

Impact Healthcare REIT plc

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

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024**Strong financial and operational performance**

The Board of Directors of Impact Healthcare REIT plc (ticker: IHR), the real estate investment trust which gives investors exposure to a diversified portfolio of UK healthcare real estate assets, in particular care homes, today announces the Company's half year results for the six months ended 30 June 2024.

Summary

The business continues to perform in line with our expectations. In the first half of the year, inflation-linked rent increases and stable yields drove a 2.9% increase in like-for-like investment property value. As a result, Net Asset Value grew by 2.5% to £490.2 million. Total accounting return for the period was 5.5%. This performance is underpinned by a strong balance sheet, with a loan-to-value of 27.8%. Drawn debt was £189.8 million from £250 million of committed debt facilities, of which the weighted average term is 5.8 years¹. No debt falls due until 2026.

Simon Laffin, Chair, commented:

"We very much welcome the independent inquiry into the National Health Service, led by Lord Darzi, and welcome any opportunity to participate. Care homes for the elderly are a critical and growing part of our health infrastructure, particularly with an ageing population. Care homes provide a better environment than hospital wards for frail, elderly people, not needing intensive medical care. Moreover, care homes can play a key role in helping to free up hospital beds by taking patients awaiting discharge. This would reduce NHS waiting lists and support more efficiency in hospitals. At present it is estimated that 13,000² patients are still in hospital only because they are not being offered care in the community such as step-down, nursing or residential care beds.

We aim to provide residential care homes which are both high-quality and affordable, in order to deliver long-term sustainable returns to our shareholders. All our lease rentals are inflation-linked, and the vast majority are capped at 4%, with a minimum of 2%, per annum. The spike in inflation to double digits in 2023 therefore did not flow fully into rent increases, but strengthened the financial viability of our tenants. Strong performances from our tenants are a key factor in reducing risk to our income stream and improving our risk-adjusted returns and valuations. We were able to increase our fully covered dividend this year, whilst keeping rents affordable for our tenants. The latest tenants' average annual rent cover is 2.19x³ which is the highest it has been since the Company's inception. The affordability of our rent to tenants, and consequently the affordability of care home fees to residents, are moreover crucial to the continued successful provision of residential and nursing care."

Financial highlights

- 2.7% increase in second quarter dividend of 1.7375p, in line with the 2.7% increase targeted for the whole year of 6.95 pence per share⁴. Dividends for the first half of the year are 122% covered by our EPRA EPS and 106% by adjusted EPS.
- 3.8% increase in rent for 102 homes following rent reviews in the first half of 2024. 4.7% increase to £51.1 million in annual contracted rent roll⁵ (at 31 December 2023: £48.8 million).
- At 30 June 2024, 2.6% increase in EPRA NTA to £488.9 million (117.98 pence per share) and 2.9% increase in property investments independently valued at £670.1 million. 5.5% total accounting return for the six month period to 30 June 2024 (not annualised).
- At 30 June 2024, 27.8% EPRA (net) LTV (31 December 2023: 27.8%), £250.0 million committed bank facilities of which £189.8 million was drawn; weighted average term of debt facilities (excluding options to extend) was 5.8 years¹. 92% of our drawn debt facilities are fixed or hedged against interest rate rises for the remainder of this financial year, with an average cost of drawn debt of 4.63%. At 30 June 2024, the Group had £60.2 million of undrawn debt facilities and £9.6 million cash.
- Post period end exchange or disposal of five non-core assets at book value of £8.8 million.

	Six months ended 30 June 2024 (unaudited)	Six months ended 30 June 2023 (unaudited)	Change to H1'23	Year ended 31 December 2023 (audited)	Change to FY23
Dividends declared per share	3.475p	3.385p	+2.7%	6.77	

Profit before tax	£26.33m	£27.59m	-4.6%	£48.83m
Earnings per share ("EPS")	6.35p	6.66p	-4.7%	11.79p
EPRA EPS	4.25p	4.15p	+2.4%	8.33p
Adjusted earnings per share	3.69p	3.69p	–	7.28p
Adjusted earnings dividend cover	106%	109%		108%
Contracted annual rent roll⁵	£51.1m	£48.1m		£48.8m +4.7%
Property Investments	£670.1m	£638.2m		£651.3m +2.9%
EPRA Net tangible assets ("EPRA NTA") per share	117.98p	113.08p		114.96p +2.6%
Net loan to value (EPRA LTV)	27.8%	27.6%		27.8%
Total accounting return	5.51%	6.17%	-66 bps	10.82%
Cash	£9.6m	£22.1m		£9.4m +2.1%

Operational highlights

- 2.19 times average annual rent cover³, the highest it has been since the Company's inception.
- 100% collection of the rent due in the period with no voids. There was no rent due in the period on the ex-Silverline homes, three of these seven homes were recently transferred to a new long-term tenant, We Care. The ex-Silverline homes continue to recover in line with our expectations.
- 88.9% underlying resident occupancy at the end of June 2024, up from 88.2% at the start of the period⁶.
- £11.6 million of asset management projects committed to in the first half of 2024 with an expected effective yield of 8%. 16 projects in the pipeline, with anticipated capital funding of £26.8 million over the next two to three years.

	At 30 June 2024	At 30 June 2023	At 31 December 2023	Change to FY23
Topped-up net initial yield	6.98%	6.95%	6.92%	+6 bps
Rents containing inflation-linked uplifts	100%	100%	100%	–
WAULT to first tenant break	20.5 years	21.2 years	20.8 years	(0.3) years
Portfolio let	100%	100%	100%	–
Average annual rent cover³	2.19	1.82	2.00	9.5%
Rent Collection	100%	98%	99%	+1.0%
Properties	140	140	140	–
Beds	7,721	7,725	7,721	–
Tenants⁷	15	14	14	+1

Developing plans to improve the social impact and environmental sustainability of our portfolio

- We set a target that at least 50% of our homes would be rated EPC B by 2025 and 100% by 2030. We have achieved the interim target with 57% at EPC B or better based on English equivalent ratings as at 30 June 2024. Our longer term target is net zero status by 2045 with interim targets to reduce like-for-like carbon emissions by 15% by 2025 and 50% by 2030. We have committed to £11.6 million in capital projects in the half year of which £1.2 million is on sustainability improvements, all of which is being rentalised, growing the income of the Company.
- We are improving our access to underlying tenant energy performance data through regular direct data capture, enabling us to more accurately identify homes where sustainability improvements are most needed.

Name change

- In May 2024, the Financial Conduct Authority updated its Sustainability Disclosure Requirements (“SDR”). The new regulations will restrict the use of certain sustainable terms in products available to retail investors from December 2024. The word “Impact” is specifically proscribed unless the primary aim of the business is social impact, as measured by a high threshold of reporting requirements. To avoid confusion and to comply with these new requirements, the Company will change its name in the coming months and will provide further details in due course.

