IMPACT
Healthcare REIT

Annual report 2019

Driving long-term returns from a diversified healthcare portfolio

Impact Healthcare at a glance

Dedicated to UK healthcare real estate

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

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

Our purpose

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

Our values

Our core values are:

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

Our business model

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

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

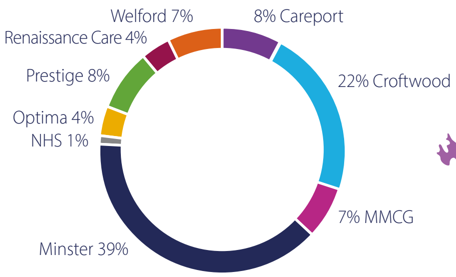
See pages 10-11, Our business model

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

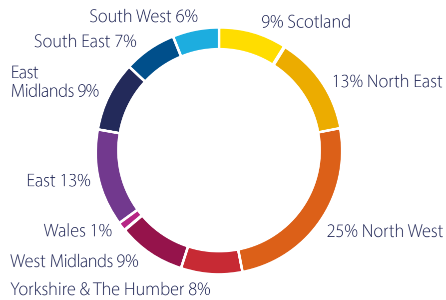
Our portfolio

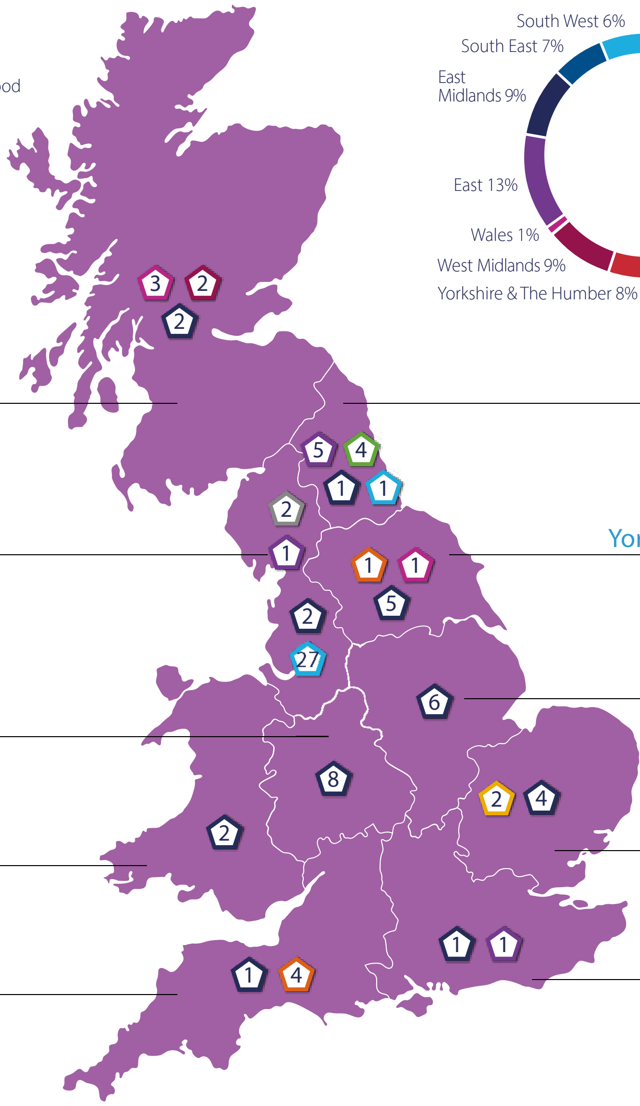
A growing portfolio	Long leases	Contracted income	Annual rental growth
86	19.7yrs	£23.1m	100%
Properties	WAULT	Contracted rent roll	Inflation linked leases[1]

Tenants by income (%)



Regionally diverse (%)
based on % portfolio market value





Scotland
Properties 7
Beds 446
Portfolio income 8.7%

North West
Properties 32
Beds 1,286
Portfolio income 25.3%

West Midlands
Properties 8
Beds 365
Portfolio income 8.8%

Wales
Properties 2
Beds 105
Portfolio income 1.5%

South West
Properties 5
Beds 214
Portfolio income 6.6%

North East
11 Properties
671 Beds
12.1% Portfolio income

Yorkshire & The Humber
7 Properties
422 Beds
8.9% Portfolio income

East Midlands
6 Properties
265 Beds
8.9% Portfolio income

East of England
6 Properties
396 Beds
13.4% Portfolio income

South East
2 Properties
104 Beds
5.8% Portfolio income

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. We continue to expand the range of tenants we work with, adding new tenants each year.

- Minster*
- Croftwood*
- Prestige
- Welford
- Careport
- Renaissance
- MMCG
- NHS
- Optima

* Both part of the Minster Care Group

1 Majority are linked to the Retail Price Index, with a floor of 2% per annum and cap of 4% per annum

Our Investment Manager

Impact Health Partners LLP became our Investment Manager on 15 March 2019, having previously been our Investment Adviser. It sources investments for us and makes recommendations to the board, carries out the transactions the board approves, monitors the progress of our homes and provides portfolio management services to the Group. It also recommends the asset management strategy for board approval and then implements it. Carne, our previous Alternative Investment Fund Manager ("AIFM"), continues to provide the risk management function.

See pages 30-33, Investment Manager's report

Highlights

The Group had another positive year, successfully implementing our growth strategy and delivering further financial and operational progress.

Financial highlights

Year ended 31 December 2019

Dividends declared per share

6.17p

+2.8%

2019	6.17p
2018	6.00p
2017*	4.50p

Profit before tax

£26.3m

+59.9%

2019	£26.3m
2018	£16.5m
2017*	£9.5m

Earnings per share ("EPS")

10.37p

+21.0%

2019	10.37p
2018	8.57p
2017*	5.82p

EPRA EPS

6.95p

+7.4%

2019	6.95p
2018	6.47p
2017*	4.35p

Adjusted EPS[1]

5.10p

+0.6%

2019	5.10p
2018	5.07p
2017*	4.39p

Contracted rent roll

£23.1m

+30.1%

2019	£23.1m
2018	£17.8m
2017	£11.9m

Portfolio valuation

£318.8m

+42.4%

2019	£318.8m
2018	£223.8m
2017	£156.2m

Net asset value ("NAV") per share

106.81p

+3.5%

2019	106.81p
2018	103.18p
2017	100.65p

Share price

108.00p

+4.3%

2019	108.00p
2018	103.50p
2017	102.38p

Loan to value ratio

6.81%

2019	6.81%
2018	11.62%
2017	nil

NAV total return

9.46%

+11.7%

2019	9.46%
2018	8.47%
2017†	7.19%

Premium listing

Our shares were admitted to the premium listing segment of the Official List and to trading on the premium segment of the main market of the London Stock Exchange from February 2019.

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

† Annualised for 2017

1 Adjusted earnings 5.10p per share reflects underlying cash earnings per share in the year. The adjustments made to EPS in arriving at EPRA and Adjusted EPS are set out in note 10 of the Group Financial Statements.

For further discussion of these metrics see pages 16-17. Alternative performance measures have been calculated in line with EPRA best practices recommendations, see pages 115-121.

Operational highlights
Year ended 31 December 2019

14
New properties
Acquired 14 properties with 757 beds in 2019. At the year end, the portfolio comprised 86 properties with 4,274 registered beds, let to nine tenants[1].

3
New tenants
Adding three new tenants increasing the total number of tenants to nine[1]. All leases continue to be inflation-linked with upwards only rent reviews.

19.7 years
WAULT
Weighted average unexpired lease term ("WAULT") of 19.7 years at 31 December 2019 (31 December 2018: 19.5 years).

£0.41m
Increase from rent reviews
Rent reviews in the year added £0.41 million to contracted rent, representing a 2.3% increase on the associated portfolio.

£23.1m
Contracted rent roll
Grew the contracted rent roll by 30.1% to £23.1 million (31 December 2018: £17.8 million).

£160m
Capital raised in the year
Two equity raises gave proceeds of £135 million. A further £25 million debt facility was also secured.

Post balance sheet highlights

£68.5m
Acquisitions
Exchanged contracts to acquire 17 care homes with a total of 1,194 beds. The acquisition of eight of these homes have completed.

2
New tenants
We have agreed new leases with two new tenants, Holmes Care and Silverline Care. The new leases have fixed terms of 25 years and annual inflation-linked adjustments.

£5.9m
Rent roll
New transactions increase contracted rent roll on completion by 25.5% to £29.0 million.

170 beds
Asset management
We have completed 76 new beds at Freeland House and Diamond House and entered into a forward funding agreement for the development of a new 94-bed care home in Hartlepool.

£68.5m
Capital deployed
Post-balance sheet £68.5 million of capital has been deployed on acquisitions with an average yield of 7.5%.

6.29p
Dividend target
For 2020 our dividend target is 6.29p per share, up 1.94% on the 6.17p per share we paid for 2019.

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

Chairman's statement

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

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

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

Overall performance in 2019

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

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

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

Basic earnings per share ("EPS") was 10.37p (2018: 8.57p), with EPRA EPS increasing by 7.4% to 6.95p (2018: 6.47p). Adjusted EPS was 5.10p (2018: 5.07p). More information on our financial performance can be found on pages 80-114.

Dividends and total return

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

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

Operational performance

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

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

Our tenants

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

Financing

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

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

Corporate governance

As previously announced, Amanda Aldridge joined the board as a non-executive director on 1 March 2019 and became chair of the Audit Committee following the Annual General Meeting on 14 May 2019. She is a chartered

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

accountant and was an audit and advisory partner for KPMG LLP from 1996 to 2017.

The board is committed to maintaining high standards of corporate governance and recognises the importance of governance to the successful delivery of our strategy. The board focuses on strategy at each of its regular board meetings. In addition we had an annual strategy day in November 2019. At this meeting, we considered the Group's purpose and values (see pages 42-43) and received presentations from industry experts on the care home market and on strategic finance planning from our debt advisers.

One of our core values is to focus on the long-term sustainability of our business. The board and Investment Manager have spent time this year considering our approach to sustainability and developing an environmental, social and governance ("ESG") policy, see page 19.

Investment Manager

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

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

Post balance sheet events

The Group had an active first quarter of 2020. We exchanged contracts to acquire 17 care homes with a total of 1,194 beds. Eight of these acquisitions have completed. On completion of all of these acquisitions, we will have added two new tenants which will bring our total number of tenants to 11[1]. We have also been active in asset management, with significant developments at Freeland House and Diamond House completing during the quarter (see pages 34-35). We also committed to forward fund the development of a new 94-bed care home to be operated by Prestige, one of the Group's existing tenants. Taken together, these transactions will increase our contracted rent roll by £5.9 million to £29.0 million, a 25.5% increase on contracted rent at 31 December 2019. In addition, we have secured an additional £50 million facility with HSBC, ensuring the Company continues to be well capitalised with a strong balance sheet.

COVID-19

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

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

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

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

Outlook and summary

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

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

Rupert Barclay Chairman

7 April 2020

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

Market drivers

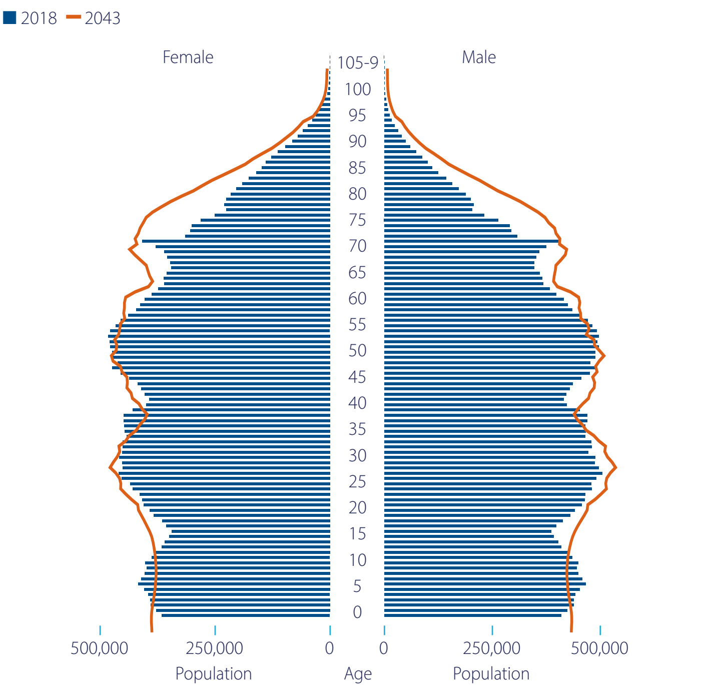
A number of drivers influence demand for the care of older people. Taken together, they make it an attractive opportunity for well-capitalised asset owners working in partnership with well-managed operators, who are committed to providing high standards of care.

1. Growing demand

People aged over 85 are the fastest growing part of the UK population and make up the core client group for care homes. According to the Office for National Statistics, the number of people over 85 years old in the UK is forecast almost to double by 2043.

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

Age structure of the UK population



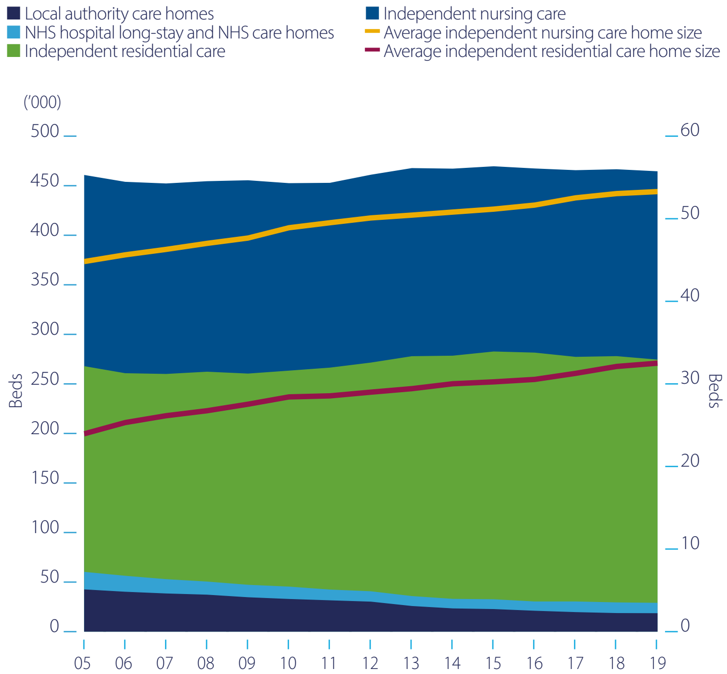
Source: Office for National Statistics

2. Capacity is not rising in line with demand

Over the past 10 years, the supply of available beds has not increased. Underlying this apparent stability have been a number of changes in the structure of the market.

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

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



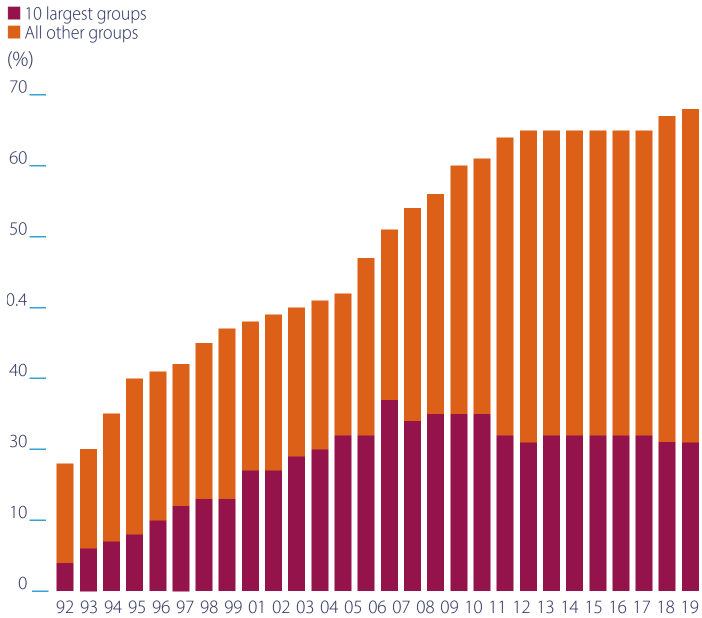
Source: LaingBuisson database

3. An increasingly fragmented market

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

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

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



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

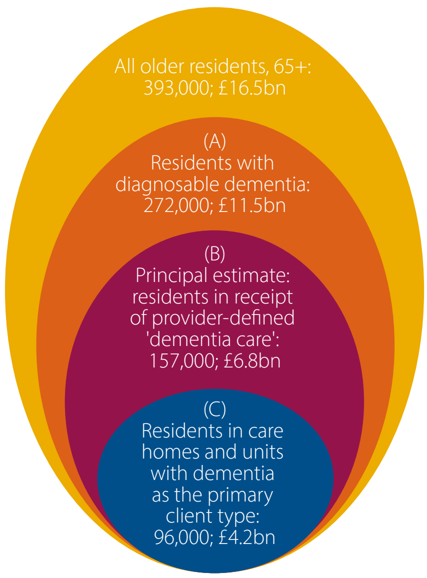
Source: LaingBuisson database

4. Dementia

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

An estimated 69% of the residents in care homes in 2019 had some form of dementia. As our understanding grows on how to provide good care for people with dementia, there has been more emphasis on building dedicated units to provide this care. That has been a particular focus of our asset management activities during 2019 (see pages 34-35).

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

Market drivers

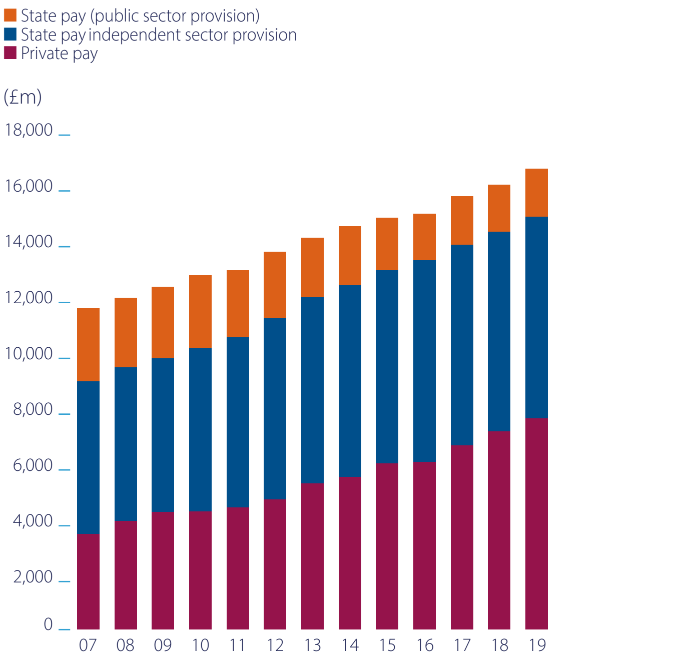
5. Funding

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

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

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

Market value of payer group[1] (£m)



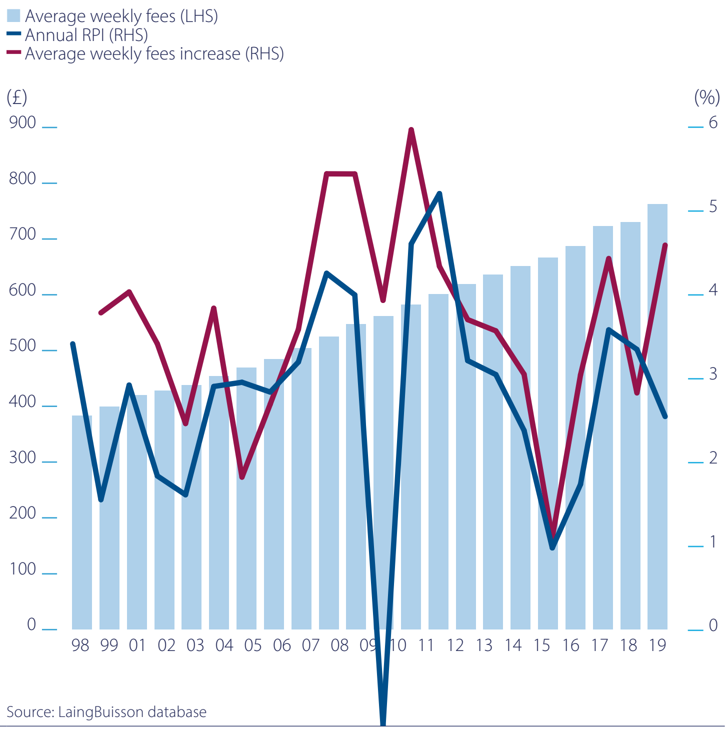
1. Self-pay and state-pay, nursing, residential and long-stay hospital care of older people and people with dementia (65+), £m UK annualised at March, UK 2007-2019. Top-up payments included in state pay.

Source: LaingBuisson database

6. Fees rising faster than inflation

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

Average weekly fees (£) versus RPI (%)



Source: LaingBuisson database

Investment case

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

1. A large and growing market

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

For further information see pages 6-8, Market drivers

2. Risk-adjusted returns

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

For further information see page 36, Portfolio management

3. Experienced and strategic management team

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

For further information see pages 52-53, Biographies

4. Strong cash generation and dividend growth

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

For further information see pages 4-5, Chairman's statement

5. Adding value through asset management

Our portfolio is carefully constructed to combine core assets which generate predictable income and assets where there is potential to add value through asset management initiatives (see pages 30-31). Asset management benefits our shareholders, our tenants and the residents in our homes.

For further information see page 12, Objectives and strategy

6. Positioned for further accretive growth

At the end of 2019 we owned less than 1% of the operational beds in the highly fragmented UK elderly care market. Since early 2018 we have been growing our portfolio, adding an average of a new tenant each quarter and acquiring homes which are accretive to our portfolio. The transactions announced post balance sheet (see page 107) demonstrate we can continue to grow while exercising strong capital discipline.

For further information see pages 30-33, Investment Manager's report

Our business model

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

To implement our business model, we have a clear, five-stage process:

Building strong relationships with high-quality care providers

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

Identify attractive assets to acquire in partnership with those operators

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

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

The Investment Manager's vendor relationships mean we can buy some homes off-market. We can also move quickly, using the Investment Manager's knowledge to carefully and swiftly assess the quality of a potential opportunity through our selection process and procedures.

For more information, see our portfolio management strategy on page 12.

Perform rigorous due diligence and selectively purchase and lease care assets

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

We fund asset purchases through equity and a prudent level of debt, recognising that appropriate gearing can help to drive returns (see our financing strategy on page 12). Our policy is to sign individual leases of at least 20 years with our tenants, with upwards-only inflation-linked rental growth.

Work closely with our tenants to create value sustainably over the longer term

We ensure we have a detailed knowledge of our tenants' operations, helping us to work with them to identify asset management opportunities that create value for them and for us. Examples could include adding beds, improving facilities or enhancing communal space, to reposition the home in its local market. These projects increase revenue for the tenant, further strengthen their rental cover and grow rental income and capital values for us. See our asset management strategy on page 12.

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

Optimise our portfolio to enhance long-term shareholder value

We regularly review the portfolio, to ensure it remains effective and efficient for us and our operators. If we believe it is value enhancing for shareholders, we may agree with the operator to sell a home, so we can reinvest the proceeds in opportunities to create more value. See our portfolio management strategy on page 12 for more details.

The outputs from our business model

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

The quality of the buildings we own

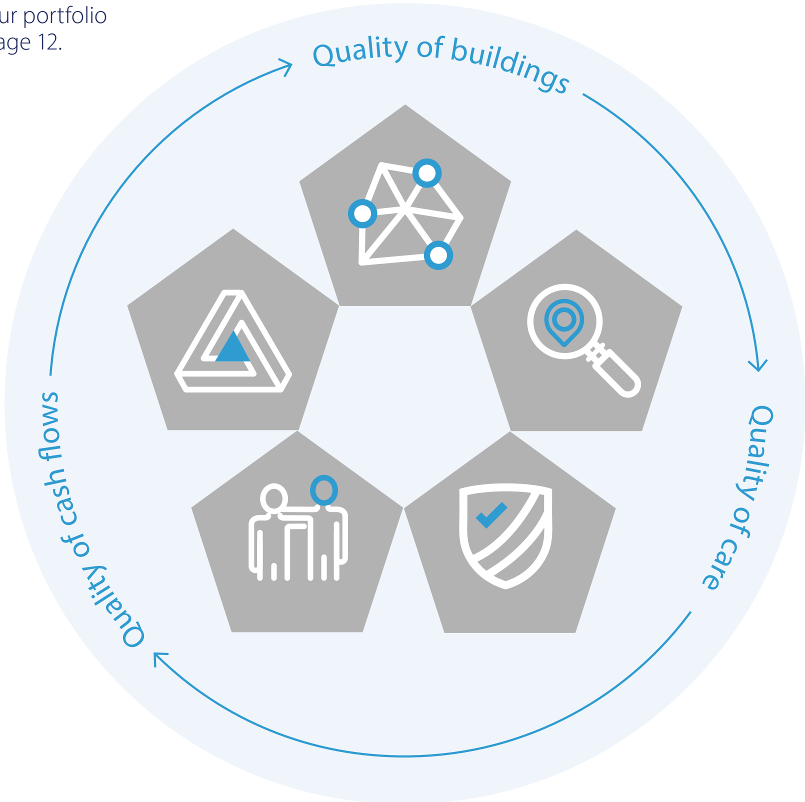
We own a diversified portfolio, a significant majority of which are good-quality, upper-middle-market care homes, which provide a welcoming physical environment for their residents.

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

For more information, see our portfolio management strategy on page 12.

The quality of care our tenants provide

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



The quality of the cash flows we generate

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

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

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

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

Objectives and strategy

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

Our targets are to deliver:

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

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

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

Investment strategy
Our investment policy (see page 13) allows us to invest in a broad range of healthcare real estate assets. The market dynamics described on pages 6-8 underline that the care home sector currently offers the most attractive opportunities for the Group. Our investment strategy is, therefore, to primarily acquire care homes, while continuing to broaden the range of tenants we work with, thus reducing our exposure to any one tenant.

