Investing in UK care homes for everyone

2024 | Annual report and financial statements

Care REIT PLC

About us

Investing in care homes for everyone

Care REIT plc is the new name for Impact Healthcare REIT plc. While our name is different, our business, strategy and the needs we meet are the same.

The UK, like most Western countries, is experiencing a profound demographic change. As our population ages, an unprecedented number of people will require care in later life. While some of this care can be provided at home, demand for care beds will also rise and people entering a care home are likely to have increasingly complex needs, with either advanced frailty or some form of dementia.

However, large numbers of elderly people already have trouble accessing social care, with many thousands stuck in hospital beds because they have nowhere else to go. This leads to worse outcomes for them, more cost for the NHS and fewer hospital beds for the patients who need them. A thriving care home sector is therefore vital to the health and wellbeing of the UK.

The opportunity for us is to help meet the growing pent-up demand for well-run and affordable care homes.

As a specialist and responsible owner of care homes, we're deeply immersed in the social infrastructure of the UK. We're proud to own care homes that cater for everyone, with around 70% of our tenants' residents funded by local authorities or the NHS.

We take a long-term view and look to generate secure and growing income, so we can offer attractive and progressive dividends to our shareholders and the potential for capital growth.

Find us online:
www.carereit.co.uk

Contents

Key statistics at 31 December 2024

Properties
137 | (2.1)%
2023: 140

Beds
7,655 | (0.9)%
2023: 7,721

Tenants[1]
15 | +1
2023: 14

Portfolio valuation
£679.0m | +4.3%
2023: £651.3m

Contracted rent roll[2]
£51.4m | +5.3%
2023: £48.8m

Weighted average unexpired lease term (WAULT)
20.2 years | (2.9)%
2023: 20.8 years

Inflation-linked leases
100%
2023: 100%

Dividend per share for 2024
6.95p | +2.7%
2023: 6.77p

Assets rated EPC B or better[3]
60% | +3% pts
2023: 57%

Average home ratings on carehome.co.uk
9.3
National average: 9.0

1. Includes Minster and Croftwood, which are subsidiaries of Minster Care Group.
2. Contracted rent roll is defined in the glossary on page 128.
3. For assets outside England, this is based on an English-equivalent rating.

Our purpose, strategy and values

Our purpose is to work with tenants to provide quality, affordable and sustainable care homes, in order to deliver an attractive risk-adjusted return.

This purpose determines our strategic priorities, which are to:

Work with our tenants to form long-term, mutually beneficial partnerships, so we can grow together

Focus on quality by investing in our buildings and supporting our tenants to provide quality care to their residents

Focus on affordability by setting rents at levels our tenants can afford now and in the long term, enabling them to charge fees that are more likely to be affordable to residents

Increase our sustainability by continuing to improve our portfolio's social and environmental performance

Optimise our business to provide more care home beds that are fit for our purpose

We've used these priorities to structure this report, to show how we're putting our purpose into practice.

Our values

Care homes are vital to both the people who live and work in them and society as a whole. We have a responsibility to make decisions that take account of all our stakeholders' needs, particularly the impact on our tenants' residents. Throughout this report, you'll see examples of our values in action, from the way we work with our tenants to support their provision of care, to our investment in our homes to keep them fit for the future.

Our core values are to:

- focus on the long-term sustainability of our business;
- act openly and transparently with our stakeholders;
- be a dependable partner who's trusted to deliver; and
- combine the strengths of a listed company with entrepreneurship.

Our Investment Manager

Impact Health Partners LLP, our Investment Manager (IM), plays a vital role in our success. Its senior team has decades of experience of owning and operating healthcare real estate, and their knowledge, skills and relationships give us an important advantage in our market.

2024 in brief

The Group grew adjusted earnings and its net assets in 2024

The Group performed well in 2024, as shown below:

Profit before tax
£45.0m | (7.9)%

2024	**£45.0m**
2023	£48.8m
2022	£16.9m
2021	£32.0m
2020	£28.8m

Adjusted EPS[1]
7.42p | +1.9%

2024	**7.42p**
2023	7.28p
2022	7.11p
2021	6.68p
2020	5.93p

EPRA EPS[1,3]
8.89p | +2.4%

2024	**8.89p**
2023	8.67p
2022	8.40p
2021	8.05p
2020	7.25p

Property investments[1]
£679.0m | +4.3%

2024	**£679.0m**
2023	£651.3m
2022	£568.8m
2021	£496.9m
2020	£418.8m

EPRA NTA[1] per share
119.21p | +3.7%

2024	**119.21p**
2023	114.96p
2022	110.08p
2021	112.41p
2020	109.58p

EPRA (net) LTV[1]
28.42% | +0.57% pts

2024	**28.42%**
2023	27.85%
2022	24.10%
2021	23.17%
2020	17.06%

Putting our purpose into practice: delivering attractive risk-adjusted returns

The value of our property investments increased by 5.0% on a like-for-like basis, mainly due to inflation-linked rental growth, contributing to 3.7% growth in EPRA NTA per share[1].

This performance enabled us to achieve our return objectives, which are:

Objective	Performance in 2024
A progressive dividend that's fully covered by adjusted EPS	We met our dividend target of 6.95 pence per share, up 2.7% (2023: 6.77 pence per share), which was 107% covered by adjusted EPS and 128% by EPRA EPS[3].
An average total accounting return of 9.0% per annum[1,2]	Our total accounting return was 9.4% (2023: 10.8%), slightly ahead of our target.

Our dividend target for 2025 is 7.20 pence per share[2], up 3.6%.

Putting our purpose into practice: working with our tenants

We work closely with our tenants, with our long-term partnership approach reflected in the WAULT of 20.2 years at 31 December 2024 (31 December 2023: 20.8 years).

We transferred the operation of seven of our care homes to two new tenants. They replaced Melrose, an affiliate of Minster, which had stabilised the homes' performance as part of a recovery plan we announced in June 2023. As a result of these changes, we had 15 tenants[4] at the year end, a net increase of one in the year.

1. For further discussion of these metrics see pages 113 to 119. EPRA alternative performance measures have been calculated in line with EPRA best practices recommendation, see pages 113 to 115.
2. 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.
3. The comparative EPRA earnings have been restated in line with updated guidance from EPRA released in 2024 revising the calculation to include cash income received on interest rate derivatives.
4. Includes Minster and Croftwood, which are subsidiaries of Minster Care Group.

2024 in brief continued

Putting our purpose into practice: our focus on quality

Improving the quality of our assets

In 2024 we significantly ramped up our asset management programme, approving £12.7 million on projects at existing homes and a further £8.7 million investment in the development of a new home. During the year we invested £14.0 million, up from £4.7 million in 2023. Overall, these projects will add a net 119 beds, create new indoor and outdoor spaces for residents, and reduce energy use. At the year end, we had a further ten projects in the pipeline, with anticipated funding of £16.8 million over the next two to three years.

Our tenants continue to provide good care

While the quality of our assets is important, the quality of care our tenants provide to their residents is paramount. A great building won't compensate for poor care and great care can be delivered in many different types of building. The government has publicly raised concerns over the reliability of the Care Quality Commission (CQC), which is the regulator in England; this is evidenced by our own portfolio where some of the ratings from inspectors are now more than five years old. We are currently reviewing different ways in which we can monitor quality of care by our tenants, including website ratings and secret shopper inspections.

Putting our purpose into practice: our focus on affordability

With our leases running for up to 35 years, it's vital that our rents remain affordable to tenants in the long term. We therefore set initial rents at sustainable levels and almost all our leases set out rent increases in line with general inflation but with minimum and maximum annual increases, typically 2% and 4% respectively. Rent cover is one of our most important key performance indicators (KPIs).

The increase in the year to 2.2x (2023: 2.0x) reflects continued improvement in occupancy and in particular our tenants' ability to raise their fees in line with, or ahead of, inflation. Our tenants have continued to focus on efficiency and further reducing agency staff costs, which, along with lower inflation in utility costs, the capped increases in our rents and the increase in average weekly fees they charge, has helped them to pay for wage increases for their staff.

Rent reviews in the year added 3.4% to contracted rent, increasing the contracted rent roll by £1.7 million. We collected 100% of rent due in respect of the year.

Putting our purpose into practice: increasing our sustainability

We continued to focus on improvements to the environmental sustainability of our portfolio with a target to achieve net zero status by 2045. We've further improved the energy efficiency of homes through asset management projects and improved energy performance certificate (EPC) ratings through energy efficiency projects. 60% of our homes have an EPC rating of B or above, making us well positioned to achieve 100% by the year 2030. The CO_2 emissions from our tenant energy consumption reduced by 3%, but our 2025 target of a 15% reduction from our 2022 baseline is unlikely to be met. We continue to review the best long-term strategy for investing further to improve energy efficiency, balancing environmental and commercial considerations for ourselves and our tenants.

Putting our purpose into practice: optimising our business

In 2024, rising interest rates and conditions in the equity market meant that most REITs, ourselves included, had share prices at a significant discount to net asset values. These factors made the Group focus on using existing cash flow and disposals to fund the business rather than trying to raise new equity or borrow significantly more.

Therefore, we continued to invest modestly in the portfolio using our existing financial resources and the proceeds from selling assets. This has allowed us to grow income and bed numbers internally through asset management (see above) and to add new assets to the portfolio, while keeping our debt levels stable.

During the year, we exchanged contracts to purchase an 83-bed care home near Darlington, for £3.8 million, and agreed to invest in the development of a new 72-bed home in Bedale, North Yorkshire, for a capped price of £8.7 million.

We also continued to optimise our portfolio, to improve its overall quality and generate funds for reinvestment. In 2024, we agreed sales of five non-core assets for a total of £8.8 million, in line with their latest valuation. Two of these disposals had completed by the year end. The sales also reduced our exposure to Minster, our largest tenant.

Prudently financing the business

We continued to maintain our existing debt financing to support our investments and increase returns, ensuring that we have kept a strong balance sheet. At the year end our gross loan to value (LTV) of 28.3% was well within the maximum in our policy of 35%. We had committed bank facilities of £250 million and significant liquidity available, with £52.2 million of undrawn facilities and £10.5 million of cash, against commitments of £15.7 million.

Our new name

In October 2024, we announced that we had changed the Company's name from Impact Healthcare REIT plc to Care REIT plc. This complies with the Financial Conduct Authority's updated Sustainability Disclosure Rules, which limits the use of the word "impact".

Our new name better reflects that we're a real estate business that invests in care homes. Our investment policy, strategy and objectives remain the same and we are firmly focused on the significant opportunity we see in the care home sector over the coming years.

A successful continuation vote

In common with other investment trusts, the Company doesn't have a fixed life. Instead, shareholders have the opportunity to vote from time to time on whether it should carry on or be wound up. Our first continuation vote took place at the Annual General Meeting (AGM) in May 2024. We were delighted to receive 100% of votes in favour of this resolution and thank shareholders for their support.

Outlook

We remain well positioned to continue to deliver long-term sustainable returns to shareholders. The key themes influencing our market – an ageing population, the growing demand for higher-acuity care and the affordability of social care – play to our strengths and will offer opportunities for us for many years to come. However at present the difficulty we have in raising new capital with high market interest rates and a share price well below net asset value constrains our ability to deliver on these opportunities.

In the year ahead, we'll continue to actively manage our portfolio and dispose of non-core assets. We'll also consider selling homes where we've completed our asset management plan, so we can recycle the capital into other high-return opportunities. The rental growth built into our leases and the return to rental payments from the former Silverline homes will also support further progression in our earnings and dividend.

As announced on 11 March 2025, the Company's directors have reached agreement on the terms of a recommended cash acquisition of the ordinary share capital of the Company (the "Acquisition"). The background to and reasons for the directors' recommendation for the Acquisition is set out in the announcement made on 11 March 2025. If the Acquisition is completed, this will result in a change of control of the Company.

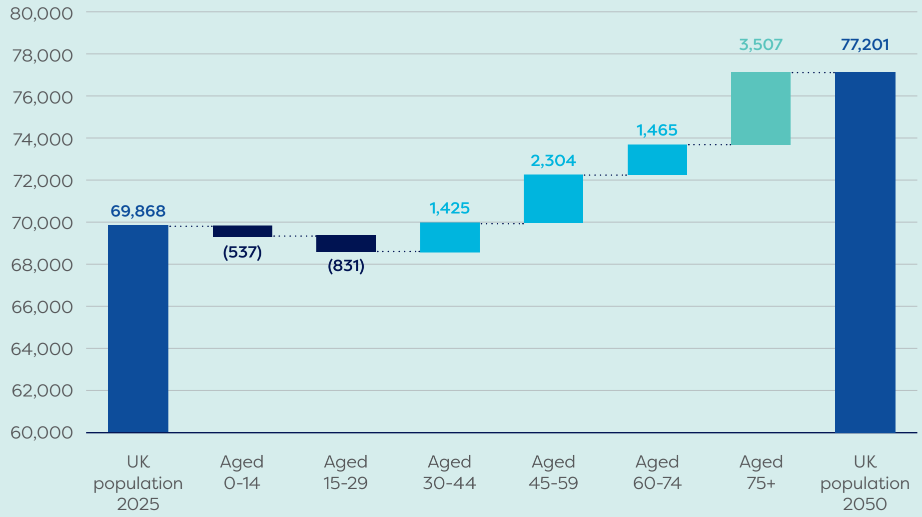
The growing demand for care beds for the elderly

Real estate opportunities are often underpinned by powerful structural trends.

We've seen this in the last decade, with the growth in e-commerce, digitisation and student numbers fuelling huge demand for logistics assets, data centres and student accommodation. An ageing society underpins the demand, and therefore investment rationale, in our segment of healthcare.

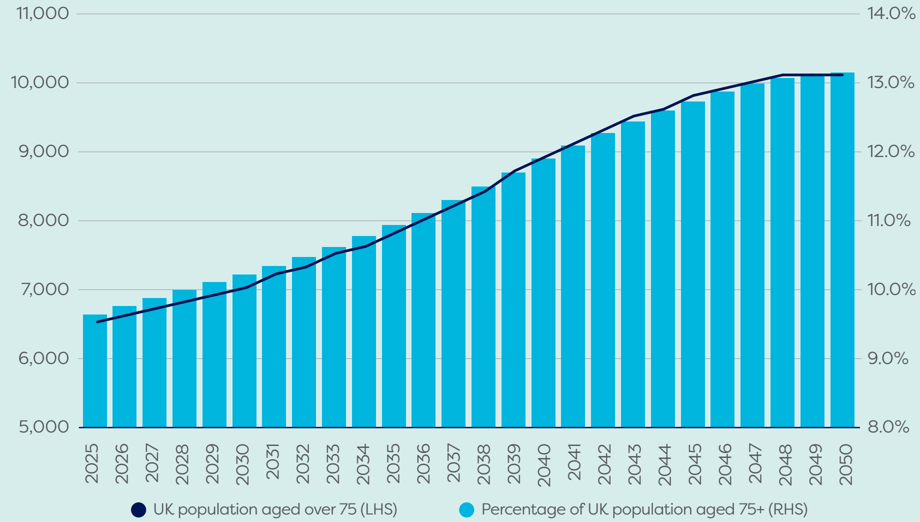
	Structural trend	Real estate opportunity
Last decade	E-commerce	Industrials/Logistics
Last decade	Digitisation	Data centres
Last decade	Education	Student accommodation
Next decade	Ageing societies	Healthcare

Demand: UK elderly population growth, 75 years+ (000s)



Source: ONS.

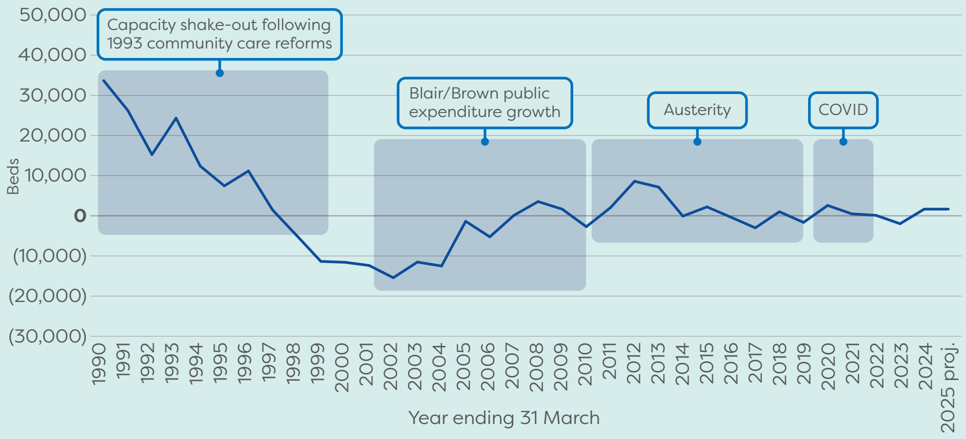
Projected UK population aged over 75 (000s)



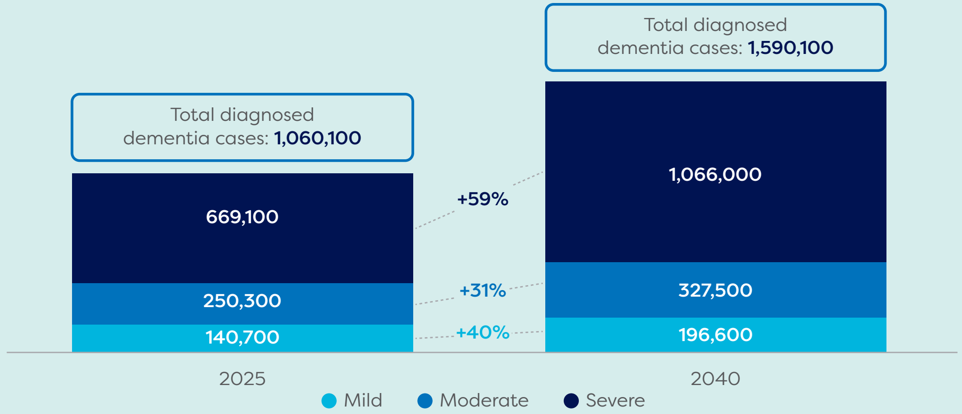
Source: ONS.

The growing demand for care beds for the elderly continued

Bed supply hasn't increased to respond to growing demand
Source: LaingBuisson.



Increase in people living with dementia in the UK
Source: Alzheimer's Society.



We believe that the challenge of caring for an ageing society is the next structural trend, with the potential to create attractive returns for care home owners who choose the right assets and partner with the right operators.

Within this trend we see three main themes: ageing, acuity and affordability.

Ageing

A growth market created by an ageing population

The UK will be home to an unprecedented number of older people in the coming decades. There are currently 6.5 million people aged over 75 in the UK and that number is forecast to increase by 55%, to 10.1 million, over the next 25 years. This change will happen during the lifetime of most of our leases.

Rising numbers of older people will directly lead to more demand for care home beds. However, the market has not responded by increasing supply. In fact, between 2012 and 2021, the supply of beds in nursing and residential care homes fell from 11.3 per 100 people aged over 75 to 9.4 – a 17% decrease. This reflects the high cost of developing new homes (see Affordability below), coupled with inefficient smaller operators leaving the market.

Acuity

An ageing population means care needs are becoming more complex

While rising life expectancies are good news, the downside is that most people will spend the last 15 years of their life with some ill health[1]. Around 10% of people over 80 have care needs that make it difficult for them to live at home.

Dementia is the most common acute condition affecting people in care homes. Around 70% of care home residents suffer from some form of memory loss, which ranges from mild confusion to severe dementia. The Alzheimer's Society projects that the number of people in the UK with some form of dementia will rise from just over 1.1 million in 2025 to 1.6 million in 2040, with the greatest rise being among people with a severe form of the condition. Dementia and Alzheimer's disease is already the leading cause of death in England and Wales, accounting for 11.4% of deaths in 2022 (source: ONS).

Since the COVID-19 pandemic, our tenants have reported that people are moving into care homes later than before, that they're more likely to be frail or ill and that their stays are shorter. This is creating a longer-term shift in the industry, with increasing demand for care providers who can deliver higher-acuity care.

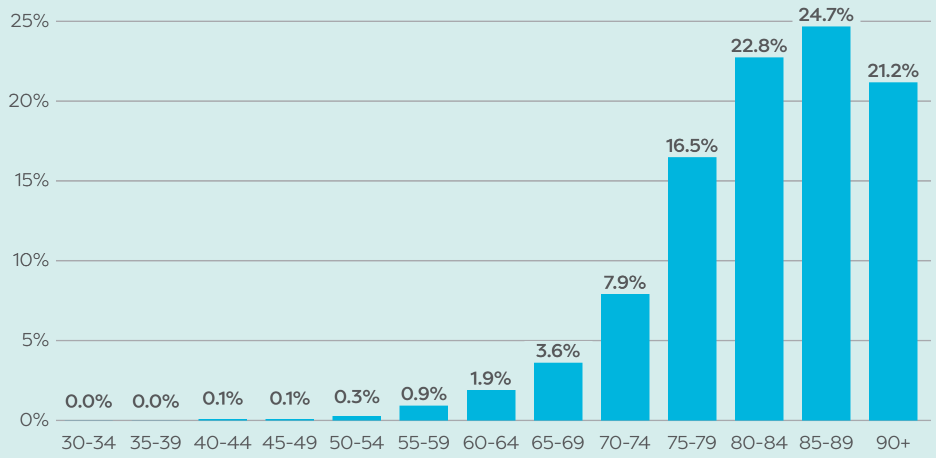
However, many people are kept longer in hospital due to the shortage of care home beds and their inability to pay for residential or home care. This means they're in the wrong setting for the care they need, particularly if they have dementia. On average during 2023 there were just over 12,000 people[2] in hospital every night who had no clinical reason to be there but could not be safely discharged. Half of those people, nearly all of them elderly, had been waiting more than 21 days to be discharged. This "bed blocking" increases costs for the NHS and has a knock-on effect on other patients, who can't be admitted to hospital without a vacant bed. The government has made reducing NHS waiting lists one of its main political aims. Achieving this will require adequate capacity in properly funded care homes.

1. Source: ONS: Healthy life expectancy in England and Wales: between 2011 to 2013 and 2021 to 2023.
2. https://www.cqc.org.uk/publications/major-report/state-care/2022-2023/access-to-care#waits.

The growing demand for care beds for the elderly continued

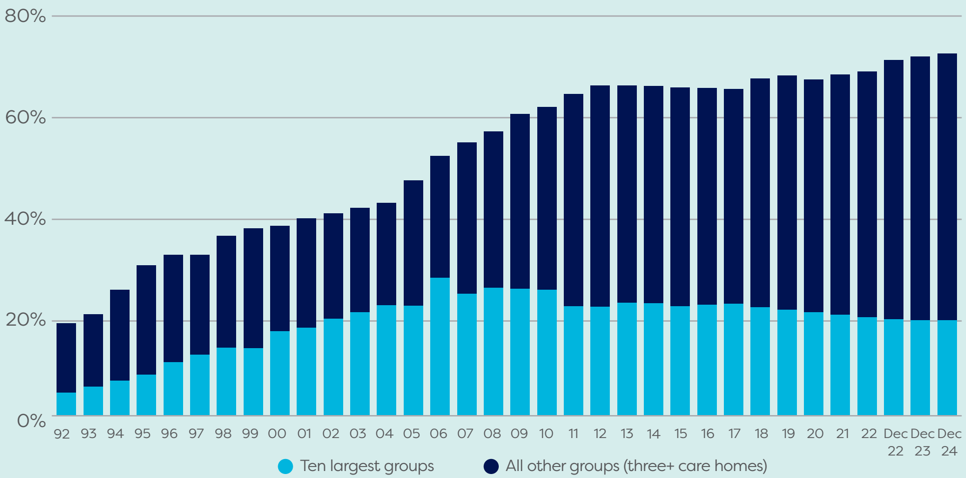
Prevalence rate of dementia by age cohort

Source: NHS Digital, ONS, LEK.



Highly fragmented operator market

Source: LaingBuisson.



Affordability

The solution to rising demand must be affordable for care funders

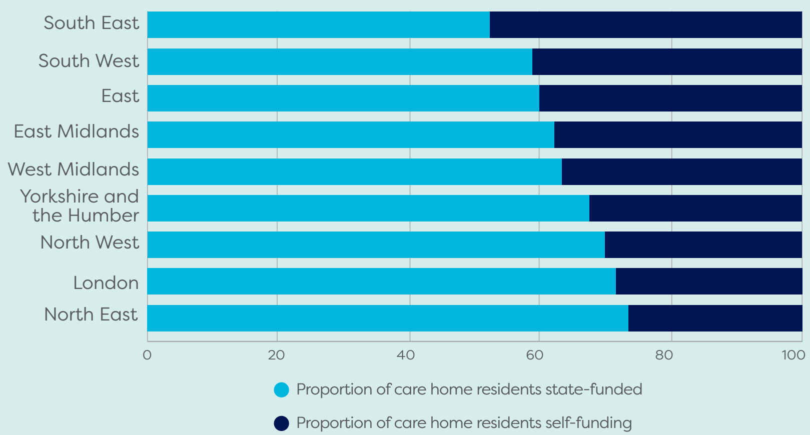
Most care home residents in England are state-funded, with this source of funding being particularly important for people living in the Midlands and the North.

However, there is no national government budget for adult social care in England and a person's care needs might be met by their local authority's social services budget or by their local NHS Trust. The individual or their relatives may also have to contribute to the cost. Most local authorities support their adult social care costs through a council tax levy and, in certain situations, local authority or NHS funding is means tested.

This complexity and the pressure on public sector finances mean waiting lists for social care have grown in recent years, with a doubling of the number of people waiting for over six months. While waiting lists for NHS care are well known, the waiting lists for social care are much less publicised.

Private and state-funded care home residents

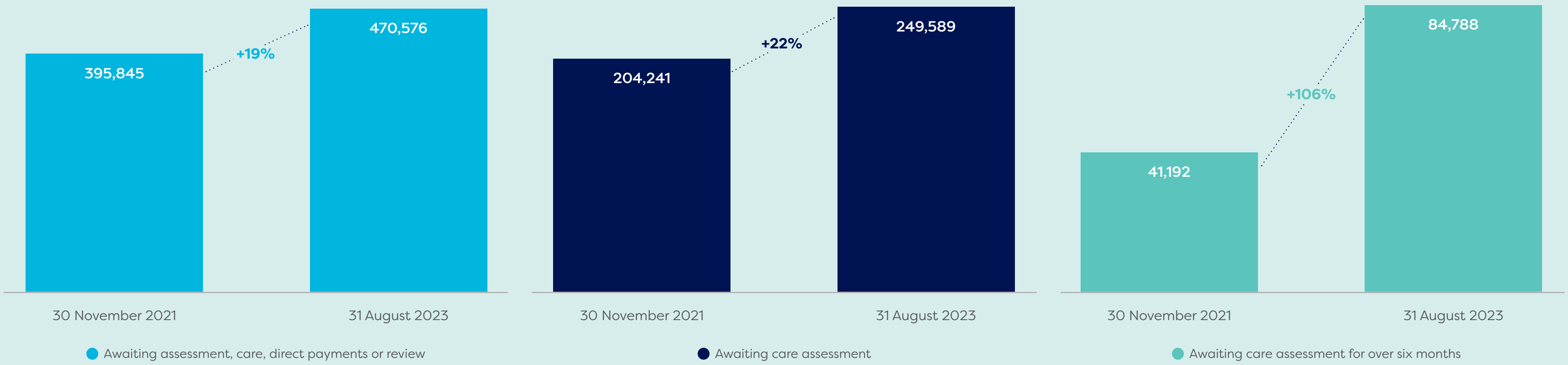
By region in England 2022 to 2023.
Source: ONS Care homes and estimating the self-funding population, England: 2022 to 2023.



The growing demand for care beds for the elderly continued

People on waiting lists for publicly funded care

The number of people waiting over six months for a care assessment has doubled (Source: ADASS).



Affordability continued

The solution to rising demand must be affordable for care funders continued

With local authority budgets likely to remain hugely constrained and demand continuing to rise, the affordability of care home places will be crucial. The economics of our sector mean that existing homes are more likely to meet this affordability test than new developments. An existing home providing good care can cost less than £100,000 per bed. In contrast, a high-quality new care home is often £200,000 or more per bed, reflecting high construction costs and limited land supply. The higher build costs of new homes lead to higher rents for tenants – up to 20%[1] of their revenues as opposed to our average of 12.5% – which they have to pass on through higher fees for residents.

This restricts the size and growth of this segment of the market and means that higher fees don't automatically translate into better care, which depends more on the quality and stability of the staff than the building.

From an investment perspective, an existing home generally offers us better risk-adjusted returns. We can buy a home at less than its replacement cost and invest in it to add more beds, allow the tenant to offer more services such as dementia care, and improve its facilities and environmental performance. A bed in a well-run existing home is likely to be in high demand, generating a long-term and steadily growing income stream, which supports its capital value.

A highly fragmented market creates long-term opportunity for us

There are currently just over 10,700[2] registered care homes in the UK. The market is unusually fragmented and over the past 15 years that fragmentation has increased, as the market share of the top ten care providers has declined from a peak of 27% in 2006 to 19% in 2024. The market share of sole traders operating one or two care homes has also declined, from over 80% in the early 1990s to under 30% today. Mid-sized care providers, operating between three and 80 homes, have grown to fill this gap. Developing partnerships with operators in this space has allowed us to acquire good-quality assets at attractive yields, with the confidence that our tenants will run them well.

We currently own 1.7%[2] of the market, which means we have substantial scope for long-term growth when economic conditions allow. We will continue to generate growth internally, by adding beds to our existing homes, and when opportunities arise acquire more assets; to help meet the need for good-quality, affordable care homes.

1. Illustrative numbers of "Typical Care Home Financials" published by a developer selling new care homes.
2. Source: LaingBuisson.

Delivering attractive risk-adjusted returns

Our business model

What we do

Select tenants

We have a diversified portfolio of tenants that includes national, regional and local businesses. When selecting a new tenant we consider:

- their track record and financial performance;
- the strength of their business plan;
- their ability to provide high-quality care to residents; and
- their ability to deliver strong trading returns over the longer term, which will support our investment.

More information: adding tenants and growing with them (page 13).

Identify and appraise assets

We often identify assets we'd like to acquire and engage with existing and new tenants to evaluate operational performance, the affordable rent and their interest in becoming the operator. On other occasions, a tenant will bring an asset acquisition opportunity to us. When considering a transaction, we check every aspect of the homes, including reviewing their local market and the building's environmental sustainability. Our disciplined approach means we can buy at attractive prices, which are often less than the cost of replacing the asset.

More information: choosing which assets to buy (page 33), where we buy assets (page 34), who funds our tenants' residents (page 35).

Agree leases

Our leases are typically for 25 years or more and balance rental growth with ensuring rent remains affordable to tenants (see page 23). The leases require tenants to spend a minimum amount every year on repairs and maintenance, and all our leases since 2020 include "green" clauses, to help us work with tenants on our ESG objectives.

More information: choosing the length of our tenant relationships (page 13), ensuring our tenants maintain our buildings (page 19).

Monitor tenants' performance

We keep a careful watch on many aspects of our tenants' performance, including their financial results and the quality of their care, which we discuss with our tenants on a quarterly basis.

More information: monitoring our tenants' performance (page 24), monitoring the quality of care (pages 19 and 20).

Work with tenants to improve our assets

We agree plans with our tenants to upgrade and extend our homes. This makes them better places to live and work, increases their capacity, improves their sustainability and can broaden their offer. We can also work with tenants to develop new homes in areas with strong demand. These activities increase our rent, the value of our homes and our tenants' revenues.

More information: increasing quality by investing in our assets (page 17).

Optimise the portfolio

We regularly review our assets and categorise them as core, value-add or non-core. Value-add assets are candidates for asset management. We may sell non-core assets, so we can reinvest the proceeds and create more value, while improving overall portfolio quality.

More information: improving quality through asset management (pages 21 and 33).

Manage risk

We consider risk from many angles, from ensuring our balance sheet stays strong, to the way we pick tenants and make sure they're performing well, to our focus on sustainability improvements to the resilience of our portfolio through asset management.

More information: how we manage risk (page 11).

Delivering attractive risk-adjusted returns continued

Our business model continued

Our competitive advantages

Our competitive advantages come from:

- our strategic focus on mid-market care homes, which we can acquire at below replacement cost with rents at affordable rates;
- the IM's deep sector knowledge and understanding of how care businesses work, which helps with everything from buying the right assets to forming and maintaining supportive tenant partnerships;
- the IM's relationships with care home owners, the agents they work with and with potential new tenants. Great relationships and a proven track record can help us to buy assets off-market or beat the competition even when we're not the highest bidder. These relationships also help us when targeting disposals across the portfolio; and
- the IM's asset management and development skills. We can identify how to improve a care home before we buy it, successfully complete each project and improve returns by developing new homes.

The value we create

Our high-quality business generates attractive and sustainable value for our stakeholders.

Tenants

Tenants can grow their business alongside ours, in a long-term relationship with affordable rents, which benefits both of us.

Residents and their carers

As a landlord we support both residents and their carers through our willingness to invest in their homes, to improve the spaces they live and work in.

Lenders

Our lenders can provide long-term finance to us on attractive terms, knowing we have a secure and resilient business, with strong cash flows.

Shareholders

Our model delivers predictable and rising revenue, so we can pay a progressive, fully covered dividend (see page 3). There is also the potential for capital growth, which supports an attractive total return.

Careful cost control enables us to benefit from economies of scale as we grow. Many of our costs are fixed and some variable costs will step down as our asset value rises (including the IM fee which reduces from 1.0% to 0.7% of NAV above £500 million). Along with our conservative approach to debt finance, this helps to maximise the total return we can deliver to shareholders.

