IMPACT Healthcare REIT

Annual report 2020

Driving sustainable returns from a diversified healthcare portfolio

Impact Healthcare

Dedicated to UK healthcare real estate

Impact Healthcare REIT plc is a real estate investment trust, listed on the premium segment of the main market of the London Stock Exchange. We invest in a diversified portfolio of resilient UK healthcare real estate assets, in particular residential and nursing care homes that provide crucial social care infrastructure for vulnerable elderly people, and let them on long-term leases to high-quality operators.

We aim to provide shareholders with attractive and sustainable returns, primarily in the form of quarterly dividends, and with the potential for capital and income growth. We have a progressive dividend policy, with a dividend target of 6.41 pence per share[1] for the year ending 31 December 2021. Our medium-term NAV total return target is an average of 9.0% per annum[1].

Our purpose

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

Our values

Our core values are to:

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

Our business model

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

- **the quality of the buildings we own;**
- **the quality of care our tenants deliver;**
- **the quality of the cash flows we generate; and**
- **maintaining a healthy balance sheet.**

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

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Financial highlights

Year ended 31 December 2020

The resilience of the business against the backdrop of COVID-19 enabled us to meet our dividend target for the year of 6.29 pence per share, contributing to a robust total return performance.

Dividends declared per share

6.29p

+1.9%

2020	6.29p
2019	6.17p
2018	6.00p
2017*	4.50p

Profit before tax

£28.8m

+9.3%

2020	£28.8m
2019	£26.3m
2018	£16.5m
2017*	£9.5m

Earnings per share ("EPS")

9.02p

-13.0%

2020	9.02p
2019	10.37p
2018	8.57p
2017*	5.82p

EPRA EPS

7.25p

+4.4%

2020	7.25p
2019	6.95p
2018	6.47p
2017*	4.35p

Adjusted EPS[1]

5.93p

+12.7%

2020	5.93p
2019	5.26p[3]
2018	5.07p
2017*	4.39p

Contracted rent roll

£30.9m

+33.7%

2020	£30.9m
2019	£23.1m
2018	£17.8m
2017	£11.9m

Portfolio valuation

£418.8m

+31.4%

2020	£418.8m
2019	£318.8m
2018	£223.8m
2017	£156.2m

Net asset value ("NAV") per share

109.58p

+2.6%

2020	109.58p
2019	106.81p
2018	103.18p
2017	100.65p

Share price[2]

109.00p

+0.9%

2020	109.00p
2019	108.00p
2018	103.50p
2017	102.38p

Loan to value ratio

17.77%

2020	17.77%
2019	6.81%
2018	11.62%
2017	nil

NAV total return

8.46%

-10.6%

2020	8.46%
2019	9.46%
2018	8.47%
2017†	7.19%

1 Adjusted earnings per share reflects underlying cash earnings per share in the period. The adjustments made to EPS in arriving at EPRA and Adjusted EPS are set out in note 10 to the financial statements.

2 As at 31 December.

3 The removal of amortisation of loan arrangement fees is a change made in the current year and the prior year adjusted earnings figure has been restated to include an adjustment for the amortisation of loan arrangement fees.

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

† Annualised for 2017.

For further discussion of these metrics see pages 32-33. Alternative performance measures have been calculated in line with EPRA best practices recommendation, see pages 122-127.

Portfolio performance
Year ended 31 December 2020

While responsibly supporting our tenants and their residents through the COVID-19 pandemic dominated much of the year, we continued to make further progress with implementing our sustainable growth strategy.

Operational highlights

Resilience
1.77x rent cover
The Group demonstrated its resilience during 2020, reflecting the strength of our partnerships with a diverse group of tenants, strong rent cover, robust lease structures and our healthy balance sheet.

Rent collected
100%
This resilience enabled us to collect 100% of rent due for the year, with no changes to any lease terms or payment schedules.

Acquisitions
22
22 properties acquired with 1,513 beds for a total net consideration of £84.7 million.

Forward-funded development
1
Committed to forward fund a further property with 94 beds. On completion, this will bring our total properties to 108 with 5,924 beds.

New tenants
3
Added three new tenants, giving us 12 tenants[1] at the year end. All leases continue to be inflation-linked with upwards only rent reviews.

WAULT
20 yrs
Weighted average unexpired lease term ("WAULT") of 20.0 years at 31 December 2020 (31 December 2019: 19.7 years).

Increases from rent reviews
£0.54m
Rent reviews in the year added £0.54 million to the contracted rent, representing a 2.3% increase on the associated portfolio.

Contracted rent roll
£30.9m
Grew the contracted rent roll by 33.7% to £30.9 million (31 December 2019: £23.1 million).

New revolving credit facility
£50m
Secured a £50 million revolving credit facility with HSBC on 6 April 2020, giving the Group total facilities of £125 million

Sustainability

Effectively managing sustainability issues is fundamental to long-term value creation and we made good progress this year. This included:

- publishing our environmental, social and governance ("ESG") policy;
- publishing our EPRA sustainability report and achieving EPRA sBPR gold level compliance;
- evaluating Energy Performance Certificate ("EPC") ratings and the underlying data across the portfolio;
- identifying opportunities to improve energy efficiency and EPC ratings; and
- enhancing the green credentials of our standard lease terms.

Post balance sheet

Acquisition
1
Acquired one further property with an existing tenant, taking our total properties owned to 109 and 5,975 beds. Contracted rent has grown to £31.4 million[2].

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

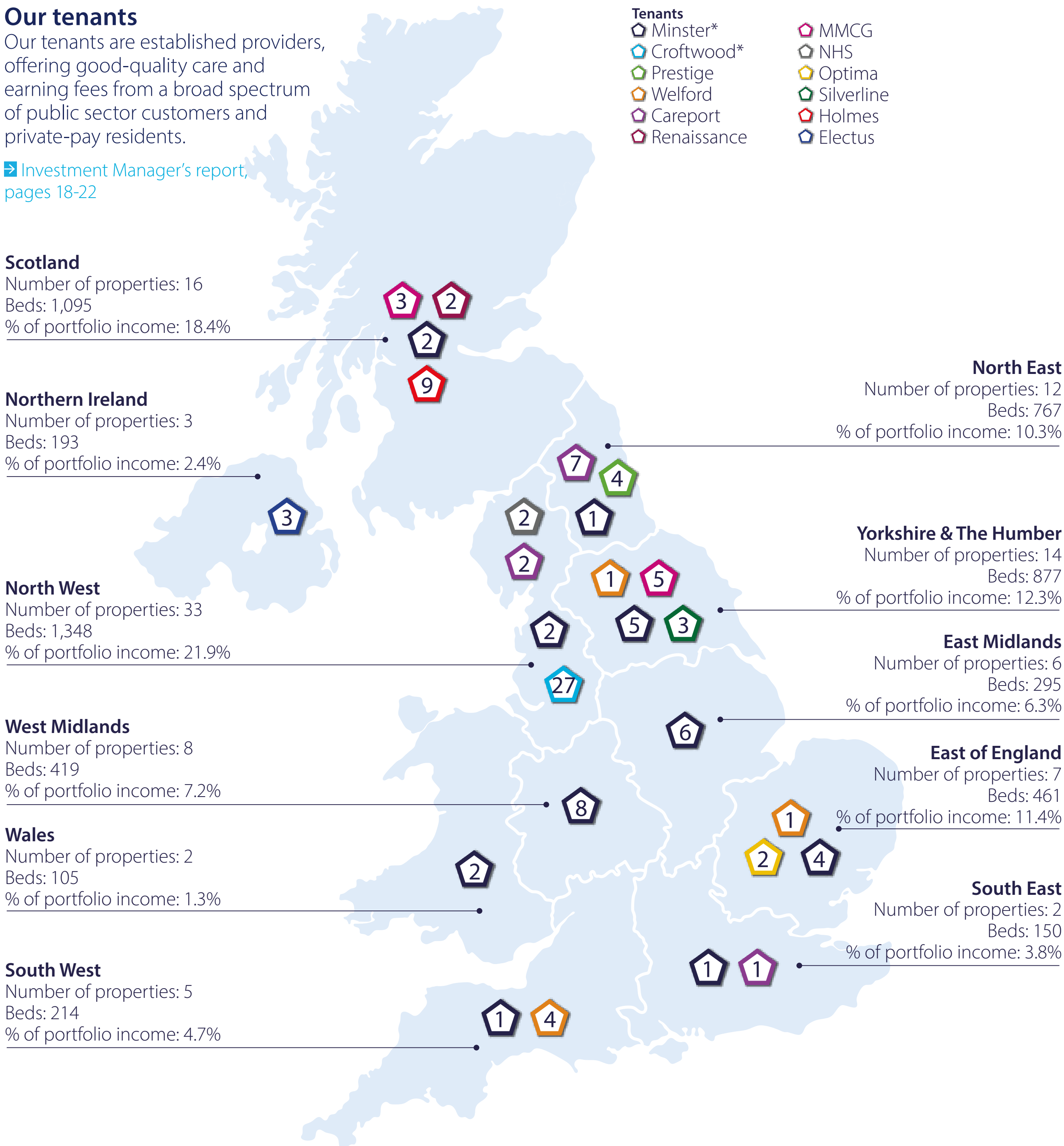
Investment Manager's report, pages 18-22

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

Our tenants

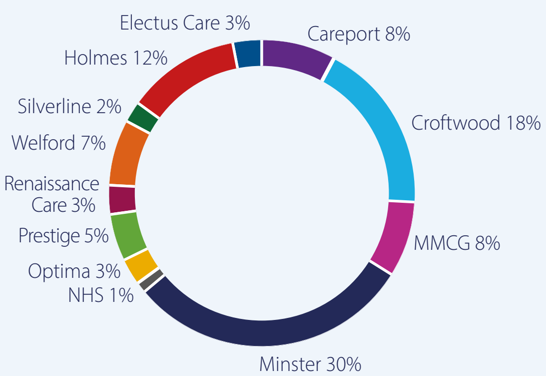
Our tenants are established providers, offering good-quality care and earning fees from a broad spectrum of public sector customers and private-pay residents.

Investment Manager's report, pages 18-22



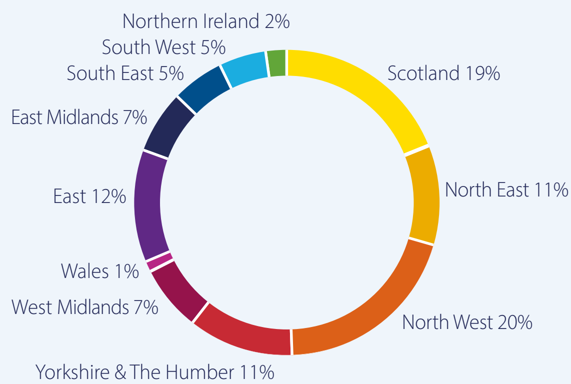
Tenants by income (%)

based on % of contracted rent as at 31 December 2020



Regionally diverse (%)

based on % portfolio market value



* Part of the Minster Care group

Note: The information on this page includes forward-funded developments

Supporting our stakeholders through COVID-19

Opposite: a thermal scanner at Argentum Lodge, Bristol. This enables the body temperature of everyone entering the building to be read remotely before entrance is permitted.

Throughout the COVID-19 pandemic, our top priority has been to help protect the wellbeing of the Group's tenants, their residents and their healthcare professionals, as well as wider stakeholders.

The need remains strong for good quality care from well maintained, fit for purpose care homes with strong infection controls in place. The Group's tenants continue to provide an essential service to the communities in which they operate and are playing a critical role in helping to provide high-quality care to vulnerable elderly people during this pandemic.

COVID-19 and its impact on care homes

The World Health Organization declared COVID-19 to be a global pandemic on 11 March 2020. We now know that the first deaths from COVID-19 in an English care home had already occurred five days before, on 6 March 2020.

In the first wave of the pandemic, weekly care home deaths in England peaked at 2,769 in the week-ending 24 April 2020. Deaths in care homes from all causes in April 2020 were three times higher than the average for that month over the previous five years. Weekly deaths related to COVID-19 in care homes fell during the summer months, to a low of 17 in late August. Unfortunately, death rates began to pick up again in the autumn, as the second wave spread across the UK. 661 deaths in care homes were attributed to COVID-19 in the final week of 2020. The second wave peaked in care homes in the week ending 29 January 2021, when 1,808 deaths were attributed to COVID-19, and then started to fall rapidly.

The availability of testing, and better access to personal protective equipment ("PPE"), has made an important difference to infection control in care homes. Testing became widely available towards the end of May 2020 and, since the end of Q3 2020, most homes have tested staff weekly and residents monthly, with a more frequent regime if any cases are detected. Improved infection control was one factor which helped to reduce the proportion of COVID-19 related deaths occurring in care homes from 30% of total deaths in the country in the first wave, to 19% in the second wave.

COVID-19's impact on the Group's care homes has not been even, with some homes more significantly affected while a larger number have been unaffected. Overall, they have broadly followed the national pattern, with tenant occupancy reduced by an average of 10% during the first wave and then stable since the end of the second quarter. The COVID-19 testing outlined above has enabled our tenants and the Investment Manager to build a clear picture of how homes have been affected, so they can respond quickly to any identified cases.

Supporting our tenants and their residents

To protect residents, all the Group's homes were closed to visitors from early March 2020, and in many cases they were also closed to new admissions. From that point, the Investment Manager was in very regular contact with all of our tenants. In addition to the detailed operating and financial data the Investment Manager receives from all tenants each quarter, we asked our tenants to provide weekly occupancy data throughout the most severe phases of the pandemic, along with a situation report on how the pandemic was affecting their operations. This enabled the Investment Manager to keep the board regularly informed about the impact on tenants and their residents.

Where appropriate, the Investment Manager has shared information among tenants, along with ideas on how best to manage the challenges. The Investment Manager also provided practical support where possible. For example, in April 2020, as pressures on PPE supplies mounted and wholesalers were only responding to substantial orders focused on the NHS, the Investment Manager placed a large order for masks and then allocated them to tenants as required.

In June, the Investment Manager consulted with tenants about how it could support the careful reopening of homes to new admissions and to visitors. Tenants requested help with improving infection control, through the installation of thermal scanners that enable the body temperature of everyone entering the building to be read remotely. The board agreed that the Group should fund the purchase and installation of thermal scanners at all of our homes. Feedback from tenants on the initiative was highly positive.

Protecting the interests of shareholders and lenders

During this period, the board has been required to make important decisions with stakeholders' interests at their heart. These decisions illustrate the board's approach to fulfilling its duties under s172(1) of the Companies Act. More information on these decisions can be found below. Our s172(1) statement is on pages 40-41.

In addition to tenants and their residents, shareholders and lenders are included within the Group's key stakeholders. During the pandemic, both the Investment Manager's work with tenants and the board's key decisions have simultaneously looked after tenants and residents and protected the interests of shareholders and lenders. For example, while the board's decision to purchase thermal scanners was clearly in the best interests of tenants, residents and staff, it was also good for shareholders and lenders, who benefited from the support to rent cover provided by the enhanced opportunity for new admissions this provided.

The board decided in early March 2020 not to proceed with a planned acquisition and to put all further acquisitions on hold until the uncertainty caused by COVID-19 had reduced sufficiently. While the board is aware that shareholders want to see the Group grow, the board's view was that the uncertainty at the time meant that the business plan expected for these acquisitions could not be guaranteed. We also shared our tenants' desire, for these target homes, to focus on protecting the welfare of existing residents and care providers, rather than the potential disruption and distraction that a change of operator could create.

The board also decided in March to delay the announcement of the 2019 full year results by two weeks, in line with FCA guidance. This enabled the Investment Manager to complete a significant amount of extra work, to overlay the incremental risk scenarios presented by the pandemic into our going concern and viability assessment and reassure the board, the auditor and our wider stakeholders on the Group's resilience under all scenarios.

In May, the board discussed the payment of the first quarterly dividend for 2020. Given the Group's financial headroom, the sound level of rent cover and our tenants' overall performance, the board concluded it was appropriate to pay the dividend. The continued receipt of 100% of rent payments during 2020 supported subsequent interim dividend payments and resulted in a total payout that met our 6.29 pence per share target for the year.

In September, the board agreed that it was appropriate to resume acquisitions on a very selective basis and approved the purchase of St Peter's House. This followed additional due diligence to understand occupancy and any COVID-19 impact on the home, discussions with Welford as the potential tenant about its appetite to proceed and an appraisal of Welford's performance during COVID-19 and its resilience to a downturn. Having determined the home was trading well, had no confirmed cases of COVID-19 and that Welford's performance during the first wave of the pandemic had been positive, the board was comfortable to proceed.

After carrying out similar enhanced due diligence, we completed two further acquisitions in December. These were Blackwell Vale with Careport and three homes with a new tenant, Electus Care, marking our entry into Northern Ireland. Since the end of the financial year, the Group has completed one further acquisition.

Looking forward

The most positive development in reducing the impact of the pandemic has been the successful roll out of the vaccination programme since the end of last year, across the UK. By mid-February 2021, residents at 100% of the homes owned by the Group had been offered a vaccination. The quantity and quality of data on how effective the vaccines will be in protecting the most vulnerable in the population in real world conditions is growing rapidly, with encouraging early indications.

Effective vaccines, combined with continued testing programmes and thorough infection control measures, will enable the Group's tenants gradually and safely to reopen the homes to visitors. This reopening will be transformative for the quality of residents' lives and will also, over time, help the Group's tenants return their occupancy to more normal levels.

Chairman's statement

During 2020, our tenants responded well to the challenges created by the pandemic and have been ably and responsibly supported by the Investment Manager. The human cost of the pandemic has been foremost in our minds and we have looked to do everything we can to help protect the health and wellbeing of our tenants' residents and their healthcare professionals. See pages 4-5, for discussion on COVID-19's effect on the UK care home sector during 2020.

Despite these difficult conditions, the Group's business model has proved resilient, as we have benefited from our deliberate approach to implementing our strategy since IPO. More information on the factors underlying this resilience, from our careful selection of tenants and assets to our conservative use of debt, can be found in the Investment Manager's report on pages 18-22.

Our tenants use our assets to provide an essential care service, demand for which is not directly correlated with economic conditions. This enabled them, despite the pandemic but with the benefit of grant income to offset incremental costs, to maintain rent cover in 2020. This in turn has allowed us to collect 100% of the rent due for the year, without putting undue stress on our tenants, and we were therefore able to meet our dividend target.

Operational performance

While the uncertainty arising from the pandemic caused us to suspend acquisitions for several months during 2020, we still made progress with our strategy. Before the pandemic struck, we exchanged contracts on a number of acquisitions, and we completed two further purchases in December following the improved conditions in the second half of the year. In total, we added three new tenants and 22 homes with 1,513 beds to the portfolio and sold one non-core asset with 36 beds. This gave us 12 tenants[1], 108 assets and 5,924 beds at the year end.[2]

Asset management is one of our key value creation tools. While the pandemic restricted our ability to invest in new projects in 2020, we did complete two units to provide high-quality care for people suffering from dementia, adding 76 beds in total, and committed to forward fund a new 94-bed care home in Hartlepool (see page 24). We have also begun agreeing capital investments up front with tenants when acquiring new assets, with £2.8 million committed to the three most recent purchases.

Effectively managing the long-term sustainability of the business for all our stakeholders is fundamental to long-term value creation and we made good progress this year. This included publishing our environmental, social and governance ("ESG") policy, evaluating Energy Performance Certificate ("EPC") ratings and the underlying data across the portfolio, identifying opportunities to improve energy efficiency and EPC ratings, and enhancing the green credentials of our standard lease terms (see pages 25-29).

Our investment portfolio was independently valued at £418.8 million as at 31 December 2020 (31 December 2019: £318.8 million), a 31.4% increase. The contracted rent roll was £30.9 million at the year end, up 33.7% over the year.

Our tenants

We have further diversified the Group's tenant base, adding Silverline, Holmes and Electus in 2020. This is an important part of our growth strategy, enabling us to expand the business while spreading risk. We choose financially resilient tenants who prioritise a positive and safe environment for their residents, provide good-quality care and share our vision of continued asset improvement. The board prioritises maintaining the Group's assets to a high standard and pays close attention to our tenants' programmes of repair and maintenance and ensuring sustainable rent cover.

Financial performance

The NAV at 31 December 2020 was £349.5 million or 109.58 pence per share (31 December 2019: £340.7 million or 106.81 pence per share).

Our earnings benefited from the growth in the portfolio and further reductions in our cost ratios, as a result of economies of scale. Earnings per share ("EPS") for the year was 9.02 pence (basic and diluted) (2019: 10.37 pence) a 1.35 pence per share reduction on last year as a result of reduced growth in valuation uplifts and the full effect of 2019 share issues. Our EPS metrics, which exclude movement in valuations, reflect this underlying growth. EPRA EPS was 7.25 pence (2019: 6.95 pence) and Adjusted EPS was 5.93 pence (2019: 5.26 pence[3]).

More information on our financial performance can be found in the Investment Manager's report on pages 21-22.

Dividends and total return

The Company has a progressive dividend policy and seeks to grow its target dividend in line with the inflation-linked rental uplifts received in the previous year, under the terms of its leases. The board set a target total dividend for 2020 of 6.29 pence per share, a 1.94% increase over 2019. Subsequently the board has declared four interim dividends of 1.5725 pence each, meeting our target. The total dividend is 115% covered by our EPRA EPS and 94% covered by adjusted EPS, our cash cover metric.

1 Including Croftwood and Minster, which are both part of the Minster Care Group.
2 Including forward-funded developments
3 The removal of amortisation of loan arrangement fees is a change made in the current year and the prior year adjusted earnings figure has been restated to include an adjustment for the amortisation of loan arrangement fees.

The dividend contributed to a robust NAV total return for the year of 8.46%, close to our target of 9.0% per annum. This is a resilient result in the context of COVID-19.

During 2020, the Group achieved average RPI rent uplifts of 2.6% and received £483,826 in the year. This has allowed the board to set a target total dividend for the year ending 31 December 2021 of 6.41 pence per share, a 1.91% increase on 2020.

Financing

In April 2020, the Group agreed a new revolving credit facility with HSBC. This represented a vote of confidence during a key stage of the pandemic and further secured our financial position. The new facility increased our total facilities by £50 million to £125 million and reduced our average cost of debt.

The Group remains prudently financed, with drawn debt at 31 December 2020 of £76.4 million, giving us an LTV of 17.8%. At the year end, we had cash on the balance sheet of £8.0 million and headroom in our facilities of £48.6 million. We intend to continue to maintain a conservative balance sheet.

Corporate governance

The Company has a strong and independent board, which at the year end comprised me as Chairman and four other non-executive directors. We conducted our first externally facilitated evaluation during the year, which showed that the board and its committees are working well, as well as highlighting areas for further development.

Our work on succession planning reaffirmed our desire to appoint an additional non-executive director and the recruitment process is now well advanced and we expect to announce an appointment in due course.

Investment Manager

Our Investment Manager has worked hard this year on advancing our strategy, while supporting tenants through the pandemic. The strength of the Investment Manager's relationships with our tenants came to the fore during this time. The flow of detailed and current information these relationships produced gave us comfort that we knew where we stood during the darkest period and was a vital input to the board's decision making.

Post balance sheet events

Since the end of the year, the Group has acquired one asset, the 51-bed Mavern House Nursing Home, for a net consideration of £5.1 million. The home is now run by Welford, which is an existing Group tenant. We have committed £0.6 million of capital expenditure to expand the home over the next 18 months.

Outlook and summary

As demonstrated in 2020, our business is resilient and our portfolio provides crucial infrastructure supporting vulnerable elderly people across the UK. We remain well-capitalised and are confident that the fundamental drivers of our industry and business remain strong, even if the recovery from COVID-19 is slower than we would like. We are positioned to deliver further portfolio diversification and growth that will generate attractive returns for shareholders. At the same time, we will continue to responsibly deliver value to our tenants, their residents and healthcare professionals, over the long term.

Rupert Barclay Chairman
26 March 2021

Investment Manager's Q&A

Right: Andrew Cowley, Managing Partner, Impact Healthcare Partners

1. The business proved to be highly resilient in 2020. Are there things you can do to build on that?

When Mahesh and I founded the business four years ago, we gave a great deal of thought to how to make it resilient. We wanted to make sure we had a conservative balance sheet, strong lease structures, careful tenant selection and that, as Mahesh always put it, our tenants had "room to breathe". Our aim was to build a business for the long term, and we knew there would be bumps on the road.

Neither of us foresaw an event as major as the pandemic in 2020 and the lockdowns which followed. This challenging environment demonstrated how resilient the business is in reality. Perhaps this is best shown by two key facts: in 2020 we collected 100% of the rent due, while our portfolio rent cover in 2020 was the same as 2019 at 1.8 times.

Rather than be complacent about this, we have spent time with the board at the beginning of 2021 looking at what we could do to become more resilient. The first conclusion from that discussion was, do not change things that have worked. Another was to be even more rigorous about future tenant selection and to ensure they continue to have plenty of room to breathe.

2. What are the key lessons from the pandemic and has it changed the long-term drivers of your market?

It is still too early to answer this question definitively as, while there is now strong light at the end of the tunnel, created largely by the success of the vaccination programme, the pandemic is sadly not yet over.

We think the key drivers, which are summarised on pages 10-12, are intact. People over 85 are the fastest-growing age group in the UK population and a minority will continue to require a level of care which can be best provided for in a care home.

In terms of care home design, we expect to see a greater emphasis on function over lifestyle, with more focus on measures which can enable better infection control. We have revised the plans at homes where we have asset management projects underway to improve infection control, so that the building can be operated as separate sub-units if required.

Two trends which we expect to see accelerated by the pandemic are:

First, the greater use of digital technology to manage care, much of which is still paper based. More effective use of technology should help care operators to improve quality and openness, which will benefit all stakeholders including landlords.

Second, as the government also looks at lessons learned from the pandemic, we would expect to see much greater emphasis on better integration between health and social care, which – if delivered – would also be a positive development for all stakeholders.

3. Is the pandemic likely to result in care home owners exiting the market? Will this create opportunities for you?

We have a strong pipeline of acquisition opportunities which we think are attractive. However, what we are not seeing is a step change of the terms on which quality assets can be acquired caused by sellers who have been distressed by the pandemic.

While we do not have a crystal ball to see exactly how government policy will evolve, we are pretty certain it will evolve following the pandemic. We expect this evolution to involve more rather than less government funding for adult social care, which could lead to higher pricing for healthcare assets. We are continuing to pursue acquisitions on a selective basis, rather than waiting for clarity on this issue.

4. Is your preference to continue to add new tenants or to increase the number of homes your current tenants lease from you?

The short answer is: both.

Since 2018, we have added ten new tenants. To diversify more and reduce our risk, we want to continue to add new tenants, while being very careful about their selection.

However, we think the pandemic also illustrated the benefits of having a relatively compact tenant group, as it made two-way communication during a very stressful period easier, enabling us to stay on top of what was happening and wherever practicable to help our tenants.

What we really like is when an experienced and ambitious operator in the middle market, often the second generation taking over a family business, comes to us and says they want to grow their business from 15 homes to 30 homes, so they can make more investments in quality, compliance and technology and they need a capital partner. We see our relationship with our tenants as a long-term partnership in which both sides can help the other to develop their businesses.

