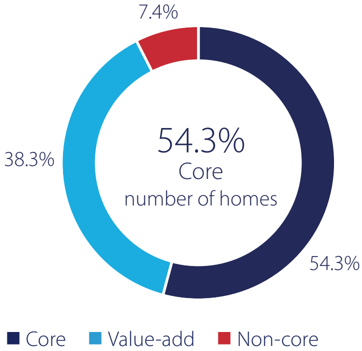


A proportional rent per bed with strong rent cover across the portfolio

Average rent per bed

■ Core ■ Value-add ■ Non-core

Significant opportunity to enhance value from the value-add portfolio



Sustainability

Working with our tenants we are implementing asset management activities that will improve the environmental performance of our homes.

We achieved EPRA sBPR Gold status with our 2019 submission. We have recently submitted our EPRA sustainability report for 2020 and extracts from this are summarised below.

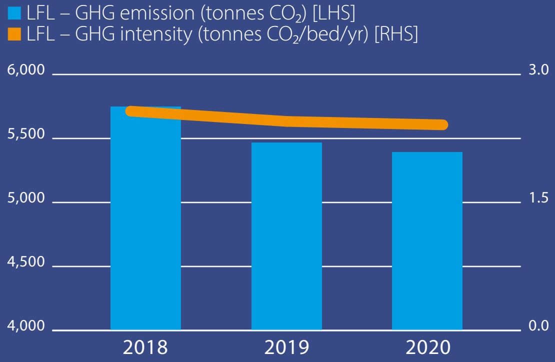
Importantly our overall portfolio EPC ratings have improved year on year reflecting some of the enhancements made and the higher energy efficiency of our acquisitions. We expect this to continue to improve as we implement our asset management work plan and develop our sustainability strategy.

Similarly, our like for like greenhouse gas emissions have reduced year on year from 2.57 to 2.41 tonnes per bed per year, from 2018 to 2020.

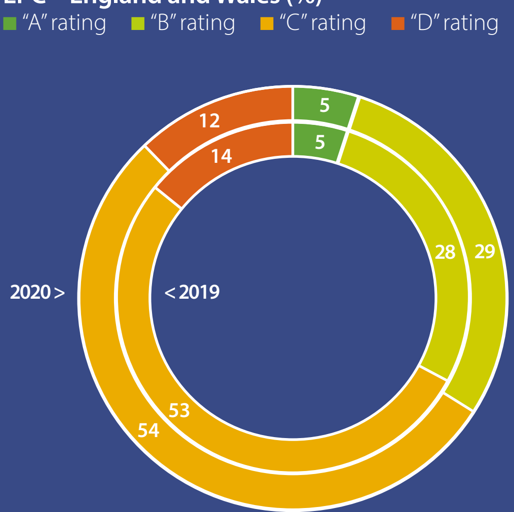
Our asset management activities include:

- Working with our tenants to ensure repair and maintenance spend not only maintains the homes but improves the energy performance where possible. In addition our new leases have been improved to target at least 25% of the obligated spend to be used for environmental improvements.
- Upfront acquisition due diligence that identifies opportunities for environmental improvements at the homes. Part of the £2.8 million of capital improvements on the five homes we acquired at the end of 2020 was focused on energy improvements.
- Enhanced redevelopment works. A major focus in any large-scale development or extension is to ensure improved energy performance. This was highlighted in our extension at Fairview where we are targeting an improvement from an EPC rating of C to A across the home. Work on the Fairview extension started in the period.

