Investing in care. Delivering returns.

Target Healthcare REIT plc
Interim Report and Financial Statements 2024

ABOUT US

Responsible investment with a clear purpose – delivering returns and improving UK care home real estate.

Key financial metrics for the period to, or as at, 31 December 2024

EPRA NTA per share (pence)[1]
112.7 +1.8%

Total accounting return (per cent)[2]
4.5%

Adjusted EPRA earnings per share (pence)[1]
3.13 +2.6%

Dividend per share (pence)
2.94 +3.0%

Dividend cover (per cent)[3]
107%

IFRS profit (£ million)
30.0 -2.6%

1 Alternative performance measure. See note 6 to the condensed consolidated financial statements for details.
2 Based on EPRA NTA movement and dividends paid, see the alternative performance measures on page 25.
3 Alternative performance measure. See page 24 for details.

In this report...

Portfolio at 31 December 2024

HIGH QUALITY REAL ESTATE

94
homes

Portfolio

£925m
market value

£61m
contracted rent

99%
En suite wet-rooms

DIVERSIFIED INCOME

34
tenants

Fee sources[1]

78%
private

22%
public

6,397
Beds[3]

LONG-TERM FOCUS

26.1 years
Weighted Average Unexpired Lease Term

Upwards only rent reviews[2]

99%
inflation-linked

1%
fixed/other

22.7%
Net loan-to-value

European Public Real Estate Association ('EPRA') Summary[4]

	At 31 Dec 24	At 30 June 24
EPRA NTA per share (pence)	112.7	110.7
EPRA NDV per share (pence)	118.0	115.9
EPRA 'topped-up' Net Initial Yield (per cent)	6.20	6.20
EPRA Net Initial Yield (per cent)	6.07	6.05

	Six months to 31 Dec 24	Six months to 31 Dec 23
Adjusted EPRA EPS (pence)	3.13	3.05
EPRA EPS (pence)	3.94	3.78
Adjusted EPRA Cost Ratio (per cent)	18.7	18.5
EPRA Cost Ratio (per cent)	16.1	16.0

1 Consists of 52% purely privately-paid fees and 26% 'top-ups' funded by a mix of publicly and privately-paid fees. All fee source figures are estimated based on information provided by tenants over the previous twelve months.
2 Lease agreements which allow for regular increases in the contracted rental level in line with inflation, within a cap and a collar.
3 At 31 December 2024. A further 60 beds will be added to the portfolio upon completion of the remaining development site.
4 See note 6 to the condensed consolidated financial statements and the alternative performance measures on pages 24 and 25 for further details.

KEY PERFORMANCE INDICATORS AND CORPORATE ACTIVITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2024

Highlights

- Principled investment exclusively in well-designed, purpose-built care homes
- Supportive demographics underpinning demand for modern real estate
- Resilient capital values from the diversified portfolio, with robust rent collection and underlying tenant performance providing stable rent covers
- £150m long-term facilities at low fixed-rate; refinance of shorter-term bank facilities well progressed at attractive terms minimising the impact of the higher-rate environment

Strategic pillars | **Activity & Key Performance Indicators (KPIs) for the period**

1. Build high-quality portfolio

Acquire high quality real estate via a mix of new developments, recently completed builds.

- Portfolio valuation increase of 1.8% by market value
  - Like-for-like movement of +1.1%, being +1.3% from inflation-linked rental uplifts and the unwind of rent-free periods offset by -0.2% due to outward yield movements and other asset management activities
  - Increase of 0.7% due to capital expenditure
- Contractual rent increase of £1.8 million (3.0%), including +1.7% from the development completion and rentalisation of other capital expenditure
- Wet-rooms 99% of portfolio, relative to national average of just 34%
- Diversified portfolio with 34 tenants across 94 properties

2. Trusted landlord

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

- Total Accounting Return[1] of +4.5% (2023: +4.9%)
- Portfolio total return on standing assets of +4.5% (2023: +4.7%)
- Like-for-like movement
  - Contractual rent +1.3%
  - Market valuation +1.1%
- Rent collection of 98%
- Mature home resident spot occupancy of 86%
- Mature home rent cover of 1.9 times

3. Deliver returns

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

- Earnings per share[2]: adjusted EPRA EPS 3.13 pence, EPRA EPS 3.94 pence
- Dividends declared of 2.942 pence per share in respect of the period (2023: 2.856 pence), an increase of 3.0%
- Cost control[3]: EPRA cost ratio 16.1%
- Dividend cover[3]
  - 107% on adjusted EPRA earnings
  - 134% on EPRA earnings
- Financial strength: Average cost of drawn debt 3.95%, average term to maturity 4.7 years, net LTV 22.7%, with interest rates hedged on 93% of drawn debt until expiry

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.

- EPC ratings: 100% A or B rated, and therefore the entire portfolio is already currently compliant with the minimum energy efficiency standards anticipated to apply from 2030
- Selective development investment supporting high standard new-build care homes, with one home reaching practical completion during the period and one being funded at the period end
- Facilitated the installation of photovoltaic ("PV") panels at a further five homes, bringing the total in the portfolio to 11%
- Completion of retrofit programme to add the final four wet-rooms at one home, bringing it to the higher standard we expect by ensuring all 60 beds at the home have en suite wet-rooms
- Homes provide generous space at an average of 48m^2 per resident compared with listed peer average of 40m^2

Unless otherwise stated in the above table, references to 2023 mean the comparative six month period to 31 December 2023 and references to 2024 mean 30 June 2024, 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 to the condensed consolidated financial statements.
3 See alternative performance measures on page 24.

Investing in care. Delivering returns.

Dear Shareholder,

Target Healthcare REIT plc has continued to deliver both consistent property and financial performance, which is a testament to the quality of our business model, portfolio, and management team. We have a secure, long-duration income stream which provides compounding growth annually, which is underpinned by a portfolio containing some of the highest quality real estate in the care home sector. The modernity of the portfolio is evidenced by having one of the strongest EPC ratings[1] of any UK listed real estate company.