As noted on page 36, we mainly look to acquire portfolios, which helps us to maximise value. These portfolios may include healthcare real estate assets in addition to care homes. We will acquire these where they have a future strategic opportunity to deliver care home services, or where we are confident we can deliver value in the short-term for our shareholders, as part of our portfolio management activities.

Information on our investment activities in the year can be found in the Investment Manager's report on pages 30-33.

Portfolio management strategy
We categorise each of our assets into one of three categories – core, value add and non-core. This enables us to manage appropriately the balance between these categories, so we deliver our target returns, and to identify the assets which can benefit from our approach to active asset management (see below). An explanation of each category and an analysis of our portfolio by category can be found on pages 36-37.

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

Information on our asset management programme can be found in the Investment Manager's report on pages 30-33.

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

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

Information on our debt and equity financing can be found in the Investment Manager's report on pages 30-33.

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

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

Investment policy

Policy	Status	2019 performance
No asset can exceed 15% of the Group's gross asset value ("GAV"), at the time of investment.	✓	The largest value single home is Freeland House, which equates to 4.6% of our GAV.
No single customer paying for care provided in our assets can account for more than 15% of our tenants' aggregate revenues, at the time of acquisition.	✓	The largest single customer paying for care represents 7.9% of the aggregate revenues of the associated tenant.
The annual contracted rent from any single tenant is not expected to exceed 40% of our total annual contracted rent at 31 December 2019. Thereafter, the annual contracted rent from any single tenant is not expected to exceed 40% of our total annual contracted rent, measured at the time of investment.	✓	Minster is the largest contributor to our annual contracted rent, at 39.3%.
The portfolio will be diversified by location, focusing on areas where there is a good balance of supply and demand for care and assets are available at attractive valuations.	✓	The portfolio is well diversified by geography, as shown by the chart and map on page 1.
We will acquire existing modern buildings or those that are currently fit for purpose and for which the Investment Manager has developed an asset management plan.	✓	All the assets acquired during the year are suitable for our tenants' needs. Where opportunities exist, the Investment Manager works with tenants to develop asset management plans for homes.
We will grant leases linked to the Retail Price Index ("RPI"), with an unexpired term of at least 20 years and without tenant break clauses. We will seek to amend any future leases we acquire, to obtain similar terms.	✓	All leases granted during the year were RPI linked and had a term of at least 20 years.
We will not speculatively develop assets, except for refurbishing, extending or replacing existing assets, so as to reposition a home and increase rent.	✓	We did not undertake any speculative development in the year.
We may invest in forward funding agreements or forward commitments to pre-let developments, where we will own the completed asset.	✓	No additional beds were approved during the period, for development at existing assets under forward funding agreements.
The gross budgeted development costs of any refurbishment, extension or replacement of existing holdings, and/or forward funding and forward commitments, is limited to 25% of our gross assets at the time of commitment.	✓	Forward funding commitments equated to 0% of our gross assets at 31 December 2019.
We have a conservative gearing policy. Gross borrowings as a percentage of our gross assets may not exceed 35% LTV at the time of drawdown.	✓	The LTV at 31 December 2019 was 6.8%.


INVACARE

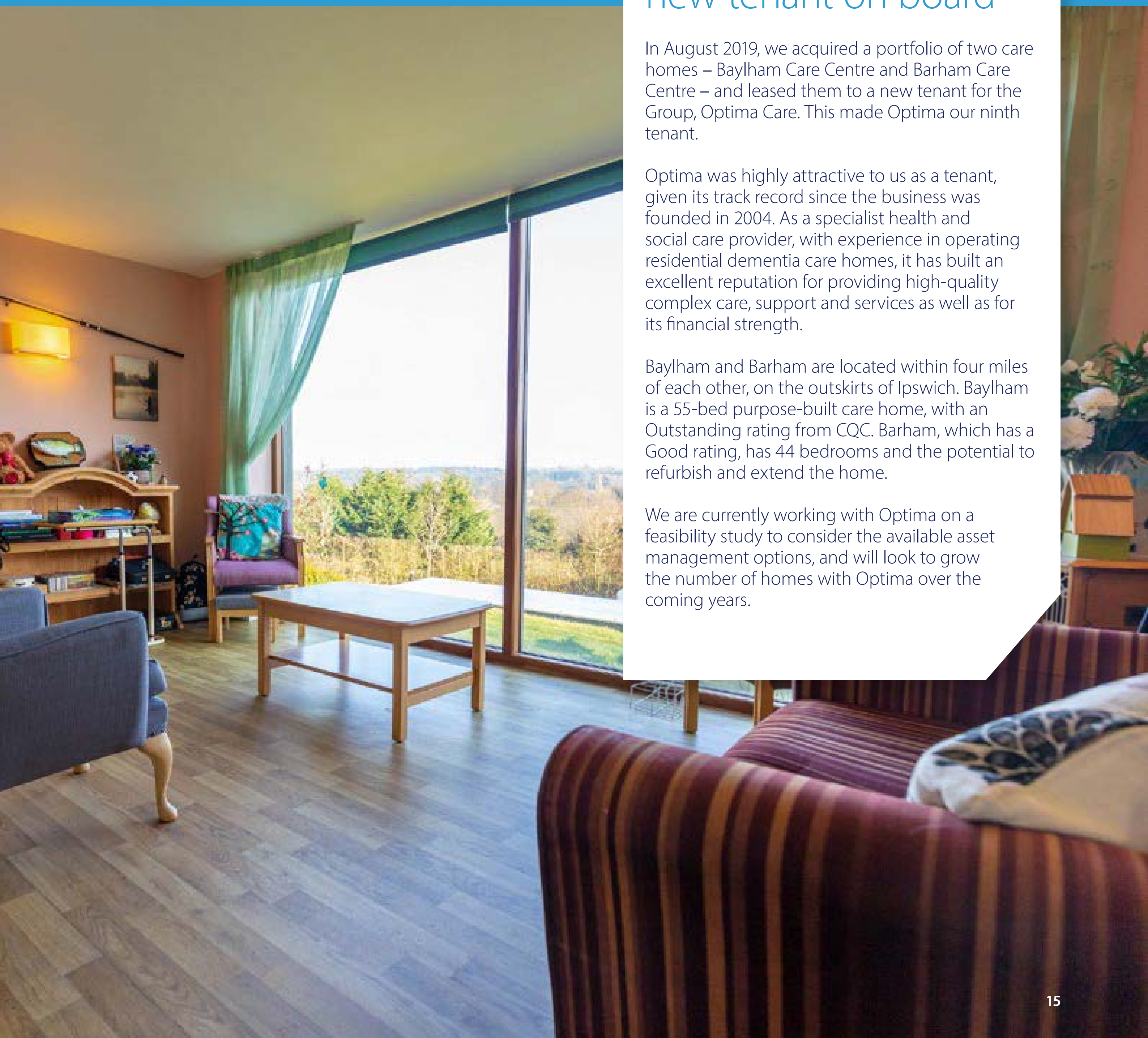
Bringing a high-quality new tenant on board

In August 2019, we acquired a portfolio of two care homes – Baylham Care Centre and Barham Care Centre – and leased them to a new tenant for the Group, Optima Care. This made Optima our ninth tenant.

Optima was highly attractive to us as a tenant, given its track record since the business was founded in 2004. As a specialist health and social care provider, with experience in operating residential dementia care homes, it has built an excellent reputation for providing high-quality complex care, support and services as well as for its financial strength.

Baylham and Barham are located within four miles of each other, on the outskirts of Ipswich. Baylham is a 55-bed purpose-built care home, with an Outstanding rating from CQC. Barham, which has a Good rating, has 44 bedrooms and the potential to refurbish and extend the home.

We are currently working with Optima on a feasibility study to consider the available asset management options, and will look to grow the number of homes with Optima over the coming years.



Key performance indicators

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

1. Net Asset Total Return ("NATR")

9.46%

for the year to 31 December 2019 (+11.7% on 2018)

2019	9.46%
2018	8.47%

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.

Relevance to strategy
Demonstrates our ability to add value for our shareholders, by distributing earnings and growing our portfolio value.

Commentary
The net asset total return comprised a dividend of 6.13p per share in the period and NAV growth of 3.63p per share. Our target is a net asset total return of 9.0% per annum.

2. Dividends

6.17p
per share

for the year to 31 December 2019 (+2.8% on 2018)

2019	6.17p
2018	6.00p

Definition
Dividends declared in relation to the period.

Relevance to strategy
Reflects our ability to generate a secure and growing income stream from our portfolio.

Commentary
We implemented our new progressive dividend policy and met our dividend target for the year. Our dividend target for 2020 is 6.29p, representing 1.94% growth.

3. EPRA earnings per share

6.95p
per share

for the year to 31 December 2019 (+7.4% on 2018)

2019	6.95p
2018	6.47p

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

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

Commentary
EPRA EPS increased by 7.42% giving 112.64% dividend cover.

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

6.66%

at 31 December 2019 (-4.4% on 2018)

2019	6.66%
2018	6.97%

Definition
Annualised rental income based on the cash rents passing on the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property portfolio, increased by 6.5% to reflect a buyer's costs and adjusted for the expiration of rent-free periods or other unexpired lease incentives.

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

Commentary
The average net initial yield of the acquisitions made in 2019 was 6.64%.

EPRA performance measures and associated notes can be found on pages 116-121.

5. NAV per share

106.81p

per share

at 31 December 2019
(+3.5% on 2018)

2019	106.81p
2018	103.18p

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

Relevance to strategy
Provides shareholders with the most relevant information on the fair value of the assets and liabilities within a property investment company with a long-term strategy.

Commentary
NAV growth during the year was driven primarily by rent increases and the benefits of active asset management.

6. Gross Loan to Value ("LTV")

6.81%

per share

as at 31 December 2019
(-41.4% on 2018)

2019	6.81%
2018	11.62%

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

Relevance to strategy
We have a conservative gearing policy, with borrowings as a percentage of Group assets limited to 35% at the time of drawdown.

Commentary
The Group has total debt facilities of £75 million, of which £25.1 million had been drawn at the year end. If the facilities were fully drawn, with no changes to the Group's current gross asset value, the LTV would be approximately 20.3%.

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

19.7 years

as at 31 December 2019
(+0.6% on 2018)

2019	19.7yrs
2018	19.5yrs

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

Relevance to strategy
The WAULT is a key measure of the secure nature of our portfolio. Long lease terms underpin the quality of our income stream and hence our dividends.

Commentary
All the leases entered into during 2019 had fixed terms of 25 years. The Group's policy is to only grant leases of at least 20 years, without any tenant break clauses.

8. Total Expense Ratio ("TER")

1.60%

as at 31 December 2019
(-11.1% on 2018)

2019	1.60%
2018	1.80%

Definition
Total recurring administration costs as a percentage of average net asset value throughout the period.

Relevance to strategy
The TER is a key measure of our operational efficiency.

Commentary
TER has reduced due to the Group befitting from economies of scale as the portfolio grows. The EPRA cost ratio, calculated by dividing our administrative and operating costs by gross rental income, was 19.15% for the year (2018: 24.69%).

EPRA performance measures and associated notes can be found on pages 116-121.

Sustainability

A key piece of work this year has been to determine our approach to sustainability issues and develop our environmental and social policies, and bring these together with governance in an overarching ESG policy.

Sustainability

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

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

Our approach to sustainability

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

Background

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

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

Our ESG policy

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

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

By utilising these guiding principles our aims are:

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

Actions for 2020

Some of our key actions for 2020 include:

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

Our core principles of sustainability	**E**	**S**	**G**
Conduct our business with integrity and in an open and ethical manner and require the same standards from our stakeholder relationships.	✓	✓	✓
Operate in an environmentally sustainable manner and minimise the environmental impact of our operations, including on climate change.	✓	✓	
Climate resilience – protecting the business from the future effects of climate change and anticipated low carbon transition policies.	✓	✓	✓
Extend the economically useful lives of our buildings through monitoring our tenant obligations and investing in refurbishment and reconfiguration.	✓		
Disseminate the Group's policies to advisors, suppliers, occupiers and our key stakeholders.			✓
Comply with all legal and regulatory requirements and, where feasible, exceed minimum compliance.	✓	✓	✓
Promote diversity and inclusion throughout our activities.		✓	✓

Stakeholders

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

Relationships

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

The Investment Manager is one of our two main service providers, along with the Administrator. They and our other service providers are fundamental to the quality of our product and to ensuring we meet the high standards of conduct that we set ourselves. The Management Engagement Committee (MEC) meets at least annually to review the performance of the key service providers and the board has regular interactions with the Investment Manager and the Administrator. See pages 64-66 for more information on the MEC's work.

Our engagement with our key stakeholders is set out in the table opposite.

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

Employees and directors

As an externally managed business, the Group has no employees and therefore does not require any employee related policies.

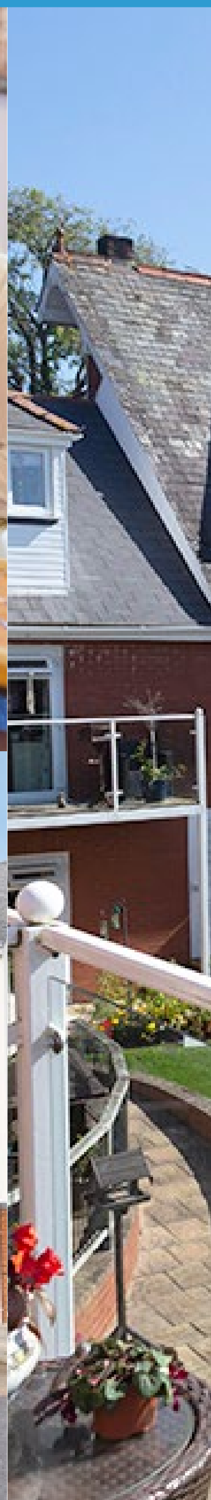
At the year end, the board comprised five non-executive directors, including the Chairman. Three of the directors are male and two are female. More information on the directors can be found on pages 52-53.

Key stakeholder
Tenants The Group has a steadily growing tenant base, comprising strong national and local operators. Working in long-term partnership with our tenants is central to our ability to grow our business while managing risk.
Tenants' residents The quality of care our tenants provide to their residents is of prime importance to us. The quality of care is central to residents' quality of life and also directly influences demand for our tenants' services, which in turn affects their ability to pay rent to us.
Shareholders To continue to grow our business, we need a well-informed and supportive shareholder base. We therefore look to ensure regular and open communications and high-quality corporate reporting.
Lenders An appropriate amount of gearing is important for generating higher returns. We therefore look to build strong relationships with lenders, who will provide the debt facilities needed to support our business growth.

How we engage	Stakeholder interests
We engage through a variety of formal and informal mechanisms, including site visits and meetings. We also receive quarterly reports from tenants setting out their performance and work with tenants to identify and implement asset management opportunities. See our business model for more information on pages 10-11. The board looks to meet new tenants when they are appointed, or within six months of appointment. A number of tenants have presented to the board on aspects of their business, and the directors also keep abreast of their views through quarterly reporting, site visits and ad hoc meetings.	Our tenants' interests include our: • ability to support their business plans through acquisitions and asset management; • financial strength; and • knowledge and understanding of their operations.
Our tenants are responsible for the relationship with residents and we do not directly engage with them, except for residents we may meet during site visits. We regularly monitor the CQC rating for each home and the outcomes of inspections, and engage with tenants where necessary on the findings. The board also carefully monitors CQC ratings, to ensure tenants are managing their homes properly and therefore providing an appropriate resident experience.	Residents' interests include: • the quality of care provided by our tenants; • the quality of their home and the investment in regular repairs and maintenance; • the security and stability of their home; and • our ability to improve their home through asset management.
The Investment Manager conducts a regular programme of meetings with institutional investors, as well as opinion formers such as analysts and the financial press. We also look to provide regular and timely news flow. Other important communication channels include our interim and annual reports and the annual general meeting. Members of the board offered to meet major shareholders in Spring 2019, with one taking up the opportunity. Shareholders are also invited to speak to the Chairman and other directors when the Company is raising funds through share placings. The board receives regular investor relations reports, containing information about changes to the Company's shareholder base and feedback from investor meetings. See relations with shareholders on page 20 for more information.	Shareholders' interests include: • the security and growth of our dividend; • our ability to source accretive investments and add value through asset management; • developments in the care home market; • the quality of our environmental, sustainability and corporate governance policies; and • our financial and operational performance.
The Investment Manager is responsible for engaging with our lenders. It does this through quarterly reporting. Information about debt funding is provided as appropriate to the board, as part of its regular papers ahead of board meetings. The board also received a presentation during the year from the Group's debt advisers, as part of the annual strategy day.	Lenders' interests include: • the quality of the security we provide for our loans; • our ability to meet our interest payments; and • the diversification and strength of our income streams.



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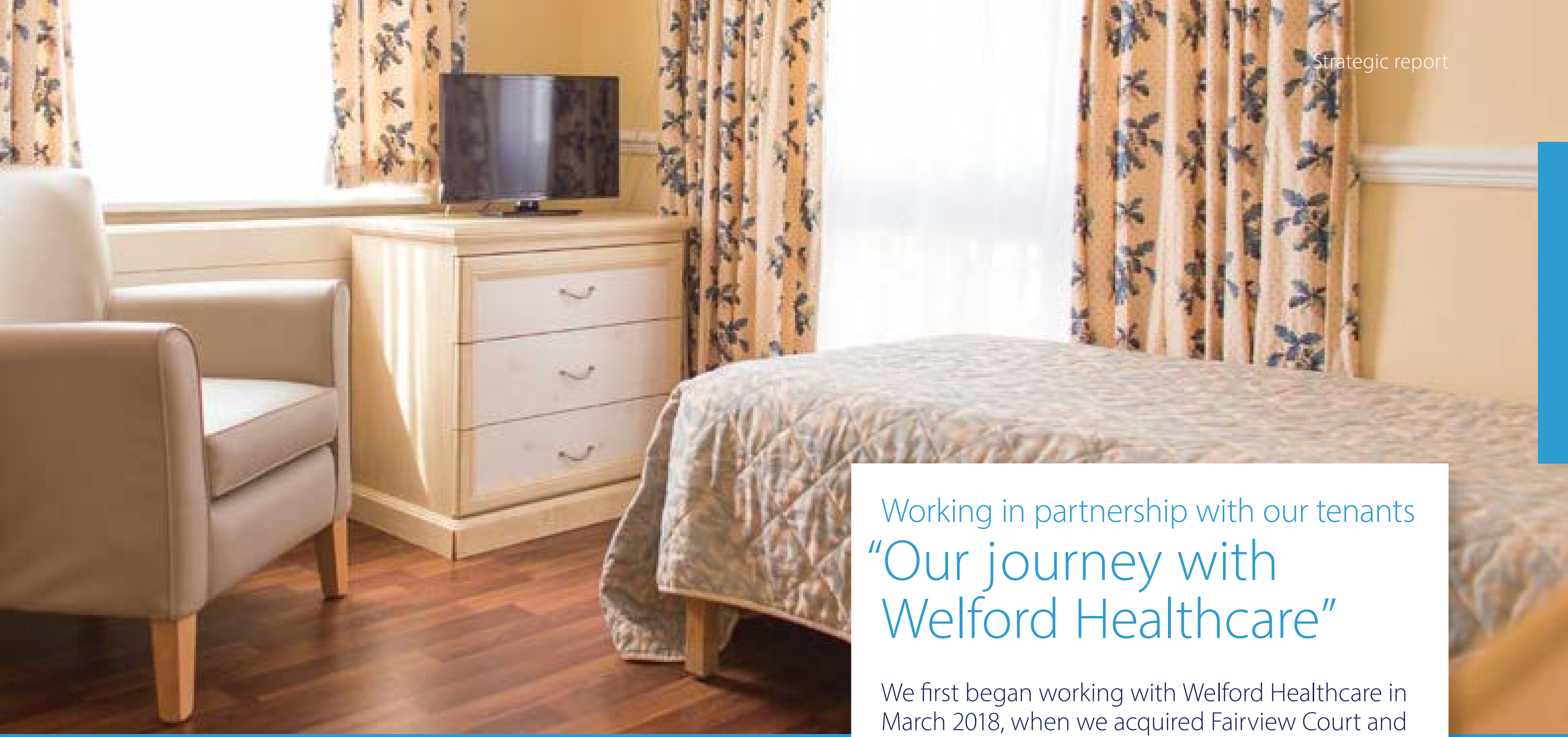


Working in partnership with our tenants

"Our journey with Welford Healthcare"

We first began working with Welford Healthcare in March 2018, when we acquired Fairview Court and Fairview House, with Welford as the new tenant. Since then, we have acquired a further three care homes in partnership with Welford. Welford takes a progressive approach to running care homes, including implementing technology to help deliver care, monitor performance and provide training. Over the 2019 year Welford has achieved a 2.67x rent cover and been rated good by the CQC in all categories for four of the five Impact owned properties they operate.

Not surprisingly, Welford shares our ethos about quality of care. "Care comes first" says Welford's Will Neal. "We like new builds but we're equally interested in established homes with strong track records. Impact takes the same view and that's a key difference for us. They're open to acquiring different types of building, as long as they're strong assets."

"They're also great to bounce ideas off," says Will. "They have experience of very big care home groups and see how other tenants have solved common issues. We're able to leverage that experience."

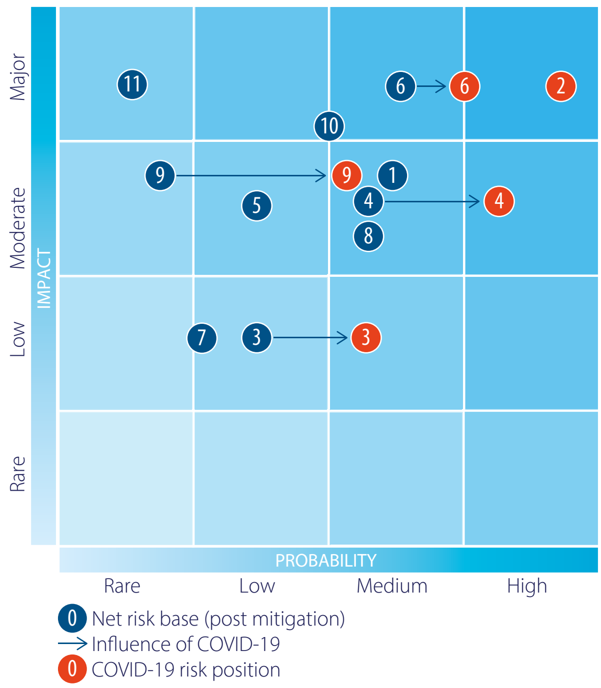
"'Impact are very proactive," says Peter Madden, Welford's founder. "We've found them extremely supportive of our plans to add new homes. They're also working with us to future proof all the properties, including a substantial extension at Fairview and improvements to the exterior and interior at the home in York. With Impact's resources, we're able to speed up that work and get it done."

Principal risks and uncertainties

Our risk assessment

The table below shows the Group's post-mitigation principal risks and uncertainties. Information on our risk management framework can be found on pages 56-58.

1. Changes to government policy (including Brexit)
2. Pandemics
3. Adverse change in investment opportunities
4. General economic conditions
5. Weakening care market
6. Default of one or more tenants
7. Underinvestment by tenants in the repair and maintenance of our assets
8. Environmental regulation
9. Ability to meet our debt financing obligations
10. Reliance on the Investment Manager
11. Maintaining REIT status



Political

1. Changes to government social care policy (including Brexit)

Probability Medium

Impact Moderate

Care for older people is at the heart of our business. The government may change policy or introduce legislation that affects the sector. This creates both opportunity and risk, depending on the nature of the changes proposed and our preparedness to engage in the drafting and implementation of legislation.

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

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

Mitigation

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

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

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

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

Change in the year:

Opportunity

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

Market conditions

2. Pandemics

Probability High

Impact Major

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

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

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

Mitigation

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

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

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

Change in the year: New

Opportunity

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

3. Adverse change in investment opportunities

Probability Medium

Impact Low

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

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

Mitigation

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

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

Change in the year: ↗

Opportunity

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

4. General economic conditions

Probability High

Impact Moderate

Adverse market conditions in our target areas could result in a decline in real estate valuations, lower market rents and suboptimal occupancy, including tenancy terms.

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

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

Mitigation

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

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

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

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

Change in the year: ↗

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

Opportunity

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

Principal risks and uncertainties

Market condition

5. Weakening care market

Probability Low

Impact Moderate

Several factors may affect the market for care for older people, including:

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

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

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

Change in the year:

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

Underperformance of assets

6. Default of one or more tenants

Probability Medium/High

Impact Major

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

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

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

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

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

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

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

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

7. Underinvestment by tenants in the repair and maintenance of our assets

Probability Low

Impact Low

The attractiveness of our portfolio is based on the quality of the operators, measured by their regulatory and financial performance, and our properties' ability to provide effective space from which our tenants can operate.

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

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

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

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

Change in the year:

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

Financing

8. Environmental regulation

Probability Medium

Impact Moderate

Tightening environmental regulations may increase the need for investment or redevelopment of our portfolio and restrict our tenants' ability to provide care and earn revenue.

Mitigation

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

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

Change in the year: New

Opportunity

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

9. Ability to meet our debt financing obligations

Probability Medium

Impact Moderate

If we are unable to operate within our debt covenants, this could lead to default and our debt funding being recalled.

