Investing in care. Delivering returns.

Target Healthcare REIT plc
Annual Report and Financial Statements 2024

Responsible investment with a clear purpose – improving the UK's care home real estate.

Key financial metrics for the year to, or as at, 30 June 2024

EPRA NTA per share (pence)

110.7 +5.9%

2024	110.7
2023	104.5
2022	112.3

Adjusted EPRA earnings per share (pence)[2]

6.13 +2.2%

2024	6.13
2023	6.00
2022	5.05

Accounting total return (per cent)[1]

11.8%

2024	11.8
2023	-1.2
2022	8.1

IFRS profit (£ million)

73.0

2024	73.0
2023	-6.6
2022	49.1

Dividend per share (pence)

5.712 -7.6%

2024	5.712
2023	6.180
2022	6.760

Dividend cover (per cent)[2]

107%

2024	107
2023	97
2022	72

Portfolio value (£ million)

908.5 +4.6%

2024	908.5
2023	868.7
2022	911.6

Adjusted EPRA cost ratio (per cent)[4]

19.1% +40 bps

2024	19.1
2023	18.7
2022	27.1

Average cost of debt[3] (per cent)

3.91 +21 bps

2024	3.91
2023	3.70
2022	3.31

Net loan-to-value (per cent)[5]

22.5%

2024	22.5
2023	24.7
2022	22.0

1 Based on EPRA NTA movement and dividends paid, see alternative performance measures on page 95.
2 Based on adjusted EPRA earnings, see note 8 to the consolidated financial statements and alternative performance measures on page 95.
3 Weighted average cost of drawn debt, inclusive of amortisation of arrangement costs.
4 See EPRA performance measures on page 97.
5 See Glossary of terms and definitions on pages 99 to 101.

In this report…

This document is important and requires your immediate attention.

If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your ordinary shares in Target Healthcare REIT plc, please forward this document, together with the accompanying documents immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Committed long-term investment.

Our purpose is to accelerate the improvement in the physical standards of UK care homes through long term, responsible investment in modern real estate that delivers our return objectives to shareholders.

We are advocates of the benefits that intelligently designed, purpose-built care homes can bring and we want more residents, care professionals and local communities to benefit from their positive social impact.

Like-for-like rental growth

3.8%

Five-year average 2.8%

Rank of portfolio total return performance in MSCI UK Annual Healthcare Property Index

#1/37

Year to 31 December 2023 (latest annual index)

Inflation-linked rental growth

- Our leases have annual, upwards-only rent reviews, linked to inflation with collars and caps averaging around 1.5% and 4.0%.
- We aim to pass the associated earnings growth on by way of a progressive dividend.

Secure rental income

Our portfolio continued to demonstrate its durable characteristics during the year:

- Nil vacancy
- Rent covers, profitability at home level, at record levels (1.9x)
- Private pay bias supporting resident average weekly fee increases of 10%
- Near-full rent collection at 99%

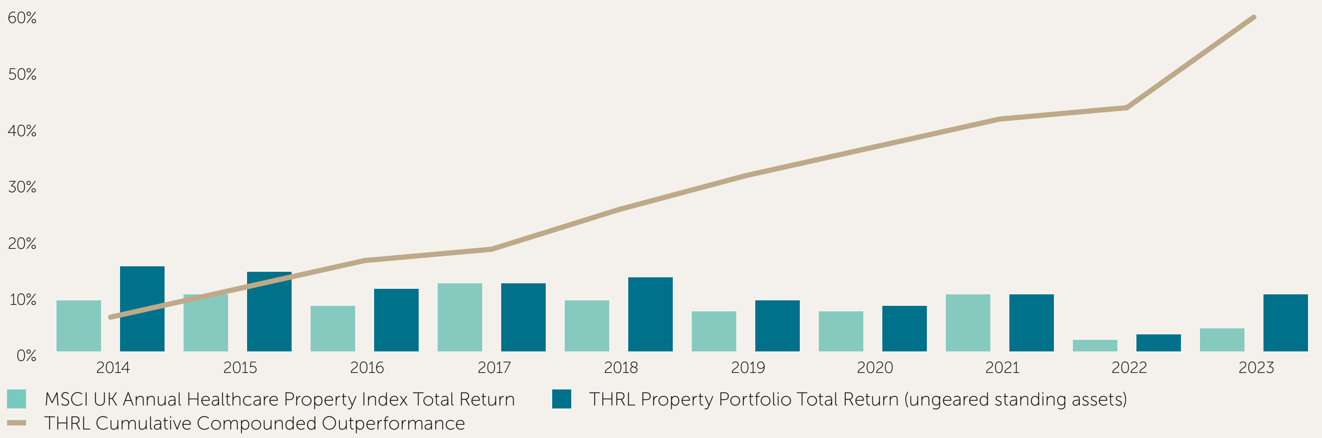
These metrics strongly support long-term and growing sustainable financial returns.

Portfolio total returns: Consistently outperform benchmark

Attractive property-derived total returns at low volatility from considered investment in a non-cyclical sector.

Our portfolio has outperformed the index annually since IPO in 2013, was the top performer in 2023, and is ranked second over the 10-year period to 31 December 2023.

MSCI INDEX



1 The Index is published annually and covers calendar years. There were 37 constituents in the Index for the year to 31 December 2023 and 10 for the 10-years to the same date.

Our approach to responsible investment.

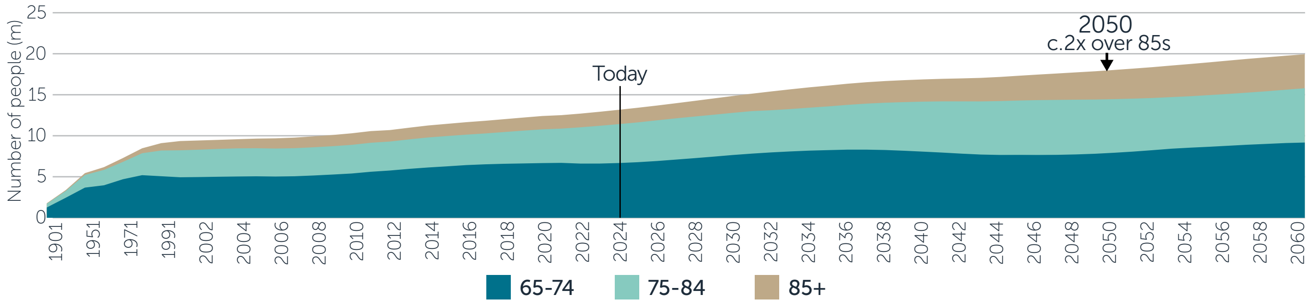
Our care homes are modern, purpose-built and are future-proofed for social and environmental trends, supporting demand and financial performance.

TREND 1:

Demographics

The need for quality care home capacity is driven by a population that is growing, ageing and encountering increased chronic illness and dementia.

- The number of people aged over 85 is forecast to double from 1.8m to 3.6m by 2050 (Source: LaingBuisson, Care homes for older people, 34th edition)
- 1 in 8 people aged over 85 will require residential care (Source: LaingBuisson, Care homes for older people, 34th edition)



TREND 2:

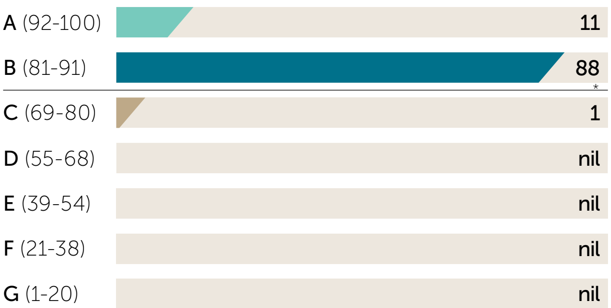
Carbon emissions and ESG

Our portfolio is sector-leading in modernity and energy-efficiency credentials.

- Our EPC ratings are comfortably in compliance with anticipated legislation
- Our first operationally Net Zero Carbon (NZC) care home has reached practical completion and is scheduled to open in the Autumn
- More details on our Net Zero Pathway (NZP) are shown on pages 17 to 19

Commercial real estate owners with older/converted properties face a significant financial and operating burden by way of remedial capital expenditure.

PORTFOLIO EPC RATINGS



* Anticipated minimum legislative requirement

TREND 3:

Future-proofed modern real estate in what is an overall poor-quality market

80% of UK care home real estate is either converted or, if purpose-built, over 24 years old. Our portfolio is 100% purpose-built with 84% of homes less than 14 years old.

Our homes offer:

- Sector-leading space per resident, inclusive of mixed social spaces
- Outdoor access
- Private wet-room shower and WC facilities for each resident

See more on page 11. The sector is moving at pace to these higher real estate standards, with 33% of rooms now compliant relative to 14% in 2014. Poorer quality homes will become obsolete.

TREND 4:

Long-term investment with compounding returns profile

- Consistent shareholder total returns through dividend and capital appreciation[2], backed by compounding rental growth annually guaranteed by lease collars
- Dividend fully covered by adjusted EPRA earnings
- Valuations exhibit low volatility with strong investment demand as investment class has institutionalised
- WAULT of 26 years

2 This is not a profit forecast. Assumes rental growth is passed on via dividend growth, and investment yields remain constant or tighten.

Investing in care. Delivering returns.

Dear Shareholder,

I am pleased to report that Target Healthcare REIT has provided another year of solid portfolio and financial performance. Accounting total return was 11.8%, reflecting the continued resilience of our business model and informed investment approach. Our predictable and robust rental stream provides annual growth with its inflation-linkage, and the valuations of our prime, modern care home assets remain stable given institutional investment demand. Along with long-term returns for shareholders, we firmly believe our approach benefits our wider stakeholder group, most particularly our tenants and their residents, and this will remain critical to our approach.

1. Reflections

Listed property companies continue to largely trade at a discount to EPRA NTA as investors' capital allocations are directed elsewhere. However, a more positive outlook for property markets is perhaps being noticed as the trend to lower inflation and interest rates solidifies. In contrast to the share price discount, property portfolios invested in modern assets with strong environmental credentials and solid underlying user demand fundamentals have performed well. The main questions being posed by participants in the listed market to those running property companies right now are:

Earnings – where is growth coming from?

Our leases have contractual annual uplifts linked to inflation and our operators' improving rent cover is evidence of their ability to pay these growing rents on a sustainable basis. This helps underpin our confidence in the outlook for the Group's earnings growth, which should feed through to progressive growth in dividends as we control operating and finance costs.

Valuations – are they reliable?

The prevailing mismatch between market evidence of direct investment in our sector and stock market valuations has attracted comment. Whilst we can't answer for all property, we have clear evidence that transactions in prime care home real estate such as ours are supportive of our valuations. We have transacted on £71 million of asset disposals since late 2022, all at or above book value and with positive return metrics. Our disposal of four assets in June 2024 was at an implied net initial yield of 5.6% and comprised some of our older and less spacious properties. Reliability of our valuations is further supported by their lack of volatility. During the macro-driven sector-wide yield shift seen in late 2022 the initial reaction was an outward yield shift of 40-50bps in our assets which then stabilised relatively quickly at only 30-40 bps as evidence from transactional activity and the strong underlying trading performance across our portfolio provided reliable data points for valuers. We have seen valuation growth for six consecutive quarters since.

Debt – is it serviceable at higher rates?
Our debt levels are amongst the lowest in the REIT universe at 22.5% net LTV and a net debt to EBITDA ratio of 4.6x. We have greater than 60% of our drawn debt on long-term, low fixed rate facilities with remaining terms of 8-13 years and we have executed value-adding hedging strategies on our shorter-term bank debt. Our ability to generate capital from asset disposals has allowed us to finance our development commitments efficiently and manage debt levels.

Our forecasting has long anticipated higher interest rate levels on the refinancing of our shorter-term bank debt as our existing hedged facilities mature, with this having been reflected in all our material decision-making. We have obtained terms to refinance our shorter-term bank facilities (£170 million) which we are currently assessing. The structure of these revised facilities will be aligned with our current capital requirements and will provide the flexibility we need to respond proactively to investment opportunities as they are identified.

Assets and long-term fundamentals – are they suitable for the changed investment environment?
In short, we remain confident that our assets and investment approach have the necessary characteristics to support sustainable long-term returns. Our portfolio is comprised of high-quality care home real estate, which is highly desired by operators for its well-designed modern properties from which they can provide profitable care, and by institutional investors for its growing rental income and low volatility of returns.

Our approach benefits from, but does not rely upon, the widely understood demographic changes from an ageing population. We believe the future of care home provision is in modern real estate with en suite wet-rooms for all residents and adequate social and outdoor space, of which there is a chronic under-supply. Investing capital in such property now may well be lower-yielding given the high cost of land and construction, however, the longevity of our hold period and the compounding effect of rents growing annually will provide attractive returns. We further believe that our approach helps mitigate the risk from any issues that might arise with the public funding of care. There are clear trends to suggest that residents and their families choose to live in a higher quality physical environment where available, with significant net wealth in those aged over 65 to support this demand and the private fee bias of our model. Our environmental credentials are market leading within commercial real estate, at 99% A & B EPC ratings, and will not require the significant remedial capital expenditure that many other portfolios will.

Further detail on the care home sector is included in the Investment Manager's Report on pages 20 to 21.

2. Performance
Our accounting total return performance was 11.8% for the year, driven by an EPRA NTA increase of 5.9% (110.7 pence from 104.5 pence) and dividends paid in the year.

Adjusted EPRA earnings per share increased by 2.2% to 6.13 pence translating to 107% dividend cover for the year. Under the widely-used EPRA earnings metric the dividend was 133% covered. The quarterly dividend paid in respect of the year was 2.0% higher than that at June 2023, as we returned to a progressive dividend, though the total dividend per share for the year shows a reduction of 7.6% as the higher rate for the first two quarters of the prior year are still reflected in the annual change.

Our earnings outlook is robust, with rent collection near full and supported by record levels of rent cover for the portfolio. The Investment Manager's Report covers the portfolio in more detail on pages 20 to 21. We have minimised the impact of the higher interest rate environment on our finance costs through our existing long-term fixed rate facilities, our hedging programme and by using the proceeds from asset disposals to reduce drawn debt.

The positive portfolio valuation movement has been driven by market movements, our disposals programme, and then the impact of rental uplifts providing an overall increase of 4.6% and a like-for-like increase of 3.7%. Contracted rent has increased by 4.0% to £58.8 million, including 3.8% on a like-for-like basis.

3. ESG considerations
Target has a strong commitment to being a responsible business, and our business model is one which prioritises a positive social impact. Through the year, we have been focussed on finalising plans for our portfolio's transition to net zero carbon through our Net Zero Pathway (NZP) plan.

Our starting point, measured by the carbon intensity of our portfolio as calculated by external experts, shows us to be in a very strong position, one which is currently ahead of where we need to be in order to meet science-based target levels to restrict global temperature increases to 1.5°C. We are therefore in an excellent position relative to other property companies. There is more detail in our sustainability reporting and on page 17.

EPRA NTA per share movement

+5.9%

Dividend cover

107%

4. Annual General Meeting ('AGM')
The AGM will be held in London on 9 December 2024. Shareholders that are unable to attend are encouraged to make use of the proxy form provided in order to lodge their votes, and to raise any questions or comments they may have in advance of the AGM through the Company Secretary.

5. Looking ahead
Our investment thesis is a simple one: we invest in high-quality care home assets. This approach has produced strong long-term returns with low volatility of performance as well as achieving our social purpose to improve the standard of care homes real estate. We encourage regular shareholder engagement, which has been positive and supportive of our patient and disciplined strategy to grow the portfolio and further our social purpose. We are open to, and regularly assess, alternative approaches and opportunities that fall outside our core strategy and continue to consider where best to invest shareholder capital. We remain firmly committed to our investment approach and therefore set the following priorities:

- Manage our portfolio to ensure its performance is consistent with its inherent quality and trading advantages;
- Be opportunistic and nimble with respect to market conditions and all potential uses of capital, supported by a stable yet flexible funding platform; and
- Provide a growing dividend complemented by attractive total returns over the long-term.

In the absence of unforeseen circumstances, the Board intends to increase the quarterly dividend in respect of the year ending June 2025 by 3.0% to 1.471 pence per share, providing an annual total dividend of 5.884 pence. This increase represents a modest premium to RPI of 2.9% for the year ended 30 June 2024. The quality of our rental stream and its guaranteed growth allow us to grow our dividends to shareholders with confidence.

Our portfolio consists of premium quality assets in a defensive investment class with compelling demand tailwinds, representing a great foundation for our future.

Alison Fyfe
Chair
16 September 2024

Principled investment exclusively in well-designed, purpose-built care homes.

Portfolio at 30 June 2024

HIGH QUALITY REAL ESTATE	DIVERSIFIED INCOME	LONG-TERM FOCUS
94 homes	34 tenants	26.4 years WAULT
Portfolio	**Fee sources**[1]	**Upwards only rent reviews**[2]
£909m market value	74% private	99% inflation-linked
£59m contracted rent	26% public	1% fixed/other

Business

Scale

6,331
Beds[3]

Track record

7.4% since launch
Accounting total return (annualised)

Prudent

22.5%
Net loan-to-value

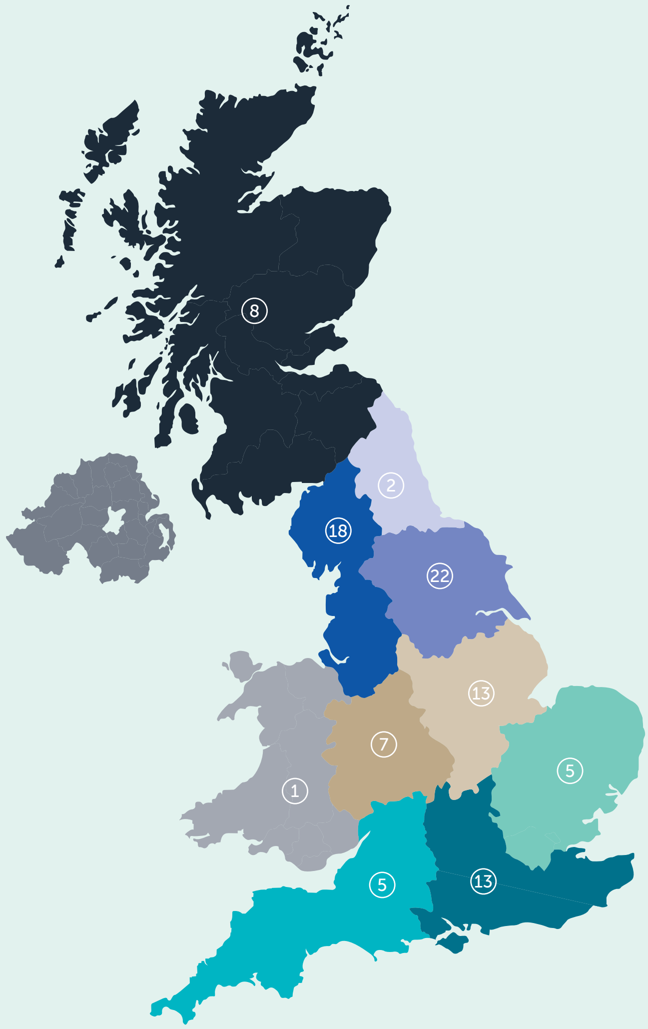
1 52% privately paid, 22% topped up privately paid and 26% publicly funded.
2 99% of assets in the portfolio are subject to annual uplifts linked to inflation. The remaining home has a fixed annual uplift.
3 A further 126 beds will be added to the portfolio on completion of the two development sites held at 30 June 2024.

Our portfolio

We have clear criteria for home design, quality and facilities to provide great environments for residents and care providers. We invest in homes the length and breadth of the UK, with tenant diversification being key.

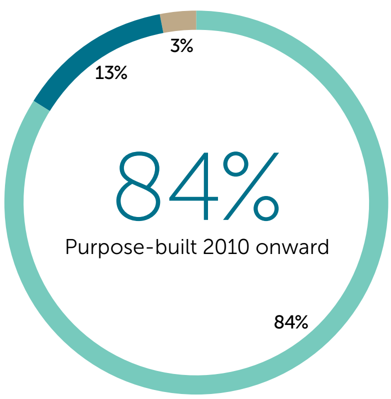
1 = Number of properties in region

MSCI Region		Contracted Rent (£m)	Market Value (£m)
Yorkshire & The Humber		11.5	176.2
South East		11.2	185.1
North West		10.3	155.9
East Midlands		7.2	105.9
South West		4.8	70.1
Scotland		4.4	66.1
West Midlands		4.1	69.8
Eastern		3.6	52.8
North East		1.2	18.4
Wales		0.5	8.2
Total		**58.8**	**908.5**



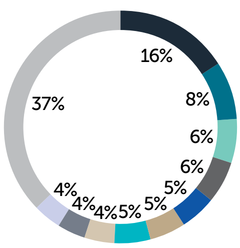
Properties by date of construction

Group



Diversification

Operator diversification by contracted rent



The first ten blocks represent our ten largest operators, with the eleventh representing the remaining 24 operators, each below 3.3%.

VACANCY LEVELS

Year	Vacancy Rate
2021	nil
2022	nil
2023	nil

Simple approach: Best-in-class real estate managed by a dedicated team.

We are a responsible investor in ESG-compliant, purpose-built care home real estate which is commensurate with modern living and care standards.

Why we do it

We are advocates of the benefits that intelligently designed, purpose-built care homes can bring and we want more residents, care professionals, families and local communities to benefit from their positive social impact.

Our Investment Manager is a specialist who understands the operational challenges our tenants face on a daily basis when providing quality care.

Strategic pillars

1. Build high-quality portfolio

Acquire high quality real estate via a mix of new developments, recently completed builds, and modern assets at mature trading.

2. Trusted landlord

Manage assets and tenants commercially yet fairly, recognising the value of long-term relationships and our influence within a complex sector.

3. Deliver returns

Convert portfolio income and capital returns into sustainable returns to shareholders through disciplined financial and risk management.

4. Social purpose

To adhere to our responsible investment fundamentals, delivering positive social impact allied with a firm commitment to environmental sustainability and good governance.

Our key strengths

The key strengths of our approach are:

1. Our premium quality real estate is attractive to both operators and investors, in that:
   a. it is **future-proofed** against legislative change and societal trends influencing demand, and;
   b. it generates **high quality earnings** from financially sustainable rents.
2. **Specialist manager,** highly engaged within sector and with our tenants.
3. **Prudent approach** to financial risks with diversified income sources, low gearing and long-term, fixed rate debt.

How we do it	2024 highlights
• Clearly defined "house standard" on acceptable investment quality • Specialist Investment Manager whose senior team has spent 15 continuous years together in the sector establishing a strong reputation and enviable track record	**Ensuring portfolio quality, with £43m completed developments replacing £44m disposals** **New build homes supported** 5 **Contractual rent** £58.8m **Disposals (net of costs)** £44.3m **Like-for-like valuation growth** 3.7%
• Prominent and respected sector presence, tenant selection based on shared values • Frequent and regular monitoring and contact with tenants: – Home visits performed intelligently and sensitively – Monthly financial data collected and analysed • Sharing of knowledge, insight, and best practice with tenants supports their business	**Strong rent collection supported by record portfolio rent cover** **Portfolio occupancy** 100% **Rent collection** 99% **Mature portfolio rent cover** 1.9x **Tenant experience positive** 10/10
• Annual rental growth from long-term inflation-linked leases • Stable cost base • Conservative approach to debt with LTV at 22.5% and substantially fixed or hedged interest costs	**Earnings growth; NTA growth; dividend covered 107% by earnings** **Adjusted EPRA EPS** 6.13pence **NAV total return** 11.8% **Like-for-like rental growth** 3.8% **Adjusted EPRA cost ratio** 19.1%
• Commitment to our no compromise approach on acceptable minimum real estate standards for care setting • Understand our influence and learn, reflect and respond to feedback	**Upgraded 59 beds to private wet-rooms; near-full coverage of energy usage data obtained, reliably informing Net Zero Pathway** **Purpose built homes** 100% **Wet-rooms** 99% **A and B EPC ratings** 99% **Energy usage data collection** 94%

Better care home real estate is critical to our purpose: to improve the standard of living for older people in the UK.

We are creating a portfolio of scale through investment in a mix of development sites, recently completed builds and modern assets with a trading track record. Our clear focus on the quality of real estate and sustainable long-term trading provides a stable platform for consistent total returns.

STRATEGIC PILLAR #1
BUILD HIGH–QUALITY PORTFOLIO

Focus on enhancing modernity and quality metrics

Consistent with the prior year, the negative spread between our marginal cost of capital and available investment yields have seen us pause new investment and focus on enhancing the existing portfolio. We have continued to dispose of assets where their returns outlook is less favourable and/or where they sit at the lower end of our quality rankings. Disposal proceeds have been applied to fund the committed development of new-build assets rather than drawing debt with an expensive marginal cost.

Disposals of four assets this year follow last year's five disposals. All have been made at or above carrying value, and at attractive return metrics. We have been active on five development sites during the year, with three homes reaching practical completion, adding 203 beds and £2.5m of contractual rent to the portfolio, including our first operationally carbon zero home. We remain active on two sites at year-end, which will add a further 126 beds and £1.5m of contractual rent at practical completion, expected in Autumn 2024.

These initiatives further enhance the portfolio's modernity and longevity. The positive impact can be seen through the progression in key portfolio metrics relative to the start of the year:

PORTFOLIO MODERNITY

	2024	2023
Purpose-built 2010 onwards	**84%**	80%
WAULT (years)	**26.4**	26.5
EPC A&B	**99%**	94%

Best-in-class care home real estate

Our investment thesis remains that modern, purpose-built care homes will outperform poorer real estate assets and provide compelling returns.

Wet-rooms (99%): These are essential for private and dignified personal hygiene, with a clear trend to this being the minimum expected standard for care home beds.

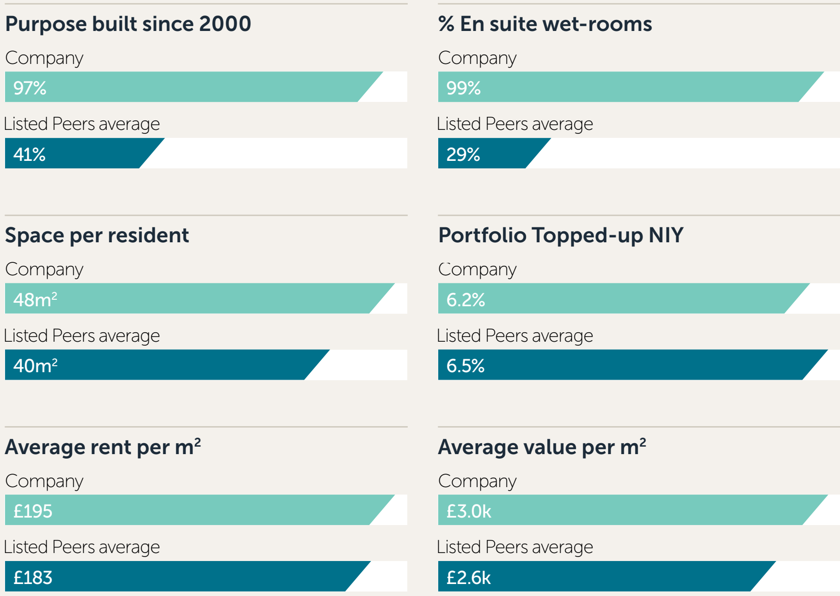
Carbon reduction (99% EPC A or B; 100% C or better): Energy efficiency of real estate is critical, with legislative change and public opinion demanding higher standards. Our portfolio is compliant with anticipated incoming legislation.

Purpose-built and modern (100%): All our properties are designed and built to be used as care homes and to best meet the needs of residents and staff.

Financials: Our metrics reflecting capital values and rental levels compare favourably with peers, despite significantly better real estate, demonstrating sustainability and longevity.

PREMIUM, PURPOSE-BUILT PORTFOLIO

We are significantly ahead of listed peers[1] across a range of key quality metrics



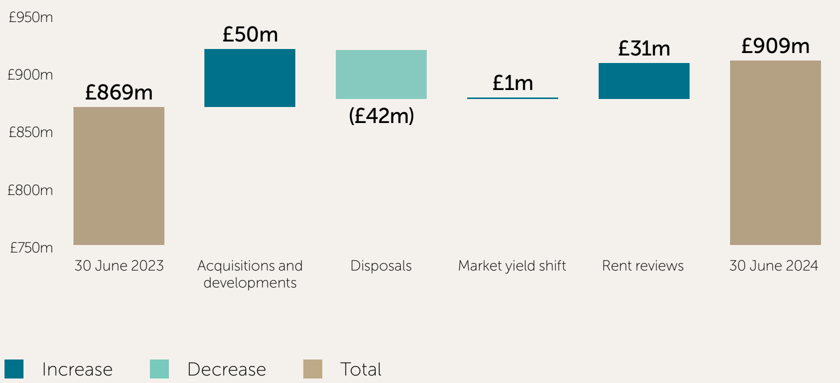
1 Listed Peers Average is comprised of publicly available information available or disclosed by Impact Healthcare REIT and Aedifica (in relation to their UK portfolio).

Stable valuations growing with rental income

The portfolio value increased by 4.6% during the year, driven by an increase of £50.3 million from capital expenditure under the Group's development and asset improvement programmes, offset by disposals of £42.4 million. On a like-for-like basis, the valuation increased by 3.7% largely reflecting the positive impact of the Group's rental growth on valuations as well as yield stability.

Valuation certificates are received quarterly by the Group from CBRE (from March 2024, previously Colliers) with up-to-date values reflecting latest asset trading and comparable market transactions. The portfolio has a strong track record of valuation growth contributing to total returns, such as that shown at portfolio level on page 2.

VALUATION ANALYSIS (£ MILLIONS)



Diversification

We continue to ensure the portfolio remains diversified, by leasing our homes to a range of high-quality regional operators. The Group has 34 tenants, up from 32 due to the completed developments and a re-tenanting, and offset by the disposals in the year. The largest tenant remains unchanged with Ideal Carehomes ("Ideal") operating 18 of the Group's homes and accounting for 16% of contracted rent as at 30 June 2024. Ideal's care provision is performed exclusively from modern, purpose-built homes, often brand-new builds, and is one we have supported for a number of years. During the year Ideal was acquired by the UK's largest care home operator, HC-One. Overall, our top five tenants account for 41% and top ten, 63% of our contracted rents.

Underlying resident fees are balanced between private and public sources, with a deliberate bias towards private. There is long-term evidence and strong current anecdotal evidence that these residents are more accepting of higher fees, particularly for the quality real estate and care services our properties and their operators provide.

Census data from our tenants show that 74% of residents are privately-funded, with 52% being fully private and 22% from "top up" payments where residents pay over and above that which the Local Authority funds for them. 26% of residents are wholly publicly funded.

Geographically, following the disposals in the year, the South East is now the Group's largest region by asset value, at 20%, with Yorkshire and the Humber accounting for 19%.

STRATEGIC PILLAR #2
TRUSTED LANDLORD

Manage portfolio as a trusted landlord in a fair and commercial manner.

The Investment Manager has deep experience within the sector and uses its unique knowledge to manage the portfolio. Starting with informed assessment of home performance using profitability and operational metrics, through empathetic and sensitive engagement with our tenants and sector participants as a whole – we are trusted and respected and people want to partner with us. This enables fair treatment and commerciality to be balanced, essential in a complex sector.

Portfolio operational performance – Steady occupancy and strong profitability continues at home level

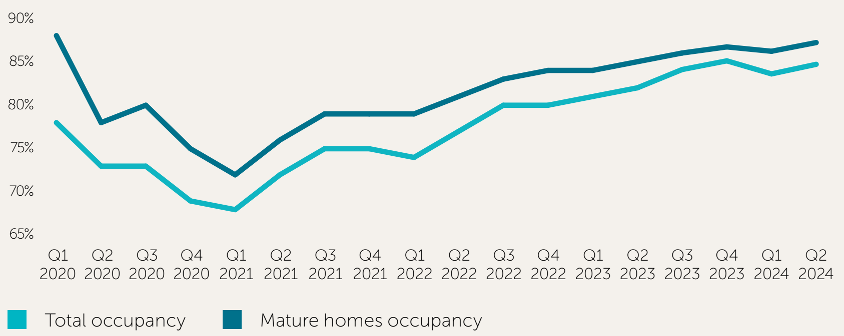
Our completed portfolio is fully let with long-term occupational leases to our tenants, the care providers. Their underlying **resident occupancies** have remained stable at 87%, consistent with the 86% we reported at this time last year. Operators continue to focus on accepting new residents at fee levels commensurate with the services provided, rather than filling to capacity at uneconomic fees. This approach efficiently manages demand, minimises the need for expensive agency staff, and facilitates a care-led approach when welcoming new residents to a home. Staffing shortages have eased, having been an operational challenge limiting occupancy growth in previous years.

Rent covers have responded to this approach. Having improved to a quarterly 1.9x for mature homes at the start of the year, they have remained at these levels, with the last 12 months returning cover of 1.9x. These profitability levels support rental payments and financial resilience, and incentivise care providers to invest in their businesses and people.

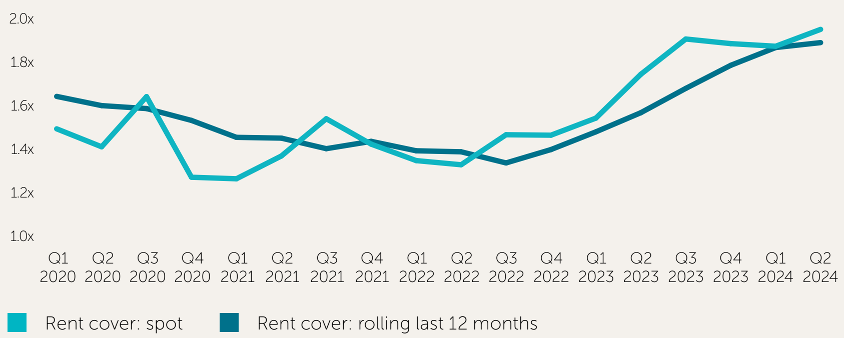
Clearly, should operators increase resident occupancy levels towards 90% there is potential for further growth in their underlying profitability.

Rent collection was near-full at 99% (2023: 97%) for the year, with no exclusions for non-performing or turnaround homes.

SPOT RESIDENT OCCUPANCY RATES



MATURE HOMES: RENT COVER

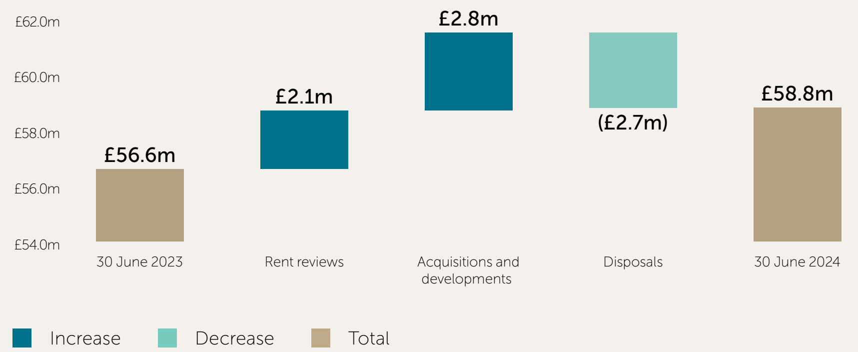


Growing and compounding rental income

The portfolio's contractual rent roll was £58.8 million at year-end (2023: £56.6 million). The 4.0% increase was driven by positive contribution from capex and our developments offset by our disposals programme. Like-for-like rental growth, which reflects the Group's annual rent reviews, is the Key Performance Indicator used by management in assessing recurring rental growth, with this being 3.8% for the year.

Rent from the Group's leases increase annually, linked to inflation. Collars on this (typically 1.5%) ensure the Group receives guaranteed growth, while caps (at a typical 4%) ensure assets do not become over-rented, risking rents becoming unaffordable, in periods of higher inflation as we have seen recently. This is an important aspect in providing long-term security to our tenants, and in achieving sustainable investment returns.

MOVEMENT IN CONTRACTED RENT (£ MILLIONS)



Tenant and resident satisfaction

We remain committed to our role as an effective, supportive and engaged landlord. We once again invited our tenants to provide formal feedback via a survey performed by an independent third party. We use this output, alongside learnings from the many informal points of contact we have, to inform our approach. The survey returned positive quantitative results, and more usefully some qualitative feedback on how we may consider altering our interactions with tenants to recognise that no two tenants are the same.

OUR TENANTS

Agreed that working with Target was a positive experience

10/10

Previous survey (2022): 9/10

Agreed that Target provides real estate that is a great working environment and helps deliver dignified care to residents

9/10

Previous survey (2022): 9/10

Agreed that Target participates in sector events and appropriately shares knowledge

10/10

Previous survey (2022): 10/10

Resident satisfaction

Regulator (CQC in England) ratings are informative but limited. The Investment Manager also monitors reviews on "Carehome.co.uk", a "Tripadvisor" style website for care homes, as a useful source of real-time feedback which is more focussed on the resident experience, and that of their loved ones.

OUR RESIDENTS

Our resident portfolio's current average rating is

9.4/10

with sufficient review volume and frequency on "Carehome.co.uk" to be considered a valuable data point for the quality of service experienced by residents.

STRATEGIC PILLAR #3
DELIVER RETURNS

Regular dividends for shareholders.

The Group has achieved earnings growth; NTA growth; and a dividend fully covered by earnings from its disciplined financial and risk management.

Earnings

Earnings increased by 2.2%, as measured by adjusted EPRA EPS; the Group's primary performance measure. Rental income has increased by 4.0%, with reduced income from prior year disposals countered by inflation-linked rental growth and new leases entered as the Group's development assets reach practical completion. Provisioning/credit loss allowance (for doubtful debts) was significantly reduced from the prior year as the portfolio continues to perform well from a rent collection and rent cover perspective, though the reported movement has increased on a net basis given the prior year also benefitted from the recovery of a substantial arrears balance.

The impact of inflation on the Group's operating expenses was controlled, with a 1.1% increase for the year.

Net finance costs increased to £10.8 million from £9.4 million, driven by the increase in drawn debt through the year and the higher interest rate environment. The Group's interest costs are fixed/hedged on £230 million of drawn debt until November 2025.

Expense ratio

The Group's expense ratios reflect these movements. The adjusted EPRA cost ratio, expressing costs as a percentage of the Group's rental income, increased slightly to 19.1% from 18.7% with the £698k net increase in the credit loss allowance and bad debts in the year having a proportionately larger numerator effect on the expenses than the £3.0 million growth in the gross rental income denominator. The Ongoing Charges Figure, which provides a measure of recurring operating expenses was fairly stable at 1.51% (2023: 1.53%), the marginal decrease being driven by reductions in the Group's recurring cost base such as the outcome of the valuation tender conducted during the year.

Total Returns

Accounting total return, using EPRA NTA movement and dividends paid, was a healthy 11.8% for the year ended June 2024 and an annualised 7.4% since launch. Our portfolio has returned like-for-like valuation growth for each of the six quarters since the December 2022 macro-driven response to the higher interest rate environment. Our valuations have been less volatile than the wider commercial property population, as reported within the MSCI Monthly Index (All Property) (see chart on page 20), due to the strength of investment demand and the trading performance at the underlying home level.

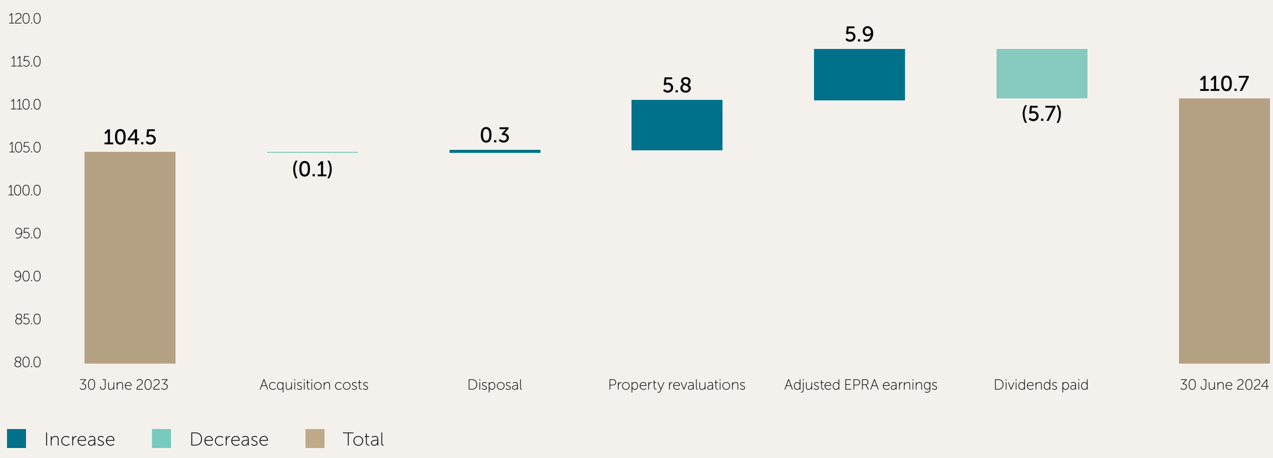
This valuation performance, allied with our dividend payouts, fully covered by earnings for the same six-quarter period, has seen EPRA NTA grow by 5.9% over the year, and 7.5% since the market nadir, and contribute to total returns.