More widely, the share prices of other real estate companies outside the care home sector remained anchored by the interest rate environment and economic uncertainty, with the read-across from each of these being poorer occupier trading and resulting concerns on rental and valuation growth. There are, of course, real macro factors driving this, however more positive "micro" factors affecting UK care homes are proving to be influential and leave our portfolio well positioned. The dual tailwinds of growing, needs-based demand from an ageing population, and the clear trend to quality in care home real estate[2], are specific to our sector and support our portfolio. Our tenants continue to report healthy demand for care home places with the quality of the underlying real estate supporting resident fee levels that allow our tenants to manage their inflationary cost pressures.

1. Results summary

The portfolio has once again outperformed the MSCI UK Annual Healthcare Property Index, with calendar year total return at the property level of **10.8%** relative to the index's **5.4%**, ranking the portfolio in the top quartile and maintaining its record of outperforming the Index in every year since our IPO. The portfolio return, when combined with the Group's efficient property management model and stable valuations, translates to a Total Accounting Return for the six months to 31 December 2024 of +4.5%. Adjusted EPRA Earnings per share has increased by 2.6% to 3.13 pence per share and EPRA NTA increased by 1.8% to 112.7 pence per share. We have increased the dividend by 3.0% to an annualised 5.884 pence per share. This is comfortably covered by earnings for the period at 107% based on adjusted EPRA earnings, which is similar to a cash basis, and 134% when applying the more-widely used EPRA earnings metric.

EPRA NTA per share movement

+1.8%

Dividend cover

107%

2. Reflections

We, of course, acknowledge that our share price drives the day-to-day returns to our shareholders. Along with income-producing real estate companies more generally, our share price has been closely correlated with movements in interest rates and our discount to NTA therefore remains persistent as interest rates remain elevated. The sentiment towards real estate generally remains bearish given the economic outlook, though with positive sectoral demographics, consistently strong property performance and RPI-linked contractual rental growth, we remain well positioned for the future.

In our annual report of September 2024, I provided our response to a number of questions which were being posed to those running listed property companies. It feels appropriate to revisit how we are addressing these.

How we deliver earnings growth

Our model provides guaranteed rental growth and an efficient property model with respect to operating costs. We have embedded rental uplifts linked to inflation and achieved like-for-like rental growth of 1.3% in the period, with our key cost ratios demonstrating operational efficiency – our long-term Ongoing Charges Ratio has remained consistent since launch at c.1.5% and our current EPRA Cost Ratio (based on rental income) is 16.1%. The powerful compounding effect of guaranteed rental growth combined with an efficient cost structure is a key component of our long-term business model.

Stability of valuations

There remains a fundamental depth of demand for modern, purpose-built, high quality UK care homes. Valuations have remained stable despite the risk-free rate changing and this is backed up by transactional evidence including our own disposals towards the end of the prior year of assets at the lower end of our portfolio's quality spectrum. The demand for our assets and their robust and growing rental streams is likely to mitigate the potential for some outwards yield shift should the risk-free rate remain elevated, providing further valuation stability.

Enviable debt position

At 22.7% net LTV, our debt remains one of the lowest amongst our peers. Our net debt to EBITDA ratio of 4.6 times is a notable indicator of our ability to not only service our debt but also to reduce debt from recurring cashflows should it be required. Headroom levels on covenant compliance remain comfortable.

Minimising the impact on returns of higher interest rate environment

The majority of the Group's drawn debt is long-term and fixed at low rates, with £150 million due to expire between 2032 and 2037. In relation to the Group's remaining debt facilities, which expire in November 2025, indicative refinance terms have been obtained from a number of parties, including each of the incumbent lenders, for a range of facility types and durations. Based on refinancing terms and current market hedging prices, replacing these existing facilities and hedging on a like-for-like five-year basis would provide a weighted average cost on drawn debt of c.4.4%, compared to the current 4.0%, leaving the dividend fully covered. Such discussions are well advanced and we have absolute confidence in the Group's ability to appropriately refinance the expiring loans.

We have been positioning the Group's capital structure and dividend policy since the interest rate environment changed during 2022, and continuing with a prudent approach to gearing would provide helpful flexibility with regard to capital allocation.

Recent focus

The quality of our best-in-class real estate portfolio clearly differentiates us from our listed peers. These quality metrics, our diversified tenant base and underlying private fee bias provide a strong platform for sustainable long-term returns. With growth capital having been constrained recently, our focus has been on improving our portfolio's quality even further. Our disposals programme has targeted the older and less spacious homes enabling the recycling of capital into new build homes and we have continued to enhance those few remaining "stragglers" without 100% en suite wet-rooms. We improved our EPC ratings to 100% A or B, invested in environmental efficiencies such as PV panels and thermal insulation and improved our GRESB score to 71, placing the Group second in its peer group. The Investment Manager has also remained active throughout the period through continual monitoring of the operational and financial performance of our tenants in order to maintain and enhance the quality of our rental income stream, resulting in the completion of one property re-tenanting and the progression of others. More details on our portfolio enhancements and asset management initiatives are provided within the Manager's report on pages 6 and 7.

3. Looking ahead

Our business model provides growing, secure rental income and valuation stability from real estate which is in high demand. We have a 100% occupied, modern real estate portfolio with leading environmental credentials, and inflation-linked annual rental growth. Strong underlying trading at the care home level supports the longevity and consistency of returns, evidenced by our consistent top quartile performance in the MSCI UK Annual Healthcare Property Index and consistent portfolio and total accounting returns.

The modernity of our portfolio, and its strong environmental credentials, will also minimise the future need for returns-depleting remedial capital expenditure.

The six-monthly Total Accounting Return for this reporting period is 4.5%, following the 11.8% for the year to 30 June 2024. We note recently published analyst research[3] concluding that share price total returns correlate with total accounting returns over the longer term and would find it logical that a best-in-class portfolio with strong fundamentals such as ours will provide further evidence to support this correlation over time.