Delivering attractive risk-adjusted returns continued

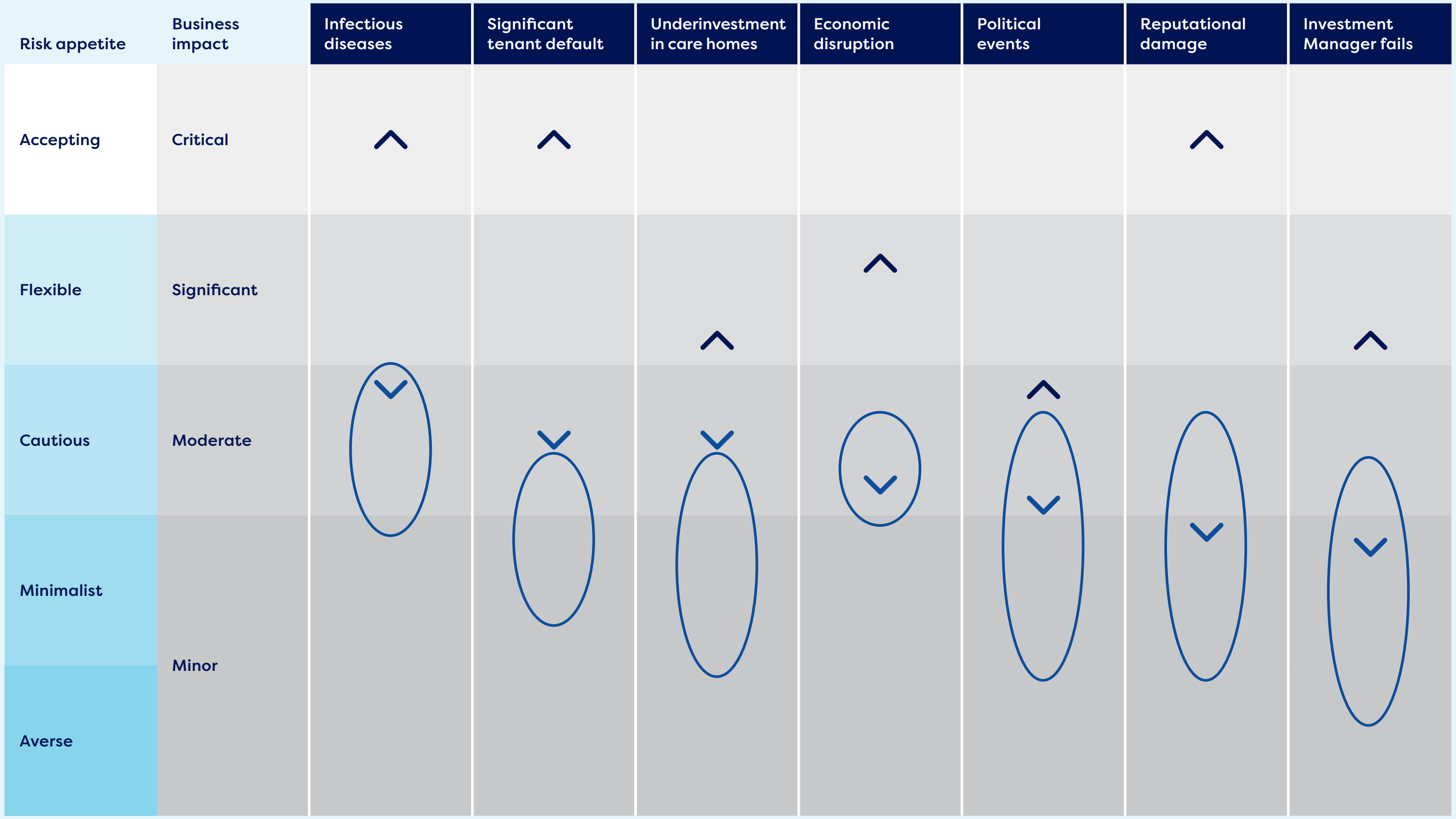
How we manage risk

Delivering attractive risk-adjusted returns requires us to build risk management into everything we do. The process starts with the board, which reviews and sets our appetite for different risks each year. While our appetite for particular risks might vary over time, in general we maintain a balanced overall level of risk, which is appropriate for achieving our purpose (see page 2).

The diagram on the right shows our principal risks and uncertainties, in order of the risk that remains after we've taken account of the mitigations we've put in place (known as the residual risk). As the diagram shows, two of our risks are outside our risk tolerance and we're looking to mitigate them further.

- For significant tenant default, we want no more than 25% of our contracted rent to come from a single tenant. The Minster Group and its affiliates are currently 32% of our contracted rent (31 December 2023: 37%), with the reduction in 2024 resulting from adding two tenants and selling assets Minster manages. We'll continue to diversify our income over time (see page 13 for more).
- For underinvestment in care homes, the board and the IM are working to understand what the care home of the future will look like, to focus on value-enhancing opportunities and improvements to the environment for both tenants' residents and their staff alongside the cost and delivery plan for achieving our net zero carbon target by 2045. We're looking at whether we can do this by investing in the homes in return for higher rents, whether our tenants could fund the work through increased fees for residents or if it might have to be a landlord cost.

For more information on our principal risks, see pages 37 and 38.



Key

Unmitigated risk

Mitigated risk

Risk tolerance

Risk appetite and tolerance: Our risk appetite categories are (from high to low): "Accepting" (where we're focused on maximising opportunities); "Flexible" (willing to consider all options); "Cautious" (willing to tolerate a degree of risk); "Minimalist" (preferring options with low inherent risk); and "Averse" (where we avoid risk and uncertainty).

We've also determined how much residual risk we can tolerate for each of our principal risks. This is a range, as shown in the diagram above, and can therefore extend over more than one risk appetite category.

Putting our purpose into practice

1 | Working with our tenants

WAULT

20.2 years (2.9)%

2023: 20.8 years

Bed occupancy

89.1% 0.9% pts

2023: 88.2%

Putting our purpose into practice

1 | Working with our tenants continued

We don't manage or operate our care homes, so we partner with tenants who'll operate them well and who share our focus on providing high-quality, and increasingly higher-acuity, care (see page 19).

We keep in close contact with our tenants throughout the year and they provide us with detailed reports, so we can monitor their performance.

The business model on page 9 describes how we choose our tenants. We also have important choices to make as we grow our portfolio, including the right balance between adding tenants and growing with existing tenants.

Our strategy: adding tenants and growing with them

When we buy assets, we can select a new tenant to run them and reduce our reliance on our existing tenants. Alternatively, we can increase the number of homes an existing tenant operates, strengthening their business and supporting our long-term partnership.

We're expanding our relationship with Prestige Group, through the transactions described on page 15. We've also reduced our reliance on Minster through the asset disposals discussed on page 14 and by transferring the operations of the ex-Silverline homes from Melrose, an affiliate of Minster, to two new tenants, We Care and Fulcrum Care. See the key board decision on page 14 for more information.

How we measure our progress

The portfolio's weighted average unexpired lease term (WAULT) is a KPI for us.

WAULT

20.2 years

2023: 20.8 years

The WAULT decreased by 0.6 years, with the passage of time offsetting the benefits of new leases and lease extensions following our asset management projects.

Our shortest care home leases are currently 12.3 years and we are actively exploring ways to increase these as part of our asset management activities.

At the year end, our tenant base was as follows:

Tenant	Contracted rent (%)	Properties	Beds
Minster Care[1]	20%	28	1,631
Welford	20%	17	1,102
Holmes Care Group	14%	21	1,129
Croftwood Care[1]	12%	28	1,158
Prestige Group	7%	5	469
Maria Mallaband and Countrywide Group	5%	7	508
Careport	5%	9	443
Electus Care	4%	5	340
Belmont Healthcare	3%	2	168
Carlton Hall	2%	2[2]	86
Renaissance Care	2%	2	128
Optima	2%	2	99
Fulcrum Care	2%	4	212
We Care	1%	3	182
NCUH NHS Trust	1%	2	n/a[3]
	100%	137	7,655

1. Minster and Croftwood are both part of the Minster Care Group.
2. Carlton Hall includes a development site with planning permission for 72 beds. This is included in "homes" but excluded from "beds" until completed.
3. Assets leased to the NHS are not care homes but other healthcare facilities, hence bed numbers are not applicable.

Our strategy: choosing long-term tenant relationships

The length of new leases is an important decision for us. We favour leases of 25 years or more, since this generates long-term and growing income for our shareholders, encourages tenants to take a partnership approach, and gives residents and care home staff a stable environment to live and work in. Leases of this length also require us to be very selective when signing new tenants.

During the year, we agreed nine new leases: two with Prestige Group, four with Fulcrum Care, all of which will run for 35 years, and three with We Care which also include landlord and tenant options to increase the term to 35 years.

Putting our purpose into practice

1 | Working with our tenants continued

Monitoring our tenants' performance

The IM engages with tenants on a weekly and monthly basis and in more depth each quarter, when it receives detailed reports from tenants setting out their financial and operating performance. We also run an annual tenant survey to get their feedback, which is discussed on page 31.

The main factors affecting our tenants' financial performance and their ability to pay our rents are their occupancy, fees for residents, staff costs (including agency staff use) and utility costs. Trends in occupancy and fees remained positive in 2024 and in aggregate our tenants improved their financial performance and rent cover (see pages 19 and 24).

Staff costs have stabilised as a percentage of tenant income, with our tenants generally able to recruit more permanent employees and reduce their use of expensive agency staff, resulting in stable staffing levels overall. Staff costs will rise further from April 2025 because of the increase in the minimum wage and higher employer's National Insurance. However, our tenants are in good shape and have a track record of growing fees in line with or ahead of inflation, so we're confident they can manage these cost increases. Utility costs have improved after substantial increases in previous years and our tenants have continued to focus in 2024 on their operational efficiency.

More information on how we engage with tenants can be found in the quality section on pages 17 to 20.

s172

Section 172: business relationships

The directors must consider the Group's business relationships, including with our tenants. In addition to receiving regular updates and detailed reports from the IM on each of our tenants, the directors all took part in calls with tenants during the year, without the IM being present. This allowed them to hear first-hand what tenants think of the Company as a landlord and their relationship with the IM, and to discuss how their business is going and the issues they're facing. The directors shared file notes on each call and discussed the feedback at their November board meeting.

Tenant feedback continued to be positive (see details of our tenant satisfaction survey on page 31) and while some would like us to be able to acquire more assets and help them to grow more quickly, they were very complimentary about their relationship with the IM and the support they receive.

See our Section 172 statement on page 43

s172

Key board decision – approving the transfer of operations to new tenants

Our 2023 annual report included an extensive explanation of our decision to replace Silverline Group as the tenant for seven of our homes. Melrose, an affiliate of Minster, temporarily stepped in as the tenant to stabilise the homes' performance and work with us to develop a long-term strategy for them.

During 2024, we were pleased to announce that We Care had taken on the operation of the three care homes in Bradford, and Fulcrum Care was the new tenant for the four homes in Scotland. The board carefully considered whether to approve the transfers and looked at the alternatives, such as selling the homes.

The directors discussed the risks of transferring underperforming homes to new tenants, the operators' experience of turning homes around and the commercial terms, including lease incentives and working capital facilities, the Company was offering to support the new tenants (see page 85). The directors considered the interests of the relevant stakeholders, including the potential impact on residents and staff, and concluded that the transfers were in the best interests of all stakeholders.

See our Section 172 statement on page 43

Putting our purpose into practice

1 | Working with our tenants continued

Case study

Growing with our tenants

Number of additional beds	Anticipated yield on cost
155	8%
↑ 33%	

Extending our partnership with Prestige Group

During the fourth quarter of 2024, we invested in two value-add opportunities in the North of England, partnering with one of our existing tenants, Prestige Group.

The first opportunity was to acquire Middleton Manor, an 83-bed purpose-built nursing home which Prestige owned and operated. We're leasing the asset back to Prestige, which is repositioning it to provide much-needed higher-acuity care for residents requiring both dementia and nursing care. This transaction, which exchanged in 2024 and is awaiting CQC re-registration before it completes, reflects our strategic focus on homes which provide higher-acuity care in communities with significant unmet demand, as is prevalent in the North of England, and which we can acquire below replacement cost.

The second opportunity was to forward fund the development of Bedale, a 72-bed care home. It is pre-let to Prestige and will be developed by Prestige's sister development company, which completed the successful Merlin Manor scheme in 2022. The Prestige Group has significant experience of developing and launching care homes in the North of England and makes a strong partner for us on the Bedale investment. The home will be built to the latest specifications for both care and real estate. The design is mindful of energy efficiency, with the home being fully electric, and it is expected to achieve an EPC A rating on completion.

Structuring investments to control risk and capture increased value

In structuring the transactions, the IM focused on mitigating the risks while ensuring we can benefit from uplifts in value. For Middleton Manor, we'll pay £3.8 million upfront, with a £2.1 million deferred payment depending on the success of the repositioning and resulting improvement in the home's profitability. This will also trigger an increase in the rent we receive. This structure is very similar to a previous investment with Prestige, Yew Tree (see the case study on page 18).

The forward funding of Bedale is expected to generate a highly attractive net yield on cost of over 8%. We've mitigated the risk posed by new developments by capping the price here at £8.7 million, with the developer required to cover any unexpected costs.

Creating a win-win-win investment through investment in strategic partnerships

Partnering with existing tenants benefits us, our tenants and society. Supporting the growth of good regional and national care operators such as Prestige diversifies our rental stream, giving our investors greater income security. It also reduces risk for us, since our existing relationship and ability to structure the investment based on previous successful transactions gives us confidence in Prestige's ability to deliver on the business plans. Finally, and most importantly, these partnerships add to the UK's essential social infrastructure, creating new beds in local communities and enabling care for some of the country's most vulnerable people.

Putting our purpose into practice

2 | Our focus on quality

Capex invested in improving homes for residents and staff

£14.0m

2023: £4.7m

Putting our purpose into practice

2 | Our focus on quality continued

Quality has two main aspects: care and buildings.

Both determine how full the homes are, how much our tenants can charge and how secure our income is. However, the quality of care is paramount for both us and our tenants. Without this, the homes cannot succeed.

Our strategic choices include how much capital we should allocate to asset management, what sort of improvements we should target, and the extent to which we should fund new developments.

Our tenants are responsible for repairing and maintaining the buildings and for their quality of care. We monitor both of these and discuss them with our tenants at least once per quarter.

Our strategy: increasing quality by investing in our assets

Our returns on asset management are higher than on most asset acquisitions. The lease terms typically allow us to rentalise the investment at 8%, with the potential for valuation uplift on the capital invested, giving a rate of return above the yield alone. These projects are also generally lower risk, since we and the tenant have a good understanding of the home and how the project will improve its performance.

However, we have to carefully consider how much to invest each year, since we also want to continue to grow the portfolio within our leverage limits and need to retain enough capital to buy assets. Our tenants also have to balance a project's longer-term benefits with the short-term disruption to the home, which can reduce their income while work is under way. We therefore need our tenant's permission for a project to go ahead.

Our portfolio management process identifies homes with the potential to add value through asset management. We then target projects that:

- improve the home for residents and staff, such as adding en-suite bedrooms and upgrading kitchens, laundries and other facilities;
- improve the environmental performance of the home and future-proof it against obsolescence; and
- expand the services our tenants can offer, such as adding specialist beds for dementia care.

Putting our purpose into practice

2 | Our focus on quality continued

Our progress in 2024

During 2024, we approved £12.7 million of new asset management projects, of which £6.7 million was spent in the year and £6 million remains outstanding. These projects are adding beds, improving the living and working environment and enhancing the homes' energy efficiency. In total, our approved projects will increase bed numbers by 47 and add £1 million to contracted rent.

Our largest current projects are shown in the table on the right. The case studies below give more insight on the projects at Wombwell Hall and Yew Tree:

Our pipeline currently has a further ten projects at various stages, with total funding of up to £16.8 million over the next two to three years. These projects have the potential to add 85 beds and £1.3 million of annual rent. We'll support them if they improve the quality of care and the building, create value for shareholders and we have the financial resources to deploy.

Home and tenant	Amount committed	Project benefits
Wombwell Hall Belmont	£2.5m	Reconfiguration of 30-bed unit into 22 beds, all with wet rooms. Refurbishment of main entrance and office into "hub" with café, seating and hair salon. Upgrade to mechanical and electrical installations and window replacement.
Kingston Court Careport	£1.0m	Internal reconfiguration to create four additional bedrooms and a dementia-orientated wing, with café. Installation of solar PV.
Turnpike Court Croftwood	£1.1m	Extension to create eight additional bedrooms and new residents' lounge. Installation of solar PV on the roof. Improved EPC (C to B).
Elm House Croftwood	£3.0m	Extension and internal reconfiguration to form 21 new beds (a net increase of 19), new day spaces, entrance lobby and reception, and sensory garden. Improved EPC (C to B).
Amberley Minster	£2.5m	Demolition of existing wing and replacement with 21 new-build rooms (net increase of seven). Electric heating to new wing with air source heat pump. Improved EPC (C to B).
Yew Tree Prestige	£2.5m	New-build 25-bed unit alongside existing 76-bed Yew Tree Care Centre. All new rooms have wet rooms and are fully electric with air source heat pumps and solar PV. The unit is targeting an EPC A rating.
Leycester House Croftwood	£1.2m	Infill extension and internal reconfiguration to create additional wet room bedrooms and improved lounge and dining space, resulting in a net increase of five bedrooms. Improved EPC (C to B).

Yew Tree Grange case study

Yew Tree Grange is a purpose-built care home comprising 25 bedrooms located alongside the existing Yew Tree Care Centre in Redcar, Teesside. Our tenant, Prestige, developed the building to provide premium rooms to complement the existing 76-bedroom nursing home. Yew Tree Grange is self-contained and includes residents' lounges and dining areas, with all bedrooms benefiting from generously sized en-suite wet rooms. Care REIT invested £2.5 million in the project with a return in excess of 8%.

The building has been constructed to high environmental standards with an EPC A rating. Heating and hot water is provided from air source heat pumps and solar panels, meaning there is no need for a traditional gas-fired boiler.

Wombwell Hall case study

The first phase of work at Wombwell Hall in Gravesend, Kent was completed in November 2024. This comprised the reconfiguration of an existing 30-bed unit into 22 bedrooms with full en-suite wet room provision and new dining and lounge areas for residents. A central reception and administration building has been converted into a "hub" with café area, salon and meeting place for residents and families. A comprehensive upgrade of the mechanical and electrical systems has also been completed, future-proofing the home for years to come. Care REIT invested £2.5 million with a return of 8.12% on the works, which form part of a longer-term strategy to reposition the home as a centre for dementia care alongside its core nursing provision. The works have resulted in an improved EPC B rating through additional insulation and new high-performance windows and external doors.

Quote from Wombwell Hall home manager: "The newly refurbished unit is an inspiring example of how we can reimagine care for those living with dementia. We've created a space that not only offers security but also enhances the quality of life of our residents."

Putting our purpose into practice

2 | Our focus on quality continued

Ensuring our tenants maintain our buildings

Regular repairs and maintenance protect the value of our homes and keep them up to standard for residents and staff.

Our leases specify the minimum amount our tenants need to spend, which totalled nearly £14 million in 2024. We monitor this carefully, looking at spend in the current year and the total over the last three years. The IM regularly visits homes to inspect them and check progress, with 124 visits taking place in 2024. Our valuer, surveyors, environmental specialists and other advisers support the IM in reviewing the quality of our buildings, with the valuers alone undertaking 46 home inspections in the year as part of their commitment to visit each property at least every three years.

Where we identify concerns, we engage with the tenant to resolve them. This may be because the tenant has fallen behind on the repairs and maintenance required by the lease terms or because we have a more general concern that the home isn't being maintained to the standards we expect.

Monitoring the quality of care

The main ways we look after residents' interests are through our oversight of care quality ratings and ensuring the homes are well maintained, as described above. Our tenants are responsible for their residents and we don't directly engage with them, except when we meet them during home visits.

The IM tracks reports and ratings from regulators, and regularly reviews customer feedback on the homes. If the regulator rates a home as inadequate or requires improvement, the IM reviews the report in detail and discusses the findings with the tenant's operations director. This allows us to understand the issues, the actions the tenant is taking and whether there are any broader operational concerns the tenant is looking to address. In addition to this the IM visits the home and meets with the home manager to better understand the issues on the ground. Where appropriate, we'll seek independent support to help resolve any ongoing issues.

How we measure our portfolio quality

The following KPIs reflect the overall quality of our assets. Our total accounting return (page 119), the WAULT (page 13) and our 0% vacancy rate (see page 117) are also important measures of quality:

EPRA topped-up net initial yield (NIY)

6.96%

2023: 6.92%

EPRA topped-up NIY had a marginal movement of 4bps across the year, reflecting stable market conditions.

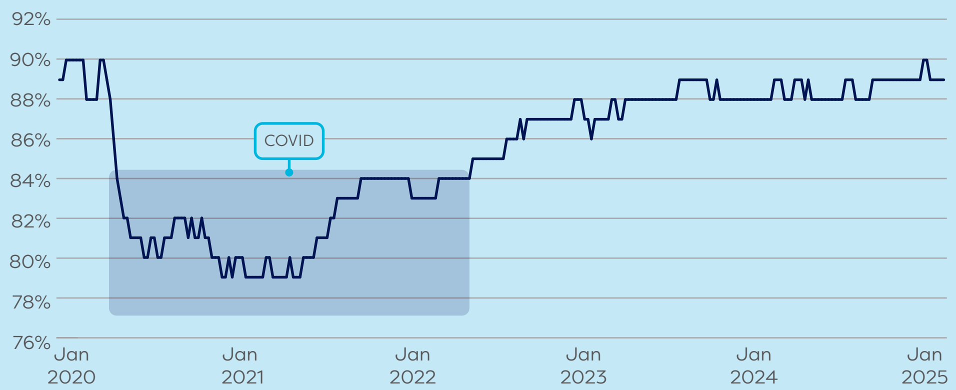
Occupancy

89.1%

2023: 88.2%

Occupancy across the portfolio continued to increase during the year as it recovered to pre-COVID levels (see the chart below). This reflects both the continued attractiveness of our homes and the essential nature of the service our tenants provide.

Care REIT Group average adjusted bed occupancy[1]



1. Excludes closed or under-development homes. Upon opening, these are excluded for up to three years while in build-up. Currently one home is excluded.

Putting our purpose into practice

2 | Our focus on quality continued

Monitoring the quality of care continued

The CQC (the regulator for England) carried out inspections for only 10% of the portfolio of homes in England.

In contrast, the Care Inspectorate (Scotland's care regulator) continued to carry out their regular inspections, with almost 75% of the portfolio's Scottish homes being inspected during 2024.

The government has announced its intention to improve the effectiveness and efficiency of key patient safety organisations, particularly the CQC. The new chief executive of the CQC has acknowledged that the public can no longer rely on the safety ratings of care homes in England: "Effectively, the CQC is not delivering on its operational performance." With the average age of CQC assessments currently around four years[1], we will be closely monitoring how this progresses. In the meantime, we're considering other indicators we can use to monitor care quality, such as ratings and reviews from residents and their families on carehome.co.uk. While online ratings are imperfect, they are regularly updated and may give us early visibility of trends in performance.

Average home ratings on carehome.co.uk

9.3 average score for our operators by home on carehome.co.uk

Above the national average of 9.0

We monitor ratings closely for individual homes and our tenants, reporting results to the board on a quarterly basis.

s172

Section 172: community impact and business reputation

In addition to the financial implications of building and care quality discussed above, the directors must consider how these issues can affect the community and the Group's reputation. Poor buildings or care have a direct impact on residents' quality of life and the working environment for staff, and therefore the community within which they operate. Badly maintained buildings and poor care could do significant damage to tenants' reputations, which in turn could harm perceptions of the Group.

See our Section 172 statement on page 43

1. Source: Health and Social Care Committee on 15 January 2025, UK Parliament.

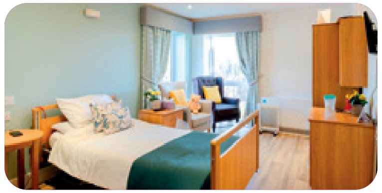
Putting our purpose into practice

2 | Our focus on quality continued

Asset management timeline

January
Handover of refurbished bedrooms at Fairview House.

Spend (in year)
£0.1m



March
Works commence on refurbishment and four additional bedrooms at Kingston Court.

Spend (in year)
£1.0m

Additional bedrooms
4 | +5.3%

April
Works commence on reconfiguration of Copperfield unit at Wombwell Hall.

Spend (in year)
£2.5m

April
Work commences at Leycester House to form an additional five bedrooms and enhance the lounge and dining space.

Spend (in year)
£1.1m

Additional bedrooms
5 | +12.5%

May
Works commence on new eight-bedroom extension at Turnpike Court and roof-mounted solar panels.

Spend (in year)
£1.1m

Additional bedrooms
8 | +15.1%

July
Handover of new-build 25-bed unit at Yew Tree Care Centre. EPC A rated with air source heat pump and solar panels.

Spend (in year)
£2.5m

Additional bedrooms
25 | +32.9%

July
Work commences on extension at Birchlands to form four additional bedrooms, reception area and manager's office.

Spend (in year)
£0.9m

Additional bedrooms
4 | +7.4%

September
Works complete at Karam Court to create four new bedrooms and new reception area.

Spend (in year)
£0.2m

Additional bedrooms
4 | +8.5%

October
Handover of Copperfield unit at Wombwell Hall.

December
Work commences on eight-bedroom extension and new dining area at Duncote Hall.

Additional bedrooms
8 | +20.0%

Putting our purpose into practice

3 | Our focus on affordability

Rent cover

2.2x +9.4%

2023: 2.0x

Putting our purpose into practice

3 | Our focus on affordability continued

For our business to be sustainable, our tenants must be able to attract a sufficient number of residents at appropriate fee rates, both private and publicly funded. Additionally, the rent we charge our tenants has to be affordable over the long term.

Our strategic choices relate to the rents we set when we first agree leases and how we structure our rent review clauses.

Strategy: setting initial rents and ensuring sustainable rental growth

We believe that all our stakeholders will be better off in the long run if we make sure rents remain affordable. With this in mind we typically set initial rents to ensure strong rent cover from day one, and all our leases include annual inflation-linked rental growth, with minimum and maximum increases each year. For most leases, these are set at 2% and 4% respectively.

This structure shares risk between us and our tenants. It guarantees that our income will grow every year, including when inflation is low, while protecting our tenants when inflation is high.

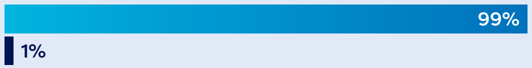
s172

Section 172: long-term impact and business reputation

The way we set initial rents and structure rent reviews are good examples of our focus on the long term. If rents become too high, we'll lose tenants and hence income, causing major disruption to residents and staff, reducing the value of our assets and risking damage to our reputation. Balancing rental growth with affordability is therefore a key part of providing sustainable returns for shareholders.

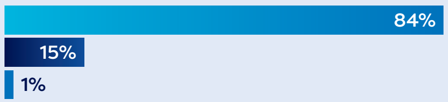
See our Section 172 statement on page 43

Care REIT leases inflation linkage



- Percentage of Care REIT leases with RPI linkage
- Percentage of Care REIT leases with CPI linkage

Care REIT leases caps and collars



- Percentage with floor 2%/cap 4%
- Percentage with floor 1%/cap 5%
- Percentage with upwards-only inflation linkage

How we measure affordability

Rent cover is one of the most important KPIs for our business. We also track our rental growth and the amount of rent that's overdue:

Rent cover

2.2x

2023: 2.0x

Rent cover was strong through the year, reflecting our tenants' success in growing their fees, as well as further increases in occupancy.

Average rental growth

3.6%

2023: 4.1%

In total, 131 rent reviews added £1.7 million to our contracted rent in 2024.

Rent collection

100%

2023: 99%

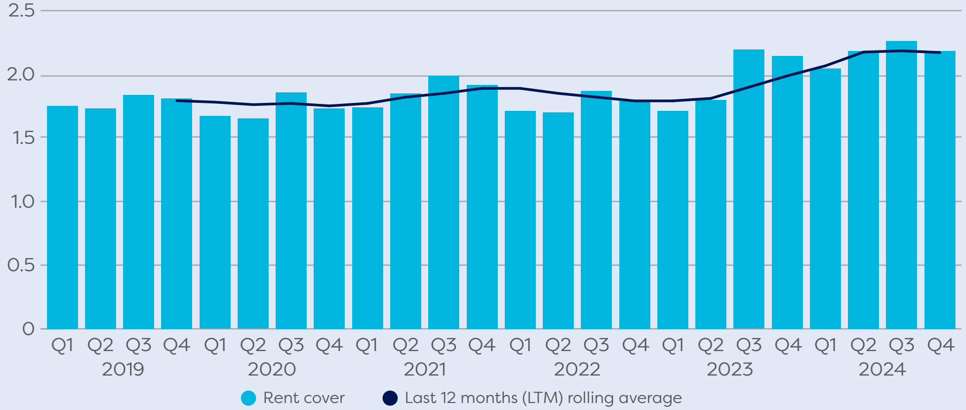
We've collected 100% of the rent due in respect of 2024. Seven of the Group's properties are on variable-rent leases after being re-tenanted in 2024 from Melrose.

Putting our purpose into practice

3 | Our focus on affordability continued

The chart below shows rent cover over time, demonstrating that rents have been consistently affordable for our tenants, as well as the scale of the improvement over the last 18 months:

Rent cover by quarter

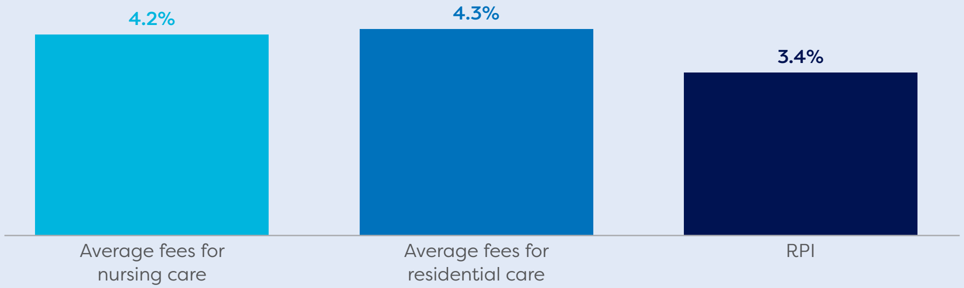


Affordability of our tenants' rent

An important indicator of whether our tenants' rent is affordable is whether their fees increase at or ahead of the rate of inflation. As shown below, care home operators have a long history of achieving this:

Average annual fee increases since 1998

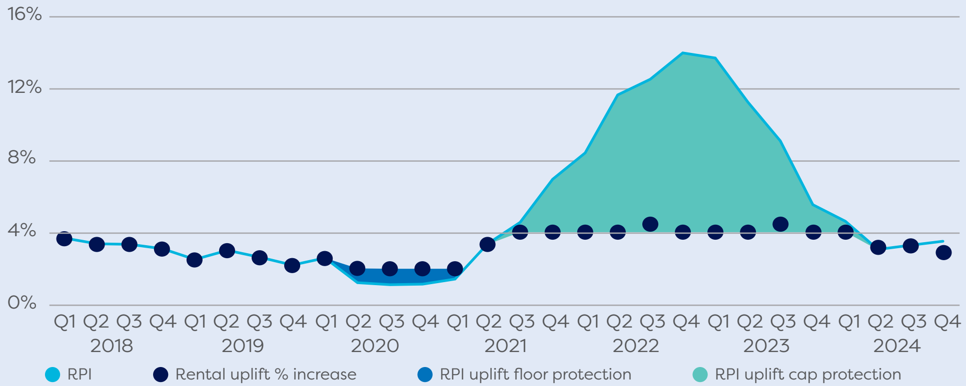
Source: LaingBuisson.



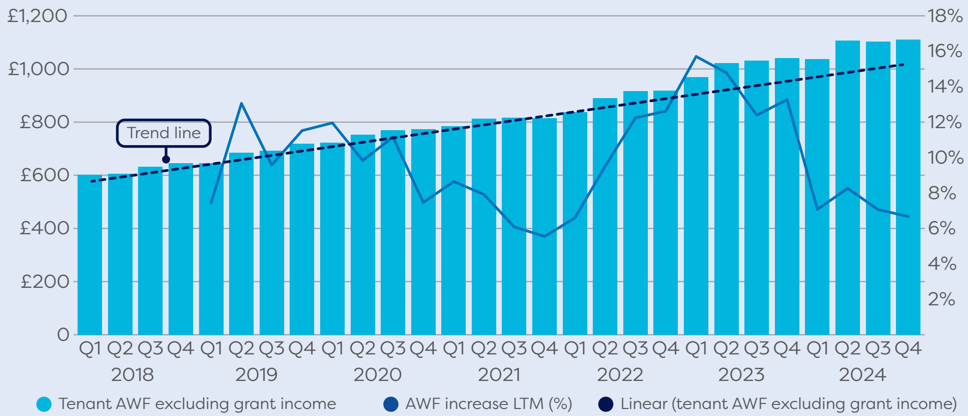
The chart below sets out the rental growth we've achieved over the last seven years and compares the percentage increase with the rate of inflation. It shows that we've received above-inflation increases for much of this period, with our tenants being protected from high inflation during 2023 and 2024.

This continued in 2024. Across our portfolio, the average weekly fee (AWF) rose by 6.7% to £1,119, contributing to rising tenant profitability and rent cover.

Rental growth versus inflation



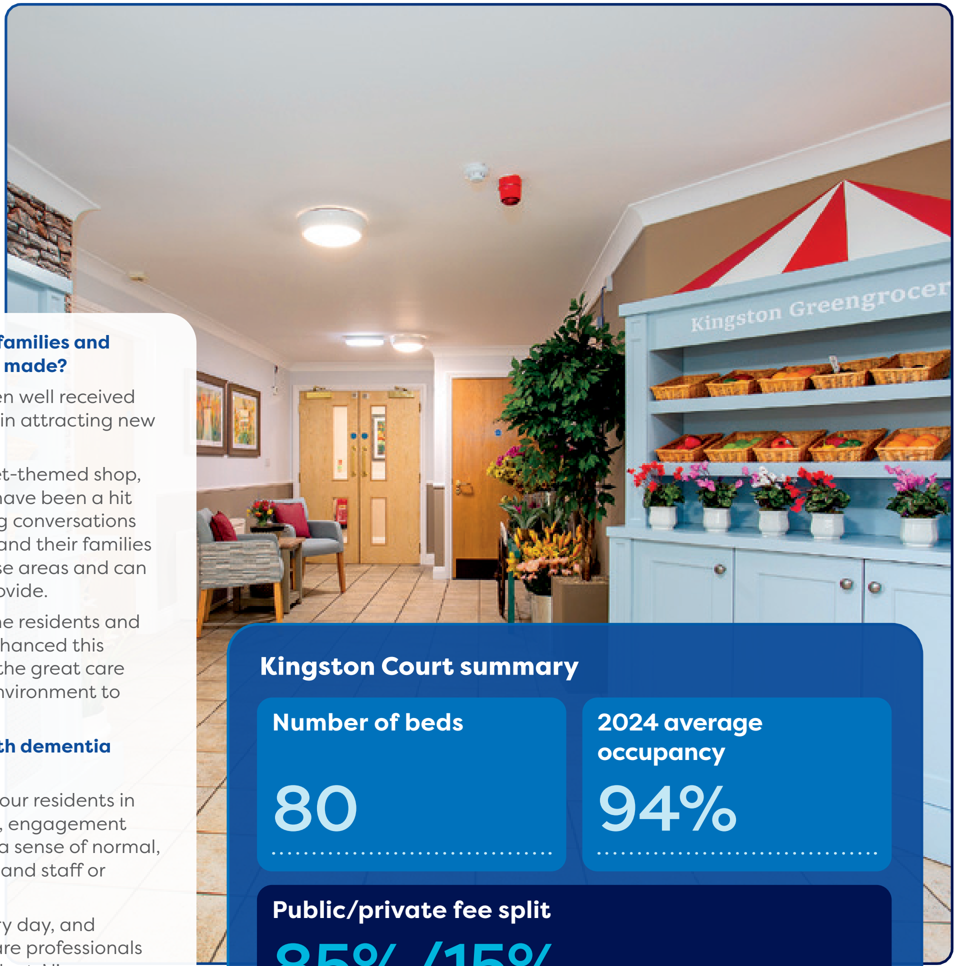
AWF growth by quarter since 2018



Putting our purpose into practice

3 | Our focus on affordability continued

In 2024 we invested £1 million in improving Kingston Court (see page 29). On completion of the capex we had a Q&A with the home manager:



Q: What improvements did you want to make to the home and why?