Post period end disposal at latest book value of five non-core cares for £8.8 million

- As previously announced, we exchanged on the sale of three care homes in East Yorkshire for a total consideration of £4.3 million, and also exchanged and simultaneously completed on the sale of two care homes for a total consideration of £4.5 million, which is in line with latest valuation of these homes. This is part of our ongoing active portfolio management programme.

HALF YEAR RESULTS PRESENTATION

The Company presentation for investors and analysts will take place at 9.00am (BST) today via a live webcast and conference call.

To access the live webcast, please register in advance here:

<https://stream.brrmedia.co.uk/broadcast/6695223836704318d5bcf290>

The live conference call dial-in is available using the below details:

Dial in numbers	UK Toll Free:	0808 109 0700
	UK & International:	+44 (0) 33 0551 0200

Password to quote: Impact Healthcare REIT Half Year Results

Participants can type questions into the webcast question box or ask questions verbally via the conference call.

The recording of the results presentation will be available later in the day via the Company’s website:

<https://www.impactreit.uk/investors/reporting-centre/presentations/>

FOR FURTHER INFORMATION, PLEASE CONTACT:

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The Company’s LEI is 213800AX3FHPMJL4IJ53.

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

NOTES

Impact Healthcare REIT plc acquires, renovates, extends and redevelops high quality healthcare real estate assets in the UK and lets these assets on long-term full repairing and insuring leases to high-

quality established healthcare operators which offer good quality care, under leases which provide the Company with attractive levels of rent cover.

The Company aims to provide shareholders with an attractive sustainable return, principally in the form of quarterly income distributions and with the potential for capital and income growth, through exposure to a diversified and resilient portfolio of UK healthcare real estate assets, in particular care homes for the elderly.

The Company's dividend policy is to seek to maintain a progressive dividend that is covered by adjusted earnings.

On this basis, the target total dividend for the year ending 31 December 2024 is 6.95 pence per share³, a 0.18 pence increase over the 6.77 pence in dividends paid per ordinary share for the year ended 31 December 2023.

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

Notes

- ¹ This assumes the extensions of the NatWest facility have not been exercised, including these the weighted average term of debt facilities would be 6.2 years.
- ² Estimated figure from NHS England article: <https://commonslibrary.parliament.uk/delayed-hospital-discharges-and-adult-social-care/>.
- ³ Average annual rent cover is a defined term in the Glossary.
- ⁴ 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.
- ⁵ Contracted rent is a defined term in the Glossary.
- ⁶ Excludes three turn-around assets transferred to We Care that are part of an operational turnaround plan.
- ⁷ Including Croftwood and Minster, which are both part of the Minster Care Group, and Melrose Holdings Limited which is an affiliate.

2024 half year report

We are a real estate company that's deeply immersed in the social infrastructure of this country. Care for vulnerable adults, especially older people, is a vital social service. Our business model works by ensuring that our rent levels are affordable to care home operators, and hence the fees they charge to the residents in the homes are also affordable. Around 70% of residents in our homes are funded by local authorities or the NHS, so rent must be affordable within their constraints as well. We take pride in providing accommodation to so many residents who rely on state funding.

Responsibility for the quality of care and maintenance of homes lies with the care home operators. However, we set standards and monitor both carefully as a responsible landlord in the care sector.

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

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.

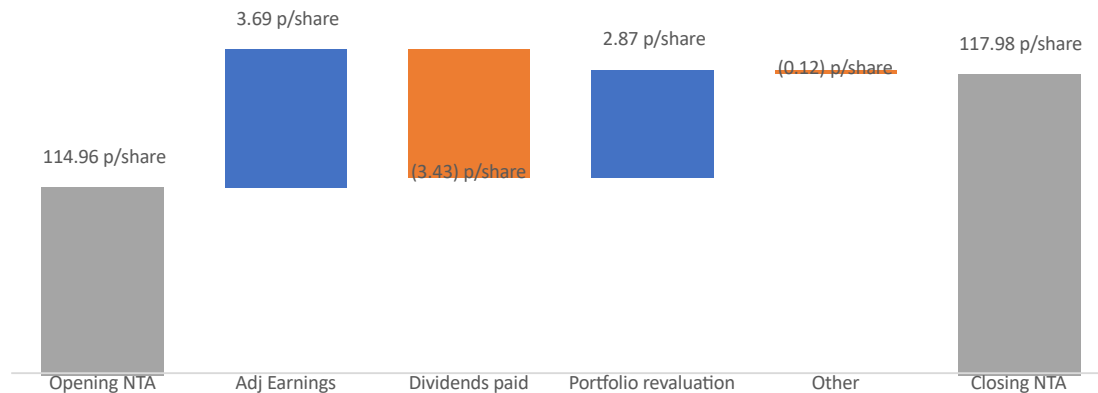
Consistent with our 2023 Annual Report, we have outlined below how we are putting our purpose into practice in the six months to 30 June 2024:

1. Growing our business so we can invest in much needed care home beds

Financial performance

We own 140 buildings, independently valued at £670.1 million as at 30 June 2024, a 2.9% increase from £651.3 million at last year-end. This is on a like-for-like basis increase with no acquisitions or disposals in the period, driven mainly by inflation-linked rental uplifts. Our 140 buildings offer 7,721 beds, with an average size of 55 beds per home. There are an estimated 465,000 beds for elderly care in the UK, so we now own 1.7% of a highly fragmented market.

Our EPRA NTA grew by 2.6% to £488.9 million or 117.98 pence per share, up from £476.4 million and 114.96p. Growth in net assets was primarily driven by the increase in portfolio value from rent reviews in the period, with the average topped-up net initial yield marginally higher at 6.98% compared to 6.92% at the last year end. This was supported by retained earnings, with dividends paid in the period, fully covered.



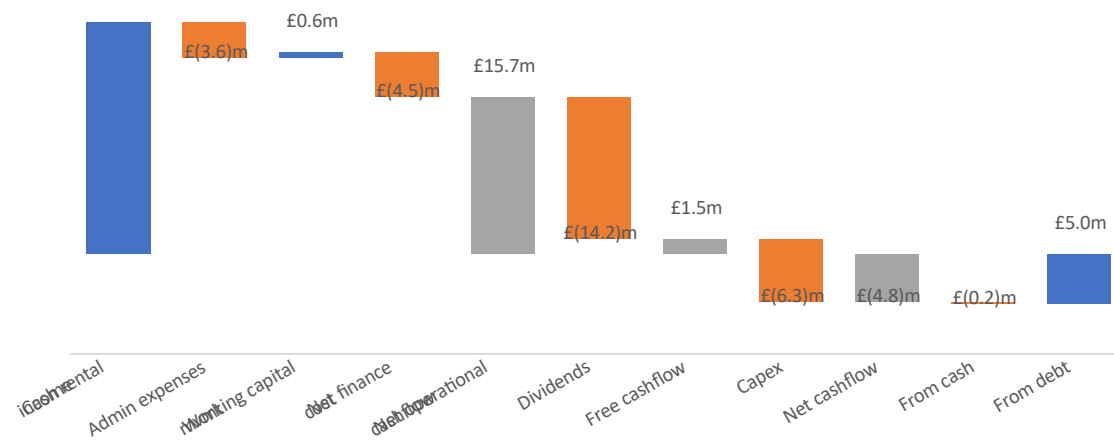
Profit before tax was £26.3 million (6.35 pence per share), down against the same period in the prior year of £27.6 million (6.66 pence per share). The difference is largely due to an uplift of £1.2m from acquisitions in the same period last year that has not been replicated. Excluding valuation movements, EPRA earnings were up £0.4 million to £17.6 million (4.25p per share) and adjusted earnings were flat at £15.3 million (3.69p per share).