5. Is ESG important to you?

We set out the Group's ESG policy at the beginning of 2020, but we understand that is just one step in our ESG journey. Our aim is to show two things: first, that ESG is not a standalone policy, but is embedded into everything we do, in particular as a management tool to help us think more clearly about how to enhance the long-term sustainability – and hence resilience - of our business. Second, that we are being practical and have realistic plans to make deliverable improvements to our portfolio over time.

Much of our focus in 2020 was on the environment, where we developed plans to improve the EPC ratings of our homes and began to think about how they can become net-zero carbon over time (see pages 26-29). In 2021, one of our plans is to develop ways we can measure better the social impacts of what happens inside the buildings we own, where thousands of people are employed by our tenants to deliver essential care services to some of the most vulnerable people in society.

6. Has the experience of the last year permanently changed your view of the appropriate level of debt?

Again, I could give a short answer: no.

We have always been conservative about the way in which we manage our balance sheet and that will continue. At the end of 2019, we had drawn debt of £25 million and £48 million of cash on our balance sheet, which turned out to be a great position from which to go into a pandemic. By the end of 2020, once we had financed a number of acquisitions, our LTV was 18%. At that level, the investment value of our property portfolio would have to fall by over 50% and our rental receipts by in excess of 70% before we triggered any banking covenants.

7. Will annual rent rises linked to inflation put stress on your tenants over time?

This is a question we often get asked, as it goes to the heart of the long-term sustainability of our business. 100% of our leases are inflation linked, with annual rises linked to either RPI or CPI.

As the chart on page 12 of this report shows, since 1998 the average weekly fees charged by care providers have gone up by 3.8% per annum for nursing care and 3.7% for residential care. RPI has averaged 2.8% per annum over the same period. That gives us comfort that our universe of potential tenants can grow their revenues faster than inflation.

In case inflation does something surprising, we have put floors and caps into most of our leases to give our tenants (and us) some level of protection. In 98 of our leases the floor is 2% and the cap 4%; in nine it is 1% and 5%; and two leases have no floor or cap.

Finally, our emphasis is on buying standing assets with a trading history. We do careful analysis of what their sustainable performance is, which then lets us form a view on the right level of rent and hence rent cover for each asset. While we need to be careful about putting too much of our tenants' data into the public domain, we are committed to being open and transparent. Our regular publication of rent cover numbers for our portfolio will enable you to see if, over time, inflation increases are putting pressure on our tenants. So far, that is not the case.

Aligned to favourable long-term market growth drivers

In the UK, we see sustainable growth in demand for elderly care, constrained supply of beds and a highly fragmented market, coupled with rising fees and the prospect of further government funding. This creates an attractive long-term opportunity for well-capitalised asset owners to achieve scale by acquiring high-quality resilient homes, while working in partnership with well-managed operators who are committed to providing high standards of care.

Care for older people

£17.3bn
2020 market value

Nursing care homes

total	**£8,072m**
for profit	£7,281m
not-for-profit	£791m

Residential care homes

total	**£7,489m**
for profit	£5,930m
not-for-profit	£1,559m

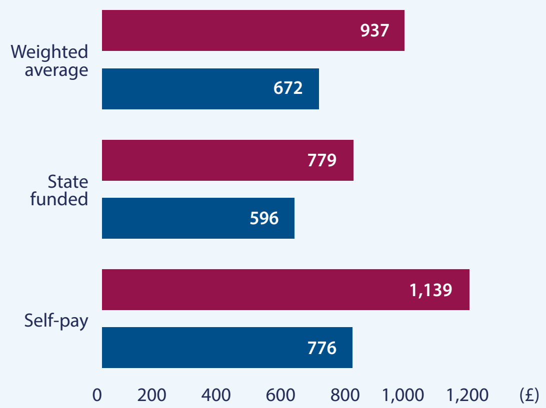
NHS elderly care facilities

state-run	£1,069m

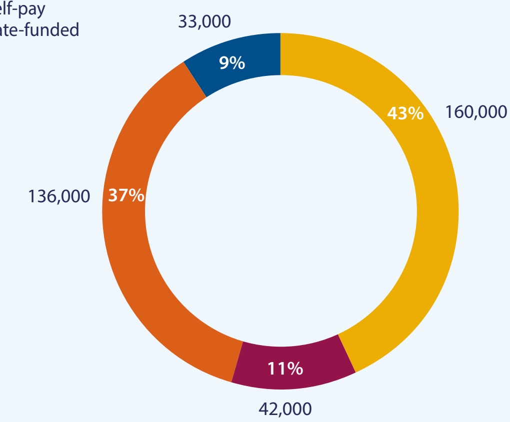
Local authority care homes

state-run	£689m

Weekly fees
Nursing
Residential



Resident breakdown
"pure" self-pay
"quasi" self-pay
"pure" state-funded
NHS



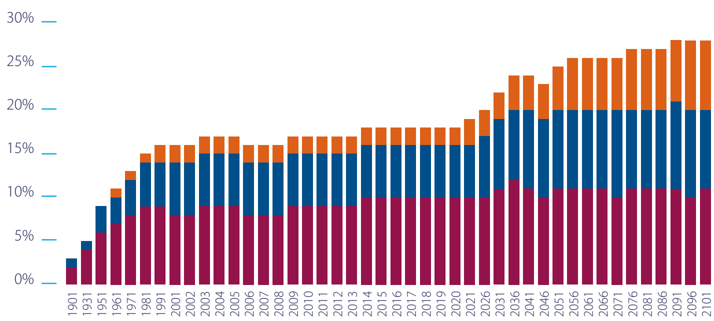
Source: LaingBuisson

1. An ageing population

People aged over 85 are the fastest-growing part of the UK population and make up the core client group for care homes. According to the Office for National Statistics, the proportion of the population over 85 years old in the UK is forecast to more than double over the next three decades, from 2.5% in 2021 to 5.2% in 2051.

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

An ageing population
% of total population aged 85+
% of total population aged 75-84
% of total population aged 65-74



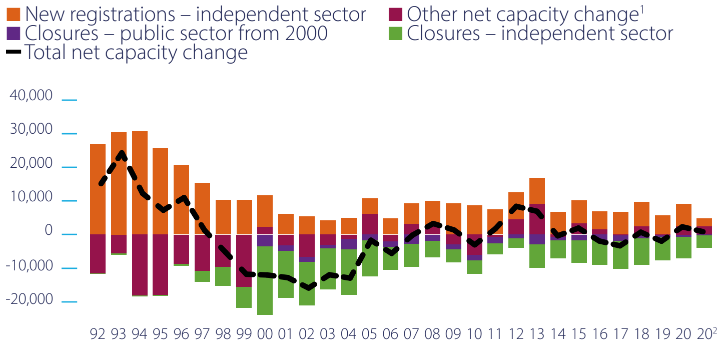
Source: Office for National Statistics

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

Since 2013, the number of new beds built has equalled beds being withdrawn from the market. Underlying this stability there have been a number of changes in the structure of the market.

Independent operators, both for profit and not-for-profit, have continued to take market share from homes owned and operated by the public sector. At the same time, the number of care homes has shrunk by 9% between 2010 and 2020 as older, obsolete buildings are withdrawn from the market to be replaced by more modern, larger homes. The average size of care homes has grown from 36 beds to 42 beds in that period. The average size of homes in Impact's portfolio is 50 beds.

Capacity not rising in line with an ageing population



Note: Excludes changes in NHS hospital long-stay places for older people

1 Other net capacity change includes extensions and reductions to existing homes as well as re-registrations of care homes to and from client groups other than old age and dementia

2 Apr-Sep 20 (annualised)

Source: LaingBuisson database

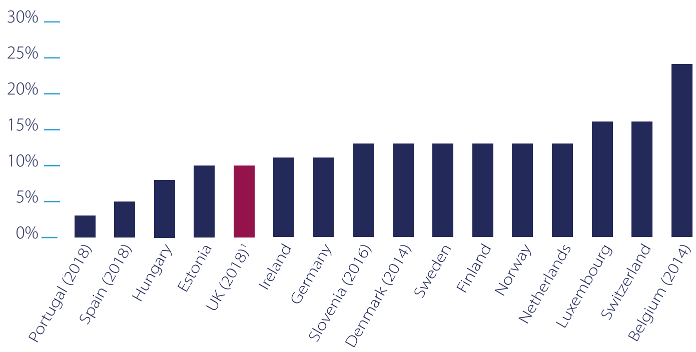
3. Potential pent-up demand

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

There is no evidence older people in the UK are healthier than in neighbouring countries. The lower proportion of older people in care homes might instead show that current UK government policy is effective in rationing access to care homes only to those who absolutely need that care.

The UK care home market is less susceptible to competition from other forms of care provision and as overall demand increases, so should the demand for care home beds.

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



1 UK figure calculated by LaingBuisson based on data in Table 1.6

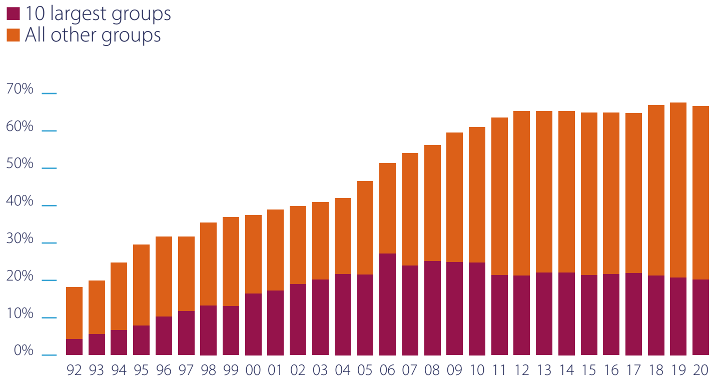
Sources: OECD, Office for National Statistics

4. A fragmented market

Over recent years the market has seen deconsolidation at its top end. The market share of the ten largest independent operators has declined from a peak of 27% in 2006, to 20% in 2020. This reflects diseconomies of scale in the care business. For the largest operators, the potential benefits of access to capital at lower cost and purchasing power for consumables such as utilities and food tend to be more than cancelled out by higher group overheads and the lack of economies of scale in pay rates for care staff, which are operators' largest expenditure.

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

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



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

Source: LaingBuisson database

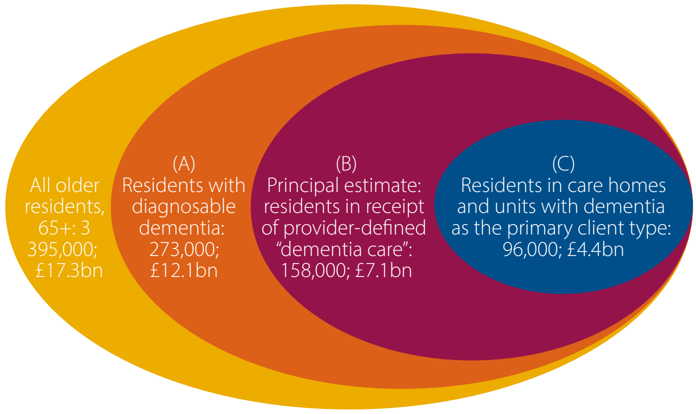
Aligned to favourable long-term market growth drivers

5. Dementia

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

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

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

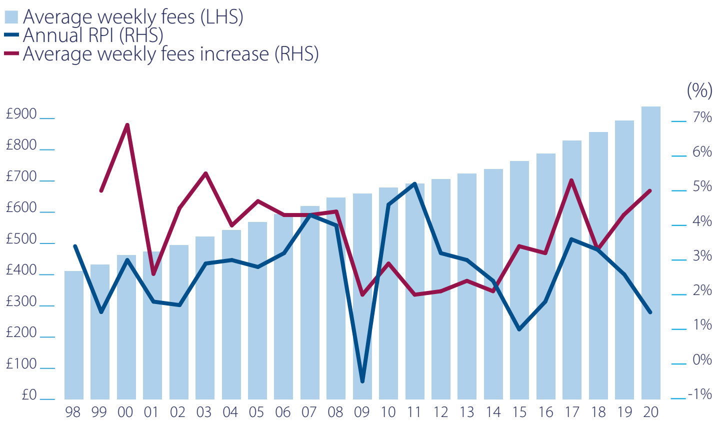


Source: LaingBuisson database

6. Fees rising faster than inflation

As a result of increasing demand, limited new capacity and a shift from government provision to independent providers, the independent sector has seen sustained and above-inflation growth of the fees it charges for care. Between 1998 and 2020, weekly fees charged by operators have grown on average by 3.8% per annum for nursing care and 3.7% for residential care. Over the same time period, RPI has averaged 2.8% per annum. This gives us confidence that the RPI linkage in our leases is sustainable.

Average weekly fees (£) versus RPI (%)



Source: LaingBuisson database

Investment case

The strengths and resilience of our business and the growth potential in our market will help us to deliver attractive and sustainable returns for our shareholders and positive social impact on our wider stakeholders over the longer term.

1. A large and growing market

Each year, £17.3 billion pounds is spent on providing residential care for elderly people in the UK, which is approximately 0.8% of UK GDP. It is critical social care infrastructure and the value of 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 Aligned to favourable long-term market growth drivers, pages 10-12

2. Risk-adjusted returns

We consider risk at different levels: ensuring balance sheet strength with modest debt; carefully selecting tenants and monitoring their performance; maintaining rent cover as we add tenants; managing assets and the overall portfolio to add value; and focusing on our long-term sustainability, both environmental and economic. This allows us to generate returns with lower risk.

For further information see the Investment Manager's report, pages 18-22

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 give vendors the certain execution they are looking for. One of the priorities of our Investment Manager is to establish and develop long-term partnerships with our tenants.

For further information see Biographies, pages 56-57

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 the Chairman's statement, pages 6-7

5. Adding value through asset management

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

For further information see the Investment Manager's report, pages 18-22

6. Positioned for further accretive growth

At the end of 2020 we owned just over 1% of the operational beds in the highly-fragmented UK elderly care market. Since early 2018, we have been growing our portfolio, adding ten new tenants and acquiring homes which are accretive to our portfolio, while exercising strong capital discipline.

For further information see the Investment Manager's report, pages 18-22

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.

Our activities

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

We build strong relationships with high-quality care providers, who we can work with long term.

1. Build relationships

We identify attractive assets to acquire, in partnership with those operators.

2. Identify assets

We perform rigorous due diligence before we selectively purchase care assets.

3. Appraise purchases

Our lease terms ensure strong rent cover on day one and require our tenants to maintain our assets to the right standard, with minimum spend requirements.

4. Agree leases

We work closely with our tenants to create sustainable value through mutually beneficial asset management projects.

5. Engage tenants

We optimise our portfolio through selective asset sales, where we can reinvest in higher value opportunities.

6. Optimise portfolio

Objectives and strategy, page 16

Sustainability, pages 25-29

Our competitive advantages

Our business has several important strengths that help us to create value.

The Investment Manager is our key source of competitive advantage. In particular:

- its deep knowledge of care homes and how to run them is a critical advantage in assessing assets to acquire, selecting operators for those assets and identifying opportunities to add value through asset and portfolio management;
- its vendor relationships and strong partnership mentality with existing and future tenants, mean we can buy some homes off-market, so we face less competition to acquire them;
- the Investment Manager's knowledge means we can carefully and swiftly assess an opportunity, giving vendors the speed and certainty of execution they are looking for; and
- the Investment Manager's understanding of our tenants' operations enables it to form strong and supportive partnerships with them, which are crucial for long-term sustainable value creation. Its sector knowledge also allows it to engage effectively with tenants about their quality of care.

In addition, we benefit from having a well-diversified base of high-quality tenants. This reduces risk for us, increases our resilience and gives us multiple opportunities to responsibly grow our business alongside theirs.

Investment policy, page 129

Portfolio management, page 23

Governance and risk management drive Company performance

Governance, pages 47-82 Principal risks and uncertainties, pages 34-39

Culture and values

Purpose and culture, page 46

The output from our business model

The quality of our business is underpinned by three pillars that we use to monitor performance.

We own a diversified portfolio of care homes, which provide a welcoming physical environment for their residents. We categorise each of our assets as core, value-add or non-core (see portfolio management on page 23), which in turn informs our asset management strategy. Our asset management programme looks to enhance the quality of our homes and their sustainability over time, including ensuring their environmental performance and EPC ratings meet evolving regulatory requirements.

Quality of buildings

The security of our rental streams depends on our tenants providing good-quality care to their residents, so the homes consistently remain in demand and sustain their profits. 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. If appropriate, where a home is rated poorly, the Investment Manager may seek an independent assessment of the home to help us and the tenant understand any performance issues, or its resolution of these issues, in preparation for re-inspection.

Quality of care

We carefully monitor our tenants' financial performance, particularly their ability to grow revenues at least in line with inflation, to maintain a stable EBITDA margin and hence maintain or grow our rent cover.

Disciplined capital allocation has led to attractive net initial yields on acquisitions and our conservative approach to debt maximises cash we can distribute to shareholders. We tightly control our costs and exploit economies of scale as we grow, as many of our costs are fixed and some variable costs step down as our asset value rises.

Quality of cash flows

Investment Manager's report, pages 18-22

Our high-quality business

delivers sustainable value to our shareholders and other stakeholders.

Tenants can grow their business alongside us, in a mutually beneficial relationship.

Tenants

The residents in our care homes benefit from security and stability, with an operator providing high-quality care and a landlord willing to invest in the quality of the environment they live in.

Tenants' customers

Our lenders can provide finance to us on attractive terms, in the knowledge that we have a secure and resilient business, with strong cash flows.

Lenders

Shareholders benefit from growing dividends, underpinned by the highly predictable and rising revenue streams from index-linked leases. Alongside the potential for capital growth, this supports an attractive total return.

Shareholders

We use KPIs to assess our progress against strategy

Key performance indicators, pages 32-33

Dedicated to UK healthcare real estate

Stakeholders, pages 30-31

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 6.41 pence per share in respect of 2021[1]; and
- an average NAV total return of 9.0% per annum[1].

The capital growth element of the total return will be delivered largely from annual, inflation-linked rent increases and 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 129) allows us to invest in a broad range of healthcare real estate assets. The market dynamics described on pages 10-12 underline that the care home sector currently offers the most attractive opportunities for the Group. Our investment strategy is, therefore, to primarily acquire care homes, while continuing to broaden the range of tenants we work with, thus reducing our exposure to any one tenant.

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

For more information on our 2020 activities, see page 18.

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 the balance between these categories, so we deliver our target returns, and to identify the assets which can benefit from asset management (see below).

For more information on our portfolio categories, see page 23.

Asset management strategy

A hands-on asset management strategy helps to enhance shareholder returns over the longer term while mitigating 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.

For more information on our asset management programme, see page 18.

Financing strategy

We fund our business through equity and 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 or drawing down debt funding and holding the cash raised on the balance sheet, ahead of investing it in income-producing assets.

Our gearing policy is to have a maximum Group loan-to-value ratio of 35% at the time of drawdown, although we look to maintain debt at a prudent level, with average gearing not expected to be higher than 25%. Our approach to hedging and debt is designed to prudently optimise the return to shareholders while mitigating the long-term risk from interest-rate fluctuations.

For more information on our financing, see page 22.

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.

New regional investment

Electus Healthcare, Northern Ireland

£1.2m
Capex

2.4%
% of portfolio income

193
Beds

In December 2020, we made our first venture into Northern Ireland, with the purchase of three care homes leased to operator Electus Healthcare.

Northern Ireland's demographics mirror the wider UK, with strong growth in the older population and those living with dementia or mental health issues. Other than a handful of corporate operators, this is a fragmented market and having established an investment platform in the region, we see significant opportunities to grow. The operating dynamics in Northern Ireland are stable, with high occupancy levels for those offering good quality care. Funding is provided by the Health and Social Care Trusts, supported by top up payments and enhancements for more specialist care.

In the investment market there is slightly less competition, enabling acquisitions with a lower entry cost and consequently greater returns. We acquired the initial portfolio with Electus at an attractive yield and rent cover at acquisition of two times. We also see an opportunity to deploy capital to enhance assets, as with our initial acquisition. We will be investing £1.2 million to improve and partly reconfigure the homes, for the benefit of residents and staff, including an improvement to energy efficiency in line with our ESG policy.

In addition, our tenant has a strong track record of developing care homes in the region. We will look to find strategic locations for new build activity and support our tenant in its endeavours.

Northern Ireland

3
Care homes

1. Edgewater Lodge (above)
2. Saintfield Lodge (right)
3. Cedarhurst Lodge

Investment Manager's report

2020 was a year that tested the resilience of many business models. The Group has consistently taken a prudent and long-term approach since its IPO in 2017 and this has stood it in good stead during the COVID-19 pandemic.

The Group's resilience is based on several factors. These include careful selection of tenants and our approach to working in partnership with them, for mutual benefit. We have looked to acquire assets for the Group that are well respected in their markets and to lease them on sustainable terms that ensure strong rent cover from day one. At the same time, we have been cautious in the use of debt, resulting in a robust balance sheet with a loan to value ratio well beneath the maximum allowed by the Investment Policy. This resilience has contributed to our ability to collect 100% of the rent due in respect of 2020, without putting undue stress on our tenants. This level of rent collection in turn has underpinned the continued payment of dividends that delivered the total dividend target for the year.

Investment activity

The Group began the year with a strong pipeline of attractive potential investments and the funding to continue its growth strategy. During January and February 2020, the Group committed £68.5 million to the acquisition of 17 homes. However, in response to the uncertain environment created by COVID-19, the Group put acquisitions on hold for six months from mid-March. In September 2020, the Group exchanged contracts on its first acquisition since the start of the pandemic. In total, the Group completed the acquisition of five further homes towards the end of the year, for aggregate consideration of £16.2 million. We have purchased one further asset for the Group since the year end (see Post balance sheet events below).

Notwithstanding the pause in mid-year, during 2020 the Group acquired 22 properties with 1,513 beds, a 35.4% increase on the 4,274 beds it owned at 31 December 2019. These acquisitions further diversified the portfolio geographically and added Silverline, Holmes and Electus as tenants, taking the Group's total number of tenants from nine at the end of 2019, to 12. The average yield on these transactions was 7.65%. All the assets purchased comply with the Group's strict investment criteria and have risk/return profiles which are consistent with the Group's existing portfolio.

The combination of these investments and rent increases received during the year helped to grow the contracted rent roll from £23.1 million at 31 December 2019 to £30.9 million at the year end, a 33.7% increase.

Asset management

The projects in our asset management programme add beds and improve existing homes. As the Group already owns the land and the tenants 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 and mitigate and enhance the value we deliver to our shareholders.

COVID-19 meant that we were not able to invest as much as originally intended in asset management during 2020, as we instead worked with the Group's tenants to respond to the pandemic. Nevertheless, in the first half of the year we completed two large new units attached to existing homes, which will deliver high-quality care for people with dementia. A 30-bed unit at Diamond House in Leicester opened in February 2020 and a 46-bed unit at Freeland House near Oxford has been completed.

One project identified for 2020 was at Fairview Court and House, which the Group had acquired as two adjacent homes, with an imperfect planning consent to link them and reconfigure the older accommodation. While we were keen to progress, we decided to review how best to affect the link and incorporate sustainability in the design and specification. A revised planning consent has now been obtained and the development has been put out to tender, with the works due to start shortly. The development will create 16 bedrooms in the new link building, and add a net ten bedrooms to the home as a whole, once we have reduced the number of bedrooms in Fairview House from 20 to 14 larger rooms, with high-quality bathrooms. The enhanced environmental works include lighting, insulation, heat recovery and 20kw Solar PV panels and are expected to improve the EPC rating from C to A.

We have continued to evolve the Group's approach to capital expenditure, with our pre-acquisition due diligence now including an increased focus on capital improvements, including those which improve the assets' sustainability. This enables us to agree asset management initiatives with tenants from day one, as illustrated by the acquisitions that completed in December 2020 and since the year end (see below), where we have committed £2.8 million to capital expenditure on acquisition.

In the first half of 2020, we committed to forward fund a new, 94-bed care home in Hartlepool at a total cost of £6.1 million, by December 2020 £1.1 million of this had been spent. The home will be operated by Prestige, one of the Group's existing tenants, and will deliver a yield of 7.8% on completion. Construction work is progressing and is expected to complete in the third quarter of 2021.

Laurel Bank Care Home, Bradford, one of the 22 properties acquired in 2020. The operator is Silverline, one of three new tenants added this year.

At acquisition we committed to and invested £0.3 million towards refurbishment and capital improvements which the tenant has largely completed.

Repairs and maintenance

Under the terms of the leases our tenants are fully responsible for keeping the Group's buildings in good repair through regular maintenance programmes. We monitor these programmes carefully to ensure they are being effectively implemented. COVID-19 restricted the number of homes we and our valuers have been able to visit over the past year. We have plans in place for an extensive programme of home visits to assess the level of repairs and maintenance at the homes and will discuss with tenants any maintenance programmes that need to be put in place, given the challenge they have been under to restrict visits and reduce exposure to infection.

Portfolio management

As described on page 23 of this report, we have divided the Group's portfolio into core, value-add and non-core assets, to help us determine our asset management and portfolio management plans. During the year we sold one non-core asset, the Shrubbery in Worcester. This followed the January 2020 acquisition of Red Hill, a 90-bed home in Worcester, which the Group purchased with the aim of moving the residents and staff from the Shrubbery to Red Hill. Once our tenant, Minster, accomplished this, we sold the Shrubbery in August for a 24% uplift to its most recent investment valuation and a 29% increase on its purchase price. We expect to make further disposals of non-core assets in the coming year.

Implementing the Group's ESG policy which was introduced in during 2020, has been a particular focus of the Investment Manager's work during the year. These initiatives are discussed in more detail on pages 25-29.

The portfolio

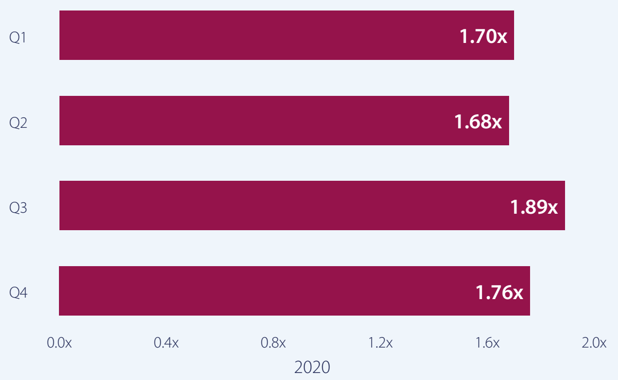
As a result of the acquisitions and asset management activity described above, at 31 December 2020 the portfolio comprised 108 properties, with over 5,900 beds, including one forward-funded development. This represents approximately 1.2% of the elderly care beds available in the UK.

Of these properties, 106 are care homes let to 11 tenants[1], on leases of 20-25 years, with no break clauses. Rents are subject to annual upward-only rent reviews linked to the Retail Price Index, with a floor and cap of 1% and 5% or 2% and 4% respectively. In addition, the Group owns two healthcare facilities leased to the NHS. In total, the Group has 12 tenants[1] across the portfolio.

Occupancy and rent cover

Our tenants' rent cover is directly linked to the level of occupancy in the homes they run and the costs they are incurring, both of which have been affected by the pandemic. Nevertheless, rent cover across our portfolio has remained robust during 2020.