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

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

Mitigation

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

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

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

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

Change in the year: ↗

Opportunity

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

Principal risks and uncertainties

Corporate risk

10. Reliance on the Investment Manager

Probability Low

Impact Major

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

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

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

Mitigation

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

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

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

Change in the year:

Opportunity

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

Taxation risk

11. Maintaining REIT status

Probability Low

Impact Major

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

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

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

Mitigation

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

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

Change in the year:

Opportunity

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

Other risks that we monitor closely

Cyber security

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

Conflicts of interest

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

Financial management

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

Development activity

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

The Company has a robust risk management framework in place to monitor and control the above risks. Further details of the Company's risk management and internal control system are set out in the Audit, risk and internal control section on pages 56-59.

Old Prebendal House, Shipton-under-Wychwood, Oxfordshire

Old Prebendal House is a 37 bed care home in Oxfordshire, with an adjacent development of senior living apartments. The home enjoys a good reputation in its affluent market. Impact have committed £750,000 of capital expenditure to modernise the interior of the home, which is currently underway.

Investment Manager's report

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

Andrew Cowley, Managing Partner, Impact Healthcare Partners

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

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

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

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

Investment activity in 2019

The Group deployed £73.8 million into acquisitions during the year. All the acquisitions complied with the Group's investment criteria and have risk/return profiles in line with the existing portfolio. Additional capital has also been committed to acquisitions since the year end, as described under Subsequent events on page 107.

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

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

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

The Group continued to comply with its investment policy throughout the year, as shown on page 13.

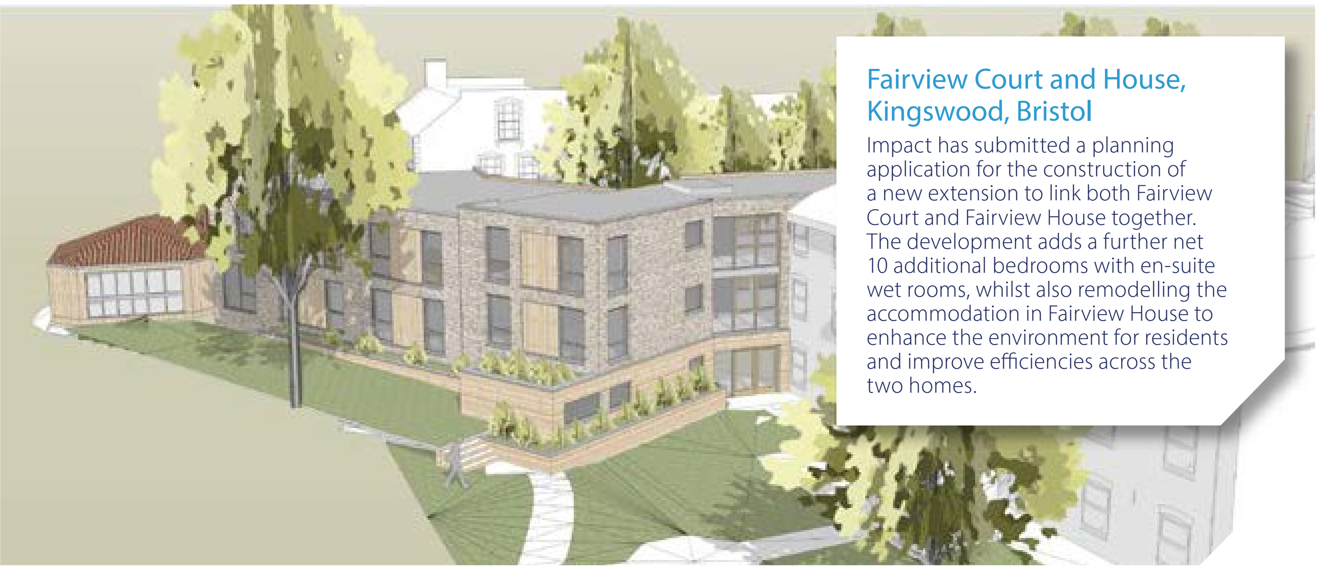
Asset management

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

Activity in the year included 11 new beds being completed and brought into operation at Garswood, and work on building two new dementia units at Freeland House (46 beds) and Diamond House (30 beds). These 76 new beds reached practical completion in early 2020 (see pages 34-35). We are working with tenants on a further five projects, which will require an investment of circa £9 million, subject to board approval.

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

Future asset management project



Fairview Court and House, Kingswood, Bristol

Impact has submitted a planning application for the construction of a new extension to link both Fairview Court and Fairview House together. The development adds a further net 10 additional bedrooms with en-suite wet rooms, whilst also remodelling the accommodation in Fairview House to enhance the environment for residents and improve efficiencies across the two homes.

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

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

Asset management activity

Home	Tenant	Capex (£m)	Beds added	Status	Description
Projects completed in prior years					
Turnpike	Croftwood	0.92	25	Completed	Conversion of closed supported living unit to care beds
Littleport	Minster	2.17	21	Completed	Development of new dementia unit
Ingersley	Croftwood	0.20	12	Completed	Conversion of closed supported living unit to care beds
Parkville II	Prestige	2.17[1]	38	Completed	Conversion of closed building to new dementia unit
Projects completed or commenced in 2019					
Garswood	Croftwood	1.10	11	Completed	Reconfiguration and extension of home
Diamond House	Minster	2.65	30	Completed	Development of new dementia unit
Freeland House	Minster	4.85	46	Completed	Development of new dementia unit
Loxley	Croftwood	0.50	4	Under way	Reconfiguration and extension of home
Old Prebendal House	Careport	0.75	N/A	Under way	Reconfiguration and improvements to home
Amberley, Craigend, Duncote Hall and Falcon	Minster	0.69	6	Part-completed	Enhancement of day spaces and bathrooms. Work completed at Amberley and Craigend.
Approved projects planned to start in 2020					
Fairview Court and House	Welford	2.35	10[2]	Awaiting planning	Link two existing homes and create new bedrooms
Hartlepool	Prestige	6.10	94	Underway	Forward funding of a new home
Total		**24.45**	**297**		

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

Investment Manager's report

The portfolio

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

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

Valuation

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

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

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

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

Year ended	**31 Dec 2019**	31 Dec 2018	Change %
Dividends	**6.17p**	6.0p	+2.8%
Profit before tax	**£26.3m**	£16.5m	+59.9%
Earnings per share	**10.37p**	8.57p	+21.0%
EPRA earnings per share[4]	**6.95p**	6.47p	+7.4%
Adjusted earnings per share[4]	**5.10p**	5.07p	+0.6%
Contracted rent roll	**£23.1m**	£17.8m	+30.1%
Portfolio valuation	**£318.8m**	£223.8m	+42.4%
Net asset value ("NAV") per share	**106.81p**	103.18p	+3.5%
Share price	**108.00p**	103.50p	+4.3%
Loan to value ("LTV") ratio	**6.8%**	11.6%	-41.4%

4 Adjusted earnings 5.10p per share reflects underlying cash earnings per share in the year. The adjustments made to EPS in arriving at EPRA and Adjusted EPS are set out in note 10 of the Group Financial Statements

Financial results

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

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

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

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

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

EPS for the year was 10.37p (2018: 8.57p), EPRA EPS was 6.95p (2018: 6.47p) and Adjusted EPS was 5.10p (2018: 5.07p). These EPS figures are the same on both a basic and diluted basis. More information on the calculation of EPS can be found in note 10 to the financial statements on page 93.

Dividends and distributable reserves

To ensure the Company benefits from the full exemption from tax on rental income afforded by the UK REIT regime, it must distribute at least 90% of the property income each year from the Group's qualifying rental business. This is calculated based on the underlying property earnings in the subsidiary property companies which is more closely aligned to the adjusted earnings reported on page 93.

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

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

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

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

Equity financing

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

- 5 February 2019: announced a placing programme for up to 200 million shares and the Company's migration from the specialist fund segment of the main market of the London Stock Exchange to the premium segment of the main market;
- 10 May 2019: closed an over-subscribed equity offer, in which the Company placed 94,339,623 new shares at a price of 106p per share, raising gross proceeds of £100 million;
- 24 June 2019: inclusion of the Company's shares in the FTSE EPRA/NAREIT Global Real Estate Index Series; and
- 5 December 2019: closed the placing of 32,407,407 new shares at a price of 108p per share, raising gross proceeds of £35 million.

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

Debt financing

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

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

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

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

Acquisition pipeline

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

Post balance sheet events

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

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

Impact Health Partners Investment Manager
7 April 2020

Deliver high-quality environments for residents

A key part of our value-creation model is to work with our tenants to identify and implement active asset management opportunities. Two of our most significant projects in 2019 were the construction of specialist dementia care facilities at Diamond House and Freeland House, both of which are operated by Minster Care. The new facilities will offer care to existing residents of the homes who develop dementia symptoms and need more support, and will also provide places for new residents with dementia needs.

Diamond House

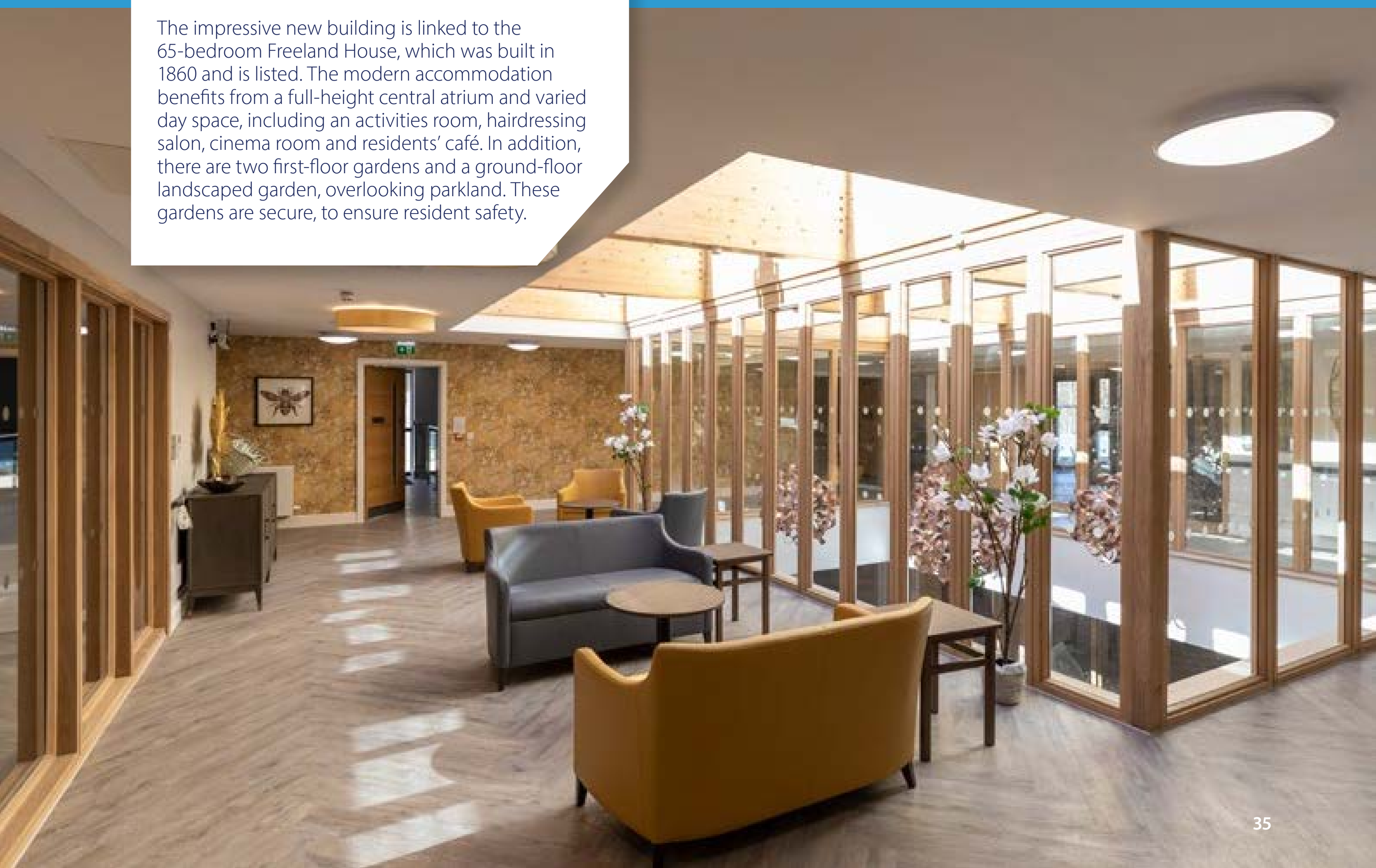
Diamond House is a 44-bedroom care home in Leicester, with an Outstanding CQC rating. The new dementia care facility on the same site has been named Sapphire House. Construction completed in January 2020, within budget, with CQC registration secured the following month, enabling Sapphire House to open to residents.

Sapphire House has 30 bedrooms, all of which have en-suite wet rooms. The facility has been decorated and furnished to meet the needs of people living with dementia, to create the optimum environment for providing care.

Freeland House, Freeland, Oxfordshire

Construction of the new 46-bed dementia care facility in the grounds of Freeland House completed in January 2020. As with Sapphire House, all the rooms have en-suite wet rooms and the building has been decorated and furnished to meet the needs of people living with dementia. The facility is expected to open in early 2020, following CQC approval.

The impressive new building is linked to the 65-bedroom Freeland House, which was built in 1860 and is listed. The modern accommodation benefits from a full-height central atrium and varied day space, including an activities room, hairdressing salon, cinema room and residents' café. In addition, there are two first-floor gardens and a ground-floor landscaped garden, overlooking parkland. These gardens are secure, to ensure resident safety.



Portfolio management

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

Core

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

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

Value add

Value add assets are candidates for asset management initiatives.

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

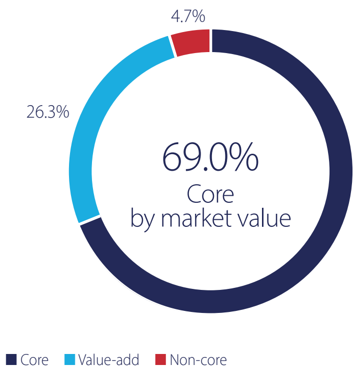
Non-core

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

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

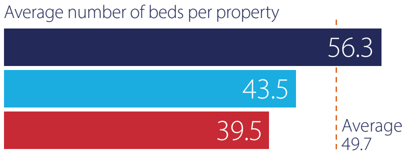
Portfolio life-cycle

A strong core portfolio underpinning value



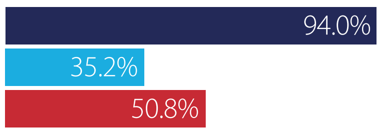
Homes of scale, delivering an efficient service to residents

Average number of beds per property



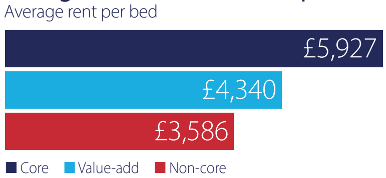
A core portfolio delivering an en suite facility service

Rooms with en-suite bathrooms

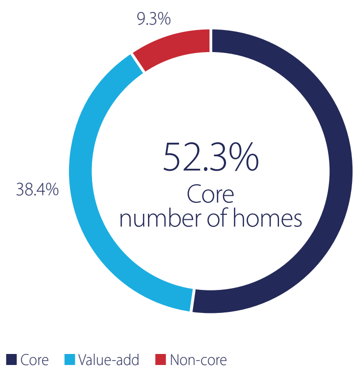


A proportional rent per bed with strong rent cover across the portfolio

Average rent per bed



Significant opportunity to enhance value from the value-add portfolio



Portfolio

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

Tenant and home	Region	Acquisition date[1]	Beds[2]	Capital Projects[3]
Minster Care*				
Abbeywell	West Midlands		45	
Amberley	South West		30	
Ashgrove	Yorkshire & The Humber		56	
Attlee	Yorkshire & The Humber		68	
Broadgate	East Midlands		40	
Cambroe	Scotland	May 2018	74	
Craigend	Scotland		48	
Diamond House	East Midlands		44	+30
Duncote Hall	East Midlands		40	
Duncote, The Lakes	East Midlands		47	
Emmanuel	Yorkshire & The Humber		44	
Eryl Fryn	Wales		31	
Falcon House	East Midlands		46	
Freeland House	South East		65	+46
Gray's Court	East of England		87	
Grenville	East of England	May 2018	64	
Hamshaw Court	Yorkshire & The Humber		45	
Ideal	West Midlands		50	
Karam Court	West Midlands		47	
Littleport Grange	East of England		80	
Meadows & Haywain	East of England		65	
Mowbray	West Midlands		39	
Mulberry Manor	Yorkshire & The Humber		49	
Rydal	North East		60	
Saffron	East Midlands	June 2017	48	
Shrubbery	West Midlands		36	
Sovereign House	West Midlands	Sept 2018	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 31 December 2019: £126.88m				
Croftwood Care*				
Ancliffe	North West		40	
Astbury Lodge	North West		41	
Croftwood	North West		47	
Crossways	North West		39	
Elm House	North West		40	
Florence Grogan	North West		40	
Garswood	North West		53	
Gleavewood	North West		30	
Golborne House	North West		40	
Greenacres	North West		40	
Hourigan	North West		40	
Ingersley Court	North West		46	
Lakelands	North West		40	
Leycester House	North West		40	
Loxley Hall	North West		40	+5
Lyndhurst	North West		40	
New Milton House	North West		39	
Parklands	North West		40	
The Cedars	North West		27	
The Elms	North West		41	
The Hawthorns	North West		39	
The Laurels	North West		40	
Thorley House	North West		40	
Turnpike Court	North West		53	
Wealstone	North West		42	
Westhaven	North West		52	
Whetstone Hey	North West		42	
Value at 31 December 2019: £64.63m				

Tenant and home	Region	Acquisition date[1]	Beds[2]	Capital Projects[3]
Careport				
Briardene	North East	Aug 2018	60	
Derwent	North East	Aug 2018	45	
Holly Lodge	North East	Nov 2018	41	
Kingston Court	North West	Jun 2019	75	
Old Prebendal House and Court	South East	Jun 2019	39	
Sovereign Court and Lodge[4]	North East	Aug 2018	60	
The Grove	North East	Sep 2018	55	
Value at 31 December 2019: £25.28m				
NCUH NHS Trust				
Reiver House	North West	Jun 2019	–	
Surgical Unit	North West	Jun 2019	–	
Value at 31 December 2019: £4.37m				
Prestige Group				
Parkville 1 & 2	North East	Mar 2018	94	
Roseville	North East	Mar 2018	103	
Sandbanks	North East	Oct 2018	77	
Yew Tree	North East	Jan 2019	76	
Value at 31 December 2019: £24.01m				
Renaissance Care				
Croftbank	Scotland	Nov 2018	68	
Rosepark	Scotland	Nov 2018	60	
Value at 31 December 2019: £12.64m				
Maria Mallaband and Countrywide Group (MMCG)				
Belmont House	Yorkshire & The Humber	May 2019	106	
Parksprings	Scotland	May 2019	96	
Thorntree Mews	Scotland	May 2019	40	
Wallace View	Scotland	May 2019	60	
Value at 31 December 2019: £23.66m				
Welford				
Argentum Lodge	South West	Sep 2019	56	
Birchlands	Yorkshire & The Humber	Jun 2019	54	
Fairview Court and House[4]	South West	Mar 2018	73	
Holmesley	South West	Jun 2019	55	
Value at 31 December 2019: £23.37m				
Optima				
Barham	East of England	Aug 2019	45	
Baylham	East of England	Aug 2019	55	
Value at 31 December 2019: £13.95m				

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

Going concern and viability

Going Concern Statement

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

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

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

The Group and the Company have adequate cash resources to continue to operate in all of these scenarios.

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

Assessment of viability

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

The principal risks table on pages 24-28 summarises those matters that could prevent the Group from delivering on its strategy and is derived from our robust assessment of the principal risks to our business model, future performance, liquidity and solvency, as described in Audit, risk and internal controls section on pages 56-59. A number of these principal risks, because of their nature or potential impact, could also threaten the Group's ability to continue in business in its current form if they were to occur.

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

COVID-19 pandemic and associated risks

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

Other significant risks

The impact of tenants having rising operational and finance costs and defaulting as a result of poor operational performance are more probable in the current operating environment and are effectively considered in the section above.

All of the sensitivity scenarios modelled include no further acquisitions and asset management opportunities beyond those already committed so they effectively take account of the risk of the weakened investment and financing market we are currently experiencing. In all scenarios modelled it has been assumed that there are no significant changes to regulatory policies or levels of funding by local authorities.

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

Sensitivities and mitigating actions

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

Stress tests

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

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

Extreme – permanently impaired

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

Availability of finance

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

Viability Statement

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

Section 172 statement

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

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

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

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

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

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

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

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

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

The role of the board

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

Understanding stakeholder views

As an externally managed property investment company, we do not have any employees and have an indirect impact on the community and the environment, as our tenants are responsible for operating our homes. The board working with the Investment Manager has therefore identified our tenants, their residents, our shareholders and lenders as our key stakeholders. Information on how the Group interacts with stakeholders can be found on page 21.

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

Key board decisions

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

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

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

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

Board approval of the Strategic report

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

Rupert Barclay Chairman
7 April 2020

Briardene, Westerhope, Tyne & Wear

Briardene Care Home formed part of an acquisition of care homes let to Careport in December 2018. Since then we have acquired two more homes with Careport as tenant.

Governance

Corporate governance statement – Chairman's introduction

Rupert Barclay, Chairman

As a board, our main purpose is to set the strategy, objectives, purpose and culture, approve investment activities, review performance, and ensure the Company behaves in a way that underpins its long-term sustainability.

This is the first time we have reported as a company with a Premium Listing on the London Stock Exchange, a status we were given on 8 February 2019. In addition, this year we are working under the principles and provisions of the new AIC Code 2019, and reflecting the other new statutory and regulatory activities and reporting requirements that have come into force since our last annual report.

Purpose, culture and engagement

The culture of the board is driven by our purpose and our core values.

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

Our core values are:

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

It is part of our board's culture that the Company's approach to governance should be respectful but pragmatic and that it is important for us to use good governance to drive the Company's performance, rather than simply seeking to achieve compliance (see pages 47-48).

Our culture of acting in good faith for the benefit of the Company and its stakeholders is also at the heart of how we meet the long-standing requirements of section 172(1) of the companies Act 2006 – the change for us is that these requirements now have to be actively reported on. Our section 172(1) statement is made on page 40 and the detailed material is presented throughout this annual report at the most appropriate position.

Composition, succession and evaluation

We were delighted to welcome Amanda Aldridge to the board and as chair of the Audit Committee. The board has 40% female representation and the benefits of this diversity are clear to us, and also reflect our culture and values.

We are planning to recruit another non-executive director during the coming year.

Our second internal board effectiveness evaluation built on the first, showing the board working well as a team with skilled and experienced individual contributions from each director, and highlighting some issues to do with growth, which are being addressed. We are planning our first external evaluation of the board in 2020.

More details are given in the Nomination Committee report on pages 54-55.

Governance

Up until now, the board has been deeply involved in all business decisions, especially capital investment and acquisitions. We have felt during the year that the time was right to move to a position where we delegate more to the manager within clearly defined limits. The framework for this delegated authority is due to be formalised in 2020. This will include decisions on subsidiary companies with controls to manage any potential conflicts of interest. This will enable us as a board to focus more on strategic guidance and major business decisions.

We continue to develop and bed down our operating structures and processes, and a major part of this was the authorisation by the FCA of our Investment Adviser as an AIFM on 15 March 2019, which meant they could fulfil the roles of adviser and manager. One consequence of this has been a detailed review of our risk framework by our new Audit Committee Chair, Amanda Aldridge, assisted by the manager and Carne, our former AIFM, who continue to provide the risk management function to the AIFM. As our structure is relatively complex due to the nature of the Company, this review has ensured that all elements of risk management are joined up and clearly laid out in appropriate terms of reference. More details are given in Audit, risk and internal control on pages 56-59, and in the Audit Committee report on pages 60-63.

As another aspect of the governance process, we have developed and adopted an overarching Environmental, Social and Governance policy for the Company and are working on specific plans for key areas under this umbrella. More details are given in Sustainability and Stakeholders on pages 19 and 20, elsewhere in this corporate governance statement, and on our website at **https://www.impactreit.uk/about/corporate-governance/**.

In light of the COVID-19 pandemic the board has reflected on the Group's ability to maintain its current operational structure with regards to its main outsourced service providers and remote working. Both the Administrator and Investment Manager have the capability and capacity to operate remotely with continued controls in place and have been operating under this environment for over two weeks prior to the date of these accounts.

Look forward

We are always looking for ways to strengthen the way we operate as a board and to ensure the robustness of the underlying processes. The increasing stability of the Company as it matures is presenting opportunities for us to focus our attention on its longer-term sustainable development.

Rupert Barclay Chairman
7 April 2020

Compliance

Impact Healthcare REIT plc is a real estate investment trust. Its ordinary shares were admitted to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange on 7 March 2017. On 8 February 2019 the Company was admitted to the Premium Listing segment.

The Company is a member of the Association of Investment Companies ("AIC"). The board has considered the Principles and Provisions of the AIC Code of Corporate Governance 2019 (the AIC Code). The AIC Code addresses the relevant Principles and Provisions set out in the UK Corporate Governance Code 2018 (the UK Code), as well as setting out additional Provisions on issues that are of specific relevance to Impact Healthcare REIT plc.

The AIC Code is available on the AIC website: **https://www.theaic.co.uk/aic-code-of-corporate-governance-0**.

It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

The board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council, provides more relevant information to shareholders than reporting under the UK Code.

The Company has applied the Principles and complied with the relevant Provisions of the AIC Code.