The consistency of Group level accounting total returns and those at portfolio level (see page 2) clearly demonstrate the stability of our business model, and the defensive, non-cyclical nature of prime care homes as a real estate asset class.

EARNINGS SUMMARY

	2024 (£m)	Movement	2023 (£m)
Rental income (excluding guaranteed uplift)	**58.6**	+4%	56.4
Administrative expenses (including management fee and credit loss allowance)	**(11.6)**	+8%	(10.7)
Net financing costs	**(10.8)**	+15%	(9.4)
Interest from development funding	**1.8**	+100%	0.9
Adjusted EPRA earnings	**38.0**	+2%	37.2
Adjusted EPRA EPS (pence)	**6.13**	+2%	6.00
EPRA EPS (pence)	**7.61**	-1%	7.67
Adjusted EPRA cost ratio	**19.1%**	+40 bps	18.7%
EPRA cost ratio	**16.6%**	+80 bps	15.8%
Ongoing Charges Figure ('OCF')	**1.51%**	-2 bps	1.53%

EPRA NTA PER SHARE (PENCE)



Debt

Debt facilities were unchanged in the year at £320 million. The weighted average term to expiry on the Group's total committed loan facilities was 5.2 years (30 June 2023: 6.2 years), with drawn debt of £243 million incurring a weighted average cost, inclusive of amortisation of loan arrangement costs, of 3.9% (3.7% on a cash only basis with costs excluded).

Net LTV was 22.5%, with the Group's revolving credit facilities allowing flexible drawdowns/repayments in line with capital requirements.

Ahead of the earliest refinancing point in November 2025, the Group has (i) obtained refinancing terms from its existing bank lenders and (ii) presented to a number of lenders in the private placement markets. Both avenues have yielded commercially attractive refinancing terms and options, and evidenced appetite/demand. These are being carefully assessed with respect to the Group's preferred financing structure and capital requirements.

DEBT ANALYSIS

Debt Provider	Facility Size	Debt Type	Drawn at 30 June 2024	Maturity
Phoenix Group	£150m	Term debt	£150m (fixed rate)	Jan 2037 – £63m Jan 2032 – £87m
RBS	£70m	£30m Term debt £40m Revolving credit facility	£30m (hedged) £13m (floating rate)	Nov 2025
HSBC	£100m	Revolving credit facility	£50m (hedged)	Nov 2025
Total	**£320m**		**£243m**	

Net debt to EBITDA ratio

This is a leverage ratio that compares the Group's long-term liabilities in the form of net debt to an estimate of its cash flow available to pay down this debt, in the form of EBITDA (which stands for earnings before interest, taxes, depreciation and amortisation).

The Group uses adjusted EPRA earnings as its EBITDA, and the gradual reduction illustrates the improvement in the Group's ability to repay the capital value of its debt from earnings over a period in which interest rates have risen.

Net debt to EBITDA ratio

4.6x

STRATEGIC PILLAR #4
SOCIAL PURPOSE

To achieve our social purpose.

To adhere to our responsible investment fundamentals, delivering positive social impact allied with a firm commitment to environmental sustainability and good governance. We have a clear ESG Charter (Targeting Tomorrow) to ensure the social impact objective we launched with remains embedded in our business for years to come, working with shareholders, tenants and other stakeholders.

We have made firm ESG commitments which we measure and report progress on annually.

◑ Partially met
● Met

ESG commitments	What this means for Target	Status
Responsible investment 3 Good health and well-being; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities	Continue to provide better care home real estate which results in positive social impact for residents, their carers and local communities.	Met
	Support the sector's transition from poor real estate standards via long-term financial/ investment support for new developments.	Met
	Obtain reliable certification and insightful data on the energy efficiency of our real estate.	Met
	Increase data coverage of energy consumption by our tenants, aiding transparency and our ability to positively influence energy efficiency.	Met
	Ensure ESG factors embedded into acquisition process and portfolio management.	Met
	Net zero commitment.	Partially met
Responsible partnerships 11 Sustainable cities and communities	Engage with tenants to ensure real estate is meeting their operational and staff needs, allowing effective care for residents.	Partially met
	Use energy data obtained from tenants to positively influence behaviours where possible.	Partially met
	Be a responsible landlord to our tenants and their communities through significant challenges, such as pandemics.	Met
Responsible business 8 Decent work and economic growth	To establish an ESG Committee to provide appropriate focus and impetus to ESG matters.	Met
	Ensure the benefits of Board diversity are achieved.	Partially met
	Participate in benchmarking and sector appropriate programmes to provide comparable information to stakeholders.	Partially met
	Other reporting: Align financial and non-financial reporting with widely used frameworks.	Partially met

ESG Commitments in focus: Net Zero Pathway (NZP).

Quality of input data

Achieving a zero-carbon portfolio is a crucial part of our suite of "targeting tomorrow" commitments as a responsible business. It is essential to adopt a strategy that is:
(i) based on comprehensive and reliable data;
(ii) achievable and measurable; and
(iii) suitably ambitious.

We have collaborated with our tenants and are now collecting their energy usage data to an extent (94% coverage) which our external technical experts inform us compares strongly to sector averages. This rich data allows a reliable analysis of our starting position and of the impacts of initiatives. Any such output would be significantly diminished without the quality of input data we have.

Output status

The output we currently have:

- Benchmark data on where we currently stand on carbon intensity, relative to the CRREM and SBTi joint 1.5°C decarbonisation pathway, required to achieve net zero in an appropriate timeframe
- Suggested energy efficiency and carbon reduction initiatives relevant to our properties
- Cost estimates and impact assessments on carbon intensity

Next steps

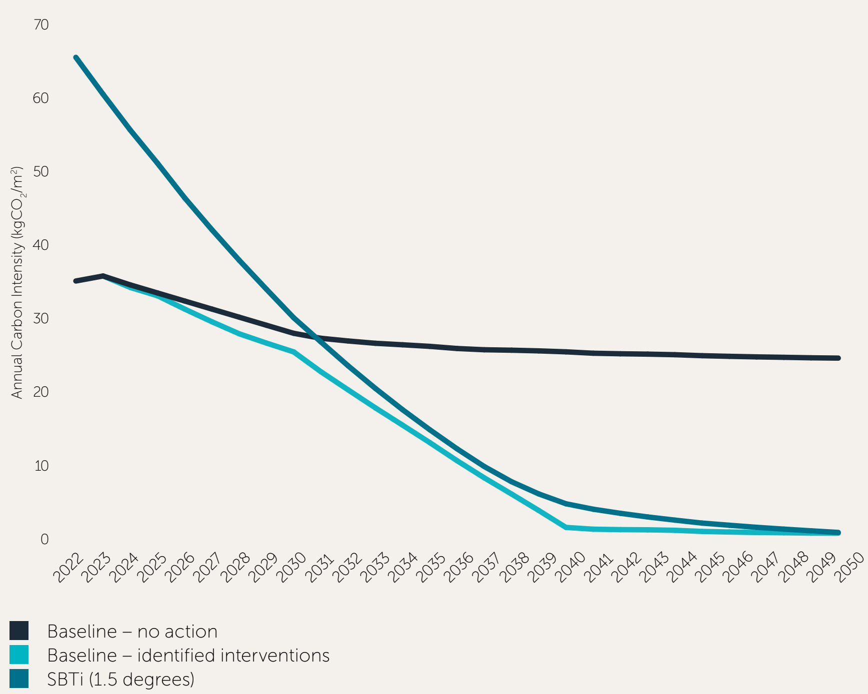
We are carefully considering this information with respect to:

- How likely is grid decarbonisation and how much reliance should we place on this versus prioritising on-site renewables?
- How effective are on-site electrification initiatives? (the most relevant question is the relationship between heat pumps and existing heat distribution systems within a property)
- What are our views on the value of offsetting initiatives, and the future outlook for that market?

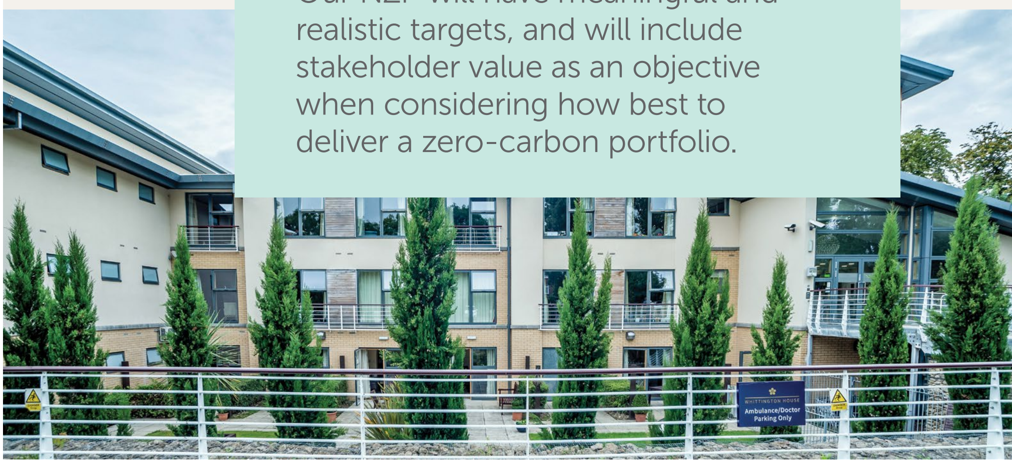
Certainties

- Our portfolio's modernity provides an excellent starting point (see "Baseline – no action" on chart to the right where we benchmark significantly ahead of the CRREM and SBTi current required minimum level of intensity)
- There are a number of interventions we can pursue to reduce carbon intensity, which appear to be effective from a cost perspective. We are currently focussed on increasing our understanding of these to rank our preferred initiatives.

CARBON INTENSITY



> We'll continue to perform diligence to ensure we are educated and informed. Our NZP will have meaningful and realistic targets, and will include stakeholder value as an objective when considering how best to deliver a zero-carbon portfolio.



Science Based Targets initiative ('SBTi') is a corporate climate action organisation that enables companies and financial institutions worldwide to play their part in combating the climate crisis.
Carbon Risk Real Estate Monitor (CRREM) is a project developed by the Sustainability Consortium to help investors assess and manage risk in the real estate sector related to climate change.

2024 activity and highlights.

Environmental

EPC ratings[1]

99%

A-B ratings

100%

A-C ratings

Important measure of energy efficiency and legislative rating

Social

Wet-rooms

99%

Defining proxy for real estate quality and social impact. National Comparative: 33%*

*Source: Carterwood

Governance & transparency

ESG committee

Met at least quarterly.

£1m

Approved budget for energy efficiency initiatives.

1 Non-English homes follow a different rating system and have been converted to English equivalent ratings.
2 Since the launch of Target Healthcare REIT in March 2013. Direct support refers to contractual financial commitment to forward fund or forward commit to a development.

BREEAM In-Use certificates

12% coverage

Commitment met to ensure minimum 10% portfolio certified on an ongoing basis.

Energy consumption data

94%

coverage obtained for 2023 calendar year (2022: 46%).

Responsible investment

- Increased coverage of portfolio with green lease provisions to 49% from 22%.
- Supported installation of photovoltaic systems on two properties with five more post year-end. Average carbon savings of 20%.
- Pilot study on thermal insulation in one property completed. Average carbon savings of 3%.

Space per resident

48m^2

We assess this against peers and compare favourably.

New homes/beds built with our direct support[2]

17/1,144

A further measure of our social impact in supporting the sector's transition to modern real estate.

Responsible partnerships

- Pleasing feedback received from tenant survey (see page 13).

GRESB

60

2022's score of 60 was our inaugural published submission and was in line with our peer group. We anticipate an improved score and peer group position when the 2023 results are released shortly.

Board diversity

40%

Board composition remains at 40% female, in-line with the 'Women in Leadership' 2025 target set by the FTSE Women Leaders Review.

Responsible business

- Significant progress made in journey to net zero carbon, with positive benchmark position confirmed (see page 17).

Portfolio performance and UK care home investment market.

Portfolio performance

Two key portfolio metrics are presented on page 2 of this report which are reflective of the investment grade characteristics of our prime, modern UK care home portfolio. Firstly, rental growth was 3.8% on a like-for-like basis (2023: 3.8%) and has been supported by a quality rental stream from 34 tenants with robust rent covers of 1.9x (2023: 1.6x). Underlying demand for places in our homes remains high at 87% mature home occupancy (2023: 85%) with scope for further profitability growth as occupancy trends further towards the 90% long-term average.

Secondly, portfolio-level total returns continue to impress. We are delighted to have been the top performer in the MSCI UK Annual Healthcare Property Index for the calendar year 2023, coming first of 37 contributors at 9.7% total return. More importantly, this is sustained performance as we rank second over the 10-year period ending 2023. Investment demand in an active market supports valuations, with the like-for-like valuation growth for the year of 3.7% largely driven by the growth in rents as valuation yield volatility remains low for prime care homes.

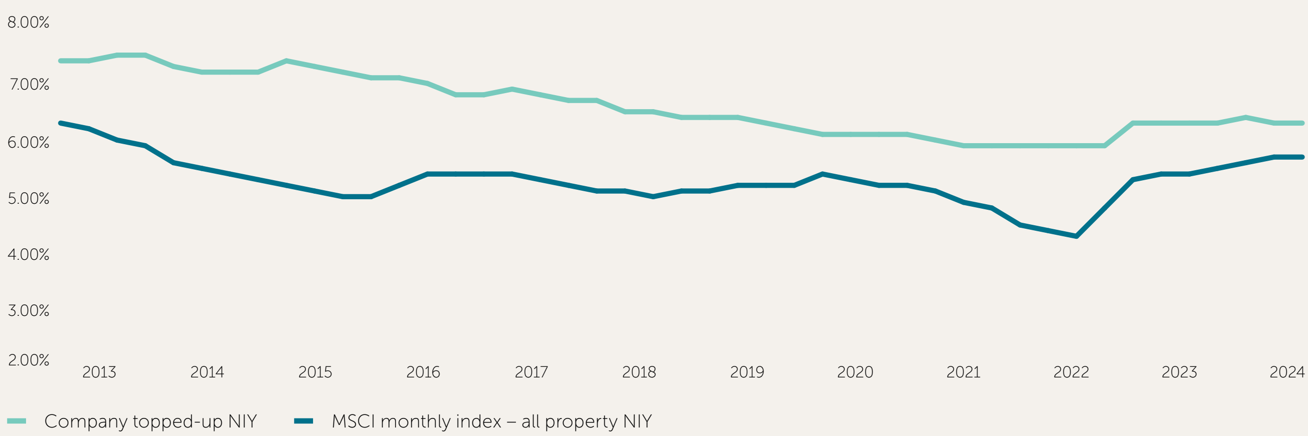
Our portfolio metrics are strong. 90% of homes are mature in their trading, 84% are younger than 2010-build date, and the WAULT remains long at over 26 years. These characteristics and the bias towards private-fee payments of our tenants' revenue (74%) all support the quality of our rental stream and its annual and compounding long-term growth. We continue to be able to re-tenant assets to alternative operators where it benefits the overall portfolio. We transitioned a home in the North-East of Scotland to an operator with a core focus in that region, and consistent with previous tenant changes, this was achieved at no change to the prevailing, sustainable rent level and with no Group-funded incentives required. The portfolio metrics have also benefitted from our disposal programme. The £44.3 million transaction for four care homes prior to the year-end was (i) at an implied NIY of 5.6%, ahead of the portfolio average of 6.2%, (ii) for four of the oldest assets in the portfolio; and (iii) for four of the shortest remaining lease terms. The proceeds have been used to reduce drawn debt levels and to fund construction of the Group's development assets, providing brand new, purpose-built beds on 35-year leases to replace the older assets subject to disposal.

Care home trading

Our typical investment appraisal is based on a home's ability to achieve earnings at least 1.6x the home's rent, to provide headroom and financial resilience. The portfolio has achieved 1.9x rent cover this year, endorsing our investment case on the trading potential of prime care home real estate, particularly given resident occupancy is not at capacity. We continue to believe this is at least partly due to tenants' reluctance to fill beds 'at any cost', with many being resistant to accepting financially unviable fees from publicly-funded sources. Profitability follows growing revenue in a well-run business, and we believe this trend will continue for those who have chosen to follow a 'quality first' ethos with regard to building suitability. There is increasing evidence that post Covid the flight to quality is accelerating with families willing and prepared to pay for better facilities for their loved ones.

Average weekly fees for residents have increased by c.9%-10% as a result of the above approach and inflationary cost increases are largely being passed on. Staff costs are the largest and potentially most volatile expense item for a home and are therefore the bellwether for the sustainability of home profitability. Staff costs per resident per week have increased by a similar percentage as fees, whilst agency usage and costs have reduced as operators manage costs.

COMPANY TOPPED-UP NIYS AND MSCI MONTHLY INDEX – ALL PROPERTY NIYS



Investment market

Low volatility of valuation continues

The UK care home investment market remained muted relative to the pre-2022 average. Some of the major investors paused activity, with availability of capital and the yield available relative to the risk-free rate being constraining factors. Scarcity of quality product in the market has also been a key theme with sales activity in the main driven by investment holders requiring to re-balance their asset weightings and to generate liquidity. There has been competitive tension for prime assets, with lower demand for sub-prime where pricing has moved out towards net initial yields of 10%. Care homes with strong ESG credentials remain attractive targets for investment activity.

On pricing, the reaction to the 2022 mini budget was an initial outward yield movement of 40-50 bps which then softened marginally to 30-40 bps. This reflects what we observed in the transactional market for deals completing, and also in the portfolio EPRA topped-up NIY of 6.20% compared to that of two years ago at 30 June 2022 of 5.82%. Prime care homes have once again proven to be less volatile than All Property whilst still providing returns at an attractive spread to the risk-free rate.

Health and social care update

We note below a number of areas which are prominent in our minds and those of our tenants:

Change of Government and the future of social care

During the July 2024 General Election campaign, the Conservatives chose to promote their multi-year funding settlement to Local Authorities as well as their commitment to implement the previously postponed 'Dilnot' cap on social care costs from October 2025. Labour mirrored the same care cap proposal along with the creation of a National Care Service, and an intention to establish a fair pay agreement across the sector.

Subsequent to its win the new Labour government cancelled the proposed 'Dilnot' cap on care costs and proposed instead a much broader rethink of policy, likely including a Royal Commission on the matter. Private operators may be encouraged by pre-election comments of Wes Streeting, (now) Secretary of State for Health and Social Care, who said he was 'pragmatic' about the use of private health in support of the NHS going forward. Also, it is recognised by Government that care homes and the wider social care sector are an essential aide to the smooth running of the NHS. The Labour Government has set a priority on improving the flow through NHS hospitals – including by allowing earlier discharges and the likely consequence of this will be to increase demand for care home provision.

Staffing and inflationary pressures

Recruitment has eased considerably over the course of the year, and while concerns have been raised recently about the fall in health and social care worker visa applications, many operators are reporting stable staffing, with the use of expensive agency support reduced back to more historical low levels and used mainly for routine gaps in staffing, brought about by unplanned shortages such as sickness cover. Operators are however watching applications with some disquiet, as the previous Government's decision to restrict accompanying dependants from applicants (while not doing the same for NHS applicants) has created a nervousness that future applicants may choose other geographies over the UK and worry that come reapplication time for existing visa holders, unknown numbers may not choose to stay.

The minimum wage rise, while putting pressure on organisations who rely on lower publicly funded fee rates, is widely supported by the sector, who value the dedication of those who choose the sector as much from a vocational perspective as simply just routine employment. Most operators will however be watching with interest the new Government's intention to introduce collective and fair pay agreements across adult social care, which will push costs up going forward with a resultant pressure on fee inflation.

Demographics of those of working age may become more of a challenge for the sector. The 150,000 vacancy volume across the sector has recently been reduced to 130,000, according to the organisation 'Skills for care', but the same organisation notes if the workforce need grows in line with demographic changes an extra 440,000 roles will be required by 2035. There are currently 440,000 posts filled by people who will reach retirement age in the next 10 years.

Regulation

English operators who have suffered some frustration with the Care Quality Commission (CQC), since the introduction of the regulator's new 'single assessment framework' last autumn, feel slightly vindicated in the Government's 'Dash' report, which highlights some serious concerns in the methodology for inspections and ratings. Wes Streeting, the Secretary of State for Health and Social Care, went as far as to say it was clear to him that the CQC was 'not fit for purpose'. While this is a relief to many operators, in that they too found difficulty in understanding what was expected of them, it potentially causes further frustration in the delay of inspections for homes deemed 'Required Improvement', where operators are delayed in communicating a clean bill of health to potential clientele. It is too early to say whether the CQC will be subject to tinkering reform, or whether more sweeping change will take place.

Target Fund Managers Limited
16 September 2024

Principal and emerging risks and risk management.

Risk	Description of risk and factors affecting risk rating	Mitigation	Risk rating & change
Poor performance of investments/ investment assets	There is a risk that a tenant's business could become unsustainable if its care homes trade poorly. This could lead to a loss of income for the Group and an adverse impact on the Group's results and shareholder returns. The strategy of investing in new purpose-built care homes could lead to additional fill-up risk and there may be a limited amount of time that operators can fund start-up losses.	The Investment Manager focuses on tenant diversification across the portfolio and, by considering the local market dynamics for each home, aims to ensure that rents are set at sustainable levels. Rent deposits or other guarantees are sought, where appropriate, to provide additional security for the Group. The Investment Manager has ongoing engagement with the Group's tenants to proactively assist and monitor performance.	**High**
High inflationary environment	An increase in the UK inflation rate to a level above the rent review caps in place across the portfolio's long-term leases may result in a real term decrease in the Group's income and be detrimental to its performance. In addition, cost increases for tenants, particularly in relation to staffing and utilities, may erode their profitability and rent cover unless their revenue increases accordingly.	The Group's portfolio includes inflation-linked leases, with primarily annual upwards-only rent reviews within a cap and collar. The gradual fall in the RPI inflation rate since October 2022 means that, at 30 June 2024, the rate of inflation was below the level of the Group's rent review caps. The Investment Manager is monitoring tenant performance, including rent covers and whether average weekly fees paid by the underlying diversified mix of publicly funded and private-fee paying residents are growing in line with inflation.	**Medium**
Adverse interest rate fluctuations/ debt covenant compliance	Adverse interest rate fluctuations will increase the cost of the Group's variable rate debt facilities; limit borrowing capacity; adversely impact property valuations; and be detrimental to the Group's overall returns.	The Group has a conservative gearing strategy and, although net gearing is anticipated to increase as the Group nears full investment, this reduced following the property disposals in June 2024. Loan covenants and liquidity levels are closely monitored for compliance and headroom. The Group has fixed interest costs on £230 million of its total borrowings of £243 million as at 30 June 2024.	**Medium**
Negative perception of the care home sector	A negative perception of the care home sector, due to matters such as societal trends, pandemic or safeguarding failures, or difficulties in accessing social care, may result in a reduction in demand for care home beds, causing asset performance to fall below expectations despite the demographic shifts and the realities of needs-based demand in the sector. The resultant reputational damage could impact occupancy levels and rent covers across the portfolio.	The Group is committed to investing in high quality real estate with high quality operators. These assets are expected to experience demand ahead of the sector average while in the wider market a large number of care homes without fit-for-purpose facilities are expected to close. A trend of improving occupancy rates across the portfolio has been noted in recent times.	**Medium**
Availability of capital	Without access to equity or debt capital, the Group may be unable to grow through acquisition of attractive investment opportunities. This is likely to be driven by both investor demand and lender appetite which will reflect Group performance, competitor performance, general market conditions and the relative attractiveness of investment in UK healthcare property.	The Group maintains regular communication with investors and existing debt providers, and, with the assistance of its broker and sponsor, regularly monitors the Group's capital requirements and investment pipeline alongside opportunities to raise both equity and debt. Whilst the Company's shares remain at a discount, potentially limiting access to equity capital for further growth, discussions with existing and potential lenders indicate sufficient appetite to enable a refinancing on acceptable terms of the Group's loan facilities due to expire in November 2025.	**Medium**
ESG and climate change	A change in climate, such as an increased risk of local or coastal flooding, or a change in tenant/ investor demands or regulatory requirements for properties which meet certain environmental criteria, such as integral heat pumps, may result in a fall in demand for the Group's properties, reducing rental income and/or property valuations.	The Group is committed to investing in high quality real estate with high quality operators. The portfolio's EPC and BREEAM in-use ratings suggest the portfolio is well positioned to meet future requirements/expectations. The Investment Manager uses a house standard to ensure ESG factors are fully considered during the acquisition process.	**Medium**

STRATEGIC OBJECTIVES

To grow a robust portfolio

Dividend focus

Specialist, engaged manager

Responsible investment

RISK TREND

Risk increased

Risk unchanged

Risk decreased

Risk	Description of risk and factors affecting risk rating	Mitigation	Risk rating & change
Reduced availability of carers, nurses and other care home staff	The combined impacts of the pandemic and increased employment and wage inflation in competing sectors has reduced the availability of key staff in the care sector which may result in a reduction in the quality of care for underlying residents, restrict tenants from being able to admit residents or result in wage inflation.	The Group is committed to investing in high quality real estate with high quality operators and these should be better placed to attract staff. The Investment Manager continues to engage with tenants in the portfolio and to share examples of best practice in recruitment and retention of staff.	Medium
Development costs	The high inflationary environment, particularly for building materials and staff, combined with supply chain difficulties, may result in an increased risk that the developers of contracted developments do not fulfil their obligations and/or may increase the cost of new development opportunities.	The Group is not significantly exposed to development risk, with forward funded acquisitions being developed under fixed price contracts, with the Investment Manager having considered both the financial strength of the developer and the ability of the developer's profit to absorb any cost overruns. As at 30 June 2024, the Group held only two remaining developments.	Medium
Breach of REIT regulations	A breach of REIT regulations, primarily in relation to making the necessary level of distributions, may result in loss of tax advantages derived from the Group's REIT status. The Group remains fully compliant with the REIT regulations and is fully domiciled in the UK.	The Group's activities, including the level of distributions, are monitored to ensure all conditions are adhered to. The REIT rules are considered during investment appraisal and transactions structured to ensure conditions are met.	Medium
Changes in government policies	Changes in government policies, including those affecting local authority funding of care, may render the Group's strategy inappropriate. Secure income and property valuations will be at risk if tenant finances suffer from policy changes.	Government policy is monitored by the Group to increase the ability to anticipate changes. The Group's tenants also typically have a multiplicity of income sources, with their business models not wholly dependent on government funding.	Medium
Reliance on third party service providers	The Group is externally managed and, as such, relies on a number of service providers. Poor quality service from providers such as the Investment Manager, company secretary, broker, legal advisers or depositary could have potentially negative impacts on the Group's investment performance, legal obligations, compliance or shareholder relations.	The Investment Manager, along with all other service providers, is subject to regular performance appraisal by the Board. The Investment Manager has retained key personnel since the Group's IPO and has successfully hired further skilled individuals and invested in its systems.	Medium
Failure to differentiate qualities from competitors or poor investment performance	Failing to differentiate strategy and qualities from competitors is a significant risk for the business, with increased competition in the healthcare real estate sector. The failure to communicate these effectively to stakeholders could have a negative impact on the Company's share price, future demand for equity raises and/or debt finance and wider reputational damage.	The stakeholder communications strategy of the Group has always been to highlight the quality of the real estate in which the Group invests. The regular production of investor relations materials (annual and interim reports, investor presentations and quarterly factsheets) along with direct engagement with investors helps to mitigate this risk.	Medium

The Company's risk matrix is reviewed regularly by the Board as detailed on page 44. Emerging risks are identified though regular discussion at Board meetings of matters relevant to the Company and the sectors in which it operates; including matters that may impact on the underlying tenant operators. In addition, the Board holds an annual two-day strategy meeting which includes presentations from relevant external parties to ensure that the Board is fully briefed on relevant matters. At the strategy meeting, as part of an overall SWOT analysis, principal and emerging risks are discussed and reviewed to ensure that they have all been appropriately identified and, where necessary, addressed.

The detailed consideration of the Company's viability and its continuation as a going concern, including sensitivity analysis to address the appropriate risks, is set out on pages 32 and 33.

Promoting the success of Target Healthcare REIT plc.

The Board considers that it has made decisions during the year which will promote the success of the Group for the benefit of its members as a whole.

(a) The likely consequences of any decision in the long-term	Our investment approach is long-term with an average lease length of 26.4 years. We believe this is the most responsible approach to provide stability and sustainability to tenants and key stakeholders. Therefore, most decisions require consideration of long-term consequences, from determining a sustainable rent level and the right tenant partner for each investment, to considering the impact of debt and key contracts with service providers on the recurring earnings which support dividends to shareholders.
(b) The interests of the Company's employees	The Company is externally managed and therefore has no employees.
(c) The need to foster the Company's business relationships with suppliers, customers and others	As a REIT with no employees, the Board works in close partnership with the Manager, which runs the Group's operations and portfolio within parameters set by the Board and subject to appropriate oversight. The Manager has deep relationships with tenants, the wider care home sector, and many of the Group's other suppliers. These are set out in more detail in the table on the following page.
(d) The impact of the Company's operations on the community and the environment	The Board is confident the Group's approach to investing in a sensitive sector is responsible with regard to social and environmental impact. This is set out in more detail in the community and the environment section of the table on the following page.
(e) The desirability of the Company maintaining a reputation for high standards of business conduct	The Board requires high standards of itself, service providers and stakeholders. The Group's purpose and investment objectives dictate that these standards are met in order to retain credibility. The ethos and tone is set by the Board and the Manager.
(f) The need to act fairly as between members of the Company	The Board encourages an active dialogue with shareholders to ensure effective communication, either directly or via its broker and/or Manager. The interests of all shareholders are considered when issuing new shares and/or considering the level of distributions or other return of capital.

The significant transactions where the interests of stakeholders were actively considered by the Board during the year were:

Dividends paid

The Board recognised the importance of dividends to its shareholders and, after careful analysis of the Group's forecast net revenue concluded that, having reduced the quarterly dividend in January 2023, it was in the interests of all stakeholders to increase the Company's dividends in relation to the year ended 30 June 2024 to reflect underlying rental growth whilst remaining at a level which is expected to be fully covered with the potential for further growth. As set out in more detail in the Chair's Statement, the Board intends to increase the quarterly dividends for 2024/25 by a further 3%.

Ongoing investment and asset management activity

The Group acquired a new development site in July 2023. The new, high-quality beds brought to the market by completion of this operationally net carbon zero home in June 2024, combined with the Group's other developments and its asset management activities to increase the percentage of wet rooms in the property portfolio to 99%, illustrate the Group's intent of improving the overall level of care home real estate in the UK. This approach targets attractive long-term returns to shareholders by focusing on a sustainable and 'future proofed' sector of the care home market.

The overall quality of the Group's portfolio was also improved by the disposal of four homes from the portfolio which were in the lower quartile of the portfolio with respect to age, lease length and overall building quality. The disposal at an implied net initial yield of 5.64%, demonstrated to the market the institutional grade quality and demand for both the Group's prime care home real estate portfolio and for the wider sector.

The Group has particularly considered the level of carbon emissions from its property portfolio, significantly improving the level of data collection and significantly advancing its determination of a plan to reach net zero carbon in line with the science-based target to limit warming to 1.5°C.

The Group completed the re-tenanting of a property with the rental level remaining unchanged and green provisions being included in the revised lease.

Capital financing

The Board continued to minimise the Group's exposure to rising interest rates on its borrowings by allocating the proceeds from the disposal above to reduce the Group's more expensive unhedged debt and fund the remaining development pipeline. The Board has encouraged the Investment Manager to progress the exploration of options available to refinance the Group's shortest dated debt facilities which expire in November 2025.

Director appointments

With the completion in the prior year of the Board's succession plan for the medium term, Dr Thompsell took on the role of chair of the Nomination Committee, in addition to her existing role as chair of the Remuneration Committee, to ensure the ongoing effectiveness of the Board and continue the process of planning for the longer term. In addition, subsequent to the year-end, Mr Cotton has been appointed as chair of the Management Engagement Committee.

Stakeholders

The Company is a REIT and has no executive directors or employees and is governed by the Board of Directors. Its main stakeholders are shareholders, tenants and their underlying residents, debt providers, the Investment Manager, other service providers and the community and the environment. The Board considers the long-term consequences of its decisions on its stakeholders to ensure the long-term sustainability of the Company.

Shareholders	Shareholders are key stakeholders and the Board proactively seeks the views of its shareholders and places great importance on communication with them. The Board reviews the detail of significant shareholders and recent movements at each Board Meeting and receives regular reports from the Investment Manager and Broker on the views of shareholders, and prospective shareholders, as well as updates on general market trends and expectations. The Chair and other Directors make themselves available to meet shareholders when required to discuss the Group's business and address shareholder queries. The Directors make themselves available at the AGM in person, with the Company also providing the ability for any questions to be raised with the Board by email in advance of the meeting. The Company and Investment Manager also provide regular updates to shareholders and the market through the Annual Report, Interim Report, Sustainability Report, regular RNS announcements, quarterly investor reports and the Company's website. The Investment Manager holds a results presentation on the day of publication of each of the Annual and Interim Reports, and meets with analysts and members of the financial press throughout the year.
Tenants and underlying residents	As set out in more detail on pages 12 and 13, the Investment Manager liaises closely with tenants to understand their needs, and those of their underlying residents, through visits to properties and regular communication with both care home personnel and senior management of the tenant operators. The effectiveness of this engagement is assessed through a regular tenant survey which, during 2024, was undertaken by an external third-party. The Investment Manager also receives, and analyses, management information provided by each tenant at least quarterly and regularly monitors the CQC, or equivalent, rating for each home and any online reviews, such as carehome.co.uk. Any significant matters are discussed with the tenant and are included within the Board reporting.
Debt providers	The Group has term loan and revolving credit facilities with the Royal Bank of Scotland plc, HSBC Bank plc and Phoenix Group (see Note 13 to the Consolidated Financial Statements for more information). The Company maintains a positive working relationship with each of its lenders and provides regular updates, at least quarterly, on portfolio activity and compliance with its loan covenants in relation to each loan facility. The Company has commenced discussions with both existing and potential new lenders in relation to refinancing the proportion of its debt facilities which will expire in November 2025.
Investment Manager	The Investment Manager has responsibility for the day-to-day management of the Group pursuant to the Investment Management Agreement. The Board, and its committees, are in regular communication with the Investment Manager and receive formal presentations at every Board Meeting to aid its oversight of the Group's activities and the formulation of its ongoing strategy. The Board, through the Management Engagement Committee, formally reviews the performance of the Investment Manager, the terms of its appointment and the quality of the other services provided at least annually. Further details on this process and the conclusions reached in relation to the year ended 30 June 2024 are contained on page 39.
Other service providers	The Board, through the Management Engagement Committee, formally reviews the performance of each of its significant service providers at least annually. The reviews will include the Company's legal adviser, broker, tax adviser, auditor, depositary, external valuer, company secretary, insurance broker, surveyors and registrar. The purpose of these reviews is to ensure that the quality of the services provided remains of the standard expected by the Board and that overall costs and other contractual arrangements remain in the interests of the Group and other significant stakeholders. The Investment Manager also reports regularly to the Board on these relationships. The significant other service providers, particularly the Group's legal advisers and brokers, are invited to attend Board Meetings, including the annual Strategy Meeting, and report directly to the Directors where appropriate.
Community and the environment	The Group's principal non-financial objective is to generate a positive social impact for the end-users of its real estate. Investment decisions are made based on the fundamental premise that the real estate is suitable for its residents, the staff who care for them, and their friends, families and local communities, both on original acquisition and for the long-term. Environmental considerations are an integral part of the acquisition and portfolio management process, given the strategy of only acquiring modern buildings which benchmark well from an energy efficiency aspect and which meet the requirements of the Investment Manager's ESG Charter 'Targeting Tomorrow'. Under the remit of the ESG Committee, the progression of the Group's ESG strategy has prioritised gathering useful energy/consumption data on its portfolio, whilst identifying and commencing work on a straightforward hierarchy of initiatives to maximise the Group's impact over both the short and longer term; and progressing the formation of a longer term portfolio strategy in relation to setting and meeting the Group's net zero carbon target.

On behalf of the Board

Alison Fyfe
Chair
16 September 2024

Our experienced and knowledgeable Board are responsible for the effective stewardship of the Company.

Alison Fyfe

Independent Non-Executive Chair

Ms Fyfe is a highly experienced property professional with over 35 years of experience in surveying, banking and property finance. Having trained and worked as a commercial surveyor with Knight Frank in both London and Edinburgh, she joined the Royal Bank of Scotland in 1996 to specialise in property finance. Over a period of 19 years with the bank she fulfilled several senior property finance roles, ultimately serving for five years as Head of Real Estate Restructuring in Scotland before leaving the bank in 2015. She has subsequently acted as a director of a number of companies in the property and debt finance sectors. She has been elected as a Governing Board Member of Hillcrest Homes (Scotland) and serves a trustee of the Church of Scotland Housing and Loan Fund.

Ms Fyfe is a member of the Royal Institution of Chartered Surveyors, a member of the Investment Property Forum and a former Policy Board member of the Scottish Property Federation.

Date of appointment

1 May 2020

Country of residence

UK

Independent

Yes

Other public company directorships

None

Committee membership

Investment Committee (Chair)
Audit Committee
ESG Committee
Management Engagement Committee
Nomination Committee
Remuneration Committee

Michael Brodtman

Independent Non-Executive Director

Mr Brodtman has extensive knowledge of the property sector. He worked for global property advisers CBRE for over 40 years, retiring as chairman of the UK Advisory division in June 2022. He led the firm's Valuation department for over 20 years, and served on its Executive Board and Operating Committee, respectively responsible for strategic direction and day-to-day management.

He is a Fellow of the Royal Institution of Chartered Surveyors, and has been extensively involved with the RICS throughout his professional career. He was formerly a member of the Policy Committee of the British Property Federation, the RICS Global Valuation Professional Board and the Bank of England Commercial Property Forum.

Mr Brodtman is currently a non-executive director of Grainger plc, a listed residential property company, and has further Board experience as a former non-executive director of Investment Property Databank and housing association Places for People. He is keenly interested in the healthcare sector, with relevant experience from his role as a Trustee of Jewish Care, which provides health and social care services for London's Jewish Community, including ten care homes with some 500 residents.

Date of appointment

1 January 2023

Country of residence

UK

Independent

Yes

Other public company directorships

Grainger plc

Committee membership

ESG Committee (Chair)
Audit Committee
Investment Committee
Management Engagement Committee
Nomination Committee
Remuneration Committee

Richard Cotton

Independent Non-Executive Director and Senior Independent Director

Mr Cotton has over 40 years of experience in the property sector and headed the real estate corporate finance team at JP Morgan Cazenove until April 2009. Subsequently he was a managing director of Forum Partners and chairman of Centurion Properties.

He has wide corporate experience as a former non-executive director of Hansteen plc and including advisory roles with Lloyds Bank and Transport for London.

Mr Cotton is currently the chairman of Helical plc and a consultant to Big Yellow Group plc, where he served as a non-executive director from 2012 until 2022.

1 November 2022

UK

Yes

Helical plc

Management Engagement Committee (Chair)
Audit Committee
ESG Committee
Investment Committee
Nomination Committee
Remuneration Committee

Vince Niblett

Independent Non-Executive Director and Chair of Audit Committee

Mr Niblett has many years of financial and commercial experience having been the Global Managing Partner Audit for Deloitte. He held a number of senior leadership roles within Deloitte including as a member of the UK Board of Partners and of the Global Executive Group and the UK Executive Group before his retirement from Deloitte in May 2015. During his career at Deloitte, Mr Niblett served some of the firm's most significant public company clients, working with them on commercial and strategic issues as well as providing audit services.