Whilst we remain cognisant of the discount and the heightened level of corporate activity in the market and shareholder activism, we believe that the Group's prospects remain positive. Our current dividend yield of 6.4% and historical earnings yield for the period of 7.5% provide an attractive premium to the risk-free rate. Almost 12 years of track record, inclusive of a global pandemic, associated period of high inflation, and now an extended period towards a normalisation of the cost of capital, provides compelling evidence of our robust rental stream which appears to be very much "investment-grade" in its volatility characteristics.

We know, however, that we need to remain on the front foot. We will continue to consider disposals which will provide capital for us to allocate intelligently to the investment pipeline and other opportunities, carefully balancing the desire to enhance both shareholder returns and the quality of the real estate portfolio to ensure it remains future-proof and significantly differentiated from the sector average and our listed peers.

We continue to believe that our model (REIT, listed, closed-ended, and served by a specialist manager) is an attractive way for investors to place capital in a disciplined and well-founded investment in UK care home real estate.

Alison Fyfe, Chair
13 March 2025

1 100% A & B rated (Scottish homes assessed at England & Wales equivalent).
2 The percentage of UK care home beds with en suite wet-rooms is now 34%, increasing from 14% in 2014 (Carterwood).
3 Source – Panmure Liberum Real Estate – New Themes for a New World, November 2024.

We believe in taking a long-term view

Portfolio performance

The portfolio once again demonstrated its ability to provide attractive returns from assets which are proving their long-term investment grade characteristics. On the income side, for the six months under review, rental collection has remained robust at 98% (2023: 99%), rental growth was 1.3% on a like-for-like basis (2023: 1.9%) and contractual rent has increased by 3.0% to £61 million, with 39 rent reviews completed at an average increase of 3.0%.

Investment demand in an active market supports valuations, with the like-for-like valuation growth for the period of 1.1% (2023: 1.4%) largely driven by the growth in rents as valuation yield volatility remains low for prime care homes. The EPRA topped-up NIY is stable at 6.20%.

The portfolio has continued to outperform the MSCI UK Annual Healthcare Property Index, with a standing assets total return of **10.8%** for the 2024 calendar year compared to the index of **5.4%**.

We are deeply proud to remain a top performer in the MSCI UK Annual Healthcare Property Index for the calendar year 2024, coming fourth of 37 contributors on an all-assets basis. More importantly, this is sustained performance as we rank second over 10 years.

Underlying trading

Our growing rental stream is supported by underlying trading in a sector with significant tailwinds and structural support. Our portfolio of 34 tenants continues to generate sustainable earnings with an average rent cover of 1.9x (2023: 1.9x). Underlying demand for places in our homes remains high at 86% mature occupancy (2023: 86%) with scope for further profitability growth as occupancy trends further towards the 90% long-term average. Our tenants' commercial propositions are largely geared towards privately-funded residents, with fee levels therefore able to be more easily varied in response to inflationary cost increases. The current period, of course, sees National Insurance and National Living Wage increases. This increases tenants' cost bases by a typical 6% – 7% given staffing is the most significant cost for a care home. In response, we are seeing fee increases across the portfolio for private residents of c.8% – 10%, maintaining operating margins and supporting the long-term stability of these care providers.

Real estate quality

We continue to manage the portfolio to ensure it is comfortably best-in-class in listed care home real estate. Disposals of bottom quartile assets and investment in developments has been a part of this, as well as capital expenditure where required, usually as envisaged in the initial investment underwrite.

- 100% EPCs A-B (+30 ppts from listed peer average)
- 99% en suite wet-rooms (+63 ppts from listed peer average)
- Spacious 48 m^2 per resident on average (+19% from listed peer average)
- 84% of homes younger than 2010 build date (+67 ppts from listed peer average)
- All let on long leases (WAULT 26.1 years) with upwards-only rent reviews.

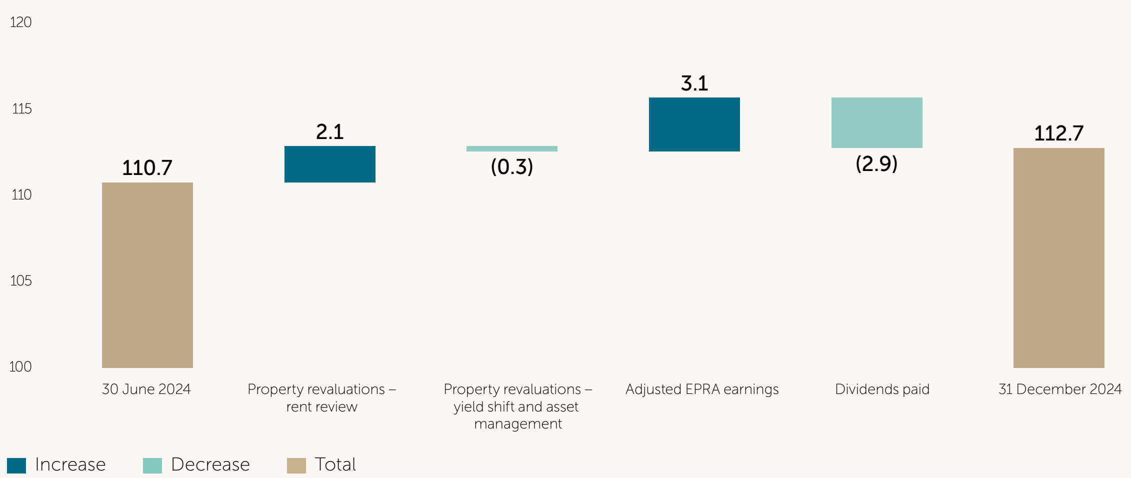
Based on these important metrics, the portfolio is significantly differentiated from those of its listed peers, therefore benefitting from the sector's trend towards quality, and compares well to wider commercial real estate with respect to returns and longevity.