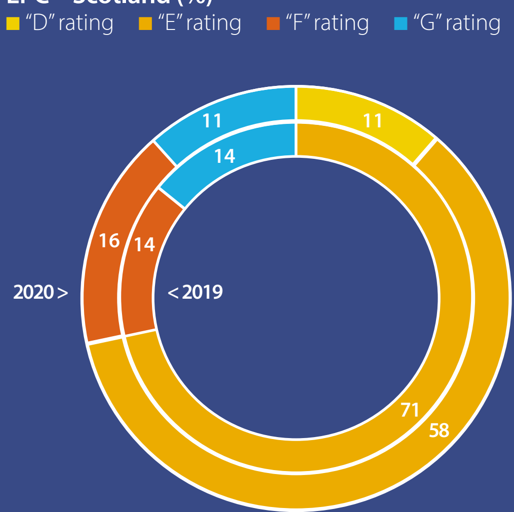
Green House Gas emission on 2020 like-for-like portfolio



EPC – England and Wales (%)



EPC – Scotland (%)



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. While vaccines are proving significant in the fight against COVID-19, the pandemic is not over and significant uncertainties remain. The principal risks and uncertainties continue to be those outlined on pages 34-39 of our 2020 Annual report dated 26 March 2021 and the board considers that these will remain valid for the remainder of the year.

The principal risks are summarised below and include updates since the Annual report from our evaluation in the period.

Changes to government social care policy (including the effects of Brexit) – Care for older people is at the heart of our business. The government may change policy or introduce legislation that affects the sector.

Interim update *– On 7 September 2021 the government announced structural reforms of the adult social care sector in England. The announced changes are positive for the sector, but we will need to understand the detail more fully to be able to assess their impact on our business.*

Infectious diseases – Significant outbreaks of infectious diseases, in particular pandemics such as COVID-19, can have long-lasting and far-reaching effects across all businesses.

Interim update *– The performance of our homes while managing the environment and restrictions from COVID-19 is included in the Investment Manager's report on pages 8-10. The majority of the adult population in the UK has now been vaccinated and there appears to be a weakening correlation between identified cases, hospitalisations and deaths. Nonetheless, the risk of further outbreaks and corresponding risks to care home operations remain.*

General economic conditions – Adverse general economic conditions are expected to heighten as the government implements measures to reduce the unprecedented levels of debt that has been required to manage the immediate economic implications of the pandemic.

Interim update *– There is continued uncertainty about the scale and duration of the economic downturn caused by the pandemic and the measures that could be imposed by the government to aid recovery. Care for older people remains an important and increasing focus, and the market remains relatively uncorrelated to broader economic conditions. The board is also mindful of the increasing levels of inflation in recent months. While our lease rent increases are protected, typically with a floor of 2% and a cap of 4%, the Group will pay close attention to this in the implementation of its business model.*

Weakening care market – Several factors may affect the market for care for older people, including: changing service user requirements in the healthcare sector, local authority funding partners amending their payment terms, and increased regulatory responsibility and associated costs for our tenants.

Default of one or more tenants – The default of one or more tenants, or failing to act quickly and decisively when confronted with a failing tenant, would affect the value of our homes and both our ability to pay dividends to our shareholders and to meet our financing obligations.

Interim update *– Since the publication of our Annual report, we have continued to receive 100% of rent due with no lease variations, our average tenant rent cover has improved and tenants' occupancy has stabilised. The risk and uncertainty caused by the pandemic is reducing but remains high, with further outbreaks possible and restrictions on care home operations. These factors can all have an effect on our tenants' income, staff availability and costs.*

Underinvestment in care homes – The attractiveness of our portfolio is based on the quality of the tenants' operations, measured by their regulatory and financial performance, and our properties' ability to provide effective space in which our tenants can operate. This does not require our homes to be new but it does require them to be well maintained and fit for purpose.

Environmental regulation and impact of climate change – Tightening environmental regulations may increase the need for investment or redevelopment of our portfolio.

Ability to meet our financing obligations – If we are unable to operate within our debt covenants, this could lead to a default and our debt funding being recalled.

Reliance on the Investment Manager – As an externally managed company, we rely on the Investment Manager's services and reputation to execute our strategy and support our day-to-day relationships.

The approach to risk 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 2021, the course of the pandemic may cause further changes to the probability and impact of our principal risks. These risks have all been considered as part of our going concern assessment which is reported on page 28.

Rupert Barclay
Chairman

8 September 2021

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 in conformity with the requirements of the Companies Act 2006 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 2020 Annual report as disclosed in note 21.