Net rental income grew by £4.1 million to £26.8 million. In the prior period, certain recently acquired properties were being held temporarily through an interest-bearing loan generating interest income rather than rental income. We converted these into freehold ownership at the end of June 2023 (£3.7 million). A further £0.4 million of the increase was from rent reviews and rent increases from capital improvements. Costs are being tightly controlled despite inflationary pressures and were marginally lower at £3.6 million versus £3.7 million in the prior year. Interest costs increased by £0.9 million. Bank of England base rates grew from 3.5% to 5% in the six months to June last year but were consistently 5.25% over the six months to June 2024. Our weighted average cost of drawn debt including fixed rate debt and hedging was 4.63% at the period end.

The Company has set a dividend target for this year of 6.95 pence per share¹, up 2.7% on 2023. We have already declared two dividends for the first two quarters of the year of 1.7375 pence each, in line with that target. We aim to deliver a covered dividend (i.e. not paying out more in dividends than the Company's adjusted earnings). In the first half of 2024, dividends declared were 122% covered by our EPRA EPS and 106% by adjusted EPS.

Our total accounting return for the six months to 30 June 2024 was 5.51% (not annualised).

As illustrated below, the Group's operating costs and dividends remain fully funded from operational cashflows.



Financing growth

The business generated £20.2 million cash in the first half, paid £4.3 million in financing costs leaving £16.0 million net operational cash flow, of which £14.2 million was paid out in dividends to shareholders,

with a further £6.3 million was invested back into capital improvements. As a result, with a number of other small items, net debt rose by £4.7 million.

We continue to take a conservative approach to managing the Group's balance sheet in the current economic situation. At 30 June 2024, the Group had four debt facilities totalling £250.0 million, of which £189.8 million was drawn (31 December 2023: £184.8 million), giving a EPRA (net) LTV of 27.8% (31 December 2023: 27.8%).

Our net debt (debt drawn plus net payables, less cash) increased to £186.1 million compared to £181.4 million at 31 December 2023. We invested £5.4 million of capital expenditure on existing assets in the period that will be rentalised at above 8% upon completion of the individual projects.

The average monthly interest cost of our drawn debt, after hedging, was £0.66 million in the first half, when Bank of England base rates remained stable at 5.25%. Subject to disposals and further capital expenditure, we would anticipate a similar interest cost in the second half of 2024. Our average cost of drawn debt at 30 June 2024 was 4.63% and increases/decreases by 4 bps for every further 50 bps movement in SONIA with our current level of hedging.

The Group has £69.8 million of available funding, of which £20.2 million has been reserved against committed capital projects. The Group continues to actively manage the portfolio for non-core disposals and, shortly after the period end, the Group announced the disposal of five homes for £8.8 million in line with book value. Proceeds will be used initially to repay the RCF facilities and reduce interest costs. With base rates now at 5% and debt margins of 2%, we are exploring capital expenditure projects and investment opportunities that are accretive, over the long term, whether delivered from incremental drawn debt or disposals through active portfolio management.

As at 30 June 2024, the weighted average term of debt facilities (excluding options to extend) was 5.8 years². 92% of our drawn debt was fixed or capped against interest rate rises. The Group has no immediate refinancing activities with the earliest refinancing being in April 2026. Interest rate caps were put in place in 2023 which expire in January 2025 (SONIA cap at 3% for £50 million) and August 2025 (SONIA cap at 4% for £50 million). In advance of their expiry, we are currently appraising alternative hedging options.



Engaging with shareholders

We announced our annual results for the year to 31 December 2023 in the period with an annual results presentation. We conducted a roadshow for analysts and shareholders in February 2024 which was well attended. The AGM in May 2024 included a vote on the continuation of the Company, and we were delighted to receive 100% vote in favour of this resolution and thank shareholders for their continued support.

2. Working with our tenants and focus on affordability

Adding tenants and growing with them

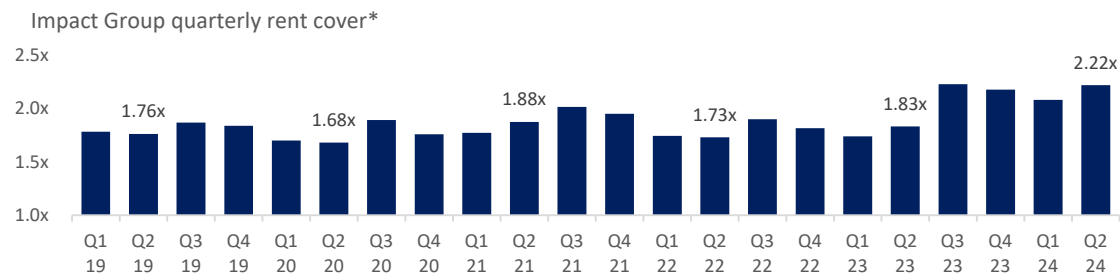
We reported extensively in our annual report on the replacement of one tenant, Silverline, with an affiliate of Minster, Melrose to manage seven of our homes. We have been actively working with Melrose on the long term strategy for these seven homes and we welcomed our 15th tenant³ to the Group, We Care, who have taken on the operations of the three homes in Bradford with leases extended up to 35 years. The Company has granted a rent-free period to We Care and lease incentives of £1.46 million of which £0.25 million is additional cash to invest directly in the homes. These incentives will enable We Care to complete the refurbishment of the homes and they are expected to be fully recovered over the life of the leases. It is anticipated that the Bradford portfolio under We Care's operation will resume paying rent in the first quarter of 2025. We Care is an experienced operator with over 30 homes located throughout the North of England. As an operator, it has significant experience with turnaround homes, including in the Bradford submarket. The four remaining ex-Silverline homes in Scotland, which

have historically been stronger performers than those in Bradford, are cashflow positive. They continue to be operated by Melrose, while alternative longer-term solutions are being explored.

WAULT across our portfolio reduced from 20.8 years to 20.5 years across the half year with the restructure of the leases with We Care partially offsetting the 0.5 year reduction due to the passage of time.