Application of AIC Code Principles

The AIC Code, and the underlying UK Code, have placed increased emphasis on an "apply and explain" protocol with regard to the Principles of the Codes. Our explanations about how we have applied the main principles of the AIC Code can be found as follows:

Board leadership and company purpose

Principle A – A successful company is led by an effective board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	Strategic report, pages 1-40 Chairman's introduction, pages 42-43 Board leadership and company purpose, pages 47-48
Principle B – The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	Strategic report, pages 1-40 Chairman's introduction, pages 42-43 Board leadership and company purpose, pages 47-48 Division of responsibilities, pages 49-51
Principle C – The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	Sustainability and Stakeholders, pages 19 and 20-21 Principal risks and uncertainties, pages 24-28 Section 172 statement, page 40 Audit, risk and internal control, pages 56-59 Audit Committee report, pages 60-63
Principle D. In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.	Stakeholders, pages 20-21 Section 172 statement, page 40 Board leadership and company purpose, pages 47-48

Division of responsibilities

Principle F – The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.	Chairman's introduction, pages 42-43 Board leadership and company purpose, pages 47-48 Division of responsibilities, page 49
Principle G – The board should consist of an appropriate combination of directors (and, in particular, independent non-executive directors) such that no one individual or small group of individuals dominates the board's decision making.	Division of responsibilities, pages 49-51 Biographies, pages 52-53 Nominations Committee report, pages 54-55
Principle H – Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold third party service providers to account.	Board leadership and company purpose, page 47 Division of responsibilities, pages 49-51 Nominations Committee report, pages 54-55 Audit Committee report, pages 60-63 Management Engagement Committee report, pages 64-66
Principle I – The board, supported by the Company Secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	Division of responsibilities, pages 49-51 Audit Committee report, pages 60-63

Composition, succession and evaluation

Principle J – Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	Nomination Committee report pages 54-55
Principle K – The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.	Biographies, pages 52-53
Principle L – Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	Nomination Committee report, pages 54-55

Audit, risk and internal control

Principle M – The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of external audit functions and satisfy itself on the integrity of financial and narrative statements.	Audit, risk and internal control, pages 56-59 Audit Committee report, pages 60-63 Notes 2 and 3 to the financial statements, pages 84-89
Principle N – The board should present a fair, balanced and understandable assessment of the company's position and prospects.	Strategic report, pages 1-40 Audit, risk and internal control, pages 56-59 Audit Committee report, pages 60-63 Independent Auditor's report, pages 73-77 Financial statements, pages 80-114
Principle O – The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	Principal risks and uncertainties, pages 24-28 Viability statement, page 38 Audit, risk and internal control, pages 56-59 Audit Committee report, pages 60-63 Management Engagement Committee report, pages 64-66 Note 18 to the financial statements, pages 100-102

Remuneration

Principle P – Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success.	Strategic report, pages 1-40 Board leadership and company purpose, pages 47-48 Remuneration Committee report, pages 67-69
Principle Q – A formal and transparent procedure for developing policy remuneration should be established. No director should be involved in deciding their own remuneration outcome.	Remuneration Committee report, page 67 Directors' remuneration report, pages 68-69
Principle R – Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	Remuneration Committee report, page 67 Directors' remuneration report, pages 68-69

Other key governance statements

The directors confirm that:

Going concern

The Going concern statement is made on page 38.

Viability

The Viability Statement is made on page 38. Further details of the board's assessment of the viability of the Company are set out in Audit, risk and internal control on pages 56-59. The principal risks and uncertainties are set out on pages 24-28.

Robust assessment of principal risks

The board has undertaken a robust assessment of the Group's emerging and principal risks, including those that would threaten its business model, future performance, solvency or liquidity. Our annual report identifies the procedures to identify these risks, see Audit, risk and internal control on pages 56-59 and Principal risks and uncertainties on pages 24-28 for further information on how these risks are identified and managed.

Review of risk management and internal control

A continuing process for identifying, evaluating and managing the risks the Company faces has been established and the Audit Committee has reviewed the effectiveness of the internal control systems. Further details are set out in the Audit, risk and internal control on pages 56-59.

Continuing appointment of the Investment Manager

The continuing appointment of the Impact Health Partners LLP as the Investment Manager, on the terms agreed, is in the interests of the shareholders as a whole. Further details on the basis for this conclusion, and the terms, are set out in the Management Engagement Committee report on pages 64-66.

Fair, balanced and understandable

The annual report and accounts taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy. See the Audit Committee report on pages 60-63 for further information on how this conclusion was reached.

Section 172(1)

The Section 172(1) statement is made on page 40. It provides cross-references to the required detail set out throughout this annual report.

Board leadership and company purpose

Strategic oversight

At our quarterly meetings, the board follows a formal agenda. This agenda generally includes, amongst other things:

- The Investment Manager's report for the period, including strategic performance and acquisitions, a review of the performance of the investments, operator performance, risk and market conditions.
- Financial results against budget and cash flow forecasts, including dividends declared and forecast.
- Reports and updates on shareholder and investor communications.
- The Corporate Governance and Secretary's report, a review of policies and procedures, a compliance report and an update on legislative/regulatory obligations as appropriate.
- Recommendations and updates from the board committees as appropriate.

The board held a strategy day on 5 November 2019 to address this topic in depth. The main areas covered were current market trends, performance and benchmarking against our peers, a review of our current portfolio, a review of our current strategy and specific consideration of debt strategy and our medium-term options and a review of environmental, social and governance issues.

Board culture

In the light of the new governance requirements, the board has devoted time this year to reviewing its culture and how this aligns with the Company's purpose and strategy. As a young company, our purpose and values are clear and fresh, and we believe that the culture required to support these is straightforward and apparent – respectful, pragmatic and to provide constructive challenge.

Our purpose and values are discussed at various points in the annual report, in particular on pages 10-11 and pages 42-43, and how the board operates is the primary focus of this corporate governance statement.

One of the results of our review was the identification of the need for the development of formal policies to crystallise practices as the Company grows. We have reviewed our various committee terms of reference, created some board policies and established an overarching ESG policy. This process of policy review and development is ongoing.

The board agenda

Key activities of the board during 2019.

The primary focus at regular board meetings has been on delivering the strategy and monitoring performance against our strategic objectives (see the Strategic report on pages 1-40 for more details). This included:

- Reviewing and clarifying the Company's strategic direction.
- Raising further equity and securing an additional debt facility.
- Assessment of the risk register.
- Approval of the quarterly NAV and dividend.
- Conducting 29 additional meetings or conference calls, mainly to consider acquisition opportunities and equity issues.
- Acquisitions of 14 properties adding 757 beds, which also served to increase tenant diversity.
- Approval of the Investment Adviser as Investment Manager.
- Reviewing the level of delegated authority to the Investment Manager.
- Reviewing the level of repair and maintenance spend by tenants.
- Approval of the Interim report.

Engagement

Shareholder Relations

The primary objectives of our shareholder relations activities are to:

- Broaden and deepen understanding of the business, the benefits of portfolio management and growth opportunities.
- Increase awareness of the Company's investment case.
- Better define our market and differentiate us from our peers.
- Strengthen the relationships of the Company with the investment community.
- Achieve a strong, supportive shareholder base with ongoing investment appetite.
- Ensure the board has a clear and sound understanding of the market's view of Impact Healthcare REIT.

We are committed to fostering and maintaining strong relationships with the Company's shareholders and recognise the importance of good communications. In 2019 the board continued to expand the Company's communications with current and future shareholders.

Mahesh Patel, Andrew Cowley and David Yaldron, from our Investment Manager, are the Company's principal spokesmen with the Company's shareholders, the press, analysts, investors, debt finance providers and other stakeholders.

Board leadership and company purpose

Rupert Barclay, our Chairman, and Rosemary Boot, our Senior Independent Director, are available to speak to any shareholders to discuss any matters relating to the Company.

The Investment Manager provides the board with regular Investor Relations updates, which include major press coverage, analyst reports and shareholder feedback from meetings and calls. In addition, Paul Craig sits on the board and brings an institutional investor's viewpoint as he represents the largest shareholder.

During the year, the Investment Manager, working together with the Company's corporate broker and communications adviser, met regularly with institutional investors, analysts and the financial press to update them on the Company's progress.

The board meets periodically, on a formal and informal basis, with the Company's corporate broker in order to better understand the views of major shareholders on the Company.

The Investment Manager and corporate broker have been actively engaged in direct and telephone meetings with existing investors throughout 2019. Feedback from these meetings have been positive towards the Company and they have been supportive of the strategy being applied. Particular comments included:

- The change to a progressive dividend with a link to RPI is welcomed.
- The continued diversification of the tenant base is positive.
- The policy on low gearing levels is supported.
- Exposure to Minster and Croftwood and associated conflict of interest is being monitored.
- The asset management activities that are being undertaken are good.
- Particularly like the strong lease structures in place and ability to change underperforming tenants.
- Would like to see further growth.

The Company is continually grateful for the feedback given by its investors and takes these comments on board when evaluating the growth and future strategy of the business.

Annual General Meeting

Shareholders are encouraged to attend and vote at the Company's general meetings so they can discuss governance and strategy with the board and the Investment Manager. This enables the board to better understand shareholders' views. The full board usually attends the Annual General Meeting and the directors make themselves available to answer shareholder questions at all the general meetings of the Company.

During the COVID-19 pandemic, we will be reviewing changes to legislation in relation to the conduct of AGMs and putting in place the necessary measures to maintain engagement with shareholders.

The Chairman can be contacted by emailing the Company at **Impact.CoSec@jtcgroup.com**

Public communications

The Company ensures that any price sensitive information is released to all shareholders at the same time and in accordance with regulatory requirements. All public information and Company announcements released through the London Stock Exchange are made available on the Company's website at **http://www.impactreit.uk**.

Other stakeholder engagement

Engagement with our other key stakeholders is discussed in the Sustainability and Stakeholders sections on pages 19-20 and in our Section 172(1) statement on page 40.

The Investment Manager engages with tenants on at least a quarterly basis to discuss trading performance, capital investment projects, asset management and future opportunities. Annual meetings are also being put in place for high level general discussions to encourage more open two way conversation on performance and engagement. Separately individual directors will undertake home visits and look to meet tenants directly; this is in addition to meeting them either before or shortly after a new tenant relationship is established.

The Investment Manager also meets with its lending banks at least twice a year and other stakeholders as required to maintain constructive relationships.

Division of responsibilities

The Chairman

Our Chairman, Rupert Barclay, was independent on appointment and has no relationships that may create a conflict of interest between his interest and those of shareholders.

As we are subject to the AIC Code, there is no requirement for a limitation on the length of tenure of the Chairman, as approved by the FRC. However, we recognise that there is a significant body of opinion that tenure should be limited to nine years and bear this in mind in our succession planning. The Chairman has been in post for three years. The Chairman's other significant commitments have reduced and he continues to have sufficient time to function effectively as Chairman.

As Chairman, he sets the agendas for the meetings, manages the meeting timetable and facilitates open and constructive dialogue during the meetings. Prior to each of the regular quarterly meetings, the directors are provided with a comprehensive set of digital papers providing information on the Company's financial position and performance, proposed investments, and other matters as required.

The Senior Independent Director (SID) independently appraised the Chairman's performance taking into account feedback from the other directors. The Chairman promotes an open and constructive environment in the boardroom and actively invites the non-executive directors' views. Where appropriate, he seeks specific opinions utilising the non-executives' professional and general experience and capabilities.

Board Composition

Our board currently comprises five non-executive directors of which the Chairman, Rupert Barclay, alongside Rosemary Boot (the Senior Independent Director), Philip Hall and Amanda Aldridge are deemed to be independent of the Investment Manager. Paul Craig is independent of the Investment Manager, but is not considered to be independent because he is a representative of the Company's largest shareholder. See Biographies, pages 52-53.

Time commitment and provision of challenge

The Company's practice is to assume directors serve for a minimum three-year term, subject to annual re-election by the shareholders. They have all demonstrated that they have time to meet their board responsibilities, as shown by their attendance and contribution to our busy board schedule.

We believe that the non-executive directors provide objective, rigorous and constructive challenge to the Investment Manager, drawing upon their collective skills and experience.

The performance of the other service providers is assessed on a regular basis by the Management Engagement Committee (except for the Independent Auditor). A formal evaluation of the other service providers has been conducted, including that of the Independent Auditor by the Audit Committee. For more details see pages 60-63.

The board and its responsibilities

The directors are responsible for managing the business affairs of the Company in accordance with the Articles and the investment policy and have overall responsibility for the Company's activities including its strategy, investment activities and reviewing the performance of the portfolio.

The board has a schedule of matters specifically reserved for its decision and this is reviewed annually.

These include:

- Any decision likely to have a material impact on the Group from any perspective including, but not limited to, financial, operational, strategic or reputational.
- The strategic direction of the overall business, objectives, budgets and forecasts, levels of authority to approve expenditure, and any material changes to them.
- The commencement, material expansion, diversification or cessation of any of the Group's activities.
- The Group's regulatory, financial and material operational policies.
- Changes relating to the Group's capital, corporate, management or control structures.
- Material capital or operating expenditures, outside predetermined tolerances or beyond the delegated authorities.
- Any material contract or joint venture and material arrangements with customers or suppliers.
- The approval of the Company's financial statements and published reports.
- The approval of equity and debt fundraising.
- The approval of all investments.

The board may delegate certain functions to other parties such as the board committees, the Investment Manager, the Administrator, the Company Secretary and the Registrar; the board has not delegated powers to the subsidiary companies. In particular, the board has delegated responsibility for day-to-day management of the investments comprised in the Company's portfolio to the Investment Manager. The directors have responsibility for exercising supervision of the Investment Manager.

Division of responsibilities

The full set of matters reserved to the board are available on our website at **https://www.impactreit.uk/about/corporate-governance/**

The board is working with the Investment Manager and the Administrator to develop relevant policies, including anti-corruption and bribery, whistleblowing and supplier code of conduct. During the 2019 year expenses, conflicts and diversity policies have all been introduced. Following the year end an ESG policy has been formalised, see page 19. The implementation of such policies is subject to regular review. Further details of the review of internal controls are set out in Audit, risk and internal control on pages 56-59.

Board committees

We have four standing committees: the Audit Committee, the Management Engagement Committee, the Nomination Committee and the Remuneration Committee.

Details of these committees are set out in their reports, on pages 60-63, 64-66, 54-55 and 67-71, respectively. The Terms of Reference of the committees are available on our website at **https://www.impactreit.uk/about/corporate-governance/**

All of the independent directors serve on the other committees of the board, so the links and overlaps between the responsibilities of the committees are fully recognised and each committee has full knowledge of the business and deliberations of the other committees.

In addition, the Investment Manager has a risk committee, comprised of representatives from the board, the Investment Manager, the Administrator and the Investment Manager's risk advisers, Carne, for the purposes of monitoring the risk management framework of the Company. More details of this committee's activities are set out in Audit, risk and internal control on pages 56-59.

Meetings and attendance

We meet formally on a quarterly basis and our attendance is shown in the table below. We also have ad hoc meetings which are generally called to approve specific announcements or transactions and frequently involve a quorate sub-committee of the board, which is appointed as necessary. The table below gives the names of all of the directors who served during the financial year and shows each individual director's attendance at the scheduled board and committee meetings for which they were eligible to attend during the year. We also held a strategy day in November, which all the directors attended.

JTC attend all our scheduled meetings as Secretary to the board. In addition, we invite representatives of the Investment Manager, our external auditor and other advisers to attend as required.

Service and support

The Company has no employees and, during the year, was externally managed by the Manager (as the mandatory Alternative Investment Fund Manager from 15 March 2019), supported by the Administrator.

The Management Engagement Committee formally reviews the performance of the Manager and the Administrator each year and makes recommendations to the board as it considers appropriate. Further details of these reviews, and the relationships with the Manager and Administrator are given in the Management Engagement Committee report on pages 64-66.

The Alternative Investment Fund Manager

Until 15 March 2019, the AIFM was Carne Global AIFM Solutions (C.I.) Limited. Carne was authorised by the Jersey Financial Services Commission to act as an AIFM on behalf of AIFs in accordance with the Financial Services (Jersey) Law 1998. From 15 March 2019 the role of AIFM was assumed by Impact Health Partners LLP. For more details, see the Management Engagement Committee report on pages 64-66.

Depositary

From 15 March 2019, Indos Financial Limited was appointed as Depository.

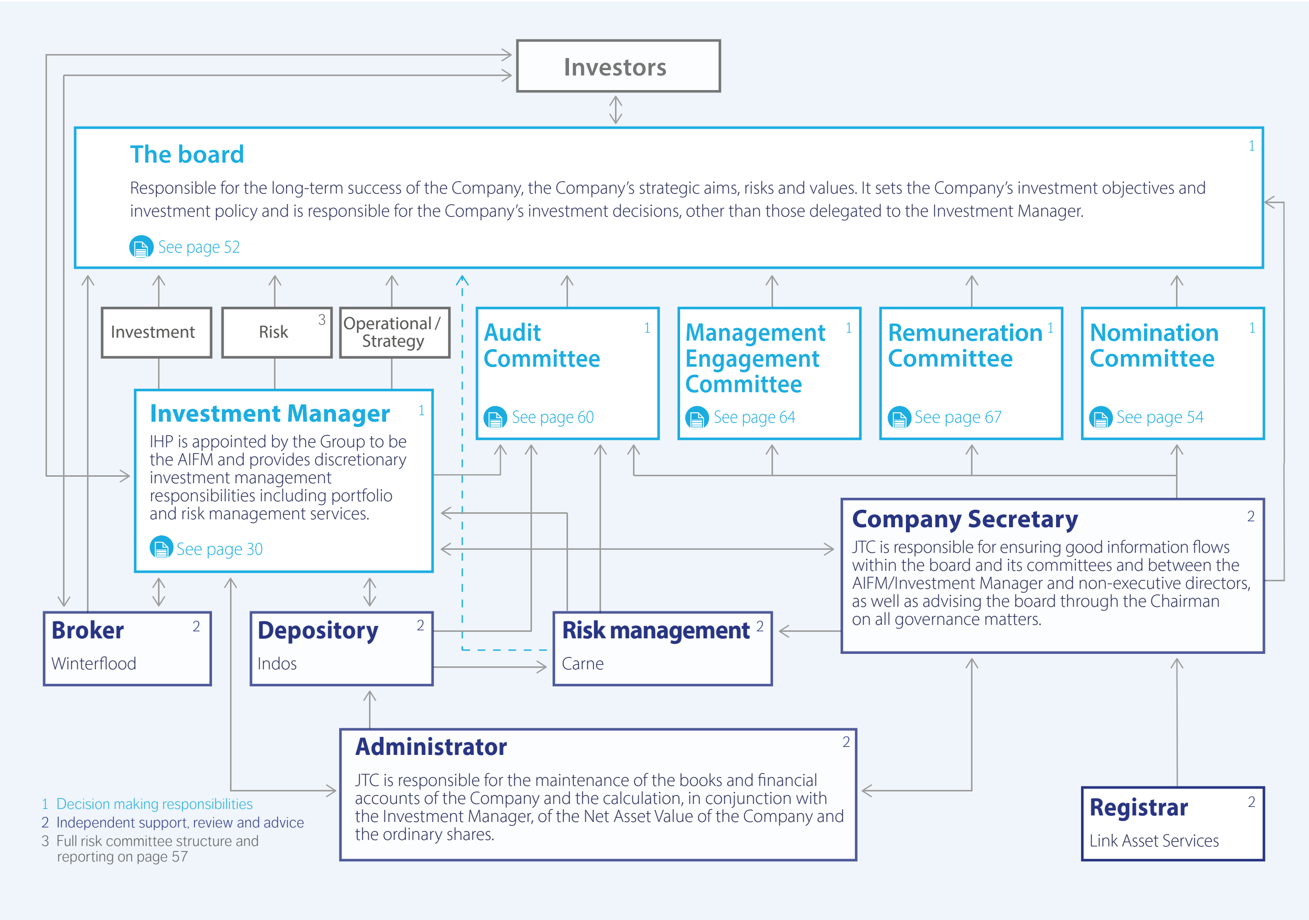
The Administrator

JTC (UK) Limited ("JTC") served as Administrator and Company Secretary to the Company, during the year.

Member	Quarterly board meetings	Audit Committee	Management Engagement Committee	Nomination Committee	Remuneration Committee
Rupert Barclay (Chairman)	4/4	4/4	1/1	2/2	1/1
Rosemary Boot	4/4	4/4	1/1	2/2	1/1
Amanda Aldridge*	4/4	4/4	1/1	1/1	1/1
Paul Craig	4/4	N/A	N/A	N/A	N/A
Philip Hall	4/4	4/4	1/1	2/2	1/1

* Appointed on 1 March 2019

Reporting structure With effect from 15 March 2019.



As Administrator, JTC, on behalf of the directors, is responsible for the maintenance of the books and records, the management and financial accounts, and the management of all cash movements of the Company and the calculation, in conjunction with the Investment Manager, of the Net Asset Value of the Company.

As Company Secretary, JTC is also responsible for the production of the Company's accounts, regulatory compliance and providing support to the board's corporate governance process and its continuing obligations. In addition, JTC is responsible for liaising with the Company, the Manager and the Registrar in relation to the payment of any dividends, as well as general secretarial functions required by the Companies Act.

The directors have access to the advice and services of the Administrator and Company Secretary. Where necessary in carrying out their duties, the directors may seek independent professional advice and services at the expense of the Company.

Alternative Investment Fund Manager Directive ("AIFMD")

The Company is an Alternative Investment Fund ("AIF") for the purposes of the AIFMD and related regimes in EEA member states.

Biographies

The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.

Board of directors

Rupert Barclay FCA
Independent Chairman, aged 63

Appointed: 16 January 2017
Length of service three years

Committees: Management Engagement (Chairman), Nomination (Chairman), Audit and Remuneration

Rupert has a range of experience serving as chairman, chairman of the audit committee and as non-executive director of listed and quoted companies including Sanditon Investment Trust plc, (where he served as chairman), Lowland Investment Company plc (where he was a director and chairman of the audit committee), Dimension Data plc (where he was the senior independent director) and Instinet, Inc, where he was a director and member of the remuneration and audit committees. His career is in strategic consultancy, with roles as corporate strategy director at Allied Domecq and Reuters, following his time as partner at LEK Consulting.

He has an MA in Classics from Cambridge, an MBA with Distinction from INSEAD and is a Fellow of the Institute of Chartered Accountants in England & Wales.

Other current directorships/ memberships

- Cairneagle Associates LLP, 2004-present, Managing Partner

Rosemary Boot
Senior independent Non-executive director, aged 57

Appointed: 16 January 2017
Length of service three years

Committees: Remuneration (Chairman), Audit (interim Chairman to 14 May 2019), Management Engagement and Nomination

Rosemary served as the chief financial officer of Future Cities Catapult, one of a network of technology and innovation centres established by the UK Government. She has also previously served as an executive director and strategy adviser at a large housing association and as group finance director of the Carbon Trust, an independent company set up in 2001 to work with business and the public sector to accelerate the move to a sustainable, low carbon economy.

Previously, Rosemary worked for 16 years as an investment banker at UBS Warburg, primarily advising large listed UK companies on corporate finance matters.

Other current directorships/ memberships

- The Green Alliance, 2014-present. Trustee and Member of finance and management committees
- Southern Water Services Limited, 2015-present. Independent non-executive director, member of audit and remuneration committees
- Urban & Civic plc, 2019-present. Independent non-executive director, member of audit and remuneration committees
- Chapter Zero Limited, 2019-present. Member and director

Amanda Aldridge FCA
Independent Non-executive director, aged 57

Appointed: 1 March 2019

Committees: Audit (Chairman from 14 May 2019), Management Engagement, Nomination and Remuneration

Amanda was an audit and advisory partner in KPMG LLP from 1996 until 2017, when she retired from the partnership. She has significant experience as an external auditor, working predominantly with quoted clients and has also advised quoted companies on corporate transactions and the assessment and remediation of internal controls. Her audit and advisory work included clients with significant property portfolios.

She qualified as a Chartered Accountant in 1987 and is a Fellow of the Institute of Chartered Accountants in England and Wales ("FCA").

Other current directorships/ memberships

- Headlam Group plc, 2018-present, non-executive director and member of the remuneration and nomination committees and chairman of audit committee
- The Brunner Investment Trust Plc, 2019-present. Non-executive director and member of the audit, remuneration and nominations committees
- Places for People Group Limited, 2019-present. Non-executive member of the Regulated board
- The Low Carbon Contracts Company Limited and The Electricity Settlements Company Limited, from April 2020, non-executive director and audit committee chair designate.

Paul Craig
Non-executive director, aged 51

Appointed: 30 June 2017
Length of service two years

Paul is a portfolio manager at Quilter Investors. He has over 20 years of investment experience, including 10 years at Exeter Investment Group, six years at New Star Asset Management as a director of the asset management subsidiary, and six years as a director within the multimanager investment team at Henderson Global Investors. Over the past 18 years, Paul's focus has been on multi-manager products, with an emphasis on closed-ended funds.

Paul is currently a non-executive director of The Diverse Income Trust plc, Ground Rents Income Fund plc and Hadrian's Wall Secured Investments Limited, and is an associate of the UK Society for Investment Professionals. Quilter Investors has an interest in the Company through funds managed by Paul.

Other current directorships/ memberships
- The Diverse Income Trust plc, 2011-present, director
- Ground Rents Income Fund plc, 2012-present, director

Philip Hall
Independent Non-executive director, aged 65

Appointed: 16 January 2017
Length of service three years

Committees: Audit, Management Engagement, Nomination and Remuneration

Philip is a chartered surveyor with over 25 years of experience in the healthcare sector in the UK and internationally. He is currently a director of Deben Healthcare Consultancy and was previously chairman for healthcare at JLL. He has advised on primary healthcare premises, residential care and nursing homes (including those for learning disabilities/mental health clients), hospitals, extra care, domiciliary care and dental practices/ dental laboratories. He has also advised more broadly in the social care sector, including on children's homes and day nurseries. In particular, he has advised on the restructuring of Southern Cross and its legacy and was a member of its landlord committee which steered the wind up of Southern Cross and the transfer of its residents and staff to new operators. He has also advised on a number of lease and loan restructuring transactions, capital expenditure programmes and turnaround strategies.