A list of the directors is shown on page 40.

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

For and on behalf of the board

Rupert Barclay
Chairman

8 September 2021

Condensed consolidated statement of comprehensive income

	Notes	Six months ended 30 June 2021 (unaudited) £'000	Six months ended 30 June 2020 (unaudited) £'000	Year ended 31 December 2020 (audited) £'000
Gross rental income	5	17,829	14,846	30,818
Insurance/service charge income	5	236	164	374
Insurance/service charge expense	5	(236)	(166)	(376)
Net rental Income		**17,829**	**14,844**	**30,816**
Administrative and other expenses		(2,757)	(2,429)	(4,264)
Other income		5	–	–
Profit on disposal of investment properties		–	–	153
Operating profit before changes in fair value of investment properties		15,077	12,415	25,705
Changes in fair value of investment properties	9	1,038	(430)	5,585
Operating profit		**16,115**	**11,985**	**31,290**
Finance income		1	47	49
Finance expense		(1,609)	(981)	(2,556)
Profit before tax		**14,507**	**11,051**	**28,783**
Tax charge on profit for the period/year	6	–	–	–
Profit and comprehensive income (attributable to shareholders)		**14,507**	**11,051**	**28,783**
Earnings per share – basic and diluted (pence)	7	**4.41p**	**3.46p**	**9.02p**

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

Condensed consolidated statement of financial position

	Notes	As at 30 June 2021 (unaudited) £'000	As at 30 June 2020 (unaudited) £'000	As at 31 December 2020 (audited) £'000
Non-current assets				
Investment property	9	415,332	334,541	405,657
Interest rate derivatives	11	11	21	7
Trade and other receivables		19,774	13,171	15,915
Total non-current assets		**435,117**	**347,733**	**421,579**
Current assets				
Trade and other receivables		1,902	1,112	89
Cash and cash equivalents		17,731	71,037	7,979
Total current assets		**19,633**	**72,149**	**8,068**
Total assets		**454,750**	**419,882**	**429,647**
Current liabilities				
Trade and other payables		(4,112)	(2,436)	(3,129)
Total current liabilities		**(4,112)**	**(2,436)**	**(3,129)**
Non-current liabilities				
Bank borrowings	10	(59,905)	(73,908)	(74,213)
Trade and other payables		(2,713)	(1,719)	(2,784)
Total non-current liabilities		**(62,618)**	**(75,627)**	**(76,997)**
Total liabilities		**(66,730)**	**(78,063)**	**(80,126)**
Total net assets		**388,020**	**341,819**	**349,521**
Equity				
Share capital	12	3,506	3,189	3,189
Share premium reserve	13	305,672	271,362	271,362
Capital reduction reserve		24,077	24,077	24,077
Retained earnings		54,765	43,191	50,893
Total equity		**388,020**	**341,819**	**349,521**
Net Asset Value per ordinary share (pence)	15	**110.66p**	**107.17p**	**109.58p**