Monitoring our tenant performance

We continue to be proactive in our engagement with tenants, from whom we received detailed monthly performance data. We monitor the key drivers of tenant performance: occupancy; average weekly fees charged by tenants for the care they provide; staff costs; agency staff usage; and utility costs. Our tenants are continuing to perform well with average annual rent cover of 2.19x⁴. This includes the costs of wage increases including the 10% increase in minimum wage that came into effect in April 2024 but doesn't yet have the full benefit of increases in average weekly fees from local authorities, which are currently averaging around 7%. The continued focus on efficiency in care home operations by our tenants, with the improvement in certain costs such as utility costs and inflationary capped increases in our underlying rent, mean that our tenants are well placed to continue to deliver strong rent cover in 2024.



* This is quarterly data which is used in the calculation of average annual rent cover and excludes seven turnaround homes.

102 homes had rent reviews in the first half of 2024 with an average rent increase of 3.8% contributing £0.3 million to rental income in the period and £1.3 million to contracted rent.

3. Our focus on quality

Everyone gains from successful asset management: the residents who live in our homes; our tenants who operate the homes and their staff who work there; and us as its owner. When we invest to improve our homes, the lease terms typically allow us to rentalise the investment, which we target at greater than 8%, with potential for valuation uplift on the capital invested, giving a rate of return above just the yield alone.

During the six months to 30 June 2024, we have invested £5.4 million across 12 homes, enhancing both the quality of the environment and energy efficiency. The main projects active in the period are summarised below:

Asset and tenant	Amount committed	Project Benefits
Elm House Croftwood	£3m	Extension with 21-high specification bedrooms, new ensuites and improved EPC (C to B).
Amberley Minster	£2.5m	Extension to create 16 new bedrooms and updating existing resident lounges. Improved EPC (C to B).
Leycester House Croftwood	£1.2m	Extension to create four additional bedrooms and adding 19 ensuites and improved EPC (C to B).
Turnpike Court Croftwood	£1.1m	Extension to create eight additional bedrooms and day spaces and improved EPC (C to B).
Kingston Court Careport	£1m	Upgrading of 24 bedrooms to include wetrooms. Refurbishment of communal spaces with dementia-orientated design.

Wombwell Hall Belmont	£2.5m	First phase of upgrading of existing units to include wetrooms and refurbished resident day spaces.
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The quality of care, provided by our tenants to their residents, is monitored by regulators including the Care Quality Commission (“CQC”) in England and Care Inspectorate (“CI”) in Scotland. We review these inspection reports closely and, where appropriate, discuss the outcomes with our tenants and their plans to respond to any recommendations. We will closely monitor the new government plans to overhaul the CQC regime.

4. Increasing our sustainability

We published our sustainability report for 2023 on 28 June 2024, which is available on our website, and we are aiming to retain our EPRA sBPR gold award for the fifth year running.

As outlined in this report, we are making positive progress on the EPC rating of our homes with 57% rated EPC B (English equivalent) or higher against a target of 50% and we remain in line to deliver against our target of 100% EPC B or higher by 2030.

Alongside this we have set ourselves a target of helping our tenants reduce their CO₂ emissions by 15% (Scope 3 emissions for the Group against the benchmark of 2022) by 2025. In 2023 these CO₂ emissions increased on a per m² per annum basis from 50kg to 54kg. Our asset management activities, outlined above, are part of the solution to help reduce this and we are continuing to work with our tenants to improve the quality and timeliness of data being reported on emissions so we can focus our near-term efforts on reducing these in line with the target.

- 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.
- ² This assumes the extensions of the NatWest facility have not been exercised, including these the weighted average term of debt facilities would be 6.2 years.
- ³ Including Croftwood and Minster, which are both part of the Minster Care Group, and Melrose Holdings Limited which is an affiliate.
- ⁴ Average annual rent cover is a defined term in the Glossary.

KEY PERFORMANCE INDICATORS

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

1. Total Accounting Return (“TAR”)

5.51% for the period to 30 June 2024 (-66 bps on H1 2023)

Definition: The change in the net asset value (“NAV”) over the period, plus dividends paid in the period, as a percentage of NAV at the start of the period.

2. Dividends

3.48p per share for the period to 30 June 2024 (+2.7% on H1 2023)

Definition: Dividends declared in relation to the period.

3. EPRA earnings per share

4.25p per share for the period to 30 June 2024 (+2.4% on H1 2023)

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

4. EPRA ‘topped-up’ Net Initial Yield (“NIY”)

6.98% at 30 June 2024 (+6 bps on 2023)

Definition: Annualised rental income based on the cash rents passing on the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property portfolio, increased by 6.3% to reflect a buyer’s costs and adjusted for the expiration of rent-free periods or other unexpired lease incentives.

5. NAV per share

118.31p per share at 30 June 2024 (+2.5% on 2023)

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

6. Net Loan to Value (“EPRA LTV”)

27.8% as at 30 June 2024 (No change on 2023)

Definition: The proportion of our investment portfolio’s value that is funded by net debt.

7. Weighted Average Unexpired Lease Term (“WAULT”)

20.5 years as at 30 June 2024 (-0.3 years on 2023)

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

8. Total Expense Ratio (“TER”)

1.47% as at 30 June 2024 (-8 bps on 2023)

Definition: Total recurring administration costs as a percentage of average net asset value throughout the period. EPRA cost ratio was 13.3% (2023: 14.4%).

9. Average annual rent cover

2.19¹ times as at 30 June 2024 (+9.5% on 2023)

Definition: Rent cover is the measure of EBITDARM divided by rent for the year. EBITDARM is a measure of care home level EBITDA before rent and tenants’ central management costs.

¹ Annual average rent cover is a defined term in the Glossary.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board regularly evaluates the performance of and risks to the business. The principal risks and uncertainties continue to be those outlined on pages 39-42 of our 2023 Annual report dated 22 March 2024 and the Board expects that these will remain valid for the remainder of the year.

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

Infectious diseases – 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 our portfolio and our ability to work with tenants successfully.

Significant tenant default – This is the risk that either a single large tenant (more than 10% of rent roll) defaults 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 (37% of rent, including affiliates), would be critical and is why the risk is outside of our risk tolerance. This could reduce our revenues and asset values.

Interim update – The re-tenanting of the ex-Silverline homes in Bradford to We Care in May 2024 highlights the risk of tenant failure, but also the Group’s ability to respond and mitigate the risk.

Underinvestment in care homes – 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 (such as limiting the size of a care home); or, failure to consider the effects of climate change which could accelerate obsolescence of our care homes (both physical and low carbon transition risks) including minimum requirements for EPCs and to meet our net zero target by 2045.

Economic disruption – 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. High inflation has led to sharp increases in interest rates, hitting property valuations across all sectors and placing pressure on the financial covenants of our debt facilities which if breached, could result in the banks taking security over our assets. While inflation has come down, interest rates are not expected to return to the previous very low levels.

