Target | Healthcare REIT

Investing in care. Delivering returns.

Annual Report and Financial Statements 2025

Who we are

We are Target Healthcare

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

2025 Financial highlights

EPRA NTA per share (pence)

114.8 +3.7%

2025	114.8
2024	110.7
2023	104.5

Total accounting return[1]

9.3%

2025	9.3%
2024	11.8%
2023	-1.2%

IFRS profit (£ million)

60.8

2025	60.8
2024	73.0
2023	-6.6

Net loan-to-value[3]

21.8%

2025	21.8%
2024	22.5%
2023	24.7%

Dividend per share (pence)

5.884 +3.0%

2025	5.884
2024	5.712
2023	6.180

Dividend cover[4]

103%

2025	103%
2024	107%
2023	97%

1 Based on EPRA NTA movement and dividends paid, see alternative performance measures on page 104.
2 Weighted average cost of drawn debt, inclusive of amortisation of arrangement costs.
3 See Glossary of terms and definitions on page 109.
4 Based on adjusted EPRA earnings, see note 8 to the consolidated financial statements and alternative performance measures on page 104.
5 See EPRA performance measures on page 106.

Case studies

Asset Management

This year our Investment Manager completed initiatives across a number of homes to secure rental income and deliver shareholder value.

Read more: pages 19-20

Portfolio value (£ million)

929.9 +2.4%

2025	929.9
2024	908.5
2023	868.7

Average cost of debt[2]

3.84% -7bps

2025	3.84
2024	3.91
2023	3.70

Adjusted EPRA earnings per share (pence)[4]

6.08 -0.8%

2025	6.08
2024	6.13
2023	6.00

Adjusted EPRA cost ratio[5]

21.8% +270bps

2025	21.8%
2024	19.1%
2023	18.7%

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What we do

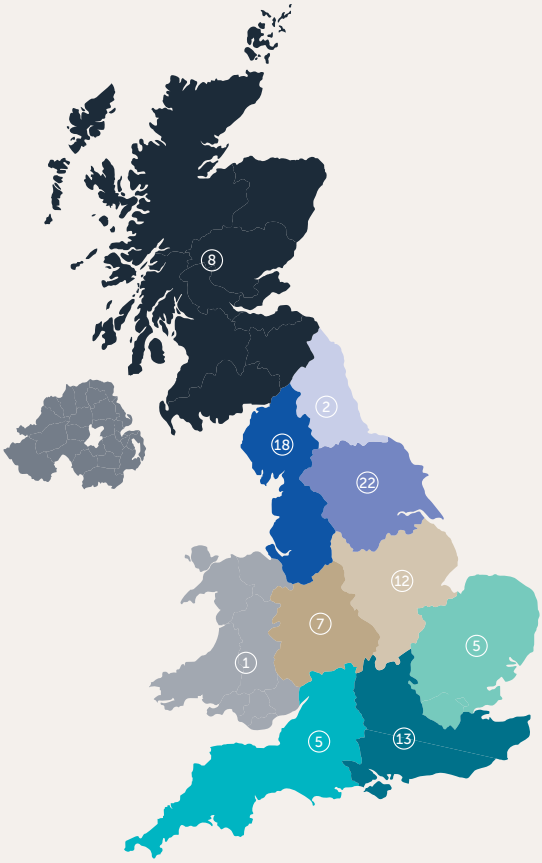
Principled investment exclusively in well-designed, purpose-built care homes

Our portfolio

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

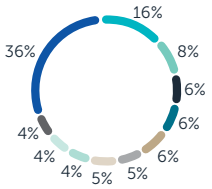
(1) = Number of properties in region

MSCI Region	Contracted Rent (£m)	Market Value (£m)
Yorkshire & The Humber	11.8	180.9
South East	11.5	179.3
North West	10.8	162.8
East Midlands	6.8	99.2
South West	5.9	83.5
Scotland	4.6	68.4
West Midlands	4.3	73.8
Eastern	3.7	54.5
North East	1.2	18.9
Wales	0.6	8.6
Total	**61.2**	**929.9**



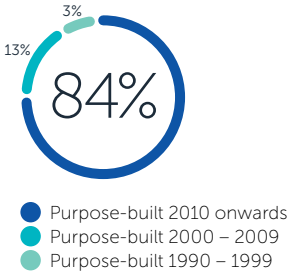
Results

Operator diversification by contracted rent



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

Properties by date of construction



Business

Scale

6,309

Beds[2]

Track Record

7.5% since launch

Total accounting return (annualised)

Prudent

21.8%

Net loan-to-value

Portfolio at 30 June 2025

High quality real estate

Homes

93

Portfolio

£930m

market value

£61m

contracted rent

Diversified Income

Tenants

34

Fee sources[1]

79%

private

21%

public

Long-term focus

WAULT

25.9 years

Upwards only rent reviews

100%

inflation-linked

1 52% privately paid, 27% topped up privately paid and 21% publicly funded.
2 60 beds will be added on completion of the development site held at 30 June 2025.