Condensed consolidated statement of cash flows

	Notes	Six months ended 30 June 2021 (unaudited) £'000	Six months ended 30 June 2020 (unaudited) £'000	Year ended 31 December 2020 (audited) £'000
Cash flows from operating activities				
Profit for the period/year (attributable to equity shareholders)		14,507	11,051	28,783
Finance income		(1)	(47)	(49)
Finance expense		1,609	981	2,556
Profit on disposal of investment properties		–	–	(153)
Changes in fair value of investment properties	9	(1,038)	430	(5,585)
Net cash flow before working capital changes		15,077	12,415	25,552
Working capital changes				
Increase in trade and other receivables		(5,672)	(3,712)	(5,433)
(Decrease)/increase in trade and other payables		980	(554)	904
Net cash flow from operating activities		**10,385**	**8,149**	**21,023**
Investing activities				
Purchase of investment properties	9	(7,610)	(22,556)	(85,978)
Proceeds on sale of investment property	9	–	–	886
Acquisition costs capitalised		(483)	(807)	(2,533)
Capital improvements		(544)	(1,266)	(1,723)
Interest received		1	47	49
Net cash flow from investing activities		**(8,636)**	**(24,582)**	**(89,299)**
Financing activities				
Proceeds from issue of ordinary share capital	12	35,335	–	–
Issue costs of ordinary Share Capital	13	(708)	21	21
Bank borrowings drawn	10	30,529	51,002	51,243
Bank borrowings repaid	10	(44,508)	–	–
Loan arrangement fees paid		(754)	(828)	(1,156)
Loan commitment fees paid		(164)	(147)	(417)
Interest paid on bank borrowings		(1,092)	(433)	(1,261)
Dividends paid to equity holders	8	(10,635)	(9,935)	(19,965)
Net cash flow from financing activities		**8,003**	**39,680**	**28,465**
Net increase in cash and cash equivalents for the period		9,752	23,247	(39,811)
Cash and cash equivalents at the start of the period		7,979	47,790	47,790
Cash and cash equivalents at the end of the period		**17,731**	**71,037**	**7,979**

Condensed consolidated statement of changes in equity

Six months ended 30 June 2021 (unaudited)

	Notes	Share capital (unaudited) £'000	Share premium (unaudited) £'000	Capital reduction reserve (unaudited) £'000	Retained earnings (unaudited) £'000	Total (unaudited) £'000
1 January 2021		**3,189**	**271,362**	**24,077**	**50,893**	**349,521**
Total comprehensive income		–	–	–	14,507	14,507
Transactions with owners						
Share issues		317	35,018	–	–	35,335
Dividends paid	8	–	–	–	(10,635)	(10,635)
Share issue costs	13	–	(708)	–	–	(708)
30 June 2021		**3,506**	**305,672**	**24,077**	**54,765**	**388,020**

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**

For the year ended 31 December 2020 (audited)

	Notes	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'000
1 January 2020		**3,189**	**271,341**	**24,077**	**42,075**	**340,682**
Total comprehensive income		–	–	–	28,783	28,783
Transactions with owners						
Dividends paid	8	–	–	–	(19,965)	(19,965)
Share issue costs	13	–	21	–	–	21
31 December 2020		**3,189**	**271,362**	**24,077**	**50,893**	**349,521**

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 2021, are prepared in accordance with International Financial Reporting Standards ("IFRS") in conformity with the requirements of the Companies Act of 2006 which comprise standards and interpretations issued by the International Accounting Standards Board ("IASB") and IAS34 "Interim Financial Reporting" and International Accounting Standards and Interpretations approved by the International Financial Reporting Interpretation Committee ("IFRIC"), including the comparative information for the six months period ended 30 June 2020 and for the year ended 31 December 2020.

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 six months to 30 June 2021 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 2020 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 August 2021 the Group had cash of £18.0 million. Of this, £15.5 million is held in the parent company current and deposit accounts. There are £78.6 million of undrawn debt facilities which are drawable immediately.

At 30 June 2021 £28.2 million is committed to acquisitions and asset management and a further £9.0 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.

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 35 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.

2.2 Estimates

Fair valuation of investment property

The Valuations have been prepared in accordance with the RICS Valuation – current edition of the global and UK standards as at the valuation date 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 at the inception of the lease.

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 2020 and are expected to be consistently applied during the year ended 31 December 2021.

4. New standards issued

4.1 New standards issued with effect from 1 January 2020

The following new accounting amendments have been applied in preparing the Consolidated financial statements:

IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and error" on definition of material

These amendments to IAS 1, IAS 8 and consequential amendments to other IFRSs:

- use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- clarify the explanation of the definition of material; and
- incorporate some of the guidance in IAS 1 about immateriality information.

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. As a result of this amendment business combinations is no longer believed to be a significant judgment for the acquisitions made in the year.