Interim update – The most recent inflation data is positive, with inflation falling to 2%, in line with government targets, and indications that interest rates may have peaked now that the Bank of England has reduced the base rate to 5%.

Political events – Changes to government in the next 12 months are likely to heighten the risk of changes in policy and funding that affect our market. Increased regulation, changes to immigration or changes to care worker pay levels alongside the risk of alternative ways of providing care could make it harder for our tenants to pay their rent, reducing the value of our properties.

Interim update – We welcome the opportunity to engage with the new government, looking forward to a period of relative stability.

Reputational damage – Circumstances that could damage our reputation include our tenants providing poor care or breaching standards around matters like 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 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.

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

DIRECTORS' RESPONSIBILITIES

The directors confirm that to the best of their knowledge, this condensed set of financial statements has been prepared in accordance with IAS 34 in conformity with the requirements of the Companies Act 2006 and that the operating and financial review contained within the Investment Manager's report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 of the Disclosure Guidance and Transparency rules of the United Kingdom's Financial Conduct Authority, namely:

- an indication of important events that have occurred during the first period of the financial year and their impact on the condensed financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first period of the financial year and any material changes in the related party transactions disclosed in the 2023 annual report as disclosed in note 22.

During the half-year, Philip Hall stepped down from the Board at the AGM on 21 May 2024 and Cedi Frederick was appointed as a new non-executive director with effect from 1 April 2024. Biographies of each of the current directors are shown on page 49-50 in the 2023 Annual report.

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

For and on behalf of the board
Simon Laffin
Chair
7 August 2024

Condensed consolidated statement of comprehensive income

	Notes	Six months ended 30 June 2024 (unaudited) £'000	Six months ended 30 June 2023 (unaudited) £'000	Year ended 31 December 2023 (audited) £'000
Gross rental income	5	26,803	23,063	49,659
Bad debts written off	5	–	(350)	(236)
Insurance/service charge income	5	345	421	871
Insurance/service charge expense	5	(345)	(421)	(871)
Net rental income		26,803	22,713	49,423
Administrative and other expenses		(3,558)	(3,681)	(7,137)
Loss on disposal of investment properties		–	(16)	(16)
Operating profit before changes in fair value		23,245	19,016	42,270
Changes in fair value of investment properties	9	8,260	9,340	14,788
Operating profit		31,505	28,356	57,058
Finance income		119	3,656	3,761
Finance expense		(5,291)	(4,423)	(11,988)
Profit before tax		26,333	27,589	48,831
Tax charge on profit for the period/year	6	–	–	–
Profit and total comprehensive income (attributable to shareholders)		26,333	27,589	48,831

Earnings per share – basic and diluted (pence)

7

6.35p

6.66p

11.79p

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

Condensed consolidated statement of financial position

	Notes	As at 30 June 2024 (unaudited) £'000	As at 30 June 2023 (unaudited) £'000	As at 31 December 2023 (audited) £'000
Non-current assets				
Investment property	9	629,701	606,719	616,006
Interest rate derivatives	11	1,356	2,304	1,750
Trade and other receivables	12	43,168	34,810	39,237
Total non-current assets		674,225	643,833	656,993
Current assets				
Trade and other receivables		465	2,350	907
Cash and cash equivalents		9,583	22,053	9,389
Total current assets		10,048	24,403	10,296
Total assets		684,273	668,236	667,289
Current liabilities				
Trade and other payables		(6,356)	(9,616)	(6,915)
Total current liabilities		(6,356)	(9,616)	(6,915)
Non-current liabilities				
Borrowings	10	(185,430)	(185,329)	(179,937)
Trade and other payables		(2,260)	(2,400)	(2,330)
Total non-current liabilities		(187,690)	(187,729)	(182,267)
Total liabilities		(194,046)	(197,345)	(189,182)
Total net assets		490,227	470,891	478,107
Equity				
Share capital	13	4,144	4,144	4,144
Share premium reserve	14	376,716	376,716	376,716
Capital reduction reserve		24,077	24,077	24,077
Retained earnings		85,290	65,954	73,170
Total equity		490,227	470,891	478,107
Net Asset Value per ordinary share (pence)	16	118.31p	113.64p	115.38p

Condensed consolidated statement of cash flows

	Notes	Six months ended 30 June 2024 (unaudited) £'000	Six months ended 30 June 2023 (unaudited) £'000	Year ended 31 December 2023 (audited) £'000
Cash flows from operating activities				
Profit for the period/year (attributable to equity shareholders)		26,333	27,589	48,831
Finance income		(119)	(3,656)	(3,761)
Finance expense		5,291	4,423	11,988
Loss on disposal of investment properties		–	16	16
Changes in fair value of investment properties	9	(8,260)	(9,340)	(14,788)
Net cash flow before working capital changes		23,245	19,032	42,286
Working capital changes				
Increase in trade and other receivables (Decrease)/increase in trade and other payables		(3,184)	(3,086)	(6,308)
		127	927	(2,618)
Net cash flow from operating activities		20,188	16,873	33,360

Investing activities					
Purchase of investment properties	9	–	(44,800)	(44,799)	
Proceeds on sale of investment property	9	–	1,234	1,234	
Acquisition costs paid in period		–	(1,555)	(1,765)	
Capital improvements paid in period		(6,299)	(857)	(3,375)	
Loan advanced to operator		–	(971)	(1,600)	
Interest received		67	1,872	3,695	
Net cash flow used in investing activities		(6,232)	(45,077)	(46,610)	
Financing activities					
Issue costs of ordinary share capital	14	–	(30)	(30)	
Bank borrowings drawn	10	28,000	68,500	82,500	
Bank borrowings repaid	10	(23,000)	(20,000)	(40,000)	
Loan arrangement fees paid		(292)	(1,596)	(2,827)	
Loan commitment fees paid		(300)	(220)	(528)	
Interest paid on bank borrowings		(4,815)	(4,108)	(8,990)	
Interest payments received on interest rate derivatives		858	449	1,035	
Interest rate derivative purchased	11	–	(1,481)	(3,238)	
Dividends paid to equity holders	8	(14,213)	(13,788)	(27,814)	
Net cash flow (used in)/from financing activities		(13,762)	27,726	108	
Net increase/(decrease) in cash and cash equivalents for the period		194	(478)	(13,142)	
Cash and cash equivalents at the start of the period		9,389	22,531	22,531	
Cash and cash equivalents at the end of the period		9,583	22,053	9,389	

Condensed consolidated statement of changes in equity

Six months ended 30 June 2024 (unaudited)

	Notes	Share capital (unaudited) £'000	Share premium (unaudited) £'000	Capital reduction reserve (unaudited) £'000	Retained earnings (unaudited) £'000	Total (unaudited) £'000
1 January 2024		4,144	376,716	24,077	73,170	478,107
Total comprehensive income		–	–	–	26,333	26,333
Transactions with owners						
Dividends paid	8	–	–	–	(14,213)	(14,213)
30 June 2024		4,144	376,716	24,077	85,290	490,227