Mr Niblett is an independent non-executive director and chairman of the audit committee of Forterra plc and an independent non-executive director and senior independent director of Big Yellow Group plc.

Mr Niblett also serves as a trustee of the Ruth Strauss Foundation.

25 August 2021

UK

Yes

Big Yellow Group plc
Forterra plc

Audit Committee (Chair)
ESG Committee
Investment Committee
Management Engagement Committee
Nomination Committee
Remuneration Committee

Dr Amanda Thompsell

Independent Non-Executive Director

Dr Thompsell trained and originally practised as a GP before switching to working in old age hospital medicine, and then retraining in old age psychiatry. She has significant clinical experience of all aspects of caring for older people and has held a number of clinical and national leadership roles allowing her to develop a comprehensive knowledge of the care home sector. This included 17 years at the South London and Maudsley NHS Foundation Trust, where she led a multidisciplinary team supporting care homes for seven years and was the clinical lead for long-stay older people's mental health unit for a further five years.

Dr Thompsell is the National Specialist Advisor: Older People's Mental Health at NHS England, a member of the advisory board to the Journal of Dementia Care, a Medical Member of the First Tier Tribunal at the UK Ministry of Justice and a Community Consultant in West London Mental Health Trust. She is also the previous chair of the Faculty of Old Age Psychiatry of the Royal College of Psychiatrists.

1 February 2022

UK

Yes

None

Nomination Committee (Chair)
Remuneration Committee (Chair)
Audit Committee
ESG Committee
Investment Committee
Management Engagement Committee

Experts in strategic, responsible investment.

The Investment Manager

The Group has appointed Target Fund Managers Limited ('Target' or the 'Investment Manager') as its investment manager pursuant to the Investment Management Agreement. The Investment Manager is a limited company which is authorised and regulated by the FCA and has the responsibility for the day-to-day management of the Group and advises the Group on the acquisition of its investment portfolio and on the development, management and disposal of UK care homes and other healthcare assets in the portfolio. It comprises a team of experienced individuals with expertise in the operation of and investment in healthcare property assets.

Alternative Investment Fund Managers Directive ('AIFMD')

The Board has appointed Target as the Group's AIFM and Target has received FCA approval to act as AIFM of the Group. An additional requirement of the AIFMD is for the Group to appoint a depositary, which oversees the property transactions and cash arrangements and other AIFMD required depositary responsibilities. The Board has appointed IQ EQ Depositary Company (UK) Limited to act as the Company's depositary.

Key personnel of the Investment Manager

The key personnel who are responsible for managing the Group's activities are set out on the following page.

Kenneth MacKenzie MA CA

Kenneth MacKenzie is the founder and Chief Executive of Target. He is a Chartered Accountant with over 40 years of business leadership experience with the last 18 in healthcare. In addition to his responsibilities as Target's chief executive, Kenneth leads the creation and management of Target's client funds and oversees fundraising and investor liaison for the Group. In 2005, he led the acquisition of Independent Living Services ('ILS'), Scotland's largest independent domiciliary care provider. Kenneth grew this business by acquisition and put in place a new senior management team before exiting via a disposal to a private equity house. Prior to his involvement with ILS, Kenneth negotiated the proposed acquisition of a UK independent living business in a JV with the large US care home operator, Sunrise Senior Living. Prior to his involvement in the healthcare sector, Kenneth has owned businesses in the publishing, IT, shipping and accountancy sectors and he holds a number of pro-bono charitable roles.

John Flannelly BAcc FCA

John Flannelly is Head of Investment at Target. He is a Chartered Accountant with over 20 years' experience, the last eighteen of which have been in real estate investment management. He has primary responsibility for investment activity across the Target business. John has been involved in the appraisal of several hundred care home opportunities resulting in the acquisition of more than 100 properties for those client funds. Prior to joining Target, during his time as investment director for an institutional investor, John held board positions at a UK top-10 care home operator and a care home development business. John started his career at Arthur Andersen where he worked on audits, financial due diligence and corporate finance projects before moving to the Bank of Scotland initially to structure finance packages for management buy-outs and latterly to a role in real estate investment management.

Andrew Brown

Andrew Brown is Head of Healthcare at Target. Andrew keeps the wider team up to date on sector news and analysis, having a unique knowledge acquired over his lifetime, having been active in the senior care sector since the 1970's. His primary responsibilities include utilising this extensive knowledge to support the Asset Management team on tenant relations and the oversight of existing properties, as well as the Investment team during due diligence on prospective acquisitions. Prior to joining Target at its inception, he and his family developed one of the UK's largest and most unique continuing care retirement communities, now known as Auchlochan Garden Village. Andrew takes a keen interest in care architecture and can often be found poring over a set of plans.

Scott Steven MA

Scott Steven is Head of Asset Management at Target. Scott joined Target in 2017 from Lloyds Banking Group. Prior to joining Target, Scott had been responsible for a portfolio of Lloyds Banking Group's loans to large property groups, including care home owners and operators. During 2018, Scott was appointed as the Head of Asset Management at Target, and holds responsibility for tenant engagement and portfolio decision-making with a team of healthcare and asset management professionals.

Gordon Bland BAcc CA

Gordon Bland is Finance Director at Target. He is a Chartered Accountant with extensive experience of financial reporting within the asset management industry. He provides financial input to the strategic and commercial activities of the senior team, and leads the finance function where his key responsibilities include: financial planning and analysis; risk management; ownership of relationships with debt providers, treasury services; and financial reporting to shareholders. Gordon previously worked at PricewaterhouseCoopers for almost ten years, serving asset management and financial services clients in the UK, Canada and Australia.

Donald Cameron BCom CA

Donald Cameron is Company Secretary and Director of Financial Reporting at Target. He is a Chartered Accountant with more than 20 years of experience of financial reporting and company secretarial services within the closed-ended investment company sector. Having originally qualified with Deloitte LLP, he then worked for over ten years in the Investment Trust Company Secretarial team at F&C Asset Management, acting for both property and equity investment companies. He is responsible for providing company secretarial services to the Board and for statutory financial reporting. He joined Target in 2019, having provided similar services to the Group for over three years whilst working for Maitland Group, a third-party provider of corporate secretarial and administration services.

The Directors present their report, along with the financial statements of the Group and Company on pages 57 to 88, for the year ended 30 June 2024.

The Directors consider that, following advice from the Audit Committee, the Annual Report and Consolidated Financial Statements taken as a whole are fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. The Audit Committee has reviewed the Annual Report and Consolidated Financial Statements for the purpose of this assessment. In reaching this conclusion, the Directors have assumed that the reader of the Annual Report and Consolidated Financial Statements would have a reasonable level of knowledge of the investment industry in general and Real Estate Investment Trusts in particular. The outlook for the Group can be found in the Chair's Statement on pages 4 and 5 and the Investment Manager's Report on pages 20 and 21. Principal and emerging risks and uncertainties can be found on pages 22 and 23 with further information in Note 16 to the Consolidated Financial Statements.

Results and Dividends

The results for the year are set out in the following Consolidated Financial Statements. The Group has paid four quarterly interim dividends, totalling 5.712 pence per share, to shareholders in relation to the year ended 30 June 2024. Details of the dividends paid are set out in Note 7 to the Consolidated Financial Statements, and a breakdown of the distributions paid analysed between Property Income Distributions ('PID's') and Ordinary Dividends are provided on page 93.

The Company

The Company is registered as a Public Limited Company in terms of the Companies Act 2006 (Registered number: 11990238) and is an investment company under section 833 of the Companies Act 2006.

The Group carries on business as a Real Estate Investment Trust and has been approved as such by HM Revenue & Customs ('HMRC'), subject to it continuing to meet the relevant eligibility conditions and ongoing requirements. As a result, the profits of the Group's property rental business, comprising both income and capital gains, are exempt from UK taxation. The Company intends to conduct its affairs so as to enable it to continue to comply with the requirements.

The Target Healthcare REIT group was originally established in March 2013 and, following a scheme of arrangement to introduce a parent company to the Group that was incorporated in the United Kingdom, the Company became the parent company of the Group in August 2019. The Company's shares have been admitted to the premium segment of the Official List of the Financial Conduct Authority and to trading on the Main Market of the London Stock Exchange. The Company is a constituent of the FTSE-250 Index.

The Company holds a number of wholly-owned subsidiaries, both directly and indirectly, details of which are set out in Note 11 to the Consolidated Financial Statements and Note 3 to the Company Financial Statements. These subsidiary companies hold the majority of the Group's investment properties and loan facilities.

The Company is a member of the Association of Investment Companies (the 'AIC') and the European Public Real Estate Association ('EPRA').

Investment Objective

The Group's investment objective is to provide shareholders with an attractive level of income together with the potential for capital and income growth from investing in a diversified portfolio of freehold and long leasehold care homes that are let to care home operators; and other healthcare assets in the UK.

Investment Policy

The Group pursues its objective by investing in a portfolio of care homes, predominantly in the UK, that are let to care home operators on full repairing and insuring leases that are subject to annual uplifts based on increases in the UK retail prices index (subject to caps and collars) or fixed uplifts. The Group is also able to generate up to 15 per cent of its gross income, in any financial year, from non-rental revenue or profit related payments from care home operators under management contracts in addition to the rental income due under fully repairing and insuring leases.

In order to spread risk and diversify its portfolio, the Group is also permitted to invest up to: (i) 15 per cent of its gross assets, at the time of investment, in other healthcare assets, such as properties which accommodate GP practices and other healthcare related services including occupational health and physiotherapy practices, pharmacies, special care schools and hospitals; and (ii) 25 per cent 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 Group. The Directors have no current intention to acquire other healthcare 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 Group's investment policy.

The Group may either invest in assets that require development or that are under development, which when completed would fall within the Group's investment policy to invest in UK care homes and other healthcare assets, including by means of the forward funding of developments and forward commitments to purchase completed developments, provided that the Group will not undertake speculative development and that the gross budgeted development costs to the Group of all such developments, including forward funding and forward commitments, does not exceed 25 per cent of the Group's gross assets on the commencement of the relevant development. Any development will only be for investment purposes.

In order to manage risk in the portfolio, at the time of investment, no single asset shall exceed in value 20 per cent of the Group's gross asset value and, in any financial year beginning after the Group is fully invested, the rent received from a single tenant or tenants within the same group (other than from central or local government, or primary health trusts) is not expected to exceed 30 per cent of the total income of the Group, at the time of investment.

The Group will not acquire any asset or enter into any lease or related agreement if that would result in a breach of the conditions applying to the Group's REIT status.

The Group is permitted to invest cash held for working capital purposes and awaiting investment in cash deposits, gilts and money market funds.

Gearing, calculated as borrowings as a percentage of the Group's gross assets, may not exceed 35 per cent at the time of drawdown. The Board currently intends that, over the medium term, borrowings of the Group will represent approximately 25 per cent of the Group's gross assets at the time of drawdown. However, it is expected that Group borrowings will exceed this level from time to time as borrowings are incurred to finance the growth of the Group's property portfolio.

Any material change to the investment policy will require the prior approval of shareholders.

Dividend Policy

Subject to market conditions and the Company's performance, financial position and financial outlook, it is the Directors' intention to pay an attractive level of dividend income to shareholders on a quarterly basis. In order to ensure that the Company continues to pay the required level of distribution to maintain Group REIT status and to allow consistent dividends to be paid on a regular quarterly basis, the Board intends to continue to pay all dividends as interim dividends. The Company does not therefore announce a final dividend. The Board believes this policy remains appropriate to the Group's circumstances and is in the best interests of shareholders.

Directors

Biographical details of the Directors, all of whom are non-executive, can be found on pages 26 and 27. As explained in more detail in the Corporate Governance Statement on page 39, any new appointment by the Board is subject to election by shareholders at the Annual General Meeting ('AGM') following the appointment. Thereafter the Board has agreed that all Directors will retire annually and, if appropriate, seek re-election.

Each of the Directors was elected/re-elected at the AGM held on 29 November 2023 and, in line with the Company's stated policy, will seek annual re-election at the AGM to be held on 9 December 2024.

The Directors believe that the Board has an appropriate balance of skills, experience, independence and knowledge of the Group to enable it to provide effective strategic leadership and proper guidance of the Group. Whilst remaining cognisant of the need for regular refreshment of the Board membership and the 'comply or explain' listing rules requirement in relation to the diversity of the Board, the Board does not intend to make any further Director appointments in the medium term.

The Board confirms that, following the evaluation process set out in the Corporate Governance Statement on pages 41 and 42, the performance of each of the Directors continues to be effective and demonstrates commitment to the role. It is also considered that each of the Directors has sufficient time to meet their Board responsibilities. There are no service contracts in existence between the Company and any Director but each of the Directors has been issued with, and accepted the terms of, a letter of appointment that sets out the main terms of his or her appointment. Amongst other things, the letter includes confirmation that the Directors have a sufficient understanding of the Group and the sector in which it operates, and sufficient time available to discharge their duties effectively taking into account their other commitments. These letters are available for inspection upon request at the Company's registered office.

Capital Structure and Voting Rights

Details of the Company's share capital are set out in Note 15 to the Consolidated Financial Statements. Details of voting rights are also set out in the Notes to the Notice of Annual General Meeting. There are no significant restrictions concerning the transfer of securities in the Company (other than certain restrictions imposed by laws and regulations such as insider trading laws); no agreements known to the Company concerning restrictions on the transfer of securities in the Company or on voting rights; and no special rights with regard to control attached to securities. There are no significant agreements which the Company is a party to that might be affected by a change of control of the Company following a takeover bid, provided following such bid the Company's shares continue to be traded on the main market of the London Stock Exchange.

The Group's borrowings are detailed in Note 13 to the Consolidated Financial Statements.

Substantial Interests in Share Capital

As at 30 June 2024, the Company had received notification of the following holdings of voting rights (under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules):

	Number of Ordinary Shares held	Percentage held*
Blackrock, Inc	61,874,747	10.0**
Baillie Gifford & Co	25,358,041	4.1
Premier Miton Group plc	24,348,972	3.9
Alder Investment Management Limited	23,681,156	3.8
Investec Wealth & Investment Limited	23,385,150	3.8
CCLA Investment Management Limited	17,918,605	2.9
Rathbone Investment Management Limited	17,462,203	2.8

* Based on 620,237,346 ordinary shares in issue as at 30 June 2024.

** The Company is not aware, nor has it been notified, of any individual corporate shareholder(s), as germane to the Group's compliance with the REIT regulations, which were beneficially entitled to 10% or more of the Company's share capital or which controlled 10% or more of the voting power in the Company.

As at 16 September 2024, the Company has not received notification of any changes in the holdings of voting rights (under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules) compared with those above.

Share Issuance and Share Buy Backs

At the Annual General Meeting held on 29 November 2023, shareholders granted authority for the Company to issue up to 62,023,700 ordinary shares on a non-pre-emptive basis for cash. This equated to 10% of the shares in issue at the time of passing of the resolution. As at 16 September 2024, the Company has not issued any shares under this authority. The authority will expire on the earlier of the conclusion of the forthcoming Annual General Meeting, which is expected to be held on 9 December 2024. It is expected that the Company will continue to seek this authority on an annual basis.

At the Annual General Meeting held on 29 November 2023, shareholders granted authority for the Company to buy back up to 92,973,578 ordinary shares for cancellation or for holding in treasury. The Company did not buy back any shares under this authority, which will expire at the conclusion of the forthcoming Annual General Meeting.

Statement of Disclosure of Information to Auditor

As far as the Directors are aware, there is no relevant audit information of which the Group's auditor is unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Continuation Vote

In accordance with the Company's Articles of Association, an ordinary resolution is required to be put to shareholders at the AGM to be held in 2027 and at every fifth annual general meeting thereafter to seek their approval to the continuation of the Company. If the continuance vote is not passed, the Directors are required to convene a general meeting of the Company within six months thereafter at which a special resolution will be proposed to either wind up voluntarily or reconstruct the Company. A resolution in relation to the continuation of the Company was last proposed at the AGM held on 6 December 2022, in relation to which 100% of the votes cast were in favour of the resolution.

Going Concern

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. They have considered the current cash position of the Group, forecast rental income and other forecast cash flows; taking into consideration the potential impact of current economic conditions on both the Group and any increase in the likelihood that the tenants of its investment properties will not be able to meet their contractual rental obligations on a timely basis. The Group has agreements relating to its borrowing facilities with which it has complied during the year and the Board has considered the ability of the Group to fully draw, repay, refinance or increase these facilities on, or before, their expected maturity date. The Directors also considered the Group's exposure to rising interest rates, with the interest rate on 95% of the Group's drawn debt at 30 June 2024, and 93% of its drawn debt at 16 September 2024, being fixed until the expiry of the relevant loan facility. The Directors have also considered the Group's level of uninvested capital, the current status of the property investment market and the Group's pipeline of capital commitments and other investment opportunities. Based on all the information considered, the Directors believe that the Group has the ability to meet its financial obligations as they fall due to 30 September 2025, which is a period of at least twelve months from the date of approval of the financial statements. For this reason, the Board continue to adopt the going concern basis in preparing the financial statements.

Viability Statement

The AIC Code requires the Board to assess the Group's prospects, including a robust assessment of the emerging and principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity. This assessment is undertaken with the aim of stating that the Directors have a reasonable expectation that the Group will continue in operation and be able to meet its liabilities as they fall due over the period of their assessment.

The Board has conducted this review over a five-year time horizon, which is a period thought to be appropriate for a company investing in UK care homes with a long-term investment outlook. At each Board Meeting, the Directors consider the key outputs from a detailed financial model covering a similar five year rolling period, as this is considered the maximum timescale over which the performance of the Group can be forecast with a reasonable degree of accuracy. At 30 June 2024, the Group had a property portfolio which has long leases and a weighted average unexpired lease term of 26.4 years. The Group had drawn borrowings of £243.0 million on which the interest rate had been fixed, either directly or through the use of interest rate derivatives, on £230.0 million at a maximum weighted interest rate of 3.52 per cent per annum (excluding the amortisation of arrangement costs) and the remaining £13.0 million carries interest at SONIA plus a weighted average margin of 2.18 per cent per annum (excluding the amortisation of arrangement costs). The Group had access to a further £77.0 million of available debt under committed loan facilities which, if drawn, would carry interest at a variable rate equal to SONIA plus 2.21%. The Group's committed loan facilities have staggered expiry dates with £170.0 million being committed to 5 November 2025, £87.3 million to 12 January 2032 and £62.7 million to 12 January 2037. Discussions with existing and/or new potential lenders do not indicate any issues with re-financing these loans on acceptable terms in due course.

The Directors' assessment of the Group's principal risks are highlighted on pages 22 and 23. The most significant risks identified as relevant to the viability statement were those relating to:

- Poor performance of investments/ investment assets: The risk that a tenant is unable to sustain a sufficient rental cover, leading to a loss of rental income for the Group;
- High inflationary environment: The risk that the level of the UK inflation rate results in a real term decrease in the Group's income or erodes the profitability of tenants;
- Adverse interest rate fluctuations: The risk that an increase in interest rates may impact property valuations, increase the cost of the Group's variable rate debt facilities, and/or limit the Group's borrowing capacity;
- Negative perception of the care home sector: The risk that overall demand for care home beds is reduced resulting in a decline in the capital and/or income return from the property portfolio; and
- Reduced availability of care home staff: The risk that unavailability of staff restricts the ability of tenants to admit residents or results in significant wage cost inflation, impacting on the tenants' rental cover and leading to a loss of rental income for the Group.

In assessing the Group's viability, the Board has considered the key outputs from a detailed model of the Group's expected cashflows over the coming five years under both normal and stressed conditions. The stressed conditions, which were intended to represent severe but plausible scenarios, included modelling increases in interest rates of 200bps per annum compared to market forecasts at 30 June 2024 (which was applied to both the Group's current uncapped debt and to the assumed rate of refinancing of the Group's hedged loan facilities which expire in November 2025), a reduction in the capital value of the property portfolio of 20% and a significant default on rental receipts from the Group's tenants equating to an aggregate of c.12% of the Group's contracted rent roll. The stressed level of default from the Group's tenants assumed in the financial modelling was based on a detailed assessment of the financial position of each individual tenant or tenant group and the structure in place to secure rental income (such as the strength of tenants' balance sheets, rental guarantees in place or rental deposits held). The financial modelling assumed that the Group's dividend continued to be paid throughout the five year period of the assessment, and that the financial covenants on the Group's loan facilities remained substantially unchanged post refinancing. Under the stressed scenario, the Group's net LTV was forecast to reach a peak of 29% and no breaches were forecast in relation to the Group's compliance with the financial covenants on each of its loan facilities.

Based on the results of the scenario analysis outlined above, the Board has 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 of its assessment.

Audit Tender

The Company last undertook an audit tender in relation to the period from 1 July 2022, which resulted in a recommendation that the incumbent auditors, Ernst & Young LLP ('EY') be re-appointed as auditors. The Company will next be required to conduct a tender of audit services, and a mandatory rotation of audit firm, by 30 June 2032. The Company does not anticipate undertaking a further tender of audit services to the Group during the forthcoming year.

Significant Votes Against Previous Resolutions

There were no significant votes against the resolutions proposed at the Annual General Meeting held on 29 November 2023.

Resolutions to be Proposed at the AGM

Directors' remuneration

The Directors' remuneration policy and annual report on Directors' remuneration, which can be found on pages 48 to 50, provide detailed information on the remuneration arrangements for the Directors of the Company. Included is the Directors' Remuneration Policy, which shareholders approved at the AGM in December 2022, and which is expected to next be put to shareholders at the AGM in 2025 or, if earlier, when any amendments to the policy are proposed. Shareholders are requested to approve the Directors' Annual Report on Directors' Remuneration for the year ended 30 June 2024 (resolution 2).

As detailed in the Directors' Annual Report on Directors' Remuneration, the present limit on Directors' fees is an aggregate of £250,000 per annum. Whilst there is no intention to increase the Directors' fees in the current year, in order to provide headroom for unexpected events, such as the appointment of an additional Director, it is proposed that the limit on Directors' fees is increased to an aggregate of £300,000 (resolution 3).

Dividend policy

The Company's dividend policy is set out on page 31. In order to be able to continue paying a consistent dividend on a regular basis, and to ensure that sufficient distributions are made to meet the Company's REIT status, the Company intends to continue to pay all dividends as interim dividends. Recognising that this means that shareholders will not have the opportunity to vote on a final dividend, the Company will instead propose a non-binding resolution to approve the Company's dividend policy at the AGM (resolution 4). The Directors anticipate that such non-binding resolution to approve the Company's dividend policy will be proposed annually.

Auditor

The Independent Auditor's Report can be found on pages 51 to 56. EY has indicated its willingness to continue in office and a resolution will be proposed at the AGM to re-appoint EY as Auditor until the conclusion of the AGM to be held in 2025 (resolution 5). A separate resolution will be proposed to authorise the Directors to determine the Auditor's remuneration (resolution 6).

Election of Directors

As explained in more detail on page 31, each Director is subject under the Articles of Association to election by shareholders at the AGM following their appointment and, by policy of the Board, by annual re-election thereafter. Resolutions 7 to 11 therefore propose each of the relevant Directors for election/re-election. The biographies of each of the Directors, which include the skills and experience each Director brings to the Board for the long-term sustainable success of the Company, are detailed on pages 26 and 27. Having considered the knowledge, experience and contribution of each Director putting themselves forward, the Board has no hesitation in recommending their election/re-election to shareholders.

Share Issuance Authority

The Directors are seeking authority to allot additional new shares which would not require the publication of a prospectus. Resolution 12 will, if passed, authorise the Directors to allot new shares of £0.01 each up to an aggregate nominal amount representing 10% of the issued shares at the date of the passing of resolution 12. Based on the shares in issue at 16 September 2024, this resolution would therefore authorise the Directors to allot up to 62,023,700 ordinary shares.

In accordance with the provisions of the Company's Articles of Association and the UK Listing Rules, the directors of a premium listed company are not permitted to allot new shares (or grant rights over shares) for cash at a price below the net asset value per share of those shares without first offering them to existing shareholders in proportion to their existing holdings. Resolution 13, which is a special resolution, seeks to provide the Directors with the authority to issue shares of £0.01 each or sell shares held in treasury on a non-pre-emptive basis for cash (i.e. without first offering such shares to existing shareholders pro-rata to their existing holdings) up to an aggregate nominal amount representing 10% of the issued ordinary share capital of the Company at the date of the passing of resolution 13.

The authorities granted under resolutions 12 and 13 will expire at the conclusion of the next AGM of the Company after the passing of the resolutions, expected to be held in December 2025, or on the expiry of 15 months from the passing of the resolutions, unless they are previously renewed, varied or revoked. It is expected that the Company will seek these authorities on an annual basis. The authorities sought under resolutions 12 and 13 will only be used to issue shares at a premium to net asset value and only when the Directors believe that it would be in the best interests of shareholders as a whole to do so.

Resolutions to be Proposed at the AGM continued

Authority to Buy Back Ordinary Shares

Subject to market conditions and available capital, it is unlikely that the Directors will buy back any ordinary shares in the near term. Thereafter any buy back of ordinary shares will be subject to the Companies Act 2006 (as amended), the UK Listing Rules and within guidelines established by the Board from time to time (which will take into account the income and cash flow requirements of the Company).

Resolution 14 will be proposed as a special resolution and seeks to provide the Directors with the authority to purchase up to 92,973,578 ordinary shares or, if less, the number representing approximately 14.99% of the Company's ordinary shares in issue at the date of the passing of resolution 14. Any shares purchased by the Company may be cancelled or held in treasury. The Company does not currently hold any shares in treasury.

For each ordinary share, the minimum price (excluding expenses) that may be paid on the exercise of this authority will not be less than the nominal value of each ordinary share at the date of purchase. Under the UK Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of: (i) 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the shares over the five business days immediately preceding the date of purchase; and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue on which the purchase is carried out.

This authority will expire at the conclusion of the next AGM of the Company after the passing of this resolution unless it is previously renewed, varied or revoked.

Notice for General Meetings

Resolution 15 is being proposed to reflect the provisions of the Companies Act 2006 relating to meetings and the minimum notice period for listed company General Meetings being increased to 21 clear days, but with an ability for companies to reduce this period to 14 clear days (other than for AGMs), provided that the Company offers facilities for shareholders to vote by electronic means and that there is an annual resolution of shareholders approving the reduction in the minimum period for notice of General Meetings (other than for AGMs) from 21 clear days to 14 clear days. The Board is therefore proposing resolution 15 as a special resolution to ensure that the minimum required period for notice of General Meetings of the Company (other than for AGMs) is 14 clear days.

The approval will be effective until the earlier of 15 months from the passing of the resolution or the conclusion of the next AGM of the Company, at which it is intended that a similar resolution will be proposed. The Board intends that this flexibility of a shorter notice period to be available to the Company will be used only for non-routine business and only where needed in the interests of shareholders as a whole.

Recommendation

The Directors consider each resolution being proposed at the Annual General Meeting to be in the best interests of the Company and its shareholders as a whole and they unanimously recommend that all shareholders vote in favour of them, as they intend to do in respect of their own beneficial holdings of shares which amount in aggregate to 88,262 ordinary shares representing approximately 0.01 per cent of the current issued share capital of the Company.

Directors' Deeds of Indemnity

The Company has entered into deeds of indemnity in favour of each of the Directors. The deeds give each Director the benefit of an indemnity to the extent permitted by the Companies Act 2006 against liabilities incurred by each of them in the execution of their duties and the exercise of their powers. A copy of each deed of indemnity is available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Annual General Meeting. The Company also maintains directors' and officers' liability insurance.

Conflicts of Interest

Under the Companies Act 2006 a Director must avoid a situation where he or she has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a Director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect. The Company's Articles of Association give the Directors authority to approve such situations. The Company maintains an up-to-date register of Directors' conflicts of interest which have been disclosed to, and approved by, the other Directors. This register is considered at each scheduled Board meeting. The Directors are required to disclose to the Company Secretary any changes to conflicts or any potential new conflicts.

The Investment Manager has in place a conflicts of interest and allocation policy which aims to ensure a fair allocation of investment opportunities and to mitigate potential conflicts of interest that may arise where the Investment Manager provides investment management, investment advice or other services to other funds that may have similar investment policies to that of the Company. The Company has reviewed, and accepted, the policy which remained unchanged during the course of the year.

Depositary

IQ EQ Depositary (UK) Limited (the 'Depositary') acts as the Group's depositary in accordance with the AIFM Directive. The Depositary's responsibilities, which are set out in an Investor Disclosure Document available on the Company's website, include cash monitoring, record keeping and verification of non-custodial assets and general oversight of the Group's portfolio. The Depositary receives for its services a fee based on the value and activity of the property portfolio, payable quarterly. For the year ended 30 June 2024, the fees paid totalled £212,000 (2023: £195,000).

Other Companies Act 2006 Disclosures

The rules for appointment and replacement of Directors are contained in the Articles of Association of the Company. In respect of retiral by rotation, the Articles of Association provide that each Director is required to retire at the third annual general meeting after the annual general meeting at which last elected. As mentioned on page 39, the Board has agreed that all Directors will retire annually.

Any amendment of the Company's Articles of Association and powers to issue and buy back shares require shareholder authority.

There are no agreements between the Company and the Directors providing for compensation for loss of office that occurs because of a takeover bid.

Future Developments of the Company

The future success of the Company in pursuit of its investment objective is dependent primarily on the performance of its investments and the outlook for the Company is set out in the Chair's Statement on pages 4 and 5 and the Investment Manager's Report on pages 20 and 21.

Environmental, Social and Governance Principles

The Company seeks to conduct its affairs responsibly and environmental factors are, where appropriate, taken into consideration in relation to investment decisions taken on behalf of the Group, with all investment acquisitions being assessed by the Investment Manager in line with their "house standard" approach which more explicitly evaluates ESG matters in relation to each proposed acquisition. Further details are contained on pages 16 to 19 and in the Corporate Governance Statement on page 42.

The Company published its annual Sustainability Report in July 2024, covering ESG matters in more detail, and intends to continue to publish such report annually to 31 December each year to align with the Group's data collection and reporting under the GRESB framework (as considered in more detail below).

Greenhouse Gas Emissions/Streamlined Energy and Carbon Reporting

All of the Company's activities are outsourced to third parties. As such it does not have any physical assets, property, employees or operations of its own and does not generate any greenhouse gas or other emissions. As the Group has entered into operational leases on its property portfolio, the Company does not have operational control over these properties and therefore assesses that the tenant should report on any carbon emissions associated with the operation of the care homes. Following this assessment, the Group is categorised as a lower energy user under the HM Government Environmental Reporting Guidelines March 2019 ('the Guidelines') and is not required to make the detailed disclosures of energy and carbon information set out within the Guidelines within this Annual Report. Disclosures on the property portfolio's environmental sustainability performance measures, prepared in accordance with the latest European Public Real Estate Association's ('EPRA') sustainability Best Practices Recommendations (sBPR), which in turn are aligned principally with the Global Reporting Initiative ('GRI') Standards, are included in the Company's separate Sustainability Report, as referred to above. The Company achieved an sBPR Silver Award following the publication of its inaugural report, and has reflected the feedback received as well as the significant improvement in data collection on the underlying property portfolio in its latest Sustainabilty Report for the year ended 31 December 2023, as published in July 2024.

Taskforce on Climate-related Financial Disclosures ('TCFD')

The Company acknowledges the recommendations of the Financial Stability Board TCFD to improve and increase reporting of climate-related financial information and will work towards mitigating, where appropriate, the physical climate risks and opportunities arising in the property portfolio. Further detail on the climate risks in the portfolio are detailed in the 'principal and emerging risks and risk management' on page 22 and consideration of the impact of climate risks on the market value of the property portfolio is included in Notes 9 and 16 to the Consolidated Financial Statements. More information is included in the Company's separate Sustainability Report.

GRESB Framework

GRESB is a mission-driven and investor-led organisation that provides actionable and transparent ESG data to financial markets. GRESB collects, validates, scores, and independently benchmarks ESG data to provide business intelligence, engagement tools, and regulatory reporting solutions. This helps to aid transparency and comparability, and allows assessment of performance and trends. The Company submitted data to GRESB under this framework and achieved a score of 60 in relation to the year ended 31 December 2022 resulting in the award of a green star. This helped to demonstrate the Group's tangible progress in ESG reporting and the underlying quality of the property portfolio by comparing well to the peer group average score of 61, many of whom have been reporting under GRESB for a number of years. Further progress is anticipated when the GRESB results for the year ended 31 December 2023 are published in October 2024.

Modern Slavery Act 2015

As an investment company with no employees or customers and which does not provide goods or services in the normal course of business, the Company considers that it does not fall within the scope of the Modern Slavery Act 2015 and it is not, therefore, obliged to make a human trafficking statement. However, as a matter of good corporate governance and to reflect the Group's commitment to high business standards throughout its supply chains, the Company has chosen to publish a Modern Slavery and Human Trafficking Statement, the full detail of which is available on request. The Company's own supply chain, which consists predominantly of professional advisers and service providers in the financial services industry, is considered to be low risk in relation to this matter but this is regularly considered by the Management Engagement Committee as part of their review of significant service providers. The Group takes a zero-tolerance approach to modern slavery and human trafficking and expects all those it deals with to demonstrate the same attitude.

Criminal Finances Act 2017

The Company has a zero tolerance policy to tax evasion and the facilitation of tax evasion. The Company is fully committed to complying with all legislation and appropriate guidelines designed to prevent tax evasion and/or the facilitation of tax evasion in the jurisdictions in which the Company, its service providers and business partners operate.

The Company is subject to the Criminal Finances Act 2017 and has adopted a policy, endorsed by the Board, designed to prevent tax evasion and the facilitation of tax evasion. The policy establishes a culture across the Company and in relation to its service providers and other counterparties, in which tax evasion and the facilitation of tax evasion is unacceptable. The policy is based on a detailed risk assessment undertaken by the Board annually.

UK Bribery Act 2010

In order to ensure compliance with the UK Bribery Act 2010, the Directors confirm that the Company follows a zero tolerance approach towards bribery, insofar as it applies to any Directors of the Company or employee of the Investment Manager or any other organisation with which the Company conducts business, and a commitment to carry out business openly, honestly and fairly.

The Board also ensures that adequate procedures are in place and followed in respect of the appointment of third-party service providers and the acceptance of gifts and/or hospitality.

Financial Instruments

The Company's financial instruments comprise its cash balances, external loans and debtors and creditors that arise directly from its operations such as deposits held on behalf of tenants and accrued rental income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in Note 16 to the Consolidated Financial Statements.

Annual General Meeting

The Company is required by law to hold an Annual General Meeting and it will be held at the offices of Dickson Minto LLP., Dashwood House, 69 Old Broad Street, London EC2M 1QS on 9 December 2024 at 4.00 p.m. The Notice of Annual General Meeting is set out on pages 89 to 91.

We would strongly encourage all shareholders to make use of the proxy form provided in order to lodge your votes. Shareholders are also encouraged to raise any questions or comments they may have in advance of the AGM through the Company Secretary (info@targetfundmanagers.com). These will be relayed to the Board and either the Company Secretary or the Board will respond in due course either directly or by making available a summary of responses to any frequently asked questions on the Company's website.

On behalf of the Board

Alison Fyfe
Chair
16 September 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, the Directors' Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Consolidated Financial Statements in accordance with UK-adopted International Financial Reporting Standards ('IFRSs') in conformity with the Companies Act 2006 and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, group financial statements are required to be prepared in accordance with UK-adopted IFRSs.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that 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 transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement in respect of the Annual Report and Financial Statements

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. The Directors consider the Annual Report and the Financial Statements, taken as a whole, provide the information necessary to assess the Company's position, performance, business model and strategy and are fair, balanced and understandable.

Directors' responsibility statement under the disclosure guidance and transparency rules

To the best of our knowledge:

- the Consolidated Financial Statements, prepared in accordance with UK-adopted IFRSs, 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 taken as a whole; and
- the Annual Report, including the Strategic Report and the Directors' Report, includes a fair review of the development and performance of the business and the 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.

Disclosure of information to the auditor

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

On behalf of the Board

Alison Fyfe
Chair
16 September 2024

"Welcome to the corporate governance section of the Annual Report. The aim of this section is to set out the framework under which the independent Board, and its various sub-committees, ensure that both the Company and the service providers acting on its behalf make appropriate decisions and undertake actions in line with the interests of the Company's stakeholders."

Alison Fyfe
Chair

Introduction

The Board of Target Healthcare REIT plc has considered the Principles and Provisions of the AIC Code of Corporate Governance ('AIC Code'). The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the 'UK Code'), as well as setting out additional Provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council, provides more relevant information to shareholders. The Company has complied with the Principles and Provisions of the AIC Code. The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies. The UK Code is available on the website of the Financial Reporting Council: www.frc.org.uk

The Board

The Board is responsible for the effective stewardship of the Group's affairs and reviews the schedule of matters reserved for its decision, which are categorised under various headings. These include investment strategy, investment policy, finance, risk, investment restrictions, performance, marketing, adviser appointments and the constitution of the Board. It has responsibility for all corporate strategic issues, dividend policy, share buyback policy and corporate governance matters which are all reviewed regularly. The Board as a whole, through the Investment Committee, is responsible for authorising all purchases and sales within the Group's portfolio and for reviewing the quarterly independent property valuation reports produced by the Group's external valuer.

In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information. At each meeting, the Board reviews the Group's investment performance and considers financial analyses and other reports of an operational nature. The Board monitors compliance with the Company's objectives and is responsible for setting investment and gearing limits within which the Investment Manager has discretion to act, and thus supervises the management of the investment portfolio which is contractually delegated to the Investment Manager.

The table below sets out the number of scheduled Board and Committee meetings held during the year and the number of meetings attended by each Director. This includes a two-day strategy meeting held at an external venue by the Board during June 2024 in order to consider strategic issues, with a similar such meeting expected to be held on an annual basis. In addition to these scheduled meetings, there were a further seven Board and Board Committee meetings held during the year. These additional meetings included regular updates with the Investment Manager and other appropriate advisers on significant matters arising to ensure that appropriate actions were taken on a timely basis.

	Board		Audit Committee		Investment Committee		Management Engagement Committee		ESG Committee		Nomination Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Alison Fyfe	5	5	3	3	4	4	4	4	4	4	3	3	2	2
Vince Niblett	5	5	3	3	4	4	4	4	4	4	3	3	2	2
Amanda Thompsell	5	5	3	3	4	4	4	4	4	4	3	3	2	2
Richard Cotton	5	5	3	3	4	4	4	4	4	4	3	3	2	2
Michael Brodtman	5	5	3	3	4	4	4	4	4	4	3	3	2	2

Each of the Directors has signed a letter of appointment with the Group which includes twelve months' notice of termination by either party. These are available for inspection at the Company's registered office during normal business hours and are also made available at annual general meetings.

Individual Directors may, at the expense of the Group, seek independent professional advice on any matter that concerns them in the furtherance of their duties. The Group maintains appropriate directors' and officers' liability insurance. The Board has direct access to company secretarial advice and services. The Company Secretary is responsible for ensuring that Board and Committee procedures are followed and applicable regulations are complied with.

Investment management

Target provides investment management and other services to the Group. Details of the arrangements between the Group and the Investment Manager in respect of management services are provided in the financial statements. The Board keeps the appropriateness of the Investment Manager's appointment under review. In doing so the Board reviews performance quarterly and considers the past investment performance of the Group and the capability and resources of the Investment Manager to deliver satisfactory investment performance in the future. It also reviews the length of the notice period of the investment management agreement ('IMA') and the fees payable to the Investment Manager, together with the standard of the other services provided.

During the year, through the Management Engagement Committee, the Board considered the appropriateness of the terms of the Investment Manager's appointment and concluded that:

- the Investment Manager's investment performance remained satisfactory, considering, amongst other matters, the continued outperformance of the Group's property portfolio compared to the MSCI UK Annual Healthcare Property Index;
- the level of fees payable to the Investment Manager remained appropriate. This assessment reviewed the appropriateness and effectiveness of the tiered management fee structure;
- the specialist nature of the properties in which the Company invests requires a detailed knowledge of the sector, and that the nature of the asset class means that investment decisions tend to be long-term in nature, and that therefore the two-year notice period remains appropriate; balancing the interests of the Company in supporting the performance of its incumbent Investment Manager against retaining the Company's ultimate sanction of being able to replace the Investment Manager; and
- the standard of other services provided remained appropriate.

The Directors considered the Investment Manager's provision of Company Secretarial services and concluded that the provision of such services did not create a conflict of interest, compromise the ability of the Board to hold the Investment Manager to account, or result in any diminution in the quality of governance or reporting that would warrant a change in this arrangement. This assessment took into consideration the fiduciary duties of a Company Secretary, the Directors' access to independent professional advice where necessary and the Group's appointment of, and regular liaison with, external legal advisers and brokers.

The Directors are satisfied with the Investment Manager's ability to deliver satisfactory investment performance and the quality of other services provided. It is therefore their opinion that the continuing appointment of the Investment Manager on the terms agreed is in the interests of shareholders as a whole.

Appointments, diversity, tenure and succession planning

Directors may be appointed by the Company by ordinary resolution or by the Board. All new appointments by the Board are subject to election by shareholders at the next AGM following their appointment. The Company's Articles of Association require all Directors to retire by rotation at least every three years. However, in accordance with the recommendations of the AIC Code, the Board has agreed that all Directors will retire annually and, if appropriate, seek re-election.

The Board believes in the benefits of diversity, including skills and experience, gender, social and ethnic backgrounds, cognitive and personal strengths and length of service. The aim of the Company is to have an appropriate level of diversity in the boardroom, including each of the Committees, in order to bring constructive challenge and fresh perspectives to discussions. These matters were all expressly considered as part of the externally-facilitated recruitment processes completed during the course of the prior year, which were designed to identify a diverse range of potential candidates, with a number of female candidates and at least one candidate from a minority ethnic background being interviewed. The subsequent appointments were based on merit and objective criteria in order to ensure the Board collectively had the necessary combinations of skills, experience and knowledge.

The Board supports the overall recommendations of the FTSE Women Leaders Review and Parker Review for appropriate gender and ethnic diversity and notes that the FCA has introduced 'comply or explain' targets that at least 40% of the Board should be held by women, that at least one of the senior board positions should be held by a woman, and that at least one member of the Board should be from a minority ethnic background. At the year end, 40% of the Board were women and Ms Fyfe was Chair and therefore the Company meets the first two of these targets. The Company's non-compliance with the third is explained in more detail on the following page. In accordance with UKLR 6.6.6R (9), (10) and (11) the Board has provided the following information in relation to its diversity. This information has been collected by self-disclosure directly from the individuals concerned who were asked to confirm their gender and ethnicity. There have been no changes to the composition of the Board since 30 June 2024.

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Chair and the SID)
Men	3	60%	1
Women	2	40%	1
Not specified/prefer not to say	–	–	–

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Chair and the SID)
White British or other White (including minority-white groups)	5	100%	2
Mixed/Multiple ethnic groups	–	–	–
Asian/Asian British	–	–	–
Black/African/Caribbean/Black British	–	–	–
Other ethnic group	–	–	–
Not specified/prefer not to say	–	–	–

As an externally managed investment company with no executive directors, the Company does not have all the senior positions on its Board referenced in the UK Listing Rules, specifically it does not have either a chief executive or a chief financial officer. Accordingly, the Company only has two of these senior positions on its Board, being the positions of chair and senior independent director.

As the Company is an investment company with no executive directors and a small board relative to that which would be expected for a trading company of equivalent size, it has not managed to comply with the diversity target relating to ethnicity in that none of the current Directors come from an ethnic minority background. This is the case even though, as set out on the previous page, the aim of recruiting a suitable director of an ethnic minority background was expressly considered during the appointment processes conducted previously and the various firms of external recruitment consultants engaged to support the recruitment processes were each explicitly requested to address diversity considerations.

The Board remains cognisant of the UK Listing Rules and supports the Parker Review recommendations in relation to ethnic diversity and commits to addressing them at such time as future recruitment is undertaken. However, given the relatively recent completion of the refreshment of the Board and having regards to the conclusions of the externally facilitated Board Performance Review, which concluded that Board was operating effectively as currently constituted, the Directors are not anticipating any further appointments to the Board in the immediate future.

The Board will continue to take all matters of diversity into account and the benefits of diversity will continue to be considered as an important factor in all future appointments. All appointments will continue to be based on merit and objective criteria and will not discriminate on the grounds of matters such as gender, ethnicity, socio-economic background, religion, sexual orientation, age or physical ability.

The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Company's Directors, including the Chair, has been imposed. However, the Board does not currently envisage that any Director will serve for more than the nine-year period that the AIC Code considers could impair, or could appear to impair, a non-executive Directors' independence. This may, however, be adjusted for reasons of flexibility and continuity should this be recommended by the Nomination Committee and concluded by the Board to be in the best interests of the Company.

Whenever there are new appointments, these Directors receive an induction from the Investment Manager and Company Secretary on joining the Board. All Directors receive other relevant training, collectively or individually, as necessary.

Independence of Directors

The Board, which is composed solely of independent non-executive Directors, regularly reviews the independence of its members. All the Directors have been assessed by the Board as remaining independent of the Investment Manager and of the Group itself; none has a past or current connection with the Investment Manager and each remains independent in character and judgement with no relationships or circumstances relating to the Group that are likely to affect that judgement.

The basis on which the Group aims to generate value over the longer term is set out in its objective and investment policy as contained on pages 30 and 31. A management agreement between the Group and Target sets out the matters over which the Investment Manager has authority and the limits beyond which Board approval must be sought. All other matters, including investment and dividend policies, corporate strategy, gearing, corporate governance procedures and risk management, are reserved for the approval of the Board of Directors.

The Board meets at least quarterly and receives full information on the Group's investment performance, assets, liabilities and other relevant information in advance of Board meetings. Throughout the year a number of committees have been in place as detailed below. The committees operate within clearly defined terms of reference which are available on request or for inspection at the Company's registered office during normal business hours.

Senior Independent Director

The Company has appointed Mr Cotton as Senior Independent Director. The role of the senior independent director is to provide a sounding board for the chair and to serve as an intermediary for the other directors and shareholders. The senior independent director will also lead the appraisal of the chair's performance, and will lead any other discussion of the non-executive directors without the chair being present on other occasions as necessary.

Removal of Directors

The Company may by special resolution remove any Director before the expiration of his or her period of office.

Audit Committee

The Board has established an Audit Committee, the role and responsibilities of which are set out in the report on pages 43 to 47.

Remuneration Committee

The Board has established a Remuneration Committee, the role and responsibilities of which are set out in the report on page 48.

ESG Committee

The Board has established an ESG Committee which comprises all the Directors and which is chaired by Mr Brodtman. The Committee oversees the formulation and implementation of the Group's ESG policy and strategy, including scrutinising those matters delegated to the Investment Manager. It is responsible for proposing targets to achieve the Board's policy objectives and monitors progress against those targets, taking into consideration developments in relation to legal and regulatory requirements and industry practice which may have an impact on the Group's activities. The Committee reviews and approves any material public reporting and market disclosures, including within the Annual Report and the Sustainability Report, in respect of ESG matters.

The ESG Committee met formally on four occasions throughout the year to consider the progress and status of relevant ESG matters, as reported by the Investment Manager, and to continue the process of developing challenging, but achievable and realistic, targets for the Group. This included consideration of the appropriate means of measuring results and monitoring progress against those targets. The members of the ESG Committee also attended the Group's annual strategy meeting at which they discussed the progress of the intended

Net Zero Pathway, having received a presentation from the first stage of output from the appointed external technical expert. The ESG Committee discussed the presentation's findings with both the external technical expert and the Investment Manager in order to further their own understanding and to aid in the guidance of the following stages which the Investment Manager is progressing. The Committee also monitored progress in relation to the annual GRESB submission for the year ended 31 December 2023 and reviewed and approved the Group's annual Sustainability Report which was subsequently published in July 2024. The Investment Manager has reported to the ESG Committee on its property-by-property asset management plan to identify and implement initiatives where the energy efficiency and carbon emissions of the Group's property portfolio can be further improved, with capital expenditure having started to be incurred within the initial budget of £1 million approved by the ESG Committee in the prior year.

In addition to the formal meetings of the Committee, monthly meetings were held between the Chair of the Committee and appropriate representatives of the Investment Manager.

Management Engagement Committee

The Board has established a Management Engagement Committee which comprises all the Directors and was chaired throughout the year by Ms Fyfe. On 4 September 2024, Mr Cotton was appointed as chair of the Committee. The Committee reviews the appropriateness of the Investment Manager's continuing appointment together with the terms and conditions thereof on a regular basis. It also reviews the terms and quality of service received from other service providers on a regular basis. Further details of the work undertaken by the Management Engagement Committee in relation to the terms of appointment of the Investment Manager is set out on page 39. The Management Engagement Committee also monitored the tender of the provision of external valuation services. This tender was completed during the year, in advance of the anticipated introduction of new rules prescribing the mandatory rotation of external valuers, and resulted in the appointment of CBRE Limited with effect from the quarterly valuation at 31 March 2024 onwards.

Investment Committee

The Board has established an Investment Committee which comprises all the Directors and which is chaired by Ms Fyfe. The Committee reviews each investment paper prepared by the Investment Manager and is responsible for authorising all purchases and sales, and significant capital expenditure or asset management activities, within the Company's portfolio. The Investment Committee considered each investment paper as and when circulated by the Investment Manager, providing independent challenge where appropriate, and met quarterly to formally ratify the Committee's decision to approve or decline each of the investment recommendations proposed.

Nomination Committee

The Board has established a Nomination Committee which comprises all the Directors and which, with effect from 6 March 2024, has been chaired by Dr Thompsell. It was previously chaired by Ms Fyfe. The Committee's terms of reference do not permit the Committee to be chaired by the Chair of the Board when considering the appointment of his or her successor. The Board considers that, given its size, it would be unnecessarily burdensome to establish a separate nomination committee which did not include the entire Board. This is considered appropriate given the Board consists solely of independent, non-executive Directors and ensures that all Directors are kept fully informed of any issues that arise.

The Nomination Committee is responsible for:

- reviewing and nominating candidates for the approval of the Board to fill vacancies on the Board of Directors and to lead the process for appointments, including the selection and appointment of any external recruitment consultant;
- considering and reviewing the composition and balance of the Board;
- ensuring that plans are in place for orderly succession to the Board and overseeing the development of a diverse pipeline for succession; and
- reviewing the re-appointment of Directors, as they fall due for re-election, under the terms of their appointment and the AIC Code, and making recommendations to the Board as considered appropriate.

All of the Nomination Committee's responsibilities have been carried out over the period of review.

In addition to discharging the responsibilities above, the Nomination Committee met formally on three occasions throughout the year to consider the appointment and scope of the externally facilitated Board performance review (as set out in more detail below) and the findings and recommendations arising from it.

Assessment of the Board and Committees

During the year, the performance of the Board, Committees and individual Directors was evaluated through an externally facilitated assessment process led by an external reviewer, Fletcher Jones Limited, based on a scope determined by the Board and Nomination Committee. This process was tailored to the specific environment, operating style and strategic goals and challenges faced by the Company and involved each Director completing a confidential survey, followed by private one-to-one conversations between the external reviewer and each Director and with representatives of the Company's Investment Manager, broker and legal adviser. The external reviewer also physically attended one of the scheduled quarterly meetings of the Board and Committees in order to observe the Board's processes and Director contributions and interactions in practice. Fletcher Jones was paid a fee in relation to this engagement. Fletcher Jones was also paid a separate fee for undertaking an independent review of the Directors' remuneration, as described on page 49 and has previously provided recruitment services to the Company. Fletcher Jones has no other connection or conflict of interest with the Company.

The external reviewer provided a formal report of their findings to, and this was considered by, the Nomination Committee. This report presented an objective view on the current working of the Board as a whole as well as the quality of the contributions made by individual Directors. The intention of the appraisal process was to strengthen further the working of the Board by providing an opportunity for the objective consideration of the Board's strengths and current skills, any areas for further development, and any potential gaps in its composition. The report also considered the challenges, opportunities and strategic direction of travel anticipated over the near to medium-term.

The performance review process conducted in relation to the year ended 30 June 2024 found that the Board and each Committee was operating effectively, with an appropriate and sufficient balance of experience and skills on all the areas of importance, resulting in a well-managed, well run, and effective Board. Some minor points for development were noted which will be actioned. These included the suggestions that:

- the Directors meet more frequently in private sessions in order to focus the agenda for future discussion; and
- consideration be given to spreading the chairmanship of other Committees that were chaired by the Chair of the Board.

Noting the latter point, and as it was considered an effective use of Mr Cotton's skills and experience, Mr Cotton was appointed as Chair of the Management Engagement Committee with effect from 4 September 2024.

Overall, the reviewer commented that the main theme coming through this performance assessment was that of a respectful Board faced with a number of challenges and with a strong desire to consider all appropriate options for the benefit of shareholders. The reviewer considered that significant topics, such as discount management, future strategy, performance, risk profile and growth of the Company, were being discussed proactively.

The Board anticipates having an externally facilitated Board performance review conducted at least every three years.

Relations with shareholders

The Group proactively seeks the views of its shareholders and places great importance on communication with them. The Board receives regular reports from the Investment Manager and Broker on the views of shareholders, and the Chair and other Directors make themselves available to meet shareholders when required to discuss the Group's business and address shareholder queries. The Chair has held a number of discussions directly with shareholders over the course of the year on specific areas of interest, and the Board has considered the views of other shareholders that preferred to meet with the Investment Manager. It is expected that direct meetings with the Chair, or the chair(s) of the relevant Committee(s), will continue to be made available to shareholders, although this may be through the use of video conferencing facilities.

The Notice regarding the Annual General Meeting is included on pages 89 to 91. It is intended that the AGM will be held physically at the offices of Dickson Minto, Dashwood House, 69 Old Broad Street, London EC2M 1QS. However, as set out on page 36, shareholders are encouraged to lodge their votes with the Registrar either by use of the proxy form provided, or by electronic means, and to submit any questions they may have for the Directors or Investment Manager in advance through the Company Secretary (info@targetfundmanagers.com). The Annual Report and Notice of Annual General Meeting are posted to shareholders at least 21 clear days before the Annual General Meeting.

Environmental, Social and Human Rights Issues

Responsible Investment and Environmental, Social and Governance ('ESG') considerations are core values of the Group and its Investment Manager. In collaboration with its tenants, the Group provides demonstrable social impact within best-in-class care homes. These are considered in more detail on pages 16 to 19. The Group has also published a separate Sustainability Report for the year to 31 December 2023.

- ESG considerations lie at the heart of the Group's approach because of our belief that a strong care ethos is essential for the long-term health of our investments. The Investment Manager commits extensive resources to incorporating ESG (and responsible investing principles) throughout their investment and decision-making processes, both at the time of the acquisition of any asset and on an ongoing basis. The Investment Manager has implemented a "house standard" investment approach which formally guides how ESG factors are considered for each new investment opportunity.
- Before acquiring any home, the Investment Manager reviews on a granular level, inter alia: the position of the home in the community and how the home engages with its community, the building lay-out and facilities, the natural environment of the home, the management team and general governance shown by the tenant as well as any relevant ratings by regulatory bodies such as the Care Quality Commission.
- Once the Group has acquired a care home, the Investment Manager undertakes regular reviews of the environmental, social, governance and ethical policies that the home has in place and (to the extent possible) their adherence to these policies in the delivery of their services.
- The Investment Manager's role as an engaged landlord includes careful monitoring of the home and ongoing dialogue with management. In usual circumstances, the Investment Manager will visit every home at least every six months, occasionally visit the properties unannounced to gauge the culture and engage with tenants who wish to improve their homes, potentially providing support and funding for this. The Group is currently undertaking a home-by-home review of its portfolio to pro-actively assess opportunities to further improve the portfolio's environmental or social credentials.
- The Group's vision of care includes promoting the conservation, protection and improvement of the physical and natural environments surrounding care homes not least because this makes the care home more attractive for both tenants and residents.

Stewardship Code

The Investment Manager is a signatory to the Stewardship Code published by the Financial Reporting Council. Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. The Stewardship Code sets high stewardship standards for asset owners and asset managers, and for service providers that support them. The Investment Manager's Stewardship Code Statement of Compliance is available on its website at www.targetfundmanagers.com.

On behalf of the Board

Alison Fyfe
Chair
16 September 2024

REPORT OF THE AUDIT COMMITTEE

"I am pleased to present my report as the Chair of the Audit Committee. This report sets out the role, responsibilities and actions taken by the Audit Committee to ensure that the suitable controls continue to operate and that appropriate financial information continues to be issued on a timely basis to the Company's stakeholders."

Vince Niblett
Chair of the Audit Committee

Composition of the Audit Committee

An Audit Committee has been established with written terms of reference which are reviewed at each meeting and which are available on request. The Committee is chaired by Mr Niblett. The Audit Committee currently comprises all Directors. The Board will consider each Director's membership of the Audit Committee on a case-by-case basis but, in general, believes that, given the Group's size, a committee which includes all Directors is appropriate and will enable all Directors to be kept fully informed of any issues that arise.

The Board consider that the Chair's experience of the property and finance sectors is invaluable to the Audit Committee, particularly in regard to providing guidance in relation to the appropriateness and risks regarding the Group's loan facilities and related hedging derivatives and in assessing and providing challenge to the external valuation of the Group's property portfolio, and therefore, in line with the AIC Code, the Board believes it appropriate that the Chair remains a member of the Committee.

At least one member of the Audit Committee has recent and relevant financial experience and the Committee as a whole has competence relevant to the sectors in which the Group operates; which are considered to be healthcare, property and investment.

Role of the Audit Committee

The Committee's responsibilities are shown in the table below together with a description of how they have been discharged. More detailed information on certain aspects of the Committee's work is given in the subsequent text.

Responsibilities of the Audit Committee	How they have been discharged
Monitoring the integrity of the half-year and annual financial statements, and any formal announcements relative to the Group's financial performance, including the appropriateness of the accounting policies applied and any significant financial reporting judgements and key assumptions.	The Committee met three times during the year to: • review the contents of the half-yearly report, and to consider the audit plan and the proposed audit fee; • consider, in advance of the Company's year end, any significant changes to accounting standards or other disclosure requirements and any significant financial reporting judgements and key assumptions expected to apply at the Group's year end; and • review the contents of the Annual Report. The Investment Manager and Company Secretary attended each of these meetings, with the Auditor also attending the meetings at which the audit plan and the contents of the half-yearly and annual reports were reviewed. The significant matters considered by the Group are listed on pages 46 and 47. In addition, during the year the Committee kept under review the statutory financial reporting of each of the Group's subsidiaries for the year ended 30 June 2023, the reporting timetable for the year ended 30 June 2024 and the internal financing structure of the Group, including the settlement of intercompany loans and the payment of intragroup dividends. As described in more detail on pages 45 and 46, the Committee also considered the outcome of the FRC's review of the Group's Annual Report 2023 and the FRC's inspection of EY's audit of the Group financial statements for the year ended 30 June 2023.
Assessment of the prospects of the Company, taking account of the Company's position and principal risks, and consideration of the period of time over which such evaluation can be made.	The Committee has reviewed the assessment described in more detail under the section 'Viability Statement' within the Directors' Report, and the underlying data on which such assessment was based, to ensure that the work undertaken, the conclusions reached and the disclosures included within the Annual Report were appropriate.

Responsibilities of the Audit Committee	How they have been discharged
Evaluation of the effectiveness of the internal controls and risk management systems and procedures.	The Investment Manager maintains a risk matrix which summarises the Group's key risks. The risk matrix is considered by the Directors at least semi-annually, with key principal and emerging risks also being discussed at the Group's annual two-day strategy meeting. The Committee also reviewed the Investment Manager's internal controls report over its own processes, prepared under ISAE 3402 "Assurance Reports on Controls at a Service Organization" and covering the period to 30 June 2024. The Committee noted that this report was a Type II report, which documented the operation of the controls over a period of time. Following consideration and review, the Committee concluded that this provided sufficient information to adequately assess the Investment Manager's control environment, as far as it was relevant to the Group. The Committee also considered the internal control reports for other significant service providers, where available, including the Company's registrar. From a review of the risk matrix, the ISAE 3402 report on the Investment Manager, and the regular management information received by the Board and Committees, combined with discussion with the Investment Manager and Company Secretary, the Committee has satisfied itself on the effectiveness of the risk and control procedures.
Consideration of dividend calculations both in relation to PID/non-PID payments made by the Company and other dividends paid internally within the Group.	The Committee has reviewed the calculation of the split of distributions between PID and non-PID, including consideration of the suitability of the allocation of the costs of the Group between its property rental business and its residual business. The Committee has reviewed the methodology followed by the Investment Manager, and directors of the subsidiaries, in determining and recommending the level of other dividends paid internally within the Group.
Consideration of the narrative elements of the annual financial report, including whether the annual financial report taken as a whole is fair, balanced and understandable and provides the necessary information for shareholders to assess the Group's position, performance, business model and strategy.	The Committee has reviewed the content and presentation of the Annual Report and ensured that it achieves the three criteria opposite. As part of this review, the Committee considered the characteristics of good corporate reporting set out in the FRC's Annual Review of Corporate Reporting.
Monitoring developments in accounting and reporting requirements that impact on the Group's compliance with relevant statutory and listing requirements.	The Committee ensures, through its Legal Adviser, Investment Manager, Company Secretary and Auditor, that any developments impacting on the Company's responsibilities are tabled for discussion at Committee or Board meetings. The Committee ensured that the Company was fully compliant with the AIC Code.
Evaluation of reports received from the Auditor with respect to the annual financial statements and assessment of quality of the audit.	The Auditor's planning report, timetable and fee proposal were discussed with the Auditor in advance of work commencing, together with the areas of audit focus, the level of materiality and the audit work proposed to be undertaken. The Committee paid particular attention to any changes in accounting standards or in the nature of activities undertaken by the Group and ensured that the audit plan appropriately addressed these areas. The Committee specifically challenged the Auditors, at both the planning and reporting stage, in relation to the audit work undertaken on any particular areas of judgement or estimation; including the valuation of the property portfolio and the methodology followed in the determination of the credit loss allowance. The Committee specifically considered the external valuation of the Group's property portfolio, with the external valuers attending the meeting at which the annual results were discussed in order to present directly to the Committee a summary of their valuation process and any significant matters they wished to highlight either in relation to the valuation methodology generally or to specific properties or tenants. At the conclusion of the audit, the Committee discussed the audit results report with the Auditor, Company Secretary and Investment Manager. This review considered the quality of the audit through ensuring that the audit risks identified and the audit work undertaken did, in the opinion of the Audit Committee, capture and appropriately consider those matters which gave rise to the risk of material misstatement to the financial statements and disclosures. Further detail on the assessment of the quality of the audit is included in the section entitled 'The Auditor' on pages 45 and 46.

Responsibilities of the Audit Committee	How they have been discharged
Management of the relationship with the external Auditor, including their appointment and the evaluation of scope, effectiveness, independence and objectivity of their audit.	The Auditor attended the meetings of the Committee at which the Company's audit plan, half-yearly report and year end accounts were reviewed and also communicated separately with the Chairman of the Committee on two occasions, firstly, to discuss the findings of their interim review and the audit plan for the year ahead and, secondly, to provide an update on the findings of their annual audit. The scope of the audit was discussed at the planning stage along with the staffing and timing of audit procedures to ensure that an effective audit could be undertaken. The Committee has also reviewed the independence and objectivity of the Auditor and has considered the effectiveness of the audit, as set out in more detail in the section entitled 'The Auditor' below.
To conduct the tender process and make recommendations to the Board for it to put to the shareholders for their approval in general meeting, about the appointment, reappointment and removal of the external auditor.	The Audit Committee does not anticipate undertaking a further tender of the Group's external audit during the forthcoming year.

Risk management and internal controls

The principal and emerging risks faced by the Group together with the procedures employed to manage them are described in the Strategic Report on pages 22 and 23.

Internal controls

The Board is responsible for the internal financial control systems of the Group and for reviewing their effectiveness. It has contractually delegated to external agencies the services the Group requires, but the Directors are fully informed of the internal control framework established by the Investment Manager to provide reasonable assurance on the effectiveness of internal financial control in the following areas:

- Income flows, including rental income, the assessment of the financial position of tenants and the appropriateness of credit loss impairments;
- Expenditure, including operating and finance costs;
- Raising finance, including debt facilities and equity fund-raising;
- Capital expenditure, including pre-acquisition diligence and authorisation procedures;
- Dividend payments, including the calculation of Property Income Distributions;
- Monitoring of covenants on loan facilities;
- Data security;
- The maintenance of proper accounting records; and
- The reliability of the financial information upon which business decisions are made and which is used for publication, whether to report Net Asset Values or used as the basis for a prospectus, a circular to Shareholders or the annual report.

As the Group has evolved, the Investment Manager has developed a system of internal controls covering the processes listed above. As referred to on page 44, the Audit Committee's review of the Investment Manager's ISAE-3402 report, which was unqualified and contained no exceptions, did not identify any significant issues or concerns over the control environment, including information technology systems.

Committee members receive and consider quarterly reports from the Investment Manager, giving full details of the portfolio and all transactions and of all aspects of the financial position of the Group. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Company Secretary, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. In addition, the Board keeps under its own direct control, through the Investment Committee, all property transactions including any significant capital expenditure. The Board also retains direct control over any decisions regarding the Group's long-term borrowings.

The review procedures detailed above have been in place throughout the year and up to the date of this report and the Board is satisfied with their effectiveness and that they are in accordance with guidance issued by the FRC in so far as applicable given the Group's size and structure. There were no significant weaknesses or failings to report. The procedures are designed to manage rather than eliminate risk and, by their nature, can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has reviewed the need for an internal audit function, taking into consideration the internal financial controls systems set out above and, in particular, any matters arising in relation to the Investment Manager's ISAE 3402 report. It has decided that the systems and procedures employed by the Investment Manager and the Administrator, and the work carried out by the Investment Manager's Independent Service Auditor, provide sufficient assurance that a sound system of internal control, which safeguards the Group's assets, is maintained. An internal audit function specific to the Group is therefore considered unnecessary.

The Auditor

As part of the review of auditor independence and effectiveness, EY has confirmed that they are independent of the Group and have complied with relevant auditing standards. In reviewing EY's independence, the Committee noted that EY did not provide any non-audit services to the Group other than the review of the Group's Interim Report.

In June 2024, the Audit Committee received notification that the FRC's Audit Quality Review ('AQR') team had completed an inspection of EY's audit of the Group's financial statements for the year ended 30 June 2023. This inspection focused primarily on the key audit matters of '*incomplete or inaccurate recognition of rental income*' and '*incorrect valuation or ownership of investment properties*', and the other audit areas of '*contingent liabilities*' and '*carrying value of Parent company investments in subsidiaries*'. The Audit Committee was delighted to hear that the audit had been assessed as "Good", the highest of the four possible ratings, and that there were no key or other findings arising from the inspection.

In its own evaluation of EY's performance, the Audit Committee has also taken into consideration the standing, skills and experience of the firm and of the audit team, along with their robustness and perceptiveness in their identification, consideration and reporting of the key accounting and audit judgements. The Committee assessed the effectiveness of the audit process through the quality of the formal reports, both verbal and written, it received from EY at the planning and conclusion of the audit, including the reasons for any variation from the original audit plan, together with the contribution which EY made to the discussion and challenge of any matters raised in these reports or by Committee members. In addition to the outcome of the FRC's inspection of the audit of the Group detailed previously, the Committee also reviewed the FRC's Audit Quality Inspection Report on Ernst & Young LLP published in July 2024 and took into account any relevant observations made by the Investment Manager and Company Secretary. The Committee is satisfied that EY provides an effective independent challenge in carrying out its responsibilities.

EY has been the auditor to the Group since its launch in 2013. Following professional guidelines, the audit principal rotates after five years. The current audit principal is Matthew Price and the audit for the year ended 30 June 2024 constitutes the second year of his term. Having considered the effectiveness of the audit, the Audit Committee has recommended to the Board the continuing appointment of EY as the Group's auditor. The performance of the Auditor will continue to be reviewed annually taking into account all relevant guidance and best practice. The Company is in compliance with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014. This order relates to the frequency and governance of tenders for the appointment of the external auditor and the setting of the policy on the provision of non-audit services. The Group will require to undertake an audit tender, with mandatory rotation of the audit firm, before 30 June 2032.

In relation to the provision of non-audit services by the auditor, it has been agreed that all non-audit work to be carried out by the auditor must be approved in advance by the Audit Committee and any special projects must also be approved in advance so as not to endanger the independence of EY as auditor. In this respect it considers that the provision of the non-audit service shown in the table below does not constitute such a threat.

Other than the review of the interim financial information, the auditors were not engaged to undertake any non-audit services either during the year or over the prior three-year rolling period. Different accountancy firms were engaged to provide tax advice and compliance and to undertake the review of the internal controls within the Investment Manager.

Service provided (inclusive of irrecoverable VAT)	Fee (£'000)
Statutory audit of the Company for the year ended 30 June 2024	163
Statutory audit of the Company's subsidiaries for the year ended 30 June 2024	277
Review of interim financial information for the six months ended 31 December 2023	16
Total (inclusive of irrecoverable VAT)	**456**

In addition to the fees stated above, the Company agreed to pay an additional fee relating to the statutory audit for the year ended 30 June 2023 of £18,000 (inclusive of irrecoverable VAT). This arose from additional audit work undertaken in relation to ISA 315, the audit of a new subsidiary acquired during the course of that year and increased audit requirements in relation to certain of the Group's other subsidiaries, particularly in relation to the mandatory consideration of potential indicators of impairment following the increase in market interest rates and the decline in property values in late 2022.

Annual Report and Financial Statements

The Board of Directors is responsible for preparing the Annual Report and financial statements. The Audit Committee advises the Board on the form and content of the Annual Report and financial statements, any issues which may arise and any specific areas which require judgement.

In April 2024, the Audit Committee received confirmation that the FRC's Corporate Reporting Review ('CRR') team had reviewed the Group's Annual Report for the year ended 30 June 2023 in accordance with Part 2 of the FRC Corporate Reporting Review Operating Procedures. The FRC were pleased to confirm that there were no questions or queries arising from their review. The Audit Committee has reviewed the minor comments raised by the FRC to highlight areas where they believed that users of the accounts may benefit from improvements to the Group's existing reporting to ensure that, where material and relevant, they were addressed in this year's Annual Report.

The extent of the FRC review was limited and provides no assurance that the annual report and accounts were correct in all material respects. The FRC's role is not to verify the information provided to it but to consider compliance with reporting requirements. The FRC accepts no liability for any reliance placed on its review.

The Audit Committee has also considered certain significant issues during the year. These are noted in the table below.

Matter	Audit Committee action
Income recognition Incomplete or inaccurate income recognition could have an adverse effect on the Group's net asset value, earnings per share, its level of dividend cover and compliance with REIT regulations.	The Audit Committee reviewed the Investment Manager's processes and controls around the recording of investment income. It also compared the final level of net income received for the year to forecasts. The Audit Committee considered the basis of calculation of the Group's estimated credit losses by reviewing the scenario analysis prepared by the Investment Manager and ensured that this allowance, and any bad debts written off, was prepared on a basis consistent with the Directors' understanding of the financial position of each relevant tenant. The Audit Committee assessed the appropriateness of the accounting treatment of the fixed rental uplifts and other lease incentives and how this impacted the Property Income component of dividends paid or payable by the Company.

Matter	Audit Committee action
Valuation and ownership of the investment property portfolio The Group's property portfolio accounted for 86.0 per cent of its total assets as at 30 June 2024. Although valued by an independent firm of valuers, the valuation of the investment property portfolio is inherently subjective, requiring judgement by the valuers. Errors in the valuation could have a material impact on the Group's net asset value. Further information about the property portfolio and inputs to the valuations is set out in Note 9 to the Consolidated Financial Statements.	The Investment Manager liaises with the valuers on a regular basis and meets with them prior to the production of each quarterly valuation. The Audit Committee reviewed the results of the valuation process throughout the year and the Directors had the opportunity to discuss the detail of each of the quarterly valuations with the Investment Manager. Following the completion of a tender for the provision of the external valuation services, undertaken to reflect best practice and in advance of the introduction of mandatory rotation, the quarterly valuations in relation to 31 March 2024 onwards have been prepared by CBRE Limited. The Committee note that there was no material difference between the aggregate portfolio valuation of the previous valuer, Colliers International Healthcare Property Consultants Limited, at 31 December 2023 and the shadow valuation produced by CBRE at the same date. This provided the Committee with comfort that despite the inherently subjective nature of the valuation process, a similar conclusion had been reached by two independent firms of valuers. The Committee discussed the valuation as at 30 June 2024 directly with CBRE to ensure that they understood the assumptions underlying the valuation and the sensitivities inherent in the valuation and any particular areas of judgement. The Committee also discussed with the Auditor the work performed to assess the valuation and confirm ownership of the properties in the portfolio and noted the report of the Depositary, particularly the sections regarding the Depositary's responsibilities and work in relation to asset verification. The Committee considered the significant estimates and judgements inherent in the valuation process and considered how the auditors had challenged these by discussing the outcome of the review of the property valuations directly with the Auditor's valuation specialists; focussing particularly on any areas of difference between the judgement of the external valuers and the auditors.
Internal controls Incomplete design or ineffective operation of internal controls may result in a loss of the Group's assets, a misstatement of the financial statements or a breach of legal, tax or other regulations.	The Audit Committee reviewed the Group's internal control environment, considering its completeness and efficiency and identifying any areas where the Board, or Committees, did not have direct means of ensuring that the internal controls in place within the Investment Manager were operating as designed. This included a review of the Investment Manager's ISAE 3402 Report. There were no material control deficiencies or weaknesses identified through this work.

The Audit Committee noted that the Auditors had not reported any significant indications of systemic weaknesses in the Group's internal controls or financial reporting processes and that no material adjustments had been required to the financial statements as presented.

Conclusion with respect to the Annual Report and Financial Statements

The Audit Committee has concluded that the report and financial statements for the year ended 30 June 2024, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

The Audit Committee has reported its conclusions to the Board of Directors. The Audit Committee reached this conclusion through a process of review of the document, discussion, and enquiries of the various parties involved in the preparation of the report and financial statements.

Vince Niblett
Chair of the Audit Committee
16 September 2024

"Welcome to the Directors' Remuneration Report. The aim of this report is to set out the policy used by the Company in setting the Directors' remuneration, as well as declaring the actual fees paid during the year and expectations for the following twelve months. Shareholders will be provided with an opportunity at the forthcoming AGM to vote in relation to this Report."

Dr Amanda Thompsell
Chair of the Remuneration Committee

Composition and Role of the Remuneration Committee

The Company has established a Remuneration Committee chaired by Dr Thompsell. The Committee works to written terms of reference which are reviewed at each meeting and which are available on request. The Remuneration Committee is currently comprised of all Directors which is considered appropriate given the Group's size and as the Board comprises only independent non-executive Directors. The Company has no executive Directors or employees. Prior to her appointment as chair of the Committee, the Board concluded that Dr Thompsell had relevant experience and understanding of the Company.

The role of the Remuneration Committee is to design a remuneration policy and remuneration practices to support the Group's strategy and to promote its long-term sustainable success. The objective of such policy is to attract, retain and motivate non-executive Directors of the quality required to govern the Company successfully without paying more than is necessary, having regard to any views volunteered by shareholders or other stakeholders. The policy shall be reviewed by the Committee at least annually to ensure its ongoing appropriateness and relevance.

The Committee shall recommend a level of remuneration for each of the Directors to the Board, within the limits set in the Articles of Association or as otherwise approved by the Company's shareholders.

Full details of the Group's policy with regards to Directors' fees, the fees paid to each Director during the year ended 30 June 2024 and the intended fees to be paid in relation to the forthcoming year are shown on the following page.

Remuneration policy

The Company's policy is that the remuneration of the Directors should reflect the experience of the Board as a whole, the time commitment required and be fair and comparable with that of other similar companies. Furthermore, the level of remuneration should be sufficient to attract and retain the Directors needed to oversee the Group properly and to reflect its specific circumstances. The policy also provides for the Company's reimbursement of all out of pocket approved expenses incurred wholly and exclusively in fulfilling their duties in relation to the Group, such as reasonable travel and associated expenses incurred by the Directors in attending Board and Committee meetings.

The fees for the Directors are determined within the limit set out in the Company's Articles of Association and this limit may not be changed without seeking shareholder approval at a general meeting. The fees are fixed and are payable in cash, quarterly in arrears. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. The Company may periodically choose to benchmark Directors' fees with an independent review, to ensure they remain fair and reasonable.

It is the Board's policy that Directors do not have service contracts, but each new Director is provided with a letter of appointment setting out the terms and conditions of his or her appointment. The Directors' letters of appointment are available on request at the Company's registered office during business hours and will be available for fifteen minutes prior to and during the forthcoming Annual General Meeting.

The terms of Directors' appointments provide that Directors should retire and be subject to election at the first Annual General Meeting after his or her appointment and, in accordance with the recommendations of the AIC Code, the Board has agreed that all Directors will retire annually and, if they wish, to offer themselves for re-election. There is no notice period and no provision for compensation upon termination of appointment.

The Remuneration Policy must be approved by shareholders at least every three years or, if earlier, when any changes to the policy are proposed by the Company.

Voting at Annual General Meeting on the Directors' Remuneration Policy

The Company has not received any direct communications from its shareholders in respect of the levels of Directors' remuneration. Shareholders last approved the Directors' Remuneration Policy at the Company's AGM held on 6 December 2022. 100 per cent of the votes cast were in favour of the resolution and votes withheld represented less than 2.7 per cent of the shares in issue. It is currently intended that the above policy will continue for a three-year period and will therefore next be considered at the AGM to be held in 2025.

Directors' Fees

The Board considers the level of Directors' fees at least annually. At the end of the current year, an external consultant was appointed to provide advice on the level of Directors' remuneration for the forthcoming year in order to ensure that this remained in line with the market level necessary to attract, retain and motivate non-executive Directors of the quality required to govern the Company successfully. This review was undertaken by Fletcher Jones Limited, a firm which was also appointed to undertake the external Board Performance Review as reported in more detail on page 41. In relation to the advice on remuneration, Fletcher Jones received a fee of £5,000 (plus VAT). It is expected that external advice in relation to the level of Directors' remuneration will continue to be sought every three years.

The independent external review concluded that the current level of Directors' remuneration was reasonable, albeit that there would be some merit in continuing to increase the level of the fee paid in relation to the role of Chair given this remained below that paid by other similar companies. The independent external review also recommended that consideration be given to increasing the current limit on the Directors' aggregate remuneration in order to provide flexibilty for any future remuneration uplifts, unexpected changes in the Board composition (particularly should a period of overlap between an incoming and outgoing Director be required), or if future growth in the size or complexity of the Group made it advisable to appoint an additional Director to the Board.

The Committee considered the findings of the independent external review, whilst also remaining mindful of both the Group's performance and the overall economic environment, particularly in relation to the healthcare and property sectors, and concluded that the Directors' remuneration should remain unchanged for the year ending 30 June 2025.

	Year ending 30 June 2025 £'s	Year ended 30 June 2024 £'s	Year ended 30 June 2023 £'s	Change in year ended 30 June 2024 %
Chair	**58,500**	58,500	54,000	+8.3
Audit Committee Chair	**47,250**	47,250	45,500	+3.8
Director	**40,500**	40,500	39,000	+3.8

The annual percentage change in remuneration paid in relation to each role for recent years is shown in the table below:

	Change in year ending 30 June 2025 %	Change in year ended 30 June 2024 %	Change in year ended 30 June 2023 %	Change in year ended 30 June 2022 %	Change in year ended 30 June 2021 %
Chair	**+0.0**	+8.3	+8.0	+13.6	+0.0
Audit Committee Chair	**+0.0**	+3.8	+3.4	+12.8	+0.0
Director	**+0.0**	+3.8	+4.0	+14.5	+0.0

The present limit on Directors' fees is an aggregate of £250,000 per annum. This limit may be amended by changing the Company's Articles of Association, or by the passing of an ordinary resolution at a general meeting. Taking into consideration the recommendation of the independent external review, an ordinary resolution will be put to shareholders at the forthcoming Annual General Meeting to increase this limit to £300,000.

Annual Report on Directors' Remuneration

Directors' emoluments for the year (audited)

The Directors who served during the year received the following emoluments in the form of fees. Directors receive no additional fees for serving as the chair of any of the Board's committees, save that the chair of the audit committee is paid at a higher rate than other directors in view of the additional responsibilities attached to that role. No other forms of remuneration or taxable benefits were paid during the year.

	Year ended 30 June 2024 £'s	**Change in year ended 30 June 2024[1] %**	Year ended 30 June 2023 £'s	Change in year ended 30 June 2023[1] %	Change in year ended 30 June 2022[1] %	Change in year ended 30 June 2021[1] %
Alison Fyfe	**58,500**	**+22.9[2]**	47,602	+26.9[2]	+14.5	+600.0[2]
Vince Niblett	**47,250**	**+3.8**	45,500	+27.3[3]	n/a	n/a
Amanda Thompsell	**40,500**	**+3.8**	39,000	+149.6[4]	n/a	n/a
Richard Cotton (appointed 1 November 2022)	**40,500**	**+55.8[5]**	26,000	n/a	n/a	n/a
Michael Brodtman (appointed 1 January 2023)	**40,500**	**+107.7[6]**	19,500	n/a	n/a	n/a
Malcolm Naish (retired 6 December 2022)	–	**n/a**	23,390	-53.2	+13.6	+0.0
Gordon Coull (retired 6 December 2022)	–	**n/a**	16,893	-58.4	+4.2	+0.0
Total	**227,250**	**+4.3**	217,885	+2.0	+17.9	+13.4

1 In accordance with The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, these columns show the annual percentage change over the preceding financial year by comparison to the current financial year in respect of each Director that has served in their relevant role for a minimum of two financial years. This annual percentage change will continue to be published cumulatively until a history of the previous five financial years is presented. The percentage increases shown reflect both: (i) any changes in remuneration arising if a director served for less than a year, or changed roles, during one of the years being compared; and (ii) increases in rates of remuneration (as per the table above showing the remuneration per role for recent years).

2 Ms Fyfe was appointed as a Director on 1 May 2020 and as Chair, succeeding Mr Naish, on 6 December 2022.

3 Mr Niblett was appointed as a Director on 25 August 2021 and as Chair of the Audit Committee, succeeding Mr Coull, on 14 December 2021.

4 Dr Thompsell was appointed as a Director on 1 February 2022.

5 Mr Cotton was appointed as a Director on 1 November 2022.

6 Mr Brodtman was appointed as a Director on 1 January 2023.

Relative importance of spend on pay

The table below compares the change in the level of Directors' remuneration compared to other expenses and distributions to shareholders.

	Year ended 30 June 2024 £'000	Year ended 30 June 2023 £'000	Change in year ended 30 June 2024 %
Aggregate Directors' remuneration	**227**	218	+4.3
Management fee and other revenue expenses*	**11,554**	10,738	+7.6
Distributions paid to shareholders in respect of the year	**35,428**	38,330	-7.6

* As an investment company with an external manager, the Group does not have any employees other than the Directors. The Directors therefore deem the level of the management fee and other revenue expenses, calculated in accordance with the Group's usual accounting policies, to be an appropriate measure to assist in understanding the relative importance of the Group's spend on Directors' pay.

Directors' shareholdings (audited)

The Directors who held office at the year-end and their interests (all of which were beneficially held) in the ordinary shares of the Company as at 30 June 2024 were as follows:

	Ordinary shares 30 June 2024	Ordinary shares 30 June 2023
Alison Fyfe	**10,000**	10,000
Vince Niblett	**24,052**	–
Amanda Thompsell	**–**	–
Richard Cotton	**30,000**	30,000
Michael Brodtman	**24,210**	24,210
Total	**88,262**	64,210

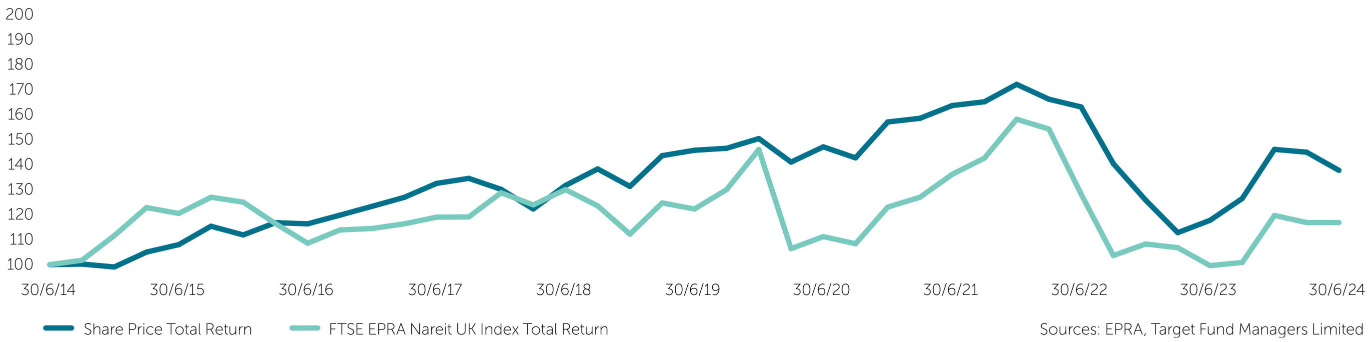
There have not been any changes in the Directors' interests between 30 June 2024 and 16 September 2024. No Director had an interest in any contracts with the Company during the year or subsequently. Representatives of the Investment Manager have an interest in the shares of the Company totalling, in aggregate, 81,731 Ordinary shares.

Group performance

The Board is responsible for the Group's investment strategy and performance, although the management of the Group's investment portfolio is delegated to the Investment Manager through the investment management agreement, as referred to on page 28.

The graph below compares, for the ten years to 30 June 2024, the share price total return (assuming all dividends are reinvested) to ordinary shareholders compared to the total return on the FTSE EPRA Nareit UK Index. The index was chosen for comparative purposes as it represents the performance of real estate companies and REITs listed on the London Stock Exchange; however, it should be noted that this index will contain types of property assets that may perform significantly differently from the care home properties within the Group's investment remit.

SHARE PRICE TOTAL RETURN AND THE FTSE EPRA NAREIT UK INDEX TOTAL RETURN PERFORMANCE GRAPH (REBASED TO 100 AT 30 JUNE 2014)



Sources: EPRA, Target Fund Managers Limited

The share price total return performance included in the above graph is based on the listed share price of Target Healthcare REIT Limited to 7 August 2019 and, following the reconstruction of the Group to introduce a new listed parent company, Target Healthcare REIT plc thereafter.

Voting at Annual General Meeting on the Annual Directors' Remuneration Report

At the Company's previous AGM, held on 29 November 2023, shareholders approved the Directors' Remuneration Report in respect of the year ended 30 June 2023. 99.2 per cent of the votes cast were in favour of the resolution and votes withheld represented less than 2.7 per cent of the shares in issue.

An ordinary resolution for the approval of this Annual Report on Directors' Remuneration will be put to shareholders at the forthcoming Annual General Meeting to be held on 9 December 2024.

On behalf of the Board

Amanda Thompsell
Director
16 September 2024

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TARGET HEALTHCARE REIT PLC

Opinion
In our opinion:
- Target Healthcare REIT plc's Group financial statements and Parent Company financial statements (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 30 June 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 Target Healthcare REIT plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2024 which comprise:

Group	Parent Company
Consolidated Statement of Comprehensive Income for the year ended 30 June 2024	Statement of Financial Position for the year ended 30 June 2024
Consolidated Statement of Financial Position for the year ended 30 June 2024	Statement of Changes in Equity for the year ended 30 June 2024
Consolidated Statement of Changes in Equity for the year ended 30 June 2024	Related notes 1 to 13 to the financial statements, including material accounting policy information
Consolidated Statement of Cash Flows for the year ended 30 June 2024	
Related notes 1 to 22 to the financial statements, including material 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 applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (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.

Independence
We are independent of the Group and 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 the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:
- Confirming our understanding of the Group and Parent Company's going concern assessment process and engaging with the directors and the Company Secretary to determine if all key factors have been included in their assessment.
- Inspecting the directors' assessment of going concern, including the revenue and expenses forecast for the period to 30 September 2025, which is at least 12 months from the date the financial statements have been authorised for issue. In preparing the revenue and expenses forecast, the Group and Parent Company have concluded that it is able to continue to meet its costs as they fall due.
- Reviewing the factors and assumptions, including the impact of external market factors, as applied to the revenue and expenses forecast. We considered the appropriateness of the methods used to calculate the revenue and expenses forecast, and determined, through testing of the methodology and calculations, that the methods, inputs and assumptions utilised were appropriate to be able to make an assessment for the Group and Parent Company.
- In relation to the Group's borrowing arrangements, inspecting the directors' assessment of the risk of breaching the debt covenants as a result of a reduction in the value of the Group's portfolio. We recalculated the Group's compliance with debt covenants in the scenarios assessed by the directors and performed reverse stress testing in order to identify what factors would lead to the Group breaching the financial covenants.
- Considering the mitigating factors included in the revenue forecasts and covenant calculations that are within the control of the Group.
- Reviewing the Group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with UK adopted international accounting standards.

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 and Parent Company's ability to continue as a going concern for a period to 30 September 2025, which is at least 12 months from the date the financial statements have been authorised for issue.

In relation to the Group and Parent Company's reporting on how they have 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	• Incorrect valuation or ownership of investment properties • Incomplete or inaccurate recognition of rental income, including accounting for rental uplifts and lease incentives
Materiality	• Overall Group materiality of £6.89m which represents 1% of Group net assets.

An overview of the scope of the Parent Company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each Company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account the risk profile, account size, the organisation of the Group and changes in the business environment when assessing the level of work to be performed at each Company. All audit work performed for the purposes of the audit was undertaken by the Group audit team which includes our real estate valuation specialists.

Climate change

Stakeholders are increasingly interested in how climate change will impact Target Healthcare REIT plc. The Group and Parent Company has determined that the most significant future impacts from climate change on their operations will be on the valuation of investment properties, and potentially shareholder returns. These are explained on pages 22 to 23 in the principal risks and uncertainties. These disclosures form part of the "Other information", rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

Our audit effort in considering climate change was focused on the adequacy of the Group and Parent Company's disclosures in the financial statements as set out in note 1(a) which concludes that there was no further material impact of climate change to be taken into account other than the potential impact on investment properties. Investment properties are valued at fair value based on open market valuations as described in Note 1(h). The open market valuation assessment includes consideration of environmental matters and the condition of each property with detail on the fair value of properties provided within the notes to the financial statements.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and associated disclosures.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

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. These matters included 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 our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect valuation or ownership of investment properties (Refer to Report of the Audit Committee (page 47); Accounting policies (pages 63 and 64); and Note 9 to the Consolidated Financial Statements (pages 69 to 71). At 30 June 2024, the Group's investment portfolio consisted of UK healthcare properties, with a market value of £908.53 (2023: £868.71m) and carrying value of £831.57m (2023: £800.20m), which is net of a deduction of £79.96m (2023: £68.55m) to account for lease incentives, rent reviews and performance payments accrued as payable to tenants where performance conditions have been met as at year end. The Parent Company investment portfolio consisted of UK healthcare properties, with a market value of £7.71m (2023: £7.52m) and a carrying value of £7.54m (2023: £7.43m) which is net of a deduction of £0.17m (2023: £0.09m) to account for rent reviews. The valuation of the properties held in the investment portfolio, and unrealised gain/(losses) on the investment portfolio are the key drivers of the Group's net asset value and total return. Incorrect pricing, including the judgement involved in the valuation of property investments could have an impact on the portfolio valuation and the return generated for shareholders. The valuation of investment property requires judgement and estimates by the Manager and the external valuers. Any input inaccuracies or unreasonable bases used in these judgements and estimates (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement of the Statement of Financial Position and in the Statement of Comprehensive Income. The properties are valued externally on behalf of the Group by CBRE and recorded in the Consolidated Financial Statements at their carrying value, being the CBRE open market valuation adjusted for the impact of lease incentives, rental uplifts and performance payments. Failure to maintain proper legal title of the Group's investment properties could result in assets being incorrectly recognised within the Statement of Financial Position. The valuation of investment properties and the resultant impact on unrealised gains/(losses) is the area requiring the most judgement and estimation in the preparation of the financial statements and has been classified as an area of fraud risk as highlighted below on page 56.	**We performed the following procedures:** We obtained an understanding of the processes and controls surrounding investment valuation and unrealised gains and losses by performing walkthrough procedures. We agreed the value of all the properties held at the year end to the open market valuations included in the valuation report provided by CBRE. We agreed a sample of inputs used by CBRE in the valuation to source data. We used our property valuation specialists to perform a review of the property valuations, which included: • Evaluating the competency, capability, objectivity and work performed by CBRE; • Reviewing the assumptions used by CBRE in undertaking their valuation and an assessment of the valuation methodology adopted; • Reviewing a sample of the individual property valuations as at 30 June 2024 and examining key valuation inputs; and • Analysing key changes in the property valuation as a whole including a review of the reasonableness of the income yields for the properties. We reviewed the accounting policy and recalculated the adjustments made to the CBRE fair value in respect of lease incentives, guaranteed rent reviews and accrued performance payments, to validate the carrying value of investment property. We ensured the consolidated financial statements contain adequate disclosures regarding the methods and assumptions used in the valuation, including the required sensitivity analysis under IFRS 13 'Fair value measurement'. We obtained direct confirmation from the Group's legal adviser regarding legal title to investment properties and forward funding development sites held as at 30 June 2024. We agreed a sample of key transaction details (e.g. property and trade date) of purchases and sales recorded by the Administrator to legal agreements, completion statements and bank statements. We recalculated the unrealised gains/losses on investment properties as at the year-end using the book cost reconciliation.	The results of our procedures identified no material misstatement in relation to the risk of incorrect valuation, calculation of unrealised gains/(losses) or ownership of investment properties.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete or inaccurate recognition of rental income including accounting for rental uplifts and lease incentives (Refer to Report of the Audit Committee (page 46) and Accounting Policies (page 62)) During the year ended 30 June 2024, £69.54m (2023: £67.66m) has been recognised by the Group as rental income. Of this £58.61m (2023: £56.35m) has been recorded as revenue in the Consolidated Statement of Comprehensive Income and £10.93m (2023: £11.31m) as capital relating to accrued rent review uplifts and lease incentives not yet received. The rental income receivable by the Group during the period is a significant factor in the Group's decision to make a dividend payment to shareholders. Rental income from the investment properties is recognised on an accrual basis with the exception of contingent rents which are recognised on a receipt basis. The lease agreements tend to have durations of multiple years and minimum and maximum annual rental increase clauses. Leases may also include lease incentives such as rent-free periods. IFRS 16 'Leases' requires that lessors recognise lease payments as income on either a straight-line basis or another systematic basis if that basis is more representative of the pattern in which benefit derived from the use of the underlying asset is diminished. There is a risk of incomplete or inaccurate recognition of rental income including rental uplifts and lease incentives through the failure to recognise the proper entitlements or applying the appropriate accounting treatment and has been classified as an area of fraud risk as highlighted below on page 56.	**We performed the following procedures:** We obtained an understanding of the processes and controls surrounding rental income recognition including accounting for rental uplifts and lease incentives by performing walkthrough procedures. We have reviewed the Group's accounting policies in respect of rental income recognition, including events relating to re-tenanting, and ensured they have been consistently applied throughout the year and are in accordance with applicable accounting standards. We have verified 100% of the rental rates to lease agreements (including rent reviews, re-tenanted assets and completed forward funds) and recalculated 100% of the rental income recognised. We reperformed the calculations of the rental adjustments required for rental uplifts and lease incentives under IFRS 16 for all tenants and tested the allocation of returns between revenue and capital. We agreed a sample of rental income recorded as received to bank statements. We tested that a sample of expected rent receipts had been recorded with reference to executed lease agreements to ensure completeness.	The results of our procedures identified no material misstatement in relation to the risk of incomplete or inaccurate recognition of rental income including accounting for rental uplifts and lease incentives.

In the prior year, our auditor's report included a key audit matter in relation to expected credit losses. In the current year, expected credit losses have not been included as a key audit matter as the gross receivable and associated credit loss provision are below our performance materiality. Expected credit losses have been classified as another area of audit focus rather than a key audit matter.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £6.89m (2023: £6.55m), which is 1% (2023: 1%) of net assets. We believe that net assets provides us with materiality aligned to a key measurement of the Group's performance.

We determined materiality for the Parent Company to be £7.19 million (2023: £6.94 million), which is 1% (2023: 1%) of net assets.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2023: 75%) of our planning materiality, namely £5.17m (2023: £4.91m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.34m (2023: £0.33m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the UK Listing Rules.

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:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 32;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on pages 32 and 33;
- Directors' statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 33;
- Directors' statement on fair, balanced and understandable set out on page 30;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 23;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 45; and;
- The section describing the work of the audit committee set out on page 43 to 47.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 37, 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 and 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.

Explanation as to what extent the audit was considered 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 irregularities, including fraud. 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 or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are the Companies Act 2006, the UK Listing Rules, the UK Corporate Governance Code, the Association of Investment Companies' Code of Corporate Governance and Statement of Recommended Practice, Part 12 of the Corporation Tax Act 2010, the Companies (Miscellaneous Reporting) Regulations 2018 and, for the Group, UK adopted international accounting standards, and for the Parent Company, FRS 101 "Reduced Disclosure Framework".
- We understood how the Group is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of documented policies and procedures.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified fraud risks with respect to the incomplete or inaccurate recognition of rental income including accounting for rental uplifts and lease incentives; and incorrect valuation and the calculation of unrealised gains/(losses) of investment properties. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved substantive audit procedures including a review of legal expenses incurred, review of the reporting to the directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Group and Parent Company.

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

Other matters we are required to address

- Following the recommendation from the audit committee we were appointed as auditors of the Group, whose Parent Company at that time was Target Healthcare REIT Limited, on 10 September 2013. Following a Group reconstruction in August 2019, Target Healthcare REIT plc became the Parent Company of the Group and re-appointed us as auditor of the Group on 4 September 2019.

  The period of total uninterrupted engagement following reconstruction and including previous renewals and reappointments is five years, covering the years ending 30 June 2020 to 30 June 2024.

- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Price (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
16 September 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2024

		Year ended 30 June 2024			Year ended 30 June 2023		
	Notes	**Revenue £'000**	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Revenue							
Rental income		**58,615**	**10,927**	**69,542**	56,354	11,308	67,662
Other income		**9**	**–**	**9**	86	–	86
Total revenue		**58,624**	**10,927**	**69,551**	56,440	11,308	67,748
Gains/(losses) on revaluation of investment properties	9	**–**	**24,693**	**24,693**	–	(54,021)	(54,021)
Gains on investment properties realised	9	**–**	**1,934**	**1,934**	–	575	575
Total income		**58,624**	**37,554**	**96,178**	56,440	(42,138)	14,302
Expenditure							
Investment management fee	2	**(7,518)**	**–**	**(7,518)**	(7,428)	–	(7,428)
Credit loss allowance and bad debts	3	**(962)**	**–**	**(962)**	(264)	–	(264)
Other expenses	3	**(3,074)**	**–**	**(3,074)**	(3,046)	–	(3,046)
Total expenditure		**(11,554)**	**–**	**(11,554)**	(10,738)	–	(10,738)
Profit/(loss) before finance costs and taxation		**47,070**	**37,554**	**84,624**	45,702	(42,138)	3,564
Net finance costs							
Interest income	4	**66**	**–**	**66**	134	–	134
Finance costs	5	**(10,866)**	**(800)**	**(11,666)**	(9,572)	(698)	(10,270)
Net finance costs		**(10,800)**	**(800)**	**(11,600)**	(9,438)	(698)	(10,136)
Profit/(loss) before taxation		**36,270**	**36,754**	**73,024**	36,264	(42,836)	(6,572)
Taxation	6	**–**	**–**	**–**	–	–	–
Profit/(loss) for the year		**36,270**	**36,754**	**73,024**	36,264	(42,836)	(6,572)
Other comprehensive income:							
Items that are or may be reclassified subsequently to profit or loss							
Movement in fair value of interest rate derivatives designated as cash flow hedges	13	**–**	**(3,285)**	**(3,285)**	–	2,742	2,742
Total comprehensive income for the year		**36,270**	**33,469**	**69,739**	36,264	(40,094)	(3,830)
Earnings per share (pence)	8	**5.85**	**5.92**	**11.77**	5.85	(6.91)	(1.06)

The total column of this statement represents the Group's Consolidated Statement of Comprehensive Income, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement are derived from continuing operations. No operations were discontinued in the year.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

	Notes	As at 30 June 2024 £'000	As at 30 June 2023 £'000
Non-current assets			
Investment properties	9	**831,573**	800,155
Trade and other receivables	10	**88,426**	76,373
Interest rate derivatives	13	**2,820**	6,905
		922,819	883,433
Current assets			
Trade and other receivables	10	**5,667**	9,459
Cash and cash equivalents	12	**38,884**	15,366
		44,551	24,825
Total assets		**967,370**	908,258
Non-current liabilities			
Loans	13	**(240,672)**	(227,051)
Trade and other payables	14	**(9,893)**	(8,093)
		(250,565)	(235,144)
Current liabilities			
Trade and other payables	14	**(27,512)**	(18,306)
Total liabilities		**(278,077)**	(253,450)
Net assets		**689,293**	654,808
Share capital and reserves			
Share capital	15	**6,202**	6,202
Share premium		**256,633**	256,633
Merger reserve		**47,751**	47,751
Distributable reserve		**170,347**	187,887
Hedging reserve		**1,741**	5,026
Capital reserve		**77,668**	40,914
Revenue reserve		**128,951**	110,395
Equity shareholders' funds		**689,293**	654,808
Net asset value per ordinary share (pence)	8	**111.1**	105.6

Company number: 11990238.

The financial statements on pages 57 to 78 were approved by the Board of Directors and authorised for issue on 16 September 2024 and were signed on its behalf by:

Alison Fyfe
Chair

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2024

	Notes	Share capital £'000	Share premium £'000	Merger reserve £'000	Distributable reserve £'000	Hedging reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 30 June 2023		**6,202**	**256,633**	**47,751**	**187,887**	**5,026**	**40,914**	**110,395**	**654,808**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**36,754**	**36,270**	**73,024**
Other comprehensive income		**–**	**–**	**–**	**–**	**(3,285)**	**–**	**–**	**(3,285)**
Total comprehensive income		**–**	**–**	**–**	**–**	**(3,285)**	**36,754**	**36,270**	**69,739**
Transactions with owners recognised in equity:									
Dividends paid	7	**–**	**–**	**–**	**(17,540)**	**–**	**–**	**(17,714)**	**(35,254)**
At 30 June 2024		**6,202**	**256,633**	**47,751**	**170,347**	**1,741**	**77,668**	**128,951**	**689,293**

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Share capital £'000	Share premium £'000	Merger reserve £'000	Distributable reserve £'000	Hedging reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 30 June 2022		6,202	256,633	47,751	226,461	2,284	83,750	75,686	698,767
(Loss)/profit for the year		–	–	–	–	–	(42,836)	36,264	(6,572)
Other comprehensive income		–	–	–	–	2,742	–	–	2,742
Total comprehensive income		–	–	–	–	2,742	(42,836)	36,264	(3,830)
Transactions with owners recognised in equity:									
Dividends paid	7	–	–	–	(38,574)	–	–	(1,555)	(40,129)
At 30 June 2023		6,202	256,633	47,751	187,887	5,026	40,914	110,395	654,808

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2024

	Notes	Year ended 30 June 2024 £'000	Year ended 30 June 2023 £'000
Cash flows from operating activities			
Profit/(loss) before tax		**73,024**	(6,572)
Adjustments for:			
Interest income		**(66)**	(134)
Finance costs		**11,666**	10,270
Revaluation (gains)/losses on investment properties and movements in lease incentives, net of acquisition costs written off	9	**(35,620)**	42,713
Gains on investment properties realised		**(1,934)**	(575)
Decrease/(increase) in trade and other receivables		**3,083**	(4,550)
Increase/(decrease) in trade and other payables		**2,088**	(325)
		52,241	40,827
Interest paid		**(9,962)**	(8,719)
Premium paid on interest rate cap		**–**	(2,577)
Interest received		**66**	134
		(9,896)	(11,162)
Net cash inflow from operating activities		**42,345**	29,665
Cash flows from investing activities			
Purchase of investment properties, including acquisition costs		**(40,927)**	(29,342)
Disposal of investment properties, net of lease incentives		**44,344**	25,789
Net cash inflow/(outflow) from investing activities		**3,417**	(3,553)
Cash flows from financing activities			
Drawdown of bank loan facilities	13	**52,500**	62,000
Repayment of bank loan facilities	13	**(39,500)**	(66,750)
Expenses of arrangement of bank loan facilities	13	**–**	(205)
Dividends paid		**(35,244)**	(40,274)
Net cash outflow from financing activities		**(22,244)**	(45,229)
Net increase/(decrease) in cash and cash equivalents		**23,518**	(19,117)
Opening cash and cash equivalents		**15,366**	34,483
Closing cash and cash equivalents	12	**38,884**	15,366
Transactions which do not require the use of cash			
Movement in fixed or guaranteed rent reviews and lease incentives		**11,766**	13,516
Fixed or guaranteed rent reviews derecognised on disposal or re-tenanting		**(1,449)**	(732)
Total		**10,317**	12,784

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

1. Accounting policies

(a) Basis of preparation

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

Basis of accounting

These Consolidated Financial Statements have been prepared and approved in accordance with UK-adopted International Financial Reporting Standards ('IFRS'), applicable legal and regulatory requirements of the Companies Act 2006 and the Listing Rules of the Financial Conduct Authority.

Where presentational guidance set out in the Statement of Recommended Practice ('SORP') for investment trust companies issued by the Association of Investment Companies ('AIC') in July 2022 is consistent with the requirements of IFRS, the Directors have sought to prepare the Consolidated Financial Statements on a basis compliant with the recommendations of the SORP.

The notes and financial statements are presented in pounds sterling (being the functional currency and presentation currency for the Company) and are rounded to the nearest thousand except where otherwise indicated.

Applicable standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except that the following new amendments to the standards have become effective in the current year:

- **IAS 1: Presentation of Financial Statements (Amendment):** The amendment, along with IFRS Practice Statement 2: *Making Materiality Judgements*, aims to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.
- **Definition of Accounting Estimates (Amendments to IAS 8):** The amendments clarify the distinction between accounting policies, which must be applied retrospectively, and accounting estimates, which are accounted for prospectively. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

These amendments do not have an impact on the Consolidated Financial Statements of the Group.

Standards issued but not yet effective

- **Amendments to IAS 1: Classification of Liabilities as Current or Non-current:** In January 2020 and October 2022, the IASB issued amendments to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement;
  - That a right to defer must exist at the end of the reporting period;
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

  In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively.

The Group does not consider that the future adoption of any new standards, amended standards or interpretations, in the form currently available, will have any material impact on the Consolidated Financial Statements as presented.

Significant estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the period. The nature of the estimation means that actual outcomes could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revaluation of investment properties (estimate)

Significant estimates and assumptions are made in the valuation of the investment properties. The Group engaged an independent valuation specialist to assess fair values for the investment properties. The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Notes 9 and 16.

Other estimates

Provision for expected credit losses of accrued rent and trade receivables (estimate)

The Group uses a provision matrix to calculate expected credit losses for accrued rent and trade receivables. The provision rates are initially based on the Group's historical observed default rates, adjusted for forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. Where historical portfolio losses are not thought an appropriate measure of expected credit losses based on the circumstances of particular tenants, the expected credit losses are calculated by identifying scenarios that specify the amount and timing of cash flows for particular outcomes based on the Group's detailed knowledge, analysis and understanding of the financial standing of each individual rental income debtor (including, where appropriate, consideration of rental guarantees, rental deposits and other forms of surety). The expected credit loss is calculated by weighting the predicted loss under each scenario by an estimate of the probability of each of these outcomes.

The assessment of the correlation between historical observed default rates, forward looking information and estimated credit losses is an estimate, as is the assessment of the correlation between the identification of the potential scenarios that may arise and the estimated probability of each such scenario occurring. The amount of estimated credit losses is sensitive to changes in the financial circumstances of individual tenants and in forward-looking information. Further details are provided in Notes 3 and 16.

1. Accounting policies continued

Going concern

Given the potentially significant impact relating to economic conditions in which the Group is operating, including market uncertainty and rising costs, the Directors have continued to place a particular focus on the appropriateness of adopting the going concern basis in preparing the financial statements for the year ended 30 June 2024. The Group's going concern assessment particularly considered that:

- The value of the Group's portfolio of assets significantly exceeds the value of its liabilities;
- The Group is contractually entitled to receive rental income which significantly exceeds its forecast expenses and loan interest;
- The Group remains within its loan covenants, with a weighted average term to maturity of 5.2 years at 30 June 2024, an earliest repayment date of November 2025 and a fixed interest rate on £230 million of the Group's borrowings; and
- That the previous continuation vote that was required to be proposed under the Company's Articles was passed with 100 per cent of the votes cast being in favour of the Company's continuation. The next continuation vote under the Company's Articles is required to be proposed at the AGM expected to be held in 2027.

The forecast cash flows considered as part of the going concern assessment are based on the period from the date of approval of the financial statements to 30 September 2025 as contained in the Group's five-year viability model (as set out on pages 32 and 33). The viability model is based on a severe but plausible downside scenario. Throughout this severe but plausible downside scenario the Group has sufficient cash reserves and is forecast to be able to remain within the financial covenants for each of its loan facilities for a period of at least twelve months from the date of approval of these financial statements. The Group has a significant balance of cash and undrawn debt available and the Group's current policy is to prudently retain a proportion of this to ensure it can continue to pay the Group's expenses and loan interest in the unlikely scenario that the level of rental income received deteriorates significantly. The proportion retained will be kept under review dependent on portfolio performance and market conditions.

Based on these considerations, the Directors consider that the Group has adequate resources to continue in operational existence to 30 September 2025, which is at least twelve months from the date of issuance of this report. For this reason, they continue to adopt the going concern basis in preparing the financial statements for the year ended 30 June 2024.

In preparing the Consolidated Financial Statements, the Directors have considered the impact of climate change risk as set out on page 22. In line with IFRS, investment properties are valued at fair value based on open market valuations as described in Notes 1(h) and 9. The assessment of the open market valuation includes consideration of environmental matters and the condition of each property. The investment properties continue to be monitored by the Investment Manager and key considerations include EPC ratings as summarised at a portfolio level on pages 3 and 9 and their impact on the properties' forecast compliance with forthcoming minimum energy efficiency standards. Having assessed the impact of climate change on the Group, the Directors concluded that it is not expected to have a significant impact on the Group's going concern or viability assessment as described on pages 32 and 33.

(b) Basis of consolidation

The Consolidated Financial Statements comprise the financial statements of the Company and all of its subsidiaries drawn up to 30 June 2024. Subsidiaries are those entities, including special purpose entities, controlled by the Company and further information is provided in Note 11. 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.

In preparing the Consolidated Financial Statements, intra group balances, transactions and unrealised gains or losses have been eliminated in full. Uniform accounting policies are adopted for all companies within the Group.

(c) Revenue recognition

Rental Income

Rental income arising on investment properties is accounted for in the Statement of Comprehensive Income on a straight line basis over the lease term taking account of the following:

- The lease agreements on the properties held within the Group's property portfolio generally allow for regular increases in the contracted rental level in line with inflation, within a cap and a collar, or at a fixed level. Any rental income from such future fixed and minimum guaranteed rent review uplifts is recalculated to reflect the actual rent uplift realised in the period and is recognised on a straight line basis over the remainder of the lease term;
- Lease incentives 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 where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option; and
- Contingent rents are recognised in the period in which they are received.

Where income is recognised in advance of the related cash flows due to fixed or minimum guaranteed rent review uplifts or lease incentives, an adjustment is made to ensure that the carrying value of the relevant property including the accrued rent relating to such uplifts or lease incentives does not exceed the external valuation.

Any rental income arising in the period due to the recognition of fixed or minimum guaranteed rent review uplifts on a straight line basis is recognised in the capital column of the Statement of Comprehensive Income. This is considered to be capital in nature as it represents a timing difference compared to the basis of recognition applied by the external valuers in determining the fair value of the investment properties, and therefore should be matched against the equal but opposite capital gain/(loss) on investment properties.

Other Rental Income

Surrender premiums receivable are recognised on the completion of a deed of surrender and are recognised in revenue where the receipt is in compensation for a reduction in rent or the granting of a rent free period to an incoming tenant, and in capital when the premium received is in compensation for a reduction in the capital value of the relevant property as a result of the tenant's surrender of the lease.

Interest Income
Interest income is accounted for on an accruals basis.

Service charges and expenses recoverable from tenants
Income arising from expenses recharged to tenants is recognised in the period in which the compensation becomes receivable. Service charges and other such receipts are included gross of the related costs, as the Directors consider the Group acts as principal in this respect. Property-related expenses which are not recoverable from tenants are recognised in expenses on an accruals basis.

(d) Expenses
Expenses are accounted for on an accruals basis and are inclusive of irrecoverable VAT. The Group's investment management and administration fees, finance costs and all other expenses are charged through the Statement of Comprehensive Income and are charged to revenue, except where such costs relate wholly to capital matters such as the reorganisation of the Group's equity structure or the early repayment of its external loan facilities.

(e) Dividends
Dividends are accounted for in the period in which they are paid.

(f) Taxation
Taxation on the profit or loss for the period not exempt under UK-REIT regulations comprises current and deferred tax. Taxation is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised as direct movements in equity, in which case it is also recognised as a direct movement in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. In determining the expected manner of realisation of an asset the Directors consider that the Group will recover the value of investment property through sale. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

Entry to UK-REIT Regime
The Group entered the UK-REIT regime with effect from 1 June 2013. The Company entered the Group REIT regime with effect from 7 August 2019, the date at which it become the parent company of the Group. The Group's subsidiaries all enter the Group REIT regime on acquisition/incorporation. Entry to the regime results in, subject to continuing relevant UK-REIT criteria being met, the profits of the Group's property rental business, comprising both income and capital gains, being exempt from UK taxation.

The Group ensures that it complies with the UK-REIT regulations through monitoring the ongoing conditions required to maintain REIT status.

(g) Property acquisitions
Where property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business or the acquisition of an asset.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. Otherwise, acquisitions are accounted for as business combinations.

(h) Investment properties
Investment properties consist of land and buildings (principally care homes) which are not occupied for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held to earn rental income together with the potential for capital and income growth.

Investment properties are initially recognised at cost, being the fair value of consideration given, including transaction costs associated with the investment property. Any subsequent capital expenditure incurred in improving investment properties is capitalised in the period incurred and included within the book cost of the property.

For properties subject to contingent performance payment clauses within their purchase agreements, which will result in a further payment if certain performance measures are met, this performance payment is recognised as a liability when the contracted performance conditions have been met and a reliable estimate can be made of the amount. Any performance payment made will result in an increase in rental income receivable from the tenant, to maintain the investment yield from the property, and therefore an asset of approximately equal value is recognised to reflect the fair value of this increase in rental income.

Development interest (where income is receivable from a developer in respect of a forward-funding agreement) is deducted from the cost of investment and shown as a receivable until settled.

After initial recognition, investment properties are measured at fair value, with gains and losses recognised in the Statement of Comprehensive Income. Fair value is based on the open market valuation, as provided by CBRE Limited, in their capacity as external valuers, at the balance sheet date using recognised valuation techniques, appropriately adjusted for unamortised lease incentives and rental adjustments.

1. Accounting policies continued

(h) Investment properties continued

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing at the balance sheet date.

On derecognition, gains and losses on disposals of investment properties are recognised in the Statement of Comprehensive Income and transferred to the Capital Reserve. Recognition and derecognition occurs on the completion of a sale between a willing buyer and a willing seller.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and short-term deposits in banks with an original maturity of three months or less.

(j) Rent and other receivables

Rent receivables are carried at amortised cost. A provision for impairment of trade receivables is calculated through the expected credit loss method in accordance with IFRS 9 as explained in 'other estimates' on page 61. As part of this expected credit loss process the following is taken into account: significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is recognised in the Statement of Comprehensive Income in other expenses, separately disclosed as an impairment. Bad debts are written off once all avenues to recover the debt have been exhausted and the lease has ended, or a formal settlement agreement has been reached.

Other incentives provided to tenants and fixed or guaranteed rental uplifts are recognised as an asset and amortised over the period from the date of lease commencement to the earliest termination date.

(k) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value and net of directly attributable transaction costs. After initial recognition, all interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any loan arrangement costs and any discount or premium on settlement.

(l) Derivative financial instruments

The Group uses derivative financial instruments to hedge its risk associated with interest rate fluctuations. The Group's policy is not to trade in derivative instruments.

Derivative instruments are initially recognised in the Statement of Financial Position at their fair value. Fair value is determined by using a model to calculate the net present value of future market interest rates or by using market values for similar instruments. Transaction costs are expensed immediately.

The effective portion of the gains or losses arising on the fair value of cash flow hedges in the form of derivative instruments is reported through Other Comprehensive Income and is recognised through the Hedging Reserve. The ineffective portion is recognised through profit or loss in the Statement of Comprehensive Income. On maturity, or early redemption, of the derivative instrument the unrealised gains or losses arising from cash flow hedges in the form of derivative instruments, initially recognised in Other Comprehensive Income, are reclassified to profit or loss when the hedged forecast transaction is ultimately recognised in the profit or loss, or when the forecast transaction is no longer expected to occur.

The Group considers that its interest rate derivatives qualify for hedge accounting when the following criteria are satisfied:

- The instruments must be related to an asset or liability;
- They must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa;
- They must match the principal amounts and maturity dates of the hedged items;
- As cash-flow hedges, the forecast transactions (incurring interest payable on the bank loans) that are subject to the hedges must be highly probable and must present an exposure to variations in cash flows that could ultimately affect the profit or loss;
- The hedge must be effective meaning that there must be an economic relationship between the hedged item and the hedging instrument; the effect of credit risk must not dominate the value changes that result from that economic relationship; and the hedge ratio of the hedging relationship must be the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item; and
- At the inception of the hedge there must be formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge.

(m) Reserves

Share Premium

The share premium account represents the difference between the issue price of shares and their nominal value (excluding those issued as part of the Group reconstruction). This reserve is non-distributable.

Merger Reserve

The merger reserve arose on the reconstruction of the Group in August 2019 (the 'Group Reconstruction') and represents the difference between the nominal value and the fair value of the shares issued by the Company in exchange for the shares of the Group's previous parent company, Target Healthcare REIT Limited. This reserve is non-distributable.

Distributable Reserve

The distributable reserve represents the balance arising following the reduction of the nominal value of the shares issued as part of the Group Reconstruction from £1.00 per share to £0.01 per share, as approved by the High Court in September 2019. The distributable reserve was reduced by the difference between the fair value of the shares allotted by the Company, in exchange for the shares of Target Healthcare REIT Limited, and the stated capital of Target Healthcare REIT Limited immediately prior to the Group Reconstruction.

This reserve is distributable. Any dividends paid in excess of the balance of the revenue reserve in the Company Financial Statements will be charged to this reserve.

Hedging Reserve

The following are accounted for in the hedging reserve:
- Increases and decreases in the fair value of interest rate derivatives held at the period end.

Capital Reserve

The following are accounted for in the capital reserve:
- Gains and losses on the disposal of investment properties;
- Gains and losses on the disposal of properties held for sale;
- Increases and decreases in the fair value of investment properties and properties held for sale which are held at the period end;
- Rent adjustments which represent the effect of spreading uplifts and incentives;
- Other expenses or finance costs charged to the capital column of the Statement of Comprehensive Income;
- Taxation arising on the acquisition or disposal of investment properties or properties held for sale;
- Recovery of any cost/tax where the original expense/tax has also been charged to capital; and
- The buyback of shares into, and resale of shares from, treasury.

Revenue Reserve

The net profit/(loss) arising in the revenue column of the Statement of Comprehensive Income is added to or deducted from this reserve which, in addition to the distributable reserve, is available for paying dividends.

2. Fee paid to the Investment Manager

	Year ended 30 June 2024 £'000	Year ended 30 June 2023 £'000
Investment management fee	**7,518**	7,428
Total	**7,518**	7,428

The Group's Investment Manager and Alternative Investment Fund Manager ('AIFM') is Target Fund Managers Limited. The Investment Manager is entitled to an annual management fee calculated on a tiered basis based on the net assets of the Group as set out below. Where applicable, VAT is payable in addition.

Net assets of the Group	Management fee percentage
Up to and including £500 million	1.05
Above £500 million and up to and including £750 million	0.95
Above £750 million and up to and including £1 billion	0.85
Above £1 billion and up to and including £1.5 billion	0.75
Above £1.5 billion	0.65

The Investment Manager is entitled to an additional fee of £156,000 per annum (plus VAT), increasing annually in line with inflation, in relation to their appointment as Company Secretary and Administrator to the Group.

The Investment Management Agreement can be terminated by either party on 24 months' written notice. Should the Company terminate the Investment Management Agreement earlier then compensation in lieu of notice will be payable to the Investment Manager. The Investment Management Agreement may be terminated immediately without compensation if the Investment Manager: is in material breach of the agreement; is guilty of negligence, wilful default or fraud; is the subject of insolvency proceedings; or there occurs a change of Key Managers to which the Board has not given its prior consent.

3. Other expenses

	Year ended 30 June 2024 £'000	Year ended 30 June 2023 £'000
Total movement in credit loss allowance	962	(4,991)
Bad debts written off	–	5,255
Credit loss allowance charge	**962**	264

	Year ended 30 June 2024 £'000	Year ended 30 June 2023 £'000
Valuation and other professional fees	1,107	1,131
Auditor's remuneration for:		
– statutory audit of the Company	181	131
– statutory audit of the Company's subsidiaries	277	221
– review of interim financial information	16	16
Other taxation compliance and advisory*	271	258
Secretarial and administration fees	229	208
Directors' fees	227	218
Direct property costs	199	182
Public relations and marketing	179	229
Listing and Registrar fees	115	114
Printing, postage and website	100	95
Other	173	243
Total other expenses	**3,074**	3,046

* The other taxation compliance and advisory fees were all paid to parties other than the Company's Auditor.

The valuers of the investment properties, CBRE Limited, have agreed to provide valuation services in respect of the property portfolio. The valuation agreement states that annual fees will be payable quarterly at a rate of £596 per property per quarter (including VAT).

Expenses are inclusive of irrecoverable VAT as the Company, and the majority of its subsidiaries, are not VAT registered.

4. Interest income

	Year ended 30 June 2024 £'000	Year ended 30 June 2023 £'000
Deposit interest	66	134
Total	**66**	134

5. Finance costs

	Year ended 30 June 2024 £'000	Year ended 30 June 2023 £'000
Interest paid on loans	10,245	8,949
Amortisation of loan costs	621	623
Finance and transaction costs relating to the interest rate cap	800	698
Total	**11,666**	10,270

6. Taxation

	Year ended 30 June 2024 £'000	Year ended 30 June 2023 £'000
Current tax	–	–
Adjustment to tax charge for prior years	–	–
Total tax charge	**–**	–

A reconciliation of the corporation tax charge applicable to the results at the statutory corporation tax rate to the charge for the year is as follows:

	Year ended 30 June 2024 £'000	Year ended 30 June 2023 £'000
Profit/(loss) before tax	**73,024**	(6,572)
Tax at 25% (2023: 20.5%)	**18,256**	(1,347)
Effects of:		
REIT exempt profits	**(8,964)**	(8,665)
REIT exempt (gains)/losses	**(6,215)**	11,152
Capital allowances	**(2,476)**	(1,577)
Excess management expenses carried forward	**–**	286
Utilisation of excess management expenses brought forward	**(809)**	–
Expenses not deductible for tax purposes	**208**	151
Total tax charge	**–**	–

The Directors intend to conduct the Company's affairs such that management and control is exercised in the United Kingdom and so that the Company carries on any trade in the United Kingdom.

Subject to continuing relevant UK-REIT criteria being met, the profits from the Group's property rental business, arising from both income and capital gains, are exempt from corporation tax.

The Group has unutilised tax losses carried forward in its residual business of £9.4 million at 30 June 2024 (2023: £12.5 million). No deferred tax asset has been recognised on this amount as the Group cannot be certain that there will be taxable profits arising within its residual business from which the future reversal of the deferred tax asset could be deducted.

7. Dividends

Amounts paid as distributions to equity holders during the year to 30 June 2024.

	Dividend rate (pence per share)	**Year ended 30 June 2024 £'000**
Fourth interim dividend for the year ended 30 June 2023	**1.400**	**8,683**
First interim dividend for the year ended 30 June 2024	**1.428**	**8,857**
Second interim dividend for the year ended 30 June 2024	**1.428**	**8,857**
Third interim dividend for the year ended 30 June 2024	**1.428**	**8,857**
Total	**5.684**	**35,254**

Amounts paid as distributions to equity holders during the year to 30 June 2023.

	Dividend rate (pence per share)	Year ended 30 June 2023 £'000
Fourth interim dividend for the year ended 30 June 2022	1.69	10,482
First interim dividend for the year ended 30 June 2023	1.69	10,482
Second interim dividend for the year ended 30 June 2023	1.69	10,482
Third interim dividend for the year ended 30 June 2023	1.40	8,683
Total	6.47	40,129

It is the policy of the Directors to declare and pay dividends as interim dividends. The Directors do not therefore recommend a final dividend. The fourth interim dividend in respect of the year ended 30 June 2024, of 1.428 pence per share, was paid on 30 August 2024 to shareholders on the register on 16 August 2024 and amounted to £8,857,000. It is the intention of the Directors that the Group will continue to pay dividends quarterly.

8. Earnings per share and Net Asset Value per share

Earnings per share

	Year ended 30 June 2024		Year ended 30 June 2023	
	£'000	**Pence per share**	£'000	Pence per share
Revenue earnings	**36,270**	**5.85**	36,264	5.85
Capital earnings	**36,754**	**5.92**	(42,836)	(6.91)
Total earnings	**73,024**	**11.77**	(6,572)	(1.06)
Average number of shares in issue		**620,237,346**		620,237,346

There were no dilutive shares or potentially dilutive shares in issue.

8. Earnings per share and Net Asset Value per share continued

EPRA is an industry body which issues best practice reporting guidelines for financial disclosures by public real estate companies and the Group reports an EPRA NAV quarterly. EPRA has issued best practice recommendations for the calculation of certain figures which are included below. Other EPRA measures are included in the EPRA Performance Measures on pages 96 and 97.

The EPRA earnings are arrived at by adjusting for the revaluation movements on investment properties and other items of a capital nature and represents the revenue earned by the Group.

The Group's specific adjusted EPRA earnings adjusts the EPRA earnings for rental income arising from recognising guaranteed rental review uplifts and for development interest received from developers in relation to monies advanced under forward fund agreements which, in the Group's IFRS financial statements, is required to be offset against the book cost of the property under development. The Board believes that the Group's specific adjusted EPRA earnings represents the underlying performance measure appropriate for the Group's business model as it illustrates the underlying revenue stream and costs generated by the Group's property portfolio. The reconciliations are provided in the table below:

	Year ended 30 June 2024 £'000	Year ended 30 June 2023 £'000
Earnings per IFRS Consolidated Statement of Comprehensive Income	**73,024**	(6,572)
Adjusted for gains on investment properties realised	**(1,934)**	(575)
Adjusted for revaluations of investment properties	**(24,693)**	54,021
Adjusted for finance and transaction costs on the interest rate cap and other capital items	**800**	698
EPRA earnings	**47,197**	47,572
Adjusted for rental income arising from recognising guaranteed rent review uplifts	**(10,927)**	(11,308)
Adjusted for development interest under forward fund agreements	**1,767**	952
Group specific adjusted EPRA earnings	**38,037**	37,216

Earnings per share ('EPS') (pence per share)		
EPS per IFRS Consolidated Statement of Comprehensive Income	**11.77**	(1.06)
EPRA EPS	**7.61**	7.67
Group specific adjusted EPRA EPS	**6.13**	6.00

Net Asset Value per share

The Group's Net Asset Value per ordinary share of 111.1 pence (2023: 105.6 pence) is based on equity shareholders' funds of £689,293,000 (2023: £654,808,000) and on 620,237,346 (2023: 620,237,346) ordinary shares, being the number of shares in issue at the year-end.

The EPRA best practice recommendations include a set of EPRA NAV metrics that are arrived at by adjusting the net asset value calculated under International Financial Reporting Standards ('IFRS') to provide stakeholders with what EPRA believe to be the most relevant information on the fair value of the assets and liabilities of a real estate investment company, under different scenarios. The three EPRA NAV metrics are:

- **EPRA Net Reinstatement Value ('NRV'):** Assumes that entities never sell assets and aims to represent the value required to rebuild the entity. The objective is to highlight the value of net assets on a long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances, such as the fair value movements on financial derivatives, are excluded and the costs of recreating the Group through investment markets, such as property acquisition costs and taxes, are included.
- **EPRA Net Tangible Assets ('NTA'):** Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax. Given the Group's REIT status, it is not expected that significant deferred tax will be applicable to the Group.
- **EPRA Net Disposal Value ('NDV'):** Represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax. At 30 June 2024, the Group held all its material balance sheet items at fair value, or at a value considered to be a close approximation to fair value, in its financial statements apart from its fixed-rate debt facilities where the fair value is estimated to be lower than the nominal value. See Note 13 for further details on the Group's loan facilities.

	2024 EPRA NRV £'000	**2024 EPRA NTA £'000**	**2024 EPRA NDV £'000**	2023 EPRA NRV £'000	2023 EPRA NTA £'000	2023 EPRA NDV £'000
IFRS NAV per financial statements	**689,293**	**689,293**	**689,293**	654,808	654,808	654,808
Fair value of interest rate derivatives	**(2,820)**	**(2,820)**	**–**	(6,905)	(6,905)	–
Fair value of loans	**–**	**–**	**29,780**	–	–	39,672
Estimated purchasers' costs	**60,026**	**–**	**–**	57,461	–	–
EPRA net assets	**746,499**	**686,473**	**719,073**	705,364	647,903	694,480
EPRA net assets (pence per share)	**120.4**	**110.7**	**115.9**	113.7	104.5	112.0

9. Investment properties

Freehold and leasehold properties

	As at 30 June 2024 £'000	As at 30 June 2023 £'000
Opening market value	**868,705**	911,596
Opening fixed or guaranteed rent reviews	**(59,378)**	(48,802)
Opening lease incentives	**(9,172)**	(7,903)
Opening performance payments	**–**	2,800
Opening carrying value	**800,155**	857,691
Disposals – proceeds	**(44,344)**	(26,728)
– gain on sale	**1,382**	6,088
Purchases and performance payments	**45,444**	23,494
Acquisition costs capitalised	**332**	273
Acquisition costs written off	**(332)**	(273)
Unrealised loss/(gain) realised during the year	**552**	(5,513)
Revaluation movement – gains	**45,496**	3,645
Revaluation movement – losses	**(8,705)**	(43,877)
Movement in market value	**39,825**	(42,891)
Fixed or guaranteed rent reviews derecognised on disposal or re-tenanting	**1,449**	732
Lease incentives derecognised on disposal or re-tenanting	**–**	939
Movement in fixed or guaranteed rent reviews	**(10,927)**	(11,308)
Movement in lease incentives	**(839)**	(2,208)
Movement in performance payments	**1,910**	(2,800)
Movement in carrying value	**31,418**	(57,536)
Closing market value	**908,530**	868,705
Closing fixed or guaranteed rent reviews	**(68,856)**	(59,378)
Closing lease incentives	**(10,011)**	(9,172)
Closing performance payments (see Note 18)	**1,910**	–
Closing carrying value	**831,573**	800,155

Changes in the valuation of investment properties

	Year ended 30 June 2024 £'000	Year ended 30 June 2023 £'000
Gain on sale of investment properties	**1,382**	6,088
Unrealised loss/(gain) realised during the year	**552**	(5,513)
Gain on sale of investment properties realised	**1,934**	575
Revaluation movement	**36,791**	(40,232)
Acquisition costs written off	**(332)**	(273)
Movement in fixed or guaranteed rent reviews	**(10,927)**	(11,308)
Movement in lease incentives	**(839)**	(2,208)
Gains/(losses) on revaluation of investment properties	**26,627**	(53,446)

The investment properties can be analysed as follows:

	As at 30 June 2024 £'000	As at 30 June 2023 £'000
Standing assets	**889,255**	851,305
Developments under forward fund agreements	**19,275**	17,400
Closing market value	**908,530**	868,705

At 30 June 2024, the properties were valued at £908,530,000 by CBRE Limited ('CBRE') in their capacity as external valuers. The valuation was undertaken in accordance with the RICS Valuation – Global Standards, incorporating the International Valuation Standards (the 'Red Book Global', 31 January 2022) issued by the Royal Institution of Chartered Surveyors ('RICS') on the basis of Market Value, supported by reference to market evidence of transaction prices for similar properties. CBRE has recent experience in the location and category of the investment properties being valued. At 30 June 2023, the properties had been valued at £868,705,000 by Colliers International Healthcare Property Consultants Limited ('Colliers') on the same basis.

9. Investment properties continued

Market Value represents the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion. The quarterly property valuations are reviewed by the Board at each Board meeting. The fair value of the properties after adjusting for the movement in the fixed or guaranteed rent reviews, lease incentives and performance payments was £831,573,000 (2023: £800,155,000). The adjustment consisted of £68,856,000 (2023: £59,378,000) relating to fixed or guaranteed rent reviews and £10,011,000 (2023: £9,172,000) of accrued income relating to the recognition of rental income over rent free periods subsequently amortised over the life of the lease, which are both separately recorded in the accounts as non-current or current assets within 'trade and other receivables' (see Note 10). An adjustment is also made to reflect the amount by which the portfolio value is expected to increase if the performance payments recognised in 'trade and other payables' are paid and the passing rent at the relevant property increased accordingly (see Notes 14 and 18). The total purchases in the year to 30 June 2024, inclusive of the performance payments recognised in the year, were £47,354,000 (2023: £20,694,000).

All leasehold properties are carried at fair value rather than amortised over the term of the lease. The same valuation criteria are therefore applied to leasehold as freehold properties. Other than one property where the leasehold expires in 2265, all leasehold properties have more than 800 years remaining on the lease term.

Following their appointment, with effect from 31 March 2024 onwards, the Group's investment properties have been valued by CBRE on a quarterly basis. The valuation methodology used is the yield model, which is a consistent basis for the valuation of investment properties within the healthcare industry. This model has regard to the current investment market and evidence of investor interest in properties with income streams secured on healthcare businesses. On an asset-specific basis, the valuer makes an assessment of: the quality of the asset; recent and current performance of the asset; and the financial position and performance of the tenant operator. This asset specific information is used alongside a review of comparable transactions in the market and a yield is applied to the asset which, along with the contracted rental level, is used to derive a market value.

The real estate investment and occupier markets are currently in a state of transition as they begin to align themselves with the sustainable development goals of government and the new generation of real estate users. For the purposes of the valuation, CBRE have made enquiries to ascertain any sustainability factors which are likely to impact on property values and have considered the guidance provided by the RICS and VPGA 8 of the Red Book. Sustainability encompasses a wide range of physical, social, environmental, and economic factors that can affect the value of an asset, even if not explicitly recognised. This includes key environmental risks, such as flooding, energy efficiency and climate, as well as design, legislation and management considerations – and current and historic land use. CBRE are currently gathering and analysing data around the four key areas that have the most potential to impact on the value of an asset:
- Energy Performance
- Green Certification
- Sources of Fuel and Renewable Energy Sources
- Physical Risk/Climate Risk

The external valuations reflect CBRE's understanding of how market participants include sustainability factors in their decisions and the consequential impact on market valuations.

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 for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: observable inputs other than quoted prices included within level 1;
- Level 3: use of inputs that are not based on observable market data.

In determining what level of the fair value hierarchy to classify the Group's investments within, the Directors have considered the content and conclusion of the position paper on IFRS 13 prepared by the European Public Real Estate Association ('EPRA'), the representative body of the publicly listed real estate industry in Europe. This paper concludes that, even in the most transparent and liquid markets, it is likely that valuers of investment property will use one or more significant unobservable inputs or make at least one significant adjustment to an observable input, resulting in the vast majority of investment properties being classified as level 3.

Observable market data is considered to be that which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. In arriving at the valuation the external valuers make adjustments to observable data of similar properties and transactions to determine the fair value of a property and this involves the use of judgement. Considering the Group's specific valuation process, industry guidance, and the level of judgement required in the valuation process, the Directors believe it appropriate to classify the Group's investment properties within level 3 of the fair value hierarchy.

The key unobservable inputs made in determining the fair values are:
- Contracted rental level: the rent payable under the lease agreement at the date of valuation or, where applicable, on expiry of the rent free period; and
- Yield: the yield is defined as the initial net income from a property at the date of valuation, expressed as a percentage of the gross purchase price including the costs of purchase.

The contracted rental level and yield are not directly correlated although they may be influenced by similar factors. Rent is set at a long-term, supportable level and is likely to be influenced by property-specific matters. The yield also reflects market sentiment and the strength of the covenant provided by the tenant with a stronger covenant attracting a lower yield.

The Group's investment properties, which are all care homes, are considered to be a single class of assets. The weighted average net initial yield ('NIY') on these assets, as measured by the EPRA topped up NIY, is 6.2 per cent (2023: 6.2 per cent). The yield on the majority of the individual assets ranges from 5.5 per cent to 8.9 per cent (2023: 5.5 per cent to 8.7 per cent). The average annual contracted rent per bed is £9,292 (2023: £8,933) with the annual contracted rent per bed on individual assets ranging between £4,919 and £20,481 (2023: between £4,730 and £19,693). There have been no changes to the valuation technique used through the period, nor have there been any transfers between levels.

The lease agreements on the properties held within the Group's property portfolio generally allow for annual increases in the contracted rental level in line with inflation, within a cap and a collar. An increase of 1.0 per cent in the contracted rental level will increase the fair value of the portfolio, and consequently the Group's reported income from unrealised gains on investments, by £9,085,000 (2023: £8,687,000); an equal and opposite movement would have decreased net assets and decreased the Group's income by the same amount.

A decrease of 0.25 per cent in the weighted average net initial yield applied to the portfolio will increase the fair value of the portfolio by £37,901,000 (2023: £37,940,000), and consequently increase the Group's reported income from unrealised gains on investments. An increase of 0.25 per cent in the weighted average net initial yield will decrease the fair value of the portfolio by £34,982,000 (2023: £35,025,000) and reduce the Group's income.

10. Trade and other receivables

Non-current trade and other receivables	**As at 30 June 2024 £'000**	As at 30 June 2023 £'000
Fixed rent reviews	**68,856**	59,378
Rental deposits held in escrow for tenants	**9,893**	8,093
Lease incentives	**9,677**	8,902
Total	**88,426**	76,373

Current trade and other receivables	**As at 30 June 2024 £'000**	As at 30 June 2023 £'000
Cash held in escrow for property purchases	**–**	4,295
Lease incentives	**334**	270
VAT recoverable	**1,624**	667
Accrued income – rent receivable	**890**	1,088
Accrued development interest under forward fund agreements	**1,076**	1,010
Other debtors and prepayments	**1,743**	2,129
Total	**5,667**	9,459

At the year-end, trade and other receivables include a fixed rent review debtor of £68,856,000 (2023: £59,378,000) which represents the effect of recognising guaranteed rental uplifts on a straight line basis over the lease term and £10,011,000 (2023: £9,172,000) of accrued income relating to the recognition of rental income over rent free periods subsequently amortised over the life of the lease.

11. Investment in subsidiary undertakings

The Group included 49 subsidiary companies as at 30 June 2024 (2023: 49). All subsidiary companies were wholly owned, either directly or indirectly, by the Company and, from the date of acquisition onwards, the principal activity of each company within the Group was to act as an investment and property company. Other than one subsidiary incorporated in Jersey, two subsidiaries incorporated in Gibraltar and two subsidiaries incorporated in Luxembourg, all subsidiaries are incorporated within the United Kingdom.

The Group did not incorporate, acquire or dispose of any subsidiaries during the year (2023: the Group dissolved eight dormant subsidiary companies which had been acquired as part of previous corporate acquisitions).

12. Cash and cash equivalents

All cash balances at the year-end were held in cash, current accounts or deposit accounts.

	As at 30 June 2024 £'000	As at 30 June 2023 £'000
Cash at bank and in hand	**15,813**	12,745
Short-term deposits	**23,071**	2,621
Total	**38,884**	15,366

The cash on deposit at 30 June 2024 included £22,989,000 (2023: £2,526,000) held in a secured account in relation to the loan from Phoenix Group following disposals made by the Group. The use of this cash is restricted until the Group either partially repays the loan or pledges replacement assets as security. As at 30 June 2024, the Group had sufficient unencumbered assets which could be pledged as additional security in order to release these funds.

13. Loans

	As at 30 June 2024 £'000	As at 30 June 2023 £'000
Principal amount outstanding	**243,000**	230,000
Set-up costs	**(4,520)**	(4,520)
Amortisation of set-up costs	**2,192**	1,571
Total	**240,672**	227,051

13. Loans continued

In November 2020, the Group entered into a £70,000,000 committed term loan and revolving credit facility with the Royal Bank of Scotland plc ('RBS') which is repayable in November 2025. Interest accrues on the bank loan at a variable rate, based on SONIA plus margin and mandatory lending costs, and is payable quarterly. The margin is 2.18 per cent per annum on £50,000,000 of the facility and 2.33 per cent per annum on the remaining £20,000,000 revolving credit facility, both for the duration of the loan. A non-utilisation fee of 1.13 per cent per annum is payable on the first £20,000,000 of any undrawn element of the facility, reducing to 1.05 per cent per annum thereafter. As at 30 June 2024, the Group had drawn £43,000,000 under this facility (2023: £30,000,000).

In November 2020, the Group entered into a £100,000,000 revolving credit facility with HSBC Bank plc ('HSBC') which is repayable in November 2025. Interest accrues on the bank loan at a variable rate, based on SONIA plus margin and mandatory lending costs, and is payable quarterly. The margin is 2.17 per cent per annum for the duration of the loan and a non-utilisation fee of 0.92 per cent per annum is payable on any undrawn element of the facility. As at 30 June 2024, the Group had drawn £50,000,000 under this facility (2023: £50,000,000).

In January 2020 and November 2021, the Group entered into committed term loan facilities with Phoenix Group of £50,000,000 and £37,250,000, respectively. Both these facilities are repayable on 12 January 2032. The Group has a further committed term loan facility with Phoenix Group of £62,750,000 which is repayable on 12 January 2037. Interest accrues on these three loans at aggregate annual fixed rates of interest of 3.28 per cent, 3.13 per cent and 3.14 per cent, respectively and is payable quarterly. As at 30 June 2024, the Group had drawn £150,000,000 under these facilities (2023: £150,000,000).

The following interest rate derivatives were in place during the year ended 30 June 2024:

Notional Value	Starting Date	Ending Date	Interest paid	Interest received	Counterparty
30,000,000	5 November 2020	5 November 2025	0.30%	Daily compounded SONIA (floor at -0.08%)	RBS
50,000,000	1 November 2022	5 November 2025	nil	Daily compounded SONIA above 3.0% cap	HSBC

The Group paid a premium of £2,577,000, inclusive of transaction costs of £169,000, on entry into the £50,000,000 interest rate cap in November 2022.

At 30 June 2024, inclusive of the interest rate derivatives, the interest rate on £230,000,000 of the Group's borrowings has been capped, including the amortisation of loan arrangement costs, at an all-in rate of 3.70 per cent per annum until at least 5 November 2025. The remaining £90,000,000 of debt, of which £13,000,000 was drawn at 30 June 2024, would, if fully drawn, carry interest at a variable rate equal to daily compounded SONIA plus a weighted average lending margin, including the amortisation of loan arrangement costs, of 2.46 per cent per annum.

The aggregate fair value of the interest rate derivatives held at 30 June 2024 was an asset of £2,820,000 (2023: £6,905,000). The Group categorises all interest rate derivatives as level 2 in the fair value hierarchy (see Note 9 for further explanation of the fair value hierarchy).

At 30 June 2024, the nominal value of the Group's loans equated to £243,000,000 (2023: £230,000,000). Excluding the interest rate derivatives referred to above, the fair value of these loans, based on a discounted cashflow using the market rate on the relevant treasury plus an estimated margin based on market conditions at 30 June 2024, totalled, in aggregate, £213,220,000 (2023: £190,328,000). The payment required to redeem the loans in full, incorporating the terms of the Spens clause in relation to the Phoenix Group facilities, would have been £226,721,000 (2023: £209,898,000). The loans are categorised as level 3 in the fair value hierarchy given the estimated margin is not observable market data.

The RBS loan is secured by way of a fixed and floating charge over the majority of the assets of the THR Number One plc Group ('THR1 Group') which consists of THR1 and its five subsidiaries. The Phoenix Group loans of £50,000,000 and £37,250,000 are secured by way of a fixed and floating charge over the majority of the assets of the THR Number 12 plc Group ('THR12 Group') which consists of THR12 and its eight subsidiaries. The Phoenix Group loan of £62,750,000 is secured by way of a fixed and floating charge over the majority of the assets of THR Number 43 plc ('THR43'). The HSBC loan is secured by way of a fixed and floating charge over the majority of the assets of the THR Number 15 plc Group ('THR15 Group') which consists of THR15 and its 18 subsidiaries. In aggregate, the Group has granted a fixed charge over properties with a market value of £743,265,000 as at 30 June 2024 (2023: £762,100,000).

Under the covenants related to the loans, the Group is to ensure that:
- the loan to value percentage for each of THR1 Group and THR15 Group does not exceed 50 per cent;
- the loan to value percentage for THR12 Group and THR43 does not exceed 60 per cent;
- the interest cover for THR1 Group is greater than 225 per cent on any calculation date;
- the interest cover for THR15 Group is greater than 200 per cent on any calculation date; and
- the debt yield for each of THR12 Group and THR43 is greater than 10 per cent on any calculation date.

The significant terms of the facilities remained unchanged and all loan covenants have been complied with during the year.

Analysis of net debt:

	Cash and cash equivalents 2024 £'000	**Borrowing 2024 £'000**	**Net debt 2024 £'000**	Cash and cash equivalents 2023 £'000	Borrowing 2023 £'000	Net debt 2023 £'000
Opening balance	**15,366**	**(227,051)**	**(211,685)**	34,483	(231,383)	(196,900)
Cash flows	**23,518**	**(13,000)**	**10,518**	(19,117)	4,955	(14,162)
Non-cash flows	**–**	**(621)**	**(621)**	–	(623)	(623)
Closing balance as at 30 June	**38,884**	**(240,672)**	**(201,788)**	15,366	(227,051)	(211,685)

14. Trade and other payables

Non-current trade and other payables	**As at 30 June 2024 £'000**	As at 30 June 2023 £'000
Rental deposits	**9,893**	8,093
Total	**9,893**	8,093

Current trade and other payables	**As at 30 June 2024 £'000**	As at 30 June 2023 £'000
Rental income received in advance	**10,146**	8,239
Property acquisition and development costs accrued	**8,790**	3,875
Interest payable	**2,275**	1,992
Investment Manager's fees payable	**1,927**	1,835
Performance payments	**1,910**	–
Other payables	**2,464**	2,365
Total	**27,512**	18,306

The Group's payment policy is to ensure settlement of supplier invoices in accordance with stated terms.

15. Share capital

Allotted, called-up and fully paid ordinary shares of £0.01 each	Number of shares	£'000
Balance as at 30 June 2023 and 30 June 2024	**620,237,346**	**6,202**

Under the Company's Articles of Association, the Company may issue an unlimited number of ordinary shares. Ordinary shareholders are entitled to all dividends declared by the Company and to all of the Company's assets after repayment of its borrowings and ordinary creditors. Ordinary shareholders have the right to vote at meetings of the Company. All ordinary shares carry equal voting rights.

During the year to 30 June 2024, the Company did not issue any ordinary shares (2023: nil). The Company did not repurchase any ordinary shares into treasury (2023: nil) or resell any ordinary shares from treasury (2023: nil). At 30 June 2024, the Company did not hold any shares in treasury (2023: nil).

Capital management

The Group's capital is represented by the share capital, share premium, merger reserve, distributable reserve, hedging reserve, capital reserve, revenue reserve and long-term borrowings. The Group is not subject to any externally-imposed capital requirements, other than the financial covenants on its loan facilities as detailed in Note 13.

The capital of the Group is managed in accordance with its investment policy, in pursuit of its investment objective.

Capital risk management

The objective of the Group is to provide 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 that are let to care home operators; and other healthcare assets in the UK.

The Board has responsibility for ensuring the Group's ability to continue as a going concern. 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.

To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or buyback shares for cancellation or for holding in treasury. The Company may also increase or decrease its level of long-term borrowings. The Group monitors capital using the net LTV ratio, which was 22.5% at 30 June 2024 (2023: 24.7%). The Board currently intends that, over the medium term, borrowings of the Group will represent approximately 25 per cent of the Group's gross assets at the time of drawdown.

Where ordinary shares are held in treasury these are available to be sold to meet on-going market demand. The ordinary shares will be sold only at a premium to the prevailing NAV per share. The net proceeds of any subsequent sales of shares out of treasury will provide the Company with additional capital to enable it to take advantage of investment opportunities in the market and make further investments in accordance with the Company's investment policy and within its appraisal criteria. Holding shares in treasury for this purpose assists the Company in matching its on-going capital requirements to its investment opportunities and therefore reduces the negative effect of holding excess cash on its balance sheet over the longer term.

No changes were made in the capital management objectives, policies or processes during the year.

16. Financial instruments

Consistent with its objective, the Group holds UK care home property investments. In addition, the Group's financial instruments comprise cash, loans and receivables and payables that arise directly from its operations. The Group's exposure to derivative instruments consists of interest rate swaps and interest rate caps used to fix the interest rate on the Group's variable rate borrowings.

The Group is exposed to various types of risk that are associated with financial instruments. The most important types are credit risk, liquidity risk, interest rate risk and market price risk. There is no foreign currency risk as all assets and liabilities of the Group are maintained in pounds sterling.

The Board reviews and agrees policies for managing the Group's risk exposure. These policies are summarised below and have remained unchanged for the year under review. These disclosures include, where appropriate, consideration of the Group's investment properties which, whilst not constituting financial instruments as defined by IFRS, are considered by the Board to be integral to the Group's overall risk exposure.

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. At the reporting date, the Group's financial assets exposed to credit risk amounted to £41,536,000 (2023: £22,850,000), consisting of cash of £38,884,000 (2023: £15,366,000), accrued development interest of £1,076,000 (2023: £1,010,000), net rent receivable of £890,000 (2023: £1,088,000), other debtors of £686,000 (2023: £1,091,000) and cash held in escrow for property purchases of £nil (2023: £4,295,000).

In the event of default by a tenant if it is in financial difficulty or otherwise unable to meet its obligations under the lease, the Group will suffer a rental shortfall and incur additional expenses until the property is relet. These expenses could include legal and surveyor's costs in reletting, maintenance costs, insurances, rates and marketing costs and may have a material adverse impact on the financial condition and performance of the Group and/or the level of dividend cover. The Group may also require to provide rental incentives to the incoming tenant. The Board receives regular reports on concentrations of risk and any tenants in arrears. The Investment Manager monitors such reports in order to anticipate, and minimise the impact of, defaults by occupational tenants. The expected credit risk in relation to tenants is an inherent element of the due diligence considered by the Investment Manager on all property transactions with an emphasis being placed on ensuring that the initial rent is set at a sustainable level. The risk is further mitigated by rental deposits or guarantees where considered appropriate. The majority of rental income is received in advance.

As at 30 June 2024, the Group had recognised a credit loss allowance totalling £2,935,000 (2023: £1,972,000) against a gross rent receivable balance of £3,267,000 (2023: £2,496,000) and gross loans to tenants totalling £952,000 (2023: £989,000). Of the gross receivable of £3,485,000 at 30 June 2023, £383,000 was subsequently recovered and £3,102,000 is still outstanding. There were no other financial assets which were either past due or considered impaired at 30 June 2024 (2023: nil).

All of the Group's cash is placed with financial institutions with a long-term credit rating of BBB or better. Bankruptcy or insolvency of such financial institutions may cause the Group's ability to access cash placed on deposit to be delayed, limited or lost. Should the credit quality or the financial position of the banks currently employed significantly deteriorate, cash holdings would be moved to another bank.

Should the Group hold significant cash balances for an extended period, then counterparty risk will be spread, by placing cash across different financial institutions. At 30 June 2024 the Group held £37.7 million (2023: £15.2 million) with The Royal Bank of Scotland plc and £1.2 million (2023: £0.2 million) with HSBC Bank plc. Given the credit quality of the counterparties used, no credit loss allowance is recognised against cash balances as it is considered to be immaterial.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in realising assets or otherwise raising funds to meet financial commitments. The Group's investments comprise UK care homes. Property and property-related assets in which the Group invests are not traded in an organised public market and may be illiquid. As a result, the Group may not be able to liquidate quickly its investments in these properties at an amount close to their fair value in order to meet its liquidity requirements.

The Group's liquidity risk is managed on an on-going basis by the Investment Manager and monitored on a quarterly basis by the Board. In order to mitigate liquidity risk the Group aims to have sufficient cash balances (including the expected proceeds of any property sales) to meet its obligations for a period of at least twelve months.

At the reporting date, the maturity of the financial assets was:

Financial assets as at 30 June 2024	**Three months or less £'000**	**More than three months but less than one year £'000**	**1-2 years £'000**	**2-5 years £'000**	**More than five years £'000**	**Total £'000**
Cash and cash equivalents	**38,884**	**–**	**–**	**–**	**–**	**38,884**
Rental deposits held in escrow for tenants	**–**	**–**	**–**	**–**	**9,893**	**9,893**
Other debtors	**4,276**	**–**	**–**	**–**	**–**	**4,276**
Total	**43,160**	**–**	**–**	**–**	**9,893**	**53,053**

Financial assets as at 30 June 2023	Three months or less £'000	More than three months but less than one year £'000	1-2 years £'000	2-5 years £'000	More than five years £'000	Total £'000
Cash and cash equivalents	15,366	–	–	–	–	15,366
Rental deposits held in escrow for tenants	–	–	–	–	8,093	8,093
Cash held in escrow for property purchases	4,295	–	–	–	–	4,295
Other debtors	3,856	–	–	–	–	3,856
Total	23,517	–	–	–	8,093	31,610

At the reporting date, the contractual maturity of the financial liabilities was:

Financial liabilities as at 30 June 2024	**Three months or less £'000**	**More than three months but less than one year £'000**	**1-2 years £'000**	**2-5 years £'000**	**More than five years £'000**	**Total £'000**
Loans and interest rate derivatives	**2,476**	**7,347**	**99,546**	**14,340**	**171,972**	**295,681**
Rental deposits	**–**	**–**	**–**	**–**	**9,893**	**9,893**
Other payables	**17,366**	**–**	**–**	**–**	**–**	**17,366**
Total	**19,842**	**7,347**	**99,546**	**14,340**	**181,865**	**322,940**

Financial liabilities as at 30 June 2023	Three months or less £'000	More than three months but less than one year £'000	1-2 years £'000	2-5 years £'000	More than five years £'000	Total £'000
Loans and interest rate derivatives	2,269	6,757	9,001	95,821	176,747	290,595
Rental deposits	–	–	–	–	8,093	8,093
Other payables	10,067	–	–	–	–	10,067
Total	12,336	6,757	9,001	95,821	184,840	308,755

The total amount due under the loan facilities includes the expected hedged interest payments due under both the loan and interest rate derivatives combined (see Note 13 for further details) assuming that both the drawn element of the loans and the notional value of the interest rate derivatives remain unchanged from 30 June 2024 (30 June 2023) until the repayment date of the relevant loan and expiry date of the related interest rate derivative. The interest rate on any unhedged element of the loans is based on the rate of SONIA at 30 June 2024 (30 June 2023) plus the relevant lending margin. The commitment fee payable on the undrawn element of any facility is included, where applicable.

Interest rate risk

Some of the Company's financial instruments are interest-bearing. Interest-rate risk is the risk that future cash flows will change adversely as a result of changes in market interest rates.

The Group's policy is to hold cash in variable rate or short-term fixed rate bank accounts. At 30 June 2024, interest was being received on cash at a weighted average variable rate of 1.1% (2023: nil). Exposure varies throughout the period as a consequence of changes in the composition of the net assets of the Group arising out of the investment and risk management policies. These balances expose the Group to cash flow interest rate risk as the Group's income and operating cash flows will be affected by movements in the market rate of interest.

The Group has £170,000,000 (2023: £170,000,000) of committed term loans and revolving credit facilities which were charged interest at a rate of SONIA plus the relevant margin. At the year-end £93,000,000 of the variable rate facilities had been drawn down (2023: £80,000,000). The fair value of the variable rate borrowings is affected by changes in the market rate of the lending margin that would apply to similar loans. The variable rate borrowings are carried at amortised cost and the Group considers this to be a close approximation to fair value at 30 June 2024 and 30 June 2023.

At 30 June 2024, the Group had hedged its exposure on £80,000,000 of the £93,000,000 of the drawn variable rate borrowings (2023: £80,000,000 of the £80,000,000 of drawn variable rate facilities was hedged). On the unhedged variable rate borrowings, interest is payable at a variable rate equal to SONIA plus the weighted average lending margin, including the amortisation of costs, of 2.46 per cent per annum (2023: 2.46 per cent). The variable rate borrowings expose the Group to cash flow interest rate risk as the Group's income and operating cash flows will be affected by movements in the market rate of interest.

The Group has fixed rate term loans totalling £150,000,000 (2023: £150,000,000) and has hedged its exposure to increases in interest rates on £80,000,000 (2023: £80,000,000) of the variable rate loans, as referred to above, through entering into a £30,000,000 fixed rate interest rate swap and a £50,000,000 interest rate cap at 3.0%. Fixing the interest rate exposes the Group to fair value interest rate risk as the fair value of the fixed rate borrowings, or the fair value of the interest rate derivative used to fix the interest rate on an otherwise variable rate loan, will be affected by movements in the market rate of interest. The £150,000,000 fixed rate term loans are carried at amortised cost on the Group's balance sheet, with the estimated fair value and cost of repayment being disclosed in Note 13, whereas the fair value of the interest rate derivatives are recognised directly on the Group's balance sheet.

At 30 June 2024 the Group's interest rate derivatives, which had a fair value of £2,820,000 (2023: £6,905,000) and hedged a notional value of £80,000,000 (2023: £80,000,000), and its fixed rate term loans of £150,000,000 (2023: £150,000,000) were exposed to fair value interest rate risk. At 30 June 2024, an increase of 0.25 per cent in interest rates would have increased the fair value of the interest rate derivative assets and increased the other comprehensive income and reported total comprehensive income for the year by £235,000 (2023: £377,000). The same increase in interest rates would have decreased the fair value of the fixed rate term loans by an aggregate of £2,221,000 (2023: £2,169,000); however, as the fixed rate loan is held at amortised cost, the reported total comprehensive income for the year would have remained unchanged. A decrease in interest rates would have had an approximately equal and opposite effect.

Further details on the Group's borrowings are detailed in Note 13.

16. Financial instruments continued

The following table sets out the carrying amount of the Group's financial instruments that are exposed to cash flow interest rate risk:

	As at 30 June 2024		As at 30 June 2023	
	Fixed rate £'000	**Variable rate £'000**	Fixed rate £'000	Variable rate £'000
Cash and cash equivalents	**–**	**38,884**	–	15,366
Interest rate derivatives	**2,820**	**–**	6,905	–
Loans	**(230,000)**	**(13,000)**	(230,000)	–
	(227,180)	**25,884**	(223,095)	15,366

Based on the Group's exposure to cash flow interest rate risk, an increase of 0.25 per cent in interest rates would have increased the reported profit for the year and the net assets at the year end by £65,000 (2023: £38,000), a decrease in interest rates would have an equal and opposite effect. These movements are calculated based on balances as at 30 June 2024 (30 June 2023) and may not be reflective of actual future conditions.

Market price risk

The management of market price risk is part of the investment management process and is typical of a property investment company. The portfolio is managed with an awareness of the effects of adverse valuation movements through detailed and continuing analysis, with an objective of maximising overall returns to shareholders. Investments in property and property-related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date. Such risk is minimised through the appointment of external property valuers. The basis of valuation of the property portfolio is set out in detail in the accounting policies and Note 9.

As set out in Note 9, the external valuers are mindful of the potential impacts ESG may have on capital and rental valuations. Currently in the UK, demands for more precise and rigorous valuation of sustainability features have grown in order to evidence a 'green premium' or 'brown discount'. This has driven up the collation of sustainability data, particularly energy usage and efficiency data, with the existence of such a premium/discount being more pronounced in secondary markets. However, pressures from investors, clients and customers are expected to continue to grow over sustainability issues. This will include social issues like the wellbeing of building users and providing benefits to local communities, and it is expected that debates over how to measure 'value' and how to price intangible benefits will also intensify. This, combined with tightening UK regulations as the Government aims to make progress towards net zero carbon emissions targets, will require landlords, especially those whose properties do not meet the Minimum Energy Efficiency Standards' regulations, to invest further in their properties. In addition, the UK's introduction of mandatory climate related disclosures and the European Union's Sustainable Finance Disclosure Regulations may impact on asset values, or how the market views risks and incorporates them into the sale or letting of assets. There is also the potential that future legislative change, such as an update to the Minimum Energy Efficiency Standards or the introduction of an operational rating, may impact future property valuations.

Any changes in market conditions will directly affect the profit and loss reported through the Statement of Comprehensive Income. Details of the Group's investment property portfolio held at the balance sheet date are disclosed in Note 9. A 10 per cent increase in the carrying value of the investment properties as at 30 June 2024 (30 June 2023) would have increased net assets available to shareholders and increased the net income for the year by £83,157,000 (2023: £80,016,000); an equal and opposite movement would have decreased net assets and decreased the net income by an equivalent amount.

The calculations are based on the investment property valuations at the respective balance sheet date and may not be reflective of future market conditions.

17. Lease length

The Group has entered into commercial property leases on its investment property portfolio. These properties, held under operating leases, are measured under the fair value model as the properties are held to earn rentals. All leases are non-cancellable leases with lease terms remaining of between 16 and 35 years (2023: between 14 and 34 years).

The minimum lease payments based on the unexpired lessor lease length at the year-end were as follows (based on annual rentals):

	As at 30 June 2024 £'000	As at 30 June 2023 £'000
Less than one year	**59,001**	56,010
Between one and two years	**60,180**	58,013
Between two and three years	**61,126**	58,912
Between three and four years	**62,087**	59,826
Between four and five years	**63,066**	60,591
Over five years	**1,623,709**	1,570,251
Total	**1,929,169**	1,863,603

The largest single tenant at the year-end accounted for 16.1 per cent (2023: 16.1 per cent) of the current annual rental income. There were no unoccupied properties at the year-end (2023: none).

18. Contingent assets and liabilities

As at 30 June 2024, three (2023: six) properties within the Group's investment property portfolio contained performance payment clauses meaning that, subject to contracted performance conditions being met, further capital payments totalling £3,695,000 (2023: £5,720,000) may be payable by the Group to the vendors/tenants of these properties. The potential timings of these payments are also conditional on the date(s) at which the contracted performance conditions are met and are therefore uncertain.

It is highlighted that any performance payments subsequently paid will result in an increase in the rental income due from the tenant of the relevant property. As the net initial yield used to calculate the additional rental which would be payable is not significantly different from the investment yield used to arrive at the valuation of the properties, any performance payments made would be expected to result in a commensurate increase in the value of the Group's investment property portfolio.

Having assessed each clause on an individual basis, the Group has determined that the contracted performance conditions were highly likely to have been met in relation to two of these properties and therefore at 30 June 2024 an amount of £1,910,000 (2023: £nil) has been recognised as a liability (see Note 14). An equal but opposite amount has been recognised as an asset in 'investment properties' in Note 9 to reflect the increase in the investment property value that would be expected to arise from the payment of the performance payment(s) and the resulting increase in the contracted rental income.

19. Capital commitments

The Group had capital commitments as follows:

	30 June 2024 £'000	30 June 2023 £'000
Amounts due to complete forward fund developments	**4,723**	31,066
Other capital expenditure commitments	**394**	2,160
Total	**5,117**	33,226

20. Related party transactions

The Board of Directors is considered to be a related party. No Director has an interest in any transactions which are, or were, unusual in their nature or significant to the nature of the Group. The Directors of the Group received fees for their services. Total fees for the year were £227,000 (2023: £218,000) of which £nil (2023: £nil) remained payable at the year-end.

The Investment Manager received £7,518,000 (inclusive of irrecoverable VAT) in management fees in relation to the year ended 30 June 2024 (2023: £7,428,000). Of this amount £1,927,000 (2023: £1,835,000) remained payable at the year-end. The Investment Manager received a further £187,000 (inclusive of irrecoverable VAT) during the year ended 30 June 2024 (2023: £169,000) in relation to its appointment as Company Secretary and Administrator, of which £47,000 (2023: £42,000) remained payable at the year end. Certain employees of the Investment Manager are directors of some of the Group's subsidiaries. Neither they nor the Investment Manager receive any additional remuneration in relation to fulfilling this role.

There were related party transactions within the Group and its wholly-owned subsidiaries which are eliminated upon consolidation.

21. Operating segments

The Board has considered the requirements of IFRS 8 'Operating Segments'. The Board is of the view that the Group is engaged in a single segment of business, being property investment, and in one geographical area, the United Kingdom, and that therefore the Group has only a single operating segment. The Board of Directors, as a whole, has been identified as constituting the chief operating decision maker of the Group. The key measure of performance used by the Board to assess the Group's performance is the EPRA NTA. The reconciliation between the NAV, as calculated under IFRS, and the EPRA NTA is detailed in Note 8.

The view that the Group is engaged in a single segment of business is based on the following considerations:

- One of the key financial indicators received and reviewed by the Board is the total return from the property portfolio taken as a whole;
- There is no active allocation of resources to particular types or groups of properties in order to try to match the asset allocation of the benchmark; and
- The management of the portfolio is ultimately delegated to a single property manager, Target.

22. Alternative Investment Fund Managers ('AIFM') Directive

With effect from 22 July 2014, the Company's Investment Manager was authorised as an AIFM by the FCA under the AIFMD regulations. In accordance with the AIFM Directive, information in relation to the Group's leverage and the remuneration of the Company's AIFM, Target Fund Managers Limited, is required to be made available to investors. The Manager has provided disclosures on its website, www.targetfundmanagers.com, incorporating the requirements of the AIFMD regulations regarding remuneration.

The Group's maximum and average actual leverage levels at 30 June 2024 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	3.00	3.00
Actual	1.79	1.85

For the purposes of the AIFM Directive, leverage is any method which increases the Group's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of the Group's exposure to its net asset value and is calculated on both a gross and commitment method.

Under the gross method, exposure represents the sum of the Group's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other. Both methods include the Group's interest rate derivatives measured at notional value.

The leverage limits are set by the AIFM and approved by the Board and are in line with the maximum leverage levels permitted in the Company's Articles of Association. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

Detailed regulatory disclosures to investors in accordance with the AIFM Directive are contained in the Investor Disclosure Document which is made available on the Group's website at www.targethealthcarereit.co.uk.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

	Notes	As at 30 June 2024 £'000	As at 30 June 2023 £'000
Non-current assets			
Investment in subsidiary undertakings	3	**791,304**	699,223
Investment properties	4	**8,450**	7,433
Trade and other receivables	5	**287**	197
		800,041	706,853
Current assets			
Trade and other receivables	5	**2,641**	8,161
Cash and cash equivalents	6	**753**	139
		3,394	8,300
Total assets		**803,435**	715,153
Non-current liabilities			
Trade and other payables	7	**(117)**	(110)
Current liabilities			
Trade and other payables	7	**(84,245)**	(20,563)
Total liabilities		**(84,362)**	(20,673)
Net assets		**719,073**	694,480
Share capital and reserves			
Share capital	8	**6,202**	6,202
Share premium	8	**256,633**	256,633
Merger reserve		**47,751**	47,751
Distributable reserve		**231,896**	249,436
Capital reserve		**150,179**	93,334
Revenue reserve		**26,412**	41,124
Equity shareholders' funds		**719,073**	694,480
Net asset value per ordinary share (pence)	9	**115.9**	112.0

Company number: 11990238

The Company made a profit for the year ended 30 June 2024 of £59,847,000 (2023: £13,585,000).

The financial statements on pages 79 to 88 were approved by the Board of Directors and authorised for issue on 16 September 2024 and were signed on its behalf by:

Alison Fyfe
Chair

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

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2024

	Notes	Share capital £'000	Share premium £'000	Merger reserve £'000	Distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 30 June 2023		**6,202**	**256,633**	**47,751**	**249,436**	**93,334**	**41,124**	**694,480**
Profit for the year		**–**	**–**	**–**	**–**	**56,845**	**3,002**	**59,847**
Transactions with owners recognised in equity:								
Dividends paid	2	**–**	**–**	**–**	**(17,540)**	**–**	**(17,714)**	**(35,254)**
At 30 June 2024		**6,202**	**256,633**	**47,751**	**231,896**	**150,179**	**26,412**	**719,073**

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Share capital £'000	Share premium £'000	Merger reserve £'000	Distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 30 June 2022		6,202	256,633	47,751	288,010	120,873	1,555	721,024
(Loss)/profit for the year		–	–	–	–	(27,539)	41,124	13,585
Transactions with owners recognised in equity:								
Dividends paid	2	–	–	–	(38,574)	–	(1,555)	(40,129)
At 30 June 2023		6,202	256,633	47,751	249,436	93,334	41,124	694,480

1. Accounting policies

(a) Basis of preparation

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

Basis of accounting

The Company Financial Statements have been prepared in accordance with FRS 101: Reduced Disclosure Framework and applicable legal and regulatory requirements of the Companies Act 2006.

Where presentational guidance set out in the Statement of Recommended Practice ('SORP') for investment trust companies issued by the Association of Investment Companies ('AIC') in July 2022 is consistent with the requirements of FRS 101, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The notes and financial statements are presented in pounds sterling (being the functional currency and presentation currency for the Company) and are rounded to the nearest thousand except where otherwise indicated.

The results of the Company have been included in the Consolidated Financial Statements as presented on pages 57 to 78. The accounting policies adopted are consistent with those adopted by the Group as stated in Note 1 to the Consolidated Financial Statements. The only additional policies applied are in relation to investments in subsidiary undertakings and dividends received and these are set out below.

The Company has taken advantage of the following exemptions permitted under FRS 101:

- an exemption from preparing the Company cash flow statement and related notes;
- an exemption from listing any new or revised standards that have not been adopted or providing information about their likely impact; and
- an exemption from disclosing transactions between the Company and its wholly-owned subsidiaries.

Going concern

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. After making enquiries, and bearing in mind the nature of the Group's business and assets, the Directors consider that the Group has adequate resources to continue in operational existence to 30 September 2025 which is at least twelve months from the date of issuance of this report. For this reason, they continue to adopt the going concern basis in preparing the financial statements for the year ended 30 June 2024.

Further explanation of the assessment undertaken is provided in the Consolidated Financial Statements on page 62.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at fair value with changes in fair value recognised in profit or loss. Investments in subsidiaries are initially recognised at fair value at the date at which control is acquired, with subsequent gains or losses arising from changes in fair value being recognised in net profit or loss for the period as a capital item and transferred to the Capital Reserve. Investments in subsidiaries are derecognised at the date on which the Company transfers control and substantially all the risks and rewards of ownership to another party.

Dividends received

Dividends received are recognised on the date on which entitlement to receive payment is established. Where dividends are received by way of an in-specie transfer of assets from a subsidiary undertaking, the dividend is recognised at the fair value of the assets received through profit or loss as a capital item and transferred to the Capital Reserve.

Company Profit for the financial year

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The profit after tax for the year was £59,847,000 (2023: £13,585,000).

The Company does not have any employees (2023: nil). Details of the Directors' fees paid during the year are disclosed in the Group's Remuneration Report and in Note 3 to the Consolidated Financial Statements. The Company has paid the Directors' fees which equated to £227,000 during the year ended 30 June 2024 (2023: £218,000).

Audit fees in relation to the parent company were £183,000 (2023: £139,000), including irrecoverable VAT. This included £2,000 payable by the Company on behalf of certain subsidiaries (2023: £8,000) and £18,000 relating to additional audit work undertaken in relation to the prior year financial statements, mainly in relation to the revised requirements of ISA 315. The fee for assurance related services, being the review of the Company's Interim Report, was £16,000 (2023: £16,000). There were no other non-audit fees paid to EY by the Company during the year (2023: £nil).

2. Dividends

Amounts paid as distributions to equity holders.

	Dividend rate (pence per share)	Year ended 30 June 2024 £'000	Dividend rate (pence per share)	Year ended 30 June 2023 £'000
Fourth interim dividend for the prior year	**1.400**	**8,683**	1.69	10,482
First interim dividend	**1.428**	**8,857**	1.69	10,482
Second interim dividend	**1.428**	**8,857**	1.69	10,482
Third interim dividend	**1.428**	**8,857**	1.40	8,683
Total	**5.684**	**35,254**	6.47	40,129

It is the policy of the Directors to declare and pay dividends as interim dividends. The Directors do not therefore recommend a final dividend. The fourth interim dividend in respect of the year ended 30 June 2024, of 1.428 pence per share, was paid on 30 August 2024 to shareholders on the register on 16 August 2024 and amounted to £8,857,000. It is the intention of the Directors that the Company will continue to pay dividends quarterly.

3. Investments in subsidiary undertakings

As at 30 June 2024, the Company's directly held subsidiary undertakings were:

Name	Country of incorporation	Class of Capital	% of class held	% of equity held	Book Cost £'000	Fair Value £'000
Target Healthcare REIT Limited	Jersey	Ordinary	100	100	432,841	428,935
THR Number 12 plc	England & Wales	Ordinary	100	100	103,336	158,981
THR Number 37 Limited	England & Wales	Ordinary	100	100	6,655	7,753
THR Number 39 Limited	England & Wales	Ordinary	100	100	11,461	9,999
THR Number 40 Limited	England & Wales	Ordinary	100	100	12,959	12,061
THR Number 41 Limited	England & Wales	Ordinary	100	100	14,086	12,623
THR Number 42 Limited	England & Wales	Ordinary	100	100	13,309	11,853
THR Number 43 plc	England & Wales	Ordinary	100	100	94,861	121,936
THR Number 45 Limited	England & Wales	Ordinary	100	100	14,858	13,781
THR Number 46 Limited	England & Wales	Ordinary	100	100	7,147	6,330
THR Number 47 Limited	England & Wales	Ordinary	100	100	6,197	7,052
Total					**717,710**	**791,304**

The registered office of the companies incorporated in England & Wales is: Level 4 Dashwood House, 69 Old Broad Street, London EC2M 1QS.

The registered office of Target Healthcare REIT Limited is: 3rd Floor, 44 Esplanade, St Helier, Jersey JE4 9WG.

The movement in the fair value of the Company's investments in subsidiary undertakings during the year was:

	Year ended 30 June 2024 £'000	Year ended 30 June 2023 £'000
Opening fair value	**699,223**	698,341
Additions	**35,427**	27,878
Movement in fair value	**56,654**	(26,996)
Closing fair value	**791,304**	699,223

The Company's investments in subsidiary undertakings are classified within level 3 of the fair value hierarchy. See Note 9 to the Consolidated Financial Statements for the definitions of the levels of the fair value hierarchy.

The fair value of the Company's subsidiaries is primarily dependent on the fair value of the properties and loans that they hold. See Notes 9, 13 and 16 to the Consolidated Financial Statements for an explanation of the Group's valuation processes, the significant inputs, and the sensitivities of the fair value of these assets and liabilities to these significant inputs.

As at 30 June 2024, the Company's indirectly held subsidiary undertakings were:

Name	Country of incorporation	Class of Capital	% of class held	% of equity held
THR Number One plc	England & Wales	Ordinary	100	100
THR Number Two Limited	England & Wales	Ordinary	100	100
THR Number 3 Limited	England & Wales	Ordinary	100	100
THR Number 4 Limited	England & Wales	Ordinary	100	100
THR Number 5 Limited	England & Wales	Ordinary	100	100
THR Number 6 Limited	England & Wales	Ordinary	100	100
THR Number 7 Limited	Gibraltar	Ordinary	100	100
THR Number 8 Limited	Gibraltar	Ordinary	100	100
THR Number 9 Limited	England & Wales	Ordinary	100	100
THR Number 10 Limited	England & Wales	Ordinary	100	100
THR Number 11 Limited	Scotland	Ordinary	100	100
THR Number 13 Limited	England & Wales	Ordinary	100	100
THR Number 14 Limited	England & Wales	Ordinary	100	100
THR Number 15 plc	England & Wales	Ordinary	100	100
THR Number 16 Limited	England & Wales	Ordinary	100	100
THR Number 17 (Holdings) Limited	England & Wales	Ordinary	100	100
THR Number 17 Limited	England & Wales	Ordinary	100	100
THR Number 18 Limited	England & Wales	Ordinary	100	100
THR Number 19 Limited	England & Wales	Ordinary	100	100
THR Number 20 Limited	England & Wales	Ordinary	100	100
THR Number 21 Limited	England & Wales	Ordinary	100	100
THR Number 22 Limited	England & Wales	Ordinary	100	100
THR Number 23 Limited	England & Wales	Ordinary	100	100
THR Number 24 Limited	England & Wales	Ordinary	100	100
THR Number 25 S.à r.l.	Luxembourg	Ordinary	100	100
THR Number 26 S.à r.l.	Luxembourg	Ordinary	100	100
THR Number 27 Limited	England & Wales	Ordinary	100	100
THR Number 28 Limited	England & Wales	Ordinary	100	100
THR Number 29 Limited	England & Wales	Ordinary	100	100
THR Number 30 Limited	England & Wales	Ordinary	100	100
THR Number 31 Limited	England & Wales	Ordinary	100	100
THR Number 32 Limited	England & Wales	Ordinary	100	100
THR Number 33 Limited	England & Wales	Ordinary	100	100
THR Number 34 Limited	England & Wales	Ordinary	100	100
THR Number 35 Limited	England & Wales	Ordinary	100	100
THR Number 36 Limited	England & Wales	Ordinary	100	100
THR Number 38 Limited	England & Wales	Ordinary	100	100
THR Number 48 Limited	England & Wales	Ordinary	100	100

The registered office of the companies incorporated in England & Wales is: Level 4 Dashwood House, 69 Old Broad Street, London EC2M 1QS.

The registered office of the companies incorporated in Luxembourg is: 25A Boulevard Royal, L – 2449, Luxembourg.

The registered office of the companies incorporated in Gibraltar is: Suite 23, Portland House, Glacis Road, GX11 1AA, Gibraltar.

The registered office of the company incorporated in Scotland is: Glendevon House, Castle Business Park, Stirling FK9 4TZ.

4. Investment properties

Freehold property	As at 30 June 2024 £'000	As at 30 June 2023 £'000
Opening market value	**7,520**	7,630
Opening fixed or guaranteed rent reviews	**(87)**	(4)
Opening carrying value	**7,433**	7,626
Purchases	**–**	400
Acquisition costs capitalised	**–**	33
Acquisition costs written off	**–**	(33)
Revaluation movement – gain/(loss)	**190**	(510)
Movement in market value	**190**	(110)
Movement in fixed or guaranteed rent reviews	**(83)**	(83)
Movement in performance payment	**910**	–
Movement in carrying value	**1,017**	(193)
Closing market value	**7,710**	7,520
Closing fixed or guaranteed rent reviews	**(170)**	(87)
Closing performance payment	**910**	–
Closing carrying value	**8,450**	7,433

At 30 June 2024, the property was valued at £7,710,000 (2023: £7,520,000) by CBRE Limited ('CBRE') in their capacity as external valuers. The valuation was undertaken in accordance with the RICS Valuation Global Standards, incorporating the International Valuation Standards (the 'Red Book Global', 31 January 2022) issued by the Royal Institution of Chartered Surveyors ('RICS') on the basis of Market Value, supported by reference to market evidence of transaction prices for similar properties. CBRE has recent experience in the location and category of the investment properties being valued. At 30 June 2023, the property had been valued at £7,520,000 by Colliers International Healthcare Property Consultants Limited ('Colliers') on the same basis.

Market Value represents the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion. The quarterly property valuation is reviewed by the Board at each Board meeting. The fair value of the property after adjusting for the movement in the fixed or guaranteed rent reviews and performance payment was £8,450,000 (2023: £7,433,000). The adjustment consisted of £170,000 (2023: £87,000) relating to fixed or guaranteed rent reviews, which is separately recorded in the accounts as a non-current asset within 'trade and other receivables' (see Note 5). An adjustment is also made to reflect the amount by which the portfolio value is expected to increase if the performance payment recognised in 'trade and other payables' is paid and the passing rent at the property increased accordingly (see Notes 7 and 12). The total purchases in the year to 30 June 2024, inclusive of the performance payment recognised in the year, were £910,000 (2023: £400,000).

Considering the Company's specific valuation process, industry guidance, and the level of judgement required in the valuation process, the Directors believe it appropriate to classify the Company's investment property within level 3 of the fair value hierarchy. See Note 9 to the Consolidated Financial Statements for further details on the valuation process, methodology and classification.

The Company's investment property portfolio, which consisted of a single care home, is considered to be a single class of assets. The weighted average net initial yield on the property, as measured by the EPRA topped up NIY, is 5.8 per cent (2023: 5.7 per cent). There have been no changes to the valuation technique used through the period, nor have there been any transfers between levels. The annual contracted rent per bed is £7,160.

The lease agreement on the property held by the Company allows for an annual increase in the contracted rental level in line with inflation, within a cap and a collar. An increase of 1.0 per cent in the contracted rental level will increase the fair value of the property, and consequently the Company's reported income from unrealised gains on investments, by £77,000 (2023: £75,000); an equal and opposite movement would have decreased net assets and reduced the Company's income by the same amount.

A decrease of 0.25 per cent in the yield applied to the property will increase the fair value of the property by £350,000 (2023: £345,000), and consequently increase the Company's reported income from unrealised gains on investments. An increase of 0.25 per cent in the net initial yield will decrease the fair value of the property by £321,000 (2023: £316,000) and reduce the Company's income.

5. Trade and other receivables

Non-current trade and other receivables	**As at 30 June 2024 £'000**	As at 30 June 2023 £'000
Fixed rent reviews	**170**	87
Rental deposits held in escrow for tenants	**117**	110
Total	**287**	197

Current trade and other receivables	**As at 30 June 2024 £'000**	As at 30 June 2023 £'000
Balances due from group undertakings	**2,462**	7,948
Other debtors and prepayments	**179**	213
Total	**2,641**	8,161

At the year-end, trade and other receivables include a fixed rent review debtor of £170,000 (2023: £87,000) which represents the effect of recognising guaranteed rental uplifts on a straight line basis over the lease term.

The balances due from group undertakings are unsecured and interest is receivable at a fixed rate of 6.7 per cent (2023: 5.7 per cent) per annum or such other interest rate that may be agreed from time to time between the Company and the relevant counterparty. The balances are repayable on demand.

6. Cash and cash equivalents

	As at 30 June 2024 £'000	As at 30 June 2023 £'000
Cash at bank and in hand	**753**	139
Total	**753**	139

All cash balances at the year-end were held in cash, current accounts or deposit accounts.

7. Trade and other payables

Non-current trade and other payables	**As at 30 June 2024 £'000**	As at 30 June 2023 £'000
Rental deposits	**117**	110
Total	**117**	110

Current trade and other payables	**As at 30 June 2024 £'000**	As at 30 June 2023 £'000
Balances due to group undertakings	**81,248**	18,402
Rental income received in advance	**109**	106
Income tax payable	**932**	922
Performance payments	**910**	–
Investment Manager's fees payable	**104**	181
Other payables	**942**	952
Total	**84,245**	20,563

The balances due to group undertakings are unsecured and interest is payable at a fixed rate of 6.7 per cent (2023: 5.7 per cent) per annum or such other interest rate that may be agreed from time to time between the Company and the relevant counterparty. The balances are repayable on demand.

The Group's payment policy is to ensure settlement of supplier invoices in accordance with stated terms.

8. Share capital

Allotted, called-up and fully paid ordinary shares of £0.01 each	Number of shares	£'000
Balance as at 30 June 2023 and 30 June 2024	**620,237,346**	**6,202**

Under the Company's Articles of Association, the Company may issue an unlimited number of ordinary shares. Ordinary shareholders are entitled to all dividends declared by the Company and to all of the Company's assets after repayment of its borrowings and ordinary creditors. Ordinary shareholders have the right to vote at meetings of the Company. All ordinary shares carry equal voting rights.

During the year to 30 June 2024, the Company did not issue any ordinary shares (2023: nil). The Company did not repurchase any ordinary shares into treasury (2023: nil) or resell any ordinary shares from treasury (2023: nil). At 30 June 2024, the Company did not hold any shares in treasury (2023: nil).

Capital Management

The Company's capital is represented by the share capital, share premium, merger reserve, distributable reserve, capital reserve and revenue reserve and is managed in line with the policies set out for the Group on page 73.

9. Net Asset Value

The Company's net asset value per ordinary share of 115.9 pence (2023: 112.0 pence) is based on equity shareholders' funds of £719,073,000 (2023: £694,480,000) and on 620,237,346 (2023: 620,237,346) ordinary shares, being the number of shares in issue at the year end.

10. Financial instruments

Consistent with its objective, the Company holds an investment in a UK care home property. In addition, the Company's financial instruments comprise investments in subsidiaries, cash and receivables and payables that arise directly from its operations. The Company has no direct exposure to derivative instruments.

The Company is exposed to various types of risk that are associated with financial instruments. The most important types are credit risk, liquidity risk, interest rate risk and market price risk. There is no foreign currency risk as all assets and liabilities of the Company are maintained in pounds sterling.

The Board reviews and agrees policies for managing the Group's overall risk exposure. These policies are summarised in Note 16 to the Consolidated Financial Statements and have remained unchanged for the year under review. The following disclosures include, where appropriate, consideration of the Company's investment property which, whilst not constituting a financial instrument as defined by FRS 101, is considered by the Board to be integral to the Company's overall risk exposure.

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company. At the reporting date, the Company's financial assets exposed to credit risk amounted to £3,226,000 (2023: £8,098,000) consisting of balances due from group undertakings of £2,462,000 (2023: £7,948,000), cash balances of £753,000 (2023: £139,000) and other debtors of £11,000 (2023: £11,000).

There have been no historical losses from intercompany loans and any resulting provision from the estimated credit loss allowance is considered to be immaterial. The Company has no financial assets which were either past due or considered impaired at 30 June 2024 (2023: nil).

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in realising assets or otherwise raising funds to meet financial commitments. The Company's investments comprise UK care homes and holdings in subsidiary undertakings which, in turn, invest in UK care homes. Property and property-related assets in which the Company invests are not traded in an organised public market and may be illiquid. As a result, the Company may not be able to liquidate quickly its investments in these properties or subsidiary undertakings at an amount close to their fair value in order to meet its liquidity requirements.

At the reporting date, the maturity of the financial assets was:

Financial assets as at 30 June 2024	**Three months or less £'000**	**More than three months but less than one year £'000**	**1-2 years £'000**	**2-5 years £'000**	**More than five years £'000**	**Total £'000**
Cash and cash equivalents	**753**	–	–	–	–	**753**
Rental deposits held in escrow for tenants	–	–	–	–	**117**	**117**
Balances due from group undertakings	**2,462**	–	–	–	–	**2,462**
Other debtors	**11**	–	–	–	–	**11**
Total	**3,226**	–	–	–	**117**	**3,343**

Financial assets as at 30 June 2023	Three months or less £'000	More than three months but less than one year £'000	1-2 years £'000	2-5 years £'000	More than five years £'000	Total £'000
Cash and cash equivalents	139	–	–	–	–	139
Rental deposits held in escrow for tenants	–	–	–	–	110	110
Balances due from group undertakings	7,948	–	–	–	–	7,948
Other debtors	11	–	–	–	–	11
Total	8,098	–	–	–	110	8,208

At the reporting date, the contractual maturity of the financial liabilities was:

Financial liabilities as at 30 June 2024	**Three months or less £'000**	**More than three months but less than one year £'000**	**1-2 years £'000**	**2-5 years £'000**	**More than five years £'000**	**Total £'000**
Rental deposits	**–**	**–**	**–**	**–**	**117**	**117**
Balances due to group undertakings	**81,248**	**–**	**–**	**–**	**–**	**81,248**
Other payables	**2,888**	**–**	**–**	**–**	**–**	**2,888**
Total	**84,136**	**–**	**–**	**–**	**117**	**84,253**

Financial liabilities as at 30 June 2023	Three months or less £'000	More than three months but less than one year £'000	1-2 years £'000	2-5 years £'000	More than five years £'000	Total £'000
Rental deposits	–	–	–	–	110	110
Balances due to group undertakings	18,402	–	–	–	–	18,402
Other payables	2,055	–	–	–	–	2,055
Total	20,457	–	–	–	110	20,567

Interest rate risk

Some of the Company's financial instruments are interest-bearing. Interest-rate risk is the risk that future cash flows will change adversely as a result of changes in market interest rates. The Company's policy is to hold cash in variable rate or short-term fixed rate bank accounts. Interest is received on cash at a weighted average variable rate which was nil at 30 June 2024 (2023: nil).

The following table sets out the carrying amount of the Company's financial instruments that are exposed to cash flow interest rate risk:

	As at 30 June 2024		As at 30 June 2023	
	Fixed rate £'000	**Variable rate £'000**	Fixed rate £'000	Variable rate £'000
Cash and cash equivalents	**–**	**753**	–	139
Balances due from group undertakings	**2,462**	**–**	7,948	–
Balances due to group undertakings	**(81,248)**	**–**	(18,402)	–
Total	**(78,786)**	**753**	(10,454)	139

Based on the Company's exposure to cash flow interest rate risk, an increase of 0.25 per cent in interest rates would have increased the reported profit for the year and the net assets at the year end by £2,000 (2023: £nil), a decrease in interest rates would have an equal and opposite effect. These movements are calculated based on balances as at 30 June 2024 (30 June 2023) and may not be reflective of actual future conditions.

Market price risk

The management of market price risk is part of the investment management process and is typical of a property investment company. The portfolio is managed with an awareness of the effects of adverse valuation movements through detailed and continuing analysis, with an objective of maximising overall returns to shareholders. Investments in property and property-related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date. Such risk is minimised through the appointment of external property valuers. The Company's subsidiaries are held at fair value which, in turn, reflects the external valuations of the underlying properties they hold. The Company's overall market price risk is therefore the same as that for the Group as set out in Note 16 to the Consolidated Financial Statements.

11. Lease length

The Company leases out its investment properties under operating leases.

The minimum lease payments based on the unexpired lessor lease length at the year-end were as follows (based on annual rentals):

	As at 30 June 2024 £'000	As at 30 June 2023 £'000
Less than one year	**473**	458
Between one and two years	**478**	464
Between two and three years	**482**	468
Between three and four years	**487**	473
Between four and five years	**492**	476
Over five years	**15,934**	16,097
Total	**18,346**	18,436

The largest single tenant at the year-end accounted for 100 per cent (2023: 100 per cent) of the current annual rental income. There were no unoccupied properties at the year-end.

The Company has entered into a commercial property lease on its investment property. This property, held under an operating lease, is measured under the fair value model as the property is held to earn rentals. The lease is a non-cancellable lease with a lease term remaining of 33 years (2023: 34 years).

12. Contingent assets and liabilities

As at 30 June 2024, the Company's investment property contained a performance payment clause meaning that, subject to contracted performance conditions being met, a further capital payment totalling £910,000 (2023: £910,000) may be payable by the Company to the vendor/tenant of this property. The potential timing of this payment was also conditional on the date(s) at which the contracted performance conditions were met and was therefore uncertain.

It is highlighted that any performance payment subsequently paid will result in an increase in the rental income due from the tenant of the property. As the net initial yield used to calculate the additional rental which would be payable is not significantly different from the investment yield used to arrive at the valuation of the property, any performance payment made would be expected to result in a commensurate increase in the value of the Company's investment property.

Having assessed the clause, the Group has determined that the contracted performance conditions were highly likely to have been met in relation to the property and therefore at 30 June 2024 an amount of £910,000 (2023: £nil) has been recognised as a liability (see Note 7). An equal but opposite amount has been recognised as an asset in 'investment properties' in Note 4 to reflect the increase in the investment property value that would be expected to arise from the payment of the performance payment and the resulting increase in the contracted rental income.

13. Related party transactions

The Board of Directors is considered to be a related party. No Director has an interest in any transactions which are, or were, unusual in their nature or significant to the nature of the Company.

The Directors of the Company received fees for their services. Total fees paid by the Company in relation to the year were £227,000 (2023: £218,000) of which £nil (2023: £nil) remained payable at the year-end.

The Investment Manager received management fees of £527,000 (inclusive of irrecoverable VAT) from the Company in relation to the year ended 30 June 2024 (2023: £714,000). Of this amount £104,000 (2023: £181,000) remained payable at the year-end.

The Investment Manager received a further £187,000 (inclusive of irrecoverable VAT) during the year ended 30 June 2024 (2023: £169,000) in relation to its appointment as Company Secretary and Administrator. Of this amount £47,000 (2023: £42,000) remained payable at the year-end.

NOTICE IS HEREBY GIVEN that the sixth Annual General Meeting ('AGM') of Target Healthcare REIT plc (the 'Company') will be held on Monday 9 December 2024 at 4.00 p.m. at the offices of Dickson Minto LLP, Level 4, Dashwood House, 69 Old Broad Street, London EC2M 1QS for the purposes of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 12 inclusive will be proposed as ordinary resolutions and resolutions 13 to 15 inclusive will be proposed as special resolutions:

Ordinary resolutions

1. That the Annual Report and Accounts for the year ended 30 June 2024 be received.
2. That the Directors' Annual Report on Remuneration for the year ended 30 June 2024 be approved.
3. That the maximum limit on aggregate Directors' fees be increased to £300,000.
4. That the Company's dividend policy be approved.
5. That Ernst & Young LLP be re-appointed as the Company's Auditor until the conclusion of the next Annual General Meeting.
6. That the Directors be authorised to determine the Auditor's remuneration.
7. To re-elect Michael Brodtman as a Director.
8. To re-elect Richard Cotton as a Director.
9. To re-elect Alison Fyfe as a Director.
10. To re-elect Vince Niblett as a Director.
11. To re-elect Amanda Thompsell as a Director.
12. That, in addition to any existing authority, in accordance with section 551 of the Companies Act 2006, the Directors be generally and unconditionally authorised to exercise all powers of the Company to allot ordinary shares of £0.01 each (or of such other nominal value as the Directors may resolve) in the capital of the Company and to grant rights to subscribe for or to convert any security into shares in the Company ("Securities") up to an aggregate nominal amount of £620,237 (being approximately 10% of the Company's issued share capital immediately prior to the passing of this resolution), provided that this authority shall, unless renewed, varied or revoked by the Company, expire at the conclusion of the next Annual General Meeting of the Company or on 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before such expiry, make offers or enter into agreements which would or might require shares to be allotted or Securities to be granted and the Directors may allot shares or grant Securities in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.

Special resolutions

13. That, in addition to any existing authority and subject to the passing of resolution 12, the Directors be given the general power, pursuant to section 570 of the Companies Act 2006 (the 'Act'), to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority under section 551 of the Act either conferred by resolution 12 or by way of a sale of treasury shares as if section 561 of the Act did not apply to any such allotment or sale, provided that this power:
    (a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on expiry of 15 months from the passing of this resolution, whichever is the earlier, unless renewed, varied or revoked by the Company prior to or on such date, and save that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities or sell treasury shares in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired; and
    (b) shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £620,237 (being approximately equal to 10% of the nominal value of the issued share capital of the Company immediately prior to the passing of this resolution).

    This power applies in relation to the sale of treasury shares as if in the opening paragraph of this resolution the words "and subject to the passing of resolution 12" were omitted.
14. To authorise the Company generally and unconditionally, pursuant to and in accordance with section 701 of the Companies Act 2006, to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of ordinary shares of £0.01 each (or of such other nominal value as the Directors of the Company shall resolve) either for retention as treasury shares for future reissue, resale or transfer or cancellation provided that:
    (a) the maximum aggregate number of ordinary shares that may be purchased is 92,973,578 ordinary shares or, if less, 14.99% of the issued ordinary share capital of the Company immediately prior to the passing of this resolution (excluding treasury shares);
    (b) the minimum price (excluding expenses) which may be paid for each ordinary share is the nominal value at the time of purchase;
    (c) the maximum price (excluding expenses) which may be paid for each ordinary share is the higher of:
        (i) 105% of the average market value of an ordinary share in the Company for the five business days prior to the day the purchase is made; and
        (ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange; and
    (d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the Company's next Annual General Meeting or on 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before the expiry of the authority granted by this resolution, enter into a contract to purchase ordinary shares which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of shares pursuant to any such contract.
15. That, the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than Annual General Meetings) on 14 clear days' notice, such authority to expire at the conclusion of the next Annual General Meeting of the Company or 15 months from the passing of this resolution, whichever is the earlier.

By order of the Board
Target Fund Managers Limited
Company Secretary

Registered office:
Level 4, Dashwood House
69 Old Broad Street
London
EC2M 1QS

16 September 2024

Notes:

1. Only those shareholders registered in the Company's register of members at 6.00 p.m. on 5 December 2024 or, if the meeting is adjourned, 6.00 p.m. on the day two working days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
2. Information regarding the meeting, including the information required by section 311A of the Companies Act 2006 (the 'Act'), can be found at www.targethealthcarereit.co.uk.
3. As a member you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. A proxy does not need to be a shareholder of the Company but must attend the meeting to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. You may not use any electronic address provided either in this notice or any related documents (including the financial statements and proxy form) to communicate with the Company for any purpose other than those expressly stated.
4. Shareholders can: (a) appoint a proxy and give proxy instructions by returning the enclosed proxy form by post (see Note 5); or (b) if a CREST member, register their proxy appointment by utilising the CREST electronic proxy appointment service (see Note 6); or (c) via the Proxymity platform (see Note 7). Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting and vote in person, your proxy appointment will automatically be terminated.
5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be: (a) completed and signed; (b) sent or delivered to Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY; and (c) received by Computershare Investor Services PLC no later than 4.00 p.m. on 5 December 2024 or, in the event of an adjournment of the meeting, 48 hours before the adjourned meeting. In the case of a shareholder which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form. If you have not received a proxy form and believe that you should have one, or if you require additional proxy forms, please contact Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY (Telephone: 0370 703 0013).
6. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) of it by using the procedures described in the CREST manual (available via www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & International Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Computershare Investor Services PLC (ID 3RA50) no later than 4.00 p.m. on 5 December 2024 or, in the event of an adjournment of the meeting, 48 hours before the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular message. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. Proxymity Voting – if you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 4.00 p.m. on 5 December 2024 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.
8. A corporation which is a shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
9. As at 6.00 p.m. on 13 September 2024, the Company's issued share capital comprised 620,237,346 Ordinary Shares of £0.01 each. Each Ordinary Share carries the right to one vote at a General Meeting of the Company and, therefore, the total number of voting rights in the Company as at 6.00 p.m. on 13 September 2024 is 620,237,346. The website referred to in Note 2 will include information on the number of shares and voting rights.
10. Under section 319A of the Act, any member attending the meeting has a right to ask questions. The Company must answer any question you ask relating to the business being dealt with at the meeting unless: (a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
11. Under section 338 of the Act, a member or members meeting the qualification criteria set out in Note 14 below may, subject to certain conditions, require the Company to circulate to members notice of a resolution which may properly be moved and is intended to be moved at that meeting. The conditions are that: (a) the resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); (b) the resolution must not be defamatory of any person, frivolous or vexatious; and (c) the request: (i) may be in hard copy form or in electronic form; (ii) must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identifying the resolution which is being supported; (iii) must be authenticated by the person or persons making it; and (iv) must be received by the Company not later than six weeks before the meeting to which the request relates.

12. Under section 338A of the Act 2006, a member or members meeting the qualification criteria set out at Note 14 below may require the Company to include in the business to be dealt with at the Annual General Meeting a matter (other than a proposed resolution) which may properly be included in the business (a matter of business). The request must have been received by the Company not later than 28 October 2024. The conditions are that the matter of business must not be defamatory of any person, frivolous or vexatious. The request must identify the matter of business by either setting it out in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported. The request must be accompanied by a statement setting out the grounds for the request. Members seeking to do this should write to the Company providing their full name and address.
13. Under section 527 of the Act, a member or members meeting the qualification criteria set out at Note 14 below may have the right to request the Company to publish on its website a statement setting out any matter that such members propose to raise at the meeting relating to the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the meeting. Where the Company is required to publish such a statement on its website: (a) it may not require the shareholders making the request to pay any expenses incurred by the Company in complying with the request; (b) it must forward the statement to the Company's auditors no later than the time the statement is made available on the Company's website; and (c) the statement may be dealt with as part of the business of the meeting. The request must: (a) be in writing to Target Fund Managers Limited at Glendevon House, Castle Business Park, Stirling FK9 4TZ; (b) either set out the statement in full or, if supporting a statement sent by another shareholder, clearly identify the statement which is being supported; (c) be authenticated by the person or persons making it; and (d) be received by the Company at least one week before the meeting.
14. In order to be able to exercise the members' rights in Notes 11 to 13, the relevant request must be made by: (a) a member or members having a right to vote at the meeting and holding at least 5% of total voting rights of the Company; or (b) at least 100 members having a right to vote at the meeting and holding, on average, at least £100 of paid-up share capital.
15. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights (Nominated Person), you may have a right under an agreement between you and the shareholder of the Company who has nominated you to have information rights (Relevant Shareholder) to be appointed or to have someone else appointed as a proxy for the meeting. If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Shareholder to give instructions to the Relevant Shareholder as to the exercise of voting rights. Your main point of contact in terms of your investment in the Company remains the Relevant Shareholder (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you. The statement of the rights of members in relation to the appointment of proxies in Notes 3 and 4 on page 90 does not apply to a Nominated Person.
16. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chair of the meeting as his or her proxy will need to ensure that both he/she and his or her proxy comply with their respective disclosure obligations under the UK Disclosure Guidance and Transparency Rules.
17. Copies of the Directors' letters of appointment are available for inspection at the Company's registered office during normal business hours and at the place of the meeting from at least 15 minutes prior to the meeting until the end of the meeting.

Tax Summary for Real Estate Investment Trusts

Target Healthcare REIT plc is a Real Estate Investment Trust (REIT) and is tax resident in the UK under Part 12 of the Corporation Tax Act 2010, subject to continuing compliance with the REIT rules and regulations. The main REIT rules with which the Group must comply in order to retain its REIT status are summarised as follows:

- at the start of each accounting period, the assets of the tax-exempt business must be at least 75% of the total value of the Group's assets;
- at least 75% of the Group's total profits must arise from the tax-exempt business;
- at least 90% of the tax-exempt rental business profits must be distributed in the form of a Property Income Distribution; and
- the Group must carry on a 'property rental business' throughout each accounting period and must hold a minimum of either a single commercial property worth at least £20 million or three properties with none exceeding 40% of the total value of the properties.

A REIT does not suffer UK corporation tax on the profits (income and capital gains) derived from its qualifying property rental businesses in the UK and elsewhere (the 'Tax-Exempt Business'), provided that certain conditions are satisfied. Instead, distributions in respect of the Tax-Exempt Business will be treated for UK tax purposes as UK property income in the hands of shareholders (see further below for details on the UK tax treatment of shareholders in a REIT). A dividend paid by the Company relating to profits or gains of the Tax-Exempt Business is referred to in this section as a Property Income Distribution ('PID').

UK corporation tax remains payable in the normal way in respect of income and gains from the Company's other business, generally including any property trading business, not included in the Tax-Exempt Business (the 'Residual Business'). Dividends relating to the Residual Business are treated for UK tax purposes as normal dividends. Any normal dividend paid by the Company is referred to as a Non-Property Income Distribution ('Non-PID').

A REIT may become subject to an additional corporation tax charge if it pays a distribution to corporate shareholders that hold 10 per cent or more of share capital or voting rights and/or are entitled to 10 per cent or more of distributions. This tax charge will not be incurred if the REIT has taken reasonable steps to avoid making distributions to such a shareholder in line with HMRC guidance and has been relaxed for shareholders who are entitled to receive gross PIDs effective from 1 April 2022.

UK Taxation of PIDs

A PID is, together with any property income distribution from any other REIT company, treated as taxable income from a single UK property business. The basic rate of income tax (currently 20%) will be withheld by the Company (where required) on the PID unless the shareholder is entitled to receive PIDs without income tax being deducted at source ('Gross PIDs'). This is dependant on the shareholder notifying the Company's registrar of this entitlement sufficiently in advance of a PID being paid and the Company being satisfied that the shareholder concerned is entitled to that treatment.

Shareholders entitled to elect to receive gross distributions may complete the declaration form which is available on request from the Company through the contact details provided on its website, www.targethealthcarereit.co.uk, or from the Company's registrar. Shareholders who qualify for gross payments are, principally, UK resident companies, certain UK public bodies, UK charities, UK pension schemes and the managers of ISAs, PEPs and Child Trust Funds, in each case subject to certain conditions. Individuals and non-UK residents do not qualify for gross payments of distributions and should not complete the declaration form.

Shareholders who are individuals may, depending on their particular circumstances, either be liable to further UK income tax on their PID at their applicable marginal income tax rate, incur no further UK tax liability on their PID, or be entitled to claim repayment of some or all of the UK income tax withheld on their PID with potential offsets against tax payable in another jurisdiction under a Double Tax Treaty. The £1,000 property income allowance does not apply to PIDs.

Corporate shareholders who are within the charge to UK corporation tax will generally be liable to pay corporation tax on their PID and, if income tax is withheld at source, the tax withheld can be set against the company's liability to UK corporation tax or against any income tax which it is required to withhold in the accounting period in which the PID is received.

UK Taxation of Non-PIDs

Under current UK legislation, most individual shareholders who are resident in the UK for taxation purposes receive a tax-free dividend allowance of £500 per annum for tax year 2024/25 (£1,000 per annum for tax year 2023/24) and any dividend income (including Non-PIDs) in excess of this allowance is subject to income tax.

UK resident corporate shareholders (other than dealers and certain insurance companies) are not liable to corporation tax or income tax in respect of dividends provided that the dividends are exempt under Part 9A of the Corporation Tax Act 2009.

UK Taxation of Chargeable Gains in Respect of Ordinary Shares in the Company

Any gain on disposal (by sale, transfer, redemption or otherwise) of the Company's ordinary shares by shareholders resident in the UK for taxation purposes will be subject to capital gains tax in the case of an individual shareholder, or UK corporation tax on chargeable gains in the case of a corporate shareholder.

UK ISAs and SIPPS

It is expected that the Company's shares will be eligible for inclusion in ISAs and Investment-Regulated Pension Schemes.

The statements on taxation on pages 92 and 93 are intended to be a general outline of certain tax consequences that may arise in relation to the Company and shareholders. This is not a comprehensive summary of all technical aspects of the taxation of the Company and its shareholders and is not intended to constitute legal or tax advice to investors.

The statements relate to the UK tax implications of a UK resident individual investing in the Company (unless expressly stated otherwise). The statements relate to investors acquiring the Company's ordinary shares for investment purposes only, and not for the purposes of any trade. The tax consequences for each investor of investing in the Company may depend upon the investor's own tax position and upon the relevant laws of any jurisdiction to which the investor is subject. The statements are based on current tax legislation and HMRC practice, both of which are subject to change at any time, possibly with retrospective effect, and there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment in the Company is made will endure indefinitely.

Prospective investors should familiarise themselves with, and where appropriate should consult their own professional advisers on, the overall tax consequences of investing in the Company.

Historical Distributions

Distributions to shareholders may potentially include both PID and Non-PID Dividends as calculated in accordance with specific attribution rules. The Company provides shareholders with a certificate setting out how much of their dividend is a PID and how much, if any, is a Non-PID. A breakdown of the dividends paid in relation to the previous five financial years is set out below and details of all the dividends paid since the Group's launch are available at www.targethealthcarereit.co.uk

Distribution	Ex-dividend date	Payment date	PID (pence per share)	Non-PID (pence per share)	Total distribution (pence per share)
In relation to the year ended 30 June 2024					
Fourth interim dividend	15/08/24	30/08/24	1.4280	–	1.4280
Third interim dividend	16/05/24	31/05/24	1.4280	–	1.4280
Second interim dividend	08/02/24	23/02/24	1.4280	–	1.4280
First interim dividend	09/11/23	24/11/23	1.4280	–	1.4280
Total			**5.7120**	**–**	**5.7120**
In relation to the year ended 30 June 2023					
Fourth interim dividend	10/08/23	25/08/23	1.1900	0.2100	1.4000
Third interim dividend	11/05/23	26/05/23	1.4000	–	1.4000
Second interim dividend	09/02/23	24/02/23	1.6900	–	1.6900
First interim dividend	10/11/22	25/11/22	1.6900	–	1.6900
Total			**5.9700**	**0.2100**	**6.1800**
In relation to the year ended 30 June 2022					
Fourth interim dividend	11/08/22	26/08/22	–	1.6900	1.6900
Third interim dividend	12/05/22	27/05/22	1.6900	–	1.6900
Second interim dividend	10/02/22	25/02/22	1.6900	–	1.6900
First interim dividend	11/11/21	26/11/21	1.6900	–	1.6900
Total			**5.0700**	**1.6900**	**6.7600**
In relation to the year ended 30 June 2021					
Fourth interim dividend	12/08/21	27/08/21	0.1680	1.5120	1.6800
Third interim dividend	13/05/21	28/05/21	1.6800	–	1.6800
Second interim dividend	11/02/21	26/02/21	1.6800	–	1.6800
First interim dividend	12/11/20	27/11/20	1.6800	–	1.6800
Total			**5.2080**	**1.5120**	**6.7200**
In relation to the year ended 30 June 2020					
Fourth interim dividend	13/08/20	28/08/20	0.0835	1.5865	1.6700
Third interim dividend	07/05/20	29/05/20	1.6700	–	1.6700
Second interim dividend	13/02/20	28/02/20	1.6700	–	1.6700
First interim dividend	14/11/19	29/11/19	1.6700	–	1.6700
Total			**5.0935**	**1.5865**	**6.6800**

Historical Record

Assets

At 30 June	2015	2016	2017	2018	2019	2020	2021	2022	2023	**2024**
Total assets (£'000)	176,310	282,791	306,246	434,822	538,379	663,772	718,394	963,658	908,258	**967,370**
Market value of property portfolio (£'000)	143,748	210,666	281,951	385,542	500,884	617,584	684,845	911,596	868,705	**908,530**
Shareholders' funds (£'000)	139,292	253,282	256,937	358,607	413,089	494,113	565,185	698,767	654,808	**689,293**

Performance

At 30 June	2015	2016	2017	2018	2019	2020	2021	2022	2023	**2024**
EPRA NTA per share	97.9p	100.6p	101.9p	105.7p	107.5p	108.1p	110.4p	112.3p	104.5p	**110.7p**
Share price	106.9p	109.0p	117.8p	110.5p	115.6p	110.0p	115.4p	108.4p	71.8p	**78.5p**
Premium/(discount)	9.2%	8.3%	15.6%	4.5%	7.5%	1.8%	4.5%	(3.5)%	(31.3)%	**(29.1)%**
IFRS EPS	8.02p	6.81p	7.58p	9.77p	8.10p	7.18p	9.23p	8.20p	(1.06)p	**11.77p**
Adjusted EPRA EPS	6.10p	5.25p	5.23p	5.54p	5.45p	5.27p	5.46p	5.05p	6.00p	**6.13p**
Dividends per share	6.12p	6.18p	6.28p	6.45p	6.58p	6.68p	6.72p	6.76p	6.18p	**5.71p**
Ongoing charges	1.58%	1.42%	1.48%	1.48%	1.52%	1.51%	1.55%	1.51%	1.53%	**1.51%**

Contact Information

Investor relations

Information on Target Healthcare REIT plc can be found on its website at www.targethealthcarereit.co.uk including details on the Company's share price history, historical dividends and regulatory reports, including the Group's Annual Reports, Interim Reports, Sustainability Reports and Quarterly Investor Reports.

Registrar:
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
T: +44 (0)370 702 0000
E: www.investorcentre.co.uk/contactus

Enquiries about the following administrative matters should be addressed to the Company's registrar:

- Change of address notification.
- Lost share certificates.
- Dividend payment enquiries.
- Dividend mandate instructions. Shareholders may have their dividends paid directly into their bank or building society accounts by completing a dividend mandate form. Dividend confirmations, where applicable, are sent directly to shareholders' registered addresses.
- Amalgamation of shareholdings. Shareholders who receive more than one copy of the Annual Report are invited to amalgamate their accounts on the share register.

Shareholders can view and manage their shareholdings online at www.investorcentre.co.uk, including updating address records, making dividend payment enquiries, updating dividend mandates, viewing any outstanding payments and viewing the latest share price. Shareholders will need their Shareholder Reference Number, which can be found on their share certificate or a recent dividend confirmation, to access this site.

Warning to shareholders – Boiler Room Scams

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

If you receive unsolicited investment advice or requests:

- Check the Financial Services Register from www.fca.org.uk to see if the person or firm contacting you is authorised by the Financial Conduct Authority ('FCA');
- Check the investment opportunity you have been offered at www.fca.org.uk/scamsmart;
- Call the FCA on 0800 111 6768 if the firm does not have contact details on the Register or you are told they are out of date;
- Check the list of unauthorised firms to avoid at www.fca.org.uk;
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme; and
- Think about getting independent financial and professional advice.

If you are approached by fraudsters please tell the FCA by using the reporting details at www.fca.org.uk/consumers/report-scam where you can find out more about investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768. If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040 or via their website at www.actionfraud.police.uk.

ALTERNATIVE PERFORMANCE MEASURES

The Company uses Alternative Performance Measures ('APMs'). APMs do not have a standard meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities. The definitions of all APMs used by the Company are highlighted in the glossary on pages 99 to 101, with detailed calculations, including reconciliation to the IFRS figures where appropriate, being set out below and within the EPRA Performance Measures.

Discount or Premium – the amount by which the market price per share is lower or higher than the net asset value per share.

		2024 pence	2023 pence
EPRA Net Tangible Assets per share (see Note 8 to the Consolidated Financial Statements)	(a)	**110.7**	104.5
Share price	(b)	**78.5**	71.8
(Discount)/premium	**= (b-a)/a**	**(29.1)%**	(31.3)%

Dividend Cover – the percentage by which Group specific adjusted EPRA earnings for the year cover the dividend paid.

		2024 £'000	2023 £'000
Group-specific EPRA earnings for the year (see Note 8 to the Consolidated Financial Statements)	(a)	**38,037**	37,216
First interim dividend		**8,857**	10,482
Second interim dividend		**8,857**	10,482
Third interim dividend		**8,857**	8,683
Fourth interim dividend		**8,857**	8,683
Dividends paid in relation to the year	(b)	**35,428**	38,330
Dividend cover	**= (a/b)**	**107%**	97%

Net Debt to EBITDA ratio – a leverage ratio that measures the net earnings available to address debt obligations.

		2024 £'000	2023 £'000
Net debt (see page 97)	(a)	**224,385**	223,751
Group-specific EPRA earnings for the year (see Note 8 to the Consolidated Financial Statements)		**38,037**	37,216
Net finance costs		**10,800**	9,438
EBITDA	(b)	**48,837**	46,654
Net debt to EBITDA ratio	**= (a/b)**	**4.6 times**	4.8 times

Ongoing Charges – a measure of all operating costs incurred, calculated as a percentage of average net assets in that year.

		2024 £'000	2023 £'000
Investment management fee		**7,518**	7,428
Other expenses		**3,074**	3,046
Less direct property costs and other non-recurring items		**(405)**	(292)
Adjustment to management fee arrangements and irrecoverable VAT*		**(8)**	(35)
Total	(a)	**10,179**	10,147
Average net assets	(b)	**673,625**	661,231
Ongoing charges	**= (a/b)**	**1.51%**	1.53%

* Based on the Group's net asset value as at 30 June 2024, the management fee is expected to be paid at a weighted average rate of 1.02% (2023: 1.03%) of the Group's average net asset plus an effective irrecoverable VAT rate of approximately 9% (2023: 9%). The management fee has therefore been amended so that the Ongoing Charges figure includes the expected all-in management fee rate of 1.11% (2023: 1.12%).

The Group is also required to publish a cost figure in its Key Information Document which follows the methodology prescribed by UK law and regulations applicable to PRIIPs. Under this methodology the reported 'portfolio transaction costs' at 30 June 2024 would be 0.51% (2023: 0.65%). At the same date, 'other ongoing costs' would be 3.45% (2023: 3.18%), which includes finance costs of 1.73% (2023: 1.55%). The Company's Key Information Document is available on its website at: www.targethealthcarereit.co.uk.

Total Return – the return to shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the Share Price or NAV. The dividends are assumed to have been reinvested in the form of Ordinary Shares or Net Assets.

		2024			2023		
		EPRA NTA (pence)	**IFRS NAV (pence)**	**Share price (pence)**	EPRA NTA (pence)	IFRS NAV (pence)	Share price (pence)
Value at start of year	(a)	**104.5**	**105.6**	**71.8**	112.3	112.7	108.4
Value at end of year	(b)	**110.7**	**111.1**	**78.5**	104.5	105.6	71.8
Change in value during the year **(b-a)**	(c)	**6.2**	**5.5**	**6.7**	(7.8)	(7.1)	(36.6)
Dividends paid	(d)	**5.7**	**5.7**	**5.7**	6.2	6.2	6.2
Additional impact of dividend reinvestment	(e)	**0.4**	**0.4**	**–**	0.3	0.4	–
Total gain/(loss) in year (c+d+e)	(f)	**12.3**	**11.6**	**12.4**	(1.3)	(0.5)	(30.4)
Total return for the year	**= (f/a)**	**11.8%**	**11.0%**	**17.2%**	(1.2)%	(0.5)%	(28.1)%

The European Public Real Estate Association is the industry body representing listed companies in the real estate sector. EPRA publishes Best Practice Recommendations ('BPR') to establish consistent reporting by European property companies. Further information on the EPRA BPR can be found at www.epra.com.

The figures below are calculated and presented in line with the BPR Guidelines published by EPRA in February 2022.

	2024	2023
EPRA Net Reinstatement Value (£'000)	**746,499**	705,364
EPRA Net Tangible Assets (£'000)	**686,473**	647,903
EPRA Net Disposal Value (£'000)	**719,073**	694,480
EPRA Net Reinstatement Value per share (pence)	**120.4**	113.7
EPRA Net Tangible Assets per share (pence)	**110.7**	104.5
EPRA Net Disposal Value per share (pence)	**115.9**	112.0
EPRA Earnings (£'000)	**47,197**	47,572
Group specific adjusted EPRA earnings (£'000)	**38,037**	37,216
EPRA Earnings per share (pence)	**7.61**	7.67
Group specific adjusted EPRA earnings per share (pence)	**6.13**	6.00
EPRA Net Initial Yield	**6.05%**	6.05%
EPRA Topped-up Net Initial Yield	**6.20%**	6.22%
EPRA Vacancy Rate	**–**	–
EPRA Cost Ratio (including direct vacancy costs)	**16.6%**	15.8%
EPRA Group specific adjusted Cost Ratio (including direct vacancy costs)	**19.1%**	18.7%
EPRA Cost Ratio (excluding direct vacancy costs)	**16.6%**	15.8%
EPRA Group specific adjusted Cost Ratio (excluding direct vacancy costs)	**19.1%**	18.7%
EPRA Loan-to-Value	**24.7%**	25.8%
Capital Expenditure (£'000)	**45,776**	23,767
Like-for-like Rental Growth	**3.8%**	3.8%

EPRA NAV metrics and EPRA Earnings

Full details of these calculations, including reconciliations of each to the IFRS measures, are detailed in Note 8 to the Consolidated Financial Statements on pages 67 and 68.

EPRA Net Initial Yield and EPRA Topped-up Net Initial Yield

EPRA Net Initial Yield is calculated as 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. The EPRA Topped-up Net Initial Yield incorporates an adjustment in respect of the expiration of rent-free periods (or other unexpired lease incentives).

		As at 30 June 2024 £'000	As at 30 June 2023 £'000
Annualised passing rental income based on cash rents	(a)	**57,462**	55,003
Notional rent expiration of rent-free periods or other lease incentives		**1,363**	1,554
Topped-up net annualised rent	(b)	**58,825**	56,557
Standing assets (see page 69)		**889,255**	851,305
Allowance for estimated purchasers' costs		**60,026**	57,461
Grossed-up completed property portfolio valuation	(c)	**949,281**	908,766
EPRA Net Initial Yield	**= (a/c)**	**6.05%**	6.05%
EPRA Topped-up Net Initial Yield	**= (b/c)**	**6.20%**	6.22%

EPRA Vacancy Rate

EPRA Vacancy Rate is the estimated rental value (ERV) of vacant space (excluding forward fund developments) divided by the contractual rent of the investment property portfolio, expressed as a percentage.

		As at 30 June 2024 £'000	As at 30 June 2023 £'000
Annualised potential rental value of vacant premises*	(a)	**–**	–
Annualised potential rental value of the property portfolio (including vacant properties)	(b)	**58,825**	56,557
EPRA Vacancy Rate	**= (a/b)**	**–**	–

* As detailed in Note 17 to the Consolidated Financial Statements, there were no unoccupied properties at either 30 June 2023 or 30 June 2024.

EPRA Cost Ratio

The EPRA cost ratios are produced using EPRA methodology, which aims to provide a consistent base-line from which companies can provide additional information, and include all property expenses and management fees. Consistent with the Group specific adjusted EPRA earnings detailed in Note 8 to the Consolidated Financial Statements, similar adjustments have been made to also present the adjusted Cost Ratio which is thought more appropriate for the Group's business model.

		Year ended 30 June 2024 £'000	Year ended 30 June 2023 £'000
Investment management fee		**7,518**	7,428
Credit loss allowance and bad debts		**962**	264
Other expenses		**3,074**	3,046
EPRA costs (including direct vacancy costs)	(a)	**11,554**	10,738
Specific cost adjustments, if applicable		**–**	–
Group specific adjusted EPRA costs (including direct vacancy costs)	(b)	**11,554**	10,738
Direct vacancy costs	(c)	**–**	–
Gross rental income per IFRS	(d)	**69,551**	67,748
Adjusted for rental income arising from recognising guaranteed rent review uplifts		**(10,927)**	(11,308)
Adjusted for development interest under forward fund arrangements		**1,767**	952
Group specific adjusted gross rental income	(e)	**60,391**	57,392
EPRA Cost Ratio (including direct vacancy costs)	**= (a/d)**	**16.6%**	15.8%
EPRA Group specific adjusted Cost Ratio (including direct vacancy costs)	**= (b/e)**	**19.1%**	18.7%
EPRA Cost Ratio (excluding direct vacancy costs)	**= ((a-c)/d)**	**16.6%**	15.8%
EPRA Group specific adjusted Cost Ratio (excluding direct vacancy costs)	**= ((b-c)/e)**	**19.1%**	18.7%

EPRA Loan-to-Value

		As at 30 June 2024 £'000	As at 30 June 2023 £'000
Borrowings		**243,000**	230,000
Net payables		**20,269**	9,117
Cash and cash equivalents		**(38,884)**	(15,366)
Net debt	(a)	**224,385**	223,751
Investment properties at market value		**908,530**	868,705
Total property value	(b)	**908,530**	868,705
EPRA Loan-to-Value	**= (a/b)**	**24.7%**	25.8%

EPRA Capital Expenditure

	Year ended 30 June 2024 £'000	Year ended 30 June 2023 £'000
Acquisitions (including acquisition costs)	**332**	234
Forward fund developments	**40,368**	17,385
Like-for-like portfolio	**5,076**	6,148
Total capital expenditure	**45,776**	23,767
Conversion from accrual to cash basis	**(4,849)**	5,575
Total capital expenditure on a cash basis	**40,927**	29,342

Like-for-like Rental Growth

		Year ended 30 June 2024 £'000	Year ended 30 June 2023 £'000
Opening contractual rent	(a)	**56,557**	55,476
Rent reviews		**2,125**	2,080
Re-tenanting of properties		**–**	39
Like-for-like rental growth	(b)	**2,125**	2,119
Acquisitions and developments		**2,819**	1,019
Disposals		**(2,676)**	(2,057)
Total movement	(c)	**2,268**	1,081
Closing contractual rent	**= (a+c)**	**58,825**	56,557
Like-for-like rental growth	**= (b/a)**	**3.8%**	3.8%

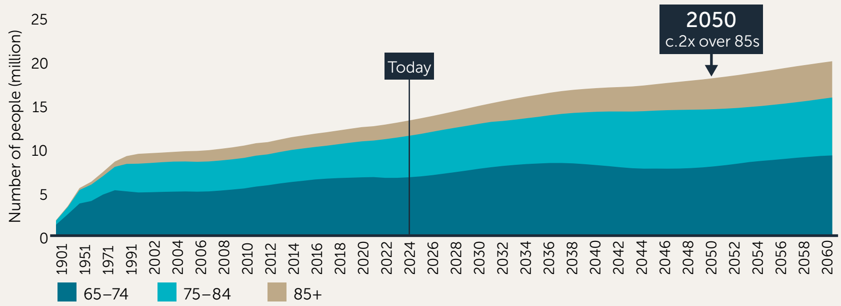
As the age of the UK population increases along with the care needs of older people, there is a clear requirement for investment that will modernise and grow the supply of fit-for-purpose care homes. Much of the UK's existing care home real estate is sub-standard for residents and their care professionals.

Responsible investment, applying specialist knowledge to a complex and sensitive sector, can deliver stable, long-term returns and provide positive social and community impact.

1. Demographics

- Number of over 85s forecast to double to 3.6m by 2050.
- It is forecast that 1 in 8 people aged over 85 will require residental care.
- Societal shift means less elderly care provided within families.

People aged 64 and over: Trend and projections

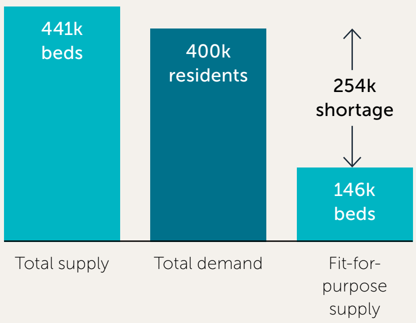


Sources: 1901–2001, Census data; Following 2001, successive principal national projections (the latest being 2021-based) from the Office for National Statistics and (formerly) the Government Actuary's Department.

2. Real estate standards

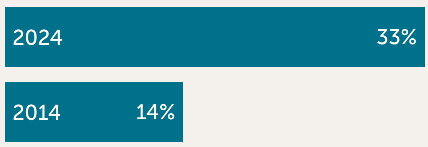
- Resident and family expectations on accommodation quality are increasing.
- Only 33% of rooms in UK have the en suite wet-rooms which are vital for hygiene, privacy & dignity.
- Purpose-built homes offer advantages for residents and care providers, and better social space for communities.

Supply and demand



Total en suite wet-room provision

Proportion of the market is increasing as older homes close and new homes are built

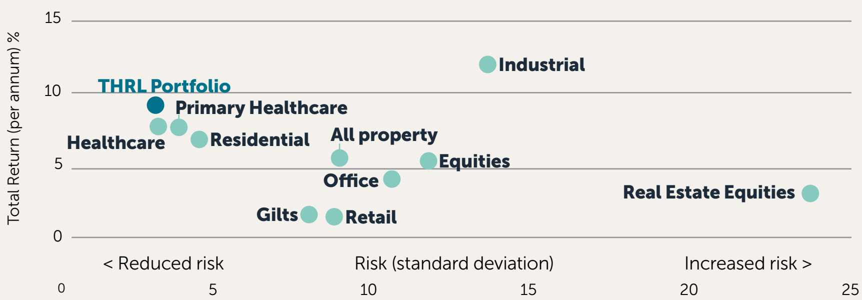


Sources: Carterwood, analysis covers Great Britain as at September 2024.

3. Long-term investment, stable returns

- Lease structures are long-term (typically 30-35 years) and inflation-linked.
- Portfolio track record of strong returns and low volatility (defensive, non-cyclical).
- Long-term capital appropriate for vital UK social care infrastructure.

Ten year total return vs standard deviation 2014-2023



Source: MSCI, based on annual index to 31 December 2023.

Corporate Terms

AIC	Association of Investment Companies. This is the trade body for Closed-end Investment Companies (www.theaic.co.uk).
AIFMD	The UK version of the Alternative Investment Fund Managers Directive and all delegated legislation thereunder as it forms part of UK law pursuant to the European Union (Withdrawal) Act 2018, as amended. Issued by the European Parliament in 2012 and 2013, the Directive requires that all investment vehicles, including Closed-end Investment Companies, must have appointed a Depositary and an Alternative Investment Fund Manager. The Board of Directors of a Closed-end Investment Company, nevertheless, remains fully responsible for all aspects of the company's strategy, operations and compliance with regulations.
Closed-end Investment Company	A company with a fixed issued ordinary share capital which is traded on an exchange at a price not necessarily related to the Net Asset Value of the company and where shares can only be issued or bought back by the company in certain circumstances. This contrasts with an open-ended investment company, which has units not traded on an exchange but issued or bought back from investors at a price directly related to the Net Asset Value.
CQC	Care Quality Commission. The independent regulator of all health and social care services in England.
Depositary	Under AIFMD rules, the Company must appoint a Depositary, whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. The Depositary's oversight duties include, but are not limited to, oversight of share buy backs, dividend payments and adherence to investment limits. The Company's Depositary is IQ EQ Depositary Company (UK) Limited.
Discount/Premium*	The amount by which the market price per share of a Closed-end Investment Company is lower or higher than the net asset value per share. The share price of an Investment Company is derived from buyers and sellers trading their shares on the stock market. This price is not identical to the NAV. If the share price is lower than the NAV per share, the shares are trading at a discount and, if the share price is higher than the NAV per share, are said to be at a premium. The figure is calculated at a point in time and, unless stated otherwise, the Company measures its discount or premium relative to the EPRA NTA per share. The detailed method of calculation is shown on page 95.
Dividend	The income from an investment. The Company currently pays interim dividends to shareholders quarterly.
Dividend Cover*	The absolute value of Group specific adjusted EPRA Earnings divided by the absolute value of dividends relating to the period of calculation. The detailed method of calculation is shown on page 95.
Dividend Yield*	The annual Dividend expressed as a percentage of the share price at the date of calculation.
EBITDA	Earnings before interest, taxes, depreciation and amortisation costs. Generally considered to be a measure of a company's operational performance excluding non-operational expenses.
EPRA Best Practice	European Public Real Estate Association. A not-for-profit organisation which aims to foster trust for, and encourage greater investment in, listed real estate in Europe (www.epra.com). EPRA also issue best practice recommendations to enhance the financial reporting of listed property companies.
EPRA Cost Ratio	Reflects the relevant overhead and operating costs of the business. It is calculated by expressing the sum of property expenses (net of service charge recoveries and third-party asset management fees) and administration expenses (excluding exceptional items) as a percentage of gross rental income. The detailed method of calculation is shown on pages 96 and 97.
EPRA Earnings per Share*	Recurring earnings from core operational activities. A key measure of a company's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings. A reconciliation of the earnings per IFRS and the EPRA earnings, including any items specific to the Group, is contained in Note 8 to the Consolidated Financial Statements.
EPRA Group specific adjusted Cost Ratio*	The EPRA Cost Ratio adjusted for items thought appropriate for the Group's specific business model. The adjustments made are consistent with those made to the Group specific adjusted EPRA earnings as detailed in Note 8 to the Consolidated Financial Statements.
EPRA Loan-to-Value ('LTV')*	A shareholder-gearing measure to determine the percentage of debt comparing to the appraised value of the properties. EPRA LTV is calculated as total gross debt (adding net trade payables and less cash) as a proportion of gross property value. The detailed method of calculation is shown on page 97.
EPRA Net Disposal Value ('NDV')*	A measure of Net Asset Value which represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax. A reconciliation of the NAV per IFRS and the EPRA NDV is contained in Note 8 to the Consolidated Financial Statements.
EPRA Net Initial Yield*	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. EPRA's purpose is to provide a comparable measure around Europe for portfolio valuations. The detailed method of calculation is shown on page 96.

Corporate Terms continued

EPRA Net Reinstatement Value ('NRV')*	A measure of Net Asset Value which assumes that entities never sell assets and aims to represent the value required to rebuild the entity. The objective is to highlight the value of net assets on a long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances, such as the fair value movements on financial derivatives, are excluded and the costs of recreating the Group through investment markets, such as property acquisition costs and taxes, are included. A reconciliation of the NAV per IFRS and the EPRA NRV is contained in Note 8 to the Consolidated Financial Statements.
EPRA Net Tangible Assets ('NTA')*	A measure of Net Asset Value which assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax. A reconciliation of the NAV per IFRS and the EPRA NTA is contained in Note 8 to the Consolidated Financial Statements.
EPRA Topped-up Net Initial Yield*	Incorporates an adjustment to the EPRA Net Initial Yield in respect of the expiration of rent-free periods (or other unexpired lease incentives). The detailed method of calculation is shown on page 96.
GAAP	Generally Accepted Accounting Practice. This includes UK GAAP and International GAAP (IFRS or International Financial Reporting Standards). The Group's Consolidated Financial Statements are prepared in accordance with UK-adopted IFRS.
Gearing	Unlike open-ended investment companies, Closed-end Investment Companies have the ability to borrow to invest. This term is used to describe the level of borrowings that an Investment Company has undertaken. The higher the level of borrowings, the higher the gearing ratio. The gross gearing figure is calculated as debt divided by the market value of the properties held. The net gearing figure is calculated as debt less cash divided by the market value of the properties held.
Investment Manager	The Company's Investment Manager is Target Fund Managers Limited. Further details are set out on pages 28 and 29 and in Note 2 to the Consolidated Financial Statements.
IRR (or Internal Rate of Return)*	A metric used in financial analysis to estimate the profitability of potential investments. The IRR is the discount rate that makes the net present value of all cash flows equal to zero in a discounted cash flow analysis.
Leverage	As defined under AIFMD rules, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions. Leverage is broadly equivalent to Gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). 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.
Loan-to-Value*	A measure of the Group's Gearing level. Gross LTV is calculated as total gross debt as a proportion of gross property value. Net LTV is calculated as total gross debt less cash as a proportion of gross property value.
Market Capitalisation	The stock market value of the Company as determined by multiplying the number of Ordinary Shares in issue, excluding any shares held in treasury, by the Share Price of the Ordinary Shares.
MSCI	Produces indexes for both privately-held real estate portfolios, as well as publicly-listed organisations which provides a long performance history and which are mostly appraised quarterly.
NAV per Ordinary Share	This is calculated as the Net Asset Value (NAV) divided by the number of shares in issue.
Net Asset Value (or Shareholders' Funds)	The value of total assets less liabilities. Liabilities for this purpose include current and long-term liabilities. It represents the underlying value of an Investment Company at a point in time.
Ongoing Charges Ratio*	A measure of all operating costs incurred in the reporting period, calculated as a percentage of average net assets in that year. Operating costs exclude costs of buying and selling investments, interest costs, taxation, non-recurring costs and the costs of buying back or issuing ordinary shares. In calculating this figure, the Group follows the methodology and guidance published by the AIC. The detailed method of calculation is shown on page 95.
Ordinary Shares	The main type of equity capital issued by conventional Investment Companies. Shareholders are entitled to their share of both income, in the form of dividends paid by the Investment Company, and any capital growth. The Company has only Ordinary Shares in issue.
Real Estate Investment Trust (or REIT)	A tax regime which in the UK exempts participants from corporation tax both on UK rental income and gains arising on UK investment property sales, subject to certain requirements. Further details are provided on pages 92 and 93.
Share Price	The value of a share at a point in time as quoted on a stock exchange. The Company's Ordinary Shares are traded on the Main Market of the London Stock Exchange.
SORP	Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the AIC.
Total Return*	The return to shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the Share Price or NAV. The dividends are assumed to have been reinvested in the form of Ordinary Shares or Net Assets. The detailed method of calculation is shown on page 95.

* Alternative Performance Measure.

Property and ESG Terms

Break Option	A clause in a lease which provides the landlord or tenant with an ability to terminate the lease before its contractual expiry date.
Building Research Establishment Environmental Assessment Method ('BREEAM')	BREEAM is the world's leading science-based suite of validation and certification systems for sustainable built environment. The BREEAM in-use standards provide a framework to enable property investors, owners, managers and occupiers to determine and drive sustainable improvements in the operational performance of their assets, leading to benchmarking, assurance and validation of operational asset data.
Contractual Rent	The annual rental income receivable on a property as at the balance sheet date, adjusted for the inclusion of rent currently subject to a rent free period.
Covenant Strength	This refers to the quality of a tenant's financial status and its ability to perform the covenants in the lease.
Deed of Surrender	A legal document which allows the early termination of a lease upon the agreement of both parties. It will list the obligations that need to be fulfilled by both parties before the rights and interests under the lease are extinguished. Depending on the circumstances a surrender premium may be payable from the Group to the tenant, or receivable by the Group from the tenant.
Energy Performance Certificate ('EPC')	An Energy Performance Certificate (EPC) rates how energy efficient a building is using grades from A to G (with 'A' the most efficient grade). All commercial properties leased to a tenant must have an EPC. All EPCs are valid for 10 years.
Estimated Rental Value ('ERV')	The estimated annual market rental value of a property as determined by the Company's External Valuer. This will normally be different from the actual rent being paid.
Fixed and Minimum Guaranteed Rental Uplifts	Rents subject to fixed uplifts at an agreed level on agreed dates stipulated within the lease, or rents subject to contracted minimum uplifts at specified review dates.
Forward Fund/Commitment	A contract pertaining to the future purchase of a property. Forward Funding relates to the acquisition of a property which hasn't yet been built, with the Group providing the developer with the funding for the development, usually in staged payments throughout the contract.
GRESB	GRESB is a mission-driven and investor-led organisation that provides actionable and transparent ESG data to financial markets. GRESB collects, validates, scores and benchmarks ESG data using a standardised, globally recognised framework so that both investors and Investment Managers can act on ESG data and insights.
Lease	A legally binding contract between a landlord and a tenant which sets out the basis on which the tenant is permitted to occupy a property, including the lease length.
Lease Incentive	A payment used to encourage a tenant to take on a new lease, for example by a landlord paying a tenant a sum of money to contribute to the cost of a tenant's fit-out of a property or by allowing a rent free period.
Lease Renewal	The renegotiation of a lease with the existing tenant at its contractual expiry.
Mature Homes	Care homes which have been in operation for more than three years. There were 80 homes in the Group's portfolio which both met this definition and were held by the Group for the entire duration of the year ended 30 June 2024, closing at 82 homes on 30 June 2024.
Occupancy Rate or Resident Occupancy Rate	The occupancy rate calculates the number of occupied rooms as a percentage of the overall capacity of the care home. This is an important measure in determining the quality of the property held, the strength of the tenant and the sustainability of the rental income received.
Photovoltaic ('PV') Panels	Panels which are used to generate renewable electricity by capturing solar energy.
Portfolio or Passing Rent*	The annual rental income currently receivable on a property as at the balance sheet date, excluding rental income where a rent-free period is in operation. The gross rent payable by a tenant at a point in time.
Rent Cover*	A measure of the tenant's ability to meet its rental liability from the profit generated by their underlying operations. Generally calculated as the tenant's EBITDARM (earnings before interest, taxes, depreciation, amortisation, rent and management fees) divided by the contracted rent. Unless otherwise stated, rent cover is calculated based on Mature Homes only.
Rent Review	A periodic review of rent during the term of a lease, as provided for within a lease agreement.
Science Based Targets initiative ('SBTi')	A corporate climate action organisation that enables companies and financial institutions worldwide to play their part in combating the climate crisis.
Surrender Premium	A sum of monies that may be paid from the tenant to the landlord, or from the landlord to a tenant, in order to extinguish a lease prior to the termination date originally set out in the lease agreement.
Valuer	An independent external valuer of a property. The Group's Valuer at 30 June 2024 was CBRE Limited and detailed information regarding the valuation of the Group's properties is included in Note 9 to the Consolidated Financial Statements.
Wet-room	A private, en-suite shower and toilet room, fully tiled and drained, providing the practical living space for personal hygiene to be applied in a dignified manner and with assistance as required.
WAULT*	Weighted average unexpired lease term. The average lease term remaining to expiry across the portfolio weighted by contracted rental income.

* Alternative Performance Measure.

CORPORATE INFORMATION

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Tax Compliance	Alvarez & Marsal Tax LLP 1 West Regent Street Glasgow G2 1RW
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* Senior Independent Director
** Chairman of Audit Committee

NOTES

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