A: The aim was two-fold; to increase the number of wet rooms and create a more comprehensive dementia-friendly environment.

We added 24 wet rooms to existing bedrooms and converted two unused lounges into four new wet room bedrooms. Alongside bedroom upgrades and additions, we enhanced our dementia-friendly environment with the addition of a library-themed coffee shop, local market-themed shop, a revitalised hair salon and themed corridors.

The new wet rooms we felt gave the home a more premium feel for those who prefer their own showering facilities over the communal, yet well-apportioned, bathrooms.

The dementia-specific areas were intended to enhance the lives of those living with dementia, providing destination areas to reminisce, discuss and reflect.

Q: How did you manage the works; was there any disruption?

A: Through planning with our project management team, contractor and our care teams we facilitated the works programme as smoothly as possible. Residents and families were made aware of the works programme well in advance to keep them informed and seek feedback.

Given our high occupancy level, it was important to keep a tight programme of works to release bedrooms and move residents to ensure there was no delay or unnecessarily empty bedrooms. The building contractor was flawless in managing this, as well as quiet and considerate. Disruption was kept to an absolute minimum.

Overall our residents were excited by the works and the improvements to come.

Q: What has been the response of residents, families and staff to the improvements that have been made?

A: The new wet rooms and bedrooms have been well received by current residents and have proved useful in attracting new residents to the home.

The library-themed coffee shop, local market-themed shop, revitalised hair salon and themed corridors have been a hit with residents – enriching their lives, sparking conversations and providing places to visit. New residents and their families are typically pleased with the quality of these areas and can quickly see the benefits the new facilities provide.

Our staff have always been committed to the residents and the home and the upgrades have further enhanced this commitment. Staff are immensely proud of the great care they deliver and now have an even better environment to match.

Q: How do you think those residents living with dementia will benefit?

A: The new dementia features have benefited our residents in many ways by promoting social interactions, engagement and activity, feelings of familiarity, calming, a sense of normal, physical movement and places for residents and staff or families to interact and reminisce.

It's great to see these benefits in action every day, and pleasing to hear visiting health and social care professionals delighted with further improvements in residents' lives we are delivering here.

Q: Have you noticed any difference in the electricity bills after you installed the solar panels on the roof?

A: Yes, the solar panels are contributing a healthy amount of electricity to the care home which we can monitor via a web portal. And at 80 bedrooms, it's all well used in both the summer and the winter months. It's also great for the planet and we are pleased to be playing our own small part in reducing the home's carbon footprint.

Kingston Court summary

Number of beds
80

2024 average occupancy
94%

Public/private fee split
85%/15%

Average EBITDARM margin (since January 2020)
27.5%

Putting our purpose into practice

4 | Increasing our sustainability

EPCs rated B and above

60%

2023: 57%

Carbon intensity
(kg CO_2e per m^2 per year)

51kg (3)%

2023: 53kg

Putting our purpose into practice

4 | Increasing our sustainability continued

Care homes are an important part of the UK's social infrastructure and are set to play an increasing role in supporting older and vulnerable people.

Our ESG framework sets out our approach to implementation of ESG across the business. We invest in care homes which deliver positive social outcomes in the heart of the community.

Key pillars of our ESG framework

Environment	Social	Governance
Priorities Strategic investment in our portfolio to improve environmental impact. Improving EPCs through enhancements to our properties' energy efficiency and reduction in carbon emissions in line with our net zero pathway.	**Priorities** Having a positive impact on the people living and working in our homes. Recognising the vital social role care homes play and investing in homes that provide high-quality care to a range of residents.	**Priorities** Robust governance and transparent reporting to all stakeholders. Maintaining effective partnerships with key stakeholders and providing clear and accountable data.
Objectives Ensure all assets achieve a minimum of EPC Grade C by 2026 and a minimum of B by 2030. Ensure our portfolio is net zero by 2045. Ensure our portfolio is resilient to climate change.	**Objectives** Support health and wellbeing of vulnerable people. Ensure access to quality and value-for-money care for both the publicly funded and private-pay sectors.	**Objectives** Be transparent with all stakeholders. Maintain robust corporate governance. Proactively listen and engage with public and private stakeholders.
Aligns with the following UN Sustainable Development Goals 13 Climate action 11 Sustainable cities and communities	**Aligns with the following UN Sustainable Development Goals** 3 Good health and well-being 10 Reduced inequalities 11 Sustainable cities and communities	**Aligns with the following UN Sustainable Development Goals** 8 Decent work and economic growth

Putting our purpose into practice

4 | Increasing our sustainability continued

Key pillars of our ESG framework

	Objectives	How we do it	Metrics	Update
ESG Pillar 1: Strategic investment in our portfolio to improve environmental impact.	Ensure all assets achieve a minimum of EPC Grade C by 2026 and a minimum of B by 2030. Ensure our portfolio is net zero by 2045, with interim targets of: • 15% reduction from 2022 in absolute carbon emissions on a like-for-like basis by the end of 2025; and • 50% reduction from 2022 in carbon emissions on a like-for-like basis by the end of 2030. Ensure our portfolio is resilient to climate change.	Investing in assets that are highly energy efficient or have the potential to be with further capex. Modelling the carbon footprint of the portfolio and implementing our net zero strategy and plan. Investing in asset management projects to improve energy efficiency. Climate change scenario planning.	Percentage of assets with EPC of C or higher. Number of assets with improved EPC. Carbon intensity of portfolio in kg CO_2e/m²/year. Embodied carbon associated with developments and extensions. Percentage of assets with green leases. Like-for-like carbon emissions. Capex deployed on environmental improvements.	94% of portfolio rated C or higher (2023: 93%)[1]. 14 homes with improved EPCs (2023: 12). 51kg CO_2e/m_2/year (2023: 53). Benchmark project 488kg CO_2e per m² 17% (2023: 17%). A 4% increase from our 2022 baseline 14,143 tCO_2e (2023: 14,413). £981k (2022: £741k).
ESG Pillar 2: Having a positive impact on the people living and working in our homes.	Support health and wellbeing of vulnerable people. Ensure access to quality and value-for-money care for both the publicly funded and private-pay sectors.	Investing in quality buildings and actively monitoring care provider performance. Developing close partnerships with operators through formal and informal engagement. Conducting detailed due diligence on long-term need for care. Maintaining balance of private and publicly funded residents.	Tenant satisfaction survey. Affordability of rental payments to tenants. Proportion of publicly funded and private-pay residents. CQC ratings.	93% rate relationship with Care REIT as moderately or very satisfied (2023: 87%). Rent cover 2.21x (2023: 2x). 69% of tenant income funded by NHS/LA (2023: 69%). As discussed on page 20, due to the low proportion of homes reviewed by the CQC during the year, we are looking at other indicators such as carehome.co.uk for which our tenants received an average score of 9.3 compared to the national average of 9.0.
ESG Pillar 3: Robust governance and transparent reporting to all stakeholders.	Be transparent with all stakeholders. Maintain robust corporate governance. Proactively listen and engage with public and private stakeholders.	Maintaining clear disclosures on operational performance. Maintaining policies on supplier code of conduct, anti-money laundering and bribery. Managing the business in accordance with our responsible investment policy. Engaging with tenants on good governance practices.	Investment Manager's UN PRI submission. EPRA sustainability rating. Carbon Disclosure Project rating.	UN PRI Signatory status retained. Gold rated (2023: Gold). D rated (2023: D).

1. Based on English equivalent data for Scottish EPCs.

Putting our purpose into practice

4 | Increasing our sustainability continued

ESG Pillar 1: Environment

Improving the energy performance of our portfolio

Our target to improve the EPC ratings across our portfolio is to achieve a minimum B rating (or Scottish equivalent) by 2030, with an interim target of 50% by 2025.

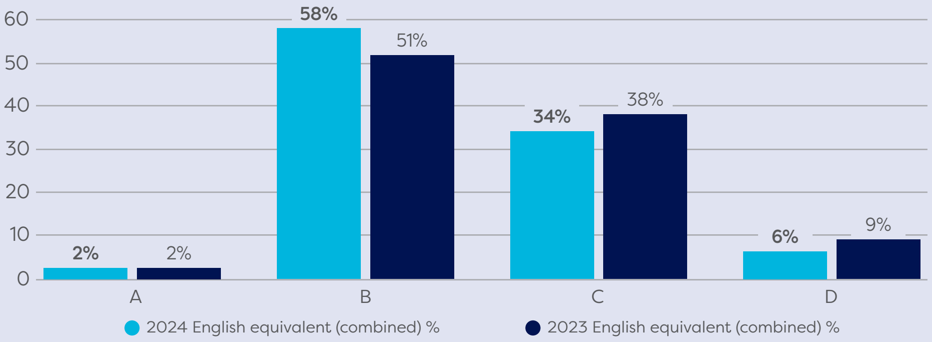
During 2024, we continued to assess where we can improve EPC ratings through interventions such as building fabric improvements and improved energy efficiency. Examples of this are new electric air source heating systems, replacement windows and insulation, and the installation of solar panels at four projects.

Where we've implemented measures like these, we've updated the EPC in accordance with current building regulations. As a result, we're pleased to report a further increase in the proportion of our homes rated EPC B or higher across the portfolio. We are continuing to review assets that fall below an EPC band B to identify opportunities to improve these in line with our target for full coverage by 2030.

Year	Target percentage of assets with an EPC of B or above[1]	Progress in 2024
2025	50%	60%[2]
2030	100%	

EPC breakdown by percentage

English equivalent for UK-wide portfolio[2]



1. There may be cases where exemptions apply under MEES regulations, in which case we will provide all viable energy efficiency measures. The EPC B threshold is based off the England and Wales rating and equivalent methodology is applied for assets in Scotland.
2. Based on published EPC data for English equivalent rating from Scottish EPCs. The English equivalent for one Scottish property has been estimated based on comparable properties. The EPCs are those currently registered for each property and may be based off historic regulation and are therefore subject to change upon re-inspection.

Kingston Court case study

Kingston Court is a nursing home located close to Cumberland Infirmary in Carlisle and provides residential and nursing care for up to 80 residents. Our tenant, Careport, wanted to improve the offer for residents living with dementia whilst also improving the environmental performance of the building. We agreed a plan to invest £1 million in the building to create an additional four bedrooms from existing under-utilised day space. Central communal areas in the home have been converted into a café and library area, providing destination spaces for residents and families to enjoy.

Solar panels have been erected on the roof to generate renewable energy for the building. Since these panels were commissioned, they have generated 25% of the building's electricity, making them environmentally and economically beneficial with a projected payback period of five years.

See Q&A with the Kingston Court home manager on page 25.

Putting our purpose into practice

4 | Increasing our sustainability continued

ESG Pillar 1: Environment continued

Working with our tenants to deliver improved energy efficiency

The carbon emissions from the consumption of energy are the responsibility of our tenants, and therefore classed as "Scope 3" under the Greenhouse Gas Protocol. We continue to work closely with our tenants to help them reduce their carbon footprint, including investing in renewable energy technology on asset management projects. Over time we expect to invest further in energy improvements where the additional rental is affordable to our tenants.

We continue to improve our data collection on our tenants' energy consumption, with 93% coverage. As the quality and quantity of our data improves, we're in a better position to engage with tenants to identify opportunities where we can increase energy efficiency, reduce emissions, and reduce running costs.

Like-for-like carbon emissions reduced by 4% despite a small increase in the conversion factor for natural gas. Whilst we continue to review longer-term trends, this reduction is encouraging. However, our target of a 15% emissions reduction from our 2022 baseline is unlikely to be achieved given the increase in the previous year. Whilst helping our tenants to reduce their emissions remains important to us we will need to review our target for 2025 and how best to work in partnership with our tenants to help them become more energy efficient. However, our like-for-like emissions for 2024 were still 2% higher than the 2022 baseline.

	12 months to 30 Sep 2024	12 months to 30 Sep 2023
Building energy intensity (kWh per bed)	**10,850**	11,036
Building energy intensity like-for-like kWh/m^2/year	**284**	289
Greenhouse gas emissions from building energy consumptions (tCO_2 per bed)	**1.95**	1.99
Like-for-like total indirect greenhouse gas emissions (kg CO_2e per m^2)	**51**	53

These emissions are classed as Scope 3 under the Greenhouse Gas Protocol and as such are not in our direct control; however, we continue to support our tenants in reducing emissions and advocate for greater energy efficiency.

Putting our purpose into practice

4 | Increasing our sustainability continued

ESG Pillar 2: Social

On average, 6,551 people were residents in our care homes during 2024. As highlighted on page 23, we set average rents which enable our tenants to charge fees which are more likely to be affordable to both the private self-pay market and those receiving local authority financial support.

As well as providing an appropriate community setting for residents, the homes in our portfolio are an important source of employment for a predominantly local workforce. Care homes rely on skilled and dedicated workers, but there are subtle differences between nursing homes (nurses must be on duty 24 hours per day) and residential homes (nurses are not a requirement). In both types of home, staff are required to undergo mandatory training and professional development, with staffing levels and qualifications being reviewed by the industry regulators. On average, over 9,000 people are employed in our care homes, meaning they play an important role in local communities and economies.

Care homes are highly regulated, and we work closely with our tenants to monitor the quality of care provided. This depends on our tenants employing properly trained care workers and there are numerous legal and regulatory requirements for mandatory training. Care workers therefore typically undertake c.36 hours of training every year as part of their ongoing development. In many cases this leads to career progression opportunities and greater responsibility.

ESG Pillar 3: Governance

During the year we reviewed existing and new policies including our Supplier Code of Conduct, ESG policy and, following the year end, we also approved a modern slavery statement which sets out our position against the use of any form of forced labour. We continue to engage on a regular basis with all our tenants to ensure they have up-to-date employment policies and practices.

We were pleased to retain our EPRA sBPR award for the fifth year running, demonstrating our commitment to transparent disclosure on the environmental performance of our portfolio. The IM is a signatory to the UN Principles for Responsible Investment (UN PRI) and has embedded those principles in its risk management and investment decision-making processes.

In 2024 we submitted our initial response to the Global Real Estate Sustainability Benchmark (GRESB), reporting for the calendar year 2023. In line with our expectations, we have received a one-star rating. Although in some respects our scale and the make-up of our portfolio do not align with the more generalised scoring in the GRESB framework, we believe we have a useful baseline from which to measure progress. During the year we also made our second annual submission to the Carbon Disclosure Project; with identified areas for improvement, we maintained an overall D rating.

Tenant satisfaction survey

In 2024 we again conducted a tenant survey, facilitated by an independent external body. We are pleased to report a 92% response rate, of which 93% (2023: 81%) of tenants reported having a positive relationship with Care REIT and viewed us a good long-term partner, and 86% (2023: 91%) reported satisfaction with Care REIT's level of engagement with them. We are always keen to get feedback from tenants and we seek to maintain and grow our positive relationships with them.

Charitable causes

In 2024, we were delighted to continue our partnership with The Care Workers' Charity. It supports care workers in times of need, particularly with mental health support, financial grants and advocating for care workers generally. As part of our support, a team from the IM completed the Yorkshire Three Peaks Challenge, raising funds of £3,000.

Putting our purpose into practice

5 | Delivering growth through enhancing our portfolio

Contracted rent roll

£51.4m 5.3%

2023: £48.8m

Portfolio valuation

£679.0m 4.3%

2023: £651.3m

Putting our purpose into practice

5 | Delivering growth through enhancing our portfolio continued

Growing our business requires us to make strategic choices that influence our returns and the risks we face.

These choices include the types of assets we buy, where they are and how we use debt to finance our growth.

Our strategy: focusing on mid-market care homes

Our investment policy (see page 124) allows us to invest in different types of healthcare properties. Given the growing demand for care beds for the elderly (see pages 5 to 8), we've chosen to focus on care homes, in particular existing homes in the mid-market. These are attractive to us because:

- they provide a good setting for quality care;
- they have a larger target market than high-end homes, which should mean fewer unfilled beds for our tenants;
- they're lower risk than new developments, as the capital cost is significantly less per bed (see page 8) and they don't need to build their occupancy and staffing from scratch; and
- they often give us scope to add value through asset management (see page 17).

In the fourth quarter of 2024, we invested in two homes. One is a 72-bed home being developed in Bedale, North Yorkshire, by our existing tenant Prestige Group. By funding the development for a capped price of £8.7 million, we'll be investing in a brand-new home for £121,000 per bed. The property will be fully electric and we expect it to have an EPC rating of A.

We also exchanged contracts to acquire Middleton Manor, an 83-bed care home near Darlington, through a sale and leaseback with Prestige. All the bedrooms have en-suite bathrooms and the home has an EPC B rating. We'll pay up to £5.9 million for the asset, including a £2.1 million deferred payment based on the home's performance. The maximum cost equates to £71,000 per bed.

Both homes will be let to Prestige on new 35-year leases. The blended acquisition yield is very attractive at more than 8%, meaning the transactions should increase our income and should generate growth in capital values. We've had good results from a similar transaction with Prestige, when we funded the development of Merlin Manor in Hartlepool and acquired Yew Tree, an existing home in Redcar. Both these homes have performed well and the unlevered internal rate of return on our Merlin Manor investment is more than 20% to date. See the case study on page 18 for more information.

Optimising our portfolio

As described on page 9, we regularly review our portfolio to identify assets that are no longer core for us. In July 2024, we sold two care homes in Wales for a combined £4.5 million. We also exchanged contracts to sell three assets in East Yorkshire for £4.3 million, to a local care home business; as these had not completed by the year end they were classified as assets held-for-sale. This transaction should complete when the CQC approves the transfer to the new operator. The five homes sold were originally acquired as part of the seed portfolio purchased in May 2017 after the IPO. They were non-core because they've either underperformed, have low EPC scores or are smaller than the ideal size for a care home. The aggregate sale price of £8.8 million was in line with their most recent valuation. The disposals also reduce our reliance on Minster Group, our largest tenant, which operated these homes.

s172

Section 172: maintaining high standards of business conduct

The IM and Minster Group are related parties. The relationship has many advantages for us but the directors also take the conflict of interest risk very seriously in their decision-making (see page 51 for more information on how we work with the IM).

We sold the two care homes in Wales to an affiliate of Minster, making it a smaller related-party transaction. To protect shareholders' interests, we commissioned a second independent valuation of these assets, which supported the sale price. This enabled the directors to approve the sale. Our financial advisers and corporate brokers also gave their opinion that the transaction was fair and reasonable as far as our shareholders were concerned.

See our Section 172 statement on page 43

Putting our purpose into practice

5 | Delivering growth through enhancing our portfolio continued

Measuring our progress

In addition to our total accounting return and dividends, which are discussed on page 3, we use the following KPIs to monitor our returns from the portfolio:

Profit before tax

£45.0m

2023: £48.8m

Profits fell in the year, primarily due to the reduction in fair value gains year on year, partially offset by rental income increases.

NAV

£494.5m

2023: £478.1m

The NAV increased by 3.4%, mainly due to rent reviews feeding through to valuation growth. The average topped-up NIY for the year was broadly flat, as discussed on page 19.

EPRA NTA per share

119.21p

2023: 114.96p

The growth in net assets led directly to 3.7% growth in EPRA NTA per share, with the number of shares in issue unchanged during the year.

Adjusted EPS

7.42p

2023: 7.28p

Adjusted EPS benefited from higher income from rent reviews and rent increases from capital improvements, alongside strict control of operating costs, partially offset by higher interest costs.

Our strategy: diversifying the portfolio around the country

We manage risk by spreading the portfolio around the UK, so we don't rely on a small number of local markets. Most of our homes are in areas where asset prices are more attractive, there's strong demand for care and often less competition. This makes our homes an even more important part of their local communities.

At 31 December 2024, we owned homes in the following locations:

	Properties		Beds		
Location	Number	Change in 2024	Number	Change in 2024	% of portfolio market value
England					
East Midlands	8	–	405	–	5.8%
East of England	9	–	547	–	9.9%
North East	12	–	792	+25	9.0%
North West	33	–	1,358	+4	15.4%
South East	4	–	319	–	6.3%
South West	9	(1)[1]	550	+8	10.2%
West Midlands	14	–	862	–	13.9%
Yorkshire & The Humber[2]	11	–	693	–	6.1%
Northern Ireland	5	–	340	–	3.5%
Scotland	32	–	1,789	–	19.9%
Wales	–	(2)	–	(103)	–
Total	**137**	**(3)**	**7,655**	**(66)**	**100%**

1. Fairview Court and House were previously treated as two properties, with separate CQC registrations. Fairview now has a single CQC registration across both buildings and is therefore treated at one property. There is no change to the portfolio as a result of this.
2. Includes three properties classified as assets held-for-sale.

Putting our purpose into practice

5 | Delivering growth through enhancing our portfolio continued

Our strategy: prudently financing our growth

We can grow the portfolio more quickly and increase returns by using an appropriate amount of debt. We're very aware of the risks of having too much leverage, so our policy is to:

- have a maximum gross loan-to-value (LTV) ratio of 35% at the time we draw down the debt; and
- have enough hedging to keep the risk of rising interest rates within our risk tolerance.

Our strategy: ensuring a good balance of funding for tenants' residents

We like our portfolio to have a good balance of funding for tenants' residents, from local authorities, the NHS and private pay. This helps to make our tenants' revenues more resilient than relying on one source of fees and means we earn a predictable income from our assets. It also has important social benefits, as we provide care homes for everyone.

With few changes to the portfolio in the year, funding for our tenants' fee income also remained steady and well balanced:

Public

68.5% | (0.2)%

2023: 68.7%

Local authorities

58.0% | (0.8)%

2023: 58.8%

NHS

10.5% | 0.6%

2023: 9.9%

Private pay

31.5% | 0.2%

2023: 31.3%

How we monitor our financing

We use the following KPIs to monitor our debt position:

EPRA net debt

£194.4m

2023: £181.4m

Net debt increased by 7.2% in the year, largely due to our investment in asset management projects and Middleton Manor, less the proceeds from asset sales.

EPRA (net) LTV

28.4%

2023: 27.8%

The EPRA (net) LTV decreased with the impact of higher net debt partially offset by rising asset values. Gross LTV was 28.3%, which remains well within our policy limit.

Percentage of drawn debt that is fixed or hedged

88%

2023: 95%

£175 million of drawn debt is hedged via interest rate caps which expire in August 2025 (SONIA cap at 4% for £50 million) and January 2026 (SONIA cap at 3% for £50 million) and a private placement facility of £75 million at 3% fixed until 2034.

Putting our purpose into practice

5 | Delivering growth through enhancing our portfolio continued

Engaging with our shareholders and lenders

While all our stakeholders have an interest in the growth of our business and our financial stability, our shareholders, tenants and lenders are the most directly affected. Our engagement with our tenants and their residents is discussed on pages 13, 19 and 20 respectively.

Understanding our shareholders' interests

The IM leads our investor relations programme and, along with our corporate brokers, ensures the board is kept well informed of shareholder views. Shareholder engagement in the year included the IM holding investor roadshows, with one taking place between the 2023 results announcement and the continuation vote at the AGM in May and the second following the interim results in August. Feedback from the meetings was positive, with shareholders appreciating the strength of our performance. We also organised shareholder visits to our assets, so they could see the quality of our care homes.

The Chair also offered meetings to our largest shareholders in the year, with several taking up the opportunity. Again, shareholders were complimentary about the Company and the IM, and while there were concerns about the share price discount to the NAV, they recognised this was a market issue rather than specific to the Company. They also emphasised the need to preserve capital and only invest in the best opportunities, in the current economic situation.

Understanding our lenders' interests

The IM also regularly engages with our debt providers, providing quarterly information that shows we're complying with the covenants in our debt facilities, offering site visits to homes within their security pool, and reporting on the performance of the tenants and the homes that the facilities are secured against.

Our principal risks

Our risk management process and how we categorise our risk appetite are discussed on pages 125 to 127. Our principal risks are as follows:

Infectious diseases

Probability: **Medium**	●●●○
Impact: **Moderate**	●●○○
Change in the year: **No change**	—
Risk appetite: **Cautious**	●●○○

An outbreak of a significant new infectious disease would clearly place care home residents, who are naturally vulnerable, at significant danger. It may result in lower care home occupancy, reduced tenant profitability and higher costs. All of these would impact on the ability of our tenants to pay us rent, the value of our portfolio and our ability to work with tenants successfully.

How we manage this risk

COVID-19, together with other illnesses, means care home operators have experience of managing infectious diseases. Since the outbreak of COVID-19, we have increased our monitoring of occupancy statistics to a weekly format, giving us rapid feedback on this KPI. Also, having an affordable rent, and thus strong rent cover, enables our tenant operating partners to react better to unforeseen changes. In an extreme outbreak we would expect the government to support operators as they did through COVID-19; however, should they not provide this support, we have ensured that our business can sustain a delay in rent collection.

We continually work with our tenants to explore improvements to the homes; this can include ensuring the home is better protected to help with infection control, including air filtration, temperature sensors and unitisation of the home, to help with isolating outbreaks.

We believe that, especially with the learnings from the recent pandemic, the mitigations are sufficient to reduce the risk to moderate, and to be within our risk tolerance.

Opportunity

None.

Significant tenant default

Probability: **Medium**	●●●○
Impact: **Moderate**	●●○○
Change in the year: **No change**	—
Risk appetite: **Cautious**	●●○○

This is the risk that either a single large tenant (more than 10% of rent roll) or several smaller tenants default. Any tenant failure is likely to cost us money (as the Silverline situation shows), but some tenants are larger than others. Failure of most tenants would have a moderate impact on us, but a Minster Group failure, as by far the largest group (33% of contracted rent), would be critical and is why the risk is outside of our risk tolerance. This could reduce our revenues and asset values.

How we manage this risk

Our close monitoring of tenants' performance enables us to spot issues quickly and we have shown we can replace a tenant if needed. Most tenants have seen improved profitability this year.

Our objective is for no tenant to account for more than 25% of our contracted rent. Accordingly, we aim to continue adding new tenants over time, to further diversify our income (see page 13). We also maintain close contact with Minster and the IM receives quarterly accounts which they discuss in detail with the tenant, confirming its financial health.

Opportunity

None.

Underinvestment in care homes

Probability: **Medium**	●●●○
Impact: **Moderate**	●●○○
Change in the year: **No change**	—
Risk appetite: **Cautious**	●●○○

Underinvestment could occur if: tenants don't invest in maintaining the properties, which could reduce the quality of care they can provide; the market or regulation may demand enhanced or different facilities; or, failure to consider the effects of climate change which could accelerate obsolescence (both physical and low carbon transition risks) and to meet our net zero target by 2045.

In addition, there is a risk that shorter-term leases of under ten years will affect the valuation of our portfolio.

How we manage this risk

All of our leases have full repair and maintenance obligations, as described on page 19. In extreme circumstances, we can replace a tenant who fails to comply. We identify asset management opportunities before we buy assets and where appropriate we commit with our tenants to ensure this work begins in the first 12 to 18 months.

We are continuing to review our strategy for investing in homes to improve energy efficiency and environmental performance, including resilience to heat and flooding. We currently invest for an increase in rent, and are looking at using our buying power to reduce costs for our tenants.

We continue to wait for guidance on future environmental regulation. We have put this risk slightly outside of our risk tolerance.

In relation to the risk of valuation reduction from leases under ten years, across our care home portfolio our shortest leases are 12.3 years. We actively extend leases where significant development is undertaken and all new leases have a tenant-only option to extend at year ten. We are exploring options to extend historic leases.

Opportunity

We can fund building extensions or other improvements, in return for an increase in rent.

Economic disruption

Probability: **High**	●●●●
Impact: **Moderate**	●●○○
Change in the year: **Increase**	^
Risk appetite: **Cautious**	●●○○

An economic downturn could have a moderate to significant impact on the business, but we believe that our mitigations are sufficient to bring it within our risk tolerance. Difficult economic conditions could put further pressure on local authority funding, affecting our tenants' fees and their ability to pay our rent.

Interest rates remain high and have been slow to fall, increasing the scrutiny on the financial covenants of our debt facilities which, if breached, could result in the banks taking security over our assets. Furthermore, the risk of economic disruption as a result of potential global events has increased in the year.

How we manage this risk

We can limit the impact of this risk by buying well, ensuring our tenants have strong rent cover, managing the assets to increase their value and managing the level of debt drawn across the Group.

Tenant profitability and long-term affordable rents are the key to a sustainable business (see pages 23 to 25). We regularly assess our tenants' financial performance, particularly their rent cover (see page 23). The Care Act 2014 places responsibilities upon local authorities to support individuals who need care, which helps to mitigate this risk.

The board agrees cash flow and debt levels, maintaining a cautious leverage in line with our risk appetite. Our LTV cap is 35% and we are aiming to keep our debt levels well below this cap. We also have a policy to limit our exposure to increases in interest rates through fixed rate debt and interest rate caps. Our inflation-linked leases ensure our income grows every year, which supports property valuations.

Opportunity

Reduced asset valuations and/or higher debt costs may create attractive buying opportunities.

Our principal risks continued

Political events

Probability: **Medium**	●●●○
Impact: **Moderate**	●●○○
Change in the year: **Slight increase**	^
Risk appetite: **Cautious**	●●○○

In July 2024 a new Labour government was elected with a large majority. It is working on a ten-year plan to improve the NHS, which is expected to be published at the end of the first quarter of 2025. The government has also announced the formation of a Royal Commission to look at reform of adult social care. However, the Commission will not deliver its full report until 2028. That means that during the life of this parliament it appears to be unlikely that there will be substantial changes to the way in which social care is funded and delivered.

How we manage this risk

We see this risk as moderate, because if the government were to change regulation that increases operational costs in care homes (for whatever reason) it would have to accept that fees would rise to pay for this – the alternative being tenants losing money and homes closing, which would be politically unacceptable and disastrous for local authorities and the NHS. Our tenants are used to providing care in the current imperfect environment. We have enhanced our knowledge of likely future developments in the health service and sought contact with opinion formers to increase their understanding of the sector.

Opportunity

Increased government funding could help the sector to grow and provide more opportunities for us to support adult social care.

Reputational damage

Probability: **Medium**	●●●○
Impact: **Moderate**	●●○○
Change in the year: **No change**	—
Risk appetite: **Minimal**	●○○○

Circumstances that could damage our reputation include our tenants providing poor care or breaching standards around matters such as minimum wage or modern slavery. In addition, Minster Group is a related party to the IM. If there is a breakdown in trust on related party disclosures, this could damage our reputation.

We have also set targets to deliver net zero carbon by 2045; failure to deliver against our carbon reduction strategy could damage our reputation with investors and the community within which our care homes operate.

How we manage this risk

We are a responsible company and conscious of reputational risks, which we think could be critical if unmitigated, but are minor after the measures we take. We monitor tenants carefully for the quality of the care, through regular meetings, care home visits and CQC ratings. We only select tenants with high standards.

The board ensures we transparently disclose related party activities and take decisions in the best interest of stakeholders. The board also oversees the monitoring of our progress against our ESG targets. Whilst not on track for our interim net zero target in 2025, we continue to provide transparent reporting on our performance and the activities being undertaken to achieve our 2045 target.

Opportunity

None.

Investment Manager fails

Probability: **Low**	●○○○
Impact: **High**	●●●●
Change in the year: **No change**	—
Risk appetite: **Minimal**	●○○○

We rely on the IM's capabilities to execute our strategy and support our day-to-day relationships. If the IM fails to retain key staff, this could result in poor relationships with stakeholders and, ultimately, failure to collect rent and a reduction in value of our portfolio.

How we manage this risk

The service requirements are set out in the Investment Management Agreement which the board monitors annually through the management engagement committee and more regularly through board member interactions with the IM. The IM is a well-run partnership closely bound into the success of the Company. In the last resort, the board believes that it could find an alternative manager to take over. The net risk is therefore within our risk tolerance.

Opportunity

None.

Other risks

There are several other risks that we monitor closely but we don't believe are principal risks for us. These include:

Taxation risk – We're a UK REIT and have to comply with certain rules to maintain that status. Any change to our tax status or in UK tax legislation could make it harder to achieve our investment objectives.

Cyber security – We need to protect our customer and company data from cyber attacks. Losing sensitive information could materially harm our financial condition. We have relatively few IT systems, as the IM runs our business and the Administrator runs the accounting and banking systems. The risk committee reviews our internal controls and provides assurance to the audit committee that they're effective. The audit committee also reviews our internal controls once a year.

Financial management – There's a risk that our budgets and plans are inaccurate, that we've made unrealistic assumptions or not applied them correctly, leading to our financial position deteriorating. The board reviews our financial results and any differences to our forecasts at least once a quarter, so we can investigate any issues.

Development activity – Developments are inherently risky and can face unexpected cost overruns and delays. High inflation and global supply chain delays have increased this risk over recent years. Through careful planning, site optimisation and ensuring our forward-fund commitments are capped, we seek to ensure all developments remain accretive to investors even if risks materialise.

Financial review

Portfolio valuation reflects income growth and stable market valuations

Cushman & Wakefield independently values our portfolio in accordance with the RICS Valuation – Professional Standard. As at 31 December 2024, the portfolio was valued at £679.0 million (31 December 2023: £651.3 million), up £27.7 million or 4.3%. The increase was made up as follows:

	Contribution to valuation increase £m	%
Capital improvements	14.0	2.2
Disposals	(4.5)	(0.7)
Valuation movement	18.2	2.8
Total	**27.7**	**4.3**

The valuation increase of £18.2 million equates to 4.40 pence per share. This is made up of 5.46 pence per share resulting from inflation-linked rental growth, with (1.06) pence per share due to market value movements.

Resilient financial performance

Net rental income for the year increased by 9.6% to £54.1 million (2023: £49.4 million). This reflected:

- a full year of rental income from a portfolio of properties we invested in initially through an interest-bearing loan, which previously generated interest income rather than rental income. We converted these to freehold ownership in June 2023. Rental income was £3.1 million higher in 2024 as a result, with a corresponding reduction in interest income (see below); and
- rent reviews and rent increases following capital improvements, which added £1.6 million to net rental income in 2024.

Under IFRS, net rental income includes some rent we're required to recognise as income before we receive it, reflecting the minimum uplift in rents over the lease terms, on a straight-line basis. Our cash rental income for the year increased by 10.9% to £47.2 million (2023: £42.5 million).

