Investing in care.
Delivering returns.

Target Healthcare REIT plc
Interim Report and Financial Statements 2021

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

UK's first social impact investment trust[1] – our portfolio delivers for residents, their carers & local communities.

Conscientious & committed partner to our tenants as an engaged landlord and a strong advocate of the sector.

Our responsible investment in care delivers long-term, sustainable returns.

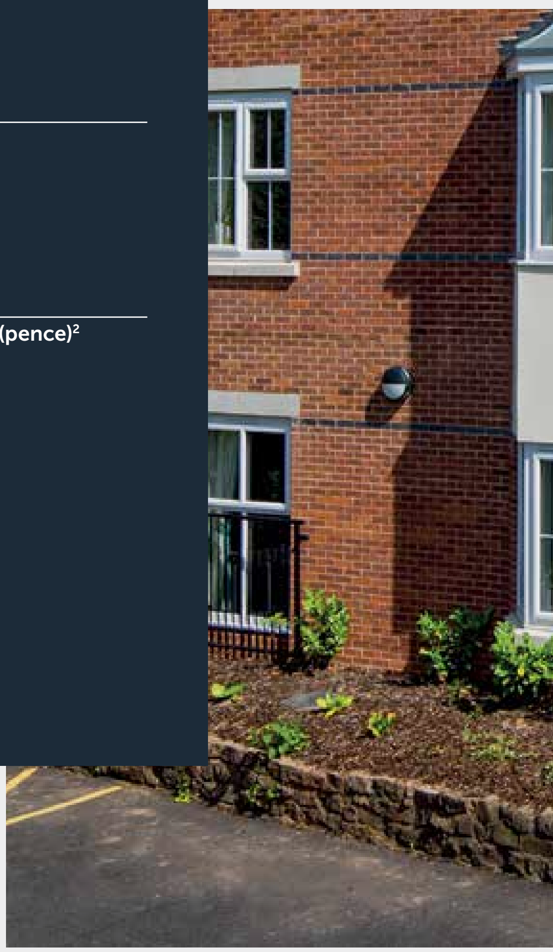
EPRA NTA per share (pence)[2]
110.8 +0.4%

Accounting total return (per cent)[3]
3.4

Dividend per share (pence)
3.38 +0.6%

Adjusted EPRA earnings per share (pence)[2]
2.36 -11.3%

IFRS profit (£ millions)
18.7 +18.3%



1 Source: The Association of Investment Companies/Jura Capital.
2 Alternative performance measure. See note 6 to the condensed consolidated financial statements for details.
3 Based on EPRA NTA movement and dividends paid, see alternative performance measures on page 25.

Contents

At a glance

Portfolio snapshot

High quality real estate

Scale

98 homes
£870m market value

Wet-rooms

96%

EPC ratings

88% A-B
100% A-C

Diversified

Tenants

31 tenants[1]
£53m contractual rent

Beds

6,522 beds[2]

Fee sources

64% private
36% public

Long-term focus

Weighted average unexpired lease term

27.5 years

Net loan-to-value

20.7%

Upwards only rent reviews

96% inflation-linked
4% fixed/other

European Public Real Estate Association ('EPRA') Summary[3]

	At 31 Dec 21	At 30 June 21
EPRA NTA per share (pence)	110.8	110.4
EPRA NDV per share (pence)	111.0	110.2
EPRA 'topped-up' Net Initial Yield (per cent)	5.84	5.83
EPRA Net Initial Yield (per cent)	5.58	5.76

	Six months to 31 Dec 21	Six months to 31 Dec 20
Adjusted EPRA EPS (pence)	2.36	2.66
EPRA EPS (pence)	3.08	3.61
Adjusted EPRA Cost Ratio (per cent)	27.7	29.2
EPRA Cost Ratio (per cent)	23.3	24.1

1 At 31 December 2021. Will increase to 32 tenants upon completion of development sites.
2 At 31 December 2021. Will increase to 6,792 upon completion of development sites.
3 See note 6 to the condensed consolidated financial statements and the alternative performance measures on pages 24 and 25 for details.

Key Performance Indicators and Corporate Activity

For the six months ended 31 December 2021

Highlights

- Significant portfolio growth, principally from acquisition of 18-home portfolio which contributes stable assets with mature trading history
- Enhanced stability from new, long-term capital, with £100 million additional long-term debt at attractive fixed interest rate, following £125 million equity issuance
- Resilient portfolio performance with robust rental collection, and like-for-like rental and valuation growth

Strategic Objective	Activity & Key Performance Indicators (KPIs) for the period
To grow a robust portfolio Our focus is on real estate quality and stability for the long-term.	– Portfolio growth of £186 million (27.1%) by market value – £171 million acquisitions and developments the key driver – Contractual rent increase of £12.2 million (29.6%) – Wet-rooms 96% of portfolio, relative to national average of 29% – Number of tenants up 11% to 31

Sustainable returns from portfolio management with valued relationships as its core
To manage effectively within a complex sector as a highly engaged landlord.
	– Portfolio total return of 4.8% (2020: 4.1%)
	– NAV total return[1] of 3.4% (2020: 3.3%)
	– Like-for-like growth
	  – Contractual rent 2.8%
	  – Market valuation 2.2%
	– Rent collection of 96%
	– Consensual re-tenanting of five homes completed or contracts exchanged in period
	– Hybrid approach to asset management, with careful physical visits supporting virtual monitoring, where tenants are comfortable

Regular dividends for shareholders
Our focus is on disciplined & conservative financial and risk management to deliver earnings supporting quarterly dividends.
	– Earnings per share[2]: adjusted EPRA EPS 2.36 pence, EPRA EPS 3.08 pence
	– Dividends declared increased by 0.6% to 3.38 pence in respect of the period (2020: 3.36 pence)
	– Cost control: Adjusted EPRA cost ratio 27.7%, EPRA cost ratio 23.3%
	– Dividend cover[3]
	  – 65% on adjusted EPRA earnings
	  – 85% on EPRA earnings
	– Financial strength: Average cost of drawn debt 3.1%, average term to maturity 7.4 years, net LTV 20.7%

To achieve our social purpose via responsible and sustainable investment Our focus is on our social impact, allied with a firm commitment to environmental sustainability and good governance.	– Selective development investment supporting high standard new-build care homes, two homes (134 beds) opened in the period, four homes (270 beds) being funded at period end – Homes provide generous space at an average of 47m^2 per resident – Initial sample of BREEAM In-Use assessments completed, all rated 'good', 'very good' or 'excellent' – EPC ratings: 100% A-C ratings

Unless otherwise stated in the above table, references to 2020 mean the comparative six month period to 31 December 2020 and references to 2021 mean 30 June 2021, being the start of the period under review.