Asset management

Portfolio and investment capital expenditure, including developments, ESG-improvements such as the installation of en suite wet-rooms and PV panels and re-tenanting initiatives, has increased contractual rent by £1.0 million, and we will continue to consider all opportunities as and when they arise. Notable initiatives and challenges in the period include:

- One of the Group's two development sites reached practical completion and was leased on pre-agreed terms to an existing tenant of the Group adding £0.9 million to the Group's contractual rent;

EPRA NTA PER SHARE (PENCE)



Strong underlying portfolio performance underpinning sustainable rental income, with rent cover from mature homes of 1.9 times

- A home was re-tenanted resulting in a tenant who had taken the strategic decision to exit the elderly care sector being replaced by a new tenant to the Group with an experienced management team. The contracted rent from the property remained unchanged, with the rent free period granted to the incoming tenant being partially funded by the outgoing tenant, an increase in the minimum annual rental uplift and an improvement in the property's valuation yield;
- Action was taken in relation to a non-paying tenant of a single home in the South West amounting to 1.5% of rent roll. Having already commenced discussions with strong alternative tenants, and with others having noted interest subsequently, we remain confident in the prospects for the home, and anticipate a satisfactory resolution of the situation with minimal impact on returns; and
- The following initiatives were completed with capital expenditure rentalised at yields ahead of the portfolio topped-up EPRA NIY:
  - Facilitated the installation of PV panels at five homes;
  - Refurbished one of the Group's homes in the North West;
  - Converted the final four rooms to provide full en suite wet-room facilities at one of the Group's homes in North Yorkshire as part of ongoing asset enhancements; and
  - Paid a performance payment of £1.0 million to a tenant where contracted performance conditions set at the time of entering into the initial lease had been met.

Investment market

The UK care home investment market saw record activity in Q4 2024 with transaction volumes of c. £1.3 billion (Source: Cushman & Wakefield). Whilst US REITs dominated transactions, there were a broad range of market participants. These volume levels provide ample evidence to support property valuations.

Health and social care update

Social care reform

After initial speculation of a Royal Commission on Social Care last year the Government subsequently announced that Baroness Louise Casey would chair an independent commission which would identify the key issues facing the sector and recommend changes. However, some voices in the sector expressed concern that a final report would not be expected until 2028.

The sector continues to see itself as part of the answer to reduce delayed discharge and avoid unnecessary hospital admissions, but sector commentators note the lack of wider Government policy to work with operators, who have also experienced some (unwarranted in their view) criticism of being uncooperative.

Budget

In tandem with other sectors, social care leaders were caught off guard with the announcement of the changes to employers' national insurance contributions in the autumn Budget, with many organisations, including the not-for-profit sector, expressing disappointment at the extra costs, coupled with the rising minimum wage, with no parallel announcement on support for the sector. These rises are particularly significant for those who operate primarily on public funding. It may be less so for those who have a higher proportion of private fee payers. The sector expects an average fee increase of 8%+ to be required to cover costs.

Funding

The Government subsequently announced a generally welcomed local government finance settlement for 2025/26, making available up to £3.7 billion in "additional funding" for adult social care, although sector commentators argue the allocations only show an increase of £880 million compared to the current year. Further detail is awaited, and, of course, the sector highlights the difficulty in ring fencing those funds.

Council tax rises specifically with adult social care costs in mind have been a feature of the past few years and 2025/26 is likely to be no exception, with many councils opting to take the 2% social care precept allowance bringing their requests to the maximum 4.99% limit. Six English councils have been given specific permission to approach double digit rises, and around thirty have been thrown a lifeline to borrow from a £1.5 billion pot to avoid bankruptcy. Much of this financial stress is linked to the soaring demand for social care.

Care Regulator (CQC in England)

The CQC remained in the headlines over the autumn and winter after a turbulent period during which Dr Penny Dash concluded her review into the Regulatory body and issued a report, noting that the organisation had "lost its credibility". After a period under interim oversight, Sir Julian Hartley took over as CEO, Sir Mike Richards has been named as the Government's preferred candidate for Chair and Professor Adrian Fowler has been appointed Interim Chief Inspector. Sir Julian has added his observation that the organisation had "lost its way", not least with its IT system being "not fit for purpose". An alliance within the sector has offered their own suggestions for detailed change.

Staffing

Staffing is perhaps less of a concern than in recent years, with many of the Group's tenants reporting stable team numbers. The wider sector is less optimistic, with concerns regarding the reissue of overseas licenses once current visas have run their course. Reapplications will, of course, exclude the previously allowed dependants' ability to accompany the worker, and reapplications taking place have seen a significant downturn in number, with some believing the dependant issue may be at least part of that equation.

Target Fund Managers Limited
13 March 2025

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2024

		Six months ended 31 December 2024 (unaudited)			Six months ended 31 December 2023 (unaudited)		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Revenue							
Rental income		**29,770**	**5,487**	**35,257**	28,588	5,463	34,051
Other income		**7**	**–**	**7**	5	–	5
Total revenue		**29,777**	**5,487**	**35,264**	28,593	5,463	34,056
Gain on investment properties	8	**–**	**5,908**	**5,908**	–	7,745	7,745
Total income		**29,777**	**11,395**	**41,172**	28,593	13,208	41,801
Expenditure							
Investment management fee	2	**(3,909)**	**–**	**(3,909)**	(3,679)	–	(3,679)
Credit loss allowance and bad debts	3	**(180)**	**–**	**(180)**	(306)	–	(306)
Other expenses	3	**(1,581)**	**–**	**(1,581)**	(1,474)	–	(1,474)
Total expenditure		**(5,670)**	**–**	**(5,670)**	(5,459)	–	(5,459)
Profit before finance costs and taxation		**24,107**	**11,395**	**35,502**	23,134	13,208	36,342
Net finance costs							
Interest income		**225**	**–**	**225**	33	–	33
Finance costs	4	**(5,362)**	**(403)**	**(5,765)**	(5,212)	(402)	(5,614)
Net finance costs		**(5,137)**	**(403)**	**(5,540)**	(5,179)	(402)	(5,581)
Profit before taxation		**18,970**	**10,992**	**29,962**	17,955	12,806	30,761
Taxation	5	**–**	**–**	**–**	–	–	–
Profit for the period		**18,970**	**10,992**	**29,962**	17,955	12,806	30,761
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		**–**	**(796)**	**(796)**	–	(2,975)	(2,975)
Total comprehensive income for the period		**18,970**	**10,196**	**29,166**	17,955	9,831	27,786
Earnings per share (pence)	6	**3.06**	**1.77**	**4.83**	2.90	2.06	4.96