Our administrative and other expenses totalled £7.5 million (2023: £7.1 million), which led to a total expense ratio of 1.54% for the year (2023: 1.54%). The EPRA cost ratio reduced to 13.8% (2023: 14.4%) as we tightly controlled costs. This is a strong performance and our EPRA cost ratio is in the top quartile of our peer group. Further discussion of these cost ratios can be found on pages 115 and 117.

Finance costs were £11.3 million (2023: £12.0 million), reflecting reduced amortisation of loan arrangement fees compared to 2023, where due to modification of loans, some brought-forward arrangement fees were fully expensed in the year. Interest income was £0.2 million (2023: £3.8 million), with the 2023 figure including the £3.7 million of income discussed above.

The change in the fair value of investment properties was a gain of £18.2 million (2023: £14.8 million gain), contributing to profit before tax of £45.0 million (2023: £48.8 million).

EPS for the year was 10.85 pence (2023: 11.79 pence) and EPRA EPS was 8.89 pence (2023: 8.67 pence). Adjusted EPS, which strips out non-cash and one-off items, was 7.42 pence (2023: 7.28 pence). These EPS figures are all on both a basic and diluted basis. More information on the calculation of EPS can be found in note 11 to the financial statements.

Attractive and fully covered dividends

As a REIT, the Company must distribute at least 90% of its qualifying profits each year. The Company has therefore declared four quarterly dividends of 1.7375 pence each in respect of 2024, meeting the total dividend target of 6.95 pence per share, up 2.7% on the 6.77 pence paid in respect of 2023. All four dividends were Property Income Distributions.

The details of these dividends are as follows:

Quarter to	Declared	Paid	Cash cost £m
31 March 2024	25 April 2024	17 May 2024	7.2
30 June 2024	24 July 2024	16 August 2024	7.2
30 September 2024	24 October 2024	22 November 2024	7.2
31 December 2024	24 January 2025	21 February 2025	7.2
Total			**28.8**

We aim to deliver a dividend that's fully covered by adjusted earnings. The total dividend for 2024 was 128% covered by EPRA EPS and 107% covered by adjusted EPS. Our dividend target for 2025 is 7.20 pence per share[1], an increase of 3.6% on 2024.

At 31 December 2024, the Company had distributable reserves of £113.6 million.

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

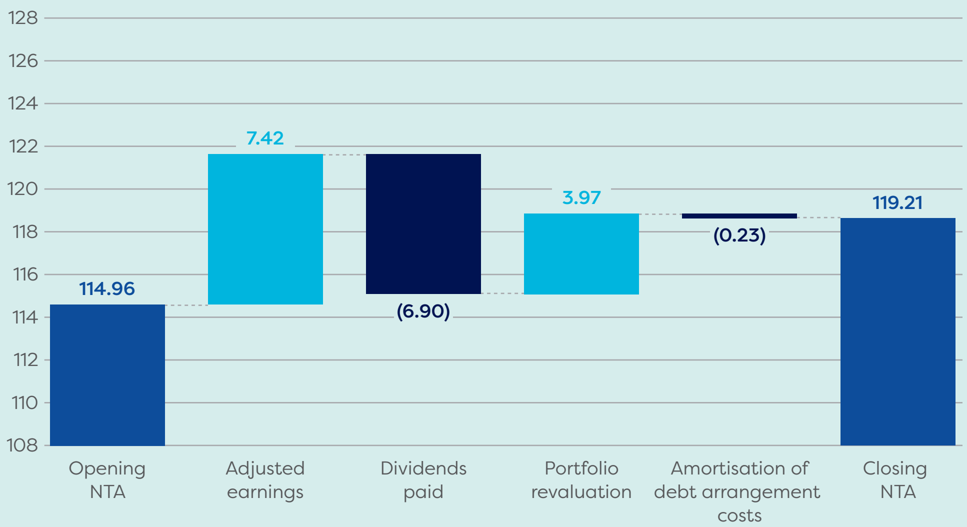
Financial review continued

Portfolio valuation drives higher net asset value

The NAV at 31 December 2024 was £494.5 million, up 3.4% (31 December 2023: £478.1 million). NAV per share also increased by 3.4%, to 119.33 pence (31 December 2023: 115.38 pence).

The chart below shows the main contributors to the movement in EPRA NTA per share. As we're required to pay out the large majority of our property rental earnings, the portfolio revaluation was the largest factor.

EPRA NTA per share (pence)



Strong and prudent balance sheet

There were no changes to our debt facilities during the year. Our year-end position is shown in the table below:

	Expiry	Facility size (£m)	Drawn at 31 Dec 2024 (£m)	Propco interest cover covenant	Propco LTV covenant
Virgin Money					
RCF	Dec 2029	50.0	30.5	200%	50%
HSBC					
RCF	Apr 2026	75.0	47.0	200%	55%
NatWest					
RCF	Jun 2029[1]	50.0	45.3	175%[2]	50%
Private placement					
Senior secured notes	Dec 2035	37.0	37.0	250%	55%
Senior secured notes	Jun 2035	38.0	38.0	250%	55%
Total		**250.0**	**197.8**		

1. With the option to extend for up to one year to June 2030, subject to NatWest's agreement.
2. Interest cover covenant is 175% until June 2025, after which it will increase to 200% for the remainder of the term.

At the year end, our debt facilities had an average maturity of 5.5 years (31 December 2023: 6.3 years). If we exercise the extension option on the NatWest facility, this increases to 5.7 years, with the earliest refinancing due in April 2026.

See page 35 for more information on our debt financing, including our LTV ratio and interest rate hedging arrangements.

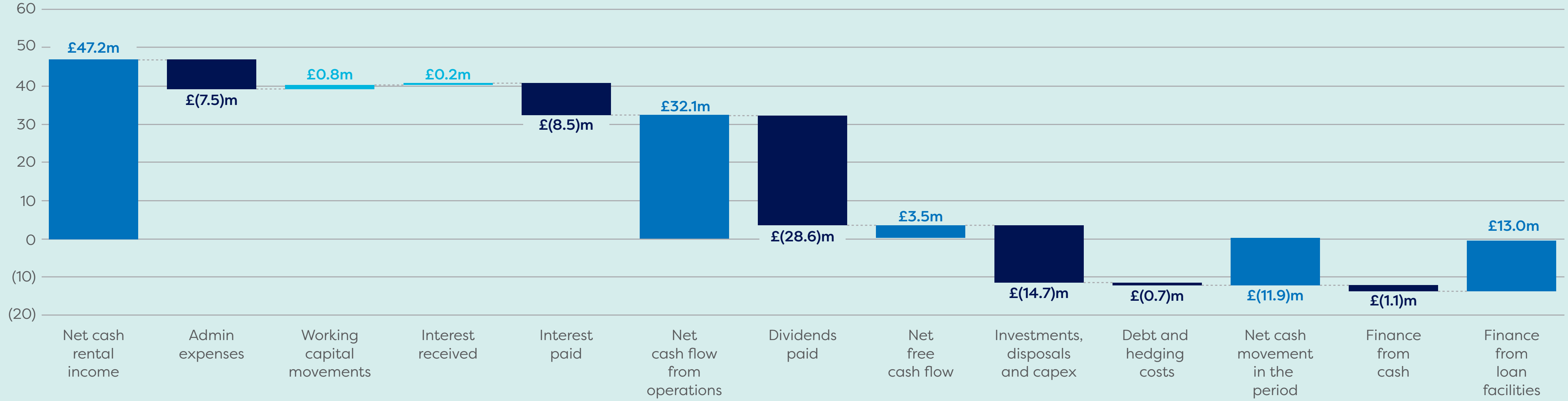
We had significant liquidity at 31 December 2024, with cash and cash equivalents of £10.5 million and undrawn debt facilities of £52.2 million. This gave us total headroom of £62.7 million, before accounting for our capital commitments.

Financial review continued

Liquidity bridge (£m)

Dividends and net interest costs fully covered by operating cash flows

Our cash movements in the year show that our dividends and net annual interest payments are fully covered by operating activities.



Going concern and viability

The board regularly monitors the Company and Group's ability to continue as a going concern and its longer-term viability.
The going concern assessment covers the 15-month period to 30 June 2026. Summaries of the Group's liquidity position, actual and prospective compliance with loan covenants and the financial strength of its tenants are considered at the scheduled quarterly board meetings. As part of the Group's assessment, the modelling includes (but is not limited to) the identification of uncertainties facing the Group, including:

- the risks of default of the Group's tenants, taking into consideration current rent cover. We review the occupancy performance of each tenant over the preceding 15 months and then run sensitivities by the tenant, including a drop in occupancy of 5%, an increase in staff costs by 5% and other costs by 10% and the effect these sensitivities have on rent cover and appraise the risk of a tenant default as low, medium or high; and
- the risk of a fall in investment property values. This may be because of a multitude of risks (as outlined on pages 37 to 38). We review the resulting impact on the Group's debt covenants and the remedial action that may be taken, including the extent of the resources available to the Company to cure covenant breaches.

The Group's forecasting model includes a variety of stress tests including reduction in investment property valuations, restriction of income from tenants (i.e. non-payment of rent), the costs associated with re-tenanting, the inclusion of increases in underlying costs and increases in interest rates. Reverse stress tests have been prepared to evaluate how much valuations or net income would need to fall to trigger defaults in each of the security pools.

Mitigating actions including corresponding reductions in costs as valuations fall, the use of unsecured properties to prevent covenant breaches and stopping dividends were also considered. The sensitivity scenarios reviewed by the audit committee and the board include:

- non-payment of rent for all medium and high-risk tenants for six months while increasing SONIA and bank base rates to 4.75% on variable interest rate loans;
- assessing the level of loss of rents that could be sustained within a security group before each covenant or default level is triggered; and
- assessing the loss of rents or valuation that could be sustained before the Group's unsecured assets would be fully utilised in application to cure rights within debt facilities.

The detailed scenario modelling is performed by the IM and presented to the audit committee and board for review, challenge and debate. The projections and scenarios considered in connection with the approval of this financial information had particular regard to stresses arising from rising inflation and interest rates and, in particular, the impact on the trading and financial strength of the Group's tenants as highlighted above.

Property values would need to fall by more than 40% before loan-to-value covenant breaches would arise with all facilities being fully drawn. Rental income would need to fall by 34% before interest cover covenant breaches would arise, with all facilities being fully drawn.

The board considered an extended 15-month going concern period was appropriate, owing to the refinancing of one £75 million revolving credit facility in April 2026. The interest received from current and prospective lenders to refinance this facility, low LTV across the Group and quantum of unsecured assets has given the board sufficient comfort that this does not pose a going concern issue.

Going concern statement

The board has weighed up the risks to going concern set out above, together with the ability of the Company to take mitigating action in response to those risks.

The board considers that the combination of their conclusions as to the tenants' prospects, the headroom available on debt covenants and the liquidity available to the Group to deal with stressed scenarios on income and valuation outlook, leads to a conclusion that the Company and the Group are each able to continue in business for the foreseeable future.

The board therefore considers it appropriate to adopt the going concern basis in the preparation of this financial information.

Viability statement

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 2030. This period has been selected because it is the period that is used for the Group's medium-term business plans. The board considers the resilience of projected liquidity, as well as compliance with debt covenants, under a range of inflation and property valuation assumptions. These scenarios include stress tests and reverse stress tests consistent with those described in the paragraphs preceding the going concern statement and include a consideration of mitigating actions that may be taken to avert or mitigate potential threats to viability.

Given the longer period of assessment covered by the viability review, further analysis is conducted in order to test the reasonableness of the key assumptions made and to examine potential alternative outcomes and mitigating actions relating to those risks and assumptions.

These included:

- debt refinancings during the forecast period. In relation to additional refinancing obligations within the period of the viability assessment, the directors have reasonable confidence that extensions or replacement debt facilities will be put in place; and
- furthermore, the Group has the ability to make disposals of investment properties to meet its future financing requirements; however, this assessment did not assume any disposals took place.

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 2030.

Section 172 statement

Section 172 of the Companies Act 2006 gives the directors several duties relating to the matters shown in the table below. During 2024, the directors consider that they've acted in good faith and in the way that would be most likely to promote the Company's success for the benefit of shareholders, while also considering the broad range of stakeholders who interact with our business.

Matter	Response
a) The likely consequence of any decision in the long term.	See page 23.
b) The interests of the company's employees.	The Company doesn't have any employees, so this doesn't apply.
c) The need to foster the company's business relationships with suppliers, customers and others.	Tenants: see pages 14, 20 and 28. Service providers: see pages 50 and 51. Lenders: see page 36.
d) The impact of the company's operations on the community and environment.	See pages 20 and 23.
e) The desirability of the company maintaining a reputation for high standards of business conduct.	See page 20, 23 and 33.
f) The need to act fairly between members of the company.	The directors must ensure they treat all shareholders fairly when making their decisions. The board wasn't required to make any decisions in 2024 where any group of shareholders could be treated differently from others, so this issue didn't arise.

Key board decisions

The board's key decisions in the year included approving:

- the acquisition of two assets (page 33);
- the disposal of five assets (page 33); and
- new tenants for the homes previously operated by Silverline (page 14).

The other significant matters the directors considered are shown on pages 48 to 50.

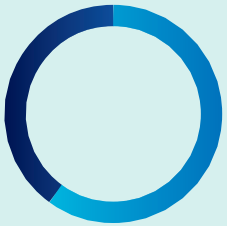
This strategic report was approved by the board on 12 March 2025 and signed on its behalf by:

Simon Laffin
Chair

Governance

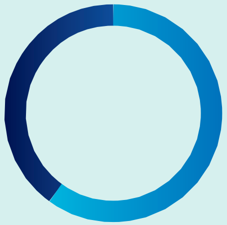
What's in this section

Our board



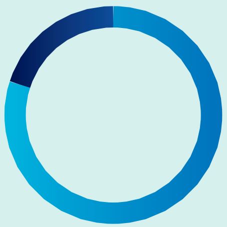
Gender diversity

Male	3
Female	2



Board tenure

0-5 years	3
6-8 years	2



Ethnic diversity

White British or other White (including minority-white groups)	4
Black/African/Caribbean/Black British	1

For more information see:
https://www.carereit.co.uk/ourpeople/board-of-directors

Simon Laffin
Chair

Appointed
1 January 2023 to the board, 1 April 2023 as Chair

Skills and experience
Experienced Chair, executive and non-executive director in large and small, public and private companies. Career has spanned healthcare real estate, property development and management, retail, consumer goods, financing, restructuring, financial services and private equity. Corporate governance expertise from 30 years on boards. He published a book "Behind Closed Doors. The Boardroom: How to Get In, Get On and Make a Difference", mentors senior executives and presents on governance. Former finance director of a FTSE 100 company and qualified accountant.

Previous roles
- Chair of Assura plc, Flybe Group plc and Hozelock Group
- Non-executive director at Watkin Jones plc, Dentsu Group Inc, Quintain Estates and Development plc, Aegis Group plc, Mitchells & Butlers plc and Northern Rock (as part of the rescue team)
- Adviser to CVC Capital Partners
- Group finance & property director of Safeway plc

Other current roles
None

Rosemary Boot
Senior independent non-executive director

Appointed
16 January 2017

Skills and experience
Highly experienced in corporate governance, as a board director and committee member across a range of sectors. Strong business, financial and capital markets background, as a former corporate finance adviser to large listed companies and through chief financial officer roles. Deep interest in sustainability, having worked for and founded organisations focused on tackling climate change as a business issue.

Previous roles
- Chief financial officer of Future Cities Catapult and Carbon Trust
- Executive director and strategy adviser at Circle Housing Group
- Executive director at UBS Warburg
- Non-executive director at Southern Water
- Trustee of The Green Alliance
- Non-executive Chair of Triple Point Energy Transition plc

Other current roles
- Non-executive director of Urban&Civic plc
- Co-founder and director of Chapter Zero Limited
- Non-executive director and audit and risk committee Chair of Nido Living

Our board continued

Amanda Aldridge
Independent non-executive director

Appointed
1 March 2019

Skills and experience
Extensive risk and governance experience including LSE and AIM requirements, public sector governance and reporting, M&A and fundraising. Conversant with evolving ESG reporting requirements and best practice approaches in a range of sectors, including government incentives for investment to accelerate net zero. Experience of working with listed and private companies, public sector businesses and not-for-profit organisations. Fellow of the Institute of Chartered Accountants in England and Wales.

Previous roles
- Audit and advisory partner at KPMG
- Non-executive director of Headlam Group plc and Places for People

Other current roles
- Non-executive director of The Brunner Investment Trust Plc
- Non-executive director of Staffline Group plc
- Non-executive director of Low Carbon Contracts Company and the Electricity Settlements Company
- Non-executive director of Helical PLC

Cedi Frederick
Independent non-executive director

Appointed
1 April 2024

Skills and experience
Extensive leadership and board-level experience in the healthcare and housing sectors, gained over a 40-year career, across the public, private and not-for-profit arenas. Includes more than five years as chief executive of a not-for-profit organisation that cared for and supported older people through its residential homes and home care support, as well as delivering services for children, young people and families. Has a strong understanding of the NHS, including through board appointments at NHS Trusts.

Previous roles
- Chief executive of Avante Partnership
- Chief executive of Adepta
- Chair of North Middlesex NHS Trust
- Non-executive director at Hertfordshire Partnership NHS Foundation Trust and Barnet Enfield and Haringey Mental Health NHS Trust

Other current roles
- Chair of NHS Kent and Medway
- Chair of the Health and Europe Centre
- Co-Chair of Inspire for Black Londoners
- Managing Director of Article Consulting
- CEO of Consiliaris Digital Systems

Chris Santer
Independent non-executive director

Appointed
13 May 2021

Skills and experience
Around 25 years of real estate investment and development experience in the UK and Continental Europe, in both listed and private equity funds, making or managing direct and indirect real estate investments. Particular focus on healthcare real estate, including primary care, medical centres, senior living and care homes. Previous healthcare experience includes joint ventures with Sunrise Senior Living Inc. to develop and operate premium, private-pay care homes in the UK. Member of the Royal Institution of Chartered Surveyors.

Previous roles
- Chief investment officer for Primary Health Properties PLC
- Director of portfolio management at PGIM Real Estate and MGPA

Other current roles
- Portfolio manager for Schroders Capital Real Estate Impact Fund

Key
- A Audit committee
- M Management engagement committee
- N Nomination committee
- R Remuneration committee
- Committee Chair

Corporate governance review

We believe in good corporate governance because it helps us to make sound decisions that benefit our stakeholders.

We follow the AIC Code of Corporate Governance, which takes a sensible approach by adapting the UK Corporate Governance Code to the specific circumstances of externally managed investment companies.

In 2024, we complied with all of its principles and provisions, as shown in the table on pages 111 and 112. You can download the AIC Code from **www.theaic.co.uk**.

The AIC released a new version of its Code in 2024, to align it with the latest version of the UK Corporate Governance Code. The most significant change will extend the directors' responsibilities relating to risk management and internal controls with effect from 1 January 2026. The audit committee report describes the work we're doing here (see page 54).

Board membership

The board's composition and succession planning are always on our agenda, as we aim to balance continuity with continuing to refresh our membership. Philip Hall retired at the 2024 AGM and Rosemary Boot has told us that she plans to retire in 2025. They both joined the board at the Company's formation in 2017, and we thank them both for their significant contribution.

We were delighted to welcome Cedi Frederick to the board from 1 April 2024. As the Company invests in UK healthcare real estate, it's vital that we understand how health policy and funding are evolving. Cedi has brought this expertise to the board and provides a valuable perspective to our discussions. We've also begun the search for a new director to replace Rosemary as Senior Independent Director and Chair of the remuneration committee.

Diverse thinking and experience are important to good decision-making. The board meets the FCA's targets for gender and ethnic diversity, and for having a female director in a senior board position. An effective board also needs every director to feel included, listened to and respected, and our board evaluation confirmed this remains the case.

All the directors will be standing for re-election at the 2025 AGM. Rosemary Boot, Amanda Aldridge, Cedi Frederick and Chris Santer all remain independent and I was independent when I became Chair.

Our meetings

The following table shows the directors' attendance at board and committee meetings. In addition to our scheduled meetings, we call some meetings at short notice, for example to approve transactions or announcements. Any director who can't attend a meeting is invited to give their views in advance.

Director	Board	Audit committee	Management engagement committee	Nomination committee	Remuneration committee
Simon Laffin (Chair)	18/18	–	1/1	4/4	2/2
Rosemary Boot	17/18	5/5	1/1	4/4	2/2
Amanda Aldridge	17/18	5/5	1/1	4/4	2/2
Cedi Frederick[1]	12/16	2/3	1/1	2/2	1/1
Philip Hall[2]	3/6	1/2	–	1/2	0/1
Chris Santer	15/18	5/5	1/1	3/4	2/2

1. Appointed to the board with effect from 1 April 2024.
2. Stepped down from the board with effect from 21 May 2024.

All directors are members of the management engagement, nomination and remuneration committees, and all directors, other than myself, are members of the audit committee. However, the audit committee usually invites me to attend its meetings. We have chosen this structure to ensure that all of us know about each committee's work, ensuring a joined-up approach to the work of the committees and the board as a whole.

Corporate governance review continued

What the board discussed in 2024

The rest of this annual report covers many of the topics that the board discussed during the year. Some of the highlights were:

Strategy

The long-term viability of our business depends on the quality of care our tenants provide, which determines demand for their services and their ability to pay rent to us. Our homes provide the setting for this care and must stay fit for purpose.

At our strategy day in October, we considered what a care home in our portfolio will need to look like in 2035, so it continues to support quality care for people with increasingly complex needs, while integrating technology and automation, and meeting stricter environmental standards. At the same time, we'll need to maintain or increase affordability for tenants, their residents and public-sector funders, while earning an acceptable return on our capital. We agreed that the IM will prepare a piece of research on this topic, so we can develop a plan to ensure the portfolio continues to meet these standards over the next decade.

Tenants

We work closely with our tenants to encourage best practices and to improve our assets. We also pay careful attention to their financial performance and the quality of care they provide at every quarterly board meeting, as well as regularly reviewing whether they're meeting their obligations to keep the homes properly maintained, so they stay fit for residents and preserve the value of the asset. The IM is responsible for day-to-day relationships with tenants but it's also important that the board has a direct understanding of tenants' views, so all the directors take part in calls with tenants each year without the IM being present. See page 14 for more information.

Approving new tenants for the former Silverline homes was one of our key decisions in the year (see page 14). We also reflected on the lessons learned from the process and while our tenants are in robust shape overall, we're working with the IM to further strengthen our framework for managing the risk of tenant default.

Acquisitions and disposals

During 2024, we approved a transaction with Prestige to acquire one of its homes and invest in another which it's developing. We also approved transactions to dispose of five assets, two of which were sold to an affiliate of Minster. This required us to ensure we appropriately managed the conflicts of interest and the sale terms were in line with the market. See pages 33 and 51 for more information.

Asset management

We receive regular updates on the Company's asset management strategy and progress with key projects. In 2024, we approved an investment plan totalling £16 million, after considering the target yield for capital expenditure and its allocation between assets run by different tenants. For capital projects on homes with less than 15 years left on the lease, this will also include a lease extension to preserve the long-term value of the investment. As with all board decisions, the business case for each project looks at the impact on all stakeholders. We also consider the benefits to the environment and how the project helps to mitigate or adapt to climate change. In addition, we approved new ten-year leases on the assets let to the NHS in Cumbria.

Sustainability

The key sustainability risk we face is ensuring our assets remain fit for purpose, as described in the strategy section above. We also regularly monitor progress with the Company's ESG strategy. Specific discussions in 2024 included improvements to EPC ratings, where we're ahead of our target of having 50% of the portfolio rated at least B by 2025 (see page 29), and tenants' understanding of and compliance with modern slavery laws. However, we're not on track to meet our interim objective to reduce CO_2 emissions by 15% by 2025 and we continue to challenge the IM on the efforts being made to get back on track by 2030 and how to engage with tenants to get their buy-in. We also considered how the Company is progressing under the categories set out in the TCFD framework and the results of external ESG benchmarks, such as GRESB.

Financing

The board considered the Company's financing and its available routes for funding growth on several occasions. This included reviewing our debt financing strategy and current debt profile, the size of our debt facilities and options for replacing the interest rate hedges expiring in 2025 and the debt facility maturing in 2026.

Corporate governance review continued

What the board discussed in 2024 continued

Risk appetite and management

We reviewed the Company's risk appetite and approach to risk management at several meetings, including a dedicated meeting in December 2024.

Our discussions covered all the principal risks, whether they remained the key risks facing the business and whether there were any emerging risks which required inclusion. We concluded that the principal risks were unchanged, but that we should consider including climate change as a separate risk, and ensure we're properly articulating specific aspects of our risks. We compared our risk appetite to our perception of the gross and mitigated risks, challenged whether our risk mitigations were sufficient and the extent to which they'd been tested, and considered the measures we could take to restore our position if a risk materialised. We also continued to improve the way risks and actions are managed and documented.

We debated the level of risk associated with tenant failure and underinvestment in care homes and concluded that they remained outside our desired risk tolerance. This means that we have asked the IM to do further work on these two areas to understand how we can better mitigate them. The board also discussed whether the mitigated risks for economic disruption and political events had increased since last year and agreed that they were marginally higher.

Pages 36 to 38 and 125 to 127 provide a full description of the Company's risk management framework and principal risks.

Public policy

One of the findings of last year's board evaluation was that we wanted to spend more time considering public policy and how it will affect healthcare and social care. As well as discussing this in our regular meetings, we devoted a session of our strategy day to reviewing the challenges facing the NHS, the pressures on public-sector funding for social care and how and whether we should engage at a local level to help the funders of social care improve the way they invest in it. Providing government with some limited support and information to help it understand the key issues facing social care is also a priority.

Dividends

Having adjusted our dividend policy in 2023, the focus of discussion in 2024 was our dividend target for the year. Taking into account market volatility and the uncertain economic backdrop, we decided to set a progressive but prudent dividend target for 2024 of 6.95 pence per share, representing year-on-year growth of 2.7%.

Policies

We continued to review and update our policies and approved new or revised policies covering hedging, preventing tax evasion, and counterparty credit risk.

We decided we didn't need a written policy for the tenure of the board or the Chair, given that our active succession planning means that in practice our policy is for the non-executive directors and the Chair to retire from the board around their sixth year, unless a slightly longer tenure is needed to enable a smooth succession. We also concluded that we didn't require a formal health and safety policy, as this is managed by our tenants.

Other topics

Some of the other key topics we discussed are described in the strategic report, including the change of Company name (see page 4) and investor relations (see page 36).

Board and committee evaluation

It's important that we stop and think about our own performance as directors, both individually and collectively. This year we discussed whether we wanted an externally facilitated evaluation. We agreed that last year's internal evaluation had worked well and the cost of an external evaluation wouldn't be good value for shareholders. We'll keep this under review for future evaluations and employ an external facilitator if any of our directors asks for one.

To make sure everyone provides candid feedback, we use an anonymous online questionnaire, with the results collated by the Company Secretary. All the directors, plus Andrew Cowley and David Yaldron from the IM, completed the questionnaire. All individual responses are confidential. I reviewed the collated results and discussed the key themes with each participant. Rosemary Boot, as our SID, discussed my performance with the other directors and fed back to me.

The evaluation showed improved scores in most categories compared with 2023, and confirmed that the directors have a good and collaborative working relationship, and that each director was effective and performing well. The board's relationship with the IM was also positive.

After discussing areas for improvement, we agreed the following actions:

- continuing to engage with the IM on its succession plan;
- increasing the time in our meetings allocated to strategy;
- continuing to work with the IM to improve meeting papers; and
- holding an informal board-only lunch at least annually, excluding the IM.

Corporate governance review continued

Progress with the 2023 evaluation recommendations

Last year's board evaluation produced the following recommendations, which we acted on during the year:

Recommendation	Action
Enhance our sector and policy awareness, with the IM to keep us up to date by summarising and sharing sector reports, as well as working more on policy issues.	We've discussed sector and policy issues on several occasions, including the session at our strategy day described on page 49.
Appoint a new non-executive director, with specialist knowledge of healthcare policy.	We appointed Cedi Frederick, who has significant experience in this area (see page 46).
Enhance our risk management and think more about our risk appetite.	Risk management has been a key theme in our meetings throughout the year (see page 49).
Continue to improve the quality, timing and volume of board papers.	Board papers have improved further but this remains work in progress.
Get a better understanding of the IM's culture, ensure it aligns with the board's and have more exposure to its wider team.	We've had more exposure to the IM's team and its culture, and increasingly focused attention on its succession planning.

Reviewing our service providers

As the Company outsources its operations, we rely heavily on our service providers. We review their performance through the management engagement committee (MEC) and the board evaluation, which considers how well the IM and Company Secretary support us.

Our relationship with the IM is described on page 51. At the MEC meeting in November, we agreed that JTC was continuing to improve its service as the Administrator and Company Secretary, discussed areas for further improvement, and decided we should continue its appointment. We also reviewed the Company's other service providers (other than our external auditor, which is reviewed by the audit committee) and decided that they were effective and their appointments should continue, with the exception of our tax adviser.

During our discussions, we noted that we'll have to replace Cushman & Wakefield as valuer when it reaches its ten-year tenure limit in 2026, and that we're also required to retender the external audit after ten years. In addition, to avoid the possibility of rotating the valuer and external auditor at the same time, we've agreed to bring forward the tender for a valuer to 2025; we then plan to retender the audit in 2026.

Director confirmations

The directors confirm that:

- we have undertaken a robust assessment of the Group's emerging and principal risks, including those that could threaten its business model, performance, solvency or liquidity. See the strategic report (pages 1 to 43) and how we manage risk (pages 125 to 127);
- the audit committee has reviewed the risk management and internal control systems and confirmed to the board that they are effective. See page 55; and
- 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 page 55.

Simon Laffin
Chair

12 March 2025

Working with the Investment Manager

Our operations are outsourced to the IM, Impact Health Partners LLP.

The IM role includes sourcing and reviewing investment opportunities and making recommendations to the board, carrying out approved transactions and monitoring the progress of the Company's assets. It also devises and implements the portfolio management and asset management strategies.

The Investment Management framework defines how responsibilities are split between the board and the IM. The framework includes:

- matters reserved for the board (see page 60);
- the Investment Management Agreement (IMA); and
- delegated authorities, which set out the decisions the IM can make without needing our approval.

The IM must also work within the Company's investment policy (see page 124) and risk appetite and comply with the board's other policies.

Andrew Cowley and David Yaldron attend most of our board and committee meetings, together with other members of the IM's team as needed. The Chair has a regular monthly meeting with Andrew, as well as ad hoc calls with other members of the IM team. Other board members also meet individually with the IM on specific matters.

There is a potential conflict of interest as one of the IM's Managing Partners, Mahesh Patel, is majority owner of Minster Care Group Limited, the Company's largest tenant. The IMA therefore places several restrictions on the actions the IM can take without board agreement and reserves other rights to the board, such as first refusal on investment opportunities (see page 61 for more details). The board discussed this relationship several times through the year. In addition to the potential conflicts, we recognise unique advantages to the relationship, as the IM has deep insight into the operations of a care home business. Mahesh provided great assistance by temporarily taking over running the Silverline homes after that company defaulted on its rent, which considerably benefited all stakeholders.

In November, the MEC confirmed that the IM had complied with the IMA and the investment policy. The committee discussed the IM's performance and its progress with the objectives the board set for it for 2024, and agreed that it had been broadly successful. Following the review, the MEC concluded that it was in stakeholders' interests for the IM to continue in office. The board has since confirmed this decision.

Under the IMA, the IM receives a management fee, which is calculated as follows:

Net asset value (NAV)	Fee
£500 million or below	1% of NAV
Above £500 million	£5 million plus 0.7% of the amount by which the NAV exceeds £500 million

The fee is calculated and paid each quarter. The Company also pays the IM £95,000 a year to cover the costs of acting as the AIFM. The MEC reviewed the fee arrangements, compared them with similar REITs and concluded that they were reasonable.

Working with the Investment Manager continued

The Investment Manager's team

Mahesh Patel ACA
Managing Partner

Mahesh is a qualified accountant with over 35 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.

Andrew Cowley MA (Oxon)
Managing Partner

Andrew is an experienced fund manager, working in infrastructure and private equity investment since 2000. He was previously a senior managing director at Macquarie and deputy chief executive of the listed Macquarie Airports.

David Yaldron FCA
Finance Director

David is a chartered accountant with more than 25 years' experience, having held senior financial roles in real estate and investment companies. He was previously a senior director at Grosvenor, Britain and Ireland.

Alison Fu-Wreakes
Office Manager

Charlotte Finch
Investment Manager

Chris Nicholson CGMA
Accountant

Florence Kettlewell
Team Assistant

Killian Currey-Lewis CA
Investment Director

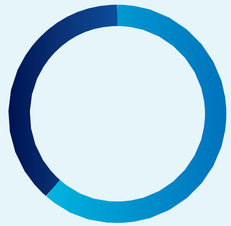
Martin Robb FRICS
Managing Director

Sam Josland CFA, ACA
Director of Commercial Finance and Reporting

Shola Oso
Property Manager

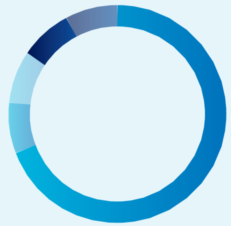
Simon Gould MRICS
Development Director

Sophie Shrestha ACCA
Financial Controller



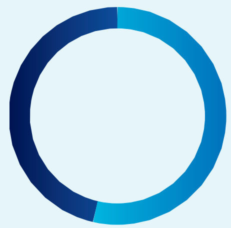
Gender diversity

Male	8
Female	5



Ethnic diversity

White British or other White	9
Mixed/Multiple ethnic groups	1
Asian/Asian British	1
Black/African/Caribbean/Black British	1
Other ethnic group	1



IM team's tenure

0-5 years	7
5+ years	6

Nomination committee report

In 2024 we discussed the topics outlined below, as well as the board and committee evaluation described on page 49.

Simon Laffin
Committee Chair

Board composition and diversity

We reviewed the mix of the directors' skills, experience, independence and knowledge, and concluded we had an appropriate balance and the board was well constituted. We also believe the board has reasonable diversity, based on the different perspectives of directors with healthcare, financial and property backgrounds, as well as our compliance with the FCA's targets for gender and ethnic diversity. The required diversity tables can be found on page 61.

Succession planning and director recruitment

With Rosemary Boot intending to retire in 2025, we discussed succession planning and the need to recruit a new non-executive director to be our Senior Independent Director and to chair the remuneration committee. Nurole performed well in several previous searches for us, most recently when we recruited Cedi Frederick (see page 57 of the 2023 annual report), and we agreed to appoint it again to lead this process. Nurole is not a traditional head-hunter, as it makes more use of a database and self-selection of candidates. We believe this can result in a broader search, more diversity and good value for money. Other than providing recruitment services, Nurole has no connection with either the Company or individual directors.