Six months ended 30 June 2023 (unaudited)

	Notes	Share capital (unaudited) £'000	Share premium (unaudited) £'000	Capital reduction reserve (unaudited) £'000	Retained earnings (unaudited) £'000	Total (unaudited) £'000
1 January 2023		4,048	365,642	24,077	52,153	445,920
Total comprehensive income		–	–	–	27,589	27,589
Transactions with owners						
Dividends paid	8	–	–	–	(13,788)	(13,788)
Share issues	13,14	96	11,104	–	–	11,200
Share issue costs	14	–	(30)	–	–	(30)
30 June 2023		4,144	376,716	24,077	65,954	470,891

For the year ended 31 December 2023 (audited)

	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	8	–	–	–	(27,814)	(27,814)
Share issue	13,14	96	11,104	–	–	11,200
Share issue costs	14	–	(30)	–	–	(30)
31 December 2023		4,144	376,716	24,077	73,170	478,107

Notes to the condensed consolidated financial statements

1. Basis of preparation

General information

These unaudited condensed consolidated financial statements for the six-month period ended 30 June 2024, are prepared in accordance with UK adopted International accounting standards and IAS 34 “Interim Financial Reporting”, including the comparative information for the six-month period ended 30 June 2023 and for the year ended 31 December 2023. They do not include all of the information required for full annual financial statements and do not constitute full statutory accounts within the meaning of section 434 of the Companies Act 2006. As such these should be read in conjunction with the Group’s annual report and accounts for the year to 31 December 2023, which have been delivered to the Registrar of Companies. The Group’s Independent Auditor’s report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2016.

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

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

The Company is a public listed company incorporated and domiciled in England and Wales. The Company’s ordinary shares are listed on the Premium Listing Segment of the Official List and trade on the premium segment of the main market of the London Stock Exchange. The registered address of the Company is disclosed in the corporate information.

Convention

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

Going concern

After making enquiries and bearing in mind the nature of the Company’s business and assets, the directors consider that the Company has adequate resources to continue in operational existence for the next 12 months from the date of approval of these financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The ongoing effect of 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 rising costs on trading over the 12 months from the date of signing this report. The forecasts have been assessed against a range of possible downside outcomes incorporating significantly lower levels of income and higher costs, the Group and the Company have adequate resources to continue to operate in all of these scenarios.

The directors believe that there are currently no material uncertainties in relation to the Company’s and Group’s ability to continue for a period of at least 12 months from the date of approval of the

Company and Group interim statements. The board is, therefore, of the opinion that the going concern basis adopted in the preparation of the interim report is appropriate.

2. Significant accounting judgements, estimates and assumptions

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

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

2.1 Judgements

Operating lease contracts – the Group as lessor

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

The leases, when signed, are for between 20 and 30 years typically with a tenant-only option to extend for one or two periods of ten years. At the inception of the lease, unless there is a landlord option to extend, the directors do not judge any extension of the leases to be reasonably certain and, as such, do not factor any lease extensions into their considerations of lease incentives and their treatment.

2.2 Estimates

Fair valuation of investment property

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

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

The significant methods and assumptions used by the valuers in estimating the fair value of the investment properties are set out in note 9.

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

3. Summary of significant accounting policies

The accounting policies adopted in this report are consistent with those applied in the Group's statutory accounts for the year ended 31 December 2023 and are expected to be consistently applied during the year ending 31 December 2024.

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

	Six months ended 30 June 2024 (unaudited) £'000	Six months ended 30 June 2023 (unaudited) £'000	Year ended 31 December 2023 (audited) £'000
Rental income cash received in the period/year	23,165	19,785	42,513
Rent received in advance of recognition ¹	69	70	141
Rent recognised in advance of receipt ²	3,648	3,278	7,145
Rental lease incentive amortisation ³	(79)	(70)	(140)
Gross rental income	26,803	23,063	49,659
Bad debts written off ⁴	–	(350)	(236)
Insurance/service charge income	345	421	871
Insurance/service charge expense	(345)	(421)	(871)
Net rental income	26,803	22,713	49,423

¹ This relates to movement in rent premiums received in prior periods as well as any rent premiums received during the period/year, deemed to be a premium over the term of the leases.

² Relates to both rent-free periods being recognised on a straight-line basis over the term of the lease and rent recognised in the period to reflect the minimum uplifts in rents over the term of the lease on a straight-line basis.

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

⁴ Bad debts written off relates to rental arrears due from one tenant who leased seven of the Group's properties, these properties were re-tenanted in June 2023.

6. Taxation

As a REIT, the Group is exempt from corporation tax on the profits and gains from its property investment business, provided it continues to meet certain conditions as per REIT regulations. For the period ended 30 June 2024 and year ended 31 December 2023, the Group did not have any non-qualifying profits except interest income.

7. Earnings per share

Earnings per share (EPS) amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the Company by the time-weighted average number of ordinary shares outstanding during the period. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	Six months ended 30 June 2024 (unaudited) £'000	Six months ended 30 June 2023 (unaudited) £'000	Year ended 31 December 2023 (audited) £'000
Total comprehensive income (attributable to shareholders)	26,333	27,589	48,831
Adjusted for:			
- Revaluation movement	(13,360)	(12,618)	(21,934)
- Movement in lease incentive debtor	1,383	(70)	(140)
- Rental income arising from recognising rental premiums and future guaranteed rent uplifts	3,717	3,348	7,286
Change in fair value of investment properties (Profit) / Loss on disposal of investment property	(8,260)	(9,340)	(14,788)
Change in fair value of interest rate derivative	–	16	16
Change in fair value of interest rate derivative	(467)	(1,088)	458
EPRA earnings	17,606	17,177	34,517
Adjusted for:			
Rental income arising from recognising rental premiums and future guaranteed rent uplifts	(3,717)	(3,348)	(7,287)

Profit / (Loss) on disposal of investment property	–	(16)	(16)
Interest received on interest rate cap	861	628	1,393
Amortisation of lease incentive ¹	79	70	141
Amortisation of loan arrangement fees	478	757	1,418
Adjusted earnings	15,307	15,268	30,166

Average number of ordinary shares	414,368,169	413,943,690	414,157,674
Earnings per share (pence)²	6.35p	6.66p	11.79p
EPRA basic and diluted earnings per share (pence)²	4.25p	4.15p	8.33p
Adjusted basic and diluted earnings per share (pence)²	3.69p	3.69p	7.28p

¹ Lease incentives relate to the amortisation of payments made to tenants that are not part of any contractual acquisition obligations. These payments are made in return for an increase in rent or a revision of the lease terms or length.

² There is no difference between basic and diluted earnings per share.

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

The EPRA earnings are arrived at by adjusting for the changes in fair value of on investment properties, options to acquire investment properties and interest rate derivatives, and removal of profit or loss on disposal of investment properties.