Before joining JLL, Philip was a founding shareholder and managing director of Taylors Business Surveyors and Valuers Ltd, a chartered surveying company, which he sold in 2005. In addition, he is the author of *"The Valuation of Care Homes, Valuation: Principles into Practice"*, which was published in 2008. Philip is a member of the Royal Institution of Chartered Surveyors.

Other current directorships/ memberships
- Deben Healthcare Consultancy, 2017-present, director

Investment Manager

Andrew Cowley MA (Oxon)
Managing Partner

Andrew is an experienced fund manager, working in infrastructure and private equity investment since 2000.

He was a senior managing director at Macquarie and deputy chief executive of the listed Macquarie Airports. Before this, he was a Managing Director at Allianz, responsible for investments in alternative assets; a director of Kleinwort Benson and chairman of Dresdner Kleinwort Benson's business in Russia; he began his career at SG Warburg.

Andrew has served on company boards, including various international airports, Moto Holdings, Creative Broadcast Services and as chairman of Halterm Container Terminal in Canada.

Mahesh Patel ACA
Managing Partner

Mahesh is a qualified accountant who has over 30 years' experience in healthcare-related industries and assets, including positions in finance.

Prior to 2006, he built up and then sold three healthcare-related businesses, Highclear and Kingsclear (focused on residential care for the elderly) and a supported living business, Independent Living. In addition he was also a co-founder and director of Precision Dental, which invested in dental laboratories. Furthermore Mahesh invests in technology related to healthcare.

Mahesh has helped found and grow the residential healthcare for the elderly groups Minster and Croftwood, along with Pathways Care, which provides specialist support for people with various disabilities.

David Yaldron FCA
Finance Director

David has over 20 years' experience, having held senior financial roles in real estate and investment companies.

From 2012, David was a director at Grosvenor, Britain & Ireland responsible for projects and new investments, eventually becoming the senior director responsible for all investments, developments and strategic land activities outside London.

Prior to Grosvenor, David worked for Europa Capital, managing its corporate investments and divestments across Europe and before this was Head of Investment Monitoring at Coller Capital.

David trained and spent the first 10 years of his career at KPMG, working in the Transaction Services team.

Nomination Committee report

Rupert Barclay, Committee Chairman

The Nomination Committee's main role this year has been finding a replacement Audit Committee Chair and forward planning. As a REIT with no executive directors or employees, the functions of the Nomination Committee have changed less with the introduction of the new AIC Code 2019 than for other committees. Even so, we are aware of the changes and direction of travel, and are putting in the necessary groundwork for the future. We are delighted to welcome Amanda Aldridge to the board and to various Committees, most importantly as chair of the Audit Committee. With Amanda's appointment we now have a board with 40% female representation, which reflects our culture and values, and the benefits of this diversity are clear in the approaches both Amanda and Rosemary take to their roles. We have been looking at the succession plan and have decided to recruit another non-executive director during the coming year. This is partly due to meeting the increased workload due to the growth of the Company and partly to help smooth the rotation of directors in the future. The internal evaluation was a useful exercise and highlighted some issues to do with growth, which are being addressed. We are planning our first external evaluation of the board in 2020.

Committee membership

The Nomination Committee membership during the year was Rosemary Boot, Amanda Aldridge, Philip Hall and me, Rupert Barclay (Committee Chairman).

The Nomination Committee meets formally at least once a year and also when required. We had two meetings during the year, one in January, to consider the appointment of an additional non-executive director, and one in August.

The attendance is set out on page 50.

JTC attends our meetings as Secretary to the Committee. In addition, we invite representatives of the Investment Manager to attend as required.

The Nomination Committee reviewed the Terms of Reference at our meeting in August 2019 in order to reflect the Adviser becoming the AIFM, and to revise the schedule. The revised Terms of Reference of the Nomination Committee were subsequently approved by the board in November 2019 and are available on our website at: **https://www.impactreit.uk/about/corporate-governance**

Role

The role of the Committee is to ensure that there is a formal, rigorous and transparent procedure for the appointment of new directors to the board, to lead the process for board appointments and make recommendations to the board. The Committee assists the board in ensuring its composition is regularly reviewed and refreshed so that it is effective and able to operate in the best interests of shareholders.

The Committee has various functions, the most important of which are:

- Annually review the structure, size and composition (including the skills, experience, independence, knowledge and diversity) of the board and make recommendations to the board with regard to any changes.
- Give full consideration to succession planning for directors, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the board in the future.
- Review annually the time required from non-executive directors, including the Chairman and Senior Independent Director. Performance evaluation is used to assess whether the non-executive directors are spending enough time to fulfil their duties.
- Considering the recommendations for re-election on retirement, and also the re-appointment of any director at the conclusion of his/her specified term of office.
- Assist the Chairman of the board with the implementation of an annual evaluation process to assess the overall and individual performance and effectiveness of the board and its Committees, including consideration of balance of skills, experience, independence and knowledge of the Company, its diversity, including gender, how the board works together as a unit, and other factors relevant to the board's effectiveness.

Recruitment of new non-executive director

Our recruitment process was covered in detail in our last annual report. In summary, a short list of three recruitment agencies were asked to tender for the assignment. Two of the three recruiters were known to directors of the Company, having conducted similar projects in other companies, otherwise they had no connection to Impact Healthcare REIT. The Committee determined the skills and experience required, the most important of which were that the core skill set should be financial and audit expertise with property knowledge and that the Company's approach to diversity should be borne in mind. Three candidates were interviewed by the Committee from a shortlist of five and the preferred candidate met the AIFM and the Auditor. Amanda Aldridge was appointed as a non-executive director on 1 March 2019 and became Chairman of the Audit Committee after the AGM in May 2019.

Succession planning

We have been considering succession planning and have determined that the Company should recruit another non-executive director during the course of 2020. This is partly in response to a need to continue to add a degree of variability into the appointment dates of the board, to keep thinking fresh and also to prevent the need for rotation of a significant number of board members happening within a year or so. More importantly, it is to increase the capacity of the board as the Company increases in scale. With this in mind, we are considering various possible backgrounds, most likely in property investment, ideally with experience in health and social care.

Diversity

The board recognises the benefits that diversity brings. Our approach is to appoint the best possible candidate, considered on merit and against objective criteria (and in accordance with the Equality Act 2010). At the year-end, 40% of the board was female.

In the light of ongoing development in governance best practice, the Committee decided that the Company should have a formal Diversity policy which the board adopted in March 2019. Diversity includes, and makes good use of, differences in knowledge and understanding of relevant diverse geographies, peoples and their backgrounds including race or ethnic origin, sexual orientation, gender, age, disability or religion. Appointments to the board are made on merit and objective criteria, in the context of complimenting and expanding the skills, knowledge and experience of the board as a whole.

Board evaluation

A formal and rigorous board evaluation, our second, was conducted internally this year. As last year, it was based on a questionnaire covering a range of board-level topics, with accompanying reviews of each Committee, which addressed issues specific to that Committee, as well as self-assessments by the directors. I reviewed the results and they were then discussed by the Nomination Committee and then the board.

It was concluded that the board members work effectively together to achieve the Company's objectives and that each director continues to contribute effectively.

A number of topics were raised and discussed. There were two material areas for enhancement, both of which are to do with being an active and growing Company in its early years and are recurrences from last year. The first is the need to increase the time spent by the board on strategic, rather than operational, issues. This is to be achieved by prioritising specific areas of strategic interest and giving them space in the quarterly board meeting agendas and I have taken this as an action for me to ensure this happens.

The other is to make the board meetings more efficient; these can become extended with undue focus on operational issues. All play a role in this and I am working closely with the Investment Manager and the Secretary to manage the board agendas more tightly. The Investment Manager and the Secretary have undertaken to ensure that they have the resources in place to produce board papers that are concise and issued promptly, and that minutes and action-points are well-documented. The delegation of some responsibilities from the board to the Investment Manager as the business matures and processes become firmed up will help in both areas where enhancement is required.

The Committee evaluations are discussed in the relevant Committee reports. I reviewed each director, and the SID conducted the review of my performance.

I am pleased to report that all individuals were felt to be working well and contributing significantly to the performance of the board and its Committees and so to the long-term sustainable success of the Company. The balance of experience, skills and abilities was felt to be good, as set out in the biographies on pages 52-53. All board members bring commercial acumen and support and challenge to the board. I would like to highlight specifically the contribution that individual board members make in addition to that: Rosemary Boot for her insights on corporate finance and governance, Amanda Aldridge for her experience of financial matters and audit, Philip Hall for his deep understanding of the care home market and investment in and operation of care homes, and Paul Craig for his investor-perspective insight. In accordance with the Company's practice, directors serve for a minimum three-year term, subject to annual re-election by the shareholders; each director is standing for re-election.

An external evaluation will be conducted next year.

Committee evaluation

An evaluation of the Committee was undertaken as part of the overall evaluation. The Committee was deemed to be working well and that it should now increase its focus on succession planning and the development of a formal structured induction programme for new directors in order to support the cycle of refreshment that will be required in due course.

Rupert Barclay Committee Chairman
7 April 2020

Audit, risk and internal control

Overview

The directors acknowledge their responsibility for maintaining the Company's system of internal control and risk management, in order to safeguard the Company's assets. This system is designed to identify, manage and mitigate the financial, operational and compliance risks that are inherent to the Company, and to manage rather than eliminate the risk of failure to achieve business objectives. As such, it can only provide reasonable, but not absolute, assurance against material misstatement or loss.

Risk profile

The board must make a robust assessment of the principal risks to the Company's business model, future prospects, solvency and liquidity, and report on this annually (see formal statement on page 46). The Group's principal risks and uncertainties are set out on pages 24-28. Such risks are also be considered in the context of the Alternative Investment Fund Managers Directive (AIFMD), which sets out certain categories of risk that the Investment Manager, on behalf of the Company, must take into account in monitoring and managing risk. The principal risks to the Company, and the mitigants in place to control those risks, are detailed in the Risk Register. The Risk Register measures the inherent likelihood and impact of each risk, and measures the residual likelihood and impact of each risk assuming controls are operating effectively.

The board keeps its risk profile under review through the reporting that it receives from committees and the Investment Manager. The Risk Register is updated and approved by the board at least annually. In addition, the board carries out an annual assessment of its principal risks by way of a survey of board members and key stakeholders, and discussion of the survey results.

This process helps to inform a number of different disclosures in the annual report, including the description of the principal risks and uncertainties facing the Company.

Having assessed its principal risks, the board has put in place procedures to ensure that risks are monitored and managed on an ongoing basis and that it gains adequate assurance that systems and controls are operating effectively (see 'Risk Processes' below).

Risk appetite

The Company's strategy is to identify new care homes to acquire and good tenants who will diversify its portfolio and deliver strong economies of scale, with efficient operations alongside a good quality of care. The Company looks for investments that, under its ownership, will provide value for money to its tenants' customers and residents, while delivering attractive and stable returns to its investors for the long term.

The Company considers its Investment Objectives and ongoing relationships with tenants and other stakeholders to appropriately reflect its risk appetite in this regard and the tolerance levels for the risk it will take both operationally and strategically. This informs the Company's decision-making process and allows the risk management process to be placed in context. Above all, it reflects the risk management culture of the organisation so that risks out of tolerance can be quickly identified and dealt with in an efficient manner. During 2020 the board intends to spend time considering its appetite for risk in a broader context.

Risk processes

The Company's risk governance structure can be summarised as follows:

Board

Has ultimate responsibility for the Company's risk management and internal control

Audit Committee

Has delegated responsibility from the board for monitoring of compliance with internal financial control, review of the Risk Management Framework and review of external reporting related to risks and internal control

Management Engagement Committee

Has delegated responsibility from the board for assessing the competence of service providers and, by extension, their ability to monitor and control risk on behalf of the Company

Investment Manager

Is required to perform portfolio and risk management functions on behalf of the Company. This includes monitoring the systems and controls in place to manage risk. The Investment Manager has appointed Carne Global AIFM Solutions (C.I.) Limited to undertake the risk management function on its behalf

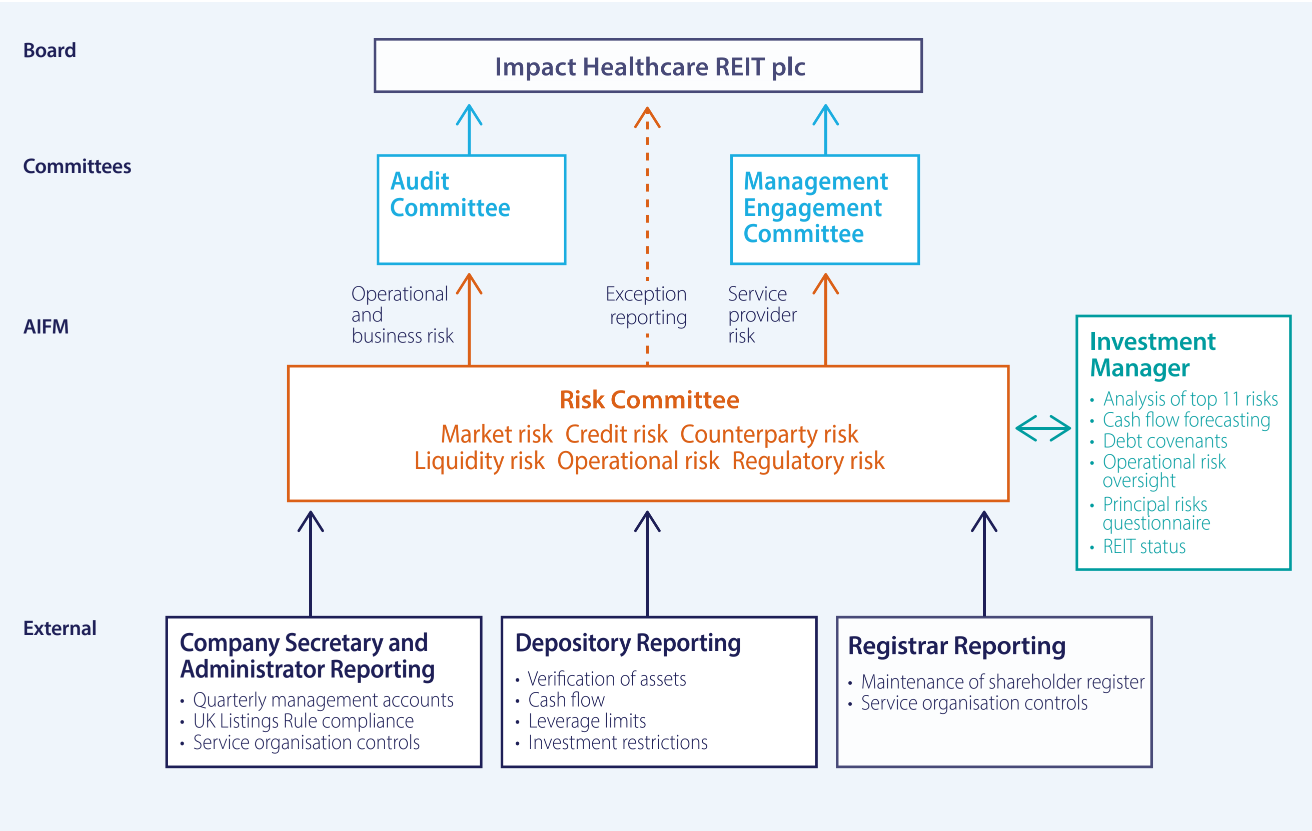
Risk Committee

Is the forum through which oversight of risk management and controls is exercised. The Committee's membership includes representatives from the board, the Investment Manager, the Administrator and Carne. Its remit includes reviewing and updating the Risk Register, ensuring risks stay within tolerance, stress and scenario testing, and monitoring of regulatory compliance. It reports by exception to the board, the Audit Committee and the MEC

Service providers

In performing services for the Company providers are expected to monitor their own internal control systems to ensure that risk is properly managed

The risk governance structure and associated reporting lines are set out the following schematic:



Responsibilities for managing risk

The responsibilities for managing risk on the part of each of the above elements of the risk management framework can be summarised as follows:

1 Board responsibilities

- Quarterly review of Company liquidity
- Annual assessment of principal risks facing the business and consideration of emerging risks
- Assessment of those risks which the Company is willing to take in order to achieve its strategic objectives ("risk appetite")

2 Audit Committee responsibilities

- Keep under review the Company's internal financial controls and internal control and risk management systems through reporting from the risk committee, reporting exceptions to the board and follow up queries with the risk committee
- Annual review of effectiveness of the risk management framework
- Review and approve the statements to be included in the annual report concerning internal controls and risk management (including principal risks & uncertainties, going concern, statement that the Company will be able to continue in operation and meet its liabilities as they fall due, statement of risk management and internal control in relation to the financial reporting process, Viability Statement)
- Review and approve statements explaining how assets have been invested with a view to spreading investment risk

3 Management Engagement Committee responsibilities

- Consider risk issues arising from the functions performed by service providers (reported to the MEC by the risk committee), escalate to the board as necessary

4 Risk Committee responsibilities

- Identify key and emerging risks facing the business and the controls in place to mitigate those risks (documented in the risk register)
- Assess the materiality of each risk according to likelihood of occurrence and potential impact on the business (documented in the risk register)
- On a quarterly basis assess control effectiveness via reporting on key risks by service providers (Investment Manager, Administrator, Registrar, Depositary)
- Agree follow up action in respect of risks that are outside of tolerance. Ensure that risk events, errors and breaches are appropriately remedied, and that controls are enhanced to prevent reoccurrence
- Review risk to the business model, future performance, solvency or liquidity of the Company in the context of going concern and long-term viability statements (to include inputs to liquidity stress scenario testing)
- Review counterparty credit risk with reference to the Company's financing arrangements and policies
- Review regulatory risk via the compliance monitoring undertaken by the Administrator and REIT conditions monitoring undertaken by the Investment Manager
- Assess third party service provider risk via Service Organization Control reports and due diligence reviews

5 Compliance monitoring responsibilities

- JTC (UK) Limited, in its capacity as Administrator and Company Secretary, monitors compliance of the Company with the UK Listing Rules and with prospectus limits
- The Investment Manager monitors compliance of the Company with the qualifying conditions set out in the UK REIT rules (Corporation Tax Act 2010)

6 Depositary monitoring responsibilities

- Indos Financial Limited, in its capacity as Depositary, reviews risks relevant to the depositary function in accordance with the requirements of AIFMD. This includes verification of assets, payment of expenses, leverage limits, investment restrictions, cash flow monitoring, good title to assets

Internal control processes

As the Company grows, it is developing a more complex Group structure. The board is working with the Investment Manager and Administrator to further develop the agreed set of policies covering key operational areas. This is to ensure the directors have established procedures which continue to provide a reasonable basis for them to make proper judgements as to the financial position and prospects of the Company and the Group.

The Group's internal control systems include a detailed authorisation process, formal documentation of all transactions, a robust system of financial planning (including cash flow forecasting and scenario testing) and a robust appraisal process for all property investments including compliance with the conflicts policy. In addition, the board has in place Financial Position & Prospects Procedures ("FPPP") board memorandum. This sets out the procedures operating to identify the information needed to monitor the business and manage risk so as to make proper judgements on its financial position and prospects. In addition, it sets out the procedures to identify, assess and document the risk factors likely to impact on the Company's financial position, prospects and any changes and on the preparation and communication to the directors of related information.

Changes to internal controls, or controls to respond to changing risks identified, are addressed by the risk committee with appropriate escalation to the board as required.

The directors, along with the Investment Manager and Administrator, have established an internal control framework to provide reasonable assurance on the effectiveness of internal controls. This covers capital expenditure approval and authorisation of capital funding, investment acquisition and disposal approval, annual budget approval, expenditure and supplier contract approval, NAV and dividend authorisation, equity and debt approval and formal communications with investors.

Financial reporting

The Group, with the support of the Investment Manager and Administrator, has internal control and risk management arrangements in relation to the Group's financial reporting processes and the preparation of its consolidated accounts. Internal management reporting and external statutory reporting timetables and delivery requirements have been established and documented. Control of these is maintained by the Administrator and communicated regularly.

The arrangements include procedures implemented by the Administrator to ensure the maintenance of records which accurately and fairly reflect transactions. These are reviewed and commented on by the Investment Manager to confirm the appropriate treatment.

Where new reporting standards or financial reporting approaches are being adopted, either as a result of changing regulation or as a result of new contractual arrangements, the Administrator, in collaboration with the Investment

Manager, prepares an assessment of this treatment and discusses this with the Audit Committee. Where required, third party advisers are consulted.

This enables the preparation of financial statements in accordance with International Financial Reporting Standards (as adopted by the EU) or FRS 102, as appropriate, with reasonable assurance and requiring reported data to be reviewed and reconciled with appropriate monitoring internally and by the Audit Committee.

Ongoing financial performance is monitored through regular reporting to the Investment Manager by the Administrator and is then reported to the board.

Capital investment and all revenue expenditure are regulated by a budgetary process and authorisation levels. A budget is prepared by the Investment Manager which is approved by the board and reported to the board quarterly. Payments are presented to an individual director for sign off.

In the year, the Investment Manager extended the business plan model to seven years to accommodate a five year viability assessment and supported the administrator in the development of a new rent smoothing model.

Expenditure and investment are tracked by the Administrator against these budgets.

Review of internal audit requirement

The Audit Committee, on behalf of the board, considered again whether the Company should employ an internal audit function during 2019 and concluded that, due to the Company's structure, the nature of its activities and taking into account the controls already in place and, more particularly, the external service already provided by the Administrator and the Investment Manager, an internal audit function was not necessary.

Review of risk management and internal control

The board has established a continuing process for identifying, evaluating and managing the risks the Company faces and reviewing the effectiveness of the internal control systems. The formal statement on the annual review is given on page 46.

Audit Committee report

Amanda Aldridge, Committee Chairman

As the new Chairman of the Audit Committee, I am delighted to present the Committee's report for the year ended 31 December 2019 and to thank Rosemary Boot for her work as interim Chairman of the Committee until May.

The Committee plays an important part in the governance of the Group, with its principal activities focused on the integrity of financial reporting, quality and effectiveness of external audit, risk management and the system of internal control.

During the year I reviewed and updated the Committee's terms of reference and established a new annual work plan, under which we now operate. We have also implemented formal policies covering the engagement of the external auditors for non-audit work and the employment by our service providers of former partners or employees of the external audit firm, to protect auditor independence.

The role of the risk committee in the risk management framework is described on pages 56-59. During the year I joined this committee which has given me first-hand experience of how it operates and the detailed assurance which underpins our risk management framework.

The remainder of my report comprises a summary of the key activities of the Audit Committee during the year and more detail in respect of each area of our work.

Key activities of the Committee during the year

- Monitored the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance and reviewed any significant financial reporting judgements contained in them.
- Considered the appropriateness of our accounting policies.
- Reviewed the interim and final valuations with the valuers.
- Reviewed and then advised the board that the annual report and accounts taken as whole, were fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
- Reviewed and considered the basis of the going concern and Viability Statement made by the directors; see page 38.
- Reviewed the adequacy and effectiveness of the Group's internal controls and risk management framework.
- Considered the need for internal audit.
- Reviewed and approved the role of external auditors in the interim review and associated fees.
- Reviewed the external auditor's plan for the audit of the Group's accounts, approved the terms of engagement for the audit, including the audit fee and reviewed their findings.
- Overseen the relationship with the external auditors including reviewing their independence, objectivity and effectiveness.
- Reviewed the financial position and prospects procedures ("FPPP").

Committee membership

I joined the Audit Committee on 1 March 2019 and became Chairman of the Committee after the AGM in May 2019. Rosemary Boot (Interim Committee Chairman from July 2018), Rupert Barclay and Philip Hall were members of the Committee throughout the year.

Rupert, Rosemary and I are considered to have recent and relevant financial experience, as we have audit, accountancy and/or chief financial officer experience, as well as our other board directorships. We all keep up to date with financial accounting developments through attendance at a range of technical update courses. Rupert and I are chartered accountants.

In addition, the board has concluded that the Audit Committee as a whole has competence relevant to the sector in which the Company operates, bringing a broad range of skills and experience to bear.

Relevant experience and competence

Amanda Aldridge FCA: joined KPMG in 1984 and was an audit and advisory partner from 1996 until 2017. She has experience of audit in quoted companies and advisory roles on transactions and internal controls. Her work in both areas included clients with significant property portfolios. She also chairs the audit committee of another listed company.

Rupert Barclay FCA: senior management positions in listed and private companies, including executive and non-executive board membership; M&A and strategy.

Rosemary Boot: social care, housing sectors and climate change; senior management and CFO positions in private companies, executive and non-executive board membership; M&A, investment banking and strategy.

Philip Hall: healthcare, social care and real estate sectors; senior executive positions in a property company; surveying and valuation, and capex, turnaround and restructuring programmes.

Terms of reference

We reviewed the terms of reference and made various changes to align with the latest version of the AIC Code, updates to the Ethical Standards for Auditors and current discretionary elements delegated by the board, as well as removing some elements of duplication, to better reflect the scope of duties and responsibilities of the Committee. The revised terms of reference were submitted to the board for approval and are available on our website at **http://www.impactreit.uk/documents**.

Meetings

We met four times during 2019 and attendance is set out on page 50. The meetings were of sufficient length to allow the Committee to consider all the matters of importance and the Committee was satisfied that it received full information in a timely manner to allow it to fulfil its obligations.

These meetings were also attended by representatives of the Investment Manager (Impact Health Partners LLP), the Company Secretary (JTC (UK) Limited) and the auditor (BDO LLP).

A sub-committee of the Audit Committee met with our valuer, Cushman & Wakefield (CW), in January 2019, prior to publication of 31 December 2018 NAV, without other parties in attendance, to discuss the 31 December valuation and CW attended the August meeting to discuss the June valuation.