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Strategic Report

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Chair's Statement

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

Alison Fyfe, Chair

Dear Shareholder,

I am pleased to deliver this update following a successful year of active asset management, during which the Company has delivered solid portfolio and financial performance. The Group has delivered a total accounting return of 9.3% against what has remained a challenging backdrop. This shows the resilience of our business model based on best-in-class real estate assets operating in a specialist sector that has demographics on its side.

The Group has continued to focus on its regular asset management activities to enhance returns, to improve the quality of its real estate and to maintain its long-duration income stream. We do this through curating a high-quality property portfolio which generates inflation-linked rental income and capital value growth. We invest in care homes with strong ESG credentials minimising any additional capital expenditure needed to meet increasing environmental standards.

Our approach of active portfolio management has continued post-year end, with the significant disposal of nine care homes for £85.9 million, representing a premium of 11.6% to their carrying value, delivering shareholder returns and providing capital for redeployment into best-in-class assets over the course of the coming year. With the disposal price representing a net initial yield of 5.2%, and the Investment Manager having identified a strong pipeline of high-quality near-term assets at a net initial yield of c.6%, the transaction is expected to be earnings-enhancing. I discuss this transaction further later in this statement.

1. Market overview

The share prices of listed real estate companies remained volatile throughout the year due primarily to the impact of wider macroeconomic and geopolitical factors, which have also resulted in interest rates not falling as fast as had been anticipated. With share prices having remained depressed and the current market preference for scale, the quantum of M&A activity across the property sector as a whole has been significant. This was also reflected in the healthcare sector, with demand for both care home real estate and operators remaining high, primarily driven by overseas demand. This level of investment demand, particularly for prime care home real estate such as ours, is expected to continue. The M&A activity has reinforced the Company's unique investment proposition as the sole UK-listed specialist in the care home sector.

Further consideration of the market from the care home operators' perspective is provided in the Investment Manager's Report on pages 24 and 25.

2. Portfolio performance

The Group's property portfolio continues to perform well, driven by the strong level of inflation-linked rental income growth. At a property level, the portfolio has once again outperformed the MSCI UK Annual Healthcare Property Index, with a calendar year standing assets total return for 2024 of 10.5% relative to the Index's 5.4%, ranking the portfolio in the top quartile for the year and maintaining its record of outperforming the Index in every year since our IPO. The strength of this long-term performance is illustrated by the portfolio recently winning both the MSCI UK Property Investment Award for the highest ten-year risk-adjusted total return, a measure which compares the portfolio against the entire MSCI universe, and the highest relative total return annualised over three years in the listed funds category.

While rent collection fell marginally to 97% for the reporting year, this was primarily the result of matters which have subsequently been resolved. This rental shortfall, and the temporary reduction in EPRA earnings in the final six months of the Group's financial year, was driven primarily by the following two factors:

- One tenant at a single property (representing 1.4% of the annual rent roll) was not paying rent. The Group took the difficult decision to place the tenant into administration, resulting in the Group funding administration costs of c.£0.9 million. These additional costs reduced the adjusted EPRA earnings per share by c.0.14 pence and increased the reported adjusted EPRA cost ratio by c.146 basis points. However, this decisive action protected the capital value of the property, as well as the home's staff and the continuity of care for the residents, by ensuring that the care home remained operational throughout the period of administration. Following strong demand from alternative operators, the home was successfully re-tenanted on 2 July 2025 at an increased rental level, and an uplift in the property valuation is anticipated in the next quarterly valuation.
- One tenant at three properties (representing 3.2% of the annual rent roll) did not pay rent in full for the final quarter of the year. All three of these properties were re-tenanted to alternative operators during September 2025 on similar lease terms without any tenant incentives being required. The Group has secured a parent company guarantee from the previous tenant which should support the collection of the rent arrears outstanding.

The likelihood and financial impact of such matters on the Group are mitigated through proactive ongoing monitoring of the tenants' financial and operating position and the maintenance of strong tenant relationships; supporting our Investment Manager's engaged landlord approach and well-resourced, specialist asset management team. The Group's investment approach of curating a diversified portfolio of high-quality real estate located in the right geographic locations, underpinned by this sector specialism, ensures strong demand from alternative operators should a re-tenanting represent the most appropriate course of action.

Looking forward, in relation to the sustainability of rents for the portfolio as a whole, the Group's average rent cover for the last twelve months, at over 1.9 times, represents the highest achieved since IPO and provides a strong foundation for the Group.