Directors' time commitment

One of the committee's jobs is to assess how much time the directors should devote to the Company and whether they're able to do so in practice. The Company Secretary presented an analysis to the committee, which showed none of the directors are at risk of overboarding. The directors' attendance and contribution to board and committee meetings in 2024, as well as the positive outcomes from the evaluation, also show that directors are providing the time and attention needed. We specifically considered Cedi Frederick's other time commitments during the recruitment process and concluded he had sufficient time to devote to the Company.

Directors' training and development

We generally expect the directors to organise their own training and development. The Company Secretary keeps a register of the directors' professional development, which the committee reviews each year.

New directors receive a thorough induction to get them up to speed. Cedi Frederick's programme included meetings with:

- Philip Hall, to share Philip's insights before he retired from the board;
- the Company Secretary, to run through board processes, the UK Market Abuse Regime and a detailed induction pack, including key Company documents, directors' duties, the risk register, Company policies and matters reserved for the board;
- Jefferies, our joint financial adviser and corporate broker, to discuss the market, REIT sector, share register and key shareholder insights;
- the IM, to provide an overview of the portfolio and the Company's financials; and
- Cedi also visited four care homes with the IM.

Simon Laffin
Committee Chair

12 March 2025

Audit committee report

During the year, we continued to play a key role in the Group's governance and our main activities are summarised below.

Amanda Aldridge
Committee Chair

Committee membership

I chaired the committee throughout the year and Rosemary Boot and Chris Santer were also committee members throughout the year. Philip Hall stepped down from the committee when he left the board in May 2024 and Cedi Frederick joined the committee when he joined the board in April 2024. Simon Laffin, representatives of the IM, the Company Secretary and the external auditor (BDO LLP) are invited to attend all committee meetings and our valuers, Cushman & Wakefield (CW), are invited to attend at least twice a year.

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 experience from our other board directorships. Committee members keep up to date with financial accounting and reporting developments by attending relevant update courses and through updates provided to the committee by the external auditor. I am a chartered accountant.

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.

Meetings

We met five times during 2024 and attendance is set out on page 47.

The committee met with our valuer, CW, in February 2024 and February 2025 to discuss the respective valuations in detail. We held parts of these meetings without any other attendees apart from Simon Laffin. CW also attended the August committee meeting, to discuss the June valuation.

I had several discussions with the IM's Finance Director and the external auditor, to ensure they delivered the services we required and were well placed to hold constructive discussions with the committee. The committee also met with the external auditor twice during the year, without other parties present.

Terms of reference

We reviewed the committee's terms of reference and concluded that we did not need to make any significant changes.

Financial reporting and significant judgements

One of our key responsibilities is to consider significant areas of complexity in the financial statements, and the judgements and estimates made in preparing them. We received reports and recommendations from the IM and the external auditor, setting out the significant areas. We discussed the significant estimates and judgements with the IM during the year and with the auditor, both when we reviewed and agreed the Group audit plan and when the audit team presented its findings from the year-end audit.

The only significant judgement or estimate relates to the fair values of investment properties and accounting for leases. The section below describes how we concluded that the relevant judgements and estimates were appropriate.

(i) Valuation of property portfolio

CW valued the property portfolio as at the end of each quarter in 2024. We discussed the half-year and year-end valuations with the valuers to understand CW's approach to valuing the assets, the assumptions underlying the property valuations and the valuation of individual properties highlighted by the valuer and raised by committee members. We discussed the number of properties CW had physically inspected and asked CW to confirm that the IM had not applied undue influence in reaching its conclusion.

We and the auditor discussed its review of the valuation, referred to in the independent auditor's report on pages 65 to 70. The auditor's methodology included meeting the valuer, assessing its independence, assessing the valuation for each property against the auditor's expected range of values (based on its experience and externally available metrics) and agreeing the valuation inputs to source documentation.

The committee was satisfied that the judgements and estimates underlying the valuation reflected in the financial statements were appropriate.

Audit committee report continued

Financial reporting and significant judgements continued

(ii) Operating lease contracts

Our leases are accounted for as operating leases, based on an evaluation of the arrangements with our tenants which concludes that we retain all significant risks and rewards of ownership of our properties.

The leases, when signed, are typically for between 20 and 30 years, with a tenant-only option to extend for one of two periods of ten years. When the leases are signed, the IM does not judge any extension of the lease to be reasonably certain and so does not factor any lease extension into its consideration of lease incentives and their treatment.

The committee reviewed the IM's assessment of leases and discussed this with the auditor, and was satisfied that the approach taken in the accounts is appropriate.

Other areas considered by the committee

(i) Accounting for the transfer of Melrose (ex-Silverline) properties

During the year, the Group transferred the operation of the seven care homes operated by Melrose Holdings Limited (MHL) to We Care (three homes in Bradford) and Fulcrum (four homes in Scotland). We considered the accounting treatment of the working capital loans, the treatment of the rent-free periods and variable rent arrangements, and the ongoing accounting for rent smoothing for these properties.

(ii) Adjusted earnings per share

We considered the implications of reporting adjusted earnings per share that are different to IFRS and EPRA calculations. We reviewed the reported adjusted earnings, to ensure that they reflect the Company's underlying sustainable cash earnings, and satisfied ourselves that it was appropriate to disclose the non-statutory earnings per share measure and that its disclosure did not have undue prominence.

(iii) TCFD disclosures

Although the Group is not required to report under TCFD, this is the third year that we have chosen to report against the framework. The committee reviewed the relevant disclosures and ensured that they were consistent with information presented to the board by the IM.

Fair, balanced and understandable statement

The board asked the committee to advise on whether we consider that the Company's annual report and accounts, taken as a whole, is fair, balanced and understandable, as required under the AIC Code. The process for putting together the Company's annual report and accounts is comprehensive, with input from a range of contributors including the IM, external consultants and the board. We considered the detailed reviews undertaken at various stages of the production process by the IM, Administrator, external auditor and the audit committee, which are intended to ensure consistency and overall balance.

We discussed the process for compiling the annual report and accounts with the IM and Administrator and received a series of drafts of the document, which we thoroughly scrutinised and discussed.

We also sought additional comfort from the IM and Administrator, by asking them to provide representation letters in relation to the conclusion of the board.

As a result of this work, we have concluded and reported to the board that the annual report and accounts for the year ended 31 December 2024, 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 effectively managing risk for the Group, including determining its risk appetite and identifying key strategic and emerging risks. Pages 125 to 127 provide an overview of the risk management process and pages 37 and 38 discuss the principal risks and uncertainties identified.

Internal audit

We discussed the need for an internal audit function. The IM and the external auditor contributed to the discussion. We considered the assurance received from third parties under the risk management framework, which includes ISAE 3402 reports for the Administrator and the Depositary, together with the work of the IM's risk committee and the IM's self-assessment of its control environment. Based on this, we were satisfied that the internal controls and risk management were adequate and effective and decided that there was no current need for internal audit. However, mindful of changes to the AIC Code for accounting periods starting on or after 1 January 2025, the committee is going to commission independent assurance over the operation of key controls at the IM in the course of 2025.

Audit committee report continued

External auditor

The Company appointed BDO as auditor after a formal tender, as part of the IPO in March 2017. This was a competitive process and involved BDO, EY and Grant Thornton. Charles Ellis took over as lead audit partner for the 2022 financial year, so this is his third year in the role. Under current FRC guidance, the next audit tender will be required in respect of the year ending 31 December 2027. Based on this, the committee intends to conduct a tender process during 2026.

(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. We also discussed BDO's analysis of the valuation, involving its in-house valuation experts and review of independent market data, and held separate meetings to discuss the valuation with CW.

We considered the audit timetable and our ability to deliver the audit work streams, to satisfy ourselves that the timetable was appropriate for meeting the reporting requirements for the 2024 annual report and accounts and the external audit.

(ii) External auditor independence and effectiveness

BDO has formally confirmed its independence as part of the annual reporting process, and we 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 that we considered them independent of the Company.

The feedback to BDO LLP from the FRC's Audit Quality Review of the seven largest accountancy firms, published in July 2024, was received by the committee. We discussed the disappointing key findings raised in the FRC's review of individual audits within section 2 of their report with our audit partner, Charles Ellis. The committee considered the impact of these areas on the audit of the Company and specifically discussed the areas related to these findings, being the challenge of management estimates and judgements. The committee understood the auditor's approach as well as the findings from the current-year audit. I look forward to BDO achieving better results from their next FRC review.

We assessed BDO's effectiveness as auditor, with input from the IM. In our assessment consideration was given to: skills and knowledge of the audit team; experience of our industry and the environment in which we operate; demonstration of professional and ethical principles; and evidence of robust challenge to the committee and the IM over accounting judgements and estimates.

We concluded that we had no concerns with BDO's effectiveness.

The audit committee has recommended that a resolution to reappoint BDO is proposed to shareholders at the next AGM.

Non-audit services

We authorised £19,000 (2023: £17,000) of non-audit fees in the year, in relation to the agreed-upon procedures for the Company's interim report.

Total audit fees for the period were £320,000 and non-audit fees were £19,000. Non-audit fees as a percentage of audit fees were 5.9% (2023: 5.6%). All fees are inclusive of irrecoverable VAT.

Committee evaluation

The committee's activities formed part of the evaluation of board effectiveness performed in the year. Details of this process can be found in the corporate governance review on page 49.

Amanda Aldridge
Committee Chair

12 March 2025

Directors' remuneration report

We have continued to apply Principles P and Q of the AIC Code 2019, which means we have a formal and transparent procedure for developing our remuneration policy.

Rosemary Boot
Remuneration committee Chair

Annual statement

No director was involved in discussing his or her own remuneration, and we have designed our remuneration policy to support the Company's strategy and promote its long-term success.

The committee reviewed the Company's remuneration policy at its meeting in November and agreed that it remained appropriate and no changes were needed. Shareholders had approved the remuneration policy at the AGM in May 2024, as part of the usual three-year approval cycle, and we'll present it for approval again at the 2027 AGM, unless we need to revise the policy in the meantime.

We also considered the directors' fees after reviewing a peer comparison prepared by the IM, which also referenced independent research. Our discussions included the time directors spend on the Company's business, their skills, experience and knowledge, and the shift in market practice for NED fees towards annual inflationary increases. Having kept fees unchanged in 2024, we decided that an increase in line with general inflation of 2.5% would be appropriate from 1 January 2025.

In addition, we reviewed the directors' terms of appointment and the Company's expenses policy, and agreed that no changes were required.

Directors' remuneration policy

The Company's policy is to pay the directors fixed annual fees. The Articles of Association limit the total annual pay for the directors to £500,000.

The remuneration committee reviews the directors' fees each year, which can include independent benchmarking. The committee may adjust the fees so they continue to attract and retain directors with the experience needed to oversee the Company effectively.

When setting the directors' fees, the committee will consider:

- the experience of the board as a whole;
- the time commitment;
- the responsibilities of each role; and
- fairness and comparability to non-executive directors of similar companies.

The Chair of the board and the audit committee Chair receive additional fees, reflecting their greater responsibilities.

The Company may pay additional fees to the directors if their duties were to go beyond those normally expected. If this happens, the board will provide details of why the additional fees were paid in the annual report. None were paid in either 2023 or 2024.

The directors do not receive any performance-related pay, share options or pensions from the Company or take part in long-term incentive plans.

The directors are entitled to be paid reasonable expenses they incur on the Company's business.

The directors' appointments can be terminated without compensation.

Recruitment

We apply the same remuneration policy for recruitment purposes.

Consideration of shareholder views

We are committed to engaging with shareholders and will seek major shareholders' views before making any significant changes to the remuneration policy or how we implement it. Our shareholder engagement this year has not revealed any concerns about the directors' fees and the votes at the AGM on the remuneration report and policy were strongly in favour (see page 59).

Directors' remuneration report continued

Company-wide considerations

The Company has no Executive Directors or employees, so there are no statements to make on consultations, comparisons or pay and employment conditions.

Annual report on remuneration

Implementation of the remuneration policy in 2024 and 2025

The table below shows the fees the committee adopted for 2024, as set out in the 2023 annual report, and the fees adopted for 2025:

	2024	2025
Chair of the board	**£60,000**	£61,500
Chair of the audit committee	**£46,000**	£47,000
Non-executive director	**£40,000**	£41,000

Directors' fees for 2024 (audited)

The directors' fixed fees are shown in the table below. The directors' expenses for 2024 totalled £299 (2023: £213) and no other remuneration or taxable benefits were paid or payable for the year. The Company maintains and pays for directors' and officers' liability insurance cover on the directors' behalf.

	2024	2023
Director		
Simon Laffin[1] (Chair)	**£60,000**	£55,068
Rosemary Boot	**£40,000**	£40,000
Amanda Aldridge	**£46,000**	£46,000
Cedi Frederick[2]	**£30,137**	–
Chris Santer	**£40,000**	£40,000
Former directors		
Rupert Barclay (stepped down on 31 March 2023)	**–**	£14,795
Paul Craig (stepped down on 17 May 2023)	**–**	£15,014
Philip Hall (stepped down on 21 May 2024)	**£15,562**	£40,000

1. Joined the board on 1 January 2023 and received the non-executive director fee of £40,000 p.a. until he became Chair on 1 April 2023, when his fee increased to £60,000 p.a.
2. Joined the board on 1 April 2024.

Payments to past directors or for loss of office (audited)

There are no payments to disclose. Under the directors' remuneration policy, there would be no compensation for loss of office.

Directors' shareholdings (audited)

At the year end, the directors' shareholdings were as follows:

Director[1]	Number of shares	Percentage of share capital
Simon Laffin (Chair)	100,000	0.024%
Rosemary Boot	30,000	0.007%
Amanda Aldridge	20,000	0.005%
Cedi Frederick	11,748	0.003%
Chris Santer	14,137	0.003%

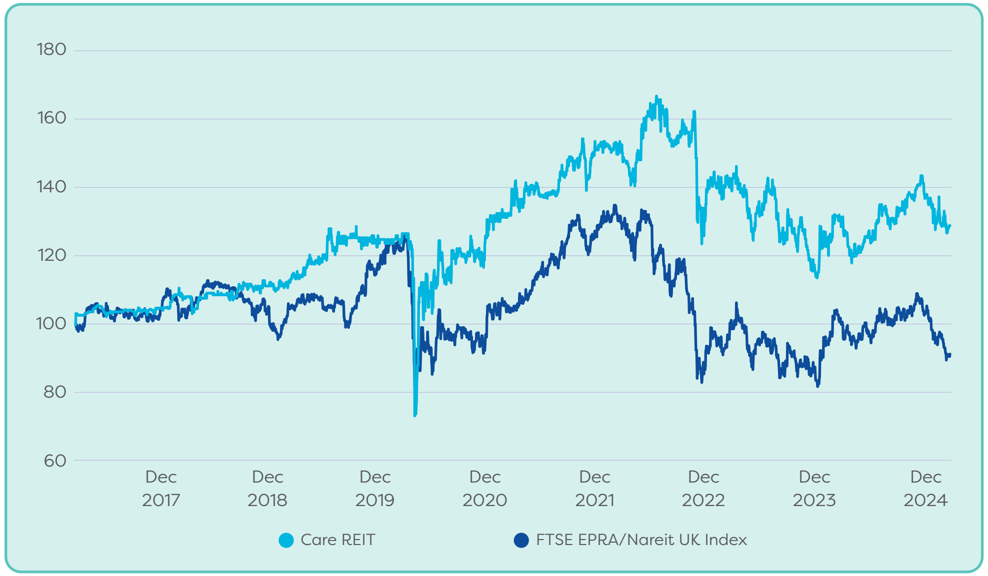
1. Includes shareholdings of directors and persons closely associated (as defined by the UK Market Abuse Regulation).

Directors are encouraged but not required to hold shares in the Company. Their shareholdings are not significant and do not compromise their independence. The directors' shareholdings were unchanged between the year end and the date of this report.

Directors' remuneration report continued

Total shareholder return

The graph below shows the Company's total shareholder return relative to a return on a hypothetical holding in the FTSE EPRA/Nareit UK Index. The Company's shares are included in this index, which tracks the performance of real estate companies listed on the London Stock Exchange, making it useful for comparing the Company's performance:



Relative importance of spend on pay

The table below compares the directors' remuneration to the Investment Manager's fee and distributions to shareholders.

	2024 £m	2023 £m	Change %
Directors' remuneration	**0.27**	0.28	(3.8)%
Investment management fee	**5.02**	4.81	4.4%
Dividends	**28.6**	27.8	2.9%

Committee composition and external advice

We benefit from the remuneration and nomination committees having the same membership, giving us full visibility of succession planning. I have relevant experience to chair the committee, having served on remuneration committees for other organisations. I am currently a member of one other remuneration committee.

We did not seek any external advice during the year.

Statement of voting

The directors' remuneration report was subject to an advisory vote at the 2024 AGM. Shareholders also voted to approve the directors' remuneration policy at the 2024 AGM. The results of those votes are shown below:

	Votes for	Votes against	Votes withheld
Approve the directors' remuneration report	99.98%	0.02%	115,312
Approve the directors' remuneration policy	99.98%	0.02%	115,312

Rosemary Boot
Remuneration committee Chair

12 March 2025

Directors' report

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, pages 39 to 41.
- Future developments, pages 5 to 8.
- Engagement with suppliers, customers and others with business relationships with the Company, pages 13, 36 and 48.
- Corporate governance statement, pages 47 to 50.
- Manager and service providers, pages 51 and 52.
- Directors' names and board of directors, pages 45 and 46.
- Directors' and officers' liability insurance, page 61.
- Directors' interests in shares, page 58.
- Related-party transactions, note 23, pages 91 and 92.
- Financial instruments, note 20, pages 88 to 90.
- Share capital, note 22, page 91.
- Events subsequent to the year-end date, note 29, page 94.
- Going concern statement, page 42.

There are no disclosures required in accordance with UKLR 6.6.1 R.

Corporate governance disclosures

This section of the directors' report contains required corporate governance disclosures that are not covered in the corporate governance review or the committee reports on pages 47 to 59. The tables on pages 111 and 112 set out where in the report the information required by each principle of the AIC Code can be found.

The directors' powers and responsibilities

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.

The board has a schedule of matters specifically reserved for its decision, which it reviews annually. These include:

- approving the Group's annual profit and loss and cash flow budget;
- any decision likely to have a material impact on the Group, including financial, operational, strategic or reputational matters;
- strategic direction, objectives, budgets and forecasts, authority levels for approving expenditure, and any material changes to them;
- starting, materially expanding, diversifying or stopping any of the Group's activities;
- regulatory, financial and material operational policies;
- changes to the Group's capital, corporate management or control structures;
- material capital or operating expenditures, outside predetermined criteria or the delegated authorities;
- any material contract or joint venture and material arrangements with customers or suppliers;
- approving the financial statements and published reports;
- approving equity and debt fundraising;
- overseeing potential conflicts of interest; and
- approving new investments over 3% of net asset value that are leased to existing tenants, and all new investments leased to new tenants.

The board may delegate some functions to its committees, which each have board-approved terms of reference, setting out their roles and responsibilities. During 2024, the board approved some minor amendments to the committees' terms of reference, to align them with the new requirements in the 2024 AIC Code of Corporate Governance.

The board also delegates to the IM, the Administrator, the Company Secretary and the registrar. In particular, the board has delegated day-to-day management of the portfolio to the IM, under the board's supervision.

The responsibilities of the Chair and the Senior Independent Director (SID) have been agreed by the board and are set out in writing.

The full set of matters reserved to the board, the responsibilities of the Chair and the SID, and copies of the committees' terms of reference are available at https://www.carereit.co.uk/our-business/governance/.

Directors' report continued

Corporate governance disclosures continued

Appointment and replacement of directors

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 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.

Directors' contracts

The directors hold their office in accordance with the Articles and their appointment letters. They do not have service contracts with the Company.

Diversity policy

The Company's diversity policy applies to the board and its committees. It recognises that diversity includes, and makes good use of, differences in knowledge and understanding of relevant geographies, peoples and their backgrounds, including race or ethnic origin, sexual orientation, gender, age, disability or religion, as well as individuals' different experiences and knowledge.

When making appointments to the board, the directors emphasise the importance of diversity in drawing up lists of candidates, while maintaining their approach of appointing the best possible person for the role, considered against objective criteria and in accordance with the Equality Act 2010. The directors review diversity in the context of complementing and expanding the skills, knowledge and experience of the board as a whole.

Board composition and diversity reporting in line with LR9

The tables below show the diversity of the board as at 31 December 2024.

	Number of board members	Percentage of the board	Number of senior positions on the board (SID and Chair)
Men	3	60%	1
Women	2	40%	1

	Number of board members	Number of senior positions on the board (SID and Chair)
White British or other White (including minority-white groups)	4	2
Black/African/Caribbean/Black British	1	–

The data was collected by asking the directors to confirm their diversity characteristics. The Company has no executive management and these disclosures are therefore not applicable.

Directors' indemnities and Directors' and officers' liability insurance

The Group maintains directors' and officers' liability insurance for the directors procured through a third-party insurance broker. This is in respect of any potential exposure or liability in their capacity as director of the Company or any of its subsidiaries. Such indemnities were in force throughout the 2024 year and will remain in force as at the date of this report.

The Investment Management Agreement (IMA)

The IMA imposes restrictions on the IM and its associates from acquiring, developing, leasing or operating residential healthcare services without the prior written consent of the Company. This ensures the board can effectively manage any potential conflict of interest, given that the Group's largest tenant, Minster Care Group Limited, is majority owned by the principals of the IM.

The IMA also:

a) grants the Group pre-emption rights in respect of any investment opportunities within its investment policy, of which the IM or its associates become aware;

b) grants the Group the right to terminate the agreement if:

- any tenant in which any principal of the IM (from time to time) has a beneficial interest, fails to pay rent or any other sums due under the leases in excess of £50,000; or
- any tenant, in which any principal of the IM or any of its associates (from time to time) has a beneficial interest, is wound up or liquidated; or
- the financial report provided to us 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.

c) grants the Group the right to seek advice from a third-party property adviser, when the IM is conflicted; and

d) prohibits the IM 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 IM or any of its associates (from time to time) has a beneficial interest.

Either party may terminate the IMA on 12 months' notice, or immediately in certain circumstances, such as a material breach that is not remedied.

Directors' report continued

Corporate governance disclosures continued

Administrator and Company Secretary

JTC (UK) Limited is the Administrator and Company Secretary.

As Administrator, JTC is responsible for (on the directors' behalf):

- maintaining books and records;
- preparing management and financial accounts;
- managing cash movements; and
- calculating the Company's net asset value, in conjunction with the IM.

As Company Secretary, JTC ensures regulatory compliance and supports the board's corporate governance processes and continuing obligations. In addition, JTC liaises with the Company, the IM and the registrar in relation to dividend payments, as well as general secretarial functions required by the Companies Act.

Under the Administration and Company Secretarial Services Agreement, JTC is entitled to an annual fee of £147,000, in respect of these services to the Company. JTC is also engaged to provide accounting services to the Group.

Either party can terminate the agreement on at least three months' written notice, or immediately in circumstances such as a material breach or the insolvency of a party.

Advice for directors

The directors have access to JTC's advice and services. Where necessary for carrying out their duties, the directors may seek independent professional advice and services at the Company's expense.

Depositary

Indos Financial Limited is the Company's Depositary.

UK Alternative Investment Fund Managers Directive (UK AIFMD)

The Company is an Alternative Investment Fund for the purposes of the UK AIFMD regulation. The IM is the Company's AIFM.

Substantial shareholdings

The Company has one class of share. As at midday on 12 March 2025, 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	Percentage shareholding
Schroder Investment Management	25,365,000	6.12%
Gravis Capital Management	19,900,438	4.80%
Hargreaves Lansdown, stockbrokers (EO)	19,828,408	4.79%
Royal London Asset Management	18,883,571	4.56%
Transact (EO)	18,537,783	4.47%
Quilter Investors	18,144,022	4.38%
Premier Miton Investors	17,450,121	4.21%
BlackRock	17,075,438	4.12%
Goldman Sachs collateral account	14,475,976	3.49%
Legal & General Investment Management	13,823,335	3.34%
Brooks Macdonald	13,738,103	3.32%
Interactive Investor (EO)	12,868,644	3.11%
Evelyn Partners Group	12,436,026	3.00%

Based on 414,368,169 ordinary shares in issue as at 31 December 2024.

No individual underlying shareholder or fund owns more than 10%.

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

Over the past three financial years, the Company's non-pre-emptive share issuance increased the issued share capital by 8.2%.

In July 2022, 19,032,420 new ordinary shares were admitted at a placing price of 117.0 pence per share, a discount of 4.6% at the placement proposal date. The proceeds of £22.3 million (£21.4 million net of share issue costs) were used to repay amounts drawn under revolving credit facilities and to fund new investments.

In January 2023, the Company issued 9,603,841 new ordinary shares at a price of 116.62 pence per share, as part of the consideration payable for the acquisition of six care homes from Morris Care Limited.

Directors' report continued

Corporate governance disclosures continued

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 IM 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

The Company is not aware of any person who, directly or indirectly, owns or controls the Company although, as announced on 11 March 2025, the Company's directors have reached agreement on the terms of a recommended cash acquisition of the ordinary share capital of the Company by CR United Bidco Ltd, a wholly-owned subsidiary of CareTrust REIT, Inc., expected to be effected by means of a Scheme of Arrangement under Part 26 of the Companies Act 2006 (the "Acquisition"). If the Acquisition is completed, this will result in a change of control of the Company. There are no agreements between the Company and the directors for compensation for loss of office as a result of the Acquisition or any other takeover, other than the provisions of the existing appointment letters.

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.

Energy and carbon reporting

The Group is a low energy user and therefore exempt from the Streamlined Energy and Carbon Reporting regulation. During 2024, 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 IM's responsibility; and
- the Group has not leased or owned any vehicles which fall under the requirements of mandatory emissions reporting.

As discussed in the sustainability section on pages 26 to 31, the Group looks to enhance the energy efficiency of its portfolio and thereby reduce the emissions incurred by its tenants.

We voluntarily report against the TCFD framework (pages 103 to 110) and have set net zero targets for our portfolio's emissions (page 28). We also report information on tenant emissions in the Group's annual EPRA sustainability reporting, retaining the EPRA sBPR gold award for the 2023 submission, which is available at https://www.carereit.co.uk/sustainability/.

Political donations

The Group made no political donations during the year.

Employees

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

Articles of Association

These are available on the Company's website at http://www.carereit.co.uk/our-business/governance/ or by application to the Company Secretary. Amendments to the Company's Articles of Association require a special resolution of the Company's shareholders.

Overseas branches

The Company does not have any branches outside the UK.

Independent auditor

BDO LLP has expressed its willingness to continue as auditor for the financial year ending 31 December 2025.

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.

Annual General Meeting

The Company's AGM is scheduled to be held at 9:30am on 22 May 2025.

Shareholders who would like to contact the Chair or the Company before the AGM can email the Company Secretary at CareREIT.CoSec@jtcgroup.com.

Signed on behalf of the board by

Simon Laffin
Chair

12 March 2025

Statement 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 UK-adopted international accounting standards. 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 UK-adopted international accounting standards, 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.

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. The directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

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 60 to 63, inside front cover to page 43, 57 to 59 and 47 to 50, 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 https://www.carereit.co.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 UK-adopted international accounting standards 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:

Simon Laffin
Chair

12 March 2025

Independent auditor's report

to the members of Care REIT plc

Opinion on the financial statements

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 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- 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.

We have audited the financial statements of Care REIT plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2024 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and notes to the consolidated financial statements, the company statement of financial position, the company statement of changes in equity, notes to the company financial statements, including a summary of material and significant accounting policy information. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Reporting Standard applicable in the UK 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 eight years, covering the years ended 31 December 2017 to 31 December 2024. 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 Company's ability to continue to adopt the going concern basis of accounting included:

- using our knowledge of the Group and the Parent Company and its market sector together with the current economic environment to assess the directors' identification of the inherent risks to the Group's business and how these might impact the Group's and the Parent Company's ability to remain a going concern for the going concern period, being the period to 30 June 2026, which is at least 12 months from when the financial statements are authorised for issue;
- obtaining an understanding of the directors' process for assessing going concern, including an understanding of the key assumptions used;
- assessing the appropriateness and accuracy of the directors' 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;
- assessing the impact of the refinancing required in April 2026, including current negotiations with lenders;
- evaluation of the directors' assessment of the ability of each material tenant to satisfy its future contractual rent obligations based on historic and current occupancy and profitability levels;
- evaluation of the sensitivity analysis and reverse stress tests performed in relation to the Group's and the Parent Company's liquidity and loan covenant compliance and
- assessment of the identified options that would be available to mitigate the impact of any future substantial 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 or the Parent Company's ability to continue as a going concern for a period of at least 12 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.

Independent auditor's report continued

to the members of Care REIT plc

Overview

Coverage	100% (2023: 100%) of Group profit before tax 100% (2023: 100%) of Group revenue 100% (2023: 100%) of Group total assets		
Key audit matters		2024	2023
	Valuation of investment properties	✓	✓
Materiality	**Group financial statements as a whole** £7.0m (2023: £6.7m) based on 1% (2023: 1%) of Group 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 a single component. The Group is a single component as it invests only in UK care homes with a single finance team and a common IT system and internal control framework. 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. These matters were 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 these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation of investment properties As detailed in note 13 to the consolidated financial statements, the Group owns a portfolio of investment properties which are carried at their fair value. The Group's accounting policy for these properties is described in note 13 to the consolidated financial statements. The key judgements and estimates in arriving at the fair values are set out in notes 2.2 and 13 to the consolidated financial statements.	The Group owns care home investment properties that are leased to tenant operators under long-term rental agreements. The properties are independently, externally valued using the income capitalisation method in accordance with RICS methodology and IFRS 13 Fair Value Measurement. The valuation of investment property requires significant judgement and estimates by the directors and their independent external valuer and is therefore considered a significant risk due to the subjective nature of certain assumptions inherent in each valuation.	Our audit procedures included, but were not restricted to, the following: **Experience of valuer and relevance of their work** • We assessed the valuer's competence and capabilities (both for the firm and the individuals) 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. • With the assistance of our real estate experts, we read the valuation reports and assessed whether the valuations had been prepared in accordance with applicable RICS valuation guidelines and IFRS 13 and they were appropriate for determining the carrying value in the Group's financial statements. **Data provided to the valuer** • We inspected that the data provided to the valuer by the Investment Manager was consistent with the information provided to, and tested by, us. This data included inputs such as current rent and lease term, which we have agreed on a sample basis to executed lease agreements.

Independent auditor's report continued

to the members of Care REIT plc

An overview of the scope of our audit continued

Key audit matters continued

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation of investment properties continued	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's financial statements. There is also a fraud risk that the Directors 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. The valuation of investment properties was therefore, considered to be a key audit matter.	**Assumptions and estimates used by the valuer** • We developed yield expectations for each property using available independent industry data, reports and details of relevant comparable transactions in the market around the year end date, and an understanding of the properties. • We compared the key valuation assumptions against our independently formed market expectations and challenged the external valuers on those valuations which fell outside our range of expectation. We corroborated their responses to supporting documentation where appropriate. The key valuation assumptions were the net initial yields, which we evaluated by reference to market data based on the location and specifics of each property. • Alongside our real estate experts, we met with the Group's external valuers to discuss and challenge the valuation methodology and key assumptions and considered if there were any indicators of undue Director's influence on the valuations. **Key observations** • Based on the procedures performed, we did not identify any indicators to suggest that the valuation of the Group's investment properties was inappropriate.

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	
	2024 £'m	2023 £'m	**2024 £'m**	2023 £'m
Materiality	**7.0**	6.7	**5.2**	4.9
Basis for determining materiality	1% of total assets			
Rationale for the benchmark applied	We determined that total assets would be the most appropriate basis for determining overall materiality as we consider it to be the principal considerations for the users of the financial statements in assessing the financial performance of the Group and Parent Company.			
Performance materiality	**5.3**	4.5	**3.9**	3.7
Basis for determining performance materiality	75% of materiality			
Rationale for the percentage applied for performance materiality	The level of performance materiality applied was set after having considered a number of factors including our risk assessment, together with our assessment of the Group's and Parent Company's overall control environment and our past experience of the audit which has indicated a low number of corrected and uncorrected misstatements in the prior period and Management's willingness to investigate and correct these.			

Specific materiality

We also determined that for other account balances and classes of transactions that impact the calculation of European Public Real Estate Association (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 Company. 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 to based on 5% of EPRA earnings, amounting to £1.84 million (2023: £1.73 million) for the Group. We further applied a performance materiality level of 75% (2023: 75%) of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Independent auditor's report continued

to the members of Care REIT plc

Reporting threshold

We agreed with the audit committee that we would report to them all individual audit differences in excess of £349,000 (2023: £336,000) for the financial statements as a whole, and in excess of £91,000 (2023: £89,000) 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 UK 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 Code 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 regard to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, set out on page 42. • The directors' explanation as to their assessment of the Parent Company's prospects, the period this assessment covers and why the period is appropriate, set out on page 42.
Other Code provisions	• The directors' statement on fair, balanced and understandable, set out on page 50. • The 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. • The section describing the work of the audit committee, set out on pages 54 to 56.

Independent auditor's report continued

to the members of Care REIT plc

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 the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.
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 directors' responsibilities statement, 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. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

Non-compliance with laws and regulations

Based on:

- our understanding of the Group and the industry in which it operates;
- discussion with management and those charged with governance; and
- obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations,

we considered the significant laws and regulations to be UK company law, UK tax legislation (including the REIT regime requirements) and the UK Listing Rules, and we considered the extent to which non-compliance might have a material effect on the Group financial statements.

Our procedures in response to the above included:

- review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- review of financial statement disclosures and agreeing to supporting documentation;
- involvement of REIT tax experts in the audit; and
- review of legal expenditure accounts to understand the nature of expenditure incurred.

Independent auditor's report continued

to the members of Care REIT plc

Auditor's responsibilities for the audit of the financial statements continued

Irregularities, including fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- obtaining an understanding of the Group's policies and procedures relating to:
  - detecting and responding to the risks of fraud; and
  - internal controls established to mitigate risks related to fraud.
- review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- involvement of forensic specialists in the audit to assess the susceptibility of the financial statements to material fraud;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be the valuation of investment property and management override of controls.

Our procedures in response to the above included:

- testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation; and
- assessing significant estimates made by management for bias, which included the valuation of the Group's investment property as detailed under the key audit matters.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were deemed to have the appropriate competence and capabilities, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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.