4.2 New standards issued but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- Amendments to IAS 1 – Classification of liabilities as current or non-current
- Annual improvements to IFRS standards 2018–2020

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2021, but are not yet applicable to the Group and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

5. Property income

	Six months ended 30 June 2021 (unaudited) £'000	Six months ended 30 June 2020 (unaudited) £'000	Year ended 31 December 2020 (audited) £'000
Rental income cash received in the period/year	**14,649**	**11,643**	**25,936**
Rent received in advance of recognition[1]	71	49	(1,016)
Rent recognised in advance of receipt[2]	3,156	3,154	5,898
Lease incentive[3]	(47)	–	–
Gross rental income	**17,829**	**14,846**	**30,818**
Insurance/service charge income	236	164	374
Insurance/service charge expense	(236)	(166)	(376)
Net rental income	**17,829**	**14,844**	**30,816**

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 uplifts in rents over the term of the lease on a straight-line basis.

3 Lease incentives relate to the amortisation of payments made to tenants that are not part of any acquisition contractual obligations. These payments are made in return for an increase in rent.

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 ended 30 June 2021 and year ended 31 December 2020, 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 2021 (unaudited) £'000	Six months ended 30 June 2020 (unaudited) £'000	Year ended 31 December 2020 (audited) £'000
Total comprehensive income (attributable to shareholders)	**14,507**	**11,051**	**28,783**
Adjusted for:			
– Revaluation movement	(4,968)	(2,773)	(10,467)
– Movement in lease incentive debtor	703	–	–
– Rental income arising from recognising rental premiums and future guaranteed rent uplifts	3,227	3,203	4,882
Change in fair value of investment properties	(1,038)	430	(5,585)
Profit on disposal of investment property	–	–	(153)
Change in fair value of interest rate derivative	(4)	73	87
EPRA earnings	**13,465**	**11,554**	**23,132**
Adjusted for:			
– Rental income arising from recognising rental premiums and future guaranteed rent uplifts	(3,227)	(3,203)	(4,882)
– Amortisation of lease incentive	47	–	–
– Amortisation of loan arrangement fees[2]	425	273	665
– Rent premium due from exchanged contracts	–	488	–
Adjusted earnings	**10,710**	**9,112**	**18,915**
Average number of ordinary shares	328,758,604	318,953,861	318,953,861
Earnings per share (pence)[1]	**4.41p**	**3.46p**	**9.02p**
EPRA basic and diluted earnings per share (pence)[1]	**4.10p**	**3.62p**	**7.25p**
Adjusted basic and diluted earnings per share (pence)[1]	**3.26p**	**2.86p**	**5.93p**

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

[2] The removal of amortisation of loan arrangement fees was a change made in the year ended 31 December 2020 and the adjusted earnings figure for the period to 30 June 2020 has been restated to reflect this.

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

The EPRA earnings are arrived at by adjusting for the changes in fair value of on investment properties and interest rate derivatives.

Adjusted Earnings:

EPRA earnings have been adjusted to exclude the effect of straight-lining of rental income and one-off costs. These have been adjusted to enable to board to consider the level of ongoing cash earnings. The board uses the adjusted earnings alongside the available distributable reserves in its consideration and approval of dividends.

8. Dividends

	Dividend rate per share pence	Six months ended 30 June 2021 (unaudited) £'000	Six months ended 30 June 2020 (unaudited) £'000	Year ended 31 December 2020 (audited) £'000
Fourth interim dividend for the period ended 31 December 2019 (ex-dividend – 6 February 2020)	1.5425p	–	4,920	4,920
First interim dividend for the period ended 31 December 2020 (ex-dividend – 21 May 2020)	1.5725p	–	5,015	5,015
Second interim dividend for the period ended 31 December 2020 (ex-dividend – 20 August 2020)	1.5725p	–	–	5,015
Third interim dividend for the period ended 31 December 2020 (ex-dividend – 5 November 2020)[1]	1.5725p	–	–	5,015
Fourth interim dividend for the period ended 31 December 2020 (ex-dividend – 11 February 2021)	1.5725p	5,016	–	–
First interim dividend for the period ended 31 December 2021 (ex-dividend – 27 May 2021)	1.6025p	5,619	–	–
Total dividends paid		**10,635**	**9,935**	**19,965**
Total dividends paid in respect of the period/year – per share		1.6025p	1.5725p	4.7175p
Total dividends unpaid but declared in respect of the period/year – per share		1.6025p	1.5725p	1.5725p
Total dividends declared in respect of the period/year – per share		**3.205p**	**3.145p**	**6.29p**