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 2024

	Notes	As at 31 December 2024 (unaudited) £'000	As at 30 June 2024 (audited) £'000
Non-current assets			
Investment properties	8	**841,325**	831,573
Trade and other receivables	9	**96,019**	88,426
Interest rate derivatives	12	**–**	2,820
		937,344	922,819
Current assets			
Trade and other receivables	9	**3,439**	5,667
Interest rate derivatives	12	**1,621**	–
Cash and cash equivalents	11	**37,918**	38,884
		42,978	44,551
Total assets		**980,322**	967,370
Non-current liabilities			
Loans	12	**(148,341)**	(240,672)
Trade and other payables	13	**(12,126)**	(9,893)
		(160,467)	(250,565)
Current liabilities			
Loans	12	**(97,643)**	–
Trade and other payables	13	**(21,734)**	(27,512)
		(119,377)	(27,512)
Total liabilities		**(279,844)**	(278,077)
Net assets		**700,478**	689,293
Share capital and reserves			
Share capital	14	**6,202**	6,202
Share premium		**256,633**	256,633
Merger reserve		**47,751**	47,751
Distributable reserve		**170,347**	170,347
Hedging reserve		**945**	1,741
Capital reserve		**88,660**	77,668
Revenue reserve		**129,940**	128,951
Equity shareholders' funds		**700,478**	689,293
Net asset value per ordinary share (pence)	6	**112.9**	111.1

The condensed consolidated financial statements on pages 8 to 20 were approved by the Board of Directors on 13 March 2025 and were signed on its behalf by:

Alison Fyfe
Chair

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 2024 (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 2024		**6,202**	**256,633**	**47,751**	**170,347**	**1,741**	**77,668**	**128,951**	**689,293**
Profit for the period		**–**	**–**	**–**	**–**	**–**	**10,992**	**18,970**	**29,962**
Other comprehensive income		**–**	**–**	**–**	**–**	**(796)**	**–**	**–**	**(796)**
Total comprehensive income		**–**	**–**	**–**	**–**	**(796)**	**10,992**	**18,970**	**29,166**
Transactions with owners recognised in equity:									
Dividends paid	7	**–**	**–**	**–**	**–**	**–**	**–**	**(17,981)**	**(17,981)**
As at 31 December 2024		**6,202**	**256,633**	**47,751**	**170,347**	**945**	**88,660**	**129,940**	**700,478**

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023 (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 2023		6,202	256,633	47,751	187,887	5,026	40,914	110,395	654,808
Profit for the period		–	–	–	–	–	12,806	17,955	30,761
Other comprehensive income		–	–	–	–	(2,975)	–	–	(2,975)
Total comprehensive income		–	–	–	–	(2,975)	12,806	17,955	27,786
Transactions with owners recognised in equity:									
Dividends paid	7	–	–	–	(17,540)	–	–	–	(17,540)
As at 31 December 2023		6,202	256,633	47,751	170,347	2,051	53,720	128,350	665,054

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2024

	Notes	Six months ended 31 December 2024 (unaudited) £'000	Six months ended 31 December 2023 (unaudited) £'000
Cash flows from operating activities			
Profit before tax		**29,962**	30,761
Adjustments for:			
Interest income		**(225)**	(33)
Finance costs		**5,765**	5,614
Revaluation gains on investment properties and movements in lease incentives, net of acquisition costs written off		**(11,395)**	(13,208)
Decrease in trade and other receivables		**1,832**	3,697
Increase in trade and other payables		**676**	506
		26,615	27,337
Interest paid		**(5,049)**	(4,598)
Interest received		**225**	33
		(4,824)	(4,565)
Net cash inflow from operating activities		**21,791**	22,772
Cash flows from investing activities			
Purchase of investment properties, including acquisition costs		**(9,805)**	(25,477)
Net cash outflow from investing activities		**(9,805)**	(25,477)
Cash flows from financing activities			
Drawdown of bank loan facilities	12	**10,000**	22,500
Repayment of bank loan facilities	12	**(5,000)**	–
Dividends paid		**(17,952)**	(17,530)
Net cash (outflow)/inflow from financing activities		**(12,952)**	4,970
Net (decrease)/increase in cash and cash equivalents		**(966)**	2,265
Opening cash and cash equivalents		**38,884**	15,366
Closing cash and cash equivalents	11	**37,918**	17,631
Transactions which do not require the use of cash			
Movement in fixed or guaranteed rent reviews and lease incentives		**5,368**	6,012

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

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with UK-adopted 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 2024.

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 2024, which were prepared under full UK-adopted 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. 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 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; and
- The Group remains within its loan covenants, with a weighted average term to maturity of 4.7 years at 31 December 2024 and an earliest repayment date of November 2025. Discussions with existing and potential lenders do not raise any concerns over the Group's ability to re-finance the proportion of its debt facilities due to expire in November 2025 on appropriate terms in due course.

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 2024 £'000	For the six month period ended 31 December 2023 £'000
Investment management fee	**3,909**	3,679

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 2024 £'000	For the six month period ended 31 December 2023 £'000
Total movement in credit loss allowance	**180**	306
Credit loss allowance charge	**180**	306
Valuation and other professional fees	**969**	835
Secretarial and administration fees	**109**	116
Directors' fees	**114**	114
Other	**389**	409
Total other expenses	**1,581**	1,474

4. Finance costs

	For the six month period ended 31 December 2024 £'000	For the six month period ended 31 December 2023 £'000
Interest paid on loans	**5,050**	4,900
Amortisation of loan costs	**312**	312
Finance and transaction costs relating to the interest rate cap	**403**	402
Total	**5,765**	5,614

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 2024		For the six month period ended 31 December 2023	
	£'000	Pence per share	£'000	Pence per share
Revenue earnings	**18,970**	**3.06**	17,955	2.90
Capital earnings	**10,992**	**1.77**	12,806	2.06
Total earnings	**29,962**	**4.83**	30,761	4.96
Average number of shares in issue		**620,237,346**		620,237,346

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 calculated by making prescribed adjustments specifically defined by EPRA, being an adjustment for the revaluation movements on investment properties and other items of a capital nature. EPRA considers this to be a measure of operational performance and representative of the net income generated from the Group's operational activities.