I held a number of preparatory discussions with the Finance Director of the Investment Manager and the external auditors to ensure they delivered in line with the scope of services and were well placed to hold a constructive discussion with the Audit Committee. The Committee also met with the external auditor, without other parties present, during the year.

Financial reporting and significant judgements

A key responsibility of the Committee is to consider the significant areas of complexity, judgement and estimation that have been applied in the preparation of the financial statements. The Committee has received reports and recommendations from the Investment Manager and the Auditor setting out the significant areas. These areas of judgement and estimation were discussed with the Investment Manager during the year and with the Auditor, at the time the Audit Committee reviewed and agreed the Auditor's Group audit plan, and when the Auditor presented its findings at the conclusion of its year-end audit.

The main areas where significant judgement or estimation was required included the assessment of fair values of investment property, business combinations, and operating lease contracts.

Set out below is a description of how the Committee concluded that the judgements and estimates that have been made were appropriate.

(i) Valuation of property portfolio

The property portfolio was valued by CW quarterly in 2019. The Audit Committee discussed the half year valuation with the valuers at the August Audit Committee meeting.

Prior to the publication of the unaudited 31 December 2019 NAV, in January 2020, a sub-committee of the Audit Committee discussed at length the approach undertaken by CW in the valuation of the assets and the assumptions underlying the property valuations including their approach to capital expenditure and the valuation of capital improvements in the year. We discussed the level of inspections undertaken by CW and sought confirmation that no undue influence had been applied by the Company or the Investment Manager in reaching their conclusion.

At the time of publication of the unaudited NAV in January 2020, CW had not had sight of the operator reporting for the quarter to 31 December 2019. CW were asked to review this information prior to finalising their valuation.

We discussed with the auditors their review of the valuation, referred to in their Independent Auditors' report on pages 73-77.

(ii) Business combinations

At the time of acquiring a subsidiary that owns investment properties, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. Where the acquisitions are not judged to be the acquisition of a business, they are not treated as business combinations.

Audit Committee report

The Audit Committee has reviewed details of relevant transactions during the year and discussed with the auditors their consideration of these transactions.

(iii) Operating lease contracts

The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all significant risks and rewards of ownership of its properties and so accounts for the leases as operating leases.

The Audit Committee has reviewed the Investment Manager's approach and discussed this with the auditors to understand their work and conclusions in this area.

Adjusted Earnings per Share

The Committee considered the implications of reporting adjusted earnings per share that are different to IFRS and EPRA calculations. The Committee reviews the reported adjusted earnings to ensure they reflect the underlying sustainable cash earnings of the Company.

Fair, balanced and understandable statement

The production and audit of the Company's annual report and accounts is a comprehensive process, requiring input from a number of contributors. To reach a conclusion on whether the Company's annual report and accounts, taken as a whole, are fair, balanced and understandable, as required under the AIC Code, the board requested that the Audit Committee advise on whether we considered that the annual report fulfilled these requirements. In outlining our advice, we considered the detailed reviews undertaken at various stages of the production process by the Investment Manager, Administrator, auditor and the Audit Committee, which are intended to ensure consistency and overall balance.

We then discussed with the Investment Manager and Administrator the process of how this was put together and received a series of drafts of the Company's annual report and accounts. These were scrutinised and discussed thoroughly at two separate Audit Committee meetings.

Additional comfort was also sought from the Investment Manager and Administrator in relation to the conclusion reached by the board.

As a result of the work performed, we have concluded and reported to the board that the annual report and accounts for the period ended 31 December 2019, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The board's conclusions in this respect are set out on page 46.

Review risk framework and internal control

The board has ultimate responsibility for effective management of risk for the Group including determining its risk appetite and identifying key strategic and emerging risks. An overview of the risk management process and the principal risks and uncertainties identified is set out on pages 24-28. The risk committee (see pages 56-59) serves as a governance body to provide oversight, review and challenge of the risk management processes,

The committee reviewed the risk management framework document prepared by IHP and Carne Global AIFM Solutions to whom aspects of risk management have been delegated and were satisfied that the risk committee does review and monitor the adequacy and effectiveness of the Company's risk management systems with appropriate operational and assurance reporting from third parties.

Internal audit

The Committee discussed the need for an internal audit function; the debate included input from the Investment Manager and the external auditor and consideration of the assurance received from third parties under the risk management framework. In the light of this consideration, we decided that there was no current requirement as the Committee were satisfied based on the work of the risk committee and the compliance work by the Investment Manager over tenants, that the internal controls and risk management were adequate and effective.

External auditor

BDO was appointed as the Company's auditor following a formal tender as part of the IPO in March 2017. This was a competitive process and involved BDO, EY and Grant Thornton. Under current FRC guidance, the next audit tender will be required in respect of the year-end 31 December 2027, however the Audit Committee will continue to monitor the performance of the auditor during this time and make recommendations accordingly. Richard Levy has been the lead audit partner since BDO's appointment, and accordingly this is his third year in the role. In accordance with current professional standards the lead audit partner will change every five years.

(i) Audit planning

At our meeting in November we discussed the audit plan with BDO, considering the overall planning materiality and BDO's assessment of the audit risks, including the capital expenditure additions and equity raise costs. We also discussed in detail the valuation analysis carried out by BDO, and in particular the comparison of the underlying data and assumptions used by BDO and the valuer.

We also discussed the Company's additional reporting requirements for the annual report and accounts 2019 including the impact of the new accounting standard

IFRS 16 on the financial statements and related disclosures, and the more bespoke disclosure regarding the assessment of going concern and long-term viability for the required statements by the board.

(ii) External auditor independence and effectiveness

BDO has formally confirmed its independence as part of the annual reporting process, and the Committee considered and agreed that BDO, the engagement team and other partners and directors conducting the audit had complied with relevant ethical requirements including the FRC's Ethical Standard and were considered independent of the Company.

The Committee discussed the effectiveness of BDO as auditor. We agreed that the auditor had adhered to high professional and ethical principles and demonstrated the appropriate skills and knowledge about the business, industry and environment together with the regulatory and legal frameworks in which the Company operates. We also agreed that the audit partner demonstrates experience in the REIT sector and is well informed about current topical issues with the FRC. We concluded that we had no concerns with BDO's effectiveness.

The Audit Committee has recommended that a resolution to appoint BDO is proposed to shareholders at the next AGM.

Non-audit services

£27,600 non-audit fees were authorised in the period that were in relation to the agreed upon procedures to the Company's interim report and reporting accountant work.

A policy on non-audit services to be provided by the auditors was discussed and adopted as was a policy on employment by the Investment Manager or the Administrator of former partners of employees of the Company's auditor to further protect auditor independence.

Total audit fees for the period were £166,000 and non-audit fees were £27,600. Non-audit fees as a percentage of audit fees were 16.6% as a result of the interim accounts assurance engagement and reporting accountant work.

Committee evaluation

A detailed and rigorous evaluation of the Committee was undertaken as part of the overall evaluation. The skills and experience of the members was found to be appropriate, including recent and relevant financial experience. The Committee will be concentrating on personal development and training as the regulatory focus on audit and Audit Committees increases. The Committee was found to be functioning effectively.

Amanda Aldridge Committee Chairman
7 April 2020

Management Engagement Committee report

Rupert Barclay, Committee Chairman

Introduction

This has been a year of transition in how the Company is managed.

Following approval by the FCA, on 15 March 2019, Impact Health Partners LLP, who had been our Investment Adviser, was appointed as the UK Alternative Investment Fund Manager ("AIFM") to the Company. The board was fully supportive of the proposed change which would streamline how the Company is managed and do so at lower cost. On 15 March 2019, therefore, Carne Global AIFM Solutions (C.I.) Limited ("Carne") ceased to act as Investment Manager for the Company. Carne has been retained by the AIFM to provide a risk management function. For the purposes of this report "Investment Manager" refers to Impact Health Partners.

Upon appointment of the new AIFM, the Company was obliged to appoint a Depository and Indos Financial Limited was selected and appointed on 15 March 2019.

The Committee conducted a review of the Investment Adviser as AIFM in this new structure in the summer, and also of the other service providers to the Company. All the service providers met a satisfactory threshold and we are working with them to address the various areas requiring enhancement, which are mainly to do with resourcing as the Company grows and matures.

The Committee and its role

The Management Engagement Committee has a membership comprised of all the Independent directors of the Company: Rosemary Boot, Amanda Aldridge, Philip Hall and me, Rupert Barclay (Committee Chairman). I am independent of the AIFM.

The Committee has several functions, the most important of which are:

- To review annually the compliance by the AIFM with the Company's investment policy as established by the board when sourcing potential investment opportunities and with the investment advisory agreement entered into between the Company and the AIFM.
- To review annually the performance of any other key service providers to the Company.

The Management Engagement Committee meets as and when required but formally at least once a year. It met on 13 August 2019. Attendance is set out on page 50.

JTC (UK) Limited attends our meetings as Secretary to the Committee, except when its performance is being discussed. In addition, we invite representatives of the Investment Manager to attend as required.

We have reviewed our Terms of Reference and have made some changes, the main ones being the clauses related to risk, as risk does not fall within our remit apart from the risks arising from the Company's service providers. The revised Terms of Reference of the Management Engagement Committee were submitted to the board and approved in November 2019 and are available on our website at: **https://www.impactreit.uk/about/corporate-governance**.

Investment Manager

Impact Health Partners LLP served as Investment Adviser during the year, and as AIFM to the Company from 15 March 2019. Under the terms of the Investment Management Agreement, the Investment Manager provided certain advisory services to the Group including:

- ongoing monitoring of the portfolio and asset management; and
- sourcing potential opportunities in which the Company may invest.

In addition, due to the participation in the Investment Manager of the owner of the Company's initial tenant and to ensure that the board's ability to manage effectively any prospective conflict, the Investment Management Agreement imposes certain restrictions on the Investment Manager and its associates from acquiring, developing, leasing or operating competing businesses, and:

(a) grants the Group a right of pre-emption in respect of any investment opportunities within the Company's investment policy of which the Investment Manager or its associates become aware.

(b) grants the Company the right to terminate the agreement upon the failure of any tenant, in which any principal of the Investment Manager (from time to time) has a beneficial interest, to pay rent or any other sums due in excess of £50,000 under the leases or upon the winding up or liquidation of any tenant, in which any principal of the Investment Manager or any of its Associates (from time to time) has a beneficial interest.

(c) grants the Company the right to terminate the agreement if the Financial Report provided to the Company by Minster Care Group Limited shows that its rent cover is less than 1.1 times in two consecutive quarterly financial reports or in any two quarterly financial reports in any 12 month period.

(d) grants the Company the right to seek advice from a third party property adviser in circumstances where the Investment Manager is conflicted.

(e) prohibits the Investment Manager from taking any decision, or making any recommendation to the board relating to decisions on enforcement of the Group's rights on certain covenant breaches by a tenant, in which any principal of the Adviser or any of its associates (from time to time) has a beneficial interest.

The Investment Management Agreement may be terminated by either party on 12 months' notice, such notice not to be served before the fourth anniversary of IPO, and may be immediately terminated by either party in certain circumstances such as a material breach which is not remedied.

Review of performance

The Committee reviewed the performance of the Investment Manager, including the outcomes achieved for the Company, the processes in place to achieve these and the quality of advice and information provided to the board to make decisions. The board viewed the Investment Manager's performance in these areas to be overall satisfactory.

The board noted that the size and infrastructure of the Investment Manager should continue to grow in line with the Group. The Investment Manager has, in response, increased headcount during the year.

Up to this point, all major investment and capital expenditure decisions have been approved by the board. The Committee discussed delegating powers to the Investment Manager and the board is currently considering putting in place certain approval limits, whereby investments and capital expenditure decisions upto those limits can be taken by the Investment Manager, without prior recourse to the board.

In parallel, we are continuing to monitor the development of the Investment Manager's risk management and internal control policies and processes, in conjunction with the Audit Committee.

We have determined that the Investment Manager's appointment should continue, and asked the board to ratify this decision, which it has done.

Review of the remuneration of the Investment Manager

Under the terms of the Investment Management Agreement, the Investment Manager is entitled to a management fee together with reimbursement of reasonable expenses incurred by it in the performance of its duties.

The management fee is 1% of the Company's Net Asset Value (NAV), where the NAV is less than or equal to £500 million or £5 million plus 0.70% of the amount by which the NAV exceeds £500 million. These amounts are calculated and paid in quarterly instalments.

In addition, the Investment Manager is paid a further fixed amount of £95,000 per annum to cover the incremental costs of providing additional services as AIFM.

The appointment of the Investment Adviser as AIFM resulted in a saving of VAT to the Company of £0.45 million in the financial year.

The Committee reviewed the fee arrangements, compared them with comparable REITs and concluded that they were reasonable. As the Investment Manager's contract runs through to March 2022 with a 12 month notice period and that March 2021 is the first date at which notice could be given, the Committee agreed to undertake a thorough review of the Investment Manager's remuneration and terms and conditions in August 2020.

Carne Global AIFM Solutions (C.I.) Limited

During the first quarter of 2019 the Company's Investment Manager was Carne Global AIFM Solutions (C.I.) Limited (Carne), authorised and regulated by the Jersey Financial Services Commission.

Carne was appointed as a non-EU AIFM to the Company, to provide portfolio and risk management services. In this role it provided the customary services of discretionary investment management. Under the terms of the Investment Management Agreement, Carne's performance was, at all times, subject to the supervision of the board.

Under the terms of the Investment Management Agreement, Carne was entitled to an annual management fee of £95,000 together with reimbursement of all costs and expenses properly incurred by it in the performance of its duties.

Management Engagement Committee report

Carne's services were terminated on 15 March 2019 upon the appointment of the Investment Adviser as the new UK AIFM. The transition was undertaken in discussion with Carne and no termination payment was payable. As reported above, Carne has been retained by the Investment Manager to provide the Risk management function. The Company would like to thank Carne Global AIFM Solutions (C.I.) Limited for their services to the Company as AIFM since IPO.

Administrator and Company Secretary

JTC (UK) Limited ("JTC") serves as Administrator and Company Secretary.

Under the terms of the Administration and Company Secretarial Services Agreement, JTC as Administrator is entitled to:

(a) an annual fee in respect of the accounting and administration services it will provide of £41,000.

(b) an annual fee in respect of Company Secretary provision of £51,250; and

(c) an annual value fee of 0.05% of NAV to the extent that such NAV exceeds £200 million.

The Administration and Company Secretarial Services Agreement is in force and can be terminated by either party, either in accordance with the agreement (e.g. in the case of a material breach of agreement or of the insolvency of a party, whereby the agreement may be terminated immediately upon notice), or provided written notice is given to the other party at least three months prior to termination.

Review of performance

The Committee discussed the performance of JTC both as administrator and as Company Secretary. We concluded that the performance as administrator was good, but that the performance as Company Secretary required improvement and was being challenged by the demands of the Company as it grows. Overall, JTC's performance met a satisfactory threshold and we have recommended that appointment should continue.

Review of other service providers

The Committee also reviewed the service level of the other service providers of the Company and concluded that the performance was satisfactory and that the relevant appointments should continue.

Committee evaluation

An evaluation of the Committee was undertaken as part of the overall evaluation. The Committee was found to be functioning effectively.

Rupert Barclay Committee Chairman
7 April 2020

Remuneration Committee report

Rosemary Boot, Committee Chairman

Annual statement

It has been a relatively straightforward year for the Committee, despite the wider market changes in corporate governance.

We have conducted a gap analysis of the new governance and regulatory requirements against our current practices and reporting, and it is clear that the majority of the changes to remuneration reporting and approvals do not apply to the Company as we have no executive directors or employees. We made some minor associated changes to the Committee's terms of reference.

We concluded that there was no need to change the Directors' Remuneration policy this year. The policy is in any event due to be updated for shareholder approval at the 2021 AGM, so we will be working on that in the current year.

As all of the members of the Remuneration Committee are also members of the Nomination Committee, we have full visibility of the succession planning arrangements and activities.

In accordance with the Articles of Association and the AIC Code, we considered the current levels of remuneration and whether they reflect the time commitment and responsibilities the Company calls for, especially with regard to any duties beyond those normally expected as part of the director's appointment. We decided that no increases or additional payments were required at this stage, but we would continue to monitor the time commitments required of individual directors.

In the process, we considered a couple of relevant reviews of remuneration: a proprietary third party one for the investment company sector; and another prepared by the Investment Manager for the Company's peer group. These were useful up to a point, as the majority of the investment companies are not REITs, so do not require the same level of time commitment from their boards and the publicly-available information used is, by its nature, historic. However, we did note that the Company's remuneration was below or in line with that of our peers, yet we were mindful of how our decisions on board remuneration influence external perceptions. We had also increased the remuneration during the previous year and the full year effect of that would be seen in 2019. We did not make any changes this year.

Committee membership

The Remuneration Committee membership is made up of all of the Independent directors.

During the year the Committee members were Rupert Barclay, Amanda Aldridge (who joined the Remuneration Committee on 1 March 2019), Philip Hall and me, Rosemary Boot (Chairman). I have previous experience of serving on a Remuneration Committee and currently serve on two other Remuneration Committees.

No director is involved in the setting of their individual package.

The Remuneration Committee meets formally once a year and otherwise as and when necessary. For the period under review, we had one meeting. Attendance is set out on page 50.

JTC attends our meetings as Secretary to the Committee. In addition, we invite representatives of the Investment Manager to attend as required.

Our Terms of Reference were reviewed at our meeting in August 2019. Minor revisions were made, including the addition of Amanda Aldridge to the Committee, and the revised Terms of Reference of the Remuneration Committee were subsequently approved by the board in November 2019. These are available on our website at **https://www.impactreit.uk/about/corporate-governance**.

Role

- Determining, and agreeing with the board, the framework and broad policy for the remuneration of the board and to review the ongoing appropriateness and relevance of the remuneration policy to meet the needs of the Company.
- Taking into account all factors which the Committee deems necessary, including relevant legal and regulatory requirements, the principles of the AIC Code, the relevant provisions of the UK Corporate Governance Code and any associated recommendations and guidance.
- Agreeing the policy for the authorisation of claims for expenses by the directors.

Committee evaluation

An evaluation of the Committee was undertaken as part of the overall board evaluation, which was an internal review this year. The Committee was found to be functioning effectively.

The Annual Statement and annual report on remuneration will be presented at the AGM for shareholder consideration for indicative advisory approval.

Rosemary Boot Committee Chairman
7 April 2020

Directors' remuneration report

Application of the Principles of the AIC Code 2019 to the Directors' Remuneration policy

Principles Q and P of the AIC Code 2019 apply to the policy. Principle Q requires that a formal and transparent procedure for developing remuneration policy should be established and that no director should be involved in deciding their own remuneration outcome. Principle P requires that remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. As set out in this report, we believe these principles have been applied.

Directors' Remuneration policy

The Directors' Remuneration policy was considered and approved by the shareholders at the first AGM, on 26 April 2018. For ease of reference it has been set out in full below.

The Company's policy is to determine the level of directors' fees with due regard to the experience of the board as a whole, the time commitment required and to be fair and comparable to non-executive directors of similar companies. The Company may also periodically choose to benchmark directors' fees with an independent review, to ensure they remain fair and reasonable.

Directors' fees will be adjusted from time to time and will be subject to shareholder approval in the subsequent AGM. The directors may elect to apply the cash amount equal to their annual fee to subscribe for or to purchase ordinary shares.

The directors are entitled only to their annual fee and their reasonable expenses. No element of the directors' remuneration is performance related, nor does any director have any entitlement to pensions, share options or any long-term incentive plans from the Company.

The directors hold their office in accordance with the Articles and their appointment letters. No director has a service contract with the Company, nor are any such contracts proposed. The directors' appointments can be terminated in accordance with the Articles and without compensation.

Under the Company's Articles of Association, all directors are entitled to remuneration determined from time to time by the board and approved by the shareholders.

Directors' remuneration

In line with the Remuneration policy above, since 1 September 2018, each director is entitled to an annual fee of £33,000 per annum. The Chairman is paid a further £13,000 per annum and the Audit Chairman is paid a further £5,000 per annum.

Company-wide considerations

There are no executive directors, nor are there any employees of the Company, so there are no statements to make on any consultations, comparisons, or pay and employment conditions within the Company.

Recruitment

The same remuneration policy will be applied for any recruitment purposes.

Statement of consideration of shareholder views

No comments were received in meetings held with shareholders in 2019 in relation to directors' fees. Following publication of the 2019 annual report and prior to the AGM, the Company will offer to meet or speak with shareholders to discuss the Group's performance and prospects. Shareholders will also be given the opportunity to have input into the new Directors' Remuneration policy which is being developed during the year.

Annual report on remuneration

Principle R of the AIC Code 2019 requires that directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of Company and individual performance, and wider circumstances. We believe that the information set out in the annual statement and this section of the remuneration report demonstrates and explains our application of this principle.

Directors' fees for the year under review (audited)

The directors only receive fees and reasonable expenses for services as non-executive directors – no taxable benefits or bonuses are paid.

Director	Period to 31 Dec 2019	Period to 31 Dec 2018
Rupert Barclay (Chairman)	£46,000	£42,000
Rosemary Boot†	£34,840	£32,667
Amanda Aldridge*	£30,667	–
Paul Craig	£33,000	£31,000
Philip Hall	£33,000	£31,000
David Brooks‡	–	£16,154

1 In addition, each director is entitled to recover all reasonable expenses properly incurred in connection with performing his or her duties as a director. Directors' expenses for the period to 31 December 2019 totalled £3,399. No other remuneration was paid or payable during the period to any director.

† Including £5,000 p.a. for Audit Chair up to 14 May 2019.

* Appointed on 1 March 2019. Including £5,000 p.a. for Audit Chair from 14 May 2019.

‡ David Brooks died on 13 July 2018.

Since the start of 2019, the Company has maintained directors' and officers' liability insurance cover and also public offering of securities insurance, at its expense, on the directors' behalf.

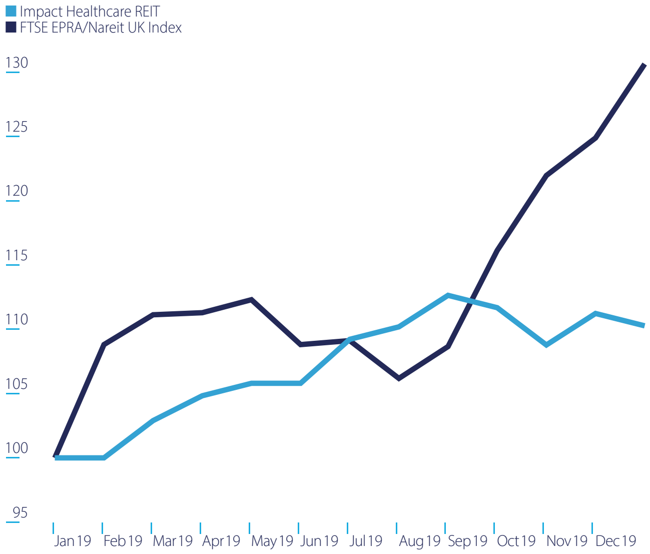
Payments to past directors or for loss of office

There are no payments to disclose. Under the terms of the Directors' Remuneration policy there would be no compensation for loss of office.

Total shareholder return

The graph below shows the total shareholder return of the Company's ordinary shares relative to a return on a hypothetical holding over the same period in the FTSE EPRA/NAREIT UK Index:

Total shareholder return (p)



Source: FTSE Russell monthly total return index/Investis

Directors' shareholdings (audited)

There is no requirement for the directors of the Company to own shares in the Company. As at the year end, the directors held the shareholdings listed below.

Director*	Number of shares held	Share capital as at 31 Dec 2019
Rupert Barclay (Chairman)	183,287	0.06%
Rosemary Boot	30,000	0.01%
Amanda Aldridge	0	–%
Paul Craig†	54,073,678	16.95%
Philip Hall	30,000	0.01%

* Includes directors and persons closely associated (as defined by the EU Market Abuse Regulation) shareholdings.

† These shares are held by funds owned by Quilter Investors of which Paul Craig is Investment Manager.

The shareholdings of the directors other than Paul Craig are not significant and, therefore, do not compromise their independence. Paul Craig has been identified as non-independent as he is an employee of the largest shareholder in the Company, Quilter Investors.

Statement of implementation of remuneration policy for financial year 2019

The Committee adopted the following fees, effective from 1 September 2018:

- £46,000 for the Chairman of the board.
- £33,000 for the non-executive directors.
- An additional £5,000 for the Audit Committee Chairman.

Committee

The membership, activities and role of the Committee are discussed in the Annual Statement above.

External advisers

The Committee has not received any external advice with respect to Remuneration and has not appointed an external remuneration adviser.

Statement of voting at the 2019 Annual General Meeting Shareholder voting at general meeting

The Directors' Remuneration policy was put to a binding vote at the AGM on 26 April 2018 and is due for renewal at the AGM in 2021. The directors' remuneration report was subject to an advisory vote at the AGM on 14 May 2019. The voting outcome is set out in the table below:

	Resolution Approve directors' remuneration report
Votes for*	90,711,125
%	100
Votes against	0
%	0
Total votes validly cast	90,711,125
Total votes cast as % of issued share capital	47.19
Vote withheld†	0

* Includes discretionary votes

† A vote withheld is not a vote in law and is not counted in the calculation of the votes for or against a resolution.

Rosemary Boot Committee Chairman
7 April 2020

Directors' report

Introduction
The directors are pleased to present the annual report, including the Company's audited financial statements as at, and for the year ended, 31 December 2019.

The Directors' report, together with the Strategic report, comprise the "Management Report", for the purposes of Disclosure Guidance and Transparency Rule 4.1.5R.