Adjusted Earnings:

Adjusted earnings is used by the board to help assess the Group’s ability to deliver a cash covered dividend from net income. The metric reduces EPRA earnings by other non-cash items credited or charged to the Group statement of comprehensive income including the effect of straight-lining of rental income from fixed rental uplift adjustments and amortisation of lease incentives and loan arrangement fees. The metric also adjusts for any one-off items 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 arrangements.

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.

8. Dividends

	Dividend rate per share pence	Six months ended 30 June 2024 (unaudited) £'000	Six months ended 30 June 2023 (unaudited) £'000	Year ended 31 December 2023 (audited) £'000
Fourth interim dividend for the period ended 31 December 2022 (ex-dividend – 9 February 2023)	1.6350p	–	6,775	6,775
First interim dividend for the period ended 31 December 2023 (ex-dividend – 4 May 2023)	1.6925p	–	7,013	7,013
Second interim dividend for the period ended 31 December 2023 (ex-dividend – 17 August 2023)	1.6925p	–	–	7,013
Third interim dividend for the period ended 31 December 2023 (ex-dividend – 2 November 2023)	1.6925p	–	–	7,013
Fourth interim dividend for the period ended 31 December 2023 (ex-dividend – 8 February 2024)	1.6925p	7,013	–	–
First interim dividend for the period ended 31 December 2024 (ex-dividend – 2 May 2024)	1.7375p	7,200	–	–

Total dividends paid	14,213	13,788	27,814
Total dividends paid in respect of the period/year	1.7375p	1.6925p	5.0775p
Total dividends unpaid but declared in respect of the period/year	1.7375p	1.6925p	1.6925p
Total dividends declared in respect of the period/year – per share	3.475p	3.385p	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 and was paid in February 2024.

On 25 April 2024 the Company declared an interim dividend of 1.7375 pence per ordinary share for the period from 1 January 2024 to 31 March 2024 and was paid in 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 payable in August 2024.

9. Investment property

In accordance with the RICS 'Red Book' the properties have been independently valued on the basis of fair value by Cushman & Wakefield, an accredited independent valuer with a recognised professional qualification. They have recent and relevant experience in the locations and categories of investment property being valued and skills and understanding to undertake the valuations competently. The properties have been valued on an individual basis and their values aggregated rather than the portfolio valued as a single entity. The valuers have used recognised valuation techniques in accordance with those recommended by the International Valuation Standards Committee and are compliant with IFRS 13. Factors reflected include current market conditions, annual rentals, lease lengths, property condition including improvements affected during the period, rent coverage, location and comparable evidence.

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

All corporate acquisitions have been treated as asset purchases rather than business combinations because they are considered to be acquisitions of properties rather than businesses.

	As at 30 June 2024 (unaudited) £'000	As at 30 June 2023 (unaudited) £'000	As at 31 December 2023 (audited) £'000
Opening value	651,313	532,479	532,479
Property additions	–	91,688	91,688
Property disposals ¹	–	(1,250)	(1,250)
Acquisition costs capitalised	–	1,765	1,765
Capital improvements	5,435	857	4,697
Revaluation movement	13,360	12,618	21,934
Closing value per independent valuation report	670,108	638,157	651,313
Lease incentive debtor	(3,761)	(2,449)	(2,379)
Guaranteed rent reviews debtor	(38,906)	(31,390)	(35,258)
Rent premium creditor	2,260	2,401	2,330
Closing fair value per Condensed consolidation statement of financial position	629,701	606,719	616,006

¹ In the period to 30 June 2024 the carrying value of disposals was £nil (2023: £1,250,000), this combined with the loss in 2023 on disposal of £16,000 makes up the total net proceeds shown in the Condensed consolidated statement of cash flows.

Change in fair value of investment properties

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

	Six months ended 30 June 2024 (unaudited) £'000	Six months ended 30 June 2023 (unaudited) £'000	Year ended 31 December 2023 (audited) £'000

Revaluation movement	13,360	12,618	21,934
Movement in lease incentive debtor ¹	(1,383)	70	140
Rental income arising from recognising rental premiums and future guaranteed rent uplifts	(3,717)	(3,348)	(7,286)
Change in fair value of investment properties	8,260	9,340	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 an increase in rent or a revision of the lease terms or length.

10. Borrowings

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

	As at 30 June 2024 (unaudited) £'000	As at 30 June 2023 (unaudited) £'000	As at 31 December 2023 (audited) £'000
At the beginning of the period/year	184,760	142,260	142,260
Borrowings drawn in the period/year	28,000	68,500	82,500
Borrowings repaid in the period/year	(23,000)	(20,000)	(40,000)
Total borrowings drawn¹	189,760	190,760	184,760
Total borrowings undrawn	60,240	59,240	65,240
Total borrowings available	250,000	250,000	250,000

¹ Total borrowings drawn are equal to its fair value.

The Group drew down £28 million and repaid £23 million under its existing loan facilities with HSBC UK Bank Plc, Clydesdale Bank Plc and National Westminster Bank Plc.

Any fees associated with arranging the borrowings unamortised as at the period end are offset against amounts drawn on the facilities as shown in the table below:

	As at 30 June 2024 (unaudited) £'000	As at 30 June 2023 (unaudited) £'000	As at 31 December 2023 (audited) £'000
Borrowings drawn:	189,760	190,760	184,760
Arrangements fees – brought forward	(4,823)	(5,064)	(5,064)
Arrangement fees incurred during the period/year	15	(1,124)	(1,177)
Amortisation of loan arrangement fees	478	757	1,418
Borrowings at amortised cost	185,430	185,329	179,937
<i>Borrowings at amortised cost due after one year</i>	<i>185,430</i>	<i>185,329</i>	<i>179,937</i>

As an additional performance measure the Group uses EPRA (net) LTV to assess the gearing of shareholder equity, in line with other real estate companies:

	As at 30 June 2024 (unaudited) £'000	As at 30 June 2023 (unaudited) £'000	As at 31 December 2023 (audited) £'000
Gross debt	189,760	190,760	184,760
Include:			
Net payables	5,891	7,266	6,009
Less:			
Cash and cash equivalents	(9,583)	(22,053)	(9,389)
Net debt	186,068	175,973	181,380
Property portfolio	670,108	638,157	651,313

EPRA (net) LTV	27.77%	27.58%	27.85%
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11. Interest rate derivatives

	As at 30 June 2024 (unaudited) £'000	As at 30 June 2023 (unaudited) £'000	As at 31 December 2023 (audited) £'000
At the beginning of the year/period	1,750	363	363
Change in fair value of interest rate derivative	467	1,088	(458)
Payments received on interest rate derivative†	(861)	(628)	(1,393)
Purchase of derivatives	–	1,481	3,238
	1,356	2,304	1,750

To mitigate the interest rate risk that arises as a result of entering into variable rate linked loans in January 2023, the Group purchased a two-year interest rate cap for £1.5 million, which caps SONIA at 3% for a notional amount of £50 million.