[1] 0.7862 pence of this was a non-Property Income Distribution dividend, the remaining 0.7863 pence was a Property Income Distribution dividend. All other dividends recorded above are Property Income Distribution dividends.

On 29 January 2021, the Company declared an interim dividend of 1.5725 pence per share for the period from 1 October 2020 to 31 December 2020 which was paid in February 2021.

On 13 May 2021, the Company declared an interim dividend of 1.6025 pence per ordinary share for the period from 1 January 2021 to 31 March 2021 which was paid in June 2021.

On 29 July 2021, the Company declared an interim dividend of 1.6025 pence per share for the period from 1 April 2021 to 30 June 2021 which was paid in August 2021.

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 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 2021 (unaudited) £'000	As at 30 June 2020 (unaudited) £'000	As at 31 December 2020 (audited) £'000
Opening value	418,788	318,791	318,791
Property additions	7,610	22,556	85,978
Property disposals[2]	–	–	(733)
Acquisition costs capitalised	493	856	2,677
Capital improvements	534	1,017	1,608
Revaluation movement	4,968	2,773	10,467
Closing value per independent valuation report	**432,393**	**345,993**	**418,788**
Lease incentive (debtor) / creditor	(703)	–	–
Guaranteed rent reviews and initial lease rental payment net (debtor)/creditor	(16,358)	(11,452)	(13,131)
Closing fair value per Condensed consolidation statement of financial position	**415,332**	**334,541**	**405,657**

1 Investment properties include freehold and long leasehold properties

2 In the year ended 31 December 2020 the carrying value of disposals was £733,000, this combined with the profit on disposal of £153,000 makes up the total net proceeds shown in the Consolidated statement of cash flows.

3 Lease incentives relate to the amortisation of payments made to tenants that are not part of any acquisition contractual obligations. These payments are made in return for an increase in rent.

Change in fair value of investment properties

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

	Six months ended 30 June 2021 (unaudited) £'000	Six months ended 30 June 2020 (unaudited) £'000	Year ended 31 December 2020 (audited) £'000
Revaluation movement	4,968	2,773	10,467
Movement in lease incentive debtor	(703)	–	–
Rental income arising from recognising rental premiums and future guaranteed rent uplifts	(3,227)	(3,203)	(4,882)
Change in fair value of investment properties	**1,038**	**(430)**	**5,585**

10. Bank borrowings

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

	As at 30 June 2021 (unaudited) £'000	As at 30 June 2020 (unaudited) £'000	As at 31 December 2020 (audited) £'000
At the beginning of the period/year	76,370	25,127	25,127
Bank borrowings drawn in the period/year	30,529	51,002	51,243
Bank borrowings repaid in the period/year	(44,508)	–	–
Total bank borrowings drawn	**62,391**	**76,129**	**76,370**
Total bank borrowings undrawn	**78,609**	**48,871**	**48,630**

On 25 June 2021, the Group agreed a new revolving credit facility of £26 million (the "NatWest Facility") with National Westminster Bank Plc ("NatWest"). The Group drew down £260,000 from the NatWest Facility in the period.

The three-year NatWest Facility has a margin of 190 basis points per annum over SONIA.

The Group drew down £31 million and repaid £45 million under its existing loan facilities with Metro Bank PLC, HSBC UK Bank PLC and Clydesdale Bank PLC.

The Group repaid £10 million of the term loan with the release of certain properties from Metro Bank PLC's security pool which have been used as security under the new NatWest Facility. The amount repaid is not able to be redrawn.