Rent cover



Occupancy levels during the year fell from a pre-COVID-19 average of just under 90% across the Group's portfolio, to around 80% at the end of the second quarter, as the effect of the first wave of the pandemic subsided. In the second half of the year, occupancy stabilised. This level of decline is in line with that reported across the industry. At the same time, during the first wave tenants saw increased costs to meet the demand for PPE and to cover salary costs for agency staff, as a large number of permanent staff had to self-isolate.

Despite these pressures, portfolio rent cover (defined as our tenants' home-level pre-tax and pre-rent profitability divided by the amount of rent due on the home) remained stable during the year. It fell from 1.70 in the first quarter to 1.68 in the second quarter, but then grew to 1.89 in the third quarter. For the year to 31 December 2020 it was 1.77, down only slightly on 1.82 in the previous year.

Three factors drove this performance. First, the Group's tenants delivered strong, like-for-like fee growth during the year. The average weekly fee they charged for the care they provide grew from £725 in the fourth quarter of 2019, to £827 in the fourth quarter of 2020, a 14% increase. Second, they benefited from a range of support measures introduced by the government to mitigate the pandemic including grant support funding. Third, prudent implementation of the Group's business plan, which is to identify assets and agree leases that can deliver strong rent cover from the outset; to plan with our tenant partners to grow that rent cover over time; and to ensure new acquisitions do not dilute rent cover.

Reflecting the sustainability of these arrangements, we did not need to agree any changes to lease terms or rent payment arrangements with the Group's tenants during 2020. Across the portfolio, 79% of rent is payable quarterly in advance and 21% monthly in advance. We have a

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

robust process of reviewing our tenant's performance and compliance with the lease terms. We engage with our tenants where any concerns are identified.

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 2020, the portfolio was valued at £418.8 million, an increase of £100.0 million from the valuation of £318.8 million at 31 December 2019. The components of this valuation increase were as follows:

- acquisitions: £85.9 million;
- acquisition costs capitalised: £2.7 million;
- capital improvements: £1.6 million; and
- valuation uplift: £10.5 million; less
- disposals: £0.7 million.

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

Financial results

Total net rental income recognised for the year was £30.8 million (2019: £24.0 million), with the increase primarily driven by growth in the portfolio, as well as the rental uplifts inherent in the Group's leases.

Under IFRS, the Group must recognise some rent in advance of receipt on a straight-line basis, reflecting the minimum uplift in rents over the term of the leases. Cash rental income received in 2020 was £25.9 million (2019: £19.1 million).

The Group's cost base is primarily made up of the Investment Manager's fee, Administrator fees, other professional fees including valuations and audit, and the directors' fees. Administrative and other expenses totalled £5.3 million (2019: £4.6 million).

The Group's cost ratios continued to improve in the year, reflecting economies of scale as the portfolio grows and the benefits of efficiencies. The total expense ratio, which is the Group's recurring administrative and operating costs as a percentage of average net assets, was 1.53% (2019: 1.60%). The EPRA cost ratio, which is administrative and operating costs as a percentage of gross rental income, was 17.1% (2019: 19.2%).

Net finance costs are primarily interest costs and amortised arrangement fees on the Group's debt facilities and totalled £2.6 million (2019: £2.2 million) in the year. The increase was the result of higher drawn debt, with the average cost of the Group's debt having declined in the year as a result of the new facility with HSBC (see Financing and liquidity below).

The Group recorded a profit on disposal of £0.2 million in 2020 (2019: £nil) following the disposal of the Shrubbery care home.

The change in fair value of investment properties was £5.6 million (2019: £9.1 million). This includes the £10.5 million of valuation uplifts already mentioned, offset by rent smoothing adjustments from the accounting recognition of rental uplifts over the life of the lease. These combined elements contributed to profit before tax of £28.8 million (2019: £26.3 million).

EPRA EPS was 7.25 pence (2019: 6.95 pence). Adjusted earnings per share, which better reflect underlying cash earnings in the year, were 5.93 pence (2019: 5.26 pence)[2]. EPS for the year was 9.02 pence (2019: 10.37 pence), a 1.35 pence per share reduction on last year as a result of reduced growth in valuation uplifts and the full effect of 2019 share issues.

All the EPS figures listed above are on both a basic and diluted basis. More information on the calculation of EPS can be found in note 10 to the financial statements.

Dividends

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

Details of dividends paid in respect of 2020 are shown below:

Quarter to	Declared	Paid	Pence per share	Cash cost £m
31 Mar 2020	7 May 2020	12 Jun 2020	1.5725	5.015
30 Jun 2020	12 Aug 2020	4 Sep 2020	1.5725	5.015
30 Sep 2020	28 Oct 2020	27 Nov 2020	1.5725	5.015
31 Dec 2020	29 Jan 2021	26 Feb 2021	1.5725	5.015
Total			**6.29**	**20.06**

The first, second and fourth interim dividends were paid in full as Property Income Dividends ("PID"). The third interim dividend was paid 0.7863 pence as a PID and 0.7862 pence as an ordinary UK dividend.

The total dividend was 115% covered by EPRA earnings per share, and 94% by adjusted earnings per share.

2 The removal of amortisation of loan arrangement fees is a change made in the current year and the prior year adjusted earnings figure has been restated to include an adjustment for the amortisation of loan arrangement fees.

Investment Manager's report

Financing and liquidity

We have continued to put in place the building blocks to support the Group's continued development, with the addition of a new revolving credit facility ("RCF") in April 2020. This £50 million facility is with HSBC and brings the Group's total facilities to £125 million. The margin on the RCF is 195 basis points over three-month LIBOR, bringing the weighted average margin on the Group's debt down to 229 basis points when fully drawn. The facility runs for an initial three years with an option to extend for up to two further years, subject to lender approval. Both the Clydesdale and HSBC facilities have been negotiated on the basis of LIBOR and we are in discussions with both banks on the transition of these to appropriate risk-free rates before the termination of LIBOR at the end of 2021. None of the Group's debt is due for refinancing until 2023, as shown in the table below.

Lender and facility type	Expiry	Facility size £m	Drawn at 31 Dec 2020 £m
Metro Bank			
Term loan	Jun 2023	25.0	25.0
Revolving credit facility	Jun 2023	25.0	20.4
Clydesdale Bank			
Revolving credit facility	Mar 2024	25.0	10.0
HSBC			
Revolving credit facility	Apr 2023[1]	50.0	21.0
Total		**125.0**	76.4

1 With the option to extend for two years to April 2025, subject to HSBC's agreement.

We continue to take a conservative approach to managing the Group's balance sheet. At 31 December 2020, drawn debt was £76.4 million, giving an LTV of 17.8% (31 December 2019: drawn debt of £25.1 million and LTV of 6.8%). The Group remained well within its debt covenants throughout the year.

We also take a prudent approach to liquidity, ensuring we have sufficient cash and unused facilities available to meet all of the Group's committed expenditure and enable us to pay our suppliers on time. At the year end, the Group had cash on the balance sheet of £8.0 million (31 December 2019: £47.8 million), with headroom of £48.6 million in the Group's facilities. Additional funds were drawn down from these facilities in the first week of January, in order to maintain the cash balance held at Group level at over £20 million, and the current cash balance is £23.1 million as at 22 March 2021. The Group has total headroom of £38.4 million across its cash reserves and facilities, once all commitments for completion of deferred payments and capital expenditure have been financed.

Post balance sheet events

In January 2021, the Group completed the acquisition of Mavern House Nursing Home, for a net consideration of £5.1 million. The home provides 51 registered beds and the Group has committed to spend circa £0.6 million to extend it by a further six beds over the next 18 months. The tenant is Welford, which now operates seven homes for the Group, with 355 beds and rent cover above two times.

Acquisition pipeline

We continue to progress a strong identified pipeline of investment opportunities and, while we remain cautious, given the ongoing effects of the pandemic, we are confident in the long-term outlook for the sector and the Group's investment and diversification strategy.

Impact Health Partners LLP
Investment Manager
26 March 2021

Portfolio management

Our aim is to continue carefully building a portfolio of attractive UK healthcare assets, principally care homes for the elderly. We look for an appropriate balance of high-quality core assets that generate attractive, secure and long-term income, and value-add assets with potential to create further value for shareholders and our wider stakeholders. We regularly assess the balance of our portfolio to identify asset management and capital recycling opportunities.

We categorise each asset 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.

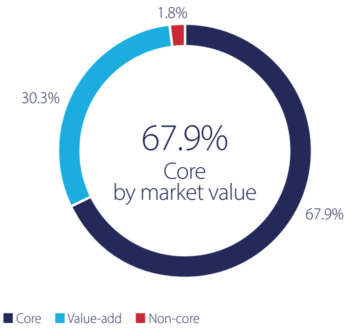
- Present opportunities to deploy capital to enhance the asset and its performance
- May be a smaller home, have a low level of en suite bathrooms, other elements of functional obsolescence or environmental performance improvements.
- Value uplift through enabling the tenant to offer a new service, such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

Non-core

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

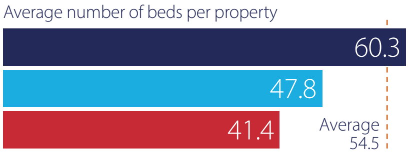
- Limited lifespan homes with a high degree of functional obsolescence
- Higher alternative use value
- Could be geographically isolated

A strong core portfolio underpinning value



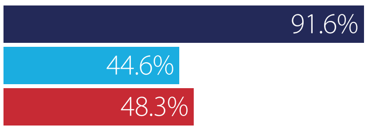
Homes of scale, delivering an efficient service to residents

Average number of beds per property



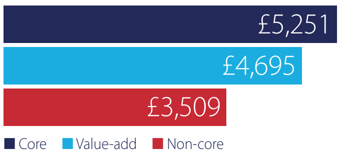
A core portfolio delivering an en suite facility service

Rooms with en suite bathrooms

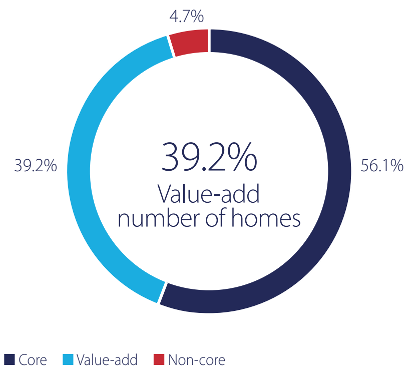


A proportional rent per bed with strong rent cover across the portfolio

Average rent per bed



Significant opportunity to enhance value from the value-add portfolio



Asset Management

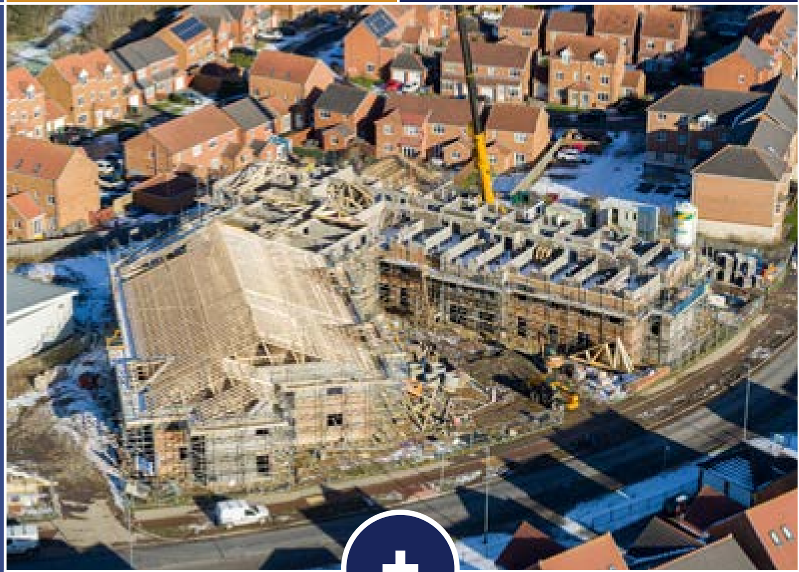
Prestige, Hartlepool

In 2020, Impact entered into a forward-funding arrangement for the development of a 94-bed care home in Hartlepool, with one of our existing tenants, Prestige.

Construction works began early in the year but were abruptly interrupted with the first COVID-19 pandemic lockdown in March. The site shut down for a period of nine weeks and then reopened gradually. Despite inevitable delays, the contractor has maintained good progress. Moving into 2021, we have greater certainty of delivery and are looking forward to achieving practical completion and opening what will be the finest home in the area in the summer months.

The home will provide first-class facilities for those in need of care, and alongside a residents' and visitors' coffee lounge, the home will provide a hair salon and cinema room. The three floors are split into five separate areas, including units for residents paying privately and units with enhanced design and décor, for residents living with dementia.

£6.1m
Capex



94
with en suite wet rooms

7.8%
yield on cost, on completion

Sustainability

We believe that a robust approach to ESG issues is intrinsic to developing a strong and sustainable business. ESG is therefore a fundamental part of our business model and activities. We look to ensure we have the right checks and balances, decision-making frameworks and management processes in place, to promote long-term thinking.

Our approach to managing ESG issues

As the day-to-day running of our assets is the responsibility of our tenants, we do not have direct control over important ESG issues such as energy use or relationships with local communities. However, our value creation model gives us a number of touchpoints that help us to maximise the opportunities and minimise the risks associated with ESG issues in our homes. These touchpoints range from our asset selection criteria and due diligence procedures, to choosing operators who demonstrate a good quality of care to residents, to working with tenants to identify asset management opportunities that enhance environmental performance. This means that ESG considerations are integral to our investment and asset management strategies.

Our ESG policy

During 2020, the board approved the Group's ESG policy, which is available from the sustainability section of our website: **https://www.impactreit.uk/about/sustainability/**. The policy governs our environmental conduct, our social conduct and the way we manage our business. These three areas are captured by our seven core principles of sustainability set out in the policy, which are shown in the table below. By following these guiding principles, we aim:

- to be transparent in our conduct and reporting;
- to create homes which are better prepared for the future – more efficient, more climate resilient, more comfortable for our tenants' residents and staff, and respectful of the environment;
- to foster co-operative and successful relationships with tenants, residents, shareholders and lenders, to create long-term shared value for all; and
- acknowledging the importance of and utilising 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.

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 tenants' obligations and investing in refurbishment and reconfiguration.	✓		
Disseminate the Group's policies to advisers, 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.		✓	✓

Sustainability

Our priorities for 2020

In our 2019 annual report, we set out three key sustainability related actions for 2020. Our progress with these actions is set out below:

Action	Progress
Put in place policies which address anti-bribery and corruption ("ABC"), whistleblowing and a supplier code of conduct.	The board approved our ABC policy and our supplier code of conduct during 2020. We have concluded we will monitor whistleblowing through our suppliers, see page 27 for further detail.
Develop a sustainability strategy and plan, including policies, material issues, targets, and risks and opportunities, to ensure ongoing relevance and effectiveness.	During 2020, we introduced our sustainability policy, undertook a detailed review of EPC ratings (see below) and established short- and long-term goals to deliver improvements across our portfolio.
Recognise the urgency of addressing climate change and explore taking baseline measurements against which to establish targets.	We have done significant work this year understanding the energy performance of our assets, including the factors underlying their EPC ratings and the carbon emissions of the large majority of our homes.

More information on these actions can be found in the following sections.

Our environmental conduct

Through our relationships with our stakeholders, primarily our tenants, we look to:

- manage our business in an environmentally sustainable manner and endeavour to minimise the environmental impact of our operations; and
- protect the business from the future impacts of climate change and anticipated low-carbon transition policies.

Reviewing our EPC ratings

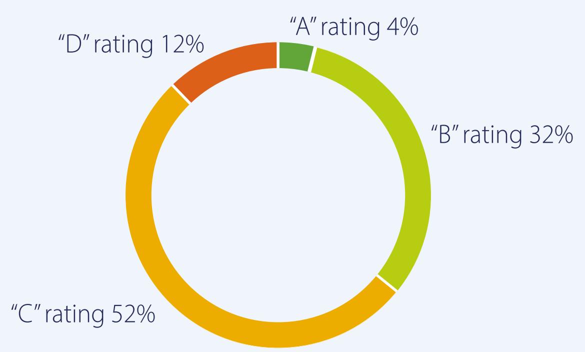
The Minimum Energy Efficiency Standards ("MEES") came into force in 2018. Unless a commercial property qualifies for one of a limited number of exemptions, MEES means that:

- since 1 April 2018, a new lease cannot be granted on a commercial property with an EPC rating below E; and
- from 1 April 2023, an existing lease on a commercial property cannot continue where the property is rated below E.

We also expect that regulations in this area will continue to tighten and it is likely that an EPC rating of B will be required by 2030. It is therefore an important part of our sustainability journey for us to have a clear understanding of EPC ratings across the portfolio and the short- to medium-term actions that will improve ratings where necessary. Information on our work this year can be found in the case study on pages 28-29.

The spread of current EPC ratings in England and Wales is shown in the following chart.

Portfolio energy performance (%)



The average rating across the portfolio is C and the report identifies measures that can improve the average to B, as well as properties that need addressing as a priority. The measure with the greatest impact in terms of rating improvement and carbon saving is the installation of LED lighting, which also has a payback period of just six months. Other potential measures include boiler replacements, improvements to building fabric such as glazing and insulation, and installing solar electricity generation.

As part of our work to understand the portfolio's energy performance, we used data specialists to gather information from our tenants on their energy usage in each home, which we intend to publish as part of our sustainability reporting available on our website.

Enhancing our due diligence and lease requirements
Thorough due diligence on potential acquisitions has always been vital to us and we continue to look for ways to enhance our approach. During the year, we added a new element to our process, by commissioning environmental acquisition reports alongside our structural, valuation and legal due diligence. These enable us to understand the asset's environmental performance, including the factors underpinning its EPC rating, and identify potential sustainability improvements before acquisition. This in turn allows us to agree those improvements up front with the proposed tenant and commit the capital required to carry them out.

We also enhanced our new leases during 2020, strengthening their existing environmental requirements. New leases contain requirements for energy monitoring systems, an obligation on the tenant to report on its plans to meet statutory sustainability targets and a minimum spend on ESG-related items, as part of the tenant's repairs and maintenance obligations.

Our social conduct

We recognise the importance of our relationships with all our stakeholders and engage in an open and constructive manner, to maintain and improve our business operations and the environment for our tenant's residents. More information on our stakeholder engagement can be found on pages 30-31. Our approach to supporting tenants and residents during COVID-19, which was a major focus during the year, is described on pages 8-9.

We believe in being transparent with stakeholders and seek to ensure we report comprehensively and fairly in our annual reports and publish all of our policies on our website During the year, we were therefore pleased to retain our EPRA Gold Award for reporting against its Best Practice Recommendations and to win our first Gold Award from EPRA for sustainability reporting.

Conduct of our business

We believe that good governance practices are essential to a successful and sustainable business, and we therefore ensure that they are integral to us. Our corporate governance framework and the board's activities during the year are described in detail in the corporate governance section of this report, which starts on page 46.

The board has clear expectations about how the Group should act. In short, we conduct our business with integrity and seek to ensure that our Investment Manager, Administrator and other businesses engaged by us, including advisers, contractors and agents, do the same.

To support our approach to ethical business, during 2020 the board approved the following:

- **Anti-bribery and corruption policy.** The policy requires us to conduct all of our business in an honest and ethical manner. The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships. The board has overall responsibility for ensuring that this policy complies with the Company's legal and ethical obligations. The company secretary has primary and day-to-day responsibility for implementing this policy, monitoring its use by all those to whom it applies and its effectiveness, and dealing with any queries.
- **Supplier code of conduct.** The code has been issued to our suppliers and is available on our website. It sets out expected standards and obligations applicable to the Group's suppliers. It supports corporate sustainability, promotes safe and fair working conditions and responsible management of issues relating to health and safety, people, ethics, legal compliance, CSR and the environment.

As the Company has no employees, the Company relies on reporting from the whistleblowing policies of its key service providers, JTC and IHP.

Our sustainability priorities for 2021

In the coming year, we aim to:

- develop our sustainability strategy and plan;
- share the EPC evaluations with tenants, understand any work already done to improve them, engage with tenants on further work to enhance EPC ratings and update EPCs where beneficial;
- install smart meters in all homes;
- investigate the potential for Group-wide utility purchasing, including transferring tenants to a green electricity supply; and
- establish work streams to prepare for Taskforce on Climate-Related Financial Disclosures compliance.

ESG

In 2020, we defined our environmental and social conduct policies, as part of our overall ESG policy (see page 25). Here we describe our work in 2020 to ensure we are an environmentally and socially responsible landlord.

An environmentally responsible landlord
During the year, we have taken time to understand all aspects of the environmental challenge we collectively face. In the shorter term, our aim is to improve the energy and carbon performance of our portfolio. Longer term, we are considering how we could reach net-zero carbon.

As a first step, we have harvested detailed underlying data behind each home's EPC. Using sophisticated modelling, we have then established home-level improvement strategies, modelled with anticipated costs and pay back periods.

We have analysed energy consumption and provided detailed feedback to our tenants on usage patterns and efficiency within each home. This analysis highlighted that an investment of £2.8 million could deliver operational cost savings of around £950,000 per annum and a reduction of over 3,000 tonnes of carbon emissions. We are now engaging with tenants to see what measures they have already delivered since the last EPC assessment, and the feasibility of implementing some of the outlined proposals in the short- to medium-term through investment.

Our targets are now to:

- Achieve a minimum B rating for Energy Performance Certificates (EPC) by 2030;
- Explore the options for achieving a net-zero carbon target for the portfolio.

Expenditure of £2.8 million would give rise to energy cost savings of around £950,000 and a reduction of over 3,000 tonnes of CO_2 emissions.

A socially responsible landlord
Our business has a positive social impact at its heart. We provide important social infrastructure, which our tenants use to offer a key service in their local communities. Our partnership approach is key, working with our tenants to improve the quality of the buildings and the quality of the environment for their residents. We engage with our tenants at least quarterly, to discuss trading performance, their progress with repairs and maintenance and current and potential asset management projects.

During COVID-19, we have worked hard and compassionately with our tenants, to find the best way to support them throughout this pandemic. During the early weeks of the outbreak, we focused on understanding the effects of the pandemic on our tenants' staff and residents, and shared areas of best practice performance amongst our tenant group.

We listened to tenants' concerns on the availability of PPE and sourced a bulk order of PPE that was distributed among these tenants that needed the support.

As the pandemic environment stabilised, we began discussing ways to support them with occupancy recovery plans, where required. A key theme was the benefit of thermal imaging cameras to help monitor the health of those entering the home. We agreed a funding and roll out programme across all of our homes.

Throughout this process, our Investment Manager ensured the board were fully informed on the performance of our homes and the wider data sets, analysing the trends of the pandemic. We also ensured our investors and lenders were kept updated with regular communications throughout.

Rigorous governance
We continue to conduct our business with integrity and seek to ensure that our non-executive directors, Investment Manager, Administrator and other businesses engaged by us, including advisers, contractors and agents, do the same as reflected in our Supplier Code of Conduct.

Stakeholders

The board has identified our key stakeholders as our tenants, their residents, our shareholders and our lenders. The ways we typically engage with our key stakeholders in a normal year is set out in the table opposite. On pages 40-41 we describe how stakeholder considerations affected our decisions as a board. During the COVID-19 pandemic we have adapted our engagement, in particular by materially stepping up our communication with and support for our tenants. More information on our engagement during the pandemic can be found on page 52.

Given the nature of its services, the Investment Manager is 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 our operations 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 69-70 for more information on the MEC's work.

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 in this regard, 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 or disclosures.

At the year end, the board comprised five non-executive directors including the Chairman, of which three were male and two were female. More information on the directors can be found on pages 56-57.

Stakeholder	Stakeholder interests
Tenants The Group has a steadily growing tenant base, comprising strong national and local operators. Working in long-term partnership with our tenants is central to our ability to grow our business while managing risk.	■ ability to support their business plans through acquisitions and asset management; ■ financial strength; and ■ knowledge and understanding of their operations.
Tenants' residents The quality of care our tenants provide to their residents is of prime importance to us. The quality of care is central to residents' quality of life and also directly influences demand for our tenants' services, which in turn affects their ability to pay rent to us.	■ the quality of care provided by our tenants; ■ the quality of their home and the investment in regular repairs and maintenance; ■ the security and stability of their home; and ■ our ability to improve their home through asset management.
Shareholders To continue to grow our business, we need a well-informed and supportive shareholder base. We therefore look to ensure regular and open communications and high-quality corporate reporting.	■ the security and growth of our dividend; ■ our ability to source accretive investments and add value through asset management; ■ developments in the care home market; ■ our approach to environmental, social and governance issues; and ■ our financial and operational performance.
Lenders An appropriate amount of gearing is important for generating higher returns. We therefore look to build strong relationships with lenders, who will provide the debt facilities needed to support our business growth.	■ the 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.

How we engage	Stakeholder engagement in practice
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 14-15. 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.	There was active engagement with tenants throughout the pandemic as highlighted in pages 4-5. Key decisions influenced by this engagement included: ■ sourcing additional PPE; ■ suspending acquisitions between April 2020 and September 2020; ■ the provision of thermal imaging cameras at our care homes; and ■ Continuation of the quarterly dividend payments throughout the year.
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.	Tenants, residents and staff safety was the priority during the pandemic. By listening to our tenants we were able to understand their priorities in relation to both residents and staff. Key decisions influenced by this engagement included: ■ sourcing additional PPE; ■ the provision of thermal imaging cameras at our care homes; and ■ we took the decision on one of our homes to commission an independent assessment of the home's performance. This was undertaken with the support of the tenant to ensure best practice measures were being implemented and issues identified were resolved or being resolved.
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. The Chairman and Senior Independent Director offer meetings to shareholders. 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 30 for more information.	Canvassing the views of our shareholders was undertaken through direct engagement by the Investment Manager and the Chairman. Key decisions influenced by this engagement included: ■ continuation of the quarterly dividend payments throughout the year; ■ the restarting of acquisitions in September 2020.
The Investment Manager is responsible for engaging with our lenders. It does this through quarterly compliance reporting. Information about debt funding is provided as appropriate to the board, as part of its regular papers ahead of board meetings.	The Investment Manager has actively engaged with lenders throughout the year. Key decisions influenced by this engagement included: ■ continuation of the quarterly dividend payments throughout the year.

Key performance indicators

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

1. Net Asset Total Return

8.46%

for the year ended 31 December 2020

(-10.6% on 2019)

2020	8.46%
2019	9.46%
2018	8.47%

Definition
The change in the net asset value ("NAV") over the period, plus dividends paid, 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 dividends paid in the year of 6.26p per share and NAV growth of 2.77p per share. Our target is a net asset total return of 9.0% per annum.

2. Dividends

6.29p

per share

for the year ended 31 December 2020

(+1.9% on 2019)

2020	6.29p
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 met our dividend target for the year. Our dividend target for 2021 is 6.41p[1], representing 1.91% growth.

3. EPRA earnings per share

7.25p

per share

for the year ended 31 December 2020

(+4.3% on 2019)

2020	7.25p
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 4.3%, giving 115.3% dividend cover.

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

6.72%

as at 31 December 2020

(+0.9% on 2019)

2020	6.72%
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 6.3% 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 NIY of the acquisitions made in 2020 was 7.65%.