The Group's specific adjusted EPRA earnings also includes any additional adjustments considered by an individual company to be required to arrive at an underlying performance measure appropriate for their specific business model. In the case of the Group, this adjusts the EPRA earnings downwards for rental income arising from recognising guaranteed rental review uplifts and upwards 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 2024 £'000	For the six month period ended 31 December 2023 £'000
Earnings per IFRS Consolidated Statement of Comprehensive Income	**29,962**	30,761
Adjusted for gain on investment properties	**(5,908)**	(7,745)
Adjusted for finance and transaction costs on the interest rate cap and other capital items	**403**	402
EPRA earnings	**24,457**	23,418
Adjusted for rental income arising from recognising guaranteed rent review uplifts	**(5,487)**	(5,463)
Adjusted for development interest under forward fund agreements	**469**	964
Group specific adjusted EPRA earnings	**19,439**	18,919
Earnings per share ('EPS') (pence per share)		
EPS per IFRS Consolidated Statement of Comprehensive Income	**4.83**	4.96
EPRA EPS	**3.94**	3.78
Group specific adjusted EPRA EPS	**3.13**	3.05

Earnings for the period ended 31 December 2024 should not be taken as a guide to the results for the year to 30 June 2025.

Net Asset Value per share

The Group's net asset value per ordinary share of 112.9 pence (30 June 2024: 111.1 pence) is based on equity shareholders' funds of £700,478,000 (30 June 2024: £689,293,000) and on 620,237,346 (30 June 2024: 620,237,346) 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.

	As at 31 December 2024			As at 30 June 2024		
	EPRA NRV £'000	EPRA NTA £'000	EPRA NDV £'000	EPRA NRV £'000	EPRA NTA £'000	EPRA NDV £'000
IFRS NAV per financial statements	**700,478**	**700,478**	**700,478**	689,293	689,293	689,293
Fair value of interest rate derivatives	**(1,621)**	**(1,621)**	**–**	(2,820)	(2,820)	–
Fair value of loans	**–**	**–**	**31,661**	–	–	29,780
Estimated purchasers' costs	**61,844**	**–**	**–**	60,026	–	–
EPRA net assets	**760,701**	**698,857**	**732,139**	746,499	686,473	719,073
EPRA net assets (pence per share)	**122.6**	**112.7**	**118.0**	120.4	110.7	115.9

7. Dividends

Dividends paid as distributions to equity shareholders during the period.

	For the six month period ended 31 December 2024		For the six month period ended 31 December 2023	
	Pence	£'000	Pence	£'000
Fourth interim dividend for prior year	**1.428**	**8,857**	1.400	8,683
First interim dividend	**1.471**	**9,124**	1.428	8,857
Total	**2.899**	**17,981**	2.828	17,540

A second interim dividend for the year to 30 June 2025, of 1.471 pence per share, was paid on 28 February 2025 to shareholders on the register on 14 February 2025.

8. Investment properties

Freehold and leasehold properties	As at 31 December 2024 £'000
Opening market value	**908,530**
Opening fixed or guaranteed rent reviews	**(68,856)**
Opening lease incentives	**(10,011)**
Opening performance payments	**1,910**
Opening carrying value	**831,573**
Purchases and capital expenditure	**4,839**
Acquisition costs capitalised	**5**
Acquisition costs written off	**(5)**
Revaluation movement – gains	**13,561**
Revaluation movement – losses	**(2,280)**
Movement in market value	**16,120**
Movement in fixed or guaranteed rent reviews	**(5,487)**
Movement in lease incentives	**119**
Movement in performance payments	**(1,000)**
Movement in carrying value	**9,752**
Closing market value	**924,650**
Closing fixed or guaranteed rent reviews	**(74,343)**
Closing lease incentives	**(9,892)**
Closing performance payments	**910**
Closing carrying value	**841,325**

The investment properties can be analysed as follows:

	As at 31 December 2024 £'000	As at 30 June 2024 £'000
Standing assets	**916,020**	889,255
Developments under forward fund agreements	**8,630**	19,275
Closing market value	**924,650**	908,530

8. Investment properties continued

Changes in the valuation of investment properties

	For the six month period ended 31 December 2024 £'000	For the six month period ended 31 December 2023 £'000
Revaluation movement	**11,281**	14,038
Acquisition costs written off	**(5)**	(281)
Movement in lease incentives	**119**	(549)
Movement in fixed or guaranteed rent reviews	**(5,487)**	(5,463)
Gain on revaluation of investment properties	**5,908**	7,745

At 31 December 2024, the investment properties were valued at £924,650,000 (30 June 2024: £908,530,000) by CBRE Limited ('CBRE'), in their capacity as external valuers. The valuation was undertaken in accordance with the latest version of the Royal Institution of Chartered Surveyors ('RICS') Valuation – Global Standards, incorporating the International Valuation Standards, and the UK national supplement ('the Red Book'). The valuation was prepared on the basis of Fair Value as defined in IFRS 13 which is effectively the same as Market Value. Market Value represents the estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

The fair value of the properties after adjusting for the movement in the fixed or guaranteed rent reviews, lease incentives and performance payments was £841,325,000 (30 June 2024: £831,573,000). The adjustment consisted of £74,343,000 (30 June 2024: £68,856,000) relating to fixed or guaranteed rent reviews and £9,892,000 (30 June 2024: £10,011,000) 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 9). 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' of £910,000 (30 June 2024: £1,910,000) are paid and the passing rent at the relevant property increased accordingly (see notes 13 and 16).

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 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 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 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 net initial yield, is 6.2 per cent. The yield on the majority of the individual assets ranges from 5.5 per cent to 9.8 per cent (30 June 2024: 5.5 per cent to 8.9 per cent). The average annual contracted rent per bed is £9,474 (30 June 2024: £9,292) with the annual contracted rent per bed on individual assets ranging between £5,093 and £21,033 (30 June 2024: between £4,919 and £20,481). There have been no changes to the valuation technique used through the period, nor have there been any transfers between levels.

8. Investment properties continued

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 £9,247,000 (30 June 2024: £9,085,000); 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 net initial yield applied to the property portfolio will increase the fair value of the portfolio by £38,630,000 (30 June 2024: £37,901,000), 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 £35,651,000 (30 June 2024: £34,982,000) and reduce the Group's income.

9. Trade and other receivables

Non-current trade and other receivables	As at 31 December 2024 £'000	As at 30 June 2024 £'000
Fixed rent reviews	**74,343**	68,856
Rental deposits held in escrow for tenants	**12,126**	9,893
Lease incentives	**9,550**	9,677
Total	**96,019**	88,426

Current trade and other receivables	As at 31 December 2024 £'000	As at 30 June 2024 £'000
Lease incentives	**342**	334
VAT recoverable	**161**	1,624
Accrued income – net rent receivable	**1,290**	890
Accrued development interest under forward fund agreements	**553**	1,076
Other debtors and prepayments	**1,093**	1,743
Total	**3,439**	5,667

10. Investment in subsidiary undertakings

The Group included 49 subsidiary companies as at 31 December 2024. 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 which is 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.

11. Cash and cash equivalents

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

	As at 31 December 2024 £'000	As at 30 June 2024 £'000
Cash at bank and in hand	**13,151**	15,813
Short-term deposits	**24,767**	23,071
Total	**37,918**	38,884

The cash on deposit at 31 December 2024 included £23,208,000 (30 June 2024: £22,989,000) 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 each of 30 June 2024 and 31 December 2024, the Group had sufficient unencumbered assets which could be pledged as additional security in order to release these funds.

12. Loans

Non-current loans	As at 31 December 2024 £'000	As at 30 June 2024 £'000
Principal amounts outstanding	**150,000**	243,000
Set-up costs	**(2,413)**	(4,520)
Amortisation of set-up costs	**754**	2,192
Total	**148,341**	240,672

Current loans	As at 31 December 2024 £'000	As at 30 June 2024 £'000
Principal amounts outstanding	**98,000**	–
Set-up costs	**(2,107)**	–
Amortisation of set-up costs	**1,750**	–
Total	**97,643**	–

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 31 December 2024, the Group had drawn £48,000,000 under this facility (30 June 2024: £43,000,000).

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 31 December 2024, the Group had drawn £50,000,000 under this facility (30 June 2024: £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 31 December 2024, the Group had drawn £150,000,000 under these facilities (30 June 2024: £150,000,000).

The following interest rate derivatives were in place during the period ended 31 December 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 31 December 2024, inclusive of the interest rate derivatives, the interest rate on £230,000,000 of the Group's borrowings had been capped, including the amortisation of loan arrangement costs, at an all-in rate of 3.70 per cent per annum until at least November 2025. The remaining £90,000,000 of debt, of which £18,000,000 was drawn at 31 December 2024, 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 2.46 per cent per annum.

The aggregate fair value of the interest rate derivatives at 31 December 2024 was an asset of £1,621,000 (30 June 2024: asset of £2,820,000). The Group categorises all interest rate derivatives as level 2 in the fair value hierarchy (see note 8).

At 31 December 2024, the nominal value of the Group's loans equated to £248,000,000 (30 June 2024: £243,000,000). 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 treasuries plus an estimated margin based on market conditions at 31 December 2024, totalled, in aggregate, £216,339,000 (30 June 2024: £213,220,000). 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 £228,889,000 (30 June 2024: £226,721,000). 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 £752,515,000 as at 31 December 2024 (30 June 2024: £743,265,000).

12. Loans continued

Under the financial 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 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.

All loan covenants have been complied with during the period.

13. Trade and other payables

Non-current trade and other payables	As at 31 December 2024 £'000	As at 30 June 2024 £'000
Rental deposits	**12,126**	9,893
Total	**12,126**	9,893

Current trade and other payables	As at 31 December 2024 £'000	As at 30 June 2024 £'000
Rental income received in advance	**11,071**	10,146
Property acquisition and development costs accrued	**3,306**	8,790
Interest payable	**2,276**	2,275
Investment Manager's fees payable	**1,957**	1,927
Performance payments	**910**	1,910
Other payables	**2,214**	2,464
Total	**21,734**	27,512

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 2024 and 31 December 2024	**620,237,346**	**6,202**

During the period to 31 December 2024, the Company did not issue any ordinary shares of £0.01 each (period to 31 December 2023: nil). The Company did not buyback or resell any ordinary shares (period to 31 December 2023: nil).

At 31 December 2024, the Company did not hold any shares in treasury (30 June 2024: nil).

15. Commitments

The Group had capital commitments as follows:

	As at 31 December 2024 £'000	As at 30 June 2024 £'000
Amounts due to complete forward fund developments	**1,112**	4,723
Other capital expenditure commitments	**938**	394
Total	**2,050**	5,117

16. Contingent assets and liabilities

As at 31 December 2024, two (30 June 2024: three) 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 £2,695,000 (30 June 2024: £3,695,000) 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 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 have been met in relation to one (30 June 2024: two) of these properties and therefore at 31 December 2024 an amount of £910,000 (30 June 2024: £1,910,000) has been recognised as a liability (see note 13). An equal but opposite amount has been recognised as an asset in 'investment properties' in note 8 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. A performance payment of £1,000,000 was paid and rentalised during the six months ended 31 December 2024.

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 2023: £114,000) of which £nil (31 December 2023: £nil) remained payable at the period end.

The Investment Manager received £3,909,000 (inclusive of estimated irrecoverable VAT) in management fees in relation to the period ended 31 December 2024 (period ended 31 December 2023: £3,679,000). Of this amount £1,957,000 remained payable at the period end (31 December 2023: £1,841,000). The Investment Manager received a further £96,000 (inclusive of irrecoverable VAT) during the period ended 31 December 2024 (period ended 31 December 2023: £94,000) in relation to its appointment as Company Secretary and Administrator, of which £48,000 (31 December 2023: £47,000) 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. 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 2024, 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 2024 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 2024 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 2024. Other than as disclosed in the Chair'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 Chair'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

Alison Fyfe
Chair
13 March 2025

Conclusion

We have been engaged by Target Healthcare REIT plc ("the Company") to review the consolidated set of financial statements in the Interim Report and Financial Statements for the six months ended 31 December 2024 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 19 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 consolidated set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the consolidated set of financial statements in the Interim Report and Financial Statements for the six months ended 31 December 2024 are 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) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' (ISRE) issued by the Financial Reporting Council. 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 are prepared in accordance with UK adopted international accounting standards. The consolidated set of 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'.

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

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.

In preparing the Interim Report and Financial Statements, the Directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.

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 consolidated set of financial statements in the Interim Report and Financial Statements. Our conclusion, including our Conclusions Relating to Going Concern, are 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) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council. 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
London
13 March 2025

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, or 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.
Earnings Yield*	The annualised Group specific adjusted EPRA Earnings per Share for the period expressed as a percentage of the share price at the end of the relevant period.
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.
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. Homes which do not meet this definition are referred to as 'immature'.
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.
Total Accounting 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 EPRA NTA. The dividends are assumed to have been reinvested at the prevailing net asset value per share at the date of the dividend payment.
WAULT*	Weighted average unexpired lease term. The average lease term remaining to expiry across the portfolio weighted by contracted rental income.

* Alternative Performance Measure

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 2024 pence	30 June 2024 pence
EPRA Net Tangible Assets per share (see note 6)	(a)	**112.7**	110.7
Share price	(b)	**84.0**	78.5
Discount	**= (b-a)/a**	**(25.5)%**	(29.1)%

Dividend Cover – the percentage by which earnings for the period cover the dividend paid.

		Period ended 31 December 2024 £'000	Period ended 31 December 2023 £'000
EPRA earnings for the period (see note 6)	(a)	**24,457**	23,418
Group-specific adjusted EPRA earnings for the period (see note 6)	(b)	**19,439**	18,919
First interim dividend		**9,124**	8,857
Second interim dividend		**9,124**	8,857
Dividends paid in relation to the period	(c)	**18,248**	17,714
Dividend cover based on EPRA earnings	**= (a/c)**	**134%**	132%
Dividend cover based on Group-specific adjusted EPRA earnings	**= (b/c)**	**107%**	107%

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 2024 £'000	Period ended 31 December 2023 £'000
Investment management fee		**3,909**	3,679
Credit loss allowance and bad debts written off		**180**	306
Other expenses		**1,581**	1,474
EPRA costs (including direct vacancy costs)	(a)	**5,670**	5,459
Specific cost adjustments, if applicable		**–**	–
Group specific adjusted EPRA costs (including direct vacancy costs)	(b)	**5,670**	5,459
Gross rental income per IFRS	(c)	**35,264**	34,056
Adjusted for rental income arising from recognising guaranteed rent review uplifts		**(5,487)**	(5,463)
Adjusted for development interest under forward fund arrangements		**469**	964
Group specific adjusted gross rental income	(d)	**30,246**	29,557
EPRA Cost Ratio (including direct vacancy costs)	**= (a/c)**	**16.1%**	16.0%
EPRA Group specific adjusted Cost Ratio (including direct vacancy costs)	**= (b/d)**	**18.7%**	18.5%

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

		Period ended 31 December 2024 £'000	Period ended 31 December 2023 £'000
Net debt (see page 25)	(a)	**227,809**	252,231
Group-specific adjusted EPRA earnings for the period (see note 6)		**19,439**	18,919
Net finance costs		**5,137**	5,179
EBITDA	(b)	**24,576**	24,098
Net debt to EBITDA ratio	**= a/(b*2)**	**4.6 times**	5.2 times

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.

		31 December 2024 £'000	30 June 2024 £'000
Borrowings		**248,000**	243,000
Net payables		**17,727**	20,269
Cash and cash equivalents		**(37,918)**	(38,884)
Net debt	(a)	**227,809**	224,385
Investment properties at market value		**924,650**	908,530
Total property value	(b)	**924,650**	908,530
EPRA Loan-to-Value	**= (a/b)**	**24.6%**	24.7%

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 2024 £'000	30 June 2024 £'000
Annualised passing rental income based on cash rents	(a)	**59,340**	57,462
Notional rent expiration of rent-free periods or other lease incentives		**1,262**	1,363
Topped-up net annualised rent	(b)	**60,602**	58,825
Standing property assets (see note 8)		**916,020**	889,255
Allowance for estimated purchasers' costs		**61,844**	60,026
Grossed-up completed property portfolio valuation	(c)	**977,864**	949,281
EPRA Net Initial Yield	**= (a/c)**	**6.07%**	6.05%
EPRA Topped-up Net Initial Yield	**= (b/c)**	**6.20%**	6.20%

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 2024			Period ended 31 December 2023		
		EPRA NTA (pence)	IFRS NAV (pence)	Share price (pence)	EPRA NTA (pence)	IFRS NAV (pence)	Share price (pence)
Value at start of period	(a)	**110.7**	**111.1**	**78.5**	104.5	105.6	71.8
Value at end of period	(b)	**112.7**	**112.9**	**84.0**	106.7	107.2	86.3
Change in value during the period **(b-a)**	(c)	**2.0**	**1.8**	**5.5**	2.2	1.6	14.5
Dividends paid	(d)	**2.9**	**2.9**	**2.9**	2.8	2.8	2.8
Additional impact of dividend reinvestment	(e)	**0.1**	**0.1**	**(0.1)**	0.1	0.1	0.2
Total gain in period (c+d+e)	(f)	**5.0**	**4.8**	**8.3**	5.1	4.5	17.5
Total return for the period	**= (f/a)**	**4.5%**	**4.3%**	**10.6%**	4.9%	4.3%	24.4%

CORPORATE INFORMATION

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Registered office	Level 4 Dashwood House 69 Old Broad Street London EC2M 1QS
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Printed on carbon neutral paper from Elliott Baxter & Co Ltd

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