1 Based on EPRA NTA movement and dividends paid, see alternative performance measures on page 25.
2 For details of EPRA earnings and adjusted EPRA earnings refer to note 6 of the condensed consolidated financial statements.
3 See alternative performance measures on page 24.

Investing in care. Delivering returns.

Introduction

We continue to find ourselves in uncertain times; 2016's Brexit referendum sparked domestic political turbulence; the global COVID-19 pandemic provided a serious public health emergency with unprecedented impact; 2022 has started with conflict in Ukraine and coordinated sanctions against Russia. Scarcity of energy supplies, rising inflation & interest rates, and a potential retreat from recent "net zero" commitments as a response to energy worries, appear to be the major themes which will be impacting financial markets and investor confidence in the coming months. There is also a significant relief effort required, both within Ukraine itself and outside its borders, given the millions seeking refuge within Europe.

Owning and managing a care home portfolio, on behalf of shareholders, provides a valuable sense of perspective, and we continue to hear touching stories of care being provided to residents by the many dedicated professionals within our homes. This care, and the modern real estate we provide, has been the basis for the stable, sustainable returns our portfolio has provided throughout the turbulent times I note above. The Company's share price, however, will not be immune to the short term volatility currently being experienced by equity markets as a whole.

We have made significant progress in the six months under review. Improved scale has resulted from our successful fundraise to secure a desirable portfolio of mature assets. Our continued patience and discipline have been crucial in completing these major transactions and also in making portfolio management decisions to protect value for the long-term.

Portfolio performance has followed the pattern we have seen throughout the COVID-19 pandemic. Strong rent collection has been maintained despite the occupancy challenges our tenants have faced, with underlying trading remaining resilient. Occupancy levels improved through the early part of the period, though this stalled with the emergence of the Omicron variant. We witnessed a pause in the rebuild of occupancy as new admissions were affected by increased COVID-19 cases and the staffing pressures which resulted from isolation requirements.

Positively, our tenants reported the majority of cases affecting residents to be mild or indeed

NAV total return[1]

3.4%

Share price total return

5.2%

asymptomatic, and recently the position has improved: declining case numbers, increasing staff availability and ongoing strong demand for places as evidenced by enquiry levels. This sees resident occupancy growth resuming, with sustained profitability likely to follow. However, whilst the outlook for the sector is expected to continue to improve, the pandemic is not yet over and individual tenants may continue to face operational and financial challenges over the short to medium term.

Group performance

Underlying profits, measured by adjusted EPRA earnings, have increased by 12% to £13.7 million (2020: £12.2 million), being 2.36 pence per share (2020: 2.66 pence). The accounting total return for the period was 3.4% (2020:3.3%).[1]

The temporary cash drag from the time between the £125 million equity issuance of September 2021 and the completion of the portfolio acquisition impacted the earnings per share performance. Following the portfolio acquisition on 17 December 2021, the capital is now substantially invested. This investment will generate £9.3 million of annual rental income which is not fully reflected in earnings for the period under review, which will boost earnings and dividend cover going forward.

The portfolio continues to provide attractive total returns (4.8% for the period) as capital values have grown alongside the rental income generated. Valuation yields have tightened (EPRA topped-up net initial yield: 5.84%) as a result of (a) the stable performance of the assets and (b) the continued competitive investment market for modern care homes, given the asset class' long-term, inflation-linked sustainable rental cashflows.

Portfolio & balance sheet strength

Following commitments of £191 million for new acquisitions during the period, the Group's busiest period in its almost nine year history, as at 31 December 2021 the Group's portfolio has grown to 98 properties valued at £870.5 million. Our 31 tenants provide diversity of income with rental and valuation growth delivered on a like-for-like basis at 2.8% and 2.2%, respectively, from annual rental uplifts, yield compression and asset management initiatives. The underlying trading performance at the homes has proven remarkably resilient – notably, rent cover for the mature homes in the portfolio was 1.4 times[2] at 31 December 2021.

Gearing increased to 21% net LTV following the drawdowns in December 2021 (a) to fund the acquisitions and (b) to secure long-term fixed rates on the new £100 million of loan facilities. Having now reached a portfolio of scale, and our targeted debt structure, the Group anticipates this to be the base level of gearing looking forward. Revolving credit facilities remain available to fund our development portfolio and cover further pipeline acquisitions as they arise, which will see gearing increase to our medium-term target of c.27-29%. We have the ability to manage a modest level of pipeline acquisitions beyond this level using our available facilities ahead of permanent and dividend-paying equity, achieving portfolio growth whilst minimising cash drag.

The £100 million of additional debt capacity and maturity extensions during the period have further strengthened the balance sheet and provide increased certainty of funding. Our weighted average term to maturity now exceeds seven years at a weighted interest rate of 3.1%.

Board succession

We have continued to address board succession and, in line with the expectations set out in the previous Annual Report, Professor Andrews and Mr Hutchison retired from the Board at the Annual General Meeting in December 2021 and I thank them for their service. Subsequent to the period end, I am pleased to welcome Dr Amanda Thompsell to the Board. Dr Thompsell has significant clinical experience of all aspects of caring for older people and a comprehensive knowledge of the care home sector.

Dividend and outlook

We have maintained our progressive dividend policy having increased quarterly dividends by 0.6% to 1.69 pence per share, with the first interim dividend for the year having been paid in November 2021 in respect of the quarter to September 2021. Subsequent to the period end, the second interim dividend has also been paid in respect of the quarter to December 2021. Whilst dividend cover[3] (65%) was depressed in the period, we have a clear path to full cover when fully invested and geared. Increased earnings are already arising from our recent capital deployment.

Perhaps most importantly, we are well-positioned for an environment of higher inflation and increasing interest rates. The upwards-only annual rent reviews embedded in our leases, and our addition of £100 million of fixed-rate debt during the period at a weighted average duration of 13 years, are two aspects of our strategy designed to provide certainty and stability, with the opportunity for progressive returns, in the months and years to come.

We were delighted with the support from both existing shareholders and new investors for the oversubscribed £125 million equity issuance completed in September 2021. We carefully considered the prospects for the portfolio and the sector alongside the acquisition opportunities presented to us by the Investment Manager. Our tenants remain optimistic about upcoming trading, and with our beds being part of the 29% of the UK market which we believe meets the minimum standards in which our elderly should be cared for, we are confident that the demand dynamics strongly support this optimism. The sector's long-term fundamentals remain compelling, and we are well placed to capitalise on these through our broadening occupier mix and balance sheet strength.