It is to be expected that in any portfolio of scale, particularly in this asset class and with the Company's preferred smaller operator demographic, there will always be ongoing asset management initiatives required to maintain the quality of the portfolio and/or adapt to the changes in operator tenant circumstances that could arise over a 35-year lease term. As well as the downside protection discussed above, these may also present opportunities to enhance shareholder value. More detail on the asset management initiatives undertaken during the year is contained in the Investment Manager's Report on pages 24 and 25, and in the detailed case studies on pages 19 and 20.

3. Financial performance

As noted above, we delivered a total accounting return of 9.3% for the year, driven by an EPRA NTA increase of 3.7% (114.8 pence from 110.7 pence) and dividends paid in the year.

Adjusted EPRA earnings per share decreased marginally by 0.8% to 6.08 pence, translating to 103% dividend cover for the year. The quarterly dividend paid in respect of the year increased 3.0% versus the previous year, marking the Company's return to a progressive dividend.

The positive portfolio like-for-like valuation movement was 2.6%, driven primarily by rent uplifts of 3.3% offset by 0.7% from yield shift. Contracted rent increased by 4.0% to £61.2 million, including 3.3% on a like-for-like basis.

4. Debt facilities and post year-end refinancing

Subsequent to the year end, the Group has refinanced its shortest dated loan facilities replacing £170 million of facilities due to expire in November 2025 with £130 million of committed facilities from the incumbent lenders. £50 million are term loans on which the interest rate has been fixed through interest rate swaps and £80 million are revolving credit facilities. These loan facilities carry a minimum term of three years, with the option to extend each term by two additional one-year periods, subject to the consent of the lending banks. The loan facilities also include uncommitted accordion facilities of up to a further £70 million, minimising commitment fees in the short-term.

EPRA NTA per share movement

+3.7%

Total accounting return

+9.3%

Dividend cover

103%

These facilities increase the average term to maturity on the Group's total committed debt facilities to 5.9 years as at 30 September 2025, and result in an average cost of drawn debt of 4.3% of which 81% is fixed for a minimum of 5.0 years. This compares to an average cost of drawn debt of 3.9% immediately prior to the refinancing. Further details are included on pages 17 and 21.

Overall, these facilities are intended to provide the Group with certainty over the availability and cost of its core financing requirements, whilst retaining sufficient flexibility to ensure effective cash management in the short term.

5. Post year-end disposal

As referred to earlier in this statement, the Group has recently disposed of nine care homes. This represents the most significant disposal undertaken by the Group since IPO, with the sales price representing a significant premium of 11.6% to the carrying value at the balance sheet date. Whilst representing an opportunity to crystallise an attractive return for shareholders and evidencing the realisable value of a representative cross-section of the portfolio, this disposal was primarily an asset allocation decision; reducing the Group's exposure to its current largest tenant to c.8.8% from c.16.0%.

Given investors' preference for scale, and reflecting both our growth strategy and confidence in the long-term financial outlook for modern, purpose-built care homes, the intention is to re-invest the proceeds from the disposal into earnings-enhancing acquisitions of standing assets and forward funding of new developments. The latter will utilise the revolving credit facilities to minimise the impact of cash drag. Such acquisitions are expected to follow the Investment Manager's measured approach of identifying best-in-class properties in the right geographical locations, which are leased at sustainable rental levels and acquired at appropriate yields. As previously mentioned, the Group has a strong pipeline of accretive investment opportunities including high quality, strongly performing existing UK care homes all with en suite wet-rooms, and new purpose-built forward funded assets in attractive locations.

6. Dividend

In the absence of unforeseen circumstances, the Board intends to increase the quarterly dividend in respect of the year ending June 2026 by 2.5% to 1.508 pence per share, providing an annual total dividend of 6.032 pence per share. This increase represents a modest discount to the Group's like-for-like rental growth of 3.3%, in order to reflect the one-off adjustment from resetting the interest rate on the Group's shortest dated debt facilities.

7. Shareholder engagement

We have always placed a significant emphasis on ensuring that the views of shareholders are reflected in any strategic decisions we take on behalf of the Company. We recognise that there will generally be a spectrum of views, particularly given the current market environment for both property and listed companies, and we have sought to increase direct engagement with shareholders in recent times.

8. Annual General Meeting ('AGM')

The AGM will be held in London on 4 December 2025. Shareholders that are unable to attend are encouraged to make use of the proxy form provided in order to lodge their votes, and to raise any questions or comments they may have in advance of the AGM through the Company Secretary.