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.

EPRA performance measures and associated notes can be found on pages 122-127.

5. NAV per share

109.58p

per share

as at 31 December 2020

(+2.6% on 2019)

2020	**109.58p**
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")

17.77%

as at 31 December 2020

(+261% on 2019)

2020	**17.77%**
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 with average gearing not expected to be higher than 25%.

Commentary
The Group has total debt facilities of £125 million, of which £76.4 million had been drawn at the year end. If the facilities were fully drawn, with no changes to the Group's current equity base, the LTV would be approximately 26.1%.

7. Weighted average unexpired lease term ("WAULT")

20.0 yrs

as at 31 December 2020

(+1.5% on 2019)

2020	**20.0yrs**
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
The leases entered into during 2020 had minimum 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")

1.53%

for the year ended 31 December 2020

(-4.4% on 2019)

2020	**1.53%**
2019	**1.60%**
2018	**1.80%**

Definition
Total recurring administration costs as a percentage of average NAV throughout the period.

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

Commentary
TER has reduced due to the Group benefiting from economies of scale as the portfolio grows. The EPRA cost ratio, calculated by dividing our recurring administrative and operating costs by gross rental income, was 17.09% for the year (2019: 19.15%).

EPRA performance measures and associated notes can be found on pages 122-127.

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 61-64.

1. Changes to government social care policy (including the effects of Brexit)
2. Infectious diseases
3. General economic conditions
4. Weakening care market
5. Default of one or more tenants
6. Underinvestment in care homes
7. Environmental regulation and impact of climate change
8. Ability to meet our debt financing obligations
9. Reliance on the Investment Manager

Political

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

Probability Medium

Change in the year

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. The heightened focus on adult social care, and in particular care homes, as a result of COVID-19, has increased the probability of changes to future government policy and a demand for increased funding, however, it remains too early to assess the incremental risk and opportunity that this may bring.

Of particular note is the UK care sector's partial reliance on workers from EU countries. There is a risk that the UK's withdrawal from the EU will result in a fall in the availability of appropriately skilled workforce, 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. It remains too early in the post-Brexit environment to properly assess this risk, which is compounded by the effect of COVID-19 limiting cross border movement and raising demand for skilled care staff globally.

Mitigation

The Investment Manager closely monitors developments around funding for adult social care. A report by The Health Foundation in October 2020 estimated a funding gap of £2.1 billion in adult social care and at the same time the Commons Health and Social Care Committee set out their expectations of a £7.0 billion increase across social care by 2023-24.

There is normally a lead time of at least a year before new legislation comes into effect, and we expect this to be longer given the current focus on COVID-19, giving us time to adapt to any changes.

Different policies will apply in England, Wales, Scotland and Northern Ireland, enabling us to focus future 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. A number of tenants are putting in place measures to recruit nurses internationally to help manage the expectations of any shortfall. We continue to monitor staff costs and agency use, as an indicator of potential issues.

Opportunity

Increased focus by the government on elderly care may provide increased revenue opportunities with focused investment aligned with demand and availability of funding.

Market conditions

2. Infectious diseases

Probability High

Change in the year

Impact Moderate

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 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, including general economic conditions, default of one or more tenants and the ability to meet our financing obligations.

Restoring occupancy to normal levels could take time to achieve with increased availability of beds across the sector and increased price competition, adding to the long-term challenge of financial stability for tenants.

The effects of COVID-19 over the past 12 months saw occupancy decline, with the majority of this decline taking place in the first three months of the outbreak, before testing and full levels of PPE were available to care homes.

Mitigation

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

Grant funding from central government and local authorities may help support tenants to deal with the immediate effects of an outbreak, giving tenants support with the increased cost of PPE, staff sick pay and the immediate effects of a potential reduction in occupancy.

Tenants can also explore all options to reduce the impact of staff shortages including recruitment from the hospitality sector and the overseas recruitment of nurses.

The implementation of national testing capability can help identify and control the spread of any infectious disease and the roll out of vaccinations will help with protecting residents and staff.

It remains too early to properly assess the effectiveness of the current vaccination programme and the risk of variants on the immunity levels provided, however, the controls in place from testing and PPE and the beginning of vaccinations is a significant advance on the position from a year ago, reflecting the reduction in risk attributed to infectious diseases.

Opportunity

The importance of providing a safe and supportive environment for older people is more widely acknowledged during an outbreak of an infectious disease such as COVID-19. The allocation of government funding to support this provision, can ensure the business model is resilient during an outbreak.

3. General economic conditions

Probability High

Change in the year

Impact Moderate

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

This could result in falling fees for our underlying tenants alongside potential increased costs through direct and indirect taxes.

Weakening financial performance of our tenants could result in a decline in real estate valuations, lower market rents and suboptimal occupancy, including weaker tenancy terms. It may also give rise to a greater risk of tenant default or covenant breaches.

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. The majority of our homes were also acquired with a proven track record and established trade, enabling us to set an affordable rent that is cash flow positive for our tenants from acquisition.

Demand for care home places is relatively uncorrelated to economic conditions. Local authority funding may be put under greater pressure in an economic downturn but the underlying need to provide and fund elderly care remains unchanged. A decline in the economy would therefore take time to have an effect on our business.

Our year end LTV was 18% and our investment and growth strategy ensures Group leverage does not exceed 35%, limiting our overall reliance on debt finance.

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.

Opportunity

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

Principal risks and uncertainties

Market conditions

4. Weakening care market

Probability Medium

Change in the year: ↗

Impact Moderate

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

- changing service user requirements in the healthcare sector, including domiciliary care or enhanced infection control in building design;
- local authority funding partners amending their payment terms, affecting our tenants' revenues; and
- increased regulatory responsibility and associated costs for our tenants which is not offset by an increase in fees.

These could all materially affect our tenants' covenant strength and their ability to pay rent, resulting in a reduction in the value of the care home and 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.

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 cash flows. 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

5. Default of one or more tenants

Probability High

Change in the year: ↗

Impact Major

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

The effect of COVID-19 has resulted in reduced occupancy across the care sector and as a result the recovery of occupancy to pre-pandemic levels is expected to take time, placing pressure on our tenants' financial resilience. While there are signs of optimism for a recovery, with the ongoing distribution of vaccines, the risk of further outbreaks remains.

Mitigation

Our tenants have shown themselves to be resilient in their ability to operate in the challenging environment this year. Their rent cover was set at a level to help them sustain fluctuations in income and maintain their own business operations. Access to testing and PPE increased their ability to identify and protect their residents and contain any outbreaks as they arise.

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 alongside clear objectives to enhance the homes and their rent cover.

During COVID-19 our tenants were supported with some grant funding to cover the incremental costs of PPE and staff isolation which helped with their financial robustness alongside their own mitigating actions to reduce costs, in line with reduced occupancy where this has occurred. As a result we have continued to receive 100% of rent receipts with no lease variations up to the time of publication of this report.

Our investment policy is also focused on diversifying our tenant base, to reduce the effect of a single tenant default on portfolio valuation and underlying income.

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 our tenants' different service provisions at our homes to ensure they are successful and meeting the demands of the current market opportunities and the asset management capability to support this.

Underperformance of assets

6. Underinvestment in care homes

Probability Medium

Change in the year: ↗

Impact Low/Moderate

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

There is a heightened risk that repair and maintenance programmes fall behind as our tenants are closely managing their cash flow and avoiding non-essential contractors on site during the current pandemic.

There is also a risk that value-add investment activities are not progressed and more homes become non-core within our portfolio categorisation.

The above risks have corresponding implications to value and long-term income generation.

With the focus on COVID-19 and restricted access, to help with infection control, only emergency repair and maintenance spend has been undertaken at some of our homes. If infection control restrictions are prolonged this could result in longer-term issues for the maintenance or refurbishment of the homes.

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.

Our EPC review has identified a number of improvements which will have good payback and improve environmental sustainability.

As part of our acquisition due diligence, we are undertaking further assessment of home improvements that can enhance the quality of service and environmental sustainability of the homes. Where appropriate we jointly commit with our tenants to ensure appropriate works are undertaken within the first 12-18 months of the home's operation under the lease.

The value-add opportunities we have identified are intended to be accretive to both our tenants and us and reduced occupancy may present abilities to accelerate these plans.

We have a programme of increased inspections planned, which will be implemented when it is safe to do so, and we will work with our tenants where we identify concerns.

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.

As also mentioned, reduced occupancy also presents opportunities to undertake more disruptive maintenance and improvement works that would otherwise be delayed or avoided.

7. Environmental regulation and impact of climate change

Probability Medium/Low

Change in the year: ↙

Impact Low

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.

Failure to consider the effects of climate change could accelerate the obsolescence of our care homes (both physical and low carbon transition risks) with corresponding implications to value and long-term income generation.

Mitigation

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

We are developing a sustainability strategy and plan, in addition we are undertaking a review of our portfolio, analysing their carbon footprint and their current and potential EPC ratings to ensure our investment strategy supports carbon reduction and improved EPC ratings across our portfolio and preparedness for future legislation.

As part of our acquisition due diligence we also undertake an environmental assessment of the homes to ensure they are currently EPC compliant and we identify improvements that can be made to the home and if appropriate commit to these with our tenants from the outset.

In line with the Task Force on Climate-related Financial Disclosures (TCFD) we are working towards understanding and if required mitigating the longer-term physical effects and transition risks of climate change on our portfolio.

The increase in our understanding of the portfolio's compliance and improvement opportunities has resulted in an overall reduction in the post-mitigated risk to the Group.

Opportunity

Corresponding to the implications of risks on downward valuations, there is an opportunity for us to invest in our homes to ensure they remain fit for purpose with the potential for this investment to be value-enhancing.

Principal risks and uncertainties

Financing

8. Ability to meet our debt financing obligations

Probability Medium

Change in the year

Impact Moderate

If we are unable to operate within our debt covenants, this could lead to a 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.

COVID-19 has resulted in reduced occupancy across the sector including within our homes. The initial strong rent cover within our tenant groups has resulted in all of our tenants maintaining their rental payments and stable valuations of our portfolio; however, the risk remains of an enduring pandemic environment that has further impact on occupancy.

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 on term debt.

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.

Opportunity

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

Corporate risk

9. Reliance on the Investment Manager

Probability Low

Change in the year

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, the retention of its key staff and its ability to deliver business continuity.

There is an ongoing 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, 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.

Opportunity

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

Other risks that we monitor closely

Adverse change in investment opportunities**
A change in the market conditions and availability of investments to generate acceptable returns

Taxation risk**
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 our ability to provide favourable returns to shareholders.

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. We maintain independence of the board and management to scrutinise any conflicts and a conflicts of interest policy is in place to help manage potential conflicts.

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. 2020 presented a challenge to developments due to slowing in construction activity in the 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.

**These risks have been removed from the post-mitigation principal risks table as the board is satisfied that the mitigations in place support a lower risk assessment; however, this will remain under periodic review.

Section 172(1) 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. They 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.

Taking account of our stakeholder views

Information on our stakeholder engagement, including how the board keeps itself informed about stakeholder views and how we take their views into account in decision making, can be found on pages 25-27, pages 30-31 and page 52.

Key board decisions

The board's principal decisions each year typically include approving acquisitions, capital expenditure and capital raises (equity and debt), and paying dividends.

In addition, during 2020 the board was required to make a number of key decisions in relation to the COVID-19 pandemic. These included decisions to:

- delay the announcement of the 2019 full year results for two weeks, to enable the risks presented by the pandemic to be reflected in the viability and going concern statement and reassure the board, the auditor and our stakeholders about the Group's resilience under all scenarios;
- approve the purchase of thermal scanners for all of the Group's care homes, benefiting tenants and their residents, while also protecting the interests of shareholders and lenders by supporting new admissions to the homes;
- cease further acquisitions between March and September 2020, until the uncertainty created by the pandemic had receded sufficiently, thus enabling the Group and its tenants to focus on the interests of residents during this period;
- continue paying dividends to shareholders, reflecting the resilience of the business and its tenants; and
- restart acquisitions on a very selective basis, once the first wave of the pandemic had passed, supporting growth for shareholders and for tenants.

More information on these decisions, and how the Company engaged with and considered the needs of stakeholders during the pandemic, can be found on pages 4-5.

Set out opposite are the matters the board is required to take into account under s172(1):

Matter	Response
a) The likely consequence of any decision in the long term.	The nature of the Group's business means that the directors must consider the long-term impact of their decisions, given that the Group expects its relationships with tenants to last for a minimum of 20 years. For example, the board's long-term focus was reflected in 2020 in its decision to temporarily halt asset acquisitions. This resulted from the uncertainty surrounding the pandemic's impact on the business plans underpinning potential purchases, and the need to focus on supporting tenants with their plans to protect residents. While this affected portfolio growth in the short term, the decision reduced the risk to the Group's long-term returns.
b) The interests of the Company's employees.	As an externally managed property investment company, we do not have any employees, so this matter is not applicable.
c) The need to foster the Company's business relationships with suppliers, customers and others.	The Group's customers are its tenants. Developing long-term relationships with tenants is central to our business model (see pages 14-15). The Group's work with its tenants during 2020 in relation to the pandemic has further strengthened its overall tenant relationships and demonstrated the importance of partnership working and careful tenant selection. See pages 4-5. Our primary suppliers are our service providers, principally the Investment Manager and Administrator. The board engages regularly with both the Investment Manager and the Administrator, including at its regular board meetings. Through the Management Engagement Committee, the board also formally reviews the work of all the key service providers. The Committee once again completed a thorough review process during 2020 and further information on this can be found in the Management Engagement Committee report on pages 69-70.
d) The impact of the Company's operations on the community and environment.	As our tenants operate our care homes, they have responsibility for relationships with communities surrounding the homes and for the environmental impact of operating them. However, we work closely with our tenants to identify ways to improve the sustainability performance of our assets, as described on pages 25-29. During 2020, the board approved the Group's ESG policy, including its social and environmental commitments (see page 25).
e) The desirability of the Company maintaining a reputation for high standards of business conduct.	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. The Group therefore 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, as well as our ESG policy (see page 25). We monitor our tenants' CQC ratings and engage and support our tenants where improvements are identified to ensure high standards of business conduct are preserved. The Group's actions to support tenants and their residents during the pandemic have helped to protect its reputation as a responsible landlord. In addition, during 2020 the board approved an anti-bribery and corruption policy and a supplier code of conduct, to promote an ethical approach to business at all times.
f) The need to act fairly between members of the Company.	Our largest shareholder, Quilter Investors, is represented on the board by Paul Craig. Paul brings an institutional investor's viewpoint to board discussions, which helps the board to make effective decisions, and Quilter's interests are aligned with those of other shareholders. The large majority of the directors are independent and the board committees only comprise the independent directors. This ensures that all decisions taken reflect the interests of shareholders as a whole.

Going concern and viability

Going Concern Statement

At 22 March 2021, the Group had cash of £23.1 million and a further £28.6 million in headroom on the Group's committed debt facilities. £19.5 million of this cash is held in the parent company current and deposit accounts. The Group continued to collect 100% of rent due up to the date of signing of this annual report.

At 22 March 2021, £8.9 million is committed to asset management and forward-funded development, and a further £5.0 million to financial performance-based deferred payments, all of which are expected to deliver incremental rental returns. The Group is continuing to explore further acquisitions and asset management opportunities, on a selective basis ensuring that the Group has adequate liquidity to fund its future commitments

The COVID-19 pandemic remains a risk. At a tenant level; a fall in occupancy, reduced availability of staff, and increased operational costs, could result in a 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. We have an ongoing and transparent relationship with our debt providers and expect to have constructive and collaborative engagement in the event of a default with supportive conditional waivers, 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 2026. 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 34-39 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 the Audit, risk and internal controls section on pages 61-64. A number of these principal risks, because of their nature or potential impact, could also threaten the Group's ability to continue in business in its current form if they were to occur.

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

Considerations applied to Going concern and viability

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

A tenant with reduced occupancy and rising operational and finance costs is at greater risk of defaulting, and remains a risk in the current operating environment. This is considered fully in the section above.

All of the sensitivity scenarios modelled include no further acquisitions and asset management opportunities beyond those already committed and do not rely on further deployment of capital to support the underlying costs of the business. 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 2026.

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 that 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 the reduction or suspension of dividend payments.

Stress tests

We have considered the fall in property values that 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 £96 million and assets with a value of c.£418 million. Values could fall by 35% 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. Each security pool is individual and there is no cross-collateralization between them.

We have further considered the effect of a reduction in rent on interest cover covenants. The Group could sustain a fall of over 50% and remain compliant with its interest cover covenants.

Extreme scenario

We have also considered an extreme scenario where trading performance of our tenants has been significantly reduced and the banks exercise their security rights over the relevant properties. In this remote 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 April 2023. However, financing is arranged in advance of expected requirements and the directors have reasonable confidence that additional replacement debt facilities will be put in place. Furthermore, the Group has the ability to make disposals of investment properties to meet its future financing requirements.

Viability statement

Having considered the forecast cash flows and the impact of the sensitivities in combination, the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period ending 31 March 2026.

Board approval of the Strategic report

The Strategic report was approved on behalf of the board by

Rupert Barclay Chairman
26 March 2021

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Corporate governance statement – Chairman's introduction

Rupert Barclay, Chairman

The board has a number of important roles. First and foremost, these include determining the Company's purpose and ensuring that its strategy, objectives, risk appetite and culture are aligned to achieving it. We then ensure the strategy is being effectively implemented, through approving material investment activities, reviewing operational performance and overseeing the identification and management of risks. In addition, the board takes a close interest in ensuring the Company's activities underpin its long-term sustainability, both in the way it manages ESG issues and in making sure the portfolio is well-maintained and invested in.

As I outlined in my statement in the Strategic report, the COVID-19 pandemic made this a highly unusual year for all companies. The board played an important role in overseeing the Company's response to the pandemic, particularly during the key months of March, April and May 2020, when the first wave was at its peak and our tenants were having to adapt to a rapidly changing and uncertain situation. We received weekly updates from the Investment Manager on the Company's tenants, their occupancy levels, infections and the wider landscape, and benefited significantly from the Investment Manager's analytical and data driven approach during this time.

The board was required to make several key decisions during the year in light of the pandemic, including the continued payment of dividends, the temporary cessation and subsequent restarting of acquisitions, and the two-week delay to the announcement of our 2019 results, to enable us to undertake more detailed work to support the long-term viability statement. This was a period of intense activity for the board and particularly for the Audit Committee, and I want to thank all of my colleagues as well as the Investment Manager for their support and hard work.

Purpose and culture

The Company has a clear and consistent purpose, which is set out on the inside front cover and forms the foundation of our strategic framework.

Our culture, which underpins the achievement of this purpose, is informed by a number of factors. These include our core values (see inside front over), which require us, for example, to focus on the long-term and be open and transparent with stakeholders. These are attitudes that will contribute to the Company's sustainable success and are at the heart of how the directors fulfil their duties under s172 of the Companies Act (see pages 40-41).

Our values also reflect our belief in combining entrepreneurial flair with the strengths of a listed company, not least in having a robust and diligent approach to corporate governance. For us, good governance provides a framework for enabling performance, rather than being an exercise in achieving compliance.

In leading the board, I aim to promote an open and constructive environment in the boardroom. I invite my colleagues' views and look to make best use of their professional experience and expertise. We have a good mix of different viewpoints on the board and I believe this breadth of thinking helps us to make better decisions.

Composition, succession and evaluation

There were no changes to the board's composition during the year. In last year's report, we noted our intention to recruit an additional non-executive director to add to our property expertise. This was delayed by the COVID-19 pandemic but the recruitment process is now well advanced and we expect to announce an appointment in due course.

Recruiting another director is an important part of our wider board succession planning. With many of the directors having joined the board around the time of the IPO, it is important that we have variety in new appointment dates, to avoid having several board members leaving at around the same time.

We undertook our first externally facilitated board evaluation during the year. This was a thorough and valuable process, which showed that the board and its committees are working well. It also highlighted a number of areas where we can develop our practices, many of which we have already addressed (see page 58-59 for more on the evaluation).

Governance

We have continued to develop our governance framework during the year, to ensure it remains fit for purpose as the Group grows. This included introducing a number of delegated authorities, allowing the Investment Manager to make certain decisions within prescribed limits without needing to check that the board would not exercise its veto over such decisions (see page 63). This aids agility and efficiency, while allowing the board to spend more time on strategy and the major decisions facing the business. We have also continued to develop our policies and approved new policies covering ESG matters, anti-bribery and corruption and a supplier code of conduct in 2020.

The board has responsibility for setting the risk appetite and for overseeing effective risk management. In light of the pandemic, the directors have spent considerable time reviewing our principal and emerging risks. This enabled us to update the risks we disclosed in our 2019 annual report and we continued to refine our view of risk and our disclosures in the interim results and in this annual report. More information can be found on pages 61-64 and 65-68. We also reviewed our risk appetite, which resulted in the introduction of a new risk appetite framework in Q1 2021, which will enable us to measure and if necessary adjust our risk levels as appropriate.

Compliance

The Company is a member of the Association of Investment Companies (AIC). I am pleased to report that we have continued to apply the Principles and comply with the provisions of the AIC Corporate Governance Code (the AIC Code).

The AIC Code addresses the Principles and Provisions of the UK Corporate Governance Code (the UK Code) that are relevant to investment companies, as well as setting out additional Provisions of specific relevance to us. We therefore believe that reporting under the AIC Code provides more relevant information to shareholders than reporting under the UK Code.

The AIC Code, which has been endorsed by the Financial Reporting Council, can be obtained from the AIC website: **https://www.theaic.co.uk/aic-code-of-corporate-governance**. It includes an explanation of how the AIC Code adapts the UK Code's Principles and Provisions to make them relevant to investment companies.

Looking forward

The Company's strategy will see it deliver further growth, while its way of working will continue to evolve, for example as ESG and other long-term sustainability considerations are increasingly integrated into investment, leasing and asset management decisions. The board will therefore continue to review and enhance its approach to corporate governance, to ensure it supports the Company's future success.

Rupert Barclay Chairman
26 March 2021

Application of AIC Code Principles

The table below explains how we have applied the main principles of the AIC Code.

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 1-45 Chairman's introduction, pages 46-47 Board leadership and Company purpose, pages 51-52
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 1-45 Chairman's introduction, pages 46-47 Board leadership and Company purpose, pages 51-52 Division of responsibilities, pages 53-55
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 25-27 and 30-31 Principal risks and uncertainties, pages 34-39 Section 172(1) statement, pages 40-41 Audit, risk and internal control, pages 61-64 Audit Committee report, pages 65-68
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 30-31 Section 172(1) statement, pages 40-41 Board leadership and Company purpose, pages 51-52

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 46-47 Board leadership and Company purpose, pages 51-52 Division of responsibilities, pages 53-55
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 53-55 Biographies, pages 56-57 Nomination Committee report, pages 58-60
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 51-52 Division of responsibilities, pages 53-55 Nomination Committee report, pages 58-60 Audit Committee report, pages 65-68 Management Engagement Committee report, pages 69-70
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 53-55 Audit Committee report, pages 65-68

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 58-60
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 56-57
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 58-60

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 61-64 Audit Committee report, pages 65-68 Notes 2 and 3 to the Financial statements, pages 90-95
Principle N – The board should present a fair, balanced and understandable assessment of the company's position and prospects.	Strategic report, pages 1-45 Fair, balanced and understandable, page 50 Audit, risk and internal control, pages 61-64 Audit Committee report, pages 65-68 Independent Auditor's report, pages 79-84 Financial statements, pages 88-120
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 34-39 Viability statement, page 43 Robust assessment of principal risk, page 50 Review of risk management and internal control, page 50 Audit, risk and internal control, pages 61-64 Audit Committee report, pages 65-68 Management Engagement Committee report, pages 69-70 Note 18 to the Financial statements, pages 107-108

Remuneration

Principle P – Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success.	Strategic report, pages 1-45 Board leadership and Company purpose, pages 51-52 Directors' remuneration report, pages 71-74
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.	Directors' remuneration report, pages 71-74 Remuneration Committee, page 73
Principle R – Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	Directors' remuneration report, pages 71-74 Remuneration Committee, page 73

Other key governance statements

The directors confirm that:

Going concern
The Going concern statement is made on page 42.

Viability
The Viability statement is provided on page 43. Further details of the board's assessment of the viability of the Company are set out in Audit, risk and internal control on pages 61-64. The principal risks and uncertainties are set out on pages 34-39.

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. This annual report describes the procedures to identify these risks. See Audit, risk and internal control on pages 61-64 and Principal risks and uncertainties on pages 34-39 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 section on pages 61-64.

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 69-70.

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 position, performance, business model and strategy. See the Audit Committee report on pages 65-68 for further information on how this conclusion was reached.

Section 172(1)
The Section 172(1) statement is provided on pages 40-41. It provides cross-references to the required detail set out throughout this annual report.

Board leadership and company purpose

Board agenda

At its quarterly meetings, the board follows a formal agenda. This agenda typically includes:

- the Investment Manager's report for the period, including strategic performance and acquisitions, a review of the performance of the investments, operator performance, risk, market conditions, banking relationships and facilities, and any plans to raise further equity or debt;
- financial results against budget and cash flow forecasts, including dividends declared and forecast;
- reports and updates on 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; and
- recommendations and updates from the board committees as appropriate.

Specific matters discussed by the board during the year included:

- approval of the quarterly net asset value and dividend;
- approval of the acquisition of 22 care homes and the commitment to forward fund the development of a new care home in Hartlepool;
- approval of the Company's annual report, interim results, trading updates, other regulatory announcements, the key information document and the company factsheet;
- approval of an update to the Investment Management Agreement to reflect new delegated authorities;
- approval of the new debt facility with HSBC;
- approval of the appointment of RBC as the Company's joint corporate broker;
- approval of the Group's ESG policy, anti-bribery and corruption policy and supplier code of conduct;
- the decision to temporarily halt asset acquisitions during the COVID-19 pandemic;
- the decision to delay the publication of the Company's 2019 annual report and accounts by two weeks, to ensure the viability and going concern statements reflected the current COVID-19 situation;
- review of our tenants' performance and compliance with the lease terms;
- discussion of options to support operators during the pandemic and approval of the purchase of thermal sensors for each of the Group's care homes; and
- review of principal risks and changes as a result of the pandemic.

Strategic oversight

The board's primary responsibilities in leading the Company include challenging and approving the strategy, ensuring it aligns with the Company's purpose and culture (see inside front cover) and overseeing its implementation.

The 2019 board self-evaluation identified the board's desire to spend more time on strategic matters in its regular meetings. The board therefore identified several strategic topics at the start of the year, with one topic covered in depth at each regular meeting. The topics included:

- tenant quality;
- the Company's ability to buy high-quality assets, including the board's first post-acquisition reviews of completed transactions; and
- a review of tenants' repairs and maintenance spend and the Company's strategic capital expenditure, to ensure the quality of the portfolio is maintained and the Company is optimising its spend on the portfolio, recognising the high returns available on capex.

This work was supported by the board's approval of an updated Investment Management Agreement containing a number of delegated authorities, allowing the Investment Manager to take certain decisions without reverting to the board, within defined limits. This freed up more time for the board to devote to strategic matters during its regular meetings. In particular, the delegated authorities allow the Investment Manager to undertake the following, without the need to check that the board would not exercise its veto over such decisions:

- acquisitions below £5 million that meet board approved criteria and will be leased by existing tenants;
- capital improvements below £1 million; and
- other expenditure which is in line with the approved budget.