Malcolm Naish
Chairman
15 March 2022

1 Based on EPRA NTA movement and dividends paid, see alternative performance measures on page 25.
2 Twelve month rolling average to 31 December 2021.
3 Based on adjusted EPRA earnings, see alternative performance measures on page 24.

We believe in taking a long-term view

Overview

The Group's portfolio of 98 assets, comprising 94 operational homes and four pre-let development sites, was valued at £870.5 million at 31 December 2021. The operational homes were let to 31 tenants, providing 6,522 beds for residents, and generating a contractual rent of £53.4 million per annum. The EPRA topped-up net initial yield was 5.84% and the EPRA net initial yield was 5.58%.

The portfolio value has increased by 27.1% in the period. Of this, 24.9% is due to net capital deployment in 19 new acquisitions and further investment into developments (two having completed during the period, two ongoing throughout the period and two new commitments), with a positive like-for-like movement in the operational portfolio of 2.2%, which primarily reflects the impact of both inflation-linked rent reviews and yield compression.

The contractual rent roll has increased by 29.6% in the period, primarily from a 26.8% increase from acquisitions and completed development sites. The Group's upwards-only rent reviews contributed a 1.6% like-for-like increase, with the remaining 1.2% increase attributable to the successful re-tenanting of the remaining home of one of the previous tenants who had already been in financial distress prior to the COVID-19 pandemic. The weighted average unexpired lease term has shortened slightly to 27.5 years.

The portfolio total return for the six-month period was 4.8% (10.5% for the 2021 calendar year), maintaining its stable performance since IPO.

COVID-19 & asset trading performance

The period under review was another in which COVID-19 was a substantial driver of trading performance in our homes. The average occupancy level improved early in the period until the effects of the emergence of the Omicron variant were experienced. This resulted in both staff shortages due to self-isolation and rising case numbers in home residents. Each of these factors are barriers to accepting new residents, with the combination resulting in the stalling of admission rates.

As with previous periods, in another display of resilience and the long-term sustainability which underpins our strategy, trading performance at these reduced occupancy levels has remained robust, supporting rental receipts by the Group. Average rent cover as at 31 December 2021 was 1.4 times on a last twelve months' basis.[1] This level has been consistently achieved during the two years of COVID-19, with the recent data showing the positive effects of (i) early occupancy increases (ii) fee increases achieved and (iii) efficient operational management offsetting the reduction in government support.

Current challenges for the sector, aside from the clear need to rebuild occupancy to pre-COVID-19 levels, are to navigate the effects of general cost inflation and staffing shortages. Increases in staff costs, and general inflationary pressures, are likely to be managed by passing these onto residents by way of annual fee increases, more easily achieved in private pay settings. We have evidence of continued success by our tenants in achieving this from both the private and public purse, based on the demand for, and quality of, the services provided and the real estate in which these are provided from. Mandated vaccinations in care home settings from November 2021, a policy which the Government has advised at the time of writing will be reversed, was not a material concern to our tenants who had been reporting high vaccination uptake from their staff since early in the rollout.

Our tenants are optimistic, with reported enquiry levels once again high and conversion rates to resident admissions expected to increase as we emerge from the Omicron wave.

Asset management initiatives

As at 15 March 2022, the Group had collected 96% of the rent that was due and payable in respect of the six months under review. Through the two years of challenging trading as a result of the COVID-19 pandemic, we have initiated some tenant changes to protect rent and property values and will continue to closely monitor the portfolio to identify further areas where this will be required.

During the period we have completed the re-tenanting of the second of two homes from a national operator which had financial challenges prior to the pandemic. The second home's re-tenanting has, like the first, been achieved on rental terms consistent with the existing lease and our investment case for the asset, with comprehensive refurbishment capex committed for both assets to improve the standard of the real estate. Late in the period, contracts were exchanged to re-tenant four homes from a large national operator to a regional operator. Completion is subject to regulatory approval, expected to be received shortly, and strategically sees us move to a tenant whose knowledge of the local markets in which these homes trade is expected to enhance performance and better serve their communities. Consistent with the Group's prior re-tenantings, the quality of the assets and the rental levels inherent in the leases have resulted in attractive commercial arrangements being achieved.

Investment market

The investment market for assets which meet the Group's investment criteria remains very competitive. Higher standard real estate assets are attracting numerous offers, partly due to their scarcity and partly due to the recognition by investors that much of the UK's care home stock is not fit for purpose. This is being reflected in pricing, with yields generally remaining unchanged, though with continued tightening on higher quality assets. We continue to see a number of new development opportunities, noting that pricing is being impacted by higher land/build/construction costs. Despite this competitive landscape, we continue to access pipeline stock through (a) existing relationships (b) our long-established team (c) our reputation and (d) our expertise, which provides valuable commercial insight and the ability to secure sustainable returns.

Sectoral

The sector is in a period of cautious optimism as the Omicron variant seems to be on the wane. Residents have remained generally protected and, while we owe a debt to the science of vaccinations in this

1 All occupancy and rent cover figures quoted relate to mature homes within the portfolio.

regard, we should not underestimate how adept care homes have become at testing, safe visiting, and infection control procedures.

After suffering some unwarranted reputational damage in the early stages of the pandemic, public scrutiny of the sector mellowed and helped focus Government attention on sector change and funding. The resulting White Paper, while heralded by Government Ministers as ground-breaking, was generally met with disappointment by the sector, with concern that the public funding of those with means is not as generous as first impressions suggest. In fact, the national insurance fuelled tax raise does little for the social care sector, with the lions' share ending up in the NHS for the first few years.

Eyebrows were raised in the sector by the mention of 'levelling' fees, a reference buried in the white paper in relation to the common practice of operators subsidising publicly funded residents by charging private residents higher fees. While the sector rightly feels some consternation regarding this point, the intention to require Local Authorities to address fees paid to private operators in line with the 'true cost of care' is a welcome directive. This, coupled with strong demand by clientele for quality accommodation and the fact that residents will still be able to 'top-up' to the quality of their choice, means we envisage operators will not be unduly troubled by the potential changes. Other white paper proposals are welcome, such as increased integration between authorities and joined up health pathways for the public.

2022 will remain a challenging year for operators. Even if COVID-19 should fade, or more likely become endemic, the spectre of inflation is firmly on the horizon; wages, energy and food costs, coupled with a continued difficult recruitment environment will keep the pressure on. While the pandemic has been tough on smaller operators, particularly those with older real estate, which will likely speed their demise, a new public focus on the quality of accommodation will support operators such as our own tenants.

Target Fund Managers Limited
15 March 2022

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2021

	Notes	Six months ended 31 December 2021 (unaudited)			Six months ended 31 December 2020 (unaudited)		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Revenue							
Rental income		**21,929**	**4,515**	**26,444**	20,308	4,554	24,862
Other income		**66**	**–**	**66**	6	–	6
Total revenue		**21,995**	**4,515**	**26,510**	20,314	4,554	24,868
Gains on investment properties	8	**–**	**871**	**871**	–	307	307
Losses on properties held for sale	9	**–**	**–**	**–**	–	(92)	(92)
Total income		**21,995**	**5,386**	**27,381**	20,314	4,769	25,083
Expenditure							
Investment management fee	2	**(3,553)**	**–**	**(3,553)**	(2,821)	–	(2,821)
Credit loss allowance and bad debts	3	**(1,073)**	**–**	**(1,073)**	(1,940)	–	(1,940)
Other expenses	3	**(1,558)**	**–**	**(1,558)**	(1,230)	–	(1,230)
Total expenditure		**(6,184)**	**–**	**(6,184)**	(5,991)	–	(5,991)
Profit before finance costs and taxation		**15,811**	**5,386**	**21,197**	14,323	4,769	19,092
Net finance costs							
Interest receivable		**36**	**–**	**36**	18	–	18
Interest payable and similar charges	4	**(2,519)**	**–**	**(2,519)**	(2,389)	(913)	(3,302)
Profit before taxation		**13,328**	**5,386**	**18,714**	11,952	3,856	15,808
Taxation	5	**(6)**	**–**	**(6)**	12	–	12
Profit for the period		**13,322**	**5,386**	**18,708**	11,964	3,856	15,820
Other comprehensive income:							
Items that are or may be reclassified subsequently to profit or loss							
Movement in fair value of interest rate swaps		**–**	**678**	**678**	–	(141)	(141)
Reclassification to profit and loss on discontinuation of interest rate swaps		**–**	**–**	**–**	–	180	180
Total comprehensive income for the period		**13,322**	**6,064**	**19,386**	11,964	3,895	15,859
Earnings per share (pence)	6	**2.31**	**0.93**	**3.24**	2.62	0.84	3.46

The total column of this statement represents the Group's Condensed Consolidated Statement of Comprehensive Income, prepared in accordance with UK adopted IAS 34 'Interim Financial Reporting'. 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 period.

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

Condensed Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	As at 31 December 2021 (unaudited) £'000	As at 30 June 2021 (audited) £'000
Non-current assets			
Investment properties	8	**810,277**	629,606
Trade and other receivables	10	**59,969**	54,580
Interest rate swap	12	**929**	251
		871,175	684,437
Current assets			
Trade and other receivables	10	**19,017**	5,531
Cash and cash equivalents		**34,647**	21,106
		53,664	26,637
Properties held for sale	9	**7,320**	7,320
		60,984	33,957
Total assets		**932,159**	718,394
Non-current liabilities			
Bank loans	12	**(219,109)**	(127,904)
Trade and other payables	13	**(7,302)**	(6,840)
		(226,411)	(134,744)
Current liabilities			
Trade and other payables	13	**(17,758)**	(18,465)
Total liabilities		**(244,169)**	(153,209)
Net assets		**687,990**	565,185
Share capital and reserves			
Share capital	14	**6,202**	5,115
Share premium		**256,636**	135,228
Merger reserve		**47,751**	47,751
Distributable reserve		**246,088**	265,164
Hedging reserve		**929**	251
Capital reserve		**69,498**	64,112
Revenue reserve		**60,886**	47,564
Equity shareholders' funds		**687,990**	565,185
Net asset value per ordinary share (pence)	6	**110.9**	110.5

The condensed consolidated financial statements on pages 8 to 20 were approved by the Board of Directors on 15 March 2022 and were signed on its behalf by:

Malcolm Naish
Chairman

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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2021 (unaudited)

	Notes	Share capital £'000	Share premium £'000	Merger reserve £'000	Distributable reserve £'000	Hedging reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 30 June 2021		**5,115**	**135,228**	**47,751**	**265,164**	**251**	**64,112**	**47,564**	**565,185**
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**678**	**5,386**	**13,322**	**19,386**
Transactions with owners recognised in equity:									
Dividends paid	7	**–**	**–**	**–**	**(19,076)**	**–**	**–**	**–**	**(19,076)**
Issue of ordinary shares	14	**1,087**	**123,913**	**–**	**–**	**–**	**–**	**–**	**125,000**
Expenses of issue	14	**–**	**(2,505)**	**–**	**–**	**–**	**–**	**–**	**(2,505)**
As at 31 December 2021		**6,202**	**256,636**	**47,751**	**246,088**	**929**	**69,498**	**60,886**	**687,990**

For the six months ended 31 December 2020 (unaudited)

	Notes	Share capital £'000	Share premium £'000	Merger reserve £'000	Distributable reserve £'000	Hedging reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 30 June 2020		4,575	77,452	47,751	296,770	(227)	45,536	22,256	494,113
Total comprehensive income for the period		–	–	–	–	39	3,856	11,964	15,859
Transactions with owners recognised in equity:									
Dividends paid	7	–	–	–	(15,326)	–	–	–	(15,326)
As at 31 December 2020		4,575	77,452	47,751	281,444	(188)	49,392	34,220	494,646

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2021

	Notes	Six months ended 31 December 2021 (unaudited) £'000	Six months ended 31 December 2020 (unaudited) £'000
Cash flows from operating activities			
Profit before tax		**18,714**	15,808
Adjustments for:			
Interest receivable		**(36)**	(18)
Interest payable		**2,519**	3,302
Revaluation losses on properties held for sale		**–**	92
Revaluation gains on investment properties and movements in lease incentives, net of acquisition costs written off		**(5,386)**	(4,861)
Increase in trade and other receivables		**(14,331)**	(348)
Increase in trade and other payables		**1,216**	498
		2,696	14,473
Interest paid		**(2,201)**	(2,158)
Interest received		**36**	18
Tax paid		**(6)**	–
		(2,171)	(2,140)
Net cash inflow from operating activities		**525**	12,333
Cash flows from investing activities			
Disposal of properties held for sale		**–**	388
Purchase of investment properties and properties held for sale, including acquisition costs		**(181,873)**	(24,013)
Net cash outflow from investing activities		**(181,873)**	(23,625)
Cash flows from financing activities			
Issue of ordinary share capital	14	**125,000**	–
Expenses of issue of ordinary share capital		**(2,505)**	–
Drawdown of bank loan facilities	12	**210,000**	112,000
Expenses of arrangement of bank loan facilities		**(1,519)**	(1,449)
Repayment of bank loan facilities	12	**(117,250)**	(102,000)
Dividends paid		**(18,837)**	(15,375)
Net cash inflow/(outflow) from financing activities		**194,889**	(6,824)
Net increase/(decrease) in cash and cash equivalents		**13,541**	(18,116)
Opening cash and cash equivalents		**21,106**	36,440
Closing cash and cash equivalents		**34,647**	18,324
Transactions which do not require the use of cash			
Movement in fixed or guaranteed rent reviews and lease incentives		**4,938**	5,311

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

Notes to the Condensed Consolidated Financial Statements

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and the accounting policies set out in the statutory financial statements of the Group for the year ended 30 June 2021.

The condensed consolidated financial statements do not include all of the information required for a complete set of IFRS financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2021, which were prepared under full IFRS requirements.

Going concern

The condensed consolidated financial statements have been prepared on the going concern basis. In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. Given the potentially significant impact of COVID-19 on the economic conditions in which the Group is operating, 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 period ended 31 December 2021.

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, with the valuation yield applied to the portfolio having tightened marginally since the start of the pandemic;
- The Group is contractually entitled to receive rental income which significantly exceeds its forecast expenses and loan interest; and
- The Group remains within its loan covenants, with its finance facilities having been extended and increased during the period, resulting in a weighted average term to maturity of 7.4 years at 31 December 2021 and an earliest repayment date of November 2024.

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 for the foreseeable future and at least the next 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.

2. Investment Management Fee

	For the six month period ended 31 December 2021 £'000	For the six month period ended 31 December 2020 £'000
Investment management fee	**3,553**	2,821

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 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 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; 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

	For the six month period ended 31 December 2021 £'000	For the six month period ended 31 December 2020 £'000
Credit loss allowance and bad debts written off	**1,073**	1,940
Valuation and other professional fees	**932**	853
Secretarial and administration fees	**90**	88
Directors' fees	**114**	91
Other	**422**	198
Total	**2,631**	3,170

4. Interest payable and similar charges

	For the six month period ended 31 December 2021 £'000	For the six month period ended 31 December 2020 £'000
Interest paid on bank loans	**2,264**	2,056
Amortisation of loan costs	**255**	333
Cost of early redemption	**–**	913
Total	**2,519**	3,302

5. Taxation

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

The Group has entered the REIT regime for the purposes of UK taxation. 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.

6. Earnings per share and Net Asset Value per share

Earnings per share

	For the six month period ended 31 December 2021		For the six month period ended 31 December 2020	
	£'000	Pence per share	£'000	Pence per share
Revenue earnings	**13,322**	**2.31**	11,964	2.62
Capital earnings	**5,386**	**0.93**	3,856	0.84
Total earnings	**18,708**	**3.24**	15,820	3.46
Average number of shares in issue		**578,295,002**		457,487,640

The European Public Real Estate Association ('EPRA') is an industry body which issues best practice reporting guidelines for property 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.

The EPRA earnings are arrived at by adjusting for the revaluation movements on investment properties and properties held for sale 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:

	For the six month period ended 31 December 2021 £'000	For the six month period ended 31 December 2020 £'000
Earnings per IFRS Consolidated Statement of Comprehensive Income	**18,708**	15,820
Adjusted for gains on investment properties	**(871)**	(307)
Adjusted for losses on properties held for sale	**–**	92
Adjusted for cost of debt refinancing and other capital items	**–**	913
EPRA earnings	**17,837**	16,518
Adjusted for rental income arising from recognising guaranteed rent review uplifts	**(4,515)**	(4,554)
Adjusted for development interest under forward fund agreements	**335**	212
Group specific adjusted EPRA earnings	**13,657**	12,176
Earnings per share ('EPS') (pence per share)		
EPS per IFRS Consolidated Statement of Comprehensive Income	**3.24**	3.46
EPRA EPS	**3.08**	3.61
Group specific adjusted EPRA EPS	**2.36**	2.66

Earnings for the period ended 31 December 2021 should not be taken as a guide to the results for the year to 30 June 2022.

Net Asset Value per share

The Group's net asset value per ordinary share of 110.9 pence (30 June 2021: 110.5 pence) is based on equity shareholders' funds of £687,990,000 (30 June 2021: £565,185,000) and on 620,237,346 (30 June 2021: 511,541,694) ordinary shares, being the number of shares in issue at the period end.

The three EPRA NAV metrics are shown below. Further details are included in the glossary on page 23.

	31 December 2021			30 June 2021		
	EPRA NRV £'000	EPRA NTA £'000	EPRA NDV £'000	EPRA NRV £'000	EPRA NTA £'000	EPRA NDV £'000
IFRS NAV per financial statements	**687,990**	**687,990**	**687,990**	565,185	565,185	565,185
Fair value of interest rate swap	**(929)**	**(929)**	**–**	(251)	(251)	–
Fair value of loans	**–**	**–**	**472**	–	–	(1,389)
Estimated purchasers' costs	**57,875**	**–**	**–**	44,696	–	–
EPRA net assets	**744,936**	**687,061**	**688,462**	609,630	564,934	563,796
EPRA net assets (pence per share)	**120.1**	**110.8**	**111.0**	119.2	110.4	110.2

7. Dividends

Dividends paid as distributions to equity shareholders during the period.

	For the six month period ended 31 December 2021		For the six month period ended 31 December 2020	
	Pence	£'000	Pence	£'000
Fourth interim dividend for prior year	**1.68**	**8,594**	1.67	7,640
First interim dividend	**1.69**	**10,482**	1.68	7,686
Total	**3.37**	**19,076**	3.35	15,326

A second interim dividend for the year to 30 June 2022, of 1.69 pence per share, was paid on 25 February 2022 to shareholders on the register on 11 February 2022.

8. Investment properties

Freehold and Leasehold Properties	As at 31 December 2021 £'000
Opening market value	**677,525**
Opening fixed or guaranteed rent reviews and lease incentives	**(47,919)**
Opening carrying value	**629,606**
Purchases	**171,200**
Acquisition costs capitalised	**8,600**
Acquisition costs written off	**(8,600)**
Revaluation movement – gains	**18,937**
Revaluation movement – losses	**(4,528)**
Movement in market value	**185,609**
Movement in fixed or guaranteed rent reviews and lease incentives	**(4,938)**
Movement in carrying value	**180,671**
Closing market value	**863,134**
Closing fixed or guaranteed rent reviews and lease incentives	**(52,857)**
Closing carrying value	**810,277**

The investment properties can be analysed as follows:

	As at 31 December 2021 £'000	As at 30 June 2021 £'000
Standing assets	**850,324**	655,175
Developments under forward fund agreements	**12,810**	22,350
Closing market value	**863,134**	677,525

Changes in the valuation of investment properties

	For the six month period ended 31 December 2021 £'000	For the six month period ended 31 December 2020 £'000
Revaluation movement	**14,409**	6,597
Acquisition costs written off	**(8,600)**	(979)
Movement in lease incentives	**(423)**	(757)
Movement in fixed or guaranteed rent reviews	**(4,515)**	(4,554)
Gains on revaluation of investment properties	**871**	307

The investment properties were valued at £863,134,000 (30 June 2021: £677,525,000) by Colliers International Healthcare Property Consultants Limited ('Colliers'), in their capacity as external valuers. The valuation was undertaken in accordance with the RICS Valuation – Professional Standards, incorporating the International Valuation Standards, ('the Red Book Global', 31 January 2020) 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. Market Value represents the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

8. Investment properties continued

The fair value of the properties after adjusting for the movement in the fixed or guaranteed rent reviews and lease incentives was £810,277,000 (30 June 2021: £629,606,000). The adjustment consisted of £46,464,000 (30 June 2021: £41,949,000) relating to fixed or guaranteed rent reviews and £6,393,000 (30 June 2021: £5,970,000) 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 financial statements as non-current and current assets within 'trade and other receivables' (see note 10).

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.

The Group's investment properties are valued by Colliers 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 an investment yield is applied to the asset which, along with the contracted rental level, is used to derive a market value.

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 Colliers make adjustments to observable data of similar properties and transactions to determine the fair value of a property and this involves the use of considerable 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 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 net initial yield, is 5.8%. The yield on the majority of the individual assets ranges from 5.0 per cent to 8.6 per cent. There have been no changes to the valuation technique used through the period, nor have there been any transfers between levels.

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 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 £8.6 million (30 June 2021: £6.8 million); 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 net initial yield applied to the property portfolio, including properties held for sale, will increase the fair value of the portfolio by £38.8 million (30 June 2021: £30.1 million), and consequently increase the Group'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 portfolio by £35.6 million (30 June 2021: £27.7 million) and reduce the Group's income.

9. Properties held for sale

	As at 31 December 2021 £'000
Opening fair value	**7,320**
Closing fair value	**7,320**

The properties held for sale were valued at £7,320,000 (30 June 2021: £7,320,000) by Colliers International Healthcare Property Consultants Limited ('Colliers'). The properties held for sale consist of two blocks of apartments adjacent to an existing property holding which were acquired to consolidate ownership of the overall retirement village. The intention is to sell the leasehold on the individual apartments. The apartments are being actively marketed, with one being sold subsequent to the period end.

10. Trade and other receivables

Non-current trade and other receivables	As at 31 December 2021 £'000	As at 30 June 2021 £'000
Fixed rent reviews	**46,464**	41,949
Rental deposits held in escrow for tenants	**7,302**	6,840
Lease incentives	**6,203**	5,791
Total	**59,969**	54,580

Current trade and other receivables	As at 31 December 2021 £'000	As at 30 June 2021 £'000
Cash held as security in relation to the bank loan	**7,601**	–
Cash held in escrow for property acquisitions	**6,700**	–
Lease incentives	**190**	179
VAT recoverable	**572**	732
Accrued income – rent receivable	**650**	955
Accrued development interest under forward fund agreements	**306**	739
Other debtors and prepayments	**2,998**	2,926
Total	**19,017**	5,531

11. Investment in subsidiary undertakings

The Group included 55 subsidiary companies as at 31 December 2021. 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 which are incorporated in Gibraltar and two subsidiaries which are incorporated in Luxembourg, all subsidiaries are incorporated within the United Kingdom.

During the period, the Group incorporated five new subsidiaries; THR Number 41 Limited, THR Number 42 Limited, THR Number 43 plc, THR Number 45 Limited and THR Number 46 Limited, which are each incorporated in England & Wales.

The Group includes eight dormant companies which were acquired as part of previous corporate acquisitions. These companies were placed into liquidation during the period and are expected to be dissolved shortly.

12. Bank loans

	As at 31 December 2021 £'000	As at 30 June 2021 £'000
Principal amounts outstanding	**222,750**	130,000
Set-up costs	**(4,276)**	(2,476)
Amortisation of set-up costs	**635**	380
Total	**219,109**	127,904

The Group has entered into a £70.0 million 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 £50.0 million of the facility and 2.33 per cent per annum on the remaining £20.0 million 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 £20.0 million of any undrawn element of the facility, reducing to 1.05 per cent per annum thereafter. As at 31 December 2021, the Group had drawn £50.0 million under this facility (30 June 2021: £30.0 million).

The Group has entered into a £100.0 million revolving credit facility with HSBC Bank plc ('HSBC') which is repayable in November 2024, with the option of a one-year extension thereafter subject to the consent of HSBC. 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 31 December 2021, the Group had drawn £22.75 million under this facility (30 June 2021: £50.0 million).

The Group has a £50.0 million committed term loan facility with ReAssure which is repayable on 12 January 2032. During the period, the Group entered into further committed term loan facilities of £37.25 million, also repayable on 12 January 2032, and of £62.75 million, 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 31 December 2021, the Group had drawn £150.0 million under these facilities (30 June 2021: £50.0 million).

The following interest rate swap was in place during the period ended 31 December 2021:

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

At 31 December 2021, inclusive of the interest rate swap, the interest rate on £180.0 million of the Group's borrowings had been fixed, including the amortisation of arrangement costs, at an all-in rate of 3.22 per cent per annum until at least November 2025. The remaining £140.0 million of debt, of which £42.75 million was drawn at 31 December 2021, would, if fully drawn, carry interest at a variable rate equal to daily compounded SONIA plus a weighted average lending margin, inclusive of the amortisation of arrangement costs, of 2.44 per cent per annum.

The fair value of the interest rate swap at 31 December 2021 was an asset of £929,000 (30 June 2021: asset of £251,000). The Group categorises all interest rate swaps as level 2 in the fair value hierarchy (see note 8).

At 31 December 2021, the nominal value of the Group's loans equated to £222,750,000 (30 June 2021: £130,000,000). Excluding the interest rate swap referred to above, the fair value of these loans, based on a discounted cashflow using the market rate on the relevant treasuries plus an estimated margin based on market conditions at 31 December 2021, totalled, in aggregate, £222,278,000 (30 June 2021: £131,389,000). The payment required to redeem the loans in full, incorporating the terms of the Spens clause in relation to the ReAssure facilities, would have been £249,742,000 (30 June 2021: £139,748,000). The loans are categorised as level 3 in the fair value hierarchy.

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 ReAssure loans of £50.0 million and £37.25 million 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 ReAssure loan of £62.75 million 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 (excluding those subsidiaries which are currently dormant). In aggregate, the Group has granted a fixed charge over properties with a market value of £780 million as at 31 December 2021 (30 June 2021: £526 million).

Under the bank covenants related to the loans, the Group is to ensure that:
- the loan to value percentage for 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 each of THR1 Group and THR15 Group is greater than 300 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.

All bank loan covenants have been complied with during the period.

13. Trade and other payables

Non-current trade and other payables	As at 31 December 2021 £'000	As at 30 June 2021 £'000
Rental deposits	**7,302**	6,840
Total	**7,302**	6,840

Current trade and other payables	As at 31 December 2021 £'000	As at 30 June 2021 £'000
Rental income received in advance	**6,908**	5,719
Property acquisition and development costs accrued	**5,676**	8,182
Investment Manager's fees payable	**1,889**	1,551
Interest payable	**1,032**	969
Other payables	**2,253**	2,044
Total	**17,758**	18,465

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

14. Share capital

Allotted, called-up and fully paid ordinary shares of £0.01 each	Number of shares	£'000
Balance as at 30 June 2021	511,541,694	5,115
Issued on 9 September 2021	108,695,652	1,087
Balance as at 31 December 2021	**620,237,346**	**6,202**

During the period to 31 December 2021, the Company issued 108,695,652 ordinary shares of £0.01 each (period to 31 December 2020: nil) raising gross proceeds of £125,000,000. The consideration in excess of the par value of the ordinary shares issued, net of the expenses of issue of £2,505,000, has been credited to the share premium account. The Company did not buyback or resell any ordinary shares (period to 31 December 2020: nil).

At 31 December 2021, the Company did not hold any shares in treasury (30 June 2021: nil).

15. Commitments

The Group had capital commitments as follows:

	As at 31 December 2021 £'000	As at 30 June 2021 £'000
Amounts due to complete forward fund developments	**32,753**	21,054
Other capital expenditure commitments	**3,858**	3,158
Total	**36,611**	24,212

16. Contingent assets and liabilities

As at 31 December 2021, twelve (30 June 2021: twelve) properties within the Group's investment property portfolio contained deferred consideration clauses meaning that, subject to contracted performance conditions being met, deferred payments totalling £20.03 million (30 June 2021: £20.03 million) 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 deferred consideration 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 deferred consideration paid 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 be met in relation to one of these properties and therefore an amount of £1.55 million has been recognised as a liability at 31 December 2021 (30 June 2021: £1.55 million). An equal but opposite amount has been recognised in other debtors to reflect the increase in the investment property value that would be expected to arise were the deferred consideration to be paid and the contracted rental income to increase accordingly.

17. Related party transactions

The Directors are considered to be related parties to the Company. 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 for the period were £114,000 (period ended 31 December 2020: £91,000) of which £18,000 (31 December 2020: £12,000) remained payable at the period end.

The Investment Manager received £3,553,000 (inclusive of estimated irrecoverable VAT) in management fees in relation to the period ended 31 December 2021 (period ended 31 December 2020: £2,821,000). Of this amount £1,889,000 remained payable at the period end (31 December 2020: £1,401,000). The Investment Manager received a further £75,000 (inclusive of irrecoverable VAT) during the period ended 31 December 2021 (period ended 31 December 2020: £73,000) in relation to its appointment as Company Secretary and Administrator, of which £38,000 (31 December 2020: £36,000) remained payable at the period 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.

18. 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 is the EPRA NTA. The reconciliation between the NAV, as calculated under IFRS, and the EPRA NTA is detailed in note 6.

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.

19. Post balance sheet event

On 7 January 2022, the Group completed the acquisition of a modern, purpose-built care home in Westhoughton, greater Manchester, for £7.2 million including acquisition costs. The home has been trading for seven years with an attractive track record of care/service, occupancy and profitability. It will be operated by Harbour Healthcare, new to the home and a new tenant to the Group, and comprises 55 bedrooms with full en suite facilities. The property is leased on a 35-year term with RPI-linked increases, subject to a cap and collar. The majority of the monies required to complete this transaction was held in escrow at 31 December 2021 (see note 10).

20. Interim Report Statement

These are not full statutory accounts in terms of Section 434 of the Companies Act 2006 and are unaudited. Statutory accounts for the Company for the year ended 30 June 2021, which received an unqualified audit report and which did not contain a statement under Section 498 of the Companies Act 2006, have been lodged with the Registrar of Companies. No full statutory accounts, for either the Company or Group, in respect of any period after 30 June 2021 have been reported on by the Company's auditor or delivered to the Registrar of Companies.

The Interim Report and Condensed Consolidated Financial Statements for the six months ended 31 December 2021 will be posted to shareholders and made available on the website: www.targethealthcarereit.co.uk. Copies may also be obtained from the Company Secretary, Target Fund Managers Limited, 1st Floor, Glendevon House, Castle Business Park, Stirling FK9 4TZ.

Directors’ Statement of Principal Risks and Uncertainties

The risks, and the way in which they are managed, are described in more detail in the Strategic Report within the Annual Report and Financial Statements for the year to 30 June 2021. The Board has also concluded that the recent increase in the rate of UK-inflation has raised the risk that this represents for the Group. This has therefore been re-assessed as constituting an additional principal risk, rated as medium. This risk is partially mitigated by the fact that the property lease agreements generally allow for a regular increase in the contracted rental level in line with inflation, either within a cap and a collar, or at a fixed level. However, should UK-inflation be at a level in excess of this cap, whilst this may improve the tenants’ level of rent cover, the increase in the Group’s overall rental income may not be entirely commensurate with the level of inflation.

Other than the above, and as disclosed in the Chairman’s Statement and Investment Manager’s Report, the Group’s principal risks and uncertainties have not changed materially since the date of the report and are not expected to change materially for the remainder of the Group’s financial year.

Statement of Directors’ Responsibilities in Respect of the Interim Report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ and gives a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Chairman’s Statement and Investment Manager’s Report (together constituting the Interim Management Report) include a fair review of the information required by the Disclosure Guidance and Transparency Rules (‘DTR’) 4.2.7R, being an indication of important events that have occurred during the period and their impact on the financial statements;
- the Statement of Principal Risks and Uncertainties referred to above is a fair review of the information required by DTR 4.2.7R; and
- the condensed set of financial statements includes a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the period and that have materially affected the financial position or performance of the Group during the period.

On behalf of the Board

Malcolm Naish
Chairman
15 March 2022

Independent Review Report to Target Healthcare REIT plc

Introduction
We have been engaged by Target Healthcare REIT plc ("the Company") to review the condensed consolidated set of financial statements in the Interim Report and Financial Statements for the six months ended 31 December 2021 which comprises the Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and the related notes 1 to 20 to the Condensed Consolidated Financial Statements. We have read the other information contained in the Interim Report and Financial Statements and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated set of financial statements in the Interim Report and Financial Statements for the six months ended 31 December 2021 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion
We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the Group will be prepared in accordance with UK adopted international accounting standards. The condensed set of consolidated financial statements included in this Interim Report and Financial Statements has been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting'.

Responsibilities of the Directors
The Directors are responsible for preparing the Interim Report and Financial Statements in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Auditor's Responsibilities for the Review of the Financial Information
In reviewing the Interim Report and Financial Statements, we are responsible for expressing to the Company a conclusion on the condensed consolidated set of financial statements in the Interim Report and Financial Statements. Our conclusion is based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our Report
This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
Edinburgh
15 March 2022

Glossary of Terms and Definitions

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.
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 discount or premium is expressed as a percentage of the net asset value per share.
Dividend Cover*	The absolute value of Group specific adjusted EPRA Earnings divided by the absolute value of dividends relating to the period of calculation.
Dividend Yield*	The annual Dividend expressed as a percentage of the share price at the date of calculation.
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.
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 6.
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 6.
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.
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.
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.
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.
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).
Loan-to-Value ('LTV')*	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 (including any cash held as security in relation to the debt facilities) as a proportion of gross property value.
Mature Homes	Care homes which have been in operation for more than three years.
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 a 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.
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.
WAULT*	Weighted average unexpired lease term. The average lease term remaining to expiry across the portfolio weighted by contracted rental income.

* Alternative Performance Measure

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 page 23, with detailed calculations, including reconciliation to the IFRS figures where appropriate, being set out below.

Discount or **Premium** – 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.

		31 December 2021 pence	30 June 2021 pence
EPRA Net Tangible Assets per share (see page 14)	(a)	**110.8**	110.4
Share price	(b)	**118.0**	115.4
Premium	**= (b-a)/a**	**6.5%**	4.5%

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

		Period ended 31 December 2021 £'000	Period ended 31 December 2020 £'000
Group-specific adjusted EPRA earnings for the period (see page 14)	(a)	**13,657**	12,176
First interim dividend		**10,482**	7,686
Second interim dividend		**10,482**	7,686
Dividends paid in relation to the period	(b)	**20,964**	15,372
Dividend cover	**= (a/b)**	**65%**	79%

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. The Group did not have any vacant properties during the periods and therefore separate measures excluding direct vacancy costs are not presented. Consistent with the Group specific adjusted EPRA earnings detailed in note 6 to the Condensed 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.

		Period ended 31 December 2021 £'000	Period ended 31 December 2020 £'000
Investment management fee		**3,553**	2,821
Credit loss allowance and bad debts written off		**1,073**	1,940
Other expenses		**1,558**	1,230
EPRA costs	(a)	**6,184**	5,991
Specific cost adjustments, if applicable		**–**	–
Group specific adjusted EPRA costs	(b)	**6,184**	5,991
Gross rental income per IFRS	(c)	**26,510**	24,868
Adjusted for rental income arising from recognising guaranteed rent review uplifts and lease incentives		**(4,515)**	(4,554)
Adjusted for development interest under forward fund arrangements		**335**	212
Group specific adjusted gross rental income	(d)	**22,330**	20,526
EPRA Cost Ratio (including direct vacancy costs)	**= (a/c)**	**23.3%**	24.1%
EPRA Group specific adjusted Cost Ratio (including direct vacancy costs)	**= (b/d)**	**27.7%**	29.2%

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).

		31 December 2021 £'000	30 June 2021 £'000
Annualised passing rental income based on cash rents	(a)	**51,069**	40,763
Notional rent expiration of rent-free periods or other lease incentives		**2,358**	450
Topped-up net annualised rent	(b)	**53,427**	41,213
Standing assets including properties held for sale (see pages 15 and 17)		**857,644**	662,495
Allowance for estimated purchasers' costs		**57,875**	44,696
Grossed-up completed property portfolio valuation	(c)	**915,519**	707,191
EPRA Net Initial Yield	**= (a/c)**	**5.58%**	5.76%
EPRA Topped-up Net Initial Yield	**= (b/c)**	**5.84%**	5.83%

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.

		Period ended 31 December 2021			Period ended 31 December 2020		
		EPRA NTA (pence)	IFRS NAV (pence)	Share price (pence)	EPRA NTA (pence)	IFRS NAV (pence)	Share price (pence)
Value at start of period	(a)	**110.4**	**110.5**	**115.4**	108.1	108.0	110.0
Value at end of period	(b)	**110.8**	**110.9**	**118.0**	108.2	108.1	114.0
Change in value during the period **(b-a)**	(c)	**0.4**	**0.4**	**2.6**	0.1	0.1	4.0
Dividends paid	(d)	**3.4**	**3.4**	**3.4**	3.4	3.4	3.4
Additional impact of dividend reinvestment	(e)	**(0.1)**	**–**	**–**	–	–	0.1
Total gain in period (c+d+e)	(f)	**3.7**	**3.8**	**6.0**	3.5	3.5	7.5
Total return for the period	**= (f/a)**	**3.4%**	**3.5%**	**5.2%**	3.3%	3.3%	6.8%

Corporate Information

Directors	Malcolm Naish (Chairman) Gordon Coull* Alison Fyfe Vince Niblett** Dr Amanda Thompsell
Registered office	Level 13 Broadgate Tower 20 Primrose Street London EC2A 2EW
AIFM and Investment Manager, Company Secretary and Administrator	Target Fund Managers Limited 1st Floor Glendevon House Castle Business Park Stirling FK9 4TZ
UK Legal Adviser	Dickson Minto W.S. Broadgate Tower 20 Primrose Street London EC2A 2EW
Broker	Stifel Nicolaus Europe Limited 150 Cheapside London EC2V 6ET
Valuers	Colliers International Healthcare Property Consultants Limited 50 George Street London W1U 7GA
Auditors	Ernst & Young LLP Atria One 144 Morrison Street Edinburgh EH3 8EX
Tax Adviser	Deloitte LLP Athene Place 66 Shoe Lane London EC4A 3BQ
Depositary	IQ EQ Depositary Company (UK) Limited Two London Bridge London SE1 9RA
Registrars	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE

* Senior Independent Director
** Chairman of Audit Committee

carbon footprint™
www.carbonfootprint.com
Target Healthcare REIT
A company committed to carbon offsetting

FSC www.fsc.org
MIX
Paper from responsible sources
FSC® C023105

The outer cover of this report has been laminated with a biodegradable film. Around 20 months after composting, an additive within the film will initiate the process of oxidation.

Target Healthcare REIT

www.targethealthcarereit.co.uk

Designed and produced by emperor
Visit us at emperor.works