Statutory information contained elsewhere in the annual report
Information required to be part of this Directors' report can be found elsewhere in the annual report and is incorporated into this report by reference, as indicated below:

Financial results and dividends, page 2

Events subsequent to the year end date, note 28, page 107

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Substantial shareholdings
As at 7 April 2020, the Company is aware of the following substantial shareholdings, which were directly or indirectly interested in 3% or more of the total voting rights in the Company's issued share capital:

Investor	Number of ordinary shares	% holding of issued share capital
Quilter Investors Limited	54,073,678	16.95
Premier Fund Managers Limited	22,684,609	7.11
Valu-Trac Investment Management Limited	21,306,816	6.68
Royal London Asset Management	20,991,651	6.58
Schroder & Co Limited	19,338,442	6.06
Baillie Gifford & Co	13,420,897	4.21
Integrated Financial Arrangements	13,411,220	4.20
Maal Limited	10,000,000	3.14

Source: Argus Vickers 31 December 2019 report and DTR 5 Disclosure notices.
Based on 318,953,861 ordinary shares in issue as at 31 December 2019.
No individual underlying shareholder or fund owns more than 10%.
The Company only has one class of share.

Restrictions on transfer of securities in the Company
There are no restrictions on the transfer of securities in the Company, except as a result of:

- the FCA's Listing Rules, which require certain individuals to have approval to deal in the Company's shares; and
- the Company's Articles of Association, which allow the board to decline to register a transfer of shares or otherwise impose a restriction on shares, to prevent the Company or the Investment Manager breaching any law or regulation.

The Company is not aware of any agreements between holders of securities that may result in restrictions on transferring securities in the Company.

Securities carrying special rights
No person holds securities in the Company carrying special rights with regard to control of the Company.

Change of control
Full relief for Stamp Duty Land Tax ("SDLT") has been granted in relation to the transfer of properties between companies which are members of the Group. Should there be a change in control of the Company within three years of completion, or a single shareholder acquires a substantial stake in the Company, a liability in the subsidiary companies could arise. This is equal to approximately 5% of the aggregate value of the properties and is estimated at £9.4 million on the net purchase price of assets acquired since IPO.

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.

Directors' share dealings

The directors have adopted a code of directors' dealings in ordinary shares, which is in accordance with the Market Abuse Regulation. The board is responsible for taking all proper and reasonable steps to ensure any dealings by directors, or persons closely associated with them, are in compliance with the Market Abuse Regulation.

Greenhouse gas emissions reporting

The board has considered the requirement to disclose the Company's measured carbon emissions sources under the Companies Act 2006 (Strategic report and Directors' report) Regulations 2013.

During the period ended 31 December 2019:

- any emissions from the Group's properties have been the tenants' responsibility rather than the Group's, so the principle of operational control has been applied.
- any emissions that are either produced from the Company's registered office or from offices used to provide administrative support are deemed to fall under the Investment Manager's responsibility.
- the Group has not leased or owned any vehicles which fall under the requirements of Mandatory Emissions Reporting.

As such the Company has no direct reportable emissions for the year ended 31 December 2019.

The Group has committed to undertaking a strategic sustainability review and developing a practical action plan aligned to key environmental and social focus areas. See page 19 on Sustainability.

Political donations

No political donations were made during the year.

Employees

The Group has no employees and therefore no employee share scheme or policies for the employment of disabled persons or employee engagement.

Articles of Association

These are available on our website at **http://www.impactreit.uk/documents** or by application to the Company Secretary. Any amendment to the Company's Articles of Association may only be made by passing a special resolution of the shareholders of the Company.

Branches outside the UK

The Company does not have any branches outside the UK.

Powers of the directors

The board manages the Company's business and may exercise all the Company's powers, subject to the Articles of Association, the Companies Act and any directions given by the Company by special resolution.

Powers in relation to the Company issuing its shares

Subject to Company law and the Articles of Association, the directors are authorised to issue shares of such number of tranches and on such terms as they determine, provided that such terms are consistent with the provisions of the Articles.

Appointment and replacement of directors

All directors will seek re-election at the AGM in accordance with the recommendations of the Code.

A director may be appointed by ordinary resolution of the shareholders in a general meeting following nomination by the board or a member (or members) entitled to vote at such a meeting. In addition, the directors may appoint a director to fill a vacancy or as an additional director, provided that the individual retires at the next AGM.

A director may be removed by the Company in certain circumstances set out in the Company's articles of association or by an ordinary resolution of the Company.

Full details of the processes by which directors can be appointed or replaced are set out in the Articles of Association.

Independent Auditor

BDO LLP has expressed its willingness to continue as auditor for the financial year ending 31 December 2020.

Additional information

There are no disclosures required in accordance with LR 9.8.4 R.

Annual General Meeting

The Company's AGM was scheduled to be held during May 2020. In light of the ongoing COVID-19 pandemic and the Stay at Home Measures legislation prohibiting, among other things, public gatherings of more than two people, the convening of the AGM will be deferred until later in the year. Should legislation be introduced to permit a virtual meeting, the board will adopt this approach. If this is not possible, as the health of the Company's shareholders and officers is paramount, the AGM will be held solely to address formal matters. As the COVID-19 situation evolves further announcements will be made regarding the convening of the 2020 AGM.

Signed on behalf of the board by

Rupert Barclay Chairman
7 April 2020

Statements of responsibilities

Directors' statement of responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS's as adopted by the European Union, subject to any material departures disclosed and explained in the Group financial statements;
- for the Company financial statements, state whether they have been prepared in accordance with Financial Reporting Standard 102 ("FRS102"), subject to any material departures disclosed and explained in the Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

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

Under applicable law and regulations, the directors are also responsible for preparing a Directors' report, a Strategic report, a Directors' remuneration report and a Corporate governance statement that comply with that law and those regulations. These can be found on pages 70-71, 1-40, 67-69 and 42-66, respectively.

Disclosure of information to the auditor

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

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is not aware; and
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Website publication

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

Directors' responsibility statement, pursuant to DTR4

We confirm that to the best of our knowledge:

- the financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and Article 4 of the IAS Regulation and, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole; and
- the Management Report includes a fair review of the development and performance of the business and the financial position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the board by:

Rupert Barclay Chairman
7 April 2020

Independent Auditor's report

to the members of Impact Healthcare REIT plc

Opinion

We have audited the financial statements of Impact Healthcare REIT plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, the consolidated and Company statements of financial position, the consolidated and Company statements of changes in equity, the consolidated statement of cash flow and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard in the United Kingdom and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and Viability Statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the directors' confirmation set out on page 24 in the annual report that they have carried out a robust assessment of the Group's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the directors' statement set out on page 37 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 37 in the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

This is not a complete list of all risks identified for our audit. The key audit matter is consistent with the prior year.

Key audit matter	How the scope of our audit addressed the key audit matter
Valuation of investment property (See note 2 and note 12) The valuation of investment property requires significant judgement and estimates by the Directors and their independent valuer and is therefore considered a significant risk due to the subjective nature of certain assumptions inherent in each valuation. The Group owns care home investment properties that are leased to tenant operators under long-term rental agreements. The properties are independently, externally valued by Cushman & Wakefield (C&W) using the income capitalisation method in accordance with RICS methodology and IFRS 13. Any input inaccuracies or unreasonable bases used in the valuation judgements (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement of the Group financial statements. There is also a risk that management may influence the judgements and estimates in respect of property valuations in order to achieve property valuations and other performance targets to meet market expectations. In relation to this key audit matter, there exist events subsequent to the year-end which are relevant to the valuation of investment property post year end as set out in note 28 of the financial statements for the Group.	**Experience of C&W and relevance of its work** We read C&W's report and checked that the approaches used were consistent with the requirements of accounting standards. We assessed C&W's competence and capabilities and read their terms of engagement with the Group, to identify any matters that could have affected their independence and objectivity or imposed scope limitations upon them. We confirmed that this is their third year of involvement with Impact Healthcare REIT plc. **Data provided to C&W** We checked the data provided to the C&W by the Investment Manager and found that it was consistent with the information we audited. This data included inputs such as current rent and lease term, which we have agreed on a sample basis to executed lease agreements as part of our audit work. **Assumptions and estimates used by C&W** We met C&W, who valued all of the Group's investment properties, and consulted with our internal valuations team, to understand the assumptions and methodologies used in valuing these properties, the market evidence supporting the valuation assumptions and the valuation movements in the period. We have considered the assumptions utilised by C&W within the valuation and benchmarked the valuation to our expectations developed using independent data around the year end. We agreed a sample of key observable valuation inputs, such as passing rents and capital additions, supplied to and used by C&W to supporting documentation. We performed a reconciliation of the C&W valuation total to the aggregate fair value of the investment properties in the financial statements. **Key observation:** Through our procedures performed, we noted differences in the utilisation of assumptions or estimates utilised by C&W. Where differences arose, we challenged these and sought corroborating evidence for such differences to gain comfort over their use. Where necessary adjustments were made to the valuations. We noted no further changes to key assumptions that would result in a material changes to the valuation.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on the audit and in forming our audit opinion. Materiality is assessed on both quantitative and qualitative grounds.

	Financial Statement Materiality	Specific Materiality – EPRA earnings
Materiality	£3.69 million	£882,000
Performance materiality	£2.77 million	£661,500
Reporting threshold	£184,900	£44,100

Materiality

We consider materiality to be the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements.

We determined materiality for the Group financial statements as a whole to be £3.69 million, which was set at 1% of Group total assets (2018: £2.23 million based on 1% of Group total assets). We determined that the Group total assets would be the most appropriate basis for determining overall materiality as we consider this one of the principal considerations for members of the Company in assessing the financial performance of the Group.

We determined the materiality of the Parent Company financial statements as a whole to be £2.97 million, which was set out as 1% of the Parent Company total assets on the basis of the financial results (2018: £1.92 million based on 1% of the Parent Company total assets). We have assessed materiality for the Parent Company to be appropriate when considering the final disclosures made.

We determined the component materiality using the same bases as the Group. Component materiality has been set in the range of £641,000 to £2.97 million on the basis of the total gross asset positions of the components.

We set a specific materiality for particular classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users of the financial statements. In this context, we applied a specific materiality of £0.88 million (2018: £0.62 million) to those items which may affect European Public Real Estate Association ("EPRA") earnings, including revenue, property expenses, administrative expenses, finance cost and finance income and taxation. This specific materiality represents 5% of EPRA earnings for the period (2018: 5%).

Specific materiality for the Parent Company was set on the same basis as the Group at £23,000 (2018: £350,000).

Performance materiality

This is the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgment was that performance materiality and specific performance materiality for the Group should be based on 75% of materiality at £2.77 million and £661,000 (2018: £1.7 million and £465,000) respectively.

Performance materiality and specific performance materiality for the Parent Company was set on the same basis as for the Group at £2.2 million and £17,250 (2018: £1.4million and £262,000) respectively.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences for the Group in excess of £184,900 which is 5% of Group materiality (2018: £111,500) and any other differences that, in our view, warranted reporting on qualitative grounds. We have also agreed to report differences impacting EPRA earnings in excess of £44,100 (2018: £31,000).

We agreed that the reporting threshold for the Parent Company would be £1,150 (2018: £17,500).

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

An overview of the scope of our audit

Our audit of the Group was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, applicable legal and regulatory framework and the industry in which it operates, and assessing the risks of material misstatement at the Group and Parent Company level.

The Group operates solely in the United Kingdom and operates through one segment, investment property, structured through four subsidiary Special Purpose Vehicle ("SPV") companies and six intermediate subsidiaries. The Group audit team performed all the work necessary to issue the Group and Parent Company audit opinions. The SPV subsidiaries were considered to be significant components, and as such the audit approach included undertaking audit work on the key risks of material misstatement identified for both the Group and the SPV subsidiaries. The non-significant components were determined to be immaterial to the Group both individually and in aggregate.

The capability of the audit to detect irregularities including fraud

We undertook audit procedures to respond to the risk of non-compliance with laws and regulations, focussing on those that could give rise to a material misstatement in the Group and Parent Company financial statements, including, but not limited to, the Companies Act 2006, the UK Listing Rules, and the REIT regime requirements.

We undertook further audit procedures to respond to the risk of non-compliance with laws and regulations, focussing on those that could five rise to a material misstatement in the Group and Parent Company financial statements, including, but not limited to, the Companies Act 2006, the UK Listing Rules, and the REIT regime requirements. We made enquiries of the directors to obtain further understanding of risks of non-compliance.

We addressed the risk of management override of internal controls, by undertaking procedures to review journal entries processed during the year end and evaluate whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We consider that the audit procedures we planned and performed in accordance with ISAs (UK) have provided us with reasonable assurance that irregularities, including fraud, would have been detected to the extent that they could have resulted in material misstatements in the financial statements. Our audit was not designed to identify misstatements or other irregularities that would not be considered to be material to the financial statements.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 46** – the statement given / the explanation as to why the annual report does not include a statement by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting set out on page 60** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee / the explanation as to why the annual report does not include a section describing the work of the Audit Committee is materially inconsistent with our knowledge obtained in the audit; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 43** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006. In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statements of responsibilities set out on page 72, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the directors in September 2017 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is three financial years, covering the years ending 31 December 2017 to 31 December 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Levy (Senior Statutory Auditor)
For and on behalf of BDO LLP
Statutory Auditor
London
United Kingdom

7 April 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Littleport Grange, Littleport, Ely, Cambridgeshire

Littleport Croft, a specialist dementia facility, was opened by Minster in October 2018. It broadens the range of services and facilities provided on the Littleport site, benefiting new and existing residents and their families.

Financial statements

Consolidated statement of comprehensive income

For the year ended 31 December 2019

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

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

The accompanying notes to the Consolidated statement of comprehensive income can be found on pages 84-107.

Consolidated statement of financial position

As at 31 December 2019

	Notes	31 December 2019 £'000	31 December 2018 £'000
Non-current assets			
Investment property	12	310,542	220,463
Interest rate derivatives	17	94	477
Trade and other receivables	13	10,017	5,248
Total non-current assets		**320,653**	**226,188**
Current assets			
Trade and other receivables	13	554	587
Cash and cash equivalents	14	47,790	1,470
Total current assets		**48,344**	**2,057**
Total assets		**368,997**	**228,245**
Current liabilities			
Trade and other payables	15	(3,086)	(3,333)
Total current liabilities		**(3,086)**	**(3,333)**
Non-current liabilities			
Bank borrowings	16	(23,461)	(24,709)
Trade and other payables	15	(1,768)	(1,866)
Total non-current liabilities		**(25,229)**	**(26,575)**
Total liabilities		**(28,315)**	**(29,908)**
Total net assets		**340,682**	**198,337**
Equity			
Share capital	20	3,189	1,922
Share premium reserve	20	271,341	140,452
Capital reduction reserve	20	24,077	35,800
Retained earnings		42,075	20,163
Total equity		**340,682**	**198,337**
Net Asset Value per ordinary share (pence)	22	**106.81**	**103.18p**

The accompanying notes to the Consolidated statement of financial position can be found on pages 84-107.

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

Rupert Barclay Chairman

Consolidated statement of cash flows

For the year ended 31 December 2019

	Notes	31 December 2019 £'000	31 December 2018 £'000
Cash flows from operating activities			
Profit for the year (attributable to equity shareholders)		26,332	16,472
Finance income		(110)	(39)
Finance expense	8	2,237	737
Changes in fair value of investment properties	12	(9,070)	(4,134)
Net cash flow before working capital changes		19,389	13,036
Working capital changes			
Increase in trade and other receivables	13	(4,736)	(4,065)
Increase in trade and other payables	15	288	1,020
Net cash flow generated from operating activities		**14,941**	**9,991**
Investing activities			
Purchase of investment properties	12	(69,969)	(53,365)
Acquisition costs capitalised	12	(3,447)	(1,711)
Capital improvements	12	(8,226)	(3,886)
Interest received		110	39
Net cash flow used in investing activities		**(81,532)**	**(58,923)**
Financing activities			
Proceeds from issue of ordinary share capital	20	135,000	–
Issue costs of ordinary share capital	20	(2,844)	(53)
Bank borrowings drawn	16, 24	35,971	26,000
Bank borrowings repaid	16, 24	(36,844)	–
Loan arrangement fees paid	16, 24	(791)	(1,483)
Loan commitment fees paid	8	(395)	–
Interest rate cap premium paid	17, 24	–	(582)
Interest paid on bank borrowings	8	(1,043)	(256)
Dividends paid to equity holders	11	(16,143)	(11,611)
Net cash flow generated from financing activities		**112,911**	**12,015**
Net increase / (decrease) in cash and cash equivalents for the year		46,320	(36,917)
Cash and cash equivalents at the start of the year	14	1,470	38,387
Cash and cash equivalents at the end of the year		**47,790**	**1,470**

The accompanying notes to the Consolidated statement of cash flows can be found on pages 84-107.

Consolidated statement of changes in equity

For the year ended 31 December 2019

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

For the year ended 31 December 2018

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

The accompanying notes to the Consolidated statement of changes in equity can be found on pages 84-107.

Notes to the consolidated financial statements

For the year ended 31 December 2019

1. Basis of preparation

General information

The consolidated financial statements for the year ended 31 December 2019 are prepared in accordance with International Financial Reporting Standards ('IFRS') and interpretations issued by the International Accounting Standards Board ("IASB") as adopted by the European Union and in accordance with the Companies Act 2006, with comparatives presented for the year ended 31 December 2018.

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

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

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

Convention

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

Going concern

The Strategic report describes the Group's financial position, cash flows, and liquidity position. The principal risks are set out on pages 24-28 and note 18 to the financial statements on pages 89-90 also provides details of the Group's financial instruments and its exposure to liquidity and credit risk.

The effect of the COVID-19 pandemic has been considered by the directors. The directors have reviewed the forecasts for the Group taking into account the impact of COVID-19 on trading over the twelve months from the date of signing this annual report. The forecasts have been assessed against a range of possible downside outcomes incorporating significantly lower levels of income in line with the possible effects of the pandemic, see Going concern and viability pages 38-39 and Subsequent events note 28, page 107 for further detail.

The directors believe that there are currently no material uncertainties in relation to the Group's ability to continue for a period of at least 12 months from the date of approval of the Group's financial statements. The board is, therefore, of the opinion that the going concern basis adopted in the preparation of the annual report is appropriate (see page 38).

2. Significant accounting judgements, estimates and assumptions

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

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

2.1 Judgements

Operating lease contracts – the Group as lessor

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

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

Business combinations

The Group acquires subsidiaries that own property and other property interests. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property that are capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. Where such acquisitions are not judged to be the acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based upon their relative fair values at the acquisition date. Accordingly, no goodwill or deferred tax arises. The fair value of assets and liabilities are established using industry-leading third-party professionals, instructed by the Company.

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

2.2 Estimates

Fair valuation of investment property

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

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

The significant methods and assumptions used by the valuers in estimating the fair value of the investment properties are set out in note 12.

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

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

3. Summary of significant accounting policies

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

Basis of consolidation

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

Segmental information

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

Rental income

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

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

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

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

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

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

Service charges, insurance and other expenses recoverable from tenants

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

Finance expense

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

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

Taxation

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

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

Investment properties

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

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

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

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

Trade and other receivables

Trade receivables comprises mainly of lease income receivable.

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

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

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

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

3. Summary of significant accounting policies (continued)

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

Stage one

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

Stage two

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

Stage three

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

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

Cash and cash equivalents

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

Dividends

Dividends are recognised when they become legally payable.

Share capital

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

Share premium

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

Capital reduction reserve

On 12 April 2017, an application to the High Court was successfully made for the reduction of £0.30 per share of the share premium account plus £3,000,000 which allowed the transfer of £46,851,708 to the capital reduction reserve. This is a distributable reserve.

Trade payables

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

Borrowings

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

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

Interest rate derivatives

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

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

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

4. Standards issued and effective from 1 January 2019

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

- IFRS 16 'Leases'

IFRS 16 'Leases'

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

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

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

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

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

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2019

4. Standards issued and effective from 1 January 2019 (continued)

4.1 Standards issued but not yet effective

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

IFRS 3 'Business Combinations'

On 22 October 2018, the IASB issued 'Definition of a Business (Amendments to IFRS 3)' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

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

The Group does not consider the adoption of any new standards or amendments, other than those noted above to be applicable to the Group.

5. Property Income

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

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

For accounting purposes, premiums received are reflected on a straight-line basis over the term of the lease. In addition, the Group benefits from a minimum annual rental uplift of 2% on all leases. For accounting purposes these uplifts are also incorporated to recognise income on a straight-line basis.

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

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

6. Administrative and other expenses

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Investment Manager fees (note 21)	2,756	2,364
Directors' remuneration (see note 7)	193	165
Auditor's fees		
• Statutory audit of the Company and Group (including subsidiaries)	166	90
• Additional fees payable to the auditor in respect of the 2018 audit	22	–
• Agreed upon procedures of the Company's interim report	13	11
• Other services	15	55
Total Auditor's fees	216	156
Administration fees	345	301
Regulatory fees	38	25
Legal and professional	419	286
Other administrative costs	451	266
One-off costs[1]	171	707
	4,589	**4,270**

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

The amounts shown above include irrecoverable VAT as appropriate.

7. Directors' remuneration

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

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

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

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

8. Finance expenses

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

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

9. Taxation

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

Tax charge in the Consolidated statement of comprehensive income:

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

Reconciliation of the corporation tax charge:

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

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

10. Earnings per share

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

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

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

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

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

Adjusted Earnings:

EPRA earnings have been adjusted to exclude the effect of straight-lining of rental income and one-off costs.

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

Notes to the consolidated financial statements

For the year ended 31 December 2019

11. Dividends

	Dividend rate (pence per share)	31 December 2019 £'000	31 December 2018 £'000
Third interim dividend for the period ended 31 December 2017 (ex-dividend – 8 February 2018)	1.5p	–	2,883
First interim dividend for the period ended 31 December 2018 (ex-dividend – 3 May 2018)	1.5p	–	2,883
Second interim dividend for the period ended 31 December 2018 (ex-dividend – 16 August 2018)	1.5p	–	2,883
Third interim dividend for the period ended 31 December 2018 (ex-dividend – 1 November 2018)	1.5p	–	2,883
Forth interim dividend for the period ended 31 December 2018 (ex-dividend – 7 February 2019)	1.5p	2,883	–
First interim dividend for the period ended 31 December 2019 (ex-dividend – 16 May 2019)	1.5425p	4,420	–
Second interim dividend for the period ended 31 December 2019 (ex-dividend – 8 August 2019)	1.5425p	4,420	–
Third interim dividend for the period ended 31 December 2019 (ex-dividend – 31 October 2019)	1.5425p	4,420	–
Total dividends paid		**16,143**	**11,532**
Total dividends paid in respect of the year		4.6275p	4.5p
Total dividends unpaid but declared in respect of the year		1.5425p	1.5p
Total dividends declared in respect of the year – per share		**6.17p**	**6.0p**

On 30 January 2019, the Company declared an interim dividend of 1.50 pence per ordinary share for the period from 1 November 2018 to 31 December 2018 and was paid in February 2019.

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

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

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

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

12. Investment property

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

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

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

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

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

The majority of the properties owned are freehold except for nine properties which are long leasehold under 999 year leases at a peppercorn rent.

Change in fair value of investment properties

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

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

12. Investment property (continued)

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

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

1 Rent premiums received during the year reflected over the term of the lease.
2 Relates to both rent free periods being recognised on a straight-line basis over the term of the lease and rent recognised in the period to reflect the minimum 2% uplift in rents over the term of the lease on a straight-line basis.

Descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining fair values are as follows:

Valuation techniques used to derive fair values

The valuations have been prepared on the basis of fair value which is defined in the RICS 'Red Book' as the "price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" in accordance with IFRS 13. The concept of fair value is considered to be consistent with that of market value. The valuation takes into consideration the current market conditions including improvements effected during the year, annual rentals, lease lengths, property condition, rent coverage and location.

Unobservable inputs

These include: estimated rental value ("ERV") based on market conditions prevailing at the valuation date; estimated average increase in rent based on both market estimations and contractual situations; equivalent yield (defined as the weighted average of the net initial yield and reversionary yield); and the physical condition of the property determined by inspections on a rotational basis. A decrease in the ERV would decrease fair value. A decrease in the equivalent yield would increase the fair value. An increase in the remaining lease term would increase the fair value.

Sensitivity of measurement of significant unobservable inputs

Initial yields range from 3.22% to 10.00% across the portfolio.

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

Fair value hierarchy

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

– Level 1 – unadjusted quoted prices in active markets;

– Level 2 – observable inputs other than quoted prices included within level 1; and

– Level 3 – unobservable inputs.

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

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

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

13. Trade and other receivables

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

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

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

14. Cash and cash equivalents

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

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

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

15. Trade and other payables

	31 December 2019 £'000	31 December 2018 £'000
Non-current		
Rent received in advance of recognition	1,768	1,866
Current		
Trade and other payables	1,158	1,195
Interest payable	250	236
Withholding tax payable – (PID Dividends)	–	250
Rental received in advance	659	–
Capital improvements payable	1,019	1,652
	3,086	3,333
	4,854	**5,199**

16. Bank borrowings

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

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

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

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

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

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

The five-year Clydesdale Facility has a margin of 225 or 250 basis points over three-month LIBOR, depending on the loan-to value ratio of the 14 properties over which the Group has granted security to Clydesdale as security for the loan held in a wholly-owned Group company (Impact Property 3 Limited (IP3)).

Under the bank covenants related to the loans the Group is required to ensure that the:

– Loan to value of IP1 and IP2 combined does not exceed 35%;

– Loan to value of IP3 does not exceed 55%;

– Interest cover of IP1 and IP2 combined based on passing rent from the ring-fenced properties must exceed 200%;

– Interest cover of IP3 based on passing rent from the ring-fenced properties must exceed 325%.

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

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

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

1 Represents cash flow arising from financing activities.

Maturity analysis of borrowings:

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

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

17. Interest rate derivatives

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

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

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

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

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

18. Financial instruments and financial risk management

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

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

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

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

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

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

*The fair value categories are defined in note 12

Risk management

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

Market risk (including interest rate risk)

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

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

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

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group is exposed to credit risks from its leasing activities. Credit risk is minimised by requiring tenants to pay rentals in advance under their lease obligations. The credit quality of the tenant is also assessed based at the time of entering into a lease agreement thereby minimising credit risk. Outstanding trade receivables are regularly monitored. There are no outstanding trade receivables at 31 December 2019.

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

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

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due, as the majority of the Group's assets are property investments and are therefore not readily realisable. The Group's objective is to ensure it has sufficient available funds for its operations and to fund its capital expenditure. This is achieved by continuous monitoring of forecast and actual cash flows by management ensuring it has appropriate levels of cash and available drawings to meet liabilities as they fall due.

18. Financial instruments and financial risk management (continued)

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

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

19. Capital management

The objective of the Group is to acquire, own, lease, renovate, extend and redevelop high-quality, healthcare real estate assets in the UK and lease those assets, under full repairing and insuring leases, primarily to healthcare operators providing residential healthcare services. This provides ordinary shareholders with an attractive level of income together with the potential for income and capital growth from investing in a diversified portfolio of freehold and long leasehold care homes.

The board has responsibility for ensuring the Group's ability to continue as a going concern and continues to qualify for UK REIT status. This involves the ability to borrow monies in the short and long term; and pay dividends out of reserves, all of which are considered and approved by the board on a regular basis.

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

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

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

20. Share capital, Share premium and Capital reduction reserve

	Shares in issue Number	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Total £'000
As at 31 December 2017	**192,206,831**	**1,922**	**140,505**	**41,566**	**183,993**
Share issue costs[1]	–	–	(53)	–	(53)
Dividends declared (note 11)	–	–	–	(5,766)	(5,766)
As at 31 December 2018	**192,206,831**	**1,922**	**140,452**	**35,800**	**178,174**
Shares issued 15 May 2019	94,339,623	943	99,057	–	100,000
Shares issued 9 December 2019	32,407,407	324	34,676	–	35,000
Share issue costs	–	–	(2,844)	–	(2,844)
Dividends declared (note 11)	–	–	–	(11,723)	(11,723)
As at 31 December 2019	**318,953,861**	**3,189**	**271,341**	**24,077**	**298,607**

1 Share issue costs for the year includes incremental costs invoiced in the period in relation to the shares issued in November 2017. These costs had not been accrued at 31 December 2017.

The Company had 318,953,861 shares of nominal value of 1 pence each in issue at the end of the year (31 December 2018: 192,206,831).

On 15 May 2019, the Company issued a further 94,339,623 ordinary shares at a price of 106 pence per ordinary share raising gross proceeds of £100.0 million.

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

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

21. Transactions with related parties

Investment Manager

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

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

For the year ended 31 December 2019 the principals and Finance Director of Impact Health Partners LLP, the Investment Manager, are considered key management personnel. Mr Patel and Mr Cowley are the principals and Mr Yaldron is the Finance Director of Impact Health Partners LLP and they own 3.42%, 0.28% and 0.02% respectively (either directly, with related parties or through a wholly-owned company) of the total issued ordinary share capital of Impact Healthcare REIT plc. Mr Patel also (directly and/or indirectly) holds a majority 72.5% stake in Minster Care Group Limited "MCGL". Mr Cowley also holds a 20% interest in MCGL. 68.7% of the Group's rental income was received from MCGL or its subsidiaries. A trade receivable of £349,490 was outstanding at the year end (2018: none).

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

Directors' interests

Paul Craig is a director of the Company. He is also the portfolio manager at Quilter Investors, which has an interest in 54,073,678 ordinary shares of the Company through funds under management. The remaining directors who are shareholders in the Company do not hold significant interest in the ordinary share capital of the Company.

During the year the directors, who are considered key management personnel, received the following dividends from the Company: Rupert Barclay £9,982 (2018: £6,000); Rosemary Boot £1,838 (2018: £1,800) and Philip Hall £1,838 (2018: £1,800). In addition, funds managed by Paul Craig received dividends from the Company of £3,136,080 (2018: £2,377,067).

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

Minster Care Group Limited ("MCGL")

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

- On 5 May 2017, the Company entered into a sale and leaseback of 56 homes and a further home was transferred under the sale and leaseback in June 2017. The net purchase price of this portfolio was £156.2 million. The group entered into new leases for two more properties on 22 May 2018 with net purchase price of £8.0 million.
- In accordance with the leases, undertook rent review uplifts on 7 March 2019 in relation to the portfolios acquired on 5 May 2017 and June 2017. On 22 May 2019 a rent review uplift was carried out for two other properties acquired on 22 May 2018.
- Out of approved capital improvement expenditure of £5.2 million (on three homes in 2018) and £7.9 million (on eight homes in 2017) in MCGL portfolio, £11.7 million has been delivered and £1.4 million is remaining at 31 December 2019 (on two homes).

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

22. Net Asset Value (NAV) per share

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

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

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

23. Operating leases

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

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

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

24. Reconciliation of liabilities to cash flows from financing activities

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

25. Capital commitments

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

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

26. Contingent liabilities

Full relief for Stamp Duty Land Tax (SDLT) has been granted in relation to the transfer of properties between companies which are members of the Group. Should there be a change in control of the Company within three years of completion, or a single shareholder acquires a substantial stake in the Company a liability in the subsidiary companies could arise. This is equal to approximately 5% of the aggregate value of the properties and is estimated at £9.4 million (2018: £8.9 million) on the net purchase price of assets acquired in corporate acquisitions since incorporation. £7.0 million of this contingent liability relates to the SDLT on the seed portfolio, in the 2020 year these properties will have been owned for three years and hence this portion of the contingent liability will no longer be recognised.

27. Controlling parties

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

28. Subsequent events

- On 6 January 2020, the Group completed the acquisition of Red Hill Nursing Home in Worcester and leased it to an existing tenant, Minster (see note 21). This added 90 beds to the Group's portfolio for an initial consideration of £3.0 million with a performance based deferred payment of £2.0 million. The initial consideration was funded from the Group's cash.
- On 3 March 2020, the Group completed the acquisition of three care homes in Bradford which have been leased to a new tenant for the Group, Silverline Care. This added 182 beds to the Group's portfolio at a consideration of £7.5 million, this was funded from the Group's cash.
- On 7 March 2020, the Group exchanged on a portfolio of nine Scottish care homes in a sale and leaseback with Holmes Care, a new tenant for the Group. This portfolio totals 649 beds for an initial consideration of £47.5 million with a deferred payment of up to £3 million based on the tenant's performance over the 12 months from exchange. The acquisition has not completed at the date of the signing of this annual report.
- On 7 March 2020, the Group entered into a forward funding arrangement with an existing tenant, Prestige, for the development of a 94 bed care home in Hartlepool. Total consideration is £6.1 million, this is expected to be completed within 12 months from the arrangement date at which point it will be leased to Prestige. This was funded from the Group's cash.
- On 10 March 2020, the Group completed on four care homes in Yorkshire which have been leased to MMCG. Total consideration for the 273 beds was £10.5 million, this was funded from the Group's cash.

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

- On 7 March 2020 in relation to the portfolio of assets acquired in May 2017 in relation to the IPO, let to Minster and Croftwood.
- On 16 March 2020 in relation to a single asset let to Prestige.
- On 18 March 2020 in relation to two assets let to NHS.
- On 23 March 2020 in relation to a single asset let to Welford.

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

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

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

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

- a revised assessment of going concern and viability, including scenarios that consider the effect of payment holidays on rent for our tenants of up to 12 months, and also the effect of tenant defaults and breaches of our loan covenants.
- Cushman & Wakefield, our independent valuers, since the 18 March 2020 (after the valuation report date for 31 December 2019) have notified us that they will be adding a material uncertainty statement to all future valuation reports. We expect this to be included in their Q1 report due towards the end of April 2020.

Further details can be seen in the Principal risks and uncertainties section of the annual report and accounts (see pages 24-28), Chairman's statement pages 4-5, Investment Manager's report pages 30-33 and Going concern and viability pages 38-39.

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

Company statement of financial position

As at 31 December 2019
Company Registration Number: 10464966

	Notes	31 December 2019 £'000	31 December 2018 £'000
Non-current assets			
Investment in subsidiaries	6	242,990	188,223
Total non-current assets		**242,990**	**188,223**
Current assets			
Trade and other receivables	7	44,829	39,963
Cash and cash equivalents	8	46,702	41
Total current assets		**91,531**	**40,004**
Total assets		**334,521**	**228,227**
Current liabilities			
Trade and other payables	9	(27,215)	(37,404)
Total liabilities		**(27,215)**	**(37,404)**
Total net assets		**307,306**	**190,823**
Equity			
Share capital	10	3,189	1,922
Share premium reserve	10	271,341	140,452
Capital reduction reserve	10	24,077	35,800
Retained earnings		8,699	12,649
Total equity		**307,306**	**190,823**
Net Asset Value per ordinary share (pence)	12	**96.35p**	**99.28p**

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

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

Rupert Barclay Chairman

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

Company statement of changes in equity

	Notes	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'000
1 January 2019		**1,922**	**140,452**	**35,800**	**12,649**	**190,823**
Total comprehensive income		–	–	–	470	470
Transactions with owners						
Dividends paid	5	–	–	(11,723)	(4,420)	(16,143)
Shares issued	10	1,267	133,733	–	–	135,000
Share issue costs	10	–	(2,844)	–	–	(2,844)
31 December 2019		**3,189**	**271,341**	**24,077**	**8,699**	**307,306**
1 January 2018		**1,922**	**140,505**	**41,566**	**(2,313)**	**181,680**
Total comprehensive income		–	–	–	20,728	20,728
Transactions with owners						
Dividends paid	5	–	–	(5,766)	(5,766)	(11,532)
Share issue costs	10	–	(53)	–	–	(53)
31 December 2018		**1,922**	**140,452**	**35,800**	**12,649**	**190,823**

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

Notes to the Company financial statements

For the year ended 31 December 2019

1. Basis of Preparation

General information

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

Disclosure exemptions adopted

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

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

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

Convention

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

Going concern

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

The effect of the COVID-19 pandemic has been considered by the directors. The directors have reviewed the forecasts for the Group taking into account the impact of COVID-19 on trading over the 12 months from the date of signing this annual report. The forecasts have been assessed against a range of possible downside outcomes incorporating significantly lower levels of income in line with the possible effects of the pandemic, see Going concern and viability report pages 38-39 and Subsequent events page 107 for further detail.

2. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosures. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustment to the carrying amount of the assets or liabilities in future periods. There were no significant accounting judgements, estimates or assumptions in preparing these financial statements.

3. Summary of significant accounting policies

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

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

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

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

Dividends
Dividends are recognised when they become legally payable.

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

Capital reduction reserve
On 12 April 2017, an application to the High Court was successfully made for the reduction of £0.30 per share of the share premium account plus £3,000,000 which allowed the transfer of £46,851,708 to the capital reduction reserve. This is a distributable reserve.

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

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

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

Tax charge included in total comprehensive income:

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

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

6. Investment in subsidiaries

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

6. Investment in subsidiaries (continued)

The Company has the following subsidiaries:

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

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

The registered address for the above subsidiaries is:

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

7. Trade and other receivables

	31 December 2019 £'000	31 December 2018 £'000
Loan to Group companies	43,829	39,694
Interest on loans to Group companies	805	–
Loan receivable[1]	69	250
Prepayments	126	19
	44,829	**39,963**

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

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

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

8. Cash and cash equivalents

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

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

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

9. Trade and other payables

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

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

10. Share capital, Share premium and Capital reduction reserve

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

11. Transactions with related parties

The Company has taken advantage of the exemption provided by FRS102 not to disclose transactions with other members of the Group as the Company's own financial statements are presented together with its consolidated financial statements.

See note 21 of the consolidated financial statements for disclosure of related party transactions of the Group.

12. Net Asset Value (NAV) per share

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

EPRA has issued guidelines aimed at providing a measure of net asset value on the basis of long-term fair values. There are no adjustments between basic and EPRA NAV.

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

Notes to the Company financial statements

For the year ended 31 December 2019

13. Capital commitments

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

14. Subsequent events

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

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

Additional information

Freeland House, Freeland, Oxfordshire

A 46-bed dementia care facility constructed on the existing Freeland House site and set within parkland. The impressive new building was completed in January 2020. For further details see case study on page 35.

EPRA performance measures (unaudited)

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

1
EPRA earnings per share

£17.6m
6.95p per share
for the year to 31 December 2019 (for the year to 31 December 2018: £12.4m / 6.47p)

Definition
Earnings from operational activities.

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

2
EPRA NAV per share

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

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

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

3
EPRA Tripple Net Asset Value (NNNAV)

£339.0m
106.29p per share
for the year to 31 December 2019 (for the year to 31 December 2018: £197.0m / 102.52p)

Definition
EPRA NAV adjusted to include the fair values of:

(i) financial instruments;
(ii) debt and;
(iii) deferred taxes.

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

4.1
EPRA Net Initial Yield (NIY)

6.66%

for the year 31 December 2019 (for the year to 31 December 2018: 6.85%)

2019	6.66%
2018	6.85%

Definition

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

Purpose

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

4.2
EPRA "topped-up" NIY

6.66%

for the year to 31 December 2019 (for the year to 31 December 2018: 6.97%)

2019	6.66%
2018	6.97%

Definition

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

Purpose

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

5
EPRA vacancy rate

0.00%

for the year to 31 December 2019 (for the year to 31 December 2018: 0.00%)

Definition

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

Purpose

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

EPRA performance measures (unaudited)

6
EPRA cost ratio

19.15%

for the year to 31 December 2019 (for the year to 31 December 2018: 24.69%)

Definition

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

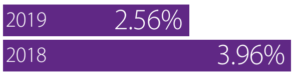
Purpose

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

7
Like-for-like rental growth

2.56%

for the year to 31 December 2019 (for the year to 31 December 2018: 3.96%)



Definition

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

Purpose

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

Notes to the EPRA performance measures (unaudited)

For the year ended 31 December 2019

1 EPRA earnings per share

	31 December 2019 £'000	31 December 2018 £'000
Total comprehensive income (attributable to shareholders)	**26,333**	16,472
Adjusted for:		
Change in fair value of investment properties	**(13,937)**	(7,577)
Rental income arising from recognising guaranteed rent uplifts and rental premiums	**4,867**	3,443
	(9,070)	(4,134)
Change in fair value of interest rate derivatives	**383**	105
Profits to calculate EPRA earnings per share	**17,646**	12,443
Weighted average number of ordinary shares (basic and diluted)	**253,954,292**	192,206,831
EPRA earnings per share – basic and diluted	**6.95p**	6.47p

2 EPRA NAV per share

	31 December 2019 £'000	31 December 2018 £'000
Net assets at end of period	**340,682**	198,337
Adjustments to calculate EPRA NAV		
Fair value of derivatives	**(95)**	(477)
EPRA NAV	**340,587**	197,860
Shares in issue at 31 December (basic and diluted)	**318,953,861**	192,206,831
EPRA NAV per share	**106.78p**	102.94p

3 EPRA NNNAV per share

	31 December 2019 £'000	31 December 2018 £'000
EPRA net assets at end of period	**340,588**	197,860
Include:		
Fair value of financial instruments	**95**	477
Fair value of debt[1]	**(1,666)**	(1,291)
EPRA NNNAV	**339,017**	197,047
Shares in issue at 31 December (basic and diluted)	**318,953,861**	192,206,831
EPRA NNAV per share	**106.29p**	102.52p

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

Notes to the EPRA performance measures (unaudited)

For the year ended 31 December 2019

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

	31 December 2019 £'000	31 December 2018 £'000
Investment property – wholly owned	**318,791**	223,844
Less capital improvements under construction	(6,954)	(1,076)
Completed property portfolio	**311,837**	222,768
Allowance for estimated purchasers' costs1	19,765	13,878
Gross up completed property portfolio valuation (B)	**331,602**	236,647
Annualised cash passing rental income	**22,081**	16,214
Property outgoings (non recoverable insurance)	(2)	(3)
Annualised net rents (A)	**22,079**	16,211
Add		
Contractual uplifts on rent free periods of funded capital improvements	–	276
Topped-up net annualised rent (C)	**22,079**	16,487
EPRA Net Initial Yield (A/B)	**6.66%**	6.85%
EPRA Topped-Up Net Initial Yield (C/B)	**6.66%**	6.97%

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

5 EPRA vacancy rate

	31 December 2019 £'000	31 December 2018 £'000
Estimated rental value of vacant space	–	–
Estimated rental value of the whole portfolio	**22,512**	16,509
EPRA Vacancy rate	**0.00%**	0.00%

6 EPRA cost ratio

	31 December 2019 £'000	31 December 2018 £'000
Administrative and other expenses	**4,589**	4,270
Net service charge cost	**2**	3
Total costs including and excluding vacant property costs	**4,591**	4,273
Gross rental income	**23,980**	17,309
Total EPRA cost ratio (including, and excluding, direct vacancy costs)	**19.15%**	24.69%

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

7 Like-for-like rental growth

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

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

All properties operate within the same sector, UK healthcare.

AIFM statement (unaudited)

Carne Global AIFM Solutions (C.I.) Limited served as Alternative Investment Fund Manager to the Company until 15 March 2019. Impact Health Partners LLP became the AIFM from that date. References in this statement to "AIFM" are to Impact Health Partners LLP.

Quantitative remuneration disclosure for the AIFM

Information in relation to the remuneration paid by the AIFM to its staff is available to investors upon request. Please write to Impact Health Partners LLP, Heddon House, 149-151 Regent Street, London W1B 4JD or email: info@impactreit.uk

Liquidity

At the date of this annual report there are no assets held by the Company which are subject to special arrangements arising from their illiquid nature. There has been no change to the liquidity management system and procedures during the period since incorporation. Please refer to note 18 in the financial statements for an analysis of the Company's liabilities and their maturity dates at 31 December 2019.

The current risk profile of the Company and the risk management systems employed by the AIFM to manage those risks

The Company's risk management framework and risk appetite are set out in 'Audit, risk and internal control' on pages 56-59 of the annual report.

Please refer to pages 22-25 for the board's assessment of the principal risks and uncertainties facing the Company. The AIFM has assessed the current risk profile of the Company to be low.

Leverage

The Group's maximum and actual leverage levels at 31 December 2019 are shown below:

Leverage exposure	Gross method	Commitment
Maximum limit	200.0%	200.0%
Actual	98.5%	112.5%

For the purposes of the AIFM Directive, leverage is any method which increases the Group's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of the Group's exposure to its net asset value and is calculated on both a gross and commitment method.

Under the gross method, exposure represents the sum of the Group's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other. Both methods include the Group's interest rate swaps measured at notional value.

There has been no change to the maximum level of leverage which the AIFM may employ on behalf of the Company. The actual level of gearing employed by the Company at 31 December 2019 was 6.81%.

Material changes to information

Article 23 of the AIFM Directive requires certain information to be made available to investors before they invest and requires material changes to this information to be disclosed in the annual report. An updated copy of the Company's Article 23 disclosure schedule was published following the change of AIFM on 15 March 2019. Other than the changes to the Company's AIFM (and the consequential appointment of Indos Financial Limited as the Company's depository), which is described on page 5 of this annual report. There have been no other material changes to the information requiring disclosure.

Glossary

Adjusted EPS: Adjusted Earnings per Share

Administrator: JTC (UK) Limited

AIC: Association of Investment Companies

AIFM: Alternative Investment Fund Manager

BDO: BDO LLP

Capex: Capital Expenditure

CMA: Competitions and Markets Authority

Contracted rent: The annualised rent adjusting for rent due following rent free periods.

Contracted Yield: Contracted rent roll divided by the independent market value of the portfolio

CQC: Care Quality Commission

EPRA: European Public Real Estate Association

EPS: Earnings per Share

Investment Adviser/Adviser/IHP: Impact Health Partners LLP

Note: The Investment Adviser became the AIFM/Investment Manager (from 15 March 2019).

Investment Manager/Manager/AIFM: Carne Global AIFM Solutions (C.I.) Limited (until 15 March 2018)

IPO: Initial Public Offering

LTV: Loan to Value

Management Report: As defined by the FCA handbook and governed by DTR 4.1.8, incorporated within the strategic report and governance section of this annual report

MMCG: Maria Mallaband and Countrywide Group

NAV: Net Asset Value

NIY: Net Initial Yield

Premium Listing/Premium List: The transfer of our shares to the premium listing segment of the London Stock Exchange's main market and admitted to the premium listing segment of the FCA's Official List

RCF: Revolving Credit Facility

REIT: Real Estate Investment Trust

RICS 'Red Book': RICS Valuation – Global Standards 2017

RPI: Retail Price Index

Seed Portfolio: Initial portfolio of 56 assets (including two option assets) acquired in May 2017

WAULT: Weighted Average Unexpired Lease Term

Corporate information

Directors
Amanda Aldridge non-executive director
(from 1 March 2019)

Rupert Barclay non-executive Chairman

Rosemary Boot senior independent non-executive director

Paul Craig non-executive director

Philip Hall non-executive director

Registered office
The Scalpel
18th Floor
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Telephone: +44 (0)207 409 0181

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(from 15 March 2019)
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Legal Advisers
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EC1A 2AL

Independent Auditor
BDO LLP
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London
W1U 7EU

Administrator and Secretary
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London
EC3M 7AF

Registrar
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Depositary
Indos Financial Limited
54 Fenchurch Street
London
EC3M 3JY

Valuer
Cushman & Wakefield
43-45 Portman Square
London
W1A 3BG

Company Registration Number
10464966

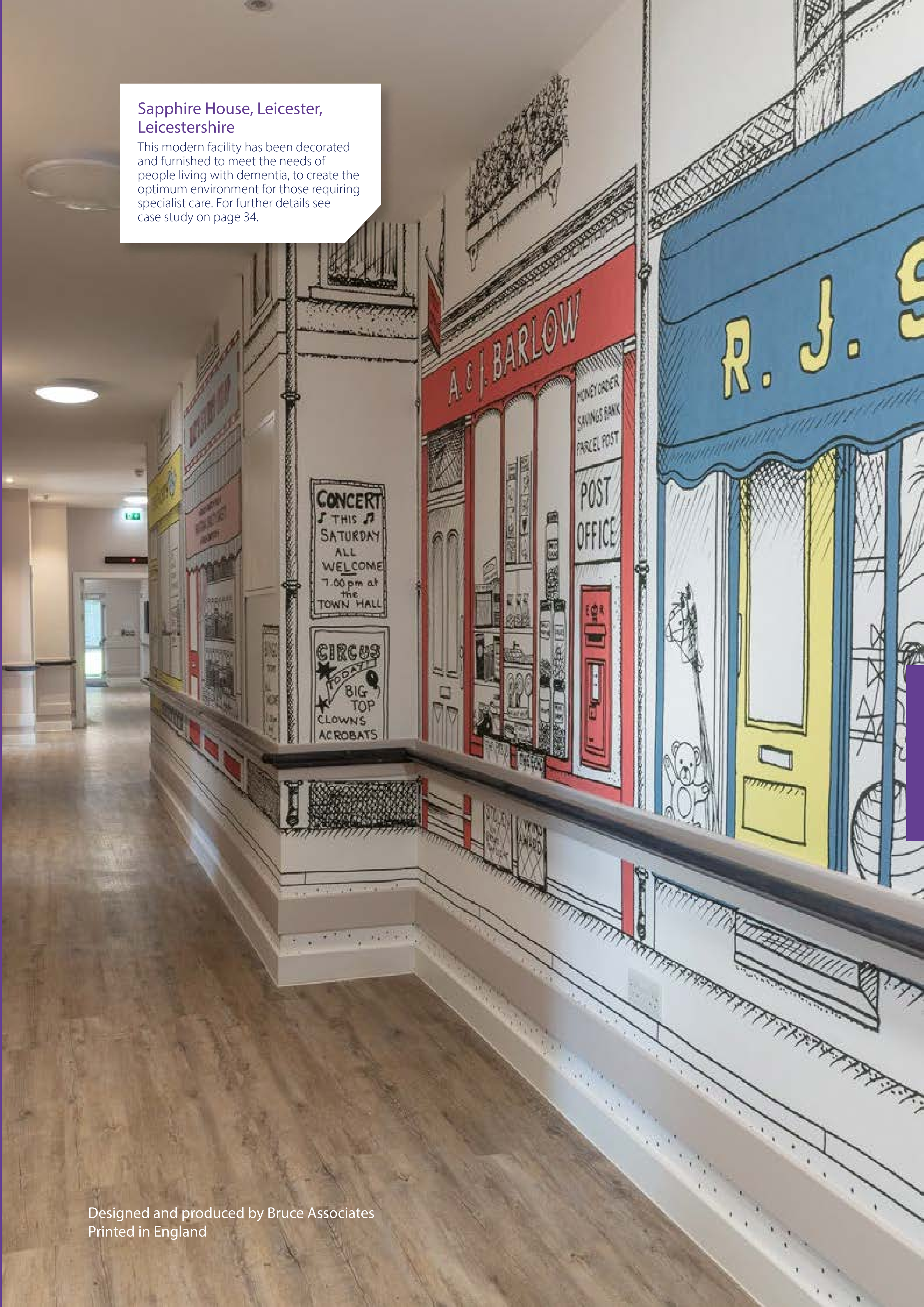
Website
www.impactreit.uk

Financial calendar

Announcement of full year results	7 April 2020
Annual general meeting	To be confirmed
Half year end	30 June 2020
Announcement of half year results	August 2020
Full year end	31 December 2020

Sapphire House, Leicester, Leicestershire

This modern facility has been decorated and furnished to meet the needs of people living with dementia, to create the optimum environment for those requiring specialist care. For further details see case study on page 34.



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