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.

12. Other non-current assets

	As at 30 June 2024 (unaudited) £'000	As at 30 June 2023 (unaudited) £'000	As at 31 December 2023 (audited) £'000
Rent recognised in advance of receipt	38,906	31,390	35,258
Rental lease incentive	3,761	2,449	2,379
Loans receivable	501	971	1,600
Trade and other receivables	43,168	34,810	39,237

The loans receivable relate to a £0.3 million loan facility that the Group agreed to provide to Melrose Holdings Limited, of which £0.3 million was drawn at June 2024 and a £0.2 million loan facility the Group agreed to provide to We Care, of which £0.2 million was drawn at June 2024. The facilities are for up to two years with an interest rate of 8.0% per annum on drawn funds.

No impairment losses have been recognised during the period/year.

13. Share capital

	Six months ended 30 June 2024 Number of shares	Six months ended 30 June 2024 (unaudited) £'000	Six months ended 30 June 2023 (unaudited) £'000	Year ended 31 December 2023 (audited) £'000
At the beginning of the period/year	414,368,169	4,144	4,048	4,048
Shares issued	–	–	96	96
	414,368,169	4,144	4,144	4,144

On 13 January 2023, the Company issued 9,603,841 ordinary shares priced at 116.62 pence per share. The Company had 414,368,169 shares of nominal value of 1 pence each in issue at the end of the period.

14. Share premium

Share premium comprises share capital subscribed for in excess of nominal value less costs directly attributed to share issuances.

	Six months ended 30 June 2024 (unaudited)	Six months ended 30 June 2023	Year ended 31 December 2023 (audited)

	(unaudited)		
	£'000	£'000	£'000
At the beginning of the year/period	376,716	365,642	365,642
Surplus of net proceeds on shares issued above their par value	–	11,104	11,104
Share issue costs	–	(30)	(30)
	376,716	376,716	376,716

15. Transactions with related parties

Investment Manager

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

	Six months ended 30 June 2024 (unaudited) £'000	Six months ended 30 June 2023 (unaudited) £'000	Year ended 31 December 2023 (audited) £'000
Impact Health Partners LLP	2,498	2,381	4,810

For the six-month period ended 30 June 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 0.04% respectively (either directly or through a wholly-owned company) of the total issued ordinary share capital of Impact Healthcare REIT plc. In addition, 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% of the Group’s rental income was received from MCGL or its subsidiaries and affiliated during the period. There were no trade receivables or payables outstanding at the period end.

During the period the key management of Impact Health Partners LLP received the following dividends from Impact Healthcare REIT plc: Mahesh Patel £369,244; Andrew Cowley £55,925 and David Yaldron £5,691.

Directors’ interests

The directors who are shareholders in the Company do not hold significant interest in the ordinary share capital of the Company.

During the period the directors, who are considered key management personnel, received the following dividends from the Company: Simon Laffin £3,430; Rosemary Boot £1,029; Philip Hall £1,029; Cedi Frederick £204; Amanda Aldridge £686 and Christopher Santer £485.

These transactions were fully compliant with the Company’s related party policy.

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 30 June 2024, the Group leased 62 properties to MCGL and its affiliates, all properties owned for over one year underwent an inflation-linked rent review in line with their lease provisions. In the period to 30 June 2024, the Group entered into no new leases with MCGL and facilitated the transfer of operations of three care homes from Melrose Holdings Limited (an affiliate of MCGL) to a third-party operator.

These transactions were fully compliant with the Company’s related party policy.

16. 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 period. 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 30 June 2024 (unaudited) £'000	As at 30 June 2023 (unaudited) £'000	As at 31 December 2023 (audited) £'000
Net assets per Condensed consolidated statement of financial position	490,227	470,891	478,107
Fair value of derivatives	(1,356)	(2,304)	(1,750)
EPRA NTA	488,871	468,587	476,357
Issued share capital (number)	414,368,169	414,368,169	414,368,169
Basic NAV per share	118.31p	113.64p	115.38p
EPRA NTA per share	117.98p	113.08p	114.96p

17. Capital commitments

At 30 June 2024 the Group had committed capital expenditure on one forward-funded development of a new property and on capital improvements to existing properties, this amounted to £15.6 million. The Group has committed to deferred payment agreements on two acquisitions in return for increased rent based on trading performance. As at 30 June 2024 the total capital commitment for these deferred payments is estimated at £4.6 million.

18. Controlling parties

The Company is not aware of any person who, directly or indirectly owns or controls the Company. The Company is not aware of any arrangements the operations of which may give rise to a change in control of the Company.

19. Subsequent events

The Group exchanged and completed on the sale of two care homes for a total consideration of £4.5 million, which is in line with the latest valuation of the homes. A further three homes have exchanged for sale for total consideration of £4.3 million with completion expected during the third quarter of this year.

No other significant events have occurred between the statement of financial position date and the date at which these financial statements were authorised by the directors, which require adjustments to, or disclosure in the financial statements.

Glossary

Average annual rent cover: Average annual rent cover is the annual average of our tenants' EBITDARM divided by total annual rent. EBITDARM is a useful approximation for our tenants' cash earnings, which they can use to pay their rent. This has been adjusted to exclude seven turnaround homes

Capex: Capital Expenditure

Contracted rent: The annualised rent adjusting for: rent due following rent-free periods; underlying contractual rent on temporarily varied leases (including rent due from Melrose); rent due on capex projects or profit-related deferred payments where the Group recognises a capital commitment; and post-tax income from interest received from property investments made via loans to operators for the acquisition of property portfolios

CQC: Care Quality Commission

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

Investment Manager: Impact Health Partners LLP

LTV: Loan-to-value

NAV: Net Asset Value

NIY: Net Initial Yield

RCF: Revolving Credit Facility

REIT: Real Estate Investment Trust

RPI: Retail Price Index

SONIA: Sterling Over Night Index Average

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 (with effect from 1 April 2024) Philip Hall – Non-executive Director (resigned 21 May 2024) Simon Laffin – Non-executive Chair Christopher Santer – Non-executive Director
Registered office	The Scalpel 18 th Floor 52 Lime Street London EC3M 7AF Telephone: +44 (0)207 409 0181
Investment Manager	Impact Health Partners LLP 149-151 Regent Street London W1B 4JD
Independent Auditor	BDO LLP 55 Baker Street London W1U 7EU
Administrator & Secretary	JTC (UK) Limited The Scalpel 18 th Floor 52 Lime Street London EC3M 7AF
Depository	Indos The Scalpel 18 th Floor 52 Lime Street London EC3M 7AF
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZZ
Legal Advisers	Travers Smith LLP 10 Snow Hill London EC1A 2AL
Joint Financial Adviser and Corporate Broker	Jefferies International Limited

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