Charles Ellis
(Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

12 March 2025

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

Financial statements

What's in this section

Consolidated statement of comprehensive income

For the year ended 31 December 2024

	Notes	31 December 2024 £'000	31 December 2023 £'000
Gross rental income	5	**54,146**	49,659
Bad debts written off	5	**–**	(236)
Insurance/service charge income	5	**690**	871
Insurance/service charge expense	5	**(690)**	(871)
Net rental income		**54,146**	49,423
Administrative and other expenses	6	**(7,476)**	(7,137)
Loss on disposal of investment properties	13	**(20)**	(16)
Operating profit before changes in fair value		**46,650**	42,270
Changes in fair value of investment properties	13	**9,462**	14,788
Operating profit		**56,112**	57,058
Finance income	8	**234**	3,761
Finance expense	9	**(11,328)**	(11,988)
Profit before tax		**45,018**	48,831
Tax charge on profit for the year	10	**(57)**	–
Profit and total comprehensive income (attributable to shareholders)		**44,961**	48,831
Earnings per share – basic and diluted (pence)	11	**10.85p**	11.79p

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 76 to 94.

Consolidated statement of financial position

As at 31 December 2024

	Notes	31 December 2024 £'000	31 December 2023 £'000
Non-current assets			
Investment property	13	**630,788**	616,006
Interest rate derivatives	19	**–**	1,750
Trade and other receivables	15	**51,511**	39,237
Total non-current assets		**682,299**	656,993
Current assets			
Assets held-for-sale	14	**4,175**	–
Trade and other receivables	15	**565**	907
Interest rate derivatives	19	**484**	–
Cash and cash equivalents	16	**10,492**	9,389
Total current assets		**15,716**	10,296
Total assets		**698,015**	667,289
Current liabilities			
Trade and other payables	17	**(6,891)**	(6,915)
Total current liabilities		**(6,891)**	(6,915)
Non-current liabilities			
Borrowings	18	**(193,408)**	(179,937)
Trade and other payables	17	**(3,260)**	(2,330)
Total non-current liabilities		**(196,668)**	(182,267)
Total liabilities		**(203,559)**	(189,182)
Total net assets		**494,456**	478,107

	Notes	31 December 2024 £'000	31 December 2023 £'000
Equity			
Share capital	22	**4,144**	4,144
Share premium reserve	22	**376,716**	376,716
Capital reduction reserve	22	**24,077**	24,077
Retained earnings		**89,519**	73,170
Total equity		**494,456**	478,107
Net asset value per ordinary share (pence)	24	**119.33p**	115.38p

The accompanying notes to the consolidated statement of financial position can be found on pages 76 to 94.

The consolidated financial statements for Care REIT plc (registered number: 10464966) were approved and authorised for issue by the board of directors on 12 March 2025 and are signed on its behalf by:

Simon Laffin
Chair

Consolidated statement of cash flows

For the year ended 31 December 2024

	Notes	31 December 2024 £'000	31 December 2023 £'000
Cash flows from operating activities			
Profit for the year (attributable to equity shareholders)		**44,961**	48,831
Finance income	8	**(234)**	(3,761)
Finance expense	9	**11,328**	11,988
Loss on disposal of investment properties	13	**20**	16
Changes in fair value of investment properties	13	**(9,462)**	(14,788)
Net cash flow before working capital changes		**46,613**	42,286
Working capital changes			
Increase in trade and other receivables		**(7,068)**	(6,308)
Increase/(decrease) in trade and other payables		**1,104**	(2,618)
Net cash flow generated from operating activities		**40,649**	33,360
Investing activities			
Purchase of investment properties		**–**	(44,799)
Proceeds on sale of investment property		**4,480**	1,234
Acquisition costs capitalised		**–**	(1,765)
Capital improvements		**(14,225)**	(3,375)
Loan advanced to operator		**–**	(1,600)
Loan advanced to operator for development funding	15	**(5,000)**	–
Interest received		**290**	3,695
Net cash flow used in investing activities		**(14,455)**	(46,610)

	Notes	31 December 2024 £'000	31 December 2023 £'000
Financing activities			
Issue costs of ordinary share capital	22	**–**	(30)
Borrowings drawn	18	**44,000**	82,500
Borrowings repaid	18	**(31,000)**	(40,000)
Loan arrangement fees paid		**(714)**	(2,827)
Loan commitment fees paid		**(589)**	(528)
Purchase of derivative	19	**–**	(3,238)
Interest payments received on interest rate derivatives	19	**1,676**	1,035
Interest paid on bank borrowings		**(9,852)**	(8,990)
Dividends paid to equity holders	12	**(28,612)**	(27,814)
Net cash flow (used in)/generated from financing activities		**(25,091)**	108
Net increase/(decrease) in cash and cash equivalents for the year		**1,103**	(13,142)
Cash and cash equivalents at the start of the year		**9,389**	22,531
Cash and cash equivalents at the end of the year	16	**10,492**	9,389

The accompanying notes to the consolidated statement of cash flows can be found on pages 76 to 94.

Consolidated statement of changes in equity

For the year ended 31 December 2024

	Notes	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'000
1 January 2024		**4,144**	**376,716**	**24,077**	**73,170**	**478,107**
Total comprehensive income		–	–	–	44,961	44,961
Transactions with owners						
Dividends paid	12	–	–	–	(28,612)	(28,612)
31 December 2024		**4,144**	**376,716**	**24,077**	**89,519**	**494,456**

For the year ended 31 December 2023

	Notes	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'000
1 January 2023		4,048	365,642	24,077	52,153	445,920
Total comprehensive income		–	–	–	48,831	48,831
Transactions with owners						
Dividends paid	12	–	–	–	(27,814)	(27,814)
Share issue	22	96	11,104	–	–	11,200
Share issue costs	22	–	(30)	–	–	(30)
31 December 2023		4,144	376,716	24,077	73,170	478,107

The accompanying notes to the consolidated statement of changes in equity can be found on pages 76 to 94.

Notes to the consolidated financial statements
For the year ended 31 December 2024

1. Basis of preparation

General information

The consolidated financial statements for the year ended 31 December 2024 are prepared in accordance with UK-adopted international accounting standards.

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

The Group has chosen to adopt EPRA best practices recommendations guidelines for calculating key metrics such as EPRA earnings per share, most recently updated in September 2024.

The Company is a public listed company incorporated and domiciled in England and Wales. The Company's ordinary shares are listed on 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 37 and 38 and note 20 to the financial statements also provides details of the Group's financial instruments and its exposure to liquidity and credit risk.

The ongoing effect of inflated costs and the high-interest rate environment has been considered by the directors. The directors have reviewed the forecasts for the Group taking into account the impact of heightened interest rates and costs on trading over the 15 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 and higher costs. The expiry of one of the Group's revolving credit facilities in April 2026 has been considered by the directors in the extended 15-month going concern review period; see going concern and viability on page 42 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 15 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 amounts 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 typically for between 20 and 30 years, typically 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 tenant-only option to extend the leases to be reasonably certain and, as such, do not factor these 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 13.

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 13.

Notes to the consolidated financial statements continued

For the year ended 31 December 2024

3. Summary of material accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below or alongside the relevant note.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries drawn up to 31 December 2024. 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 considers that these properties have similar economic characteristics and as a result these individual properties have been aggregated into a single reportable operating segment. Reporting on tenants providing greater than 10% of revenue is included in note 5.

4. New standards issued

4.1. New standards issued with effect from 1 January 2024

No new standards have been applied that have had a material effect on the financial position or performance of the Group.

4.2. New standards issued but not yet effective

There are no new standards issued but not yet effective that are expected to have a material effect on the Group.

5. Property income

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Rental income cash received in the year	**47,162**	42,513
Rent received in advance of recognition[1]	**78**	141
Rent recognised in advance of receipt[2]	**7,095**	7,145
Rental lease incentive amortisation[3]	**(189)**	(140)
Gross rental income	**54,146**	49,659
Bad debts written off	**–**	(236)
Insurance/service charge income	**690**	871
Insurance/service charge expense	**(690)**	(871)
Net rental income	**54,146**	49,423

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

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 most of its 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 Limited and Croftwood Care UK Limited are both part of the Minster Care Group Limited and together represent 35.6% (2023: 38.4%) of gross rental income:

	2024	2023
Minster Care Management Limited	**22.5%**	24.9%
Welford	**20.7%**	17.1%
Croftwood Care UK Limited	**13.1%**	13.5%
Holmes Care Group	**14.6%**	12.5%
Others	**29.1%**	32.0%

Notes to the consolidated financial statements continued

For the year ended 31 December 2024

5. Property income continued

Accounting policy

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 reflected 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 16 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 lease variations following the completion of agreed capital improvements are spread evenly over the remaining lease term from the date of the lease variation.

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 that are recoverable are included in gross rental income as the directors consider that the Group acts as principal in this respect.

6. Administrative and other expenses

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Investment Manager fees (see note 23)	5,022	4,810
Directors' remuneration (see note 7)	265	276
Auditor's fees		
– Statutory audit of the Company and Group	294	250
– Statutory audit of the subsidiaries	51	52
– Agreed-upon procedures for the Company's interim report	19	17
Total auditor's fees	364	319
Administration fees	399	523
Regulatory fees	25	34
Legal and professional	1,003	912
Recruitment services and remuneration committee advice	7	32
Other administrative costs	391	231
	7,476	7,137

The amounts shown above include irrecoverable VAT as appropriate. The 2024 audit fee above includes £17,000 in respect of overruns relating to 2023.

Notes to the consolidated financial statements continued
For the year ended 31 December 2024

7. Directors' remuneration
The Group had no employees in the current or prior year. 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, is as follows:

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Simon Laffin (Chair)	60	55
Rupert Barclay (resigned)	–	15
Rosemary Boot	40	40
Philip Hall (resigned)	16	40
Paul Craig (resigned)	–	15
Amanda Aldridge	46	46
Chris Santer	40	40
Cedi Frederick	30	–
	232	251
Employer's National Insurance	33	25
	265	276

Directors' remuneration payable at 31 December 2024 amounted to £12,868 (2023: £18,440).

8. Finance income

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Bank interest	168	55
Loan interest	66	3,706
	234	3,761

Loan interest income relates to interest on working capital loans made to operators.

Accounting policy
Finance income
Finance income is accounted for on an accruals basis.

9. Finance expenses

	Note	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Interest payable on bank borrowings		10,113	9,584
Commitment fee payable on borrowings		589	528
Amortisation of loan arrangement fee		955	1,418
Changes in fair value of interest rate derivatives	19	(329)	458
		11,328	11,988

The total interest payable on financial liabilities carried at amortised cost comprises interest payable on borrowings, which was £177.6m at 31 December 2024 (2023: £184.8m). Amortisation on loan arrangement fees relates to capitalised fees being amortised over the term of the facility; in the year ended 31 December 2024 £0.5m was capitalised (2023: £1.2m).

Accounting policy
Finance expenses
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.

10. 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 2024 and the year ended 31 December 2023, the Group did not have any non-qualifying profits except interest income.

Tax charge in the consolidated statement of comprehensive income:

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
UK corporation tax	57	–

Notes to the consolidated financial statements continued

For the year ended 31 December 2024

10. Taxation continued

Reconciliation of the corporation tax charge:

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Profit before tax	**45,018**	48,831
Theoretical tax at UK corporation tax rate 25% (2023: 23.5%)	**11,255**	11,475
Effects of:		
REIT exempt profits	**(8,750)**	(8,860)
Non-taxable items	**(2,448)**	(2,615)
Total tax charge[1]	**57**	–

1. Tax charge relates to taxable interest income which was not offset by Group losses.

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.

Accounting policy

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.

11. 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 2024 £'000	Year ended 31 December 2023[1] £'000
Total comprehensive income (attributable to shareholders)	**44,961**	48,831
Adjusted for:		
– Revaluation movement	**(18,227)**	(21,934)
– Rental lease incentive	**1,592**	(140)
– Rental income arising from recognising rental premiums and future guaranteed rent uplifts	**7,173**	7,286
Change in fair value of investment properties	**(9,462)**	(14,788)
Loss on disposal of investment property	**20**	16
Interest received on interest rate cap	**1,595**	1,393
Change in fair value of interest rate derivative	**(329)**	458
EPRA earnings	**36,785**	35,910
Adjusted for:		
Rental income arising from recognising rental premiums and future guaranteed rent uplifts	**(7,173)**	(7,287)
Amortisation of lease incentives	**189**	141
Amortisation of loan arrangement fees	**955**	1,418
Loss on disposal of investment property	**(20)**	(16)
Adjusted earnings	**30,736**	30,166
Average number of ordinary shares	**414,368,169**	414,157,674
Basic and diluted earnings per share (pence)	**10.85p**	11.79p
EPRA basic and diluted earnings per share (pence)[1]	**8.89p**	8.67p
Adjusted basic and diluted earnings per share (pence)	**7.42p**	7.28p

1. The 2023 EPRA earnings has been restated in line with updated guidance from EPRA released in 2024 revising the calculation to include cash income received on interest rate derivatives.

Notes to the consolidated financial statements continued

For the year ended 31 December 2024

11. Earnings per share continued

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

The effect of the most recent change in guidelines resulted in the interest received on the interest rate cap of £1,595,000 (2023: £1,393,000) being recognised in EPRA earnings rather than only in adjusted earnings.

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 adjusts 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. The metric also adjusts for any one-off costs that are not expected to be recurring and for cash items which are excluded from the EPRA earnings calculation such as interest income on hedging arrangement.

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.

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

12. Dividends

	Dividend rate (pence per share)	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Fourth interim dividend for the period ended 31 December 2022 (ex-dividend – 31 January 2023)	1.6350p	–	6,775
First interim dividend for the period ended 31 December 2023 (ex-dividend – 25 April 2023)	1.6925p	–	7,013
Second interim dividend for the period ended 31 December 2023 (ex-dividend – 9 August 2023)	1.6925p	–	7,013
Third interim dividend for the period ended 31 December 2023 (ex-dividend – 20 October 2023)	1.6925p	–	7,013
Fourth interim dividend for the period ended 31 December 2023 (ex-dividend – 8 February 2024)	1.6925p	**7,012**	–
First interim dividend for the period ended 31 December 2024 (ex-dividend – 2 May 2024)	1.7375p	**7,200**	–
Second interim dividend for the period ended 31 December 2024 (ex-dividend – 1 August 2024)	1.7375p	**7,200**	–
Third interim dividend for the period ended 31 December 2024 (ex-dividend – 7 November 2024)	1.7375p	**7,200**	–
Total dividends paid		**28,612**	27,814
Total dividends paid in respect of the year		**5.2125p**	5.0775p
Total dividends unpaid but declared in respect of the year		**1.7375p**	1.6925p
Total dividends declared in respect of the year – per share		**6.95p**	6.77p

On 30 January 2024, the Company declared an interim dividend of 1.6925 pence per share for the period from 1 October 2023 to 31 December 2023 which was paid on 23 February 2024.

On 25 April 2024, the Company declared an interim dividend of 1.7375 pence per share for the period from 1 January 2024 to 31 March 2024 which was paid on 17 May 2024.

On 24 July 2024, the Company declared an interim dividend of 1.7375 pence per share for the period from 1 April 2024 to 30 June 2024 which was paid on 16 August 2024.

Notes to the consolidated financial statements continued
For the year ended 31 December 2024

12. Dividends continued
On 24 October 2024, the Company declared an interim dividend of 1.7375 pence per share for the period 1 July 2024 to 30 September 2024 which was paid on 22 November 2024.

On 24 January 2025, the Company declared an interim dividend of 1.7375 pence per share for the period 1 October 2024 to 31 December 2024 which was paid on 21 February 2025.

Accounting policy
Dividends
Dividends are recognised when they become legally payable.

13. 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 effected during the year, rent coverage, location and comparable evidence.

The valuers of the Group property portfolio have a working knowledge of the various ways that environmental, social and governance factors can impact the value of property:

- environmental and sustainability standards, which vary across parts of the UK, are also referenced within the valuers' report. The valuers also note that they continue to monitor the wider property market for evidence of transactional activity that evidences the views of market participants in this area;
- with regard to social, there are fewer established benchmarks in this area but the valuers are aware that care homes generally meet a social need to residents and are also employment providers; and
- concerning governance, within the care sector in the UK, the valuers reflect the latest available regulatory reports from the various regulatory bodies within the UK (being CQC, Care Inspectorate and RQIA).

The Group continues to share recently conducted physical climate and transitional risk assessments with the valuers, which they have reviewed and reflected in their valuations to the extent that current market participants would do so.

Valuers observe, assess and monitor evidence from market activities, including market sentiment on issues such as longer-term obsolescence and, where known, future environmental, social and governance related risks and issues which may include, for example, the market's approach to capital expenditure required to maintain the utility of the asset.

In the absence of reliable benchmarking data and indices for estimating costs, specialist advice on cost management may be required which is usually agreed with the valuer in the terms of engagement and without reasonable estimates/assumptions may be needed to properly reflect market expectations in arriving at the valuation.

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

	As at 31 December 2024 £'000	As at 31 December 2023 £'000
Opening value	651,313	532,479
Property additions	–	91,688
Property disposals[1]	(4,500)	(1,250)
Acquisition costs capitalised	–	1,765
Capital improvements	13,996	4,697
Revaluation movement	18,227	21,934
Closing value per independent valuation report	679,036	651,313
Transfer to assets held-for-sale (note 14)	(4,175)	–
Guaranteed rent reviews debtor	(42,353)	(35,258)
Lease incentive debtor	(3,971)	(2,379)
Rent premium creditor	2,251	2,330
Closing fair value per consolidated statement of financial position	630,788	616,006

1. In 2024 the carrying value of disposals was £4,500,000 (2023: £1,250,000). This, combined with the loss on disposal of £20,000 (2023: £16,000 profit) makes up the total net proceeds shown in the consolidated statement of cash flows.

There were no additions during the current year. During the prior year, the Group acquired an additional £91.7m assets, of which £35.7m relates to a portfolio which was purchased via a loan to operator in December 2021 where the Group had an option to acquire, this option was exercised in June 2023, and £56m relates to the purchase of a portfolio in 2023 where 20% of the consideration was made up of shares in the Company. During the year the Group disposed of £4.5m of property (2023: £1.25m property).

The majority of the properties owned are freehold except for 11 properties which are long leasehold; eight 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.

Notes to the consolidated financial statements continued

For the year ended 31 December 2024

13. 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 2024 £'000	Year ended 31 December 2023 £'000
Revaluation movement	18,227	21,934
Rental lease incentive[1]	(1,592)	140
Rental income arising from recognising rental premiums and guaranteed rent uplifts	(7,173)	(7,286)
Change in fair value of investment properties	**9,462**	14,788

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

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 the majority of 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 2024 £'000	Year ended 31 December 2023 £'000
Rent received in advance of recognition[1]	5	78	140
Rent recognised in advance of receipt[2]	5	7,095	7,146
Rental income arising from recognising rental premium and future guaranteed rent uplifts		**7,173**	7,286

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 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 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); estimated rental value (ERV) based on market conditions prevailing at the valuation date; 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

	Year ended 31 December 2024	Year ended 31 December 2023
Significant unobservable inputs		
Initial yield ranges	2.3% - 15.5%	3.5% - 12.5%
EPRA topped-up net initial yield	6.96%	6.92%
Annual rent roll	£49.2m	£47.2m
ERV	£50.2m	£48.2m
ERV per bed ranges	£2,600/bed to £13,000/bed	£2,300/bed to £12,000/bed
Sensitivity to a 0.25% movement in valuation yield		
Change in investment property valuation	£23.5m	£22.6m
Sensitivity to a 1% movement in rental income		
Change in investment property valuation	£6.8m	£6.5m

Notes to the consolidated financial statements continued

For the year ended 31 December 2024

13. Investment property continued

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 2024	630,788	–	–	630,788
Assets held-for-sale	31 December 2024	4,175	–	–	4,175
Investment properties	31 December 2023	616,006	–	–	616,006

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

Accounting policy

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 pass 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 in 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.

14. Assets held-for-sale

During the year the Group exchanged contracts for sale on three properties. As this highly probably sale had not completed at year end, these assets were transferred from investment property to assets held-for-sale.

	As at 31 December 2024 £'000	As at 31 December 2023 £'000
Opening value	**–**	–
Transfer from investment property	**4,175**	–
Assets held-for-sale	**4,175**	–

Accounting policy

Assets held-for-sale

If management have committed to a plan to sell an investment property, the asset is being actively marketed at a reasonable price and its sale is highly probable within the following 12 months, this asset transfers from investment property to assets held-for-sale.

Investment properties are carried at fair value before being initially classified as held-for-sale. After being transferred to assets held-for-sale, the investment property continues to be carried at fair value.

Notes to the consolidated financial statements continued

For the year ended 31 December 2024

15. Trade and other receivables

	As at 31 December 2024 £'000	As at 31 December 2023 £'000
Non-current		
Rent recognised in advance of receipt	**42,353**	35,258
Rental lease incentive	**3,971**	2,379
Loan receivable[1,2]	**5,187**	1,600
	51,511	39,237
Current		
Interest receivable on interest rate derivatives	**277**	358
Interest receivable on operator loan	**10**	66
Accrued income	**–**	142
Prepayments	**32**	196
Other receivables	**246**	145
	565	907
	52,076	40,144

1. In November 2024, the Group entered into a loan agreement with Prestige, in which the Group provided £5m. The funds were lent to Prestige to develop a new home. Upon certain conditions being met, a put and call option for the Group to acquire the development for an additional payment of £3.7m is exercisable. If these options aren't exercised the loan becomes repayable in June 2026 with interest of 7.7%.
2. In June 2023, the Group entered into a loan agreement with Melrose Holdings Limited, a related party, where the Group provided a working capital loan of £1.6m. On transfer of the leases to third-party operators, We Care and Fulcrum, during 2024, £1.4m of this balance was recognised as a lease incentive as part of the lease negotiations with the incoming tenants. There is an outstanding working capital facility with Fulcrum of up to £450,000 which bears interest at 10% per annum on drawn amounts; £187,000 was drawn at the year end.

No impairment losses have been recognised as at 31 December 2024 (2023: £nil), refer to note 20 for further detail.

Accounting policy

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.

16. Cash and cash equivalents

	As at 31 December 2024 £'000	As at 31 December 2023 £'000
Cash and cash equivalents	**10,492**	9,389

None of the Group's cash balances are held in restricted accounts. £1.0m of cash and cash equivalents as at 31 December 2024 relates to rental deposits, see note 17.

Accounting policy

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.

17. Trade and other payables

	As at 31 December 2024 £'000	As at 31 December 2023 £'000
Non-current		
Rent received in advance of recognition	**2,251**	2,330
Rental deposits[1]	**1,009**	–
	3,260	2,330
Current		
Trade and other payables	**1,528**	1,686
Interest payable	**2,006**	1,745
Withholding tax payable – (PID dividends)	**628**	606
Rental received in advance	**80**	–
Capital improvements payable	**2,649**	2,878
	6,891	6,915
	10,151	9,245

1. In accordance with the terms of certain lease agreements, a rent deposit can be payable when tenant profitability exceeds a defined level.

To reconcile working capital changes in 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.

Accounting policy

Trade payables

Trade payables are initially recognised at their fair value and are subsequently measured at amortised cost.

Notes to the consolidated financial statements continued

For the year ended 31 December 2024

18. Borrowings

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

	As at 31 December 2024 £'000	As at 31 December 2023 £'000
At the beginning of the year	**184,760**	142,260
Borrowings drawn in the year	**44,000**	82,500
Borrowings repaid in the year	**(31,000)**	(40,000)
Total bank borrowings drawn	**197,760**	184,760

As at 31 December 2024, the Group had £250m (2023: £250m) of available facilities, of which £52.2m was undrawn (2023: £65.2m).

A summary of the bank borrowings by lender is shown below:

As at 31 December 2024:

	Clydesdale Bank PLC ('Virgin')	HSBC UK Bank Plc ('HSBC')	National Westminster Bank Plc ('NatWest')	Senior secured loan notes (tranche A)	Senior secured loan notes (tranche B)	Total
Facility type	RCF	RCF	RCF	Private placement	Private placement	
Size (£m)	50.0	75.0	50.0	37.0	38.0	250.0
Drawn debt (£m)	30.5	47.0	45.3	37.0	38.0	197.8
Start date	December 2022	April 2020	June 2021	December 2021	December 2021	
Expiry date	December 2029	April 2026	June 2029	December 2035	June 2035	
Margin	2.00%	2.00%	2.00%	N/A	N/A	
Fixed interest rate	N/A	N/A	N/A	2.93%	3.00%	
Independent valuation of secured properties (£m)	126.1	175.4	135.4	175.3		612.2
Financial covenants:						
LTV[1]	50%	55%	50%	55%		
Interest cover[2]	2.00x	2.00x	1.75x	2.50x		

Notes to the consolidated financial statements continued

For the year ended 31 December 2024

18. Borrowings continued

As at 31 December 2023:

	Clydesdale Bank PLC ('Virgin')	HSBC UK Bank Plc ('HSBC')	National Westminster Bank Plc ('NatWest')	Senior secured loan notes (tranche A)	Senior secured loan notes (tranche B)	Total
Facility type	RCF	RCF	RCF	Private placement	Private placement	
Size (£m)	50.0	75.0	50.0	37.0	38.0	250.0
Drawn debt (£m)	32.5	47.0	30.3	37.0	38.0	184.8
Start date	December 2022	April 2020	June 2021	December 2021	December 2021	
Expiry date	December 2029	April 2026	June 2028	December 2035	June 2035	
Margin	2.00%	2.00%	2.00%	N/A	N/A	
Fixed interest rate	N/A	N/A	N/A	2.93%	3.00%	
Independent valuation of secured properties (£m)	118.2	163.6	129.2	171.3		582.3
Financial covenants:						
LTV[1]	50%	55%	50%	55%		
Interest cover[2]	2.00x	2.00x	1.75x	2.50x		

1. Loan to value must not exceed the stated percentage.
2. Net rent from ringfenced properties divided by interest expense must exceed the stated cover ratio.

In September 2024, the Group agreed a one-year extension option to its NatWest RCF to June 2029. There is a further option to extend to June 2030, subject to lender approval, exercisable during 2025.

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 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 2024 £'000	As at 31 December 2023 £'000
Borrowings drawn	**197,760**	184,760
Arrangement fees – brought forward	**(4,823)**	(5,064)
Arrangement fees incurred during the year	**(484)**	(1,177)
Amortisation of loan arrangement fees	**955**	1,418
Borrowings at amortised cost	**193,408**	179,937

Notes to the consolidated financial statements continued

For the year ended 31 December 2024

18. Borrowings continued

Maturity analysis of borrowings:

	As at 31 December 2024 £'000	As at 31 December 2023 £'000
Repayable within one year	–	–
Repayable between one and two years	47,000	–
Repayable between two and five years	75,760	77,260
Repayable in over five years	75,000	107,500
Total	**197,760**	184,760

The weighted average term of the Group's committed facilities (excluding extension options) is 5.5 years (2023: 6.8 years).

As at 31 December 2024, the nominal value of the Group's loans equated to £197.8m; the fair value of these loans, based on a discounted cash flow using relevant rates based on market conditions as at 31 December 2024, totalled £177.6m. This is categorised as level 2 in the fair value hierarchy (see note 13 for further detail of the hierarchy).

Accounting policy

Borrowings

All borrowings are initially recognised at fair value net of attributable transaction costs. After initial recognition, all 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.

19. Interest rate derivatives

	As at 31 December 2024 £'000	As at 31 December 2023 £'000
At the beginning of the year	1,750	363
Purchase of derivative	–	3,238
Change in fair value of interest rate derivatives	329	(458)
Payments received and accrued on interest rate derivatives	(1,595)	(1,393)
	484	1,750

To mitigate the interest rate risk that arises as a result of entering into variable rate linked loans, the Group has entered into interest rate caps.

In January 2023, the Group purchased a two-year interest rate cap for £1.5m, which caps SONIA at 3% for a notional amount of £50m. Following the year end, this interest rate cap was renewed at the same rate for an additional year, see note 29 for further detail.

In August 2023, the Group purchased a two-year interest rate cap for £1.8m, which caps SONIA at 4% for a notional amount of £50m.

At 31 December 2024, the Group had loans of £122.8m (2023: £109.8m) which were exposed to interest rate risk.

Accounting policy

Interest rate derivatives

Derivative financial instruments, comprising interest rate caps for hedging purposes, are recognised at fair value.

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.

20. 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 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 2024 £'000	As at 31 December 2023 £'000
Financial assets at amortised cost:		
Loan receivable	5,187	1,600
Cash and cash equivalents	10,492	9,389
Trade and other receivables	533	711
Financial assets at fair value:		
Interest rate derivative	484	1,750
Financial liabilities at amortised cost:		
Borrowings	193,408	179,937
Trade and other payables	7,192	6,309

The interest rate derivative and put option are the only financial instruments that are measured at fair value through the Group's consolidated statement of comprehensive income.

Notes to the consolidated financial statements continued

For the year ended 31 December 2024

20. Financial instruments and financial risk management continued

The following table provides the fair value measurement hierarchy for the interest rate derivative and put option:

	Date of valuation	Total £'000	Level 1[1] £'000	Level 2[1] £'000	Level 3[1] £'000
Assets measured at fair value:					
Interest rate derivative	31 December 2024	484	–	484	–
Interest rate derivative	31 December 2023	1,750	–	1,750	–

1. The fair value categories are defined in note 13.

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 the 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 a movement of £52,461 (2023: £46,945) in interest receivable for the year.

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 interest rate derivatives to reduce its exposure to interest rate risk on its floating-rate debt (refer to note 18). 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 unhedged borrowings would result in a movement of £113,800 (2023: £48,800) in interest payable for the year.

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.

In 2024, the Group entered into a new loan agreement with Prestige Group, in which the Group provided a £5m term loan to fund Prestige Group's development of a new care home.

The loan is guaranteed by Prestige Group and the agreement stipulates that the funds can only be used for development costs, hence the value of the entity in which the money is loaned to, and the property developed, should have assets of at least £5m whether in cash or in a under-development home. This, along with reporting requirements to provide assurance of the value of the development, gives the Group comfort that there are no expected credit losses in association with this loan.

The Group is exposed to credit risks from its leasing activities and working capital loans to operators. 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 were no outstanding trade receivables and £0.2m in working capital loans to operators as at 31 December 2024.

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.

Accounting policy

Expected credit losses

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 is 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.

This approach comprises of a three-stage approach to evaluating ECLs. These stages are classified as follows:

Stage one

12-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).

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.

Notes to the consolidated financial statements continued

For the year ended 31 December 2024

20. Financial instruments and financial risk management continued

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 2024:						
Borrowings	**–**	**–**	**47,000**	**75,760**	**75,000**	**197,760**
Interest and commitment fees on borrowings	**927**	**2,853**	**3,293**	**8,017**	**12,718**	**27,808**
Trade and other payables	**6,183**	**–**	**–**	**–**	**1,009**	**7,192**
31 December 2023:						
Borrowings	–	–	–	77,260	107,500	184,760
Interest and commitment fees on borrowings	937	2,853	3,790	9,318	15,382	32,280
Trade and other payables	6,309	–	–	–	–	6,309

21. 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 of 6.95 pence per share for the year ended 31 December 2024 and its target aggregate dividend of 6.77 pence per share for the year ended 31 December 2023.

As at 31 December 2024, the Group remained 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 £52.2m of 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 buy back shares for cancellation or for holding in treasury. Capital consists of ordinary share capital, other capital reserves and retained earnings.

Notes to the consolidated financial statements continued

For the year ended 31 December 2024

22. 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 2022	**404,764,328**	**4,048**	**365,642**	**24,077**	**393,767**
Share issue	9,603,841	96	11,104	–	11,200
Share issue cost	–	–	(30)	–	(30)
As at 31 December 2023	**414,368,169**	**4,144**	**376,716**	**24,077**	**404,937**
As at 31 December 2024	**414,368,169**	**4,144**	**376,716**	**24,077**	**404,937**

The Company had 414,368,169 shares of nominal value of 1 pence each in issue at the end of the year (2023: 414,368,169).

Accounting policy

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

The capital reduction reserve is the result of the transfer of a portion of share premium into a distributable reserve.

23. 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 2024 £'000	Year ended 31 December 2023 £'000
Amounts payable to Impact Health Partners LLP		
Net fee	**5,022**	4,810
Gross fee	**5,022**	4,810

For the year ended 31 December 2024, 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 2.60%, 0.39% and 0.06% respectively (either directly, with related parties or through a wholly owned company) of the total issued ordinary share capital of Care 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. 35.6% of the Group's rental income was received from MCGL or its subsidiaries. No trade receivables were outstanding at the year end (2023: £nil).

Notes to the consolidated financial statements continued

For the year ended 31 December 2024

23. Transactions with related parties continued

Investment Manager continued

During the year the key management of Impact Health Partners LLP received the following dividends from Care REIT plc: Mahesh Patel £743,333 (2023: £722,610); Andrew Cowley £112,584 (2023: £109,445); and David Yaldron £13,236 (2023: £11,137).

Directors' interests

During the year the directors, who are considered key management personnel, received the following dividends from the Company: Simon Laffin £6,905 (2023: £5,078); Rosemary Boot £2,072 (2023: £2,014); Amanda Aldridge £1,381 (2023: £nil); Cedi Frederick £612 (2023: £nil); Chris Santer £976 (2023: £949); and Philip Hall (resigned) £1,029 (2023: £2,014).

Directors' remuneration for the year is disclosed in note 7 as well as in the directors' remuneration report.

Minster Care Group Limited (MCGL)

MCGL, a tenant of the Group, is considered a related party as it is majority owned by the principals of the Investment Manager. As at 31 December 2024, the Group leased 56 properties to MCGL (2023: 58); all properties owned for over one year underwent an inflation-linked rent review in line with their lease provisions. In 2024, the Group extended the leases on five properties by ten years, entered into no new leases with MCGL (2023: no new leases), disposed of two properties to an affiliate of Minster and exchanged on the sale of three properties which was pending completion at the year end; these three properties were classified as assets held-for-sale (2023: disposed of one property). In 2024, the Group spent £7.6m on approved capital expenditure on seven homes operated by MCGL (2023: £nil). These transactions were fully compliant with the Company's related party policy.

During the year all seven homes operated by Melrose Holdings Limited (MHL), an entity wholly owned by connected parties of Mahesh Patel, were re-tenanted to third-party operators on new long-term leases. As at 31 December 2024, the Group had no further engagement and no outstanding assets, liabilities or obligations with MHL.

24. 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.