In addition, the board holds a strategy day roughly once per year. The latest strategy day took place in January 2021. The main areas covered were:

- a review of 2020 and lessons learned from the pandemic;
- delivering quality, including a review of the Company's tenants, portfolio and approach to ESG;
- future growth, including the asset management strategy;
- financing; and
- a review of the Company's strategic framework, including its purpose and values, as well as the investment policy.

Board leadership and company purpose

Shareholder relations

The board is committed to fostering and maintaining strong relationships with the Company's shareholders and recognises the importance of good communications. The primary objectives of the 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 the Company's market and differentiate it from its peers;
- strengthen the Company's relationships with the investment community;
- achieve a strong, supportive shareholder base with ongoing investment appetite; and
- ensure the board understands the market's view of the Company.

Mahesh Patel, Andrew Cowley and David Yaldron, from the Investment Manager, are the Company's principal spokesmen with the Company's shareholders, the press, analysts, investors, debt finance providers and other stakeholders. 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 Investment Manager provides the board with regular investor relations updates, which include 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. The board also meets periodically, on a formal and informal basis, with the Company's corporate brokers, in order to better understand the views of major shareholders.

Rupert Barclay, Chairman, and Rosemary Boot, Senior Independent Director, have made themselves available to speak to any shareholders to discuss matters relating to the Company. In 2020, they held calls with a number of the Company's leading shareholders to hear their views and answer questions, and discussed a wide range of topics. Feedback from the calls was provided to the other directors and showed that those investors:

- welcomed the opportunity to speak directly to board members;
- were happy with their investments in the Company and with the performance of the Investment Manager; and
- supported the Group's accretive growth strategy, especially asset management.

Investors were also content with levels of gearing but wanted to see gearing remain conservative, given the uncertainty caused by the pandemic.

Annual General Meeting

In previous years, shareholders have been 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.

However, as a result of the COVID-19 pandemic, the Company was required to adopt alternative arrangements for the 2020 AGM. Although the meeting went ahead, it did not follow the usual format and only considered the statutory formal business that was legally required. Information on arrangements for the 2021 AGM can be found on page 76.

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 25-27 and 30-31, and in our Section 172(1) statement on pages 40-41.

Division of responsibilities

The board and its responsibilities

The directors are responsible for managing the Company's business affairs 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 matters;
- 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 criteria 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 oversight of potential conflicts arising from the principals of the Investment Manager being the owners of the Group's largest tenant, Minster Care Group Limited;
- the approval of all new investments other than those leased to existing tenants, where the approval is for investments over £5 million; and
- the approval of capital improvements over £1 million.

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

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. In particular, the board has delegated responsibility for day-to-day management of the Company's portfolio to the Investment Manager via the AIFM. The directors are responsible for supervising the Investment Manager. The board has not delegated powers to the Group's subsidiary companies.

Board composition

There were no changes to the board's composition during the year. At the year end, the board therefore comprised five non-executive directors. Rupert Barclay, Rosemary Boot, Philip Hall and Amanda Aldridge are deemed to be independent of the Investment Manager. Paul Craig is also 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 56-57.

The Chairman

Chairman, Rupert Barclay, was independent on appointment and has no relationships that may create a conflict of interest with shareholders. As Chairman, he sets the agendas for board meetings, manages the meeting timetable and facilitates open and constructive dialogue during the meetings.

The Chairman has held the post for four years. As the Company is subject to the AIC Code, there is no requirement for a limit on the Chairman's tenure, as approved by the FRC. However, the board recognises that there is a significant body of opinion that tenure should be limited to nine years and bear this in mind in its succession planning. Rupert Barclay continues to have sufficient time to function effectively as Chairman.

Time commitment

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.

Provision of challenge

The non-executive directors provide objective, rigorous and constructive challenge to the Investment Manager. In doing so, they draw upon their collective skills and experience, which include specific expertise in the care home and social care sector, as well as significant experience of financial matters, corporate finance and audit. The board also has a strong understanding of the investor perspective, as well as knowledge and experience of corporate governance, gained through operating at boardroom level in a range of other organisations.

Division of responsibilities

The board's engagement and challenge during the year resulted in a number of actions and changes including:

- the agreement with the Investment Manager on the suspension of acquisitions in March 2020 and its reinstatement in September 2020; and
- a request by the board to explore ways to support tenants, culminating in the recommendation of thermal imaging cameras.

The performance of the other service providers (except for the Independent Auditor) is assessed on a regular basis by the Management Engagement Committee. 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 67-68.

Board committees

The board has 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 65-68, 69-70, 58-60 and 73, respectively. The committees' terms of reference are available on our website at **https://www.impactreit.uk/about/corporate-governance/**

All of the independent directors serve on each board committee, so the links and overlaps between the committees' responsibilities 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, which monitors the Company's risk management framework. Amanda Aldridge, the Audit Committee Chair, represents the board on this committee, which also includes representatives of the Investment Manager, the Administrator and the Investment Manager's risk advisers, Carne. More details of this committee's activities are set out in Audit, risk and internal control on pages 61-64.

Meetings and attendance

The board meets formally on a quarterly basis. There are also 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. During the early months of the COVID-19 pandemic, the board also had regular ad hoc meetings to receive updates on and oversee the Group's response to the pandemic.

The table below shows each director's attendance at the scheduled board and committee meetings during the year.

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

Service and support

The Company has no employees and is externally managed by the Investment Manager (as the mandatory Alternative Investment Fund Manager), supported by the Administrator.

The Management Engagement Committee formally reviews the performance of the Investment 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 Investment Manager and Administrator are given in the Management Engagement Committee report on pages 69-70.

Depositary

Indos Financial Limited is the Company's Depositary.

Director	Quarterly board meetings	Audit Committee	Management Engagement Committee	Nomination Committee	Remuneration Committee
Rupert Barclay (Chairman)	4/4	4/4	1/1	3/3	1/1
Rosemary Boot	3/4	4/4	1/1	3/3	1/1
Amanda Aldridge	4/4	4/4	1/1	3/3	1/1
Paul Craig	4/4	N/A	N/A	N/A	N/A
Philip Hall	4/4	4/4	1/1	3/3	1/1

The Administrator

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

As Administrator, JTC, on behalf of the directors, is responsible for:

- maintaining the Company's books and records;
- preparing the management and financial accounts;
- managing all of the Company's cash movements; and
- calculating, in conjunction with the Investment Manager, the Company's Net Asset Value.

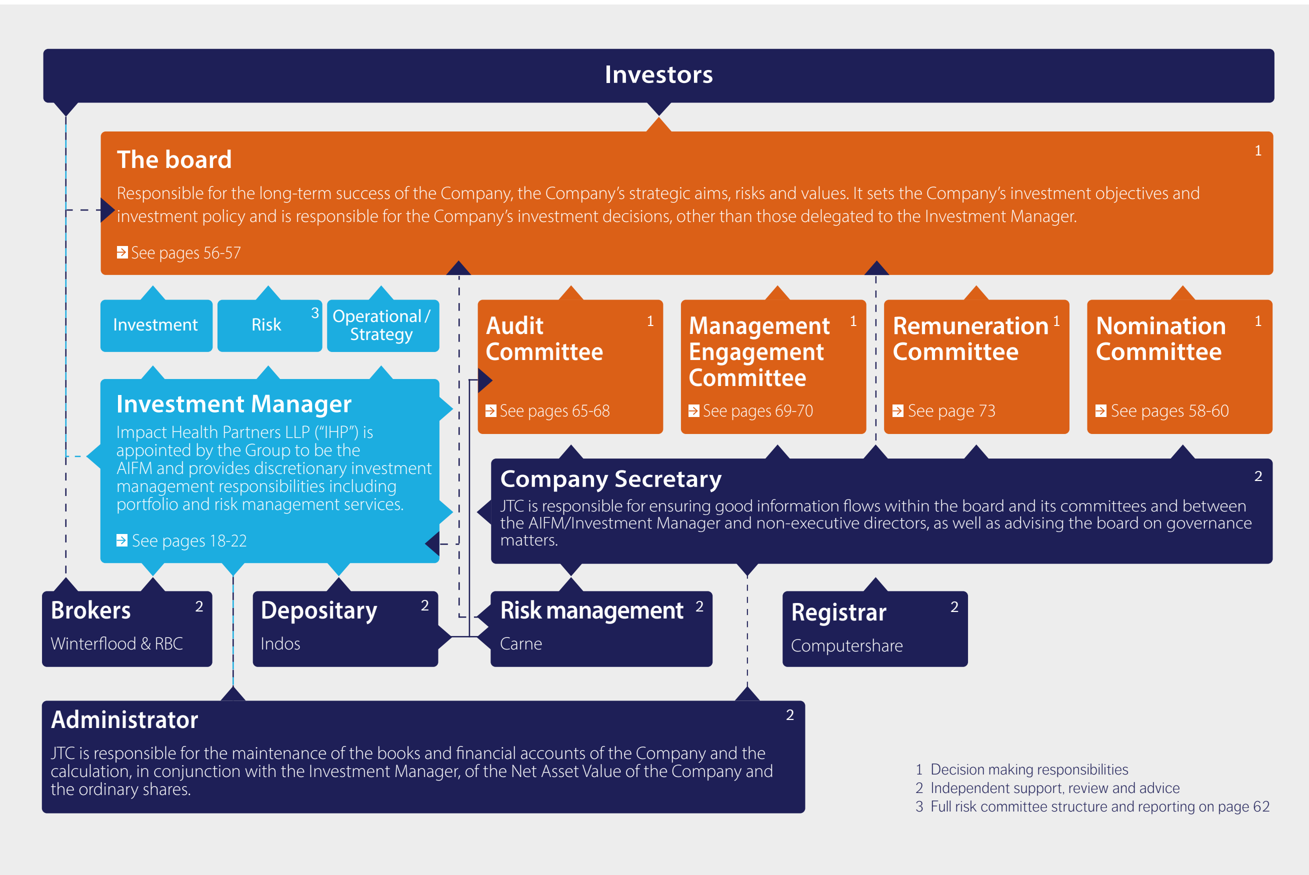
As Company Secretary, JTC is also responsible for producing the Company's accounts, ensuring regulatory compliance and supporting the board's corporate governance process and its continuing obligations. In addition, JTC is responsible for liaising with the Company, the Investment Manager and the Registrar in relation to dividend payments, 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 Company's expense.

Alternative Investment Fund Manager Directive ("AIFMD")

The Company is an Alternative Investment Fund ("AIF") for the purposes of the AIFMD.

Reporting structure



Biographies

The directors have a broad range of backgrounds and relevant skills and experience, which enables them to work well together in leading the Group.

Board of directors

Rupert Barclay FCA
Independent Chairman, aged 64

Appointed: 16 January 2017

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

Rupert has significant boardroom experience in 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 a 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 58

Appointed: 16 January 2017

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

Rosemary was 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 committee
- 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. Reappointed as independent non-executive director following takeover by the Wellcome Trust in 2021
- Chapter Zero Limited, 2019-present. Co-founder and director
- Triple Point Energy Efficiency Infrastructure Company plc, 2020-present. Senior independent director and audit committee chair

Amanda Aldridge FCA
Independent Non-executive Director, aged 58

Appointed: 1 March 2019

Committees: Audit (Chairman), 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.

Other current directorships/ memberships

- Headlam Group plc, 2018-present, non-executive director, chairman of the audit committee and member of the remuneration and nomination committees
- The Brunner Investment Trust Plc, 2019-present. Non-executive director and member of the audit, remuneration and nomination committees
- The Low Carbon Contracts Company Limited and The Electricity Settlements Company Limited, non-executive director and audit committee chair

Paul Craig

Non-executive Director, aged 52

Appointed: 30 June 2017

Paul is a portfolio manager at Quilter Investors, which has an interest in the Company through funds managed by Paul. He has over 20 years of investment experience, including ten 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 an associate of the UK Society for Investment Professionals.

Other current directorships/ memberships

- The Diverse Income Trust plc, 2011-present, director
- Ground Rents Income Fund plc, 2012-present, director
- Hadrian's Wall Secured Investments Limited

Philip Hall

Independent Non-executive Director, aged 66

Appointed: 16 January 2017

Committees: Audit, Management Engagement, Nomination and Remuneration

Philip is a chartered surveyor with over 25 years' experience in the healthcare sector in the UK and internationally. He was until 2017, Chairman for healthcare at Jones Lang LaSalle (JLL) where he was involved principally in sales, acquisitions, portfolio strategy and valuations. He then ran his own healthcare property consultancy until February 2021. During his career, he advised on the restructuring of Southern Cross and its legacy and was a member of its landlord committee which steered the winding up of Southern Cross and the transfer of its residents and staff to new operators. He has also advised on lease and loan restructuring transactions, asset management 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

- None

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 a co-founder and director of Precision Dental, which invested in dental laboratories. Mahesh also invests in technology related to healthcare.

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

David Yaldron FCA

Finance Director

David has more than 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, 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 ten years of his career at KPMG, working in the Transaction Services team.

Nomination Committee report

Rupert Barclay, Committee Chairman

Introduction

During 2020, the Nomination Committee focused on a number of matters. These included completing our first externally facilitated board evaluation, reviewing the board's composition and our ongoing succession planning. We also progressed our plans to recruit an additional non-executive director, which had been identified as an objective for 2020 in last year's report. While the COVID-19 pandemic delayed this recruitment, we expect to be able to announce an appointment during 2021. This will help the board as the Company continues to grow and will support board succession planning, including staggering the retirement of directors in the future.

Committee membership

The Committee's membership was unchanged during the year and comprised Rosemary Boot, Amanda Aldridge, Philip Hall and me, Rupert Barclay, as Committee Chairman.

Role

The Committee has various functions, which help to ensure the board is effective and able to operate in the best interests of shareholders and other stakeholders. The most important of these functions are:

- ensuring there is a formal, rigorous and transparent procedure for appointing new directors to the board;
- leading the process for board appointments and making recommendations about appointments to the board;
- performing an annual review of the board's structure, size and composition (including the directors' skills, experience, independence, knowledge and diversity) and making recommendations to the board about any changes;
- considering succession planning for directors, taking into account the challenges and opportunities facing the Company, and the skills and expertise the board will need in the future;
- performing an annual review of the time required from non-executive directors, including the Chairman and Senior Independent Director, and using performance evaluation to assess whether the non-executive directors are spending enough time to fulfil their duties;
- considering recommendations for re-election on retirement and the re-appointment of any director at the conclusion of his or her specified term of office; and
- assisting the Chairman of the board with implementing an annual evaluation process, to assess the overall and individual performance and effectiveness of the board and its committees.

Committee meetings

The Nomination Committee meets formally at least once a year and also when required. We had three meetings during the year, in June, August and October 2020. Committee members' attendance at these meetings is set out on page 54. Paul Craig also attended the August meeting by invitation.

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

At the meeting in June, the Committee reviewed proposals from firms for conducting the externally facilitated board evaluation and approved the appointment of Board Alchemy.

At the meeting in August, the Committee:

- received the board evaluation report from Board Alchemy;
- considered the board's composition, target size and approved the recruitment of an additional non-executive director; and
- reviewed succession planning.

More information on each of these matters can be found later in this report.

Terms of reference

There were no changes to the Nomination Committee's terms of reference during 2020. The terms of reference of all board committees are available on our website at: **https://www.impactreit.uk/about/corporate-governance**

Board evaluation

During the year, we conducted our first externally facilitated evaluation, in line with best practice. The exercise was undertaken by Board Alchemy and was a comprehensive review of the functioning of the board, its committees and the individual directors. Board Alchemy is a specialist provider of these services and was selected by the Nomination Committee after a competitive tendering process. It has no other connection with the Company or individual directors. The content of this section of the report has been agreed with Board Alchemy.

The evaluation process was thorough, with each director completing a questionnaire about key matters relevant to the board, followed by one-to-one interviews. Board Alchemy also interviewed Andrew Cowley, Mahesh Patel and David Yaldron from the Investment Manager, as well as representatives of JTC Group. In addition, Board Alchemy reviewed board and committee papers. The evaluation process employed a scoring system, which we can use in our future internal board evaluations.

Board Alchemy presented its report at the August 2020 Nomination Committee meeting. The evaluation showed that:

- to date, the Company's governance practices appear to have resulted in good outcomes;
- board members bring a good range of skills and are diligent in their work;
- the board is focused on key areas such as strategy, risk, acquisitions and performance, as well as other important matters such as diversity, succession and stakeholders; and
- the board makes appropriate use of its committees.

The board itself functions well as a unit, with the directors all showing their willingness to contribute in and outside of board meetings. The diversity of the directors' thinking styles, ranging from entrepreneurial to analytical approaches, ensures issues are considered from different angles. The board's tone is led by the Chairman, who devotes considerable time to the role and actively engages with board members between meetings, helping to achieve consensus.

The evaluation also highlighted a number of areas for the board to consider, including:

- setting out key roles in writing, including those of the board, the Chairman and the Senior Independent Director;
- tailoring updates on governance and regulations to the Company's circumstances;
- discussing the need for a further board appointment (see recruitment of new non-executive director below);
- discussing individual directors' intentions about their tenure, in order to aid succession planning;
- an additional focus on succession planning at the Investment Manager;
- developing an annual plan for the board and encouraging board members to contribute to agenda setting;
- continuing improvements to board papers;
- ensuring that meetings run to time;
- arranging informal meetings between the directors, to allow more time for reflection and discussion;
- developing a strategic route map for the Company and the implications for the Investment Manager's resourcing and capabilities; and
- giving additional consideration to risk appetite and emerging risks.

The Committee considered these conclusions and recommended them to the board for action. We have already made good progress with the recommendations and will set out how we have addressed them in next year's report.

Committee evaluations
The evaluation found that all four of the board's committees were working well. In particular, the Audit Committee's work was seen as important in the context of COVID-19, in relation to the very thorough assessment of viability and finalising the 2019 annual report.

A number of the recommendations noted above were relevant to the work of the Nomination Committee, including the focus on succession planning and the recruitment of an additional non-executive director, both of which are discussed below.

Individual director performance
All the directors were felt to be performing well and to be making robust contributions to the work of the board and its committees. I discussed individual feedback with the other directors, while the Senior Independent Director discussed my performance as Chairman of the board with me.

Progress with 2019 board evaluation recommendations
Our previous internal board evaluation in 2019 had identified two material areas for enhancement.

The first area was the need to increase the time the board spent on strategic rather than operational issues. We have addressed this in 2020 through:

- prioritising specific areas of strategic interest at our quarterly board meetings;
- introducing delegated authorities, to free up board time; and
- our annual strategy day.

More information on all of these matters can be found on page 51.

The second area of focus was to make board meetings more efficient. In conjunction with the Investment Manager and the Secretary, we have looked to tighten the board agenda, ensure board papers are concise and timely, and that minutes and action points are well documented. The delegation of some responsibilities to the Investment Manager has also helped with efficiency, as has the move to video-conferencing during the pandemic.

Succession planning
The Committee continued to consider succession planning during the year, including reaffirming the decision taken in 2019 to recruit another non-executive director, which was delayed due to the pandemic.

Nomination Committee report

The Committee's work on succession planning included reflecting the need to add further variability into the appointment dates of board members, given that several directors joined around the time of our IPO. Introducing an appropriate stagger to appointment dates will prevent the need to retire a significant number of board positions in a short space of time. Carefully managed succession will also keep thinking on the board fresh and increase the board's capacity as the Company grows.

At our meeting in August, the Committee agreed that I should discuss views on board tenure with each of the directors, to inform our next review of succession plans.

Recruitment of new non-executive director

Having confirmed our view that the board would benefit from the addition of a non-executive director, the Committee recommended this to the board. Our thinking was that the appointee should add to the board's real estate knowledge and would ideally have property acquisition experience as a principal.

I invited three headhunters to submit a proposal for the assignment. None of the firms had any connection with the Company or individual directors. I interviewed each firm and the Nomination Committee discussed the three proposals. We unanimously agreed to appoint Nurole, after further enquiries into its ability to source sufficient candidates with property backgrounds.

The recruitment process is ongoing at the time of this report.

Diversity

The board recognises the benefits that diversity brings and has a formal diversity policy, which it adopted in 2019. At the year end, 40% of the board was female.

We recognise that 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.

When making appointments to the board, our approach is to appoint the best possible candidate, considered on merit and against objective criteria, and in accordance with the Equality Act 2010. Candidates are considered in the context of complementing and expanding the skills, knowledge and experience of the board as a whole.

Rupert Barclay Committee Chairman
26 March 2021

Audit, risk and internal control

Overview

The directors are responsible 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 Group's principal risks and uncertainties are set out on pages 34-39. The directors, with the support of the Investment Manager, have performed robust reviews of the Company's principal and emerging risks on several occasions during the year, in particular in light of the impact of COVID-19. This resulted in a number of changes to the principal risks that were reported in the 2019 annual report, with further updates made to the principal risks and uncertainties set out on pages 34-39.

The annual assessment of principal risks includes a survey of board members and key service providers, and discussion of the survey results. The directors also carried out a "deep dive" on the risks associated with COVID-19 in the early months of the pandemic, as well as ahead of the interim results announcement and again as part of this year's survey. The Company's principal risks are also considered in the context of the 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 Company's principal risks, and the mitigations in place to control them, are detailed in the risk register. This measures the inherent likelihood and impact of each risk and their residual likelihood and impact, assuming controls are operating effectively. The risk register is updated and approved by the board at least annually.

Having assessed its principal risks, the board has procedures in place 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 risk appetite reflects the risks the board is willing to take, in order to successfully implement its strategy and achieve its investment objectives, as set out on page 16. The Directors discussed the Company's risk appetite at the board meeting in December 2020 and approved a new risk appetite assessment in Q1 2021.

Risk processes

The Company's risk governance structure is summarised below:

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

Audit Committee
Has delegated responsibility from the board for monitoring compliance with internal financial controls, reviewing the risk management framework and reviewing 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 the Company's behalf.

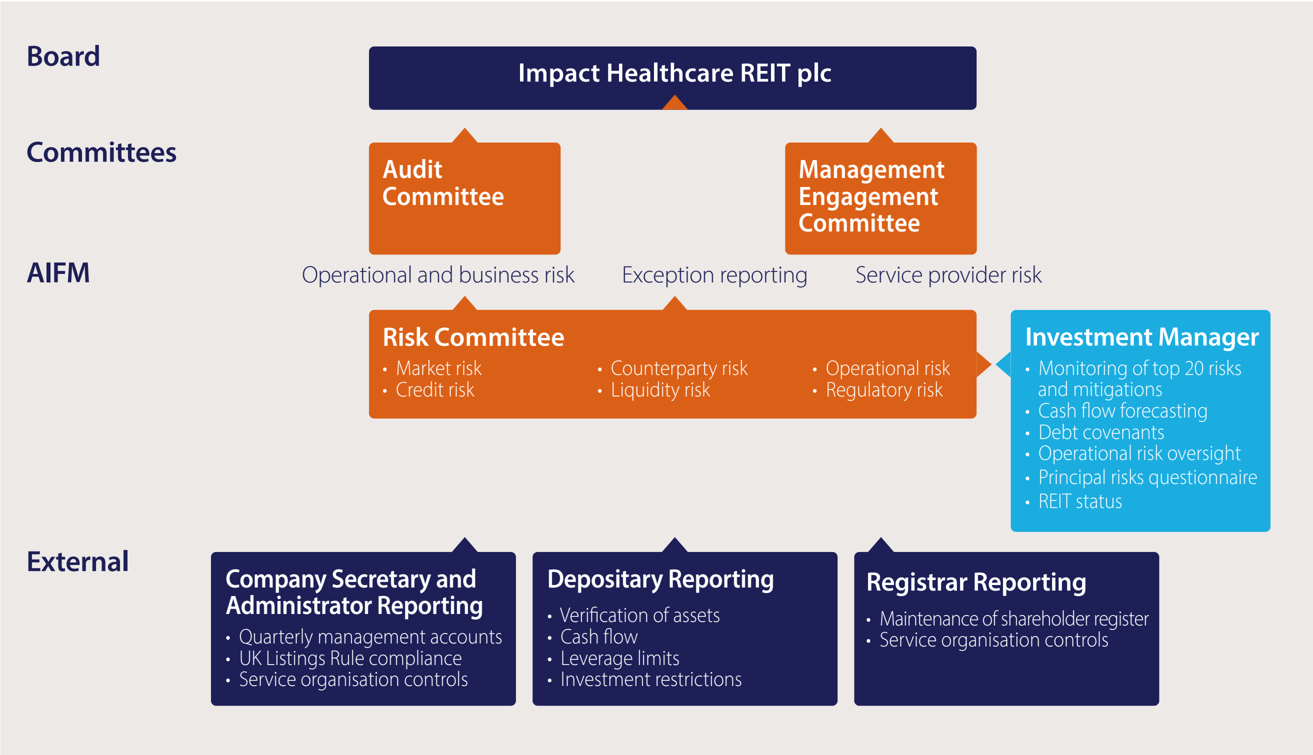
Investment Manager
Performs portfolio and risk management functions on behalf of the Company. This includes monitoring the systems and controls in place to manage risk. The Investment Manager has appointed Carne Global AIFM Solutions (C.I.) Limited to undertake the risk management function on its behalf.

Risk Committee
Oversees risk management and controls. 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 and the Audit Committee.

Service providers
Providers are expected to monitor their own internal control systems, to ensure that risk is properly managed in performing services for the Company.

Audit, risk and internal control

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



Responsibilities for managing risk

The responsibilities for managing risk by each element of the risk management framework are summarised below:

1. Board responsibilities

- Quarterly review of Company liquidity
- Semi-annual assessment of principal risks facing the business and consideration of emerging risks
- Assessment and articulation of risk appetite

2. Audit Committee responsibilities

- Keep under review the Company's internal financial controls and internal control and risk management systems through reports from the Risk Committee, with exceptions reported to the board and queries followed up 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
- 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 and reported to the Management Engagement Committee/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 the 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 risks to the business model, future performance, solvency or liquidity of the Company, in the context of going concern and long-term viability statements

- 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 Organisation Control reports and due diligence reviews

5. Compliance monitoring responsibilities

- JTC, in its capacity as Administrator and Company Secretary, monitors the Company's compliance with the UK Listing Rules and with prospectus limits
- The Investment Manager monitors the Company's compliance 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 and good title to assets

Internal control processes

As the Company grows, it is developing a more complex Group structure. The board has continued to work with the Investment Manager and Administrator to implement the 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. During the year, the board approved a new policy in relation to anti-bribery and corruption.

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 a Financial Position & Prospects Procedures board memorandum, which is updated and reviewed by the Audit Committee every year. 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. It also details the procedures to identify, assess and document the risk factors likely to affect the Company's financial position and prospects and any changes, and 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 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.

During the year, the directors requested and received assurances from the Investment Manager and the Administrator that their internal controls continued to operate effectively, following the switch to home working in response to COVID-19. The directors have also received a report from the Investment Manager that summarises its internal controls, which primarily relate to segregation of duties, including who is responsible for providing cover if particular individuals are unavailable. In addition, the directors have received bridging letters from service providers to provide assurance that their controls have continued to operate effectively throughout the period under review, where the service providers' own review of their internal controls is not coterminous with the Company's reporting period.