Notes to the condensed consolidated financial statements

10. Bank borrowings (continued)

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 2021 (unaudited) £'000	As at 30 June 2020 (unaudited) £'000	As at 31 December 2020 (audited) £'000
Bank borrowings drawn: due after more than one year	**62,391**	**76,129**	**76,370**
Arrangements fees – carried forward	(2,157)	(1,666)	(1,666)
Arrangement fees paid during the year	(754)	(828)	(1,156)
Amortisation of loan arrangement fees	425	273	665
Non-current liabilities: Bank borrowings	**59,905**	**73,908**	**74,213**

11. Interest rate derivatives

	As at 30 June 2021 (unaudited) £'000	As at 30 June 2020 (unaudited) £'000	As at 31 December 2020 (audited) £'000
At the beginning of the period	7	94	94
Changes in fair value of interest rate derivatives	4	(73)	(87)
	11	**21**	**7**

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

	Shares in issue	Six months ended 30 June 2021 (unaudited) £'000	Six months ended 30 June 2020 (unaudited) £'000	Year ended 31 December 2020 (audited) £'000
At the beginning of the period/year	318,953,861	3,189	3,189	3,189
Shares issued – 6 May 2021	31,690,327	317	–	–
	350,644,188	**3,506**	**3,189**	**3,189**

On 6 May 2021, the Company issued a further 31,690,327 ordinary shares at a price of 111.5 pence per ordinary share raising gross proceeds of £35,334,715 million. This increased the total number of ordinary shares in the Company in issue to 350,644,188.

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 2021 (unaudited) £'000	Six months ended 30 June 2020 (unaudited) £'000	Year ended 31 December 2020 (audited) £'000
At the beginning of the period	271,362	271,341	271,341
Shares issued 6 May 2021	35,018	–	–
Share issue costs	(708)	21	21
	305,672	**271,362**	**271,362**

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 2021 (unaudited) £'000	Six months ended 30 June 2020 (unaudited) £'000	Year ended 31 December 2020 (audited) £'000
Impact Health Partners LLP	**1,862**	**1,760**	**3,548**

For the six month period ended 30 June 2021 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 3.14%, 0.35% 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 0.17% 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. 49% 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 £347,869; Andrew Cowley £34,416 and David Yaldron £2,647.

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 56,808,553 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 £5,819; Rosemary Boot £953, and Philip Hall £953. In addition, funds managed by Paul Craig received dividends from the Company of £1,760,666.

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 updated their guidance on NAV measures in October 2019, giving three new NAV measures to report, effective for periods commencing on or after 1 January 2020. The Group has chosen to adopt EPRA net tangible assets ("NTA") as its primary EPRA NAV measure as it most closely aligns with the business practices of the Group. The adjustments between NAV and NTA are reflected in the following table:

	As at 30 June 2021 (unaudited) £'000	As at 30 June 2020 (unaudited) £'000	As at 31 December 2020 (audited) £'000
Net assets per Condensed consolidated statement of financial position	388,020	341,819	349,521
Fair value of derivatives	(11)	(21)	(7)
EPRA NTA	388,009	341,798	349,514
Issued share capital (number)	350,644,188	318,953,861	318,953,861
Basic NAV per share	**110.66p**	**107.17p**	**109.58p**
EPRA NTA per share	**110.66p**	**107.16p**	**109.58p**

16. Capital commitments

At 30 June 2021 the Group had committed capital expenditure on two forward-funded developments of new properties and on capital improvements to ten existing properties, this amounted to £19.4 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 2021 the total capital commitment for these deferred payments was estimated at £9.0 million.

The Group had a further £8.8 million committed to the acquisition of a property which was 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 £4.9 million (31 December 2020: £5.0 million) on the net purchase price of the assets acquired in corporate acquisitions over the preceding three years.

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

Amanda Aldridge non-executive director

Rupert Barclay non-executive Chairman

Rosemary Boot senior independent non-executive director

Paul Craig non-executive director

Philip Hall non-executive director

Chris Santer non-executive director (appointed 13 May 2021)

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