The Group has chosen to adopt EPRA net tangible assets (EPRA NTA) as its primary EPRA NAV measure as it most closely aligns with the business practices of the Group. The adjustments between NAV and EPRA NTA are reflected in the following table:

	As at 31 December 2024 £'000	As at 31 December 2023 £'000
Net assets per consolidated statement of financial position	**494,456**	478,107
Fair value of derivatives	**(484)**	(1,750)
EPRA NTA	**493,972**	476,357
Issued share capital (number)	**414,368,169**	414,368,169
Basic NAV per share	**119.33p**	115.38p
EPRA NTA per share	**119.21p**	114.96p

25. 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 2024 £'000	As at 31 December 2023 £'000
Year one	**50,036**	48,541
Year two	**50,958**	49,409
Year three	**51,898**	50,158
Year four	**52,856**	51,046
Year five	**53,832**	51,761
Onwards	**984,049**	986,920
Total	**1,243,629**	1,237,835

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%.

Notes to the consolidated financial statements continued

For the year ended 31 December 2024

26. Reconciliation of liabilities to cash flows from financing activities

	Notes	Borrowings £'000	Interest rate derivative £'000	Interest payable £'000	Total £'000
As at 1 January 2023		**137,196**	**(363)**	**1,149**	**137,982**
Cash flows from financing activities:					
Borrowings drawn	18	82,500	–	–	82,500
Borrowings repaid	18	(40,000)	–	–	(40,000)
Loan arrangement fees paid		(2,827)	–	–	(2,827)
Interest received	19	–	1,035	–	1,035
Interest and commitment fees paid		–	–	(9,518)	(9,518)
Purchase of interest rate derivatives	19	–	(3,238)	–	(3,238)
Non-cash movements:					
Amortisation of loan arrangement fees	18	1,418	–	–	1,418
Fair value movement	19	–	458	–	458
Loan arrangement fees – reversal of accrual		1,650	–	–	1,650
Interest and commitment charge		–	–	10,114	10,114
Accrued interest receivable on interest rate derivatives		–	358	–	358
As at 31 December 2023		**179,937**	**(1,750)**	**1,745**	**179,932**
Cash flows from financing activities:					
Borrowings drawn	18	44,000	–	–	44,000
Borrowings repaid	18	(31,000)	–	–	(31,000)
Loan arrangement fees paid		(714)	–	–	(714)
Interest received	19	–	1,676	–	1,676
Interest and commitment fees paid		–	–	(10,441)	(10,441)
Non-cash movements:					
Amortisation of loan arrangement fees	18	955	–	–	955
Fair value movement	19	–	(329)	–	(329)
Loan arrangement fees – reversal of accrual		230	–	–	230
Interest and commitment charge		–	–	10,702	10,702
Accrued interest receivable on interest rate derivatives		–	(81)	–	(81)
As at 31 December 2024		**193,408**	**(484)**	**2,006**	**194,930**

Notes to the consolidated financial statements continued
For the year ended 31 December 2024

27. Capital commitments
At 31 December 2024, the Group had loaned £5m to an existing operator for the development of a new home; on practical completion of this development the Group has an option to acquire this home for an additional payment of £3.7m. The Group also exchanged contracts to purchase one property for a purchase price of £3.8m; this had not completed at the year end. The Group had capital commitments in relation to the improvements to eight existing properties (2023: three); this amounted to £1.6m (2023: £9.5m).

The Group has committed to deferred payment agreements on three acquisitions (including the aforementioned exchanged transaction which had not completed at the year end) in return for increased rent based on certain trading performance conditions being met by the tenant. As at 31 December 2024, the total capital commitment for these deferred payments is estimated at £6.7m (2023: £4.6m).

28. 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.

29. Subsequent events
In January 2025, the Group purchased a one-year interest rate cap for £0.7m, which caps SONIA at 3% for a notional amount of £50m.

As announced on 11 March 2025, the Company's directors have reached agreement on the terms of a recommended cash acquisition of the entire issued and to be issued ordinary share capital of the Company by CR United Bidco Ltd, a wholly-owned subsidiary of CareTrust REIT, Inc., expected to be effected by means of a Scheme of Arrangement under Part 26 of the Companies Act 2006 (the "Acquisition"). If the Acquisition is completed, this will result in a change of control of the Company. There are no agreements between the Company and the directors for compensation for loss of office as a result of the Acquisition or any other takeover, other than the provisions of the existing appointment letters.

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 2024

Company Registration Number: 10464966

	Notes	31 December 2024 £'000	31 December 2023 £'000
Non-current assets			
Investment in subsidiaries	6	**474,041**	418,861
Total non-current assets		**474,041**	418,861
Current assets			
Trade and other receivables	7	**36,360**	60,994
Cash and cash equivalents	8	**8,203**	7,773
Total current assets		**44,563**	68,767
Total assets		**518,604**	487,628
Current liabilities			
Trade and other payables	9	**(24,148)**	(9,521)
Total liabilities		**(24,148)**	(9,521)
Total net assets		**494,456**	478,107
Equity			
Share capital	10	**4,144**	4,144
Share premium reserve	10	**376,716**	376,716
Capital reduction reserve	10	**24,077**	24,077
Retained earnings		**89,519**	73,170
Total equity		**494,456**	478,107

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 2024 amounted to £44,961,000 (2023: profit of £57,247,000).

The financial statements were approved and authorised for issue by the board of directors on 12 March 2025 and are signed on its behalf by:

Simon Laffin
Chair

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

Company statement of changes in equity

For the year ended 31 December 2024

	Notes	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'000
1 January 2024		**4,144**	**376,716**	**24,077**	**73,170**	**478,107**
Total comprehensive income		–	–	–	44,961	44,961
Transactions with owners						
Dividends paid	5	–	–	–	(28,612)	(28,612)
31 December 2024		**4,144**	**376,716**	**24,077**	**89,519**	**494,456**

For the year ended 31 December 2023

	Notes	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'000
1 January 2023		4,048	365,642	24,077	43,737	437,504
Total comprehensive income		–	–	–	57,247	57,247
Transactions with owners						
Dividends paid	5	–	–	–	(27,814)	(27,814)
Share issue	10	96	11,104	–	–	11,200
Share issue costs	10	–	(30)	–	–	(30)
31 December 2023		4,144	376,716	24,077	73,170	478,107

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

Notes to the Company financial statements

For the year ended 31 December 2024

1. Basis of preparation

General information

The financial statements for the year ended 31 December 2024 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 2023.

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 Company would be identical;
- no statement of cash flows has been presented for the Company;
- disclosures in respect of the 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 15 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 ongoing effect of inflated costs and the high-interest rate environment has been considered by the directors. The directors have reviewed the forecasts for the Company taking into account the impact of heightened interest rates and costs on trading over the 15 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 and higher costs. The expiry of one of the Group's revolving credit facilities in April 2026 has been considered by the directors in the extended 15-month going concern review period; see going concern and viability on page 42 for further detail.

The directors believe that there are currently no material uncertainties in relation to the Company's ability to continue for a period of at least 15 months from the date of approval of the Company'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.

Notes to the Company financial statements continued

For the year ended 31 December 2024

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.

The most significant estimates, assumptions and judgements relate to the determination of carrying value of unlisted investments in the Company's subsidiary undertakings. The nature, facts and circumstance of the investment are taken into account in assessing whether there are any indications of impairment.

3. Summary of material accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out alongside the relevant note.

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 2024 £'000	Year ended 31 December 2023 £'000
UK corporation tax	**–**	–

5. Dividends

Details of dividends paid by the Company are included in note 12 to the consolidated financial statements.

During 2023, the Company received a dividend in the amount of £54,388,000 from one of its wholly owned subsidiaries, Impact Property 6 Limited, £51,693,000 of which was declared in the absence of adequate distributable reserves. Impact Property 6 Limited has taken the required steps to regularise this dividend and has created adequate distributable reserves during the year, by way of a cancellation of its non-distributable share premium reserve and the creation of a distributable capital reduction reserve.

Accounting policy

Dividends

Dividends are recognised when they become legally payable.

6. Investment in subsidiaries

	31 December 2024 £'000	31 December 2023 £'000
At the beginning of the year	**418,861**	430,079
Additions	**80,373**	165,234
Impairment	**(25,193)**	(176,452)
At the end of the year	**474,041**	418,861

Provisions provided reflect any reduction in net asset value of subsidiaries in the year, typically as a result of dividends declared in the year. The net assets of the subsidiaries are effected by the same estimates of the Group's investment property portfolio. Additions are primarily a result of capital injections from the Company into its direct subsidiaries via the subsidiaries' issuance of new share capital.

Notes to the Company financial statements continued

For the year ended 31 December 2024

6. Investment in subsidiaries continued

The Company has the following subsidiaries:

	Principal activity	Country of incorporation	Ownership %
Impact Property 1 Limited ('Propco 1')[1]	Real estate investment	England and Wales	100
Impact Property 2 Limited ('Propco 2')[1]	Real estate investment	England and Wales	100
Impact Property 3 Limited ('Propco 3')[1]	Real estate investment	England and Wales	100
Impact Property 4 Limited ('Propco 4')[1]	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 Property 7 Limited ('Propco 7')[1]	Real estate investment	England and Wales	100
Impact Property 8 Limited ('Propco 8')[1]	Real estate investment	England and Wales	100
Impact Finance 1 Limited ('Finance 1')[1]	Financing company	England and Wales	100
Impact Finance 2 Limited ('Finance 2')[1]	Financing company	England and Wales	100
Impact Finance 3 Limited ('Finance 3')[1]	Financing company	England and Wales	100
Impact Finance 4 Limited ('Finance 4')[1]	Financing company	England and Wales	100
Impact Finance 5 Limited ('Finance 5')[1]	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
Impact Holdco 4 Limited ('Holdco 4')	Investment holding company	England and Wales	100
Impact Holdco 5 Limited ('Holdco 5')	Investment holding company	England and Wales	100
The Holmes Care Holdings Limited[1,2]	Property holding company	England and Wales	100
Tower Bridge Homes Care Limited[1,2]	Property holding company	England and Wales	100
The Holmes Care Group GB Limited[1,2]	Property holding company	England and Wales	100
Romney Care Home Limited[1,2]	Property holding company	England and Wales	100
Hillcrest House Limited[1,2]	Property holding company	England and Wales	100
Carlton Hall (Lowestoft) Limited[1,2]	Property holding company	England and Wales	100
Abingdon Manor Care Centre Limited[1,2]	Property holding company	Northern Ireland	100
Larne Care Centre Limited[1,2]	Property holding company	Northern Ireland	100
Larne C C Limited[1,2]	Property holding company	Northern Ireland	100
Butterfly Cumbria Properties Limited[1,2]	Property holding company	England and Wales	100
Welford Bidco 5 Midco Limited[1,2]	Investment holding company	England and Wales	100
Morris Care Limited[1,2]	Property holding company	England and Wales	100
Kingdom Finco 1 Limited[1,2]	Investment holding company	England and Wales	100
Kingdom Homes Limited[1,2]	Property holding company	Scotland	100

Notes to the Company financial statements continued
For the year ended 31 December 2024

6. Investment in subsidiaries continued

	Principal activity	Country of incorporation	Ownership %
Barrogil Limited[1,2]	Property holding company	Scotland	100
Eastleigh Care Group Limited[1,2]	Property holding company	England and Wales	100
Woodleigh Christian Care Home Limited[1]	Property holding company	England and Wales	100
Welford Bidco 2 Midco Limited[1,2]	Investment holding company	England and Wales	100
Welford Bidco 4 Midco Limited[1,2]	Investment holding company	England and Wales	100

1. As at 31 December 2024 these entities were held indirectly by the Company.
2. As at 31 December 2024 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 Northern Ireland is:

21 Arthur Street, Belfast, BT1 4GA, Northern Ireland

The registered address for the above subsidiaries incorporated in Scotland is:

177 Bothwell Street, Glasgow, G2 7ER, Scotland

Where the entity is in the process of winding up, the registered address is that of the liquidator appointed by the Company.

Accounting policy
Investments in subsidiaries
The investments in subsidiary companies are included in the Company's statement of financial position at cost less provision for impairment.

7. Trade and other receivables

	As at 31 December 2024 £'000	As at 31 December 2023 £'000
Loan to Group companies	**36,046**	60,797
Prepayments	**314**	197
	36,360	60,994

As at 31 December 2024, there were no trade receivables past due or impaired (2023: none). Loans to subsidiaries are interest-free, repayable on demand and management expect them to be settled within the next 12 months.

Notes to the Company financial statements continued

For the year ended 31 December 2024

7. Trade and other receivables continued

Accounting policy

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.

8. Cash and cash equivalents

	As at 31 December 2024 £'000	As at 31 December 2023 £'000
Cash and cash equivalents	**8,203**	7,773

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

Accounting policy

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.

9. Trade and other payables

	As at 31 December 2024 £'000	As at 31 December 2023 £'000
Loan from Group companies	**22,525**	7,781
Trade and other payables	**995**	1,134
Withholding tax payable – (PID dividends)	**628**	606
	24,148	9,521

Loans from Group companies are unsecured, interest-free and are repayable on demand.

Accounting policy

Trade and other payables

Trade payables are initially recognised at their fair value and are subsequently measured at cost.

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 22 to the consolidated financial statements.

Accounting policy

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

The capital reduction reserve is the result of the transfer of a portion of the share premium into a distributable reserve.

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 23 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 (2023: £nil).

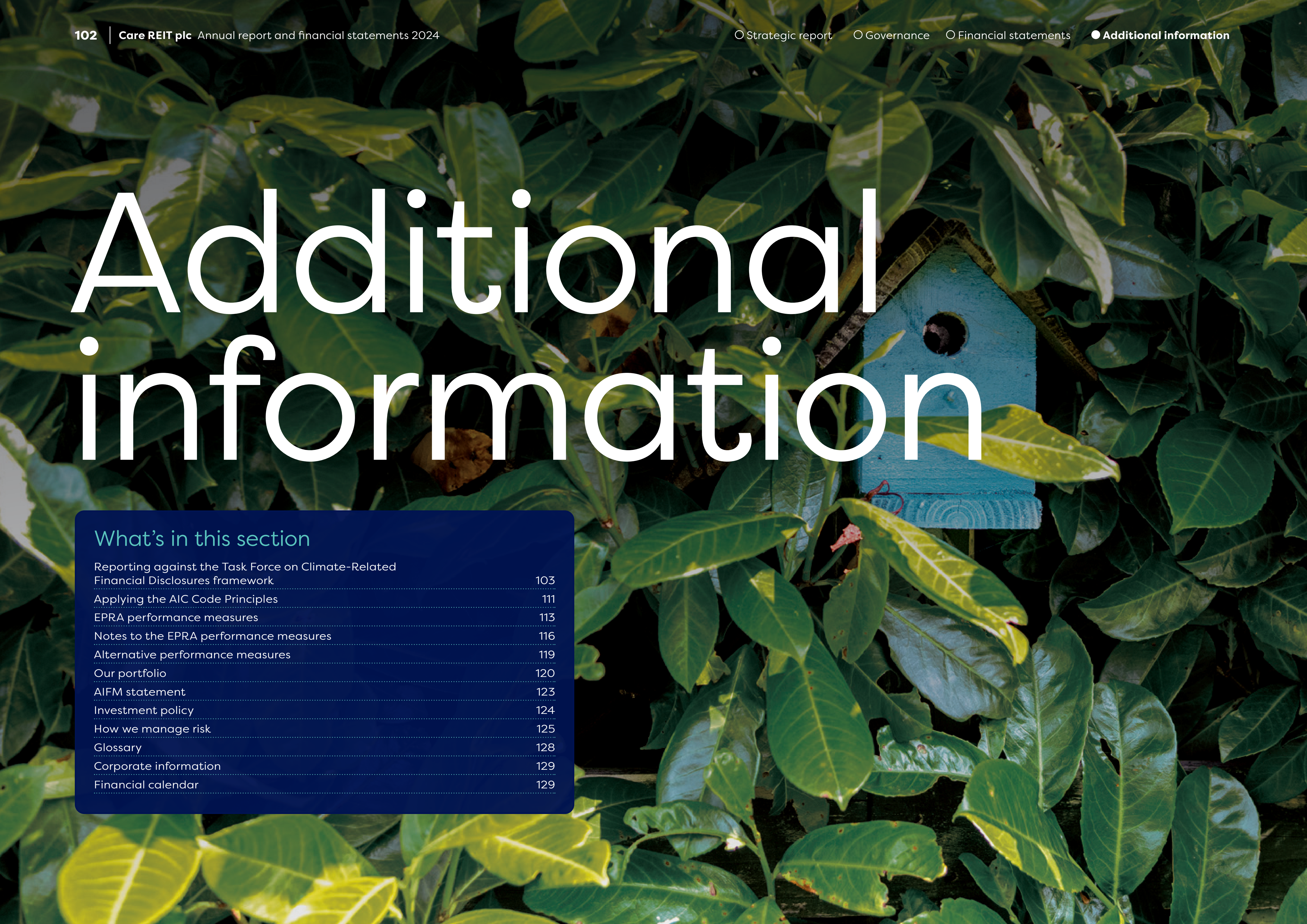
13. Contingent liabilities

On 21 December 2021, the Company guaranteed a long-term loan note issue made by a wholly owned subsidiary. The loan notes total £75m and mature in 2035. See note 18 of the consolidated financial statements for further detail.

14. Subsequent events

Significant events after the reporting period are the same as those of the Group. See note 29 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

What's in this section

Reporting against the Task Force on Climate-Related Financial Disclosures framework

In this report we disclose the climate-related risks and opportunities and our overarching approach to the risk management in line with the recommendations of the TCFD. As is referenced throughout the report, we have continued to take action to improve the environmental performance of our portfolio and the IM works in partnership with tenants to help them reduce their energy consumption and CO_2e emissions. We have fully reported our Scope 3 emissions, which represents the bulk of our emissions (see page 110) and have already exceeded our 2025 target for EPC improvement across our portfolio.

Although our like-for-like CO_2 emissions have declined in 2024, we are aware that our target of a 15% decrease from our 2022 baseline by 2025 is unlikely to be met. The assumptions we made about the UK grid in the shorter term may have been too ambitious when our pathway was modelled, but the current plans from the Department for Energy Security and Net Zero, combined with the development and affordability of energy-efficient and renewable technologies, should support our decarbonisation efforts in the medium term.

Building on the work we undertook in 2023, where we considered a 1.5–2 degrees warming scenario, based on the Intergovernmental Panel on Climate Change's (IPCC) defined Representative Concentration Pathway 2.6 and assessed the associated physical and transition risks, the IM has undertaken more granular analysis on flood risk across our portfolio based on Environment Agency data.

Our IM's ESG committee, established in 2023, met on a quarterly basis and continues to provide us with a structure through which to embed our strategy, track our progress and ensure that the necessary discussions and decisions take place at the board level.

The IM has also started considering IFRS S1 and S2 and the UK government's Transition Pathway Taskforce framework to ensure that we are heading in the right direction in terms of future reporting.

Reporting against the Task Force on Climate-Related Financial Disclosures framework continued

TCFD compliance statement

The table below highlights how we have reported in line with the 11 recommendations of TCFD and includes our own assessment of our level of compliance. We recognise that this is an iterative process and have highlighted those areas where we still need to make improvement or continue to progress.

Recommended disclosure	Current status	Comment	Page ref
Governance			
Describe the board's oversight of climate-related risks and opportunities	●	We have included these disclosures in the report	125-127
Describe management's role in assessing and managing climate-related risks and opportunities	●	We have included these disclosures in the report	125-127
Strategy			
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	●	We have included these disclosures in this report, please see previous annual reports for further detail	107-108
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	◐	We have assessed the impacts of climate-related risks and opportunities from a qualitative perspective but have yet to translate this fully into quantifiable financial impacts. This will continue to be reviewed during 2025	107-108
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	◐	We consider ourselves resilient to transition risks associated with 1.5-2 degrees warming scenarios. Flooding and heatwaves are our main two physical risks and we continue to gain insight to understand the specific risks and impacts at each of our locations	107-108
Risk management			
Describe the organisation's processes for identifying and assessing climate-related risks	●	We have included these disclosures in the report	125-127
Describe the organisation's processes for managing climate-related risks	●	We have included these disclosures in the report	125-127
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	●	We have included these disclosures in the report	125-127
Metrics and targets			
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management processes	●	We have included these disclosures in the report	109-110
Describe Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	●	We continue to improve the accuracy of our reported Scope 3 emissions, which represents a significant proportion of our total emissions. We now collect over 93% of Scope 3 emissions data from our tenants (2023: 85%) and continue to explore ways to improve the quality and quantity of this data capture and disclosure	109-110
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	◐	We have set ourselves targets on CO_2 emissions and EPC ratings across our portfolio. Performance is reviewed annually	109-110

Key: ● Reporting in line with the recommendations. ◐ We have made disclosures but are not yet fully reporting in line with the recommendations.

Reporting against the Task Force on Climate-Related Financial Disclosures framework continued

Governance

In 2023 the Investment Manager's ESG committee, with associated terms of reference, was established. It meets on a quarterly basis and documents minutes and actions, is responsible for reviewing and advising on the recommendations made by the IM's ESG working group, also established in 2023, chaired by the IM's Development Director.

The ESG committee is chaired by the IM's Finance Director who, in partnership with the Development Director, oversees the operational and financial aspects of our sustainability programme and reports directly into the board and consults with the audit committee around assurance matters. ESG/sustainability is a regular item on the board agenda.

We have updated our ESG policy, reinforcing our commitment to working with our tenants to become energy efficient. Energy efficiency, renewables and physical climate risks, principally flooding, are regular agenda items in the IM's quarterly reviews with our tenants.

More information on our governance of climate change considerations can be found within our reporting on principal risks (page 37) and our "How we manage risk" section (page 125).

Key: Board level Investment Manager

Reporting against the Task Force on Climate-Related Financial Disclosures framework continued

Strategy

The IM has continued to make good progress in terms of ensuring that the necessary improvements are being made to our properties to ensure that they comply with future MEES regulation.

As our tenants are responsible for procuring energy for heating and power, we are not directly able to implement energy efficiency measures. However, the IM can continue to engage with all tenants to raise awareness, for example by holding an ESG webinar and including sustainability as a standing agenda item in regular review meetings.

The IM continues to model the energy usage and carbon emissions from our portfolio, and this enables them to identify underperforming assets and assess short and long-term options for reducing consumption and emissions. When undertaking asset management projects, improving the environmental sustainability of the asset is a key deliverable. During 2024, projects have included fabric upgrades, solar panels and air source heat pumps.

The IM has an energy efficiency engagement plan in place with our tenants which is leading to greater collaboration on initiatives such as the development of solar PV roll-out across properties where it is commercially viable.

We are conscious that flooding remains a risk for our business in the short, medium and longer term, be that as an acute or chronic physical risk. During the year we experienced two flood events during periods of exceptional rainfall. The most serious of these events was at a home which was at high risk of flooding and where we had previously invested in flood defences which did not operate effectively due to accidental intervention. The IM is investigating what additional physical and operational measures are required to improve the home's resilience.

Risk management

Climate change is integrated and clearly articulated across our principal risks, specifically within "Underinvestment in care homes" and "Reputational damage". You can read more about how we assess climate-related risks on pages 125-127.

The Investment Management team has a risk committee which assesses and reviews the Company's risk register on a quarterly basis and reports to the audit committee. Prioritised risks are discussed and considered by the audit committee and board twice a year.

As part of the due diligence process for potential new acquisitions, environmental performance has already been assessed on all acquisitions since 2020. This includes a review of the asset's, current and potential energy efficiency CRREM stranding risk, and, where required, a pathway towards achieving an EPC of B or above. We also review other climate-related risks such as exposure to flooding.

Looking ahead, this due diligence will continue to factor in possible identified risks and opportunities associated with climate change and a decarbonisation pathway.

To align with our business strategy, we have defined short term as one to three years, medium term as five to ten years (aligned to our business plan and various climate-related targets) and a long-term timeframe as up to 25 years (new lease length aligned to longer-term transition planning objectives).

Reporting against the Task Force on Climate-Related Financial Disclosures framework continued

Risk management continued

Extreme weather/flood

Probability:	Medium	●●●○
Impact:	Moderate	●●○○
Change in the year:	Slight increase	↑
Risk tolerance:	Cautious	●●○○
Timescale:	Short/Medium/Long	●●●○

Disruption to provision of care or possible closure of care home

How we are assessing the risk

The IM has reviewed Environment Agency (EA) data for all care homes within the portfolio. 12 assets have been identified as potentially at risk of flooding. The IM has also reviewed data from our insurers, who have identified six assets where an excess applies in the event of a claim for flood damage. The IM has engaged with tenants to ensure that they have flood resilience protocols in place and will review if any further measures are required.

How we manage this risk

All our homes are fully insured against damage, including loss of rent. Our tenants separately have business interruption and contents insurance, for the losses to their own business. In addition, we benefit from the size of our operators' businesses and profits should this insurance be insufficient. Where flood risk has been identified, or occurred, the IM works with our tenants and insurers to enhance the flood defences and safety for residents.

During the year we had two flood events; in both cases our losses have been fully recoverable. In relation to the flood at Old Prebendal House, which was extensive, our operator's business interruption insurance is not expected to fully cover the cost; however, the broader operator business is capable of absorbing these losses.

Opportunity

Increased investment in our homes and capital deployed in return for increased rent.

Improved resilience of assets from physical risks.

Additional capital expenditure

Probability:	High	●●●●
Impact:	Moderate	●●○○
Change in the year:	No change	↔
Risk tolerance:	Cautious	●●○○
Timescale:	Medium/Long	●●●○

Additional costs required to improve energy efficiency and realise net zero targets

How we are assessing the risk

The IM has mapped and estimated a capex profile from the present day until 2045, when we plan to be net zero. We are targeting approximately 15% of asset management budget towards energy-efficiency improvements. We are not on track to meet our 2025 targets so additional capex may be required to catch up on our energy and carbon reduction target.

The IM has also assessed all 57 assets with EPCs of C or below (English equivalent) to understand how these can be improved to a B or above. Of these clear pathways have been developed for all except 14, which we believe will require a transition away from their current energy source to a fully electric supply such as air source heat pumps.

How we manage this risk

Our leases with our tenants are fully insuring and repairing and require tenants to ensure the property is compliant with legislation. Therefore, as legislation comes in to align with these targets, our tenants will be responsible for the cost and could factor this into the cost of their services.

The IM is working with our tenants to ensure our buildings are well prepared for future legislation and our ESG targets. They do this by having a good understanding of the environmental performance of our homes We also ensure that any capital improvements that require our permission include environmental enhancements.

Opportunity

Increased investment in our homes and capital deployed in return for increased rent.

Ability to utilise improvements in technology to help reduce the carbon footprint of our portfolio.

Improved long-term care of residents.

Regulation

Probability:	High	●●●●
Impact:	Moderate	●●○○
Change in the year:	No change	↔
Risk tolerance:	Cautious	●●○○
Timescale:	Medium/Long	●●●○

Potential loss of value for assets not meeting expected future standards. Assets may become "stranded" by evolving environmental legislation

How we are assessing the risk

The IM works closely with environmental consultants to help understand future potential for any changes in regulation and the IM appraises our portfolio against these possible regulations.

The IM uses the CRREM tool to risk assess our current and prospective assets to understand the pathway needed to reach net zero in accordance with the Paris climate treaty. We are working with our tenants to develop a transition plan to reduce energy consumption and mitigate climate change impacts.

Our approach is that no asset with an EPC below C can be acquired unless a demonstrable EPC improvement plan is developed, the cost of which is reflected in the investment case for the asset acquisition. Opportunities for the installation of energy efficiency and renewable technology in support of the net zero transition (such as rooftop solar PV and EV charging) are also considered as part of the investment case.

We now have full visibility of EPCs across our entire portfolio of properties and the IM has an active asset management improvements schedule in place to ensure we are compliant with anticipated 2030 MEES regulation. Our leases require our tenant operators to ensure the buildings are in compliance with legislation.

How we manage this risk

As explained above, our leases require our tenant operators to ensure the buildings are following legislation.

Opportunity

Increased investment in our homes and capital deployed in return for increased rent.

Ability to utilise improvements in technology to help reduce the carbon footprint of our portfolio.

Reporting against the Task Force on Climate-Related Financial Disclosures framework continued

Risk management continued

Cost of carbon

Probability:	Medium	●●●○
Impact:	Moderate	●●○○
Change in the year:	No change	↔
Risk tolerance:	Cautious	●●○○
Timescale:	Medium	●●●○

Introduction of carbon levy by the government to encourage reduction in carbon emissions that results in additional taxation liability for the Company

How we are assessing the risk

The IM has held two workshops to discuss the possible options regarding carbon pricing/taxation and how or whether to introduce this into our business strategy and financial planning.

The IM continues to ensure they are capturing as much underlying data from our tenants on our Scope 3 emissions. This means that the effect of different carbon pricing levels and approaches can be modelled.

We will continue to monitor the situation in 2025 and ensure that we are compliant with future financial and sustainability disclosure requirements. We will start to embed an internal carbon price within our planning to inform decision-making.

How we manage this risk

By understanding the legislation being applied in other countries the IM can model similar legislation being applied in the UK and ensure this can be incorporated into our risk modelling in 2025.

Opportunity

None identified.

Market

Probability:	Medium	●●●○
Impact:	Moderate	●●○○
Change in the year:	No change	↔
Risk tolerance:	Cautious	●●○○
Timescale:	Medium	●●●○

Investors and markets have increasing their awareness of environmental performance. If we fail to communicate a strategy and implications for our portfolio, investors are less likely to want to invest in our business

How we are assessing the risk

As explained throughout our reporting against the TCFD framework, the IM is undertaking a significant amount of work to ensure we can deliver against our net zero objective and 2030 interim milestones and we communicate the risks and opportunities that come with this.

We regularly engage with investors and ensure we are open and transparent about our business in our reporting to ensure we understand any investor concerns and address these.

How we manage this risk

Alongside investor engagement we have already achieved EPRA Gold for our sustainability reporting and have made submissions to GRESB and achieving a D rating with the Carbon Disclosure Project.

The Investment Manager is a signatory to the UN Principles for Responsible Investment, demonstrating its commitment to long-term stewardship of the portfolio.

Opportunity

By taking our environmental targets seriously and transparent reporting, more investors could be interested in investing in our business.

Reputation

Probability:	Medium	●●●○
Impact:	Moderate	●●○○
Change in the year:	No change	↔
Risk tolerance:	Minimalist	●○○○
Timescale:	Short	●○○○

Investors, tenants and commissioners may have increasing expectations of real estate owners for environmental issues and if we fail to meet these or deliver against our commitments our reputation would be damaged and stakeholders less willing to engage with us

How we are assessing the risk

We regularly engage with stakeholders to understand their expectations and aspirations regarding climate risk and environmental sustainability. Our tenant survey specifically references energy efficiency and how we, as a long-term landlord, can assist tenants in meeting their own objectives for reducing energy and carbon.

How we manage this risk

By engaging with our stakeholders, we can seek to align our environment objectives or use our influence to raise awareness of climate change risk. We seek to be transparent and open about our environmental targets and activities to demonstrate our commitment to improving environmental performance on a commercial sustainable basis for ourselves and our tenants.

Opportunity

If we are successful in communicating and delivering against these targets, existing stakeholders will want to continue to work with us and, potentially, more will be keen to work with us.

Reporting against the Task Force on Climate-Related Financial Disclosures framework continued

Metrics and targets

As part of our EPRA reporting responsibilities, we have been disclosing our energy consumption data since 2019 in accordance with the EPRA Best Practice Sustainability Requirements. Our Scope 1 and 2 emissions are minimal, with all reported emissions relating to tenant-obtained energy consumption falling under Scope 3. In this report we have included our GHG emissions for the 12 months to 30 September 2024.

We have already exceeded our 2025 target of having at least 50% of our care homes rated EPC B or better. You can read more about our progress on page 30.

Our key climate-related metrics are:

- EPC ratings (page 29)
- Energy intensity per bed (kWh per bed) (page 110)
- GHG emissions intensity (CO_2e per bed) (page 110)
- Capex deployed on sustainability improvements (£pa) (page 28)
- Interim net zero targets (page 28)
- Proportion of leases with “Green” obligations (page 28)

Reporting against the Task Force on Climate-Related Financial Disclosures framework continued

Metrics and targets continued

We measure performance on a range of metrics for our Scope 3 emissions (tenant-procured energy) and the IM's Scope 1 and 2 emissions.

Performance measure	Unit	Scope	2024	2023 adjusted	Change
Electricity absolute consumption	kWh	3	**18,423**	21,000	(12)%
Electricity total and like-for-like consumption	kWh	3	**18,423**	18,776	(2)%
Gas absolute consumption	kWh	3	**53,154**	58,974	(10)%
Gas total and like-for-like consumption	kWh	3	**53,154**	55,365	(4)%
Other fuels absolute consumption[1]	kWh	3	**7,072**	5,235	35%
Other fuels like-for-like consumption[1]	kWh	3	**7,072**	5,105	39%
Building energy intensity absolute[1]	kWh/bed/year	3	**10,850**	11,036	(2)%
Building energy intensity like-for-like[1]	kWh/bed/year	3	**10,850**	10,932	(1)%
Building energy intensity like-for-like	kWh/m^2/year	3	**284**	289	(2)%
Total indirect greenhouse gas (GHG) emissions from tenant-obtained fuel usage	tCO_2e	3	**14,143**	15,568	(9)%
Total indirect greenhouse gas (GHG) emissions from tenant-obtained fuel usage like-for-like[1]	tCO_2e	3	**14,143**	14,413	(2)%
Greenhouse gas (GHG) emissions intensity from building energy consumption	tCO_2e/bed/year	3	**1.95**	2.02	(3)%
Total indirect greenhouse gas (GHG) emissions from tenant-obtained fuel usage	kg CO_2e/m^2/year	3	**51**	53	(4)%
Greenhouse gas (GHG) emissions intensity from building energy consumption like-for-like[1]	tCO_2e/bed/year	3	**1.95**	1.99	(2)%
Total indirect greenhouse gas (GHG) emissions from tenant-obtained fuel usage like for like	kg CO_2e/m^2/year	3	**51**	53	(3)%

Performance measure	Unit	Scope	2024	2023	Change
Total electricity consumption	kWh	Total Investment Manager electricity	**7,100**	7,336	(3)%
Investment Manager energy intensity	kWh/FTE	Average kWh electricity consumption per FTE in year	**710**	733	(5)%
Total indirect greenhouse gas (GHG) emissions	tCO_2e	Indirect – Scope 2 (location-based)	**1.4**	1.5	(7)%
Business travel – Land – Car	tCO_2e	Scope 3 – Private vehicles (incl. WTT[2])	**4.5**	4.0	13%
Business travel – Land – Air	tCO_2e	Scope 3 – Flights (with raw fuel incl. WTT[3])	**4.1**	1.7	141%
Business travel – Land – Rail	tCO_2e	Scope 3 – Rail (incl. WTT[3])	**0.2**	0.2	–
Total emissions	**tCO_2e**		**9.9**	7.4	38%

1. Like-for-like figures adjusted to exclude seven homes in Q4 2022 to Q3 2023 for which data was not available in the corresponding period Q4 2023 to Q3 2024.
2. Well-to-tank (WTT) business travel – air conversion factors are used to account for the upstream Scope 3 emissions associated with extraction, refining and transportation of the aviation fuel to the plane before take-off.
3. Well-to-tank (WTT) conversion factors for passenger vehicles and business travel on land are used to report the upstream Scope 3 emissions associated with extraction, refining and transportation of the raw fuels before they are used to power the transport mode.
4. Time period adjusted from calendar year to October to September to allow for availability of data from tenants.