Financial reporting

The Group, with the support of the Investment Manager and Administrator, has internal control and risk management arrangements in relation to its 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. The Administrator maintains control of these and communicates them regularly.

The arrangements include procedures implemented by the Administrator to ensure records are maintained which accurately and fairly reflect transactions. The Investment Manager reviews and comments on the records, 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 it with the Audit Committee. Where required, third-party advisers are consulted. This enables the preparation of financial statements in accordance with international accounting standards in conformity with the

Audit, risk and internal control

requirements of the Companies Act 2006 and prepared in accordance with International Financial Reporting Standards ("IFRS") adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, or FRS 102, as appropriate, with reasonable assurance. Reported data is reviewed and reconciled, with appropriate monitoring internally and by the Audit Committee.

Ongoing financial performance is monitored through the Administrator reporting regularly to the Investment Manager, with performance then reported to the board.

Capital investment and all revenue expenditure are regulated by a budgetary process and authorisation levels. The Investment Manager prepares a budget which is approved by the board, with performance against budget reported to the board quarterly. The Administrator also tracks expenditure and investment against budget. Payment of Investment Manager fees are presented to an individual director for sign off.

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 2020 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, the Depositary 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 50.

Audit Committee report

Amanda Aldridge, Committee Chairman

Introduction

I am delighted to present the Committee's report for the year ended 31 December 2020.

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, we spent time considering the impact of the COVID-19 pandemic on the principal risks and uncertainties of the business and our assessment of going concern and viability for both the annual report and accounts and the half year announcement. We also received reports from the risk committee, which had considered statements by and representations from our service providers. These activities were incremental to the annual work plan, based on the Committee's terms of reference, under which we operate.

The role of the risk committee in the risk management framework is described on pages 61-64. During the year I attended all meetings of this committee, which continues to provide me with 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.

Committee membership

I chaired the Committee throughout the year and Rosemary Boot, 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: audit and advisory partner at KPMG for 20 years; chairs the audit committee at two other listed companies; sector experience includes property, social housing and investment trusts.

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 including audit committee membership of other listed companies; 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.

Role

The Committee's primary responsibilities are to:

- monitor the integrity of the Company's financial statements and formal announcements relating to the Company's financial performance, and review any significant financial reporting judgements contained in them;
- consider the appropriateness of our accounting policies;
- review the interim and final valuations with the valuers;
- review and then advise the board that the annual report and accounts taken as whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- review and consider the basis of the going concern and Viability statement made by the directors (see pages 42-43);
- review the adequacy and effectiveness of the Group's internal controls and risk management framework;
- consider the need for internal audit;
- review and approve the role of the external auditor in the interim review and associated fees;
- review the external auditor's plan for the audit of the Group's accounts, approve the terms of engagement for the audit, including the audit fee and review the findings;
- oversee the relationship with the external auditor, including reviewing its independence, objectivity and effectiveness; and
- review the financial position and prospects procedures ("FPPP").

Audit Committee report

Meetings

We met four times during 2020 and attendance is set out on page 54. 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 2020, prior to publication of the 31 December 2019 NAV, and in January 2021, prior to publication of the 31 December 2020 NAV, without other parties in attendance, to discuss the respective 31 December valuations in detail. CW also attended the August Committee meeting to discuss the June valuation.

I held a number of preparatory discussions with the Finance Director of the Investment Manager and the external auditor, to ensure that 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, on two occasions, during the year.

Terms of reference

We reviewed the Committee's terms of reference and made various changes to align with the new pro-forma terms of reference published by ICSA and the latest version of the AIC Code. The revised terms of reference were submitted to the board for approval and are available on our website at **https://www.impactreit.uk/about/corporate-governance/**.

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 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 were the assessment of fair values of investment properties 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 2020. 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 2020 NAV, in January 2021, a sub-committee of the Audit Committee discussed at length the approach undertaken by CW in the valuation of the assets, the assumptions underlying the property valuations and the approach taken to valuation of homes affected by COVID-19. We discussed the level of inspections undertaken by CW and whether the lack of inspections was impeding their valuation. The Audit Committee also sought confirmation from CW that no undue influence had been applied by the Company or the Investment Manager in reaching Its conclusion.

At the time of publication of the unaudited NAV in January 2021, CW had not had sight of the operator reporting for the quarter to 31 December 2020. CW were asked to review this information prior to finalising their valuation.

We discussed with the auditor its review of the valuation, referred to in the Independent Auditors' report on pages 79-84, and were informed that the auditor had met separately with CW and had satisfied Itself on a property by property basis that the valuation approach was appropriate.

(ii) 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 leases when signed, are for between 20 and 25 years with a tenant-only option to extend for one or two periods of ten years. At the inception of the lease, management 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.

The Audit Committee has reviewed the Investment Manager's approach to the assessment of leases and discussed this with the auditor to understand Its work and conclusions in this area.

In previous years, the assessment of business combinations has been included as an area of judgement but revisions to accounting standards have reduced the need for judgement in this matter.

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 reviewed 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 2020, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The board's conclusions in this respect are set out on page 50.

Review of 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 34-39. The risk committee (see pages 61-64) 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 ending 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 therefore this is his fourth 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 the additional requirements for auditors in relation to going concern and viability reviews. We also discussed the analysis of the valuation which BDO carries out, involving Its in-house valuation specialists and review of independent market data, as well as separate meetings to discuss the valuation with CW.

We considered the audit timetable in the context of the global pandemic and the possibility that we would be continuing to operate under lockdown restrictions and satisfied ourselves that the timetable was appropriate to meet the reporting requirements for the annual report and accounts 2020 and the external audit.

(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.

Audit Committee report

The Committee discussed the effectiveness of BDO as auditor. Assessment of the auditor's performance was provided by the Investment Manager and the Committee members. 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

£13,800 of non-audit fees were authorised in the period, in relation to the agreed upon procedures for the Company's interim report (2019: £27,600).

Total audit fees for the period were £173,760 and non-audit fees were £13,800. Non-audit fees as a percentage of audit fees were 7.9% (2019: 16.6%).

Committee evaluation

A detailed and rigorous external evaluation of the Committee was undertaken as part of the overall board evaluation. The Committee was found to be working well and the skills and experience of the members was found to be appropriate for their roles. The Committee will continue to concentrate on personal development and training of committee members, as the regulatory focus on audit and audit committees increases.

Amanda Aldridge Committee Chairman
26 March 2021

Management Engagement Committee report

Rupert Barclay, Committee Chairman

Introduction

There were no significant changes to the Company's key service providers during the year. The Committee's primary focus was therefore on reviewing the performance of the Investment Manager and other key service providers, and ensuring the Company continued to receive appropriate service and value for money.

Committee membership

The Committee's membership comprises all of the Company's independent directors: Rosemary Boot, Amanda Aldridge, Philip Hall and me, Rupert Barclay, as Committee Chairman. I am independent of the Investment Manager.

Role

The Committee has several functions, the most important of which are to conduct an annual review of:

- the Investment Manager's compliance with the Company's investment policy, when sourcing potential investment opportunities;
- the Investment Manager's compliance with its investment advisory agreement with the Company; and
- the performance of the Company's other key service providers.

Committee meetings

The Committee meets formally at least once a year or as and when required. It met once in 2020. The Committee members' attendance is set out on page 54. Paul Craig also attended the meeting by invitation.

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, except when its performance is being discussed.

Terms of reference

The Committee reviewed its terms of reference during the year and made a number of changes. These primarily reflected the Investment Manager's appointment as the Company's AIFM, having previously been the Investment Adviser. Terms of reference for all the board committees are available on our website at: **https://www.impactreit.uk/about/corporate-governance**.

Investment Manager

Impact Health Partners LLP is the Company's Investment Manager. Under the terms of the Investment Management Agreement, the Investment Manager provides 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.

The Investment Management Agreement imposes certain restrictions on the Investment Manager and its associates from acquiring, developing, leasing or operating competing businesses. This ensures that the board can effectively manage any potential conflict, given that one of the Investment Manager's Managing Partners owns Minster Care Group Limited, which is the Company's initial tenant. The Investment Management Agreement was updated in 2020 to reflect the new delegated authorities, which are described on page 51.

The Investment Management Agreement also:

a) grants the Group pre-emption rights 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 under the leases in excess of £50,000; or
   - 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; and

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

Management Engagement Committee report

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. The agreement 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 Investment Manager's performance. Our view was that the Investment Manager was performing well, that it continued to provide a good service to the Company and that service had improved over the past 12 months. The Investment Manager also demonstrated good levels of responsiveness and the ability to anticipate key issues.

The Committee noted the size of the Investment Manager's workload and that its resources to handle this workload had increased since the addition of two new members to the Investment Manager's team.

Following this review, we determined that it was in the shareholders' best interests for the Investment Manager's appointment to continue and the board has since ratified this decision.

Review of the Investment Manager's remuneration

Under the terms of the Investment Management Agreement, the Investment Manager is entitled to a management fee together with reimbursement of reasonable expenses it incurs in performing 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.

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

The Committee reviewed the fee arrangements, compared them with comparable REITs and concluded that they were reasonable.

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 which was updated during the year, JTC as Administrator is entitled to:

- an annual fee in respect of the accounting and administration services it will provide of £80,000; and
- an annual fee in respect of company secretarial provision of £60,000.

The Administration and Company Secretarial Services Agreement can be terminated by either party, either in accordance with the agreement (for example in the case of a material breach or of the insolvency of a party, whereby the agreement may be terminated immediately upon notice), or by at least three months' written notice.

Review of performance

The Committee discussed the performance of JTC both as administrator and as Company Secretary. We concluded that the performance as administrator and Company Secretary remained satisfactory and agreed to a revised service agreement with JTC, including new fee terms as set out above. JTC continue to work with the Investment Manager and board on a process of continuous refinement.

Review of other service providers

The Committee also reviewed the service level of the Company's other service providers and concluded that the performance was satisfactory and that the relevant appointments should continue. The Committee also discussed whether the range of service providers was broad enough and is engaging with the Investment Manager to explore widening the advisory base, particularly on legal and tax advice. The Committee agreed to change Registrar.

Rupert Barclay Committee Chairman
26 March 2021

Directors' remuneration report

Rosemary Boot, Committee Chairman

Annual statement

This has been another straightforward year for the Committee. We spent time reviewing the Company's proposed new remuneration policy, which is being put to shareholders for approval at the 2021 AGM. As part of this, our Company Secretary, JTC, provided us with a review of our peers' policies. We made some minor amendments to clarify parts of the policy and bring it into line with our peers. The proposed new policy and an explanation of the changes are set out on page 72.

The Articles of Association and the AIC Code require us to review current remuneration for the directors and consider whether it reflects our time commitment and responsibilities, particularly for any duties beyond those normally expected. The Investment Manager provided us with a comparison of directors' fees for the Company's peers and we also reviewed third-party surveys on pay across investment trusts. In addition, we took into account the backdrop of COVID-19 and its severe impact on people's lives and the economy, as well as the importance of keeping the Company's total expenses as low as possible. While the peer comparisons did show a case for increasing fees this year, we decided to keep them unchanged for another 12 months.

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 us to establish a formal and transparent procedure for developing our remuneration policy and states that no director should be involved in deciding their own pay. Principle P requires us to design remuneration policies and practices that support the Company's strategy and promote its long-term sustainable success. As set out in this report, we believe we have continued to apply these principles during 2020.

Directors' remuneration policy

The policy that applied during 2020 was considered and approved by shareholders at the Company's first AGM, on 26 April 2018.

The Remuneration Committee reviewed the policy during the year. The proposed new policy, which is set out below, will be considered by the Company's shareholders at the AGM, scheduled for 12 May 2021.

Proposed directors' remuneration policy

The Company's policy is to determine the level of directors' fixed annual fees in accordance with its Articles of Association.

When setting the level of directors' fees, the Company will have due regard to the experience of the board as a whole, the time commitment required, the responsibilities of the role and to be fair and comparable to non-executive directors of similar companies. Furthermore, the level of remuneration should be sufficient to attract and retain the directors needed to oversee the Company properly and to reflect its specific circumstances. The Company may also periodically choose to benchmark directors' fees with an independent review, to ensure they remain fair and reasonable.

Directors' fees are reviewed annually and will be adjusted from time to time, as may be determined by the board under the Articles of Association and this policy. In terms of the Company's Articles of Association, the aggregate remuneration of all the Directors shall not exceed £500,000 per annum.

The directors are also entitled to be paid their reasonable expenses incurred while engaged on the business of the Company.

Additional directors' fees may be paid by the Company where directors are involved in duties beyond those normally expected as part of the director's appointment. In such instances where additional remuneration is paid, the board will provide details of the events, duties and responsibilities that gave rise to any additional directors' fees in the Company's annual report. The Chair of the board and the Audit Committee Chair are entitled to additional fees over and above their normal directors' fees, reflecting their duties and responsibilities of these roles.

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.

The Company is committed to engagement with shareholders and will seek major shareholders' views in advance of making significant changes to its remuneration policy and how it is implemented. The Chair of the Remuneration Committee will attend the Annual General Meeting to hear the views of shareholders on the policy and to answer any questions in relation to remuneration.

Directors' remuneration report

Changes to the remuneration policy

The proposed remuneration policy incorporates the following changes. These have been made to clarify and confirm that:

- directors' fees are determined in accordance with the Articles of Association;
- fees take account of the responsibilities of the role;
- remuneration should be sufficient to attract and retain directors of the right calibre and that meet the Company's specific circumstances;
- fees are reviewed annually and may be adjusted under the Articles of Association and the policy;
- the directors' aggregate remuneration under the Articles cannot exceed £500,000;
- the directors are entitled to reasonable expenses incurred on Company business;
- additional fees may be payable when directors' duties go beyond those normally expected, with the board committing to explaining the circumstances if this happens;
- the Chairs of the board and the Audit Committee are entitled to additional fees to reflect their responsibilities; and
- the Company is committed to engaging with shareholders in advance of making significant changes to the policy or its implementation.

Directors' remuneration

In line with the remuneration policy in force during the year, each director receives an annual fee of £33,000. The Chairman is paid a further £13,000 per annum and the Audit Committee Chairman is paid a further £5,000 per annum. These fees have been unchanged since 1 September 2018.

Company-wide considerations

The Company has no executive directors or employees, 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

The Company continues to engage with shareholders on a wide range of topics, including the directors' fees and future remuneration policy. During the year, the Chairman of the board and the Senior Independent Director held calls with a number of large institutional shareholders, which revealed no concerns about the level of directors' remuneration. Major shareholders were offered the chance to provide feedback on the proposed remuneration policy, with no comments being received.

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. The directors' fees are shown in the table below. The directors' expenses for 2020 totalled £nil (2019: £3,399). No other remuneration or taxable benefits were paid or payable during the period to any director.

Director	**2020**	2019
Rupert Barclay (Chairman)	**£ 46,000**	£46,000
Rosemary Boot†	**£ 33,000**	£34,840
Amanda Aldridge*	**£ 38,000**	£30,667
Paul Craig	**£ 33,000**	£33,000
Philip Hall	**£ 33,000**	£33,000

† Including £5,000 per annum as interim Audit Chair up to 14 May 2019.
* Appointed on 1 March 2019. Including £5,000 pa for Audit Chair from 14 May 2019.

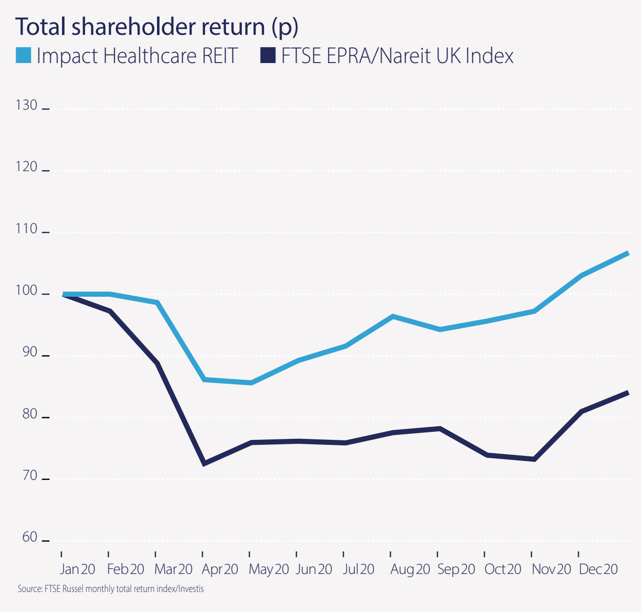
The Company maintains directors' and officers' liability insurance cover and public offering of securities insurance, at its expense, on the directors' behalf.

Payments to past directors or for loss of office

There are no payments to disclose. Under the 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:



Directors' shareholdings (audited)

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

Director*	Number of shares held	Percentage of share capital held
Rupert Barclay (Chairman)	183,287	0.06%
Rosemary Boot	30,000	0.01%
Amanda Aldridge	–	0.00%
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 Company's largest shareholder, Quilter Investors.

Statement of implementation of remuneration policy for financial year 2020

The Committee adopted the following fees, which have been effective since 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 membership

All the independent directors are members of the Remuneration Committee. I chair the Committee and the other members are Rupert Barclay, Amanda Aldridge and Philip Hall. I have experience of serving on remuneration committees and currently serve on two others. We benefit from the Remuneration and Nomination Committees having the same membership, giving us full visibility of succession planning.

Role

The Committee's main responsibilities are to:

- determine, and agree with the board, the framework and broad policy for the directors' remuneration, and to review the ongoing appropriateness and relevance of the remuneration policy, so it meets the Company's needs;
- take into account all factors we deem necessary, including legal and regulatory requirements, the principles of the AIC Code and relevant provisions of the UK Corporate Governance Code, and any associated recommendations and guidance; and
- agree the policy for authorising the directors' expense claims.

No director is involved in setting their own pay.

Committee meetings

The Remuneration Committee meets formally once a year and otherwise when needed. We had one meeting in 2020. Attendance is set out on page 54.

JTC attends our meetings as Secretary to the Committee. We also invite representatives of the Investment Manager to attend as required.

Terms of reference

The Committee operates under terms of reference, which we reviewed during the year and left unchanged. These are available on the Company's website at: **www.impactreit.uk/about/corporate-governance**.

Committee evaluation

The Committee was evaluated as part of the overall board evaluation, which is described on pages 58-59. The evaluation showed that the Committee functions effectively and there were no suggestions for improvement.

External advisers

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

Directors' remuneration report

Statement of voting at the 2020 Annual General Meeting

The directors' remuneration report was subject to an advisory vote at the AGM on 18 June 2020. The voting outcome is shown in the table below:

	Resolution to approve directors' remuneration report
Votes for*	189,734,310
%	97.42
Votes against	5,027,670
%	2.58
Total votes validly cast	194,761,980
Total votes cast as % of issued share capital	61
Votes withheld†	0

Statement of voting at the 2018 Annual General Meeting

The directors' remuneration policy was last voted on at the 2018 AGM. The voting outcome at that meeting is shown in the table below:

Director	Resolution to approve directors' remuneration policy
Votes for	65,149,093
%	99.99
Votes against	9,587
%	0.01
Total votes validly cast	65,158,680
Total votes cast as % of issued share capital	34
Votes 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
26 March 2021

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 2020.

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 1
- Future developments, pages 6-27
- Engagement with suppliers, customers and others with business relationships with the Company, pages 30-31, 52
- Corporate governance statement, pages 46-70
- Manager and service providers, pages 54-55
- Directors' names and biographies, pages 56-57 Directors'
- and officers' liability insurance, page 72 Directors' interests
- in shares, page 73
- Financial instruments, note 18, pages 107-108
- Share capital, note 20, page 109
- Related-party transactions, note 21, page 110
- Events subsequent to the year end date, note 28, page 112

Substantial shareholdings

As at 26 March 2021, 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	25,493,635	7.99
Royal London Asset Management	20,991,651	6.58
Gravis Advisory Ltd	18,513,442	5.80
Schroder & Co Limited	17,880,655	5.61
Integrated Financial Arrangements	16,447,952	5.16
Baillie Gifford & Co	11,721,347	3.67
Newton Investment Management Limited	10,069,765	3.16
Maal Limited	10,000,000	3.14

Source: Argus Vickers 31 December 2020 report and DTR 5 Disclosure notices.

Based on 318,953,861 ordinary shares in issue as at 31 December 2020.

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 £5.0 million on the net purchase price of assets acquired in the last three years.

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. The Group is a low energy user and therefore exempt from the Streamlined Energy and Carbon Reporting regulation.

Directors' report

During the year ended 31 December 2020, the Group had no directly reportable emissions, as:

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

However, as discussed in the Strategic report on pages 1-45, the Group does have the ability to enhance the energy efficiency of its portfolio and thereby reduce the emissions incurred by its tenants. More information on the Group's work in this area in 2020 can be found on page 26-27.

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.

Non-pre-emptive share issuance

The Company did not issue any shares on a non-pre-emptive basis in 2020. Over the past three financial years, the Company's non-pre-emptive share issuance increased the issued share capital by 65.9%.

In May 2019, 94,339,623 new ordinary shares were admitted to the premium segment of the Official List and to trading on the London Stock Exchange at a placing price of 106 pence per share, a discount of 2.3% at the placement proposal date. The £100 million proceeds (£97.95 million net of share issue costs) from this issue were used to pay down debt drawn under revolving credit facilities, pursue near-term pipeline opportunities and invest in value-enhancing opportunities within the Group's existing portfolio.

In December 2019, a further 32,407,407 new ordinary shares were admitted at a placing price of 108 pence per share, a discount of 1.8% at the placement proposal date. The £35 million proceeds (£34.21 million net of share issue costs) were used to pursue near-term acquisition opportunities.

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 2021.

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.

Additional information

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

Annual General Meeting

The Company's AGM is scheduled to be held on 12 May 2021. The Government has published its four-step roadmap to ease restrictions across England and provide a route back to a more normal way of life. However, the Government guidance is still expected to include some lockdown restrictions, including social distancing and working from home, where possible. These restrictions will have practical implications for the Company and its ability to hold its AGM in a manner that does not risk the health of the Company's shareholders and officers and respects Government guidance. The Company is continuously monitoring Government guidance on this issue and is exploring the use of alternative methods of holding its AGM, including virtual and hybrid AGMs. A formal notice of AGM setting out the Company's AGM arrangements will be delivered to shareholders in due course as soon as the Company has confidence that the business of the AGM can be conducted safely and effectively.

Signed on behalf of the board by

Rupert Barclay Chairman
26 March 2021

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 accounting standards in conformity with the requirements of the Companies Act 2006 and prepared in accordance with International Financial Reporting Standards ("IFRS") adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and prepared in accordance with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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 ("FRS 102"), 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's 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 75-77, 1-45, 71-74 and 46-70, respectively.

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 accounting standards in conformity with the requirements of the Companies Act 2006 and prepared in accordance with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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
26 March 2021

Independent Auditor's report

to the members of Impact Healthcare REIT plc

Opinion

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 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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.

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 2020 which comprise the consolidated statement of comprehensive income, the consolidated and Company statements of financial position, the consolidated statement of cash flows, the consolidated and Company statements of changes in equity 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 accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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).

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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the directors in September 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is four years, covering the years ending 31 December 2017 to 31 December 2020. We remain 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. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- assessment of the appropriateness and accuracy of the director's cash flow forecasts by reference to current cash reserves, available finance, contractual rental income, debt service cost obligations and other committed or expected cash flows.
- evaluation of the directors' assessment as to the ability of each material tenant to satisfy its future contractual rent obligations, with particular focus on the actual and potential impact of the COVID-19 pandemic on those tenants' businesses.
- evaluation of the sensitivity analyses and stress tests performed in relation to the Group's liquidity and loan covenant compliance.
- assessment of the identified options that would be available to mitigate the impact of any future non-payment of rent on the Group and Parent Company's liquidity and the Group's ability to continue to operate within its loan covenants.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group nor the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	100% (2019: 100%) of Group profit before tax 100% (2019: 100%) of Group revenue 100% (2019: 100%) of Group total assets		
Key audit matters		2020	2019
	Valuation of Investment Property	✓	✓
Materiality	Group financial statements as a whole £4.30 million (2019: £3.69 million) based on 1% (2019: 1%) of Total Assets		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement.

The Group operates in one segment, investment property, structured through a number of subsidiary entities and therefore we treated the Group as one significant component. The Group audit engagement team performed all the work necessary to issue the Group and Parent Company audit opinion, including undertaking all of the audit work on the risks of material misstatement identified in the key audit matters section below.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation of investment property (See note 2, 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.	**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 fourth year of involvement with Impact Healthcare REIT plc. **Data provided to C&W** We checked the data provided to 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 checked that the property valuations have been properly included in the financial statements. We also assessed whether the disclosures in the financial statements are appropriate and in accordance with relevant accounting standards. **Key observation:** Our testing indicated that the estimates and assumptions used were appropriate in the context of the Group's investment property portfolio.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2020	2019	2020	2019
Materiality	£4.30 million	£3.69 million	£3.84 million	£2.97 million
Basis for determining materiality	1% of total assets	1% of total assets	1% of total assets	1% of total assets
Performance materiality	£3.22 million	£2.77 million	£2.88 million	£2.2 million

Total assets has been selected as the benchmark for determining materiality since we consider it to be one of the principal considerations for the users of the financial statements in assessing the financial performance of the Group and Parent Company.

Our performance materiality thresholds were set having considered a number of aspects including the expected total value of known and likely misstatements based on previous assurance engagements and other factors. The basis for determining our performance materiality has been set at 75% of materiality. We have determined this basis to appropriately reduce the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

Specific materiality

We also determined that for any items that could affect the Group's and the Parent Company's European Public Real Estate ("EPRA") earnings, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. We consider EPRA earnings to be a key performance measure of the Group. EPRA earnings excludes the impact of the net surplus on revaluation of investment properties, profit on disposal of investment properties and changes in the fair value of interest rate derivatives. As a result, we determined materiality for these items based on 5% of EPRA earnings amounting to £1.16 million (2019: £0.88 million) for the Group, with specific materiality for the Parent Company being capped at the same amount (2019: £0.02 million). We further applied a performance materiality level of 75% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual Group audit differences in excess of £214,800 (2019: £184,900) for financial statement differences, and in excess of £58,200 (2019: £44,100) for specific items. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	▪ The directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified (set out on page 43); and ▪ The directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why they period is appropriate (set out on page 42).
Other Code provisions	▪ Directors' statement on fair, balanced and understandable (set out on page 50); ▪ Board's confirmation that it has carried out a robust assessment of the emerging and principal risks (set out on page 50); ▪ The section of the annual report that describes the review of effectiveness of risk management and internal control systems (set out on page 50); and ▪ The section describing the work of the audit committee (set out on page 65)

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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 report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and 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.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception	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 Statement of directors' responsibilities, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Independent Auditor's report

to the members of Impact Healthcare REIT plc

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud.

We considered the Group's compliance with laws and regulations that have a direct impact on the financial statements including, but not limited to, UK company law including the applicable accounting framework, tax legislation (including the UK REIT regime requirements) and the relevant listing Rules, and we considered the extent to which non-compliance might have a material effect on the Group financial statements.

We designed audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and accounting policies to identify instances of management bias, and agreeing to underlying supporting documentation where necessary. We reviewed minutes of Board meetings held during and subsequent to the year for any indicators of non-compliance and made enquiries of management and of the directors as to the risks of non-compliance and any instances thereof.

We addressed the risk of management override of internal controls, including testing journal entries processed during and subsequent to the year and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed 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 are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: **www.FRC.org.uk/AuditorsResponsibilities**. This description forms part of our auditor's report.

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

26 March 2021

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

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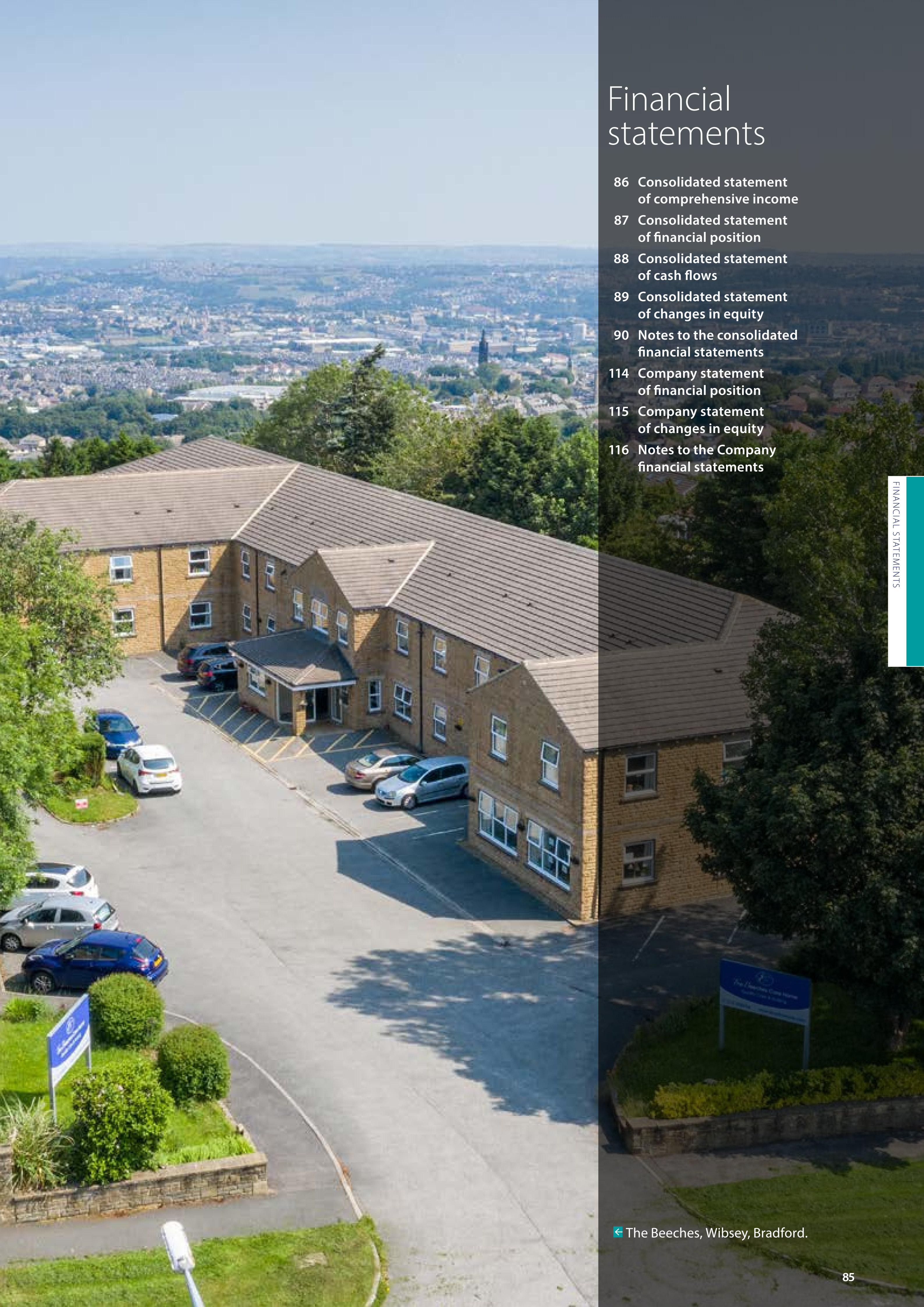

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Consolidated statement of comprehensive income

For the year ended 31 December 2020

	Notes	31 December 2020 Total £'000	31 December 2019 Total £'000
Gross rental income	5	30,818	23,980
Insurance/service charge income	5	374	252
Insurance/service charge expense	5	(376)	(254)
Net rental income		**30,816**	**23,978**
Administrative and other expenses	6	(5,264)	(4,589)
Profit on disposal of investment properties	12	153	–
Operating profit before changes in fair value of investment properties		25,705	19,389
Changes in fair value of investment properties	12	5,585	9,070
Operating profit		**31,290**	**28,459**
Finance income		49	110
Finance expense	8	(2,556)	(2,237)
Profit before tax		**28,783**	**26,332**
Tax charge on profit for the year	9	–	–
Profit and total comprehensive income (attributable to shareholders)		**28,783**	**26,332**
Earnings per share – basic and diluted (pence)	10	**9.02p**	**10.37p**

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 90-113.

Consolidated statement of financial position

As at 31 December 2020

	Notes	31 December 2020 £'000	31 December 2019 £'000
Non-current assets			
Investment property	12	405,657	310,542
Interest rate derivatives	17, 24	7	94
Trade and other receivables	13	15,915	10,017
Total non-current assets		**421,579**	**320,653**
Current assets			
Trade and other receivables	13	89	554
Cash and cash equivalents	14	7,979	47,790
Total current assets		**8,068**	**48,344**
Total assets		**429,647**	**368,997**
Current liabilities			
Trade and other payables	15	(3,129)	(3,086)
Total current liabilities		**(3,129)**	**(3,086)**
Non-current liabilities			
Bank borrowings	16, 24	(74,213)	(23,461)
Trade and other payables	15	(2,784)	(1,768)
Total non-current liabilities		**(76,997)**	**(25,229)**
Total liabilities		**(80,126)**	**(28,315)**
Total net assets		**349,521**	**340,682**
Equity			
Share capital	20	3,189	3,189
Share premium reserve	20	271,362	271,341
Capital reduction reserve	20	24,077	24,077
Retained earnings		50,893	42,075
Total equity		**349,521**	**340,682**
Net Asset Value per ordinary share (pence)	22	**109.58p**	**106.81p**

The accompanying notes to the Consolidated statement of financial position can be found on pages 90-113.

The consolidated financial statements for Impact Healthcare REIT plc (registered number: 10464966) were approved and authorised for issue by the board of directors on 26 March 2021 and are signed on its behalf by:

Rupert Barclay Chairman

Consolidated statement of cash flows

For the year ended 31 December 2020

	Notes	31 December 2020 £'000	31 December 2019 £'000
Cash flows from operating activities			
Profit for the year (attributable to equity shareholders)		28,783	26,332
Finance income		(49)	(110)
Finance expense	8	2,556	2,237
Profit on disposal of investment properties	12	(153)	–
Changes in fair value of investment properties	12	(5,585)	(9,070)
Net cash flow before working capital changes		25,552	19,389
Working capital changes			
Increase in trade and other receivables	13	(5,433)	(4,736)
Increase in trade and other payables	15	904	288
Net cash flow generated from operating activities		**21,023**	**14,941**
Investing activities			
Purchase of investment properties	12	(85,978)	(69,969)
Proceeds on sale of investment property	12	886	–
Acquisition costs capitalised		(2,533)	(3,447)
Capital improvements		(1,723)	(8,226)
Interest received		49	110
Net cash flow used in investing activities		**(89,299)**	**(81,532)**
Financing activities			
Proceeds from issue of ordinary share capital	20	–	135,000
Issue costs of ordinary share capital	20	21	(2,844)
Bank borrowings drawn	16, 24	51,243	35,971
Bank borrowings repaid	16, 24	–	(36,844)
Loan arrangement fees paid	16, 24	(1,156)	(791)
Loan commitment fees paid		(417)	(395)
Interest paid on bank borrowings		(1,261)	(1,043)
Dividends paid to equity holders	11	(19,965)	(16,143)
Net cash flow generated from financing activities		**28,465**	**112,911**
Net (decrease)/increase in cash and cash equivalents for the year		(39,811)	46,320
Cash and cash equivalents at the start of the year		47,790	1,470
Cash and cash equivalents at the end of the year		**7,979**	**47,790**

The accompanying notes to the Consolidated statement of cash flows can be found on pages 90-113.

Consolidated statement of changes in equity

For the year ended 31 December 2020

	Notes	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'000
1 January 2020		**3,189**	**271,341**	**24,077**	**42,075**	**340,682**
Total comprehensive income		**–**	**–**	**–**	**28,783**	**28,783**
Transactions with owners						
Dividends paid	11	–	–	–	(19,965)	(19,965)
Share issue costs	20	–	21	–	–	21
31 December 2020		**3,189**	**271,362**	**24,077**	**50,893**	**349,521**

For the year ended 31 December 2019

	Notes	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	£'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**

The accompanying notes to the Consolidated statement of changes in equity can be found on pages 90-113.

Notes to the consolidated financial statements

For the year ended 31 December 2020

1. Basis of preparation

General information

The consolidated financial statements for the year ended 31 December 2020 are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and prepared in accordance with International Financial Reporting Standards ("IFRS") adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 practices recommendations 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 of the Official List and trade on the premium segment of the main market of the London Stock Exchange. 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 34-39 and note 18 to the financial statements also provide 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 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 ongoing effects of the pandemic, see Going concern and viability on pages 42-43 for further detail.

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

2. Significant accounting judgements, estimates and assumptions

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

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

2.1 Judgements

Operating lease contracts – the Group as lessor

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

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

2.2 Estimates

Fair valuation of investment property

The valuations have been prepared in accordance with the RICS Valuation – current edition of the global and UK standards as at the valuation date, or the RICS "Red Book" as it has become widely known.

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

The significant methods and assumptions used by the valuers in estimating the fair value of the investment properties are set out in note 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 2020. 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.

3. Summary of significant accounting policies (continued)

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 licences are spread evenly over the remaining lease term from the date of signing the licence 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 minimum 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 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 and 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.

Business combinations

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

During the year ended 31 December 2019, the Group completed the acquisition of a number of assets and SPV's. The assets held by the SPV's have been incorporated into the existing subsidiaries of the Group without maintaining any of the underlying activities of the purchased SPV. The directors have reviewed the terms of the acquisition and determined that a business, as defined by IFRS 3, was not acquired. In the context of the acquisitions during the year, the principal consideration was whether an integrated set of activities were acquired. As part of the acquisition, new agreements were entered into between the Group and the operators of the assets, with the management of the assets going forward being independent of the SPV's purchased and their previous activities. No significant functions were acquired as part of the purchases and, as such the acquisitions are not determined by directors to be business combinations under IFRS 3.

For acquisitions occurring from 1 January 2020 onwards we have considered the IFRS 3 amendments to the definition of a business to determine if a business combination has occurred. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing outputs to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. For the purpose of identifying what constitutes a business combination, the director's apply the concentration test as detailed within IFRS 3. All acquisitions in the current year were concluded as asset acquisitions as none included acquisition of an integrated set of activities that combine an input and a substantive process to produce outputs.

Trade and other receivables

Trade receivables comprise mainly 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 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 12-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.

Rent smoothing adjustments are not considered to be financial assets as the amounts are not yet contractually due. As such, the requirements of IFRS 9 (including the expected credit loss method) are not applied to those balances, although the credit risk is considered in the determination of the fair value of the related property.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and deposits with maturities of three months, or less, 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 (refer to note 20). 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. New standards issued

4.1 New standards issued with effect from 1 January 2020

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

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

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

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

IFRS 3 "Business Combinations"

On 22 October 2018, the IASB issued 'Definition of a Business (Amendments to IFRS 3)' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. As a result of this amendment business combinations is no longer believed to be a significant judgment for the acquisitions made in the year.

4.2 New standards issued but not yet effective

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

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

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

5. Property income

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Rental income cash received in the year	**25,936**	**19,113**
Rent received in advance of recognition[1]	(1,016)	98
Rent recognised in advance of receipt[2]	5,898	4,769
Gross rental income	**30,818**	**23,980**
Insurance/service charge income	374	252
Insurance/service charge expense	(376)	(254)
Net rental income	**30,816**	**23,978**

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 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 1% or 2% on all care home leases. For accounting purposes these uplifts are also incorporated to recognise income on a straight-line basis.

Insurance/service charge relates to property insurance that is paid by the Group and recharged to tenants.

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:

	2020	2019
Minster Care Management Ltd	**35.1%**	43.3%
Croftwood Care UK Ltd	**19.5%**	25.4%
Others	**45.4%**	31.3%

6. Administrative and other expenses

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Investment Manager fees (note 21)	3,548	2,756
Directors' remuneration (see note 7)	209	193
Auditor's fees		
– Statutory audit of the Company and Group (including subsidiaries)	174	166
– Additional fees payable to the auditor in respect of the prior year audit	32	22
– Agreed upon procedures for the Company's interim report	14	13
– Other advisory services	–	15
Total auditor's fees	220	216
Administration fees	450	345
Regulatory fees	42	38
Legal and professional	448	419
Other administrative costs	347	451
One-off costs[1]	–	171
	5,264	**4,589**

1 One-off costs relate to premium listing costs incurred during the prior year.

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 2020 £'000	Year ended 31 December 2019 £'000
Rupert Barclay (Chairman)	46	46
Rosemary Boot	33	35
Philip Hall[1]	33	33
Paul Craig	33	33
Amanda Aldridge	38	31
Employer's National Insurance	20	15
Recruitment fees – non-executive director	6	–
	209	**193**

1 An additional £3,399 in expenses was paid to Philip Hall during the 2019 year.

Directors' remuneration payable at 31 December 2020 amounted to £7,000 (2019: £8,000).

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8. Finance expenses

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Interest payable on bank borrowings		1,362	1,043
Commitment fee payable on bank borrowings		442	395
Amortisation of loan arrangement fee		665	416
Changes in fair value of interest rate derivatives	17	87	383
		2,556	**2,237**

The total interest payable on financial liabilities carried at amortised cost comprises interest payable on bank borrowings which was £76.4 million at 31 December 2020 (2019: £25.1 million). Amortisation on loan arrangement fees relates to capitalised fees being amortised over the term of the facility, in the year ended 31 December 2020 £1,156,000 was capitalised (2019: £791,000).

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 2020 and the year ended 31 December 2019, 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 2020 £'000	Year ended 31 December 2019 £'000
UK corporation tax	–	–

Reconciliation of the corporation tax charge:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Profit before tax	**28,783**	**26,332**
Theoretical tax at UK corporation tax rate (19%)	5,469	5,003
Effects of:		
REIT exempt income	(4,424)	(3,352)
Non-taxable items	(1,045)	(1,651)
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 2020 £'000	Year ended 31 December 2019 £'000
Total comprehensive income (attributable to shareholders)	**28,783**	**26,332**
Adjusted for:		
– Revaluation movement	(10,467)	(13,937)
– Rental income arising from recognising rental premiums and future guaranteed rent uplifts	4,882	4,867
Change in fair value of investment properties	(5,585)	(9,070)
Profit on disposal of investment property	(153)	–
Change in fair value of interest rate derivative	87	383
EPRA earnings	**23,132**	**17,645**
Adjusted for:		
Rental income arising from recognising rental premiums and future guaranteed rent uplifts	(4,882)	(4,867)
Amortisation of loan arrangement fees[2]	665	416
Non-recurring costs	–	171
Adjusted earnings	**18,915**	**13,365**
Average number of ordinary shares	318,953,861	253,954,592
Earnings per share (pence)[1]	**9.02p**	**10.37p**
EPRA basic and diluted earnings per share (pence)[1]	**7.25p**	**6.95p**
Adjusted basic and diluted earnings per share (pence)[1]	**5.93p**	**5.26p**

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, and removal of profit or loss on disposal of investment properties.

Adjusted earnings:

Adjusted earnings is used by the board to help assess the group's ability to deliver a cash covered dividend from recurring net income. The metric reduces EPRA earnings by other non-cash items credited or charged to the group statement of comprehensive income including the effect of straight-lining of rental income from fixed rental uplift adjustments and amortisation of loan arrangement fees[2]. The metric also adjusts for any one-off costs that are not expected to be recurring.

Fixed rental uplift adjustments relate to adjustments to net rental income on leases with minimum uplifts embedded within their review profiles. The total minimum income recognised over the lease term is recognised on a straight-line basis and therefore not supported by cash flows during the early term of the lease, but this reverses towards the end of the lease.

No one-off costs were incurred in the current year. In the prior year, non-recurring costs included listing fees from the transition to the premium segment of the main market.

The board uses the adjusted earnings alongside the available distributable reserves in its consideration and approval of dividends.

1 There is no difference between basic and diluted earnings per share.
2 The removal of amortisation of loan arrangement fees is a change made in the current year and the prior year adjusted earnings figure has been restated to include an adjustment for the amortisation of loan arrangement fees.

11. Dividends

	Dividend rate (pence per share)	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Fourth 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
Forth interim dividend for the period ended 31 December 2019 (ex-dividend – 6 February 2020)	1.5425p	4,920	–
First interim dividend for the period ended 31 December 2020 (ex-dividend – 21 May 2020)	1.5725p	5,015	–
Second interim dividend for the period ended 31 December 2020 (ex-dividend – 20 August 2020)	1.5725p	5,015	–
Third interim dividend for the period ended 31 December 2020 (ex-dividend – 5 November 2020)	1.5725p	5,015	–
Total dividends paid		**19,965**	**16,143**
Total dividends paid in respect of the year		4.7175p	4.6275p
Total dividends unpaid but declared in respect of the year		1.5725p	1.5425p
Total dividends declared in respect of the year – per share		**6.29p**	**6.17p**

On 30 January 2020, the Company declared an interim dividend of 1.5425 pence per ordinary share for the period from 1 October 2019 to 31 December 2019 and was paid in February 2020.

On 7 May 2020, the Company declared an interim dividend of 1.5725 pence per ordinary share for the period from 1 January 2020 to 31 March 2020 and was paid in June 2020.

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

On 28 October 2020, the Company declared an interim dividend of 1.5725 pence per share for the period from 1 July 2020 to 30 September 2020 and was paid in November 2020.

On 29 January 2021, the Company declared an interim dividend of 1.5725 pence per share for the period from 1 October 2020 to 31 December 2020 and was paid on 26 February 2021.

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 IFRS 13. 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.

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Opening value	318,791	223,845
Property additions	85,978	69,969
Property disposals[1]	(733)	–
Acquisition costs capitalised	2,677	3,857
Capital improvements	1,608	7,183
Revaluation movement	10,467	13,937
Closing value per independent valuation report	**418,788**	**318,791**
Guaranteed rent reviews and initial lease rental payment net (debtor)/creditor	(13,131)	(8,249)
Closing fair value per Consolidation statement of financial position	**405,657**	**310,542**

1 In 2020 the carrying value of disposals was £733,000 (2019: £nil), this combined with the profit on disposal of £153,000 (2019: £nil) makes up the total net proceeds shown in the Consolidated statement of cash flows.

During the year, the Group acquired an additional 22 properties and one forward-funded development. During the year the Group disposed of one property.

The majority of the properties owned are freehold except for ten properties which are long leasehold, seven of these are under a minimum of 999 year leases at a peppercorn rent and the remaining three are under 125 year leases at a peppercorn rent.

12. Investment property (continued)

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:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Revaluation movement	10,467	13,937
Rental income arising from recognising rental premiums and guaranteed rent uplifts	(4,882)	(4,867)
Change in fair value of investment properties	**5,585**	**9,070**

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 1% or 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 undertaken 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 2020 £'000	Year ended 31 December 2019 £'000
Rent received in advance of recognition[1]	5	(1,016)	98
Rent recognised in advance of receipt[2]	5	5,898	4,769
Rental income arising from recognising rental premium and future guaranteed rent uplifts		**4,882**	**4,867**

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 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 1% or 2% uplift in rents over the term of the care home 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 3.15% to 12.00% across the portfolio.

A 0.25% movement of the valuation yield would have approximately a £15.1 million impact on the investment property valuation. A 1% movement in the rental income would have approximately a £4.2 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 2020	405,657	–	–	405,657
Investment properties	31 December 2019	310,542	–	–	310,542

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

13. Trade and other receivables

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Non-current		
Rent recognised in advance of receipt	15,915	10,017
Current		
Loan receivable[1]	–	69
Prepayments	89	485
	16,004	**10,571**

1 During the year ended 31 December 2019, the Group entered into a revolving loan agreement with Careport which included a facility of up to £250,000 and was fully repaid in 2020. The loan facility bore interest at 7.5%.

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

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14. Cash and cash equivalents

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Cash and cash equivalents	**7,979**	**47,790**

Included as part of cash and cash equivalents are funds held on overnight deposit of £nil (2019: £39,090,000).

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

15. Trade and other payables

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Non-current		
Rent received in advance of recognition	2,784	1,768
Current		
Trade and other payables	1,338	1,158
Interest payable	377	250
Withholding tax payable – (PID Dividends)	226	–
Rental received in advance	139	659
Capital improvements payable	1,049	1,019
	3,129	3,086
	5,913	**4,854**

To reconcile Working capital changes, per the Consolidated statement of cash flows, the Interest payable and Capital improvements payable movements are excluded as these are allocated to Financing activities and Investing activities respectively.

16. Bank borrowings

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

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
At the beginning of the year	25,127	26,000
Bank borrowings drawn in the year	51,243	35,971
Bank borrowings repaid in the year	–	(36,844)
Total bank borrowings drawn[1]	**76,370**	**25,127**
Total bank borrowings undrawn	**48,630**	**49,873**

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 "Metro Facility") on 15 June 2018; this facility terminates on 15 June 2023. The Metro Facility has two elements: an interest only term loan of £25 million (the "Term Loan") which was fully drawn at 31 December 2020 and 31 December 2019, and a revolving credit facility of £25 million (the "RCF"), £20.4 million of which was drawn at 31 December 2020 (2019: £127,000). The Group drew down £20.2 million under the Metro Facility and no repayments were made during the year ended 31 December 2020.

The Metro 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 53 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 £178.2 million as at 31 December 2020 (2019: £176.2 million). The lender also holds charges over the shares of the subsidiaries and intermediate holding companies.

On 6 March 2019, the Group agreed a five-year 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 £10 million (2019: £12.3 million) from the Clydesdale Facility and no repayments (2019: £12.3 million) were made during the year ended 31 December 2020.

The Clydesdale Facility has a margin of 225 or 250 basis points over three-month LIBOR, depending on the loan to value ratio of the 15 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)). These assets had a closing value per the independent valuation report of £67.7 million as at 31 December 2020 (2019: £64.4 million).

On 6 April 2020, the Group agreed a new three-year revolving credit facility of £50 million (the "HSBC Facility") with HSBC UK Bank Plc ("HSBC") with the option of two one-year extensions subject to HSBC approval. The Group drew down £21 million from the HSBC Facility during the year ended 31 December 2020.

The HSBC Facility has a margin of 195 or 205 basis points over one-month LIBOR, depending on the loan to value ratio of the 22 properties over which the Group has granted security to HSBC as security for the loan held in a wholly owned Group company (Impact Property 4 Limited (IP4)). These assets had a closing value per the independent valuation report of £111.8 million as at 31 December 2020.

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%;
- Loan to value of IP4 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%; and
- Interest cover of IP4 based on passing rent from the ring-fenced properties must exceed 250%.

16. Bank borrowings (continued)

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 2020 £'000	As at 31 December 2019 £'000
Bank borrowings drawn: due after more than one year	**76,370**	**25,127**
Arrangement fees – brought forward	(1,666)	(1,291)
Arrangement fees paid during the year	(1,156)	(791)
Amortisation of loan arrangement fees	665	416
Non-current liabilities: bank borrowings	**74,213**	**23,461**

Maturity analysis of borrowings:

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Repayable between one and two years	–	–
Repayable between two and five years	76,370	25,127
Repayable in over five years	–	–
Total	**76,370**	**25,127**

The weighted average term of the Group's debt as at the year end is 2.5 years (2019: 3.5 years).

17. Interest rate derivatives

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
At the beginning of the year	94	477
Change in fair value of interest rate derivatives	(87)	(383)
	7	**94**

To mitigate the interest rate risk that arises as a result of entering into variable rate linked loans, the Group entered into an interest rate cap with the notional value of £25 million and a strike rate of 1% effective from 21 June 2018 with a termination date of 15 June 2023. The fair value of the interest rate cap is based on a floating reference of 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 £11,145 in the fair value of the interest rate derivative. A decrease of 0.25% in the interest rate would result in a decrease of £5,126 in the fair value of the interest rate derivative.

At 31 December 2020, the Group has loans of £76.4 million (2019: £25.1 million) which are 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 2020 £'000	As at 31 December 2019 £'000
Financial assets at amortised cost:		
Loan receivable	–	69
Cash and cash equivalents	7,979	47,790
Financial assets at fair value:		
Interest rate derivative	7	94
Financial liabilities at amortised cost:		
Bank borrowings	74,213	23,461
Trade and other payables	2,764	2,427

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 2020	–	–	7	–
Interest rate derivative	31 December 2019	–	–	94	–

* 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 £39,895 (2019: £238,950) or a decrease of £39,895 (2019: £238,950).

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). A sensitivity analysis is 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 unhedged borrowings would result in an increase of £256,850 (2019: £635) or a decrease of £256,850 (2019: £635).

18. Financial instruments and financial risk management (continued)

Credit risk

Credit risk is the risk that a 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 reduced 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 reducing credit risk. Outstanding trade receivables are regularly monitored. There are no outstanding trade receivables at 31 December 2020.

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 regular monitoring of forecast and actual cash flows by the AIFM ensuring the Group has appropriate levels of cash and available drawings to meet liabilities as they fall due.

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

	< 3 months £'000	3-12 months £'000	1-2 years £'000	2-5 years £'000	>5 years £'000	Total £'000
31 December 2020:						
Bank borrowings	–	–	–	76,370	–	76,370
Interest and commitment fees on borrowings	405	1,248	1,658	796	–	4,107
Trade and other payables	2,764	–	–	–	–	2,764
31 December 2019:						
Bank borrowings	–	–	–	25,127	–	25,127
Interest and commitment fees on borrowings	286	870	1,159	1,827	–	4,142
Trade and other payables	2,427	–	–	–	–	2,427

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 achieved its increased targeted aggregate dividend to 6.29 pence per share for the year ended 31 December 2020 and its target aggregate dividend of 6.17 pence per share for the year ended 31 December 2019.

As at 31 December 2020, the Group remains within its maximum loan to value ("LTV") covenant which is 35% of gross asset value of the Group as a whole. The Group has a further £48.6 million RCF facilities available from which it 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 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**
Adjustment to share issue costs	–	–	21	–	21
As at 31 December 2020	**318,953,861**	**3,189**	**271,362**	**24,077**	**298,628**

The Company had 318,953,861 shares of nominal value of 1 pence each in issue at the end of the year (31 December 2019: 318,953,861).

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 2020.

21. Transactions with related parties

Investment Manager

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

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Amounts payable to Impact Health Partners LLP		
Net fee	3,548	2,674
VAT	–	82
Gross fee	**3,548**	**2,756**

For the year ended 31 December 2020 the principals and Finance Director of Impact Health Partners LLP, the Investment Manager, are considered key management personnel. Mr Patel and Mr Cowley are the principals and Mr Yaldron is the Finance Director of Impact Health Partners LLP and they own 3.41%, 0.27% and 0.03% 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. 55% of the Group's rental income was received from MCGL or its subsidiaries. A trade receivable of £nil was outstanding at the year end (2019: £349,490).

During the year the key management of Impact Health Partners LLP received the following dividends from Impact Healthcare REIT plc: Mahesh Patel £680,990 (2019: £666,915); Andrew Cowley £55,385 (2019: £51,190) and David Yaldron £4,359 (2019: £3,378).

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 £11,474 (2019: £9,982); Rosemary Boot £1,878 (2019: £1,838) and Philip Hall £1,878 (2019: £1,838). In addition, funds managed by Paul Craig received dividends from the Company of £3,385,012 (2019: £3,136,080).

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 principal 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 and one property on 6 January 2020 with a performance related deferred payment of up to £2.0 million to be paid to MCGL in return for an increase in rent of up to £160,000. The Group also agreed the disposal of one property on 11 August 2020 for net proceeds of £886,000 including the cancellation of the lease with MCGL.
- The Group entered into lease variation to align rent review dates on 7 March for all MCGL properties and undertook rent review uplift on 7 March 2020 in relation to portfolio acquired on 5 May 2017, June 2017 and 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 the MCGL portfolio, £12.4 million has been delivered and £0.7 million is remaining at 31 December 2020 (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 updated their guidance on NAV measures in October 2019, effective for periods commencing on or after 1 January 2020, giving three new NAV measures to report, see pages 120-125 for further detail. The Group has chosen to adopt EPRA net tangible assets ("NTA") as its primary EPRA NAV measure as it most closely aligns with the business practices of the Group. The adjustments between NAV and NTA are reflected in the following table:

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Net assets per Consolidated statement of financial position	349,521	340,682
Fair value of derivatives	(7)	(95)
NTA	349,514	340,587
Issued share capital (number)	318,953,861	318,953,861
Basic NAV per share	**109.58p**	**106.81p**
NTA per share	**109.58p**	**106.78p**

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:

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Year one	29,183	22,713
Year two	30,746	23,685
Year three	31,457	24,152
Year four	32,148	24,584
Year five	32,570	25,160
Onwards	571,176	462,013
Total	**727,280**	**582,307**

The Group's investment properties are leased to tenants under the terms of property leases that include upward only rent reviews that are performed annually. These are annual inflation uplifts linked to either CPI or RPI. RPI linked leases have a floor and cap at either 2% and 4% or 1% and 5%.

24. Reconciliation of liabilities to cash flows from financing activities

	Notes	Bank borrowings £'000	Interest rate derivative £'000	Total £'000
As at 1 January 2019		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	17	(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**
Cash flows from financing activities:				
Bank borrowings drawn	16	51,243	–	51,243
Loan arrangement fees paid	16	(1,156)	–	(1,156)
Non-cash movements:				
Amortisation of loan arrangement fees	16	665	–	665
Fair value movement	17	–	87	87
As at 31 December 2020		**74,213**	**(7)**	**74,206**

25. Capital commitments

The Group has entered into Licences for Alterations and Deeds of Variation for four of its properties in 2020 (2019: one) and completed its capital commitments on two of its properties during 2020. At 31 December 2020 the Group had Capex outstanding on seven properties (2019: five), of these four are for newly acquired properties in December 2020 all of these are due for completion in 2021. The Group has outstanding capital commitments of £3.2 million (2019: £2.1 million) in relation to the cost of improvements on these properties and a further £5.1 million on a forward-funding agreement.

The Group has deferred commitments estimated at £5.0 million (2019: £2.1million) related to two new acquisitions in 2020.

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 £5.0 million (2019: £9.4 million) on the net purchase price of assets acquired in corporate acquisitions in the past three years. £7.0 million of the prior year contingent liability related to the SDLT on the seed portfolio; in the 2020 year these properties have been owned for three years and hence this portion of the contingent liability is no longer 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 Mavern House Nursing Home in Melksham, Wiltshire and leased it to an existing tenant, Welford. This added 51 registered beds to the Group's portfolio for a net consideration of £5.1 million. The initial consideration was funded from the Group's cash. The group has committed to £0.6 million of capital expenditure to expand the home over the next 18 months.

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

- On 3 March 2021, in relation to the portfolio of three assets let to Silverline.
- On 7 March 2021, in relation to the portfolio of 56 assets acquired in May 2017, an additional asset acquired in June 2017 and two further assets acquired in May 2019 let to Minster and Croftwood.
- On 10 March 2021, portfolio of four assets let to MMCG.
- On 21 January 2021 and 16 March 2020, in relation to two assets let to Prestige.
- On 18 March 2020, in relation to two assets let to the NHS.

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, Silverline and MMCG. The two properties let to the NHS had an annual CPI linked rent review.

As a result of these reviews and transactions occurring post year end, the annual contracted rent increased from £30.9 million to £31.7 million, of which £0.3 million is from rent reviews.

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 2020
Company Registration Number: 10464966

	Notes	31 December 2020 £'000	31 December 2019 £'000
Non-current assets			
Investment in subsidiaries	6	369,371	242,990
Total non-current assets		**369,371**	**242,990**
Current assets			
Trade and other receivables	7	7,587	44,829
Cash and cash equivalents	8	6,806	46,702
Total current assets		**14,393**	**91,531**
Total assets		**383,764**	**334,521**
Current liabilities			
Trade and other payables	9	(47,863)	(27,215)
Total liabilities		**(47,863)**	**(27,215)**
Total net assets		**335,901**	**307,306**
Equity			
Share capital	10	3,189	3,189
Share premium reserve	10	271,362	271,341
Capital reduction reserve	10	24,077	24,077
Retained earnings		37,273	8,699
Total equity		**335,901**	**307,306**

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 2020 amounted to £48,539,000 (2019: profit of £470,000).

The financial statements were approved and authorised for issue by the board of directors on 26 March 2021 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

For the year ended 31 December 2020

	Notes	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'000
1 January 2020		**3,189**	**271,341**	**24,077**	**8,699**	**307,306**
Total comprehensive income		–	–	–	48,539	48,539
Transactions with owners						
Dividends paid	5	–	–	–	(19,965)	(19,965)
Share issue costs	10	–	21	–	–	21
31 December 2020		**3,189**	**271,362**	**24,077**	**37,273**	**335,901**

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**	**12,649**	**190,823**
Total comprehensive income		–	–	–	470	470
Transactions with owners						
Dividends paid	5	–	–	(11,723)	(4,420)	(16,143)
Shares issued	10	1,267	133,733	–	–	135,000
Share issue costs	10	–	(2,844)	–	–	(2,844)
31 December 2019		**3,189**	**271,341**	**24,077**	**8,699**	**307,306**

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

Notes to the Company financial statements

For the year ended 31 December 2020

1. Basis of Preparation

General information

The financial statements for the year ended 31 December 2020, 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 2019.

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 the 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 on pages 42-43 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 short-term deposits.

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 2020 £'000	Year ended 31 December 2019 £'000
UK corporation tax	**–**	**–**

5. Dividends

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

Notes to the Company financial statements

For the year ended 31 December 2020

6. Investment in subsidiaries

	31 December 2020 £'000	31 December 2019 £'000
At the beginning of the year	242,990	188,223
Cost of investments acquired through share purchases	126,381	54,767
At the end of the year	**369,371**	**242,990**

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 Property 6 Limited ("Propco 6")	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
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
The Holmes Care Holdings Limited*	Property holding company	England and Wales	100
Hollyblue Healthcare (Countrywide) Limited*	Property holding company	England and Wales	100
Hollyblue Healthcare (Ulster) Limited*	Property holding company	England and Wales	100
Tower Bridge Homes Care Limited*	Property holding company	England and Wales	100
The Holmes Care Group GB Limited*	Property holding company	England and Wales	100
Lakewood Limited**	Property holding company	England and Wales	100
The Holmes Care (Greenock) Limited**	Property holding company	England and Wales	100
The Holmes Care (Bathgate) Limited**	Property holding company	England and Wales	100
Tower Bridge Homes Care (Central Care) Limited**	Property holding company	Scotland	100
Aviemore Homes Limited**	Property holding company	Scotland	100
Flagship Tower (Greenock) Limited**	Property holding company	England and Wales	100
Heatherfield Community Care Limited**	Property holding company	Scotland	100
Central Care Limited**	Property holding company	Scotland	100

* As at 31 December 2020 these entities were held indirectly by the Company.
**As at 31 December 2020 these entities are in the process of winding up.

The registered address for the above subsidiaries incorporated in England and Wales is:
The Scalpel, 18th Floor, 52 Lime Street, London EC3M 7AF, England

The registered address for the above subsidiaries incorporated in Scotland is:
Atria One, 144 Morrison Street, Edinburgh EH3 8EX, Scotland

7. Trade and other receivables

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Loan to Group companies	7,513	43,829
Interest on loans to Group companies	–	805
Loan receivable[1]	–	69
Prepayments	74	126
	7,587	**44,829**

1 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, this was repaid in 2020. The loan facility bears interest at 7.5%.

As at 31 December 2020, there were no trade receivables past due or impaired (2019: none).

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

8. Cash and cash equivalents

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Cash and cash equivalents	**6,806**	**46,702**

Included as part of cash and cash equivalents are funds held on overnight deposit of £nil (2019: £39,090,000).

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

9. Trade and other payables

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Loan from Group companies	46,792	26,358
Trade and other payables	926	857
Interest on loans to Group companies	145	–
	47,863	**27,215**

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.

Notes to the Company financial statements

For the year ended 31 December 2020

11. Transactions with related parties

The Company has taken advantage of the exemption provided by FRS 102 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. Capital commitments

There were no capital commitments held by the Company (2019: nil).

13. 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

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132 Financial calendar

133 Glossary

Garswood House, Ashton-in-Makerfield, Wigan.

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

£23.1m
7.25p per share
for the year to 31 December 2020 (for the year to 31 December 2019: £17.6m/6.95p)

2020	7.25p
2019	6.95p
2018	6.47p

Definition
Earnings from operational activities.

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

2.1 EPRA net reinstatement value ("NRV")

£376.5m
118.04p per share
for the year to 31 December 2020 (for the year to 31 December 2019: £361.2m/113.25p per share)

2020	118.04p
2019	113.25p

Definition
Net asset value adjusted for fair value of derivatives and transaction costs under the assumption they will not crystallise if the company never sells assets.

Purpose
The aim of this measure is to represent the value required to rebuild the entity.

2.2 EPRA net tangible assets ("NTA")

£349.5m
109.58p per share
for the year to 31 December 2020 (for the year to 31 December 2019: £340.6m/106.78p per share)

2020	109.58p
2019	106.78p

Definition
Net asset value adjusted for fair value of derivatives as these will not crystallise if held to maturity.

Purpose
This represents the value of the company assuming assets are bought and sold.

2.3 EPRA net disposal value ("NDV")

£347.4m
108.91p per share

for the year to 31 December 2020
(for the year to 31 December 2019: £339.0m / 106.29p per share)

2020	108.91p
2019	106.29p

Definition
Net asset value adjusted to align borrowings to their drawn amount. If the company was in an immediate disposal scenario certain assets and liabilities are adjusted to show the full value if not held to maturity.

Purpose
This measure aims to show the shareholders' value under a disposal scenario.

3.1 EPRA Net Initial Yield ("NIY")

6.57%

for the year 31 December 2020
(for the year to 31 December 2019: 6.66%)

2020	6.57%
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.

3.2 EPRA "topped-up" NIY

6.71%

for the year to 31 December 2020
(for the year to 31 December 2019: 6.66%)

2020	6.71%
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.

EPRA performance measures (unaudited)

4. EPRA vacancy rate

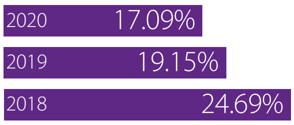
0.00%
for the year to 31 December 2020
(for the year to 31 December 2019: 0.00%)

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.

5. EPRA cost ratio

17.09%
for the year to 31 December 2020
(for the year to 31 December 2019: 19.15%)



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

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

6. Like-for-like rental growth

3.47%
for the year to 31 December 2020
(for the year to 31 December 2019: 2.48%)

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 and disposals allows stakeholders to estimate the organic income growth.

Notes to the EPRA performance measures (unaudited)

For the year ended 31 December 2020

1. EPRA earnings per share

	31 December 2020 £'000	31 December 2019 £'000
Total comprehensive income (attributable to shareholders)	**28,783**	**26,333**
Adjusted for:		
Profit on disposal of investment property	(154)	–
Change in fair value of investment properties	(10,467)	(13,937)
Rental income arising from recognising guaranteed rent uplifts and rental premiums	4,882	4,867
	(5,739)	(9,070)
Change in fair value of interest rate derivatives	87	383
Profits to calculate EPRA earnings per share	**23,131**	**17,646**
Weighted average number of ordinary shares (basic and diluted)	318,953,861	253,954,292
EPRA earnings per share – basic and diluted	**7.25p**	**6.95p**

2 EPRA NAV measures

The updated EPRA best practice recommendations, released in October 2019, give three new NAV metrics: EPRA net reinstatement value (NRV), EPRA net tangible assets (NTA) and EPRA net disposal value (NDV) to replace the previously reported EPRA NAV and EPRA NNNAV. NRV aims to show the value of assets on a long-term basis, adjusting for items that would not be expected to crystallise under normal circumstances, NTA is calculated on the basis that assets are bought and sold whilst NDV intends to show shareholders the value of assets and liabilities in the event they cannot be held until maturity. The Group has adopted NTA as its primary EPRA NAV measure as it most closely aligns with the Group's business practices.

As at 31 December 2020:	**Old measures**		**New measures**		
	EPRA NAV £'000	EPRA NNAV £'000	EPRA NRV £'000	EPRA NTA £'000	ERPA NDV £'000
Net assets at end of year	**349,521**	**349,521**	**349,521**	**349,521**	**349,521**
Exclude:					
Fair value of derivatives	(7)	–	(7)	(7)	–
Include:					
Fair value of debt[1]	–	(2,156)	–	–	(2,156)
Transaction costs[2]	–	–	26,964	–	–
Net assets (per EPRA NAV measure)	**349,514**	**347,365**	**376,478**	**349,514**	**347,365**
Shares in issue at 31 December (basic and diluted)	318,953,861	318,953,861	318,953,861	318,953,861	318,953,861
Net assets per share (per EPRA NAV measure)	**109.58p**	**108.91p**	**118.04p**	**109.58p**	**108.91p**

Notes to the EPRA performance measures (unaudited)

For the year ended 31 December 2020

2 EPRA NAV measures (continued)

As at 31 December 2019:

	Old measures		New measures		
	EPRA NAV £'000	EPRA NNAV £'000	EPRA NRV £'000	EPRA NTA £'000	ERPA NDV £'000
Net assets at end of year	**340,682**	**340,682**	**340,682**	**340,682**	**340,682**
Exclude:					
Fair value of derivatives	(95)	–	(95)	(95)	–
Include:					
Fair value of debt [1]	–	(1,665)	–	–	(1,665)
Transaction costs [2]	–	–	20,641	–	–
Net assets (per EPRA NAV measure)	**340,587**	**339,017**	**361,229**	**340,587**	**339,017**
Shares in issue at 31 December (basic and diluted)	318,953,861	318,953,861	318,953,861	318,953,861	318,953,861
Net assets per share (per EPRA NAV measure)	**106.78p**	**106.29p**	**113.25p**	**106.78p**	**106.29p**

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.
2. NTA and NDV are calculated using property values in line with IFRS, where values are net of real estate transfer tax and other purchasers' costs. These transaction costs are added back for NRV.

3. EPRA net initial yield ("NIY") and EPRA "topped–up" NIY

	31 December 2020 £'000	31 December 2019 £'000
Investment property – wholly owned	**418,787**	**318,791**
Less capital improvements under construction	(1,907)	(6,954)
Completed property portfolio	**416,880**	**311,837**
Allowance for estimated purchasers' cost [1]	26,263	19,765
Gross up completed property portfolio valuation (B)	**443,143**	**331,602**
Annualised cash passing rental income	29,111	22,081
Property outgoings (non-recoverable insurance)	(2)	(2)
Annualised net rents (A)	**29,109**	**22,079**
Add:		
Contractual uplifts on rent-free periods of funded capital improvements	634	–
Topped-up net annualised rent (C)	**29,743**	**22,079**
EPRA net initial yield (A/B)	**6.57%**	**6.66%**
EPRA topped-up net initial yield (C/B)	**6.71%**	**6.66%**

1. Assumes a purchaser of the Company's portfolio would pay SDLT and transaction costs equal to 6.3% of the portfolio's value.

4. EPRA vacancy rate

	31 December 2020 £'000	31 December 2019 £'000
Estimated rental value of vacant space	–	–
Estimated rental value of the whole portfolio	28,922	22,512
EPRA vacancy rate	**0.00%**	**0.00%**

5. EPRA cost ratio

	31 December 2020 £'000	31 December 2019 £'000
Administrative and other expenses	5,264	4,589
Net service charge cost	2	2
Total costs including and excluding vacant property costs	5,266	4,591
Gross rental income	30,818	23,980
Total EPRA cost ratio (including, and excluding, direct vacancy costs)	**17.09%**	**19.15%**

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.

6. 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 2018.

	Rent £'000	Market value £'000
Property portfolio as at 31 December 2018	16,452	223,179
Inflation-linked rental uplifts	400	
Rental uplifts in return for capital improvements or deferred payments	8	
Increase/(decrease) due to vacancy rate	–	
Property portfolio as at 31 December 2019	**16,860**	**242,084**
Inflation-linked rental uplifts	429	
Rental uplifts in return for capital improvements or deferred payments	156	
Increase/(decrease) due to vacancy rate	–	
Property portfolio as at 31 December 2020	**17,445**	**248,068**

All properties operate within the same sector, UK healthcare.

AIFM statement (unaudited)

Impact Health Partners LLP have served as the Alternative Investment Fund Manager since 15 March 2019, 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 is available on the Company's website, **www.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 2020.

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 61-64 of the annual report.

Please refer to pages 34-39 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 2020 are shown below:

Leverage exposure	Gross method	Commitment
Maximum limit	200.0%	200.0%
Actual	123.2%	125.5%

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 2020 was 17.77%.

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. There have been no other material changes to the information requiring disclosure.

Investment policy

The Company's investment policy is to acquire, own, lease, renovate, extend and redevelop high-quality, healthcare real estate assets in the UK, in particular elderly care homes, and to lease those assets to care home operators and other healthcare service providers under full repairing and insuring leases.

The Company pursues the investment policy as follows:

Policy	Status
In order to manage risk in the portfolio, at the time of investment, no single asset shall exceed in value 15% of the total gross asset value of the Group.	✓
No single customer paying for care provided in assets owned by the Group will account for more than 15% of the aggregate revenues of the Tenants to whom the Group's assets are leased from time to time, measured at the time of acquisition.	✓
The annual contracted rent from any single Tenant is not expected to exceed 40% of the total annual contracted rent of the Group at 31 December 2020, and, thereafter, the annual contracted rent from any single Tenant is not expected to exceed 40% of the total annual contracted rent of the Group, measured at the time of investment.	✓
The portfolio will be diversified by location across the UK with focus on areas where there is a good balance of supply and demand for the provision of care and assets are available at attractive valuations.	✓
Within these locations, the Group will acquire existing modern buildings or those that are currently considered fit for purpose by occupiers, but in respect of which the Investment Adviser has developed a plan to add value to the asset through targeted capital expenditure.	✓
Leases granted by the Group will be linked to the Retail Prices Index published by the Office for National Statistics, have long duration (being an unexpired lease term of at least 20 years) and will not be subject to break clauses. The Group will seek to amend leases acquired by the Group to obtain similar terms.	✓
The Group will not undertake speculative development (that is, development of property which has not been leased or preleased), save for the refurbishment, extension or replacement of existing holdings, subject to the limitation in the final bullet below, so as to reposition a home in its local market and thus to increase the rent due.	✓
The Group may invest in forward-funding agreements or forward commitments to pre-let developments, subject to the limitation in the final bullet below, where the Group will own the asset on the completion of the work.	✓
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 the Company's gross assets at the time of commitment.	✓

The Group will be permitted to generate up to 15% of its gross income, in any financial year from non-rental revenue or profit related payments from the Tenants to whom the portfolio is leased in addition to the rental income due under the leases. The Group is also permitted to invest up to: (i) 10% of its gross assets, at the time of investment, in non-residential Healthcare Real Estate Assets, such as properties which accommodate GP or dental practices and other healthcare related services including occupational health and physiotherapy practices, pharmacies and hospitals or in non-healthcare related residential assets attached to residential Healthcare Real Estate Assets; (ii) 25% of its gross assets, at the time of investment, in indirect property investment funds (including joint ventures) with a similar investment policy to that of the Company; and (iii) 15% of its gross assets, at the time of investment, in other closed-ended investment funds listed on the Official List. The Directors have no current intention to acquire non-residential Healthcare Real Estate Assets or indirect property investment funds or to enter into joint venture arrangements.

The Group may also acquire or establish companies, funds or other SPVs which themselves own assets falling within the Company's investment policy.

The Group will not acquire any asset or enter into any lease or related agreement if that would: (i) result in a breach of the conditions applying to the Company to hold real estate investment trust ("REIT") status or (ii) result in any investment by the Group in assets located outside of the UK.

The Company may invest cash held for working capital purposes and awaiting investment in cash deposits, gilts and money market funds. It will not invest in derivatives but it may use derivatives for hedging purposes.

Any material change to the investment policy will require the prior approval of Shareholders.

Our portfolio

At 31 December 2020, the Group owned the homes listed in the table below:

Tenant and home	Region	Acquisition date[1]	Beds[2]	Capital Projects[3]
Careport				
Blackwell Vale	North West	Dec 2020	60	
Briardene	North East	Aug 2018	60	
Derwent	North East	Aug 2018	45	
Holly Lodge	North East	Nov 2018	41	
Kingston Court	North West	Jun 2019	75	
Old Prebendal House and Court	South East	Jun 2019	39	
Sovereign Court and Lodge[4]	North East	Aug 2018	60	
The Grove	North East	Sep 2018	57	
Value at 31 December 2020: £32.79m				
Croftwood Care*				
Ancliffe	North West		40	
Astbury Lodge	North West		41	
Croftwood	North West		47	
Crossways	North West		39	
Elm House	North West		40	
Florence Grogan	North West		40	
Garswood	North West		53	
Gleavewood	North West		32	
Golborne House	North West		40	
Greenacres	North West		40	
Hourigan	North West		40	
Ingersley Court	North West		46	
Lakelands	North West		40	
Leycester House	North West		40	
Loxley Hall	North West		40	+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 2020: £67.07m				
Electus Care				
Edgewater Lodge	Northern Ireland	Dec 2020	75	
Cedarhurst Lodge	Northern Ireland	Dec 2020	67	
Saintfield Lodge	Northern Ireland	Dec 2020	51	
Value at 31 December 2020: £8.14m				
Maria Mallaband and Countrywide Group (MMCG)				
Belmont House	Yorkshire & The Humber	May 2019	106	
Croft House	Yorkshire & The Humber	Mar 2020	68	
Heeley Bank	Yorkshire & The Humber	Mar 2020	67	
Howgate House	Yorkshire & The Humber	Mar 2020	63	
Manor Park	Yorkshire & The Humber	Mar 2020	75	
Park Springs	Scotland	May 2019	96	
Thorntree Mews	Scotland	May 2019	40	
Wallace View	Scotland	May 2019	60	
Value at 31 December 2020: £35.75m				

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		74	
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		111	
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	
Red Hill	West Midlands	Jan 2020	90	
Rydal	North East		60	
Saffron	East Midlands	Jun 2017	48	
Sovereign House	West Midlands		60	
Stansty House	Wales		74	
Three Elms	North West		60	
Waterside	West Midlands		47	
Woodlands Court	North West		40	
Wordsley	West Midlands		41	
Value at 31 December 2020: £130.04m				
Holmes Care Group				
Almond Court	Scotland	Aug 2020	42	
Almond View	Scotland	Aug 2020	78	
Bankview (&BVDC)	Scotland	Aug 2020	65	
Beechwood	Scotland	Aug 2020	90	
Cragielea	Scotland	Aug 2020	85	
Grandholm	Scotland	Aug 2020	79	
Heatherfield	Scotland	Aug 2020	60	
Larkfield	Scotland	Aug 2020	90	
Three Towns	Scotland	Aug 2020	60	
Value at 31 December 2020: £50.30m				

Tenant and home	Region	Acquisition date[1]	Beds[2]	Capital Projects[3]
NCUH NHS Trust				
Reiver House	North West	Jun 2019	–	
Surgical Unit	North West	Jun 2019	–	
Value at 31 December 2020: £4.41m				
Prestige Group				
Hartlepool	North East	Mar 2020	–	+94
Parkville	North East	Mar 2018	94	
Roseville	North East	Mar 2018	103	
Sandbanks	North East	Oct 2018	77	
Yew Tree	North East	Jan 2019	76	
Value at 31 December 2020: £21.76m				
Renaissance Care				
Croftbank	Scotland	Nov 2018	68	
Rosepark	Scotland	Nov 2018	60	
Value at 31 December 2020: £13.07m				
Silverline				
Laurel Bank	Yorkshire & The Humber	Mar 2020	63	
The Beeches	Yorkshire & The Humber	Mar 2020	60	
Willow Bank	Yorkshire & The Humber	Mar 2020	59	
Value at 31 December 2020: £8.10m				
Optima				
Barham	East of England	Aug 2019	44	
Baylham	East of England	Aug 2019	55	
Value at 31 December 2020: £14.25m				
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	
St Peter's House	East of England	Dec 2020	66	
Holmesley	South West	Jun 2019	55	
Value at 31 December 2020: £33.11m				

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

Corporate information

Directors
Amanda Aldridge Non-executive Director

Rupert Barclay Non-executive Chairman

Rosemary Boot Senior Independent Non-executive Director

Paul Craig Non-executive Director

Philip Hall Non-executive Director

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Joint Corporate Broker
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Communications Adviser
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N1C 4AG

Company Registration Number
10464966

Website
www.impactreit.uk

Financial calendar

Announcement of full year results	29 March 2021
Annual General Meeting	12 May 2021
Half year end	30 June 2021
Announcement of half year results	August 2021
Full year end	31 December 2021

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

EPC: Energy Performance Certificate

EPS: Earnings per Share

ESG: environmental, social and governance

FCA: Financial Conduct Authority

ICSA: The Chartered Governance Institute

Investment Manager: Impact Health Partners LLP

IPO: Initial Public Offering

LED: Light-emitting diode

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 – Current edition of the global and UK standards as at the valuation date

RPI: Retail Price Index

Seed Portfolio: Initial portfolio of 56 assets (including two option assets) acquired in May 2017

SPV: Special Purpose Vehicle

WAULT: Weighted Average Unexpired Lease Term

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