9. Outlook

We remain confident in the Group's investment strategy; investing in high-quality care home assets with sustainable rental streams. We therefore remain firmly committed to continuing this approach whilst increasing the scale of the portfolio over time. The strong foundations provided by (i) the modern, future-proofed portfolio; (ii) the sustainable, long-term and inflation-linked rental income; (iii) the strengthening of the Group's balance sheet; and (iv) the availability of capital for re-investment, are expected to provide a basis to further drive shareholder returns. In order to achieve this aim, the Group intends to:

- Re-invest the proceeds of the recent disposal into standing assets and forward fund acquisitions at earnings-enhancing yields;
- Continue to identify and acquire further investment opportunities on a measured basis, through the use of additional debt in the first instance, with the full deployment of the Group's available capital of £139 million and its additional debt accordion arrangements potentially taking the Group's LTV to c.30%; and
- Continue to consider further asset management or investment activities, including disposals, developments and/or any other earnings-enhancing opportunities that may arise, to further improve the quality of our portfolio and maintain its best-in-class credentials.

Despite the challenging market backdrop for real estate, our portfolio continues to consist of future-proofed, best-in-class real estate in a defensive asset class supported by compelling long-term demographic tailwinds. This leaves the portfolio well-positioned, with the Group ready to act nimbly to take advantage of any opportunities that the uncertain market conditions may present.

Alison Fyfe
Chair
13 October 2025

Our approach to investments

Committed long-term investment

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

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

Like-for-like rental growth

3.3%

Five-year average 3.1%

Portfolio total return performance

#2/12

as ranked in the MSCI UK Annual Healthcare Property Index for the 10 years to 31 December 2024 (latest annual index)

Inflation-linked rental growth

- Our leases have annual, upwards-only rent reviews, linked to inflation with collars and caps averaging around 1.6% and 3.9%.
- We aim to pass on the associated earnings growth by way of a progressive dividend.

Secure rental income

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

- Nil vacancy since launch in 2013
- Rent covers, reflecting profitability at home level, at record levels (above 1.9x)
- Private pay bias supporting resident average weekly fee increases of c.8%
- Rent collection at 97%

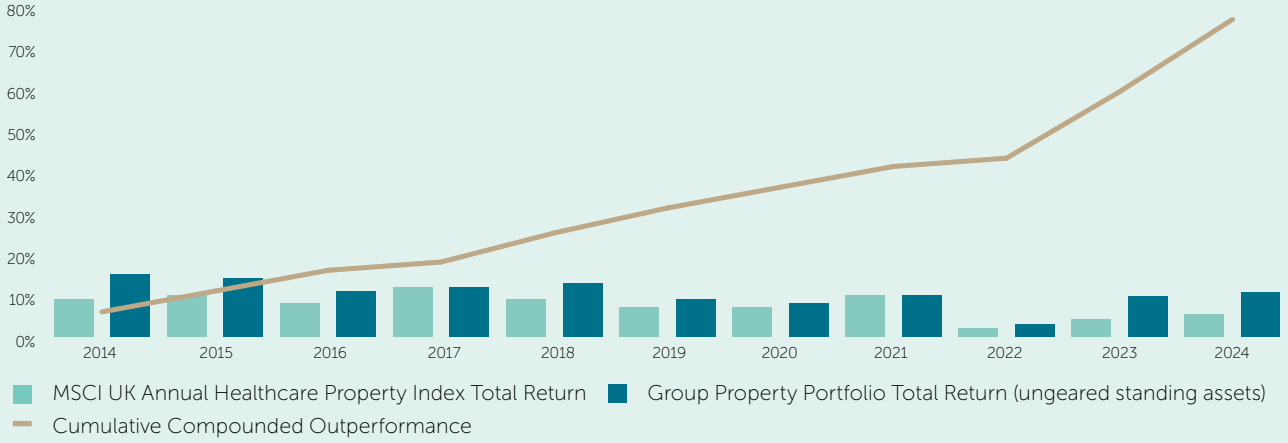
These metrics strongly support sustainable and growing financial returns.

Portfolio total returns: Consistently outperform benchmark

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

Our portfolio has outperformed the index annually since the Group's IPO in 2013. It is ranked second in its MSCI peer group over the 10-year period to 31 December 2024 in terms of absolute return, and has recently won MSCI's 'highest 10-year risk-adjusted total return' award.

MSCI INDEX



The Index is published annually and covers calendar years. There were 37 constituents in the Index for the year to 31 December 2024 and 12 for the 10-years to the same date.

Responsible investment

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

TREND 1:

Demographics

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

- The number of people aged over 85 is forecast to double from 1.8 million to 3.6 million by 2050*

People over 85 who will require residential care*

1 in 8

Estimated number of people aged over 85 by 2050*

3.6m

* Source: LaingBuisson, Care homes for older people, 35th edition

TREND 2:

