

27 March 2023

**Target Healthcare REIT plc**

**HALF-YEAR RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022**

**Earnings growth and portfolio valuation supported by above carrying value property disposal post period end; with a rebasing of dividend to reflect the interest rate environment**

Target Healthcare REIT plc (the "Company" or the "Group"), the UK listed specialist investor in modern, purpose-built care homes, is pleased to announce its results for the six months ended 31 December 2022.

**Portfolio performance supported by inflation-linked rental uplifts**

- Portfolio market value decreased by 4.8% to £867.7 million (June 2022: £911.6 million), primarily driven by a like-for-like portfolio valuation movement of -5.5% and net acquisitions of 0.7%. The like-for-like valuation movement consists of a decrease of 7.3%, reflecting the outward shift in yields, offset by a 1.8% increase from inflation-linked rental uplifts
- Contractual rent increased by 2.9% to £57.1 million (June 2022: £55.5 million), including like-for-like rental growth of 1.8%
- Diversified tenant base, with 33 tenants across 100 properties (June 2022: 34 tenants and 101 properties)
- Underlying trading performance at the homes recovering towards pre-pandemic levels. Most recent resident occupancy and rent covers for the mature homes in the portfolio were 84% and 1.5 times, respectively
- Post period end £22 million disposal of four assets for above carrying value and June 2022 valuation, representing a full exit from Northern Ireland

**Sustainable returns generated through portfolio management and inflation-linked characteristics of leases**

- EPRA NTA per share decreased by 8.3% to 103.0 pence (June 2022: 112.3 pence)
- NAV total return<sup>(1)</sup> of -5.4% (2021: 3.4%)
- Portfolio total return on standing assets of -2.2% (2021: 4.8%)
- Rent collection of 96%
- Full recovery of rent outstanding from one tenant, of which £1.1 million had been provided for at 30 June 2022
- 99% of leases benefit from upwards only inflation-linked rent reviews; 1% fixed uplifts
- Weighted average unexpired lease term of 26.8 years (June 2022: 27.2 years)
- Weighted average cost of drawn debt at 3.8% (June 2022: 3.3%), with average term to maturity of 6.7 years (June 2022: 6.9 years) and interest rate hedged on 96% of drawn debt until expiry
- Net LTV increased to 25.1% (June 2022: 22.0%)

**Rebasing of target dividend to sustainable level reflecting higher interest rate environment**

- Dividend per share in respect of the period maintained at 3.38 pence (2021: 3.38 pence)
- Annual dividend target rebased to 5.60 pence per share, commencing with the third interim dividend payable in May 2023, providing a sustainable dividend level which will be fully covered by earnings whilst allowing for annual growth. This represents a reduction of 17%
- Adjusted EPRA Earnings per share<sup>(2)</sup> of 3.01 pence (2021: 2.36 pence)
- EPRA Earnings per share<sup>(2)</sup> of 3.89 pence (2021: 3.08 pence)
- Adjusted EPRA Cost Ratio of 18.7% (2021: 27.7%); EPRA Cost Ratio of 15.7% (2021: 23.3%)

**Responsible investment with a clear purpose to improve the UK's care home real estate**

- Compelling long-term demand supply dynamics support both investor and operator activity in the sector
- Selective investment into new developments of new-build care homes; one home (66 beds) opened in the period, three homes (203 beds) were being funded at period end and a further development site (60 beds) was acquired post period end
- Full en suite wet-rooms account for 97% of the portfolio, compared to the UK national average of just 31%
- Our homes provide generous space at an average of 47m<sup>2</sup> per resident
- EPC ratings: 100% A-C ratings, with 93% A or B ratings and currently compliant with the minimum energy efficiency standards anticipated to apply from 2030

Unless otherwise stated in the above, references to 2021 mean the comparative six month period to 31 December 2021 and references to 2022 mean 30 June 2022, being the start of the period under review.

<sup>(1)</sup> Based on EPRA NTA movement and dividends paid, see alternative performance measures below.

<sup>(2)</sup> For the details of EPRA earnings and adjusted EPRA earnings refer to note 6 to the Condensed Consolidated Financial Statements.

**Alison Fyfe, Chair of the Company, said:**

"We remain committed to our primary investment objective, producing long-term stable income and attractive total returns, with positive social impact by investing in fit-for-purpose care homes for older people in society. There is an increased national focus on supporting people in the community rather than having them experience unnecessary and potentially distressing hospital admission and care homes play a crucial role in this.

"The recent increases in interest rates have impacted on earnings but our tenants' underlying trading performance is improving and maturing, with this property sector benefitting from significant tailwinds of demographic change and needs-based demand for care. With a rebased dividend to reflect the Group's current recurring earnings, we believe the Group's modern portfolio is well positioned to deliver sustainable long-term returns to shareholders."

*A live webcast presentation for analysts will be held at 9.00 a.m. BST this morning and can be accessed via the*

A live webcast presentation for analysts will be held at 9.00 am on 20<sup>th</sup> June morning and can be accessed via the following link:

<https://stream.brmedia.co.uk/broadcast/63fe469cd684866e54345175>

LEI: 213800RXPY9WULUSBC04

#### **Enquiries:**

Kenneth MacKenzie; Gordon Bland  
Target Fund Managers Limited  
01786 845 912

Mark Young; Rajpal Padam  
Stifel Nicolaus Europe Limited  
020 7710 7600

Dido Laurimore; Richard Gotla, Talia Shirion  
FTI Consulting  
020 3727 1000  
[TargetHealthcare@fticonsulting.com](mailto:TargetHealthcare@fticonsulting.com)

#### **Important information**

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the UK version of the Market Abuse Regulations (EU) No. 596/2014, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended. Upon the publication of this announcement via Regulatory Information Service, this inside information is now considered to be in the public domain.

#### **Notes to editors:**

UK listed Target Healthcare REIT plc (THRL) is an externally managed Real Estate Investment Trust which provides shareholders with an attractive level of income, together with the potential for capital and income growth, from investing in a diversified portfolio of modern, purpose-built care homes.

The Group's portfolio at 31 December 2022 comprised 100 assets let to 33 tenants with a total value of £867.7 million.

The Group invests in modern, purpose-built care homes that are let to high quality tenants who demonstrate strong operational capabilities and a strong care ethos. The Group builds collaborative, supportive relationships with each of its tenants as it believes working in this way helps raise standards of care and helps its tenants build sustainable businesses. In turn, that helps the Group deliver stable returns to its investors.

## **Chairman's Statement**

#### **Introduction & reflection**

It is a great privilege for me to take over the role of Chair for this remarkable company. I would like to start by thanking my predecessor, Malcolm Naish, for his outstanding leadership and dedication. His contribution has laid firm foundations for the Company's growth and track record to date. I am committed to building on this legacy so that we deliver further long-term success.

Our investment strategy and business model has worked well, producing a total return based on EPRA NTA of 91.2% since IPO. The seven years to 2020 saw us patiently grow the portfolio, refine our capital structure through adding long-term fixed rate debt, and deliver earnings growth based on robust rental income.

Conditions then changed dramatically, with the COVID-19 pandemic in March 2020 and its persistent effect on the care home sector. This was exacerbated with the chain of headwinds that emerged from early 2022: the Russian invasion of Ukraine; supply-side trouble for energy and food, with its swift inflationary impact; and the volatility experienced in the second half of 2022 with the decisive end to the period of ultra-low interest rates. Through this, our business model and the performance of the portfolio have been resilient and we have grown large enough to become a constituent of the FTSE 250 with a solid and secure capital structure.

However, the changes noted above and their impact on the real estate investment market detailed below lead us to consider fine tuning our business model to meet today's conditions which are very different from those at our launch some 10 years ago:

- Inflation appears to be more persistent than many forecasts, and interest rates have reached 14-year highs, meaning our marginal rate of financing currently exceeds the initial rental yields we can obtain on new investments. This changes our view on what earnings levels are achievable.
- The net initial yields available on assets that meet our strict investment criteria. to enable long term earnings. have

compressed significantly. The earlier assets in our portfolio, acquired at net initial yields of 7.3%, if acquired new today would be at c.5.5%. These valuation yields reflect the quality of our prime real estate, its inflation-linked rental streams and strong ESG credentials, all of which result in robust market demand for these assets. Our investment strategy also has the significant tailwinds of demographic change and needs-based demand for care, resulting in a portfolio that is well-placed for the long-term.

- Our portfolio was categorised as 71% mature when the COVID-19 pandemic emerged. The small 5% shortfall in rent collection since then is primarily attributable to a combination of newly-opened homes and a limited number of tenants who were also maturing as businesses and who did not yet have sufficient reserves to absorb a materially slower rate of occupancy growth - an inevitable consequence of acquiring new real estate. We will continue to invest in new-build care homes which support the sector's modernisation and provide attractive long-term returns. Our mature home proportion is currently 90%.

Following careful consideration of these matters, and of the trends and outlook we note below, the Board believes the most appropriate response is to rebase the target annual dividend level to 5.60 pence per share to reflect the Group's current recurring earnings, commencing with our third interim dividend payable in May 2023. The Board's priority is to offer an attractive dividend to shareholders which (i) will be fully covered by earnings (ii) allows annual growth and (iii) fully contributes to an attractive level of total return.

This is a strong and resilient business with a clear purpose and a business model which has delivered for shareholders and which will continue to do so. We note the following trends seen over the last 10 years which are very much aligned to our investment strategy:

- Private wet-room provision now accounts for 31% of total care home places in the UK, up from 14% in 2014. This trend is supportive of long-term resident demand for places in our homes and our view of what should be considered the minimum acceptable standard and the clear direction of travel. Our portfolio benefits from 97% en suite wet-room provision.
- The demographic tailwinds continue, with further significant growth in the proportion of older people predicted.
- ESG - we have always prioritised social impact, and our real estate's environmental credentials are compelling with 93% of the portfolio having been rated EPC B or above<sup>1</sup>, supporting the longevity of our real estate and minimising the need for costly and disruptive building alterations to be compliant with upcoming legislative changes.
- Our portfolio's occupancy levels and trading performance are continuing their improvement following the persistent impact of COVID-19, including through this past winter.

## 2. Performance & balance sheet

Underlying profits, measured by adjusted EPRA earnings, have increased by 37% to £18.7 million (31 December 2021: £13.7 million), being 3.01 pence per share (31 December 2021: 2.36 pence). The accounting total return for the period was -5.4% (31 December 2021: 3.4%).<sup>2</sup>

This increase in earnings has improved dividend cover to 89% based on adjusted EPRA earnings (31 December 2021: 65%) and is reflected in an improved EPRA cost ratio of 15.7% (31 December 2021: 23.3%).<sup>3</sup>

As with other commercial real estate classes, property valuations have declined, driven by the outward shift in yields applied by valuers in response to the higher interest rate environment. Our like-for-like portfolio valuation decrease in the period of 5.5% demonstrates the stable and resilient nature of our assets in contrast to the 19% capital decline in the CBRE UK monthly index (all property) over the same period. The fall in property values contributes to an IFRS loss of £34.2 million (31 December 2021: profit £18.7 million). The portfolio's EPRA topped-up net initial yield is 6.22% (30 June 2022: 5.82%).

Net LTV increased to 25.1% (30 June 2022: 22.0%) with the Group's debt arrangements providing a weighted average term to maturity of 6.7 years at a weighted interest rate on drawn debt, inclusive of amortisation of loan arrangement costs, of 3.79%. 96% of the £240 million of drawn debt is fully hedged against further increases in interest rates.

The Group has £62 million of capital available, net of its development commitments, which provides flexibility with regard to capital allocation for activities such as making strategically important new investments, portfolio improvements or other asset management initiatives.

## 3. Portfolio

The Group's portfolio of 100 properties is valued at £867.7 million with 33 tenants. The portfolio's rental growth on a like-for-like basis was 1.8% driven by annual rental uplifts.

The underlying trading performance at the homes has been recovering towards pre-pandemic levels. Most recent occupancy and rent covers for the mature homes in the portfolio were 84% and 1.5 times, respectively.

## 4. Board

We have completed our board succession programme, in line with the expectations set out in the previous Annual Report. As Malcolm Naish stepped down as Chair, Gordon Coull also retired from his role as Senior Independent Director, having previously chaired the Audit Committee. Our sincere thanks to them both for their commitment and dedication.

Following the appointment of Richard Cotton as Senior Independent Director in November 2022, the new Board reached its full complement with the appointment of Michael Brodtkan in January 2023. I am enjoying working with my fellow Directors and the range of skills and experience identified during the recruitment processes is evident from the many valuable contributions made early in our collective tenure.

## 5. Outlook

As we look ahead to the next 10 years, I am optimistic about the outlook for our company. We remain committed to our primary investment objective, producing long-term stable income and attractive total returns with positive social impact by investing in fit-for-purpose care homes for older people in society. There is an increased national focus on supporting people in the community rather than having them experience unnecessary and potentially distressing hospital admission and care homes play a crucial role in this.

Our portfolio trading is improving and maturing, which we believe will deliver sustainable long-term returns to shareholders, whom we thank for their long-term and stable presence on our register.

**Alison Fyfe**  
Chair  
24 March 2023

<sup>(1)</sup> EPC ratings are, where required, converted to their English-equivalent.

<sup>(2)</sup> Based on EPRA NTA movement and dividends paid, see alternative performance measures below.

<sup>(3)</sup> See alternative performance measures below.

## Investment Manager's Report

### Overview

The Group's portfolio of 100 assets, comprising 97 operational homes and three pre-let development sites, was valued at £867.7 million at 31 December 2022. The operational homes were let to 33 tenants, providing 6,701 beds for residents, and generating a contractual rent of £57.1 million per annum.

The portfolio value decreased by 4.8% overall, and 5.5% on a like-for-like basis in the period. The contractual rent roll has increased by 2.9%, 1.8% like-for-like. The WAULT has shortened slightly to 26.8 years while the EPRA topped-up net initial yield has moved out to 6.22% and the EPRA net initial yield was 6.06%.

### Portfolio

The focus of trading performance shifted in the period, from a welcome easing of the persistent impacts of the pandemic to the influence of high inflation on the costs of delivering care. Pleasingly, and consistent with the structural drivers of demographics and demand for places in quality real estate, we have seen tenants' profitability metrics improve: operators have been able to articulate the inflationary cost pressures to residents and their families and receive commensurate fee increases; occupancy is steadily improving, with the usual seasonal variations having negligible impact this winter; and, crucially, rent covers are responding, with the December 2022 portfolio rent cover at 1.5 times (30 June 2022: 1.3 times). Portfolio occupancy is at 84% at the time of writing.<sup>1</sup>

Our portfolio has a bias towards the private fee payer - there is long-term evidence that this group is accepting of higher fees, particularly for quality real estate and care services. For those receiving local authority funding, whilst increases have come through in recent years, these are inevitably under pressure. An element of council tax rises in England announced in February 2023 appear to be "allocated" towards social care. Staffing costs are increasing with inflation, which is expected and encouraged, and operators are reporting easing in staff availability challenges. Visa programmes have helped, and many of our tenants have used these to sponsor overseas staff to fill a number of vacancies. All-in, we see underlying tenant profitability improving across our portfolio even while occupancy continues its recovery to pre-COVID-19 levels of c.90%.

### Asset management initiatives

As at 24 March 2023, the Group had collected 96% of the rent that was due and payable in respect of the six months under review. Since the outbreak of the pandemic in March 2020, 95% of portfolio rent has been collected. To manage the portfolio's sustainable long-term returns, and improve shorter-term rent collection prospects, we have completed the following notable portfolio initiatives:

Subsequent to the period-end:

- The disposal of four homes for sales proceeds of £22 million to a care home operator. This pricing was ahead of both carrying value from June 2022, prior to the general decline in property valuations seen through the second half of 2022, and that of December 2022.
- The completion of the final stage of a re-tenanting programme to leave a tenant with three homes whose trading performance covers current rent in full. Existing lease terms, including rent levels, have been maintained with the incoming tenant being granted a short-term rent-free period to manage the rebuild in occupancy.
- Rent collection has increased from the tenant which has historically been responsible for a significant proportion of the Group's rent arrears, with rent having been received in full from this tenant during the first two months of 2023.

During the period:

- Practical completion of the Group's development site in Weymouth, Dorset was reached in November 2022, contributing 66 new beds to the portfolio. A new tenant to the Group has entered into a 35-year lease which incorporates green provisions and annual rent reviews (subject to caps and collars).
- Completion of retrofit programmes on 47 rooms to bring two of the Group's small number of homes without full en suite wet-room provision to acceptable modern standards.
- The disposal of a non-core asset. This care home was part of the 18-home portfolio acquired in December 2021, with real estate standards below the average of that portfolio. It has been sold to the operator for proceeds consistent with carrying value. The home represented 0.5% of the portfolio by value.

Ten years in, having supported the creation of 15 brand new homes providing more than 1,000 fit-for-purpose beds to the sector, and following delay from the major global pandemic, our portfolio has now reached a more optimal level of operational maturity. We assess acquisition opportunities on the assumption that a premium home targeting private fee-paying residents will typically take three years to fill and reach trading maturity. Currently 90% of our portfolio is mature, with the immature proportion progressing well, inclusive of the initiatives noted above. Our mission will invariably still have us supporting new homes/tenants, whilst using experience gained to ensure rental income is appropriately protected through the fill-up period.

### Investment market

The investment market has shown some signs of recovery since the start of 2023 following a pause in the second half of 2022 due to uncertainty regarding valuation levels across the real estate sector. Deals are now being completed at pricing levels that reflect discounts that are consistent with the move in the valuation of the Group's portfolio. We would anticipate competitive bidding processes and pricing for prime real estate with strong ESG credentials, whilst expecting pricing to decline further for sub-prime assets.

### Sectoral

Reform of the social care sector was again moved down the priority list in the Government's Manifesto, pledging to 'fund

Reform of the social care sector was again moved down the priority list as the Government's manifesto pledge to fix social care was pushed back by two years in late 2022. Care providers understand the public's desire for a 'cap' on care costs but a discarding of the less prominent national assessment of a 'fair cost of care' was seen as a negative for many, who believe it will produce compelling evidence of the unreasonably low fees many Local Authorities are paying. The need for cross-subsidisation of these residents by privately funded residents has been a long standing and contentious issue. In part, the Government has tried to address this issue by allowing Local Authorities to again raise council tax beyond the normal threshold, with the proceeds ring-fenced for social care, but commentators argue the proceeds to be inadequate and risk a 'postcode lottery' based on the demographics and affluence of Local Authority areas.

The Government has also recently announced funding to clear discharge backlogs in hospitals. Care providers are willing to help, not least to support the beleaguered patients trapped in hospital.

Commercial decision-making within homes is responding. We believe we see a new trend emerging from the pandemic, with operators no longer rushing to simply fill beds, but to fill them at reasonable fees, even if that means occupancy trails behind the pre-pandemic norm. It is likely this trend also partly explains the gradual progression of occupancy recovery, despite strong demand and enquiries. However, staff recruitment and retention has played its part, having become the main frustration within the sector in the past year. On recruitment, many tenants within our portfolio have lately made use of the Government Immigration Licence scheme, which, when implemented quickly, has proven to be valuable. We note that many homes are recently reporting a more settled workforce, which helps from a cost perspective (lower agency) and the quality of care.

Inflationary pressures, particularly around energy have of course also been a concern in the sector, but as (originally) a fairly small part of the budget these have been of lesser concern than staffing. We also note that many established operators have traditionally used brokers and had locked in reasonable rates. The sector is also lobbying the Government to remain on 'special status' after the proposed lifting of the energy cap in the summer, albeit recent drops in pricing may negate the importance of such an intervention.

The pandemic highlighted the benefits of modern, purpose-built care homes, where residents had the dignity and privacy provided by their en suite wet-room, and the infection control advantage which that brought. But memories are short, and the public are generally unaware of the vagaries in quality of UK care homes (where approximately 70% do not provide private wet-rooms and which we consider are no longer fit for purpose), until they have to find accommodation for a loved one in a hurry. We believe many families and commissioners of care are becoming more discerning. Ironically it may be ESG which drives quicker change, with modern homes simply more aligned to best ESG principles.

## Target Fund Managers Limited

### Investment Manager

24 March 2023

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

## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2022

Notes	Six months ended 31 December 2022 (unaudited)			Six months ended 31 December 2021 (unaudited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Revenue</b>						
Rental income	28,058	5,897	33,955	21,929	4,515	26,444
Other income	81	-	81	66	-	66
<b>Total revenue</b>	<b>28,139</b>	<b>5,897</b>	<b>34,036</b>	<b>21,995</b>	<b>4,515</b>	<b>26,510</b>
(Losses)/gains on investment properties	8	-	(58,058)	-	871	871
Gains on sale of investment properties	8	-	55	-	-	-
<b>Total income</b>	<b>28,139</b>	<b>(52,106)</b>	<b>(23,967)</b>	<b>21,995</b>	<b>5,386</b>	<b>27,381</b>
<b>Expenditure</b>						
Investment management fee	2	(3,799)	-	(3,799)	-	(3,799)
Credit loss allowance and bad debts	3	8	-	8	-	(1,073)
Other expenses	3	(1,564)	-	(1,564)	-	(1,558)
<b>Total expenditure</b>	<b>(5,355)</b>	<b>-</b>	<b>(5,355)</b>	<b>(6,184)</b>	<b>-</b>	<b>(6,184)</b>
<b>Profit/(loss) before finance costs and taxation</b>	<b>22,784</b>	<b>(52,106)</b>	<b>(29,322)</b>	<b>15,811</b>	<b>5,386</b>	<b>21,197</b>
<b>Net finance costs</b>						
Interest receivable		84	-	84	36	36
Interest payable and similar charges	4	(4,636)	(302)	(4,938)	-	(2,519)
<b>Profit/(loss) before taxation</b>	<b>18,232</b>	<b>(52,408)</b>	<b>(34,176)</b>	<b>13,328</b>	<b>5,386</b>	<b>18,714</b>
Taxation	5	-	-	(6)	-	(6)
<b>Profit/(loss) for the period</b>	<b>18,232</b>	<b>(52,408)</b>	<b>(34,176)</b>	<b>13,322</b>	<b>5,386</b>	<b>18,708</b>
<b>Other comprehensive income:</b>						
<b>Items that are or may be reclassified subsequently to profit or loss</b>						
Movement in fair value of interest						

rate derivatives designated as cash flow hedges		-	879	879	-	678	678
Total comprehensive income for the period		18,232	(51,529)	(33,297)	13,322	6,064	19,386
Earnings/(loss) per share (pence)	6	2.94	(8.45)	(5.51)	2.31	0.93	3.24

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.

#### Condensed Consolidated Statement of Financial Position As at 31 December 2022

	Notes	As at 31 December 2022 (unaudited) £'000	As at 30 June 2022 (audited) £'000
<b>Non-current assets</b>			
Investment properties	8	803,831	857,691
Trade and other receivables	9	70,814	63,651
Interest rate derivatives	11	5,438	2,284
		<b>880,083</b>	<b>923,626</b>
<b>Current assets</b>			
Trade and other receivables	9	4,921	5,549
Cash and cash equivalents		21,801	34,483
		<b>26,722</b>	<b>40,032</b>
<b>Total assets</b>		<b>906,805</b>	<b>963,658</b>
<b>Non-current liabilities</b>			
Loans	11	(236,744)	(231,383)
Trade and other payables	12	(7,255)	(7,145)
		<b>(243,999)</b>	<b>(238,528)</b>
<b>Current liabilities</b>			
Trade and other payables	12	(18,300)	(26,363)
<b>Total liabilities</b>		<b>(262,299)</b>	<b>(264,891)</b>
<b>Net assets</b>		<b>644,506</b>	<b>698,767</b>
<b>Share capital and reserves</b>			
Share capital	13	6,202	6,202
Share premium		256,633	256,633
Merger reserve		47,751	47,751
Distributable reserve		205,497	226,461
Hedging reserve		3,163	2,284
Capital reserve		31,342	83,750
Revenue reserve		93,918	75,686
<b>Equity shareholders' funds</b>		<b>644,506</b>	<b>698,767</b>
<b>Net asset value per ordinary share (pence)</b>	<b>6</b>	<b>103.9</b>	<b>112.7</b>

#### Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2022 (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
<b>As at 30 June 2022</b>	<b>6,202</b>	<b>256,633</b>	<b>47,751</b>	<b>226,461</b>	<b>2,284</b>	<b>83,750</b>	<b>75,686</b>	<b>698,767</b>
Total comprehensive income for the period	-	-	-	-	879	(52,408)	18,232	(33,297)
<b>Transactions with owners</b>								

recognised in equity:									
Dividends paid	7	-	-	-	(20,964)	-	-	-	(20,964)
<b>As at 31 December 2022</b>		<b>6,202</b>	<b>256,633</b>	<b>47,751</b>	<b>205,497</b>	<b>3,163</b>	<b>31,342</b>	<b>93,918</b>	<b>644,506</b>

**For the six months ended 31 December 2021 (unaudited)**

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

**Condensed Consolidated Statement of Cash Flows**

**For the six months ended 31 December 2022**

	Notes	Six months ended 31 December 2022 (unaudited) £'000	Six months ended 31 December 2021 (unaudited) £'000
<b>Cash flows from operating activities</b>			
(Loss)/profit before tax		(34,176)	18,714
Adjustments for:			
Interest receivable		(84)	(36)
Interest payable		4,938	2,519
Revaluation losses/(gains) on investment properties and movements in lease incentives, net of acquisition costs written off		52,106	(5,386)
Increase in trade and other receivables		(512)	(14,331)
(Decrease)/increase in trade and other payables		(358)	1,216
		<b>21,914</b>	<b>2,696</b>
Interest paid		(4,101)	(2,201)
Premium paid on interest rate cap	11	(2,577)	-
Interest received		84	36
Tax paid		-	(6)
		<b>(6,594)</b>	<b>(2,171)</b>
<b>Net cash inflow from operating activities</b>		<b>15,320</b>	<b>525</b>
<b>Cash flows from investing activities</b>			
Disposal of investment properties, net of lease incentives		4,280	-
Purchase of investment properties, including acquisition costs		(16,457)	(181,873)
<b>Net cash outflow from investing activities</b>		<b>(12,177)</b>	<b>(181,873)</b>
<b>Cash flows from financing activities</b>			
Issue of ordinary share capital	13	-	125,000
Expenses of issue of ordinary share capital	13	-	(2,505)

Drawdown of bank loan facilities	11	42,000	210,000
Expenses of arrangement of bank loan facilities	11	(205)	(1,519)
Repayment of bank loan facilities	11	(36,750)	(117,250)
Dividends paid		(20,870)	(18,837)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(15,825)</b>	<b>194,889</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(12,682)</b>	<b>13,541</b>
Opening cash and cash equivalents		34,483	21,106
<b>Closing cash and cash equivalents</b>		<b>21,801</b>	<b>34,647</b>
<b>Transactions which do not require the use of cash</b>			
Fixed or guaranteed rent reviews derecognised on disposal		(50)	-
Movement in fixed or guaranteed rent reviews and lease incentives		7,349	4,938

## 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 2022.

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 2022, 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. Given the potentially significant continuing 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 2022.

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 its finance facilities having been extended during the period, resulting in a weighted average term to maturity of 6.7 years at 31 December 2022 and an earliest repayment date of November 2025.

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

	<b>For the six month period ended 31 December 2022</b>	For the six month period ended 31 December 2021
	<b>£'000</b>	<b>£'000</b>
Investment management fee	3,799	3,553

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	0.75

## 2. Investment Management Fee (continued)

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 2022 £'000	For the six month period ended 31 December 2021 £'000
Credit loss allowance	(323)	936
Bad debts written off	315	137
<b>Total credit loss allowance and bad debts</b>	<b>(8)</b>	<b>1,073</b>
Valuation and other professional fees	922	932
Secretarial and administration fees	106	90
Directors' fees	110	114
Other	426	422
<b>Total other expenses</b>	<b>1,564</b>	<b>1,558</b>

The movement in the credit loss allowance during the period ended 31 December 2022 includes the full recovery of £1,144,000 of rent outstanding from one tenant of seven homes, against which a credit loss allowance of £1,138,000 had been recognised at 30 June 2022.

## 4. Interest payable and similar charges

	For the six month period ended 31 December 2022 £'000	For the six month period ended 31 December 2021 £'000
Interest paid on loans	4,320	2,264
Amortisation of loan costs	316	255
Finance and transaction costs relating to the interest rate cap	302	-
<b>Total</b>	<b>4,938</b>	<b>2,519</b>

## 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 2022 £'000	Pence per share	For the six month period ended 31 December 2021 £'000	Pence per share
Revenue earnings	18,232	2.94	13,322	2.31
Capital earnings	(52,408)	(8.45)	5,386	0.93
<b>Total earnings</b>	<b>(34,176)</b>	<b>(5.51)</b>	<b>18,708</b>	<b>3.24</b>

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 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 that 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 2022 £'000	For the six month period ended 31 December 2021 £'000
<b>Earnings per IFRS Consolidated Statement of Comprehensive Income</b>		
	<b>(34,176)</b>	18,708
Adjusted for (losses)/gains on investment properties	<b>58,058</b>	(871)
Adjusted for gains on investment properties realised	<b>(55)</b>	-
Adjusted for finance and transaction costs on the interest rate cap and other capital items	<b>302</b>	-
<b>EPRA earnings</b>	<b>24,129</b>	17,837
Adjusted for rental income arising from recognising guaranteed rent review uplifts	<b>(5,897)</b>	(4,515)
Adjusted for development interest under forward fund agreements	<b>460</b>	335
<b>Group specific adjusted EPRA earnings</b>	<b>18,692</b>	13,657
<b>Earnings per share ('EPS') (pence per share)</b>		
EPS per IFRS Consolidated Statement of Comprehensive Income	<b>(5.51)</b>	3.24
EPRA EPS	<b>3.89</b>	3.08
Group specific adjusted EPRA EPS	<b>3.01</b>	2.36

Earnings for the period ended 31 December 2022 should not be taken as a guide to the results for the year to 30 June 2023.

## 6. Earnings per share and Net Asset Value per share (continued)

### Net Asset Value per share

The Group's net asset value per ordinary share of 103.9 pence (30 June 2022: 112.7 pence) is based on equity shareholders' funds of £644,506,000 (30 June 2022: £698,767,000) and on 620,237,346 (30 June 2022: 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.

	31 December 2022			30 June 2022		
	EPRA NRV £'000	EPRA NTA £'000	EPRA NDV £'000	EPRA NRV £'000	EPRA NTA £'000	EPRA NDV £'000
<b>IFRS NAV per financial statements</b>	<b>644,506</b>	<b>644,506</b>	<b>644,506</b>	698,767	698,767	698,767
Fair value of interest rate derivatives	<b>(5,438)</b>	<b>(5,438)</b>	-	(2,284)	(2,284)	-
Fair value of loans	-	-	<b>35,306</b>	-	-	22,257
Estimated purchasers' costs	<b>57,980</b>	-	-	60,225	-	-
<b>EPRA net assets</b>	<b>697,048</b>	<b>639,068</b>	<b>679,812</b>	756,708	696,483	721,024
<b>EPRA net assets (pence per share)</b>	<b>112.4</b>	<b>103.0</b>	<b>109.6</b>	122.0	112.3	116.2

## 7. Dividends

Dividends paid as distributions to equity shareholders during the period.

dividends paid as distributions to equity shareholders during the period:

	For the six month period ended 31 December 2022		For the six month period ended 31 December 2021	
	Pence	£'000	Pence	£'000
Fourth interim dividend for prior year	1.69	10,482	1.68	8,594
First interim dividend	1.69	10,482	1.69	10,482
<b>Total</b>	<b>3.38</b>	<b>20,964</b>	<b>3.37</b>	<b>19,076</b>

A second interim dividend for the year to 30 June 2023, of 1.69 pence per share, was paid on 24 February 2023 to shareholders on the register on 10 February 2023.

## 8. Investment properties

	As at 31 December 2022 £'000
<b>Freehold and Leasehold Properties</b>	
<b>Opening market value</b>	<b>911,596</b>
Opening fixed or guaranteed rent reviews and lease incentives	(56,705)
Performance payments	2,800
<b>Opening carrying value</b>	<b>857,691</b>
Disposals - proceeds	(4,455)
- loss on sale	(559)
Purchases and performance payments	11,057
Acquisition costs capitalised	116
Acquisition costs written off	(116)
Unrealised loss realised during the year	614
Revaluation movement - gains	1,425
Revaluation movement - losses	(52,018)
<b>Movement in market value</b>	<b>(43,936)</b>
Fixed or guaranteed rent reviews and lease incentives derecognised on disposal	225
Movement in fixed or guaranteed rent reviews and lease incentives	(7,349)
Movement in performance payments	(2,800)
<b>Movement in carrying value</b>	<b>(53,860)</b>
<b>Closing market value</b>	<b>867,660</b>
Closing fixed or guaranteed rent reviews and lease incentives	(63,829)
<b>Closing carrying value</b>	<b>803,831</b>

The investment properties can be analysed as follows:

	As at 31 December 2022 £'000	As at 30 June 2022 £'000
Standing assets	859,060	892,336
Developments under forward fund agreements	8,600	19,260
<b>Closing market value</b>	<b>867,660</b>	<b>911,596</b>

## Changes in the valuation of investment properties

	For the six month period ended 31 December 2022 £'000	For the six month period ended 31 December 2021 £'000
Loss on sale of investment properties	(559)	-
Unrealised loss realised during the year	614	-
Gains on sale of investment properties realised	55	-
Revaluation movement	(50,593)	14,409
Acquisition costs written off	(116)	(8,600)
Movement in lease incentives	(1,452)	(423)
Movement in fixed or guaranteed rent reviews	(5,897)	(4,515)
<b>(Losses)/gains on revaluation of investment properties</b>	<b>(58,003)</b>	<b>871</b>

## 8. Investment properties (continued)

The investment properties were valued at £867,660,000 (30 June 2022: £911,596,000) 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 2022) issued by the Royal Institution of Chartered Surveyors ('RICS') on the basis of Market Value, supported by reference to market evidence of transaction prices for similar properties. 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.

The fair value of the properties after adjusting for the movement in the fixed or guaranteed rent reviews and lease incentives was £803,831,000 (30 June 2022: £857,691,000). The adjustment consisted of £54,649,000 (30 June 2022: £48,802,000) relating to fixed or guaranteed rent reviews and £9,180,000 (30 June 2022: £7,903,000) 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).

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.

## 8. Investment properties (continued)

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%. The yield on the majority of the individual assets ranges from 5.6 per cent to 8.7 per cent. There have been no changes to the valuation technique used through the period, nor have there been any transfers between levels.

The 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 £8,677,000 (30 June 2022: £9,116,000); 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 £37,905,000 (30 June 2022: £40,729,000), 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 £34,994,000 (30 June 2022: £37,388,000) and reduce the Group's income.

## 9. Trade and other receivables

	As at 31 December 2022 £'000	As at 30 June 2022 £'000
<b><i>Non-current trade and other receivables</i></b>		
Fixed rent reviews	54,649	48,802
Rental deposits held in escrow for tenants	7,255	7,145
Lease incentives	8,910	7,704
<b>Total</b>	<b>70,814</b>	<b>63,651</b>
	As at 31 December 2022 £'000	As at 30 June 2022 £'000
<b><i>Current trade and other receivables</i></b>		
Lease incentives	270	199
VAT recoverable	1,317	1,387
Accrued income - rent receivable	2,115	906
Accrued development interest under forward fund agreements	518	452
Other debtors and prepayments	701	2,605
<b>Total</b>	<b>4,921</b>	<b>5,549</b>

## 10. Investment in subsidiary undertakings

The Group included 49 subsidiary companies as at 31 December 2022. 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.

## 11. Loans

	As at 31 December 2022 £'000	As at 30 June 2022 £'000
Principal amounts outstanding	240,000	234,750
Set-up costs	(4,520)	(4,315)
Amortisation of set-up costs	1,264	948
<b>Total</b>	<b>236,744</b>	<b>231,383</b>

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 2022, the Group had drawn £40,000,000 under this facility (30 June 2022: £50,000,000).

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 2022, the Group had drawn £50,000,000 under this facility (30 June 2022: £34,750,000).

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 2022, the Group had drawn £150,000,000 under these facilities (30 June 2022: £150,000,000).

The following interest rate derivatives were in place during the period ended 31 December 2022:

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.

## 11. Loans (continued)

At 31 December 2022, 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 £10,000,000 was drawn at 31 December 2022, 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 2022 was an asset of £5,438,000 (30 June 2022: asset of £2,284,000). The Group categorises all interest rate derivatives as level 2 in the fair value hierarchy (see note 8).

At 31 December 2022, the nominal value of the Group's loans equated to £240,000,000 (30 June 2022: £234,750,000). 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 2022, totalled, in aggregate, £204,694,000 (30 June 2022: £212,493,000). The payment required to redeem the loans in full, incorporating the terms of the Spens clause in relation to the Phoenix Group facilities, would have been £226,173,000 (30 June 2022: £239,728,000). 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 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 £758,770,000 as at 31 December 2022 (30 June 2022: £795,949,000).

Under the financial covenants related to the loans, as at 31 December 2022, 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 (30 June 2022: 300 per cent) on any calculation date;
- the interest cover for THR15 Group is greater than 200 per cent (30 June 2022: 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.

During the period ended 31 December 2022, the Group entered into agreements with HSBC and RBS to relax the interest cover covenants on the relevant loans with effect from 1 January 2023. All other significant terms of the facilities remained unchanged. All loan covenants have been complied with during the period.

## 12. Trade and other payables

	As at 31 December 2022 £'000	As at 30 June 2022 £'000
<b>Non-current trade and other payables</b>		
Rental deposits	7,255	7,145
<b>Total</b>	<b>7,255</b>	<b>7,145</b>

## 12. Trade and other payables (continued)

	As at 31 December 2022 £'000	As at 30 June 2022 £'000
<b>Current trade and other payables</b>		
Rental income received in advance	8,435	8,390
Property acquisition and development costs accrued	3,674	8,892

Interest payable	1,981	1,762
Investment Manager's fees payable	1,816	1,895
Performance payments	-	2,800
Other payables	2,394	2,624
<b>Total</b>	<b>18,300</b>	<b>26,363</b>

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

### 13. Share capital

<b>Allotted, called-up and fully paid ordinary shares of £0.01 each</b>	<b>Number of shares</b>	<b>£'000</b>
Balance as at 30 June 2022 and 31 December 2022	620,237,346	6,202

During the period to 31 December 2022, the Company did not issue any ordinary shares of £0.01 each (period to 31 December 2021: 108,695,652 ordinary shares) raising gross proceeds of £nil (period to 31 December 2021: £125,000,000). The Company did not buyback or resell any ordinary shares (period to 31 December 2021: nil).

At 31 December 2022, the Company did not hold any shares in treasury (30 June 2022: nil).

### 14. Commitments

The Group had capital commitments as follows:

	<b>As at 31 December 2022 £'000</b>	<b>As at 30 June 2022 £'000</b>
Amounts due to complete forward fund developments	31,853	34,458
Other capital expenditure commitments	2,763	3,594
<b>Total</b>	<b>34,616</b>	<b>38,052</b>

### 15. Contingent assets and liabilities

As at 31 December 2022, seven (30 June 2022: fourteen) 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 £8,220,000 (30 June 2022: £13,320,000) 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.

### 15. Contingent assets and liabilities (continued)

Having assessed each clause on an individual basis, the Group has determined that the contracted performance conditions were not highly likely to be met in relation to any of these properties and therefore an amount of £nil has been recognised as a liability at 31 December 2022 (30 June 2022: two properties resulting in the recognition of a liability of £2,800,000). Where relevant, an equal but opposite amount would have 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 were the performance payments to be paid and the contracted rental income increased accordingly.

### 16. 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 £110,000 (period ended 31 December 2021: £114,000) of which £56,000 (31 December 2021: £18,000) remained payable at the period end.

The Investment Manager received £3,799,000 (inclusive of estimated irrecoverable VAT) in management fees in relation to the period ended 31 December 2022 (period ended 31 December 2021: £3,553,000). Of this amount £1,816,000 remained payable at the period end (31 December 2021: £1,889,000). The Investment Manager received a further £85,000 (inclusive of irrecoverable VAT) during the period ended 31 December 2022 (period ended 31

further £20,000 (inclusive of irrecoverable VAT) during the period ended 31 December 2022 (period ended 31 December 2021: £75,000) in relation to its appointment as Company Secretary and Administrator, of which £42,000 (31 December 2021: £38,000) 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.

## **17. 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.

## **18. Post balance sheet event**

In the summer of 2022, the Group had exchanged contracts in relation to the acquisition of a development site near Malvern, Worcestershire on a subject-to-planning basis. This acquisition completed on 27 January 2023 following the receipt of the required planning consent for the construction of a 60-bed care home. The home is pre-let to an existing tenant of the Group and has in place a capped development agreement which is itself underpinned by a fixed price construction contract.

In March 2023, the Group sold four homes for proceeds of £22 million to a care home operator. The sale value was ahead of the carrying value of these properties at both 30 June 2022 and 31 December 2022.

## **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 2022, 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 2022 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 2022 will be posted to shareholders and made available on the website: [www.targethealthcarereit.co.uk](http://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 2022. Other than 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.

**Alison Fyfe**

**Chair**

**24 March 2023**

## **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 2022 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 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 2022 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 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 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'.

### **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 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**

**London**

**24 March 2023**

## Glossary of Terms and Definitions

Building Research Establishment Environmental Assessment Method ('BREEAM')	BREEAM is the world's leading science-based suite of validation and certification systems for sustainable built environment. The BREEAM in-use standards provide a framework to enable property investors, owners, managers and occupiers to determine and drive sustainable improvements in the operational performance of their assets, leading to benchmarking, assurance and validation of operational asset data.
Contractual Rent	The annual rental income receivable on a property as at the balance sheet date, adjusted for the inclusion of rent currently subject to a rent free period.
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.
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.
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 above, 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 2022 pence	30 June 2022 pence
EPRA Net Tangible Assets per share (see note 6)	(a)	103.0	112.3
Share price	(b)	80.2	108.4
<b>Discount</b>	<b>= (b-a)/a</b>	<b>(22.1)%</b>	<b>(3.5)%</b>

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

		Period ended 31 December 2022 £'000	Period ended 31 December 2021 £'000
<b>Group-specific EPRA earnings for the period (see note 6)</b>	(a)	<b>18,692</b>	13,657
First interim dividend		10,482	10,482
Second interim dividend		10,482	10,482
<b>Dividends paid in relation to the period</b>	(b)	<b>20,964</b>	20,964
<b>Dividend cover</b>	<b>= (a/b)</b>	<b>89%</b>	65%

**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 2022 £'000	Period ended 31 December 2021 £'000
Investment management fee		3,799	3,553
Credit loss allowance and bad debts written off		(8)	1,073
Other expenses		1,564	1,558
<b>EPRA costs</b>	(a)	<b>5,355</b>	6,184
Specific cost adjustments, if applicable		-	-
<b>Group specific adjusted EPRA costs</b>	(b)	<b>5,355</b>	6,184
<b>Gross rental income per IFRS</b>	(c)	<b>34,036</b>	26,510
Adjusted for rental income arising from recognising guaranteed rent review uplifts		(5,897)	(4,515)
Adjusted for development interest under forward fund arrangements		460	335
<b>Group specific adjusted gross rental income</b>	(d)	<b>28,599</b>	22,330
<b>EPRA Cost Ratio (including direct vacancy costs)</b>	<b>= (a/c)</b>	<b>15.7%</b>	23.3%

<b>EPRA Group specific adjusted Cost Ratio (including direct vacancy costs)</b>	<b>= (b/d)</b>	<b>18.7%</b>	<b>27.7%</b>
---	----------------	--------------	--------------

**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.

		<b>31 December 2022 £'000</b>	<b>30 June 2022 £'000</b>
Borrowings		<b>240,000</b>	234,750
Net payables		<b>13,649</b>	18,213
Cash and cash equivalent		<b>(21,801)</b>	(34,483)
<b>Net debt</b>	<b>(a)</b>	<b>231,848</b>	218,480
Investment properties at market value		<b>867,660</b>	911,596
<b>Total property value</b>	<b>(b)</b>	<b>867,660</b>	911,596
<b>EPRA Loan-to-Value</b>	<b>= (a/b)</b>	<b>26.7%</b>	24.0%

**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).

		<b>31 December 2022 £'000</b>	<b>30 June 2022 £'000</b>
<b>Annualised passing rental income based on cash rents</b>	<b>(a)</b>	<b>55,547</b>	51,217
Notional rent expiration of rent-free periods or other lease incentives		<b>1,529</b>	4,259
<b>Topped-up net annualised rent</b>	<b>(b)</b>	<b>57,076</b>	55,476
Standing assets (see note 8)		<b>859,060</b>	892,336
Allowance for estimated purchasers' costs		<b>57,980</b>	60,225
<b>Grossed-up completed property portfolio valuation</b>	<b>(c)</b>	<b>917,040</b>	952,561
<b>EPRA Net Initial Yield</b>	<b>= (a/c)</b>	<b>6.06%</b>	5.38%
<b>EPRA Topped-up Net Initial Yield</b>	<b>= (b/c)</b>	<b>6.22%</b>	5.82%

**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.

		<b>Period ended 31 December 2022</b>			<b>Period ended 31 December 2021</b>		
		<b>EPRA NTA (pence)</b>	<b>IFRS NAV (pence)</b>	<b>Share price (pence)</b>	<b>EPRA NTA (pence)</b>	<b>IFRS NAV (pence)</b>	<b>Share price (pence)</b>
Value at start of period	(a)	<b>112.3</b>	<b>112.7</b>	<b>108.4</b>	110.4	110.5	115.4
Value at end of period	(b)	<b>103.0</b>	<b>103.9</b>	<b>80.2</b>	110.8	110.9	118.0
Change in value during period (b-a)	(c)	<b>(9.3)</b>	<b>(8.8)</b>	<b>(28.2)</b>	0.4	0.4	2.6
Dividends paid	(d)	<b>3.4</b>	<b>3.4</b>	<b>3.4</b>	3.4	3.4	3.4
Additional impact of dividend reinvestment	(e)	<b>(0.2)</b>	<b>(0.1)</b>	<b>(0.2)</b>	(0.1)	-	-
<b>Total gain in period (c+d+e)</b>	(f)	<b>(6.1)</b>	<b>(5.5)</b>	<b>(25.0)</b>	3.7	3.8	6.0
<b>Total return for the period</b>	<b>= (f/a)</b>	<b>(5.4)%</b>	<b>(4.9)%</b>	<b>(23.1)%</b>	3.4%	3.5%	5.2%

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact [rns@seg.com](mailto:rns@seg.com) or visit [www.ms.com](http://www.ms.com).

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

IR FLFVRVSIRFIV