Applying the AIC Code Principles

The table below explains how we applied the AIC Code's Principles during 2024.

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.	Corporate governance review, pages 47 to 50 Business model, page 9 Principal risks, pages 37 and 38 Investment policy, page 124
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.	Corporate governance review, pages 47 to 50 Our values, page 2 Our purpose, page 2 Board and committee evaluation, page 49
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.	Strategic report, inside front cover to page 43 How we manage risk, pages 125 to 127 Principal risks, pages 37 and 38 Working with the Investment Manager, page 51 Audit committee report, pages 54 to 56
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.	Corporate governance review, pages 47 to 50 Strategic report, inside front cover to page 43 Section 172 statement, page 43

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.	Directors' report, pages 60 to 63 Corporate governance review, pages 47 to 50
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.	Board of directors, pages 45 and 46 Nomination committee report, page 53 Directors' report, pages 60 to 63
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.	Corporate governance review, pages 47 to 50 Nomination committee report, page 53 Audit committee report, pages 54 to 56 How we work with the Investment Manager, pages 51 and 52
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.	Corporate governance review, pages 47 to 50 Directors' report, pages 60 to 63

Applying the AIC Code Principles continued

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.	Corporate governance review, pages 47 to 50 Nomination committee report, page 53
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.	Board of directors, pages 45 and 46 Corporate governance review, pages 47 to 50 Nomination committee report, page 53
Principle L – Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	Corporate governance review, pages 47 to 50
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 committee report, pages 54 to 56 Notes 2 and 3 to the financial statements, pages 71 to 101
Principle N – The board should present a fair, balanced and understandable assessment of the Company's position and prospects.	Strategic report, inside front cover to page 43 Corporate governance review, pages 47 to 50 Audit committee report, pages 54 to 56 Independent auditor's report, pages 65 to 70 Financial statements, pages 71 to 101

Audit, risk and internal control	
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.	How we manage risk, pages 125 to 127 Principal risks, pages 37 and 38 Viability statement, page 42 Audit committee report, pages 54 to 56 Note 20 to the financial statements, pages 88 to 90
Remuneration	
Principle P – Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success.	Directors' remuneration report, pages 57 to 59
Principle Q – A formal and transparent procedure for developing remuneration policy should be established. No director should be involved in deciding their own remuneration outcome.	Directors' remuneration report, pages 57 to 59
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 57 to 59

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[1]

£36.8m

8.89p per share
for the year to 31 December 2024
(for the year to 31 December 2023: £35.9m/8.67p)

2024	8.89p
2023	8.67p
2022	8.40p
2021	8.05p

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

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

1. The comparative EPRA earnings have been restated in line with updated guidance from EPRA released in 2024 revising the calculation to include cash income received on interest rate derivatives.

2.1 EPRA net reinstatement value (NRV)

£538.2m

129.90p per share
as at 31 December 2024
(as at 31 December 2023: £518.8m/125.20p per share)

2024	129.90p
2023	125.20p
2022	118.51p
2021	120.84p

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)

£494.0m

119.21p per share
as at 31 December 2024
(as at 31 December 2023: £476.4m/114.96p per share)

2024	119.21p
2023	114.96p
2022	110.08p
2021	112.41p

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)

£510.3m

123.15p per share
as at 31 December 2024
(as at 31 December 2023: £496.3m/119.77p per share)

2024	123.15p
2023	119.77p
2022	108.92p
2021	111.16p

Definition
Net asset value adjusted to align borrowings to their fair value. It should be noted that this should not be viewed as a "liquidation NAV" because, in many cases, such as with the fair value adjustment to borrowings, fair values do not represent liquidation values. In the case of our borrowings, in a liquidation scenario we would not benefit from the fair value adjustment to reduce our borrowings.

Purpose
This measure aims to show the shareholders' value, should assets and liabilities not be held to maturity.

EPRA performance measures (unaudited) continued

3.1 EPRA net initial yield (NIY)

6.79%
as at 31 December 2024
(as at 31 December 2023: 6.69%)

2024	6.79%
2023	6.69%
2022	6.98%
2021	6.71%

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

6.96%
as at 31 December 2024
(as at 31 December 2023: 6.92%)

2024	6.96%
2023	6.92%
2022	6.98%
2021	6.71%

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.

4. EPRA vacancy rate

0.00%
as at 31 December 2024
(as at 31 December 2023: 0.00%)

2024	0.00%
2023	0.00%
2022	0.00%
2021	0.00%

Definition

Estimated market rental value (ERV) of vacant space divided by the ERV of the whole portfolio.

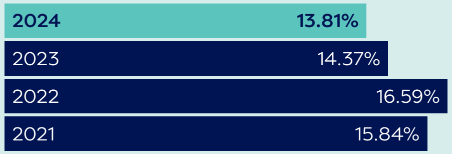
Purpose

A "pure" (%) measure of investment property space that is vacant, based on ERV.

EPRA performance measures (unaudited) continued

5. EPRA cost ratio

13.81%
for the year to 31 December 2024
(2023: 14.37%)



Definition

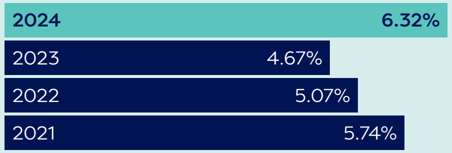
Administrative and operating costs (including, and excluding, direct vacancy costs) divided by gross rental income.

Purpose

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

6. Like-for-like rental growth

6.32%
for the year to 31 December 2024
(2023: 4.67%)



Definition

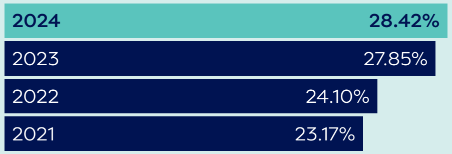
Rental growth on the portfolio of properties that have been owned and operational for two full reporting cycles.

Purpose

Growth of rental income excludes acquisitions and disposals, but includes increases in rent from inflationary uplifts and rentalised capital expenditure. This allows stakeholders to estimate the organic income growth.

7. EPRA (net) LTV

28.42%
As at 31 December 2024
(2023: 27.85%)



Definition

Debt drawn at nominal value net of cash and net payables divided by portfolio value.

Purpose

To assess the gearing of the shareholder equity within a real estate company.

Notes to the EPRA performance measures (unaudited)

For the year ended 31 December 2024

1. EPRA earnings per share

	31 December 2024 £'000	31 December 2023[1] £'000
Total comprehensive income (attributable to shareholders)	**44,961**	48,831
Adjusted for:		
– Revaluation movement	**(18,227)**	(21,934)
– Rental lease incentives	**1,592**	(140)
– Rental income arising from recognising rental premiums and future guaranteed rent uplifts	**7,173**	7,286
Change in fair value of investment properties	**(9,462)**	(14,788)
Change in fair value of put option	**–**	–
Loss on disposal of investment property	**20**	16
Interest received on interest rate cap	**1,595**	1,393
Change in fair value of interest rate derivatives	**(329)**	458
EPRA earnings	**36,785**	35,910
Weighted average number of ordinary shares (basic and diluted)	**414,368,169**	414,157,674
EPRA earnings per share – basic and diluted	**8.89p**	8.67p

1. 2023 has been restated to reflect the new guidelines regarding the calculation of EPRA earnings and EPRA earnings per share released by EPRA in 2024.

2. EPRA NAV measures

The Group has adopted EPRA NTA as its primary EPRA NAV measure as it most closely aligns with the Group's business practices.

As at 31 December 2024:

	EPRA NRV £'000	EPRA NTA £'000	EPRA NDV £'000
Net assets at end of year	**494,456**	**494,456**	**494,456**
Exclude:			
Fair value of derivatives	**(484)**	**(484)**	**–**
Include:			
Fair value of debt[1]	**–**	**–**	**15,851**
Transaction costs[2]	**44,273**	**–**	**–**
Net assets (per EPRA measure)	**538,244**	**493,972**	**510,307**
Shares in issue at 31 December (basic and diluted)	**414,368,169**	**414,368,169**	**414,368,169**
Net assets per share (per EPRA measure)	**129.90p**	**119.21p**	**123.15p**

As at 31 December 2023:

	EPRA NRV £'000	EPRA NTA £'000	EPRA NDV (restated) £'000
Net assets at end of year	478,107	478,107	478,107
Exclude:			
Fair value of derivatives	(1,750)	(1,750)	–
Include:			
Fair value of debt[1]	–	–	18,177
Transaction costs[2]	42,452	–	–
Net assets (per EPRA measure)	518,809	476,357	496,284
Shares in issue at 31 December (basic and diluted)	414,368,169	414,368,169	414,368,169
Net assets per share (per EPRA measure)	125.21p	114.96p	119.77p

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.

Notes to the EPRA performance measures (unaudited) continued

For the year ended 31 December 2024

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

	31 December 2024 £'000	31 December 2023 £'000
Investment property – wholly owned	**679,036**	651,313
Less capital improvements under construction	**(14,161)**	(9,669)
Completed property portfolio	**664,875**	641,644
Allowance for estimated purchasers' cost[1]	**41,887**	40,424
Gross up completed property portfolio valuation (B)	**706,762**	682,068
Annualised cash passing rental income	**47,991**	45,601
Property outgoings (non-recoverable insurance)	**–**	–
Annualised net rents (A)	**47,991**	45,601
Add:		
Contractual rent on properties with interim variable rents whilst in turnaround	**1,227**	1,617
Topped-up net annualised rent (C)	**49,218**	47,218
EPRA net initial yield (A/B)	**6.79%**	6.69%
EPRA topped-up net initial yield (C/B)	**6.96%**	6.92%

1. Assumes a purchaser of the Company's portfolio would pay SDLT and transaction costs equal to 6.5% of the portfolio's value.

4. EPRA vacancy rate

	31 December 2024 £'000	31 December 2023 £'000
Estimated rental value of vacant space	**–**	–
Estimated rental value of the whole portfolio	**50,202**	48,154
EPRA vacancy rate	**0.00%**	0.00%

5. EPRA cost ratio

	31 December 2024 £'000	31 December 2023 £'000
Administrative and other expenses	**7,476**	7,137
Net service charge cost	**–**	–
Total costs including and excluding vacant property costs	**7,476**	7,137
Gross rental income	**54,146**	49,659
Total EPRA cost ratio (including, and excluding, direct vacancy costs)	**13.81%**	14.37%

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.

Notes to the EPRA performance measures (unaudited) continued

For the year ended 31 December 2024

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 the below information relates to the property portfolio that has been owned and operational since 31 December 2022. It therefore excludes any rental increases or values in relation to properties acquired after 31 December 2022. Six properties whose leases were modified upon re-tenanting during this period have not been included as they do not reflect a stabilised operational lease across this period.

	Rent £'000	Market value £'000
Property portfolio as at 31 December 2022	36,793	508,306
Inflation-linked rental uplifts	1,537	
Rental uplifts in return for capital improvements or deferred payments	162	
Increase/(decrease) due to vacancy rate	–	
Property portfolio as at 31 December 2023	**38,492**	**533,860**
Inflation-linked rental uplifts	1,436	
Rental uplifts in return for capital improvements or deferred payments	995	
Increase/(decrease) due to vacancy rate	–	
Property portfolio as at 31 December 2024	**40,923**	**565,380**

All properties operate within the same sector, UK healthcare.

7. EPRA (net) LTV

	31 December 2024 £'000	31 December 2023 £'000
Gross debt	**197,760**	184,760
Include:		
Net payables	**7,149**	6,009
Less:		
Cash and cash equivalents	**(10,492)**	(9,389)
EPRA net debt	**194,417**	181,380
Investment properties at fair value	**679,036**	651,313
Financial assets	**5,000**	–
Total property value	**684,036**	651,313
EPRA (net) LTV	**28.42%**	27.85%

Alternative performance measures (unaudited)

The other alternative performance measures may not be comparable with similarly titled measures presented by other companies. Alternative performance measures should not be viewed in isolation but as supplementary information.

1. Total expense ratio (TER)

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

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Opening NAV	**478,107**	445,920
Closing NAV	**494,456**	478,107
Average NAV for the year	**486,281**	462,013
Administrative expenses	**7,476**	7,137
One-off costs	**–**	–
Recurring expenses	**7,476**	7,137
TER	**1.54%**	1.54%

2. Total accounting return

The growth in NAV per share plus dividends paid expressed as a percentage of NAV per share at the beginning of the period.

	Year ended 31 December 2024	Year ended 31 December 2023
Opening NAV per share (pence)	**115.38**	110.17
Closing NAV per share (pence)	**119.33**	115.38
NAV growth for the year (pence)	**3.95**	5.21
Dividends per share paid in the year (pence)	**6.91**	6.71
Total return (pence)	**10.86**	11.92
Total accounting return	**9.41%**	10.82%

3. Gross loan to value (LTV)

The gross debt as a percentage of our gross asset value.

	As at 31 December 2024 £'000	As at 31 December 2023 £'000
Gross debt	**197,760**	184,760
Gross assets	**698,015**	667,289
LTV	**28.33%**	27.69%

4. Property investments

This relates to the portfolio valuation along with investments via loans to operators for the acquisition of property portfolios.

	As at 31 December 2024 £'000	As at 31 December 2023 £'000
Investment property valuation	**674,861**	651,313
Assets held-for-sale	**4,175**	–
Property investments	**679,036**	651,313

Our portfolio (unaudited)

At 31 December 2024, the Group owned the homes listed in the table below:

Tenant and home	Region	Acquisition date[1]	Beds[2]	Capital projects[3]
Belmont Healthcare				
Madeira Lodge	South East	Nov 2023	48	
Wombwell Hall	South East	Nov 2023	120	
Value at 31 December 2024: £17.0m				
Careport				
Briardene	North East	Aug 2018	60	
Derwent	North East	Aug 2018	45	
Holly Lodge	North East	Nov 2018	41	
Kingston Court	North West	Jun 2019	80	
Old Prebendal House and Court	South East	Jun 2019	40	
Riverwell Beck	North West	Dec 2020	60	
Sovereign Court and Lodge[4]	North East	Aug 2018	60	
The Grove	North East	Sep 2018	57	
Value at 31 December 2024: £37.9m				
Carlton Hall				
Carlton Hall	East of England	Sep 2021	86	
Oasis Development Site	East of England	Sep 2021	–	
Value at 31 December 2024: £14.2m				
Croftwood Care[*]				
Ancliffe	North West		40	
Astbury Lodge	North West		41	
Croftwood	North West		47	
Crossways	North West		39	
Elm House	North West		40	+18
Florence Grogan	North West		40	
Garswood	North West		53	
Gleavewood	North West		32	
Golborne House	North West		45	
Greenacres	North West		40	
Hourigan	North West		40	
Ingersley Court	North West		46	
Lakelands	North West		40	

Tenant and home	Region	Acquisition date[1]	Beds[2]	Capital projects[3]
Leycester House	North West		40	+5
Loxley Hall	North West		40	
Lyndhurst	North West		40	
New Milton House	North West		39	
Parklands	North West		40	
The Cedars	North West		27	
The Elms	North West		41	
The Hawthorns	North West		39	
The Laurels	North West		40	
Thorley House	North West		40	
Turnpike Court	North West		53	+8
Wealstone	North West		42	
Westhaven	North West		52	
Whetstone Hey	North West		42	
Woodlands Court	North West		40	
Value at 31 December 2024: £83.4m				
Electus Care				
Abingdon Manor	Northern Ireland	Feb 2023	60	
Cedarhurst Lodge	Northern Ireland	Dec 2020	67	
Edgewater Lodge	Northern Ireland	Dec 2020	75	
Larne	Northern Ireland	Feb 2023	87	
Saintfield Lodge	Northern Ireland	Dec 2020	51	
Value at 31 December 2024: £23.9m				
Fulcrum Care				
Baillieston	Scotland	Aug 2022	60	
Cardonald	Scotland	Aug 2022	31	
Springhill	Scotland	Nov 2021	61	
Stobhill	Scotland	Aug 2022	60	
Value at 31 December 2024: £10.2m				

Our portfolio (unaudited) continued

Tenant and home	Region	Acquisition date[1]	Beds[2]	Capital projects[3]
Holmes Care Group				
Alexander House	Scotland	Dec 2021	40	
Almond Court	Scotland	Aug 2020	42	
Almond View	Scotland	Aug 2020	78	
Bankview (& BVDC)	Scotland	Aug 2020	65	
Barrogil House	Scotland	Dec 2021	40	
Beechwood	Scotland	Aug 2020	90	
Camilla	Scotland	Dec 2021	40	
Craigie House	Scotland	Dec 2021	30	
Cragielea	Scotland	Aug 2020	85	
Fernlea House	Scotland	Dec 2021	36	
Finavon Court	Scotland	Dec 2021	24	
Grandholm	Scotland	Aug 2020	79	
Heatherfield	Scotland	Aug 2020	60	
Larkfield	Scotland	Aug 2020	90	
Lomond View	Scotland	Dec 2021	50	
Methven House	Scotland	Dec 2021	60	
Preston House	Scotland	Dec 2021	60	
Roselea House	Scotland	Dec 2021	20	
Three Towns	Scotland	Aug 2020	60	
Walton House	Scotland	Dec 2021	40	
Willow House	Scotland	Dec 2021	40	
Value at 31 December 2024: £93.8m				
Maria Mallaband and Countrywide Group (MMCG)				
Belmont House	Yorkshire & The Humber	May 2019	106	
Croft House	Yorkshire & The Humber	Mar 2020	68	
Howgate House	Yorkshire & The Humber	Mar 2020	63	
Manor Park	Yorkshire & The Humber	Mar 2020	75	
Parksprings	Scotland	May 2019	96	
Thorntree Mews	Scotland	May 2019	40	
Wallace View	Scotland	May 2019	60	
Value at 31 December 2024: £35.5m				

Tenant and home	Region	Acquisition date[1]	Beds[2]	Capital projects[3]
Minster Care*				
Abbeywell	West Midlands		45	
Amberley	South West		30	+7
Ashgrove[5]	Yorkshire & The Humber		56	
Broadgate	East Midlands		40	
Carnbroe	Scotland	May 2018	76	
Craigend	Scotland		48	
Diamond House	East Midlands		74	
Duncote Hall	East Midlands		40	+1
Duncote, The Lakes	East Midlands		47	
Emmanuel[5]	Yorkshire & The Humber		44	
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[5]	Yorkshire & The Humber		45	
Hillcrest	South West	Nov 2021	88	
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	
Red Hill	West Midlands	Jan 2020	90	
Rydal	North East		60	
Saffron	East Midlands	Jun 2017	48	
Sovereign House	West Midlands		60	
Three Elms	North West		60	
Waterside	West Midlands		47	
Wordsley	West Midlands		44	
Value at 31 December 2024: £136.1m				

Our portfolio (unaudited) continued

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 2024: £5.8m				
Optima				
Barham	East of England	Aug 2019	44	
Baylham	East of England	Aug 2019	55	
Value at 31 December 2024: £16.1m				
Prestige Group				
Merlin Manor Care Centre	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	101	
Value at 31 December 2024: £38.8m				
Renaissance Care				
Croftbank	Scotland	Nov 2018	68	
Rosepark	Scotland	Nov 2018	60	
Value at 31 December 2024: £13.5m				
We Care				
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 2024: £6.0m				

Tenant and home	Region	Acquisition date[1]	Beds[2]	Capital projects[3]
Welford				
Argentum Lodge	South West	Sep 2019	56	
Baily House	East Midlands	Jun 2023	66	
Birchlands	Yorkshire & The Humber	Jun 2019	54	+2
Corbrook Park	North West	Jan 2024	80	
Eastleigh – East Street & Rossiter House	South West	May 2023	54	
Eastleigh – Periton Road	South West	May 2023	69	
Eastleigh – Raleigh Mead	South West	May 2023	62	
Fairview Court and House	South West	Mar 2018	81	
Isle Court	West Midlands	Jan 2024	82	
Mavern House	South West	Jan 2021	55	
Morris Care Centre	West Midlands	Jan 2024	96	
Oldbury Grange	West Midlands	Jan 2024	69	
Radbrook	West Midlands	Jan 2024	63	
Stretton Hall	West Midlands	Jan 2024	50	
St Peter's House	East of England	Dec 2020	66	
Vale View Heights Care Home	South West	Jun 2019	55	
Woodleigh Christian Care Home	East Midlands	Jun 2023	44	
Value at 31 December 2024: £146.8m				

1. May 2017 unless stated.
2. Number of registered beds.
3. Capital improvement bed additions under development.
4. Treated as two properties.
5. Assets held-for-sale at year end.
* Croftwood Care and Minster Care are both part of Minster Care Group Limited.

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 upon request.

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 20 in the financial statements for an analysis of the Company's liabilities and their maturity dates at 31 December 2024.

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 125 to 127 of the annual report.

Please refer to pages 37 and 38 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 2024 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	200.0%	200.0%
Actual	147.8%	149.9%

For the purposes of (i) the EU Alternative Investment Fund Managers Directive (Directive 2011/61/EU) (the 'EU AIFMD'); and (ii) the UK version of EU AIFMD as it forms part of UK law by virtue of the European Union (Withdrawal) Act 2018, and as implemented by the Financial Conduct Authority in the UK (the 'UK AIFMD'), leverage is any method that 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 that the AIFM may employ on behalf of the Company. The Company's investment policy has a maximum gross leverage ratio of 35% at the time of drawdown and the AIFM is required under the IMA to comply with this limit. The actual level of gearing employed by the Company at 31 December 2024 was 28.33%.

Material changes to information

Article 23 of the EU AIFMD (in respect of the marketing of the Company in the EU) and FUND 3.2.2, 3.2.5 and 3.2.6 of the UK AIFMD (in respect of the marketing of the Company in the UK) require certain information to be made available to investors before they invest (the "Required Information") and require material changes to the Required Information to be disclosed to investors. An updated copy of the Company's disclosure schedule containing the Required Information was published on 27 January 2023. There have been no other material changes to the Required Information.

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, 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 Manager has developed a plan to add value to, and improve the environmental sustainability of, the asset through targeted capital expenditure.	✓
Leases granted by the Group will be linked to inflation, have long duration (with an unexpired lease term of at least 20 years) and will not be subject to break clauses. The Group will seek to amend any future 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), 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, or as part of a structured acquisition of an asset, subject to the limitation in the final bullet below, where the Group will own the asset on the completion of the work, or has the ability to acquire the asset upon agreed conditions being satisfied.	✓
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 is 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 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.

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.

The Group is permitted to borrow up to a maximum of 35% of the gross asset value of the Group as a whole, calculated at the time of drawdown.

Any material change to the investment policy will require the prior approval of shareholders.

How we manage risk

Overview

The directors are responsible for maintaining our system of internal control and risk management, in order to safeguard our assets. This system is designed to identify, manage and mitigate the financial, operational and compliance risks we face, and to manage rather than eliminate the risk of failing to achieve our business objectives.

Risk profile

Our principal risks and uncertainties are set out on pages 37 and 38. The directors have performed robust reviews of our principal and emerging risks during the year, with the Investment Manager's support. We also consider our principal risks in the context of the UK AIFMD, which sets out certain categories of risk that the Investment Manager must take into account, in monitoring and managing risk on our behalf.

The risk register details our principal risks and our mitigations to control them. It measures each risk's inherent likelihood and impact, and the residual likelihood and impact assuming our controls operate effectively. The board updates and approves the risk register at least annually.

The board has procedures in place to ensure that we monitor and manage risks on an ongoing basis and that it receives adequate assurance that our systems and controls are operating effectively.

Risk appetite

Our risk appetite reflects the risks the board is willing to take to achieve our investment objectives, as set out on page 3. We continued to review and update our risk appetite framework during the year, as well as assessing our current and past compliance with our risk appetite.

Risk processes

Our risk governance structure is summarised on page 127:

Board

- Has ultimate responsibility for our risk management and internal control.
- Delegates certain responsibilities to the audit and management engagement committees.
- Reviews the Company's liquidity each quarter.
- Assesses our principal emerging risks twice a year.
- Assesses and articulates our risk appetite.

Audit committee

- Keeps our internal financial controls and internal control and risk management systems under review. Receives reports from the risk committee, and from service providers, and reports exceptions to the board and follows up queries with the risk committee.
- Reviews the effectiveness of the risk management framework each year.
- Reviews and approves the statements to be included in the annual report concerning internal controls and risk management.
- Reviews and approves statements explaining how assets have been invested, with a view to spreading investment risk.

Management engagement committee

- Considers risk issues arising from the functions performed by service providers and reported to the management engagement committee or board as necessary.

Investment Manager

- Performs portfolio and risk management functions, including monitoring the systems and controls for managing risk.
- Oversees operational risks and reviews principal risks.
- Forecasts cash flows and monitors compliance with debt covenants.
- Monitors our compliance with the qualifying conditions set out in the UK REIT rules (Corporation Tax Act 2010).
- Has appointed Carne Global AIFM Solutions (C.I.) Limited to carry out risk management on its behalf.

Risk committee of the Investment Manager

- Identifies key and emerging risks and the controls to mitigate those risks (documented in the risk register).
- Assesses the materiality of each risk, according to its likelihood and potential impact (documented in the risk register).
- Assesses control effectiveness each quarter, via reporting on key risks by the Investment Manager, Administrator, registrar and Depositary.
- Agrees actions for risks that are outside our tolerance, ensures that risk events, errors and breaches are appropriately remedied, and that controls are enhanced to prevent reoccurrence.
- Reviews risks to our business model, future performance, solvency or liquidity, in the context of the going concern and long-term viability statements.
- Reviews counterparty credit risk, with reference to our financing arrangements and policies.
- Reviews regulatory risk via the Administrator's compliance monitoring and the Investment Manager's monitoring of the REIT conditions.
- Assesses service provider risk via Service Organisation Control reports and due diligence reviews.
- Reports key matters to the audit committee.

Company Secretary and Administrator

- Monitors compliance with the UK Listing Rules and the Disclosure Guidance and Transparency Rules.
- Prepares quarterly management accounts.

Depositary

- Reviews risks relevant to the depositary function in accordance with the requirements of UK AIFMD.
- Includes verification of assets, payment of expenses, leverage limits, investment restrictions, cash flow monitoring and good title to assets.

Service providers

- Responsible for monitoring their own internal control systems, to ensure they properly manage risk when performing services for us.

How we manage risk continued

Internal control processes

The audit committee, working with the Investment Manager and Administrator, reviews the Group's systems of risk management and their effectiveness, on behalf of the board. These systems and processes were in place for the year under review and remained in place up to the date of approval of the annual report and accounts.

Our 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 our conflicts policy.

In addition, the board has a Financial Position & Prospects Procedures board memorandum, which the audit committee reviews annually and updates when required. This sets out our procedures for identifying the information needed to monitor the business and manage risk, so we can make proper judgements on our financial position and prospects. It also details our procedures to identify, assess and document the risk factors likely to affect our financial position and prospects and any changes, and the preparation and communication to the directors of related information. This was last reviewed at the audit committee meeting in November 2023.

The risk committee of the Investment Manager addresses changes to our internal controls, or controls to respond to changing risks, and escalates to the audit committee or 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 our 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 received a report from the Investment Manager that summarises its internal controls and confirms that the controls are operating effectively. The directors have also received bridging letters from service providers to provide assurance that their controls continued to operate effectively throughout the period under review, where the service providers' own review of their internal controls is not coterminous with our reporting period.

Financial reporting

We have internal control and risk management arrangements relating to our financial reporting processes and preparing our consolidated accounts, with the Investment Manager and Administrator's support. We have established and documented our internal management reporting and external statutory reporting timetables and delivery requirements. The Administrator controls these and communicates them regularly.

The arrangements include the Administrator's procedures to maintain records that accurately and fairly reflect transactions. The Investment Manager reviews and comments on the records, to confirm the appropriate treatment.

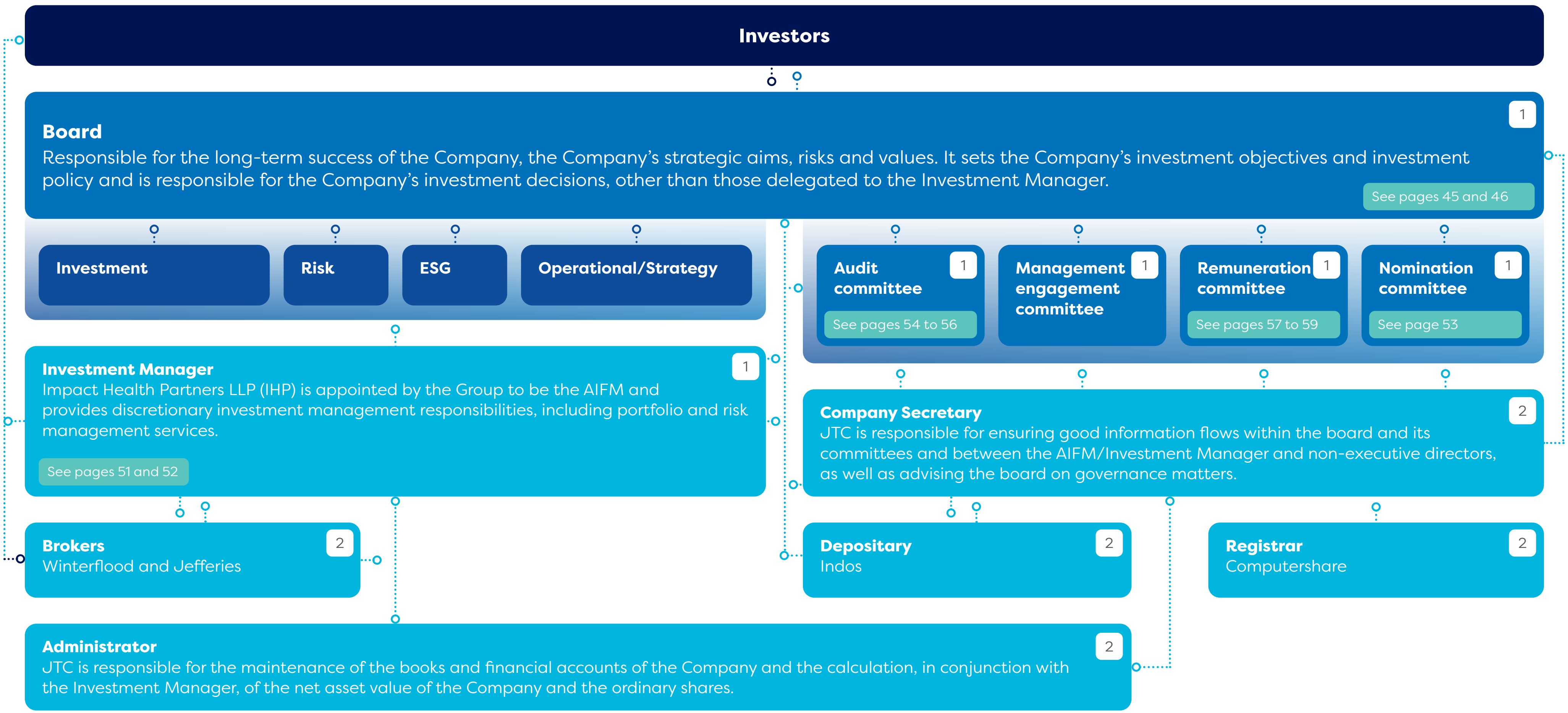
Where we are adopting new reporting standards or financial reporting approaches, due to either changing regulation or new contractual arrangements, the Administrator, in collaboration with the Investment Manager, prepares an assessment of this treatment and discusses it with the audit committee. Where required, third-party advisers are consulted. This enables us to prepare financial statements in accordance with UK-adopted International Financial Reporting Standards (IFRS), or FRS 102, as appropriate, with reasonable assurance. Reported data is reviewed and reconciled by the Administrator, in collaboration with the Investment Manager, with appropriate monitoring internally and by the audit committee.

We monitor our ongoing financial performance through the Administrator reporting regularly to the Investment Manager, with performance then reported to the board.

We regulate our capital investment and all revenue expenditure through our budget process and authorisation levels. The Investment Manager prepares a budget which the board approves annually, and the board receives quarterly reports of performance against budget. The Administrator also tracks expenditure and investment against budget. Payment of Investment Manager fees are presented to an individual director for sign off.

How we manage risk continued

Internal controls



1. Decision-making responsibilities.
2. Independent support, review and advice.

Glossary

(Acquisition) yield: Initial rent divided by the consideration paid on acquisition (or cash outlay for capex projects)

Adjusted EPS: Adjusted earnings per share

Administrator: JTC (UK) Limited

AIC: Association of Investment Companies

AIFM: Alternative Investment Fund Manager

BDO: BDO LLP

BREEAM: Building Research Establishment Environmental Assessment Method

Capex: Capital expenditure

CMA: Competitions and Markets Authority

Contracted rent: The annualised rent adjusting for rent due following rent-free periods, expected stabilised rent under profit share agreements and including post-tax income from interest received from property investments made via loans to operators for the acquisition or development of property

Contracted yield: Contracted rent divided by the independent market value of the portfolio

CQC: Care Quality Commission

CRREM: Carbon Risk Real Estate Monitor

EBITDARM: Earnings before interest, tax, depreciation, amortisation, rent and management charges

EPC: Energy performance certificate

EPRA: European Public Real Estate Association

EPS: Earnings per share

ESG: Environmental, social and governance

FCA: Financial Conduct Authority

GHG: Greenhouse gas

ICSA: The Chartered Governance Institute

Investment Manager: Impact Health Partners LLP

IPO: Initial public offering

LTV: Gross 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

Property investments: This relates to the portfolio valuation along with investments via loans to operators for the acquisition of property portfolios

RCF: Revolving credit facility

REIT: Real estate investment trust

Rent cover: EBITDARM for the year divided by total annual rent. Operator EBITDARM, where there is a guarantee from the parent entity, will include net income from all operations of the Group (where reported). This is consistent with prior year reporting

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

SONIA: Sterling Over Night Index Average

SPV: Special purpose vehicle

Total accounting return: The growth in NAV per share plus dividends paid expressed as a percentage of NAV per share at the beginning of the period

WAULT: Weighted average unexpired lease term

Corporate information

Directors
Amanda Aldridge Non-executive director

Rosemary Boot Senior independent non-executive director

Cedi Frederick Non-executive director

Simon Laffin Non-executive Chair

Chris Santer Non-executive director

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Financial calendar

Announcement of full-year results	13 March 2025
Annual General Meeting	22 May 2025
Half year end	30 June 2025
Announcement of half-year results	August 2025
Full year end	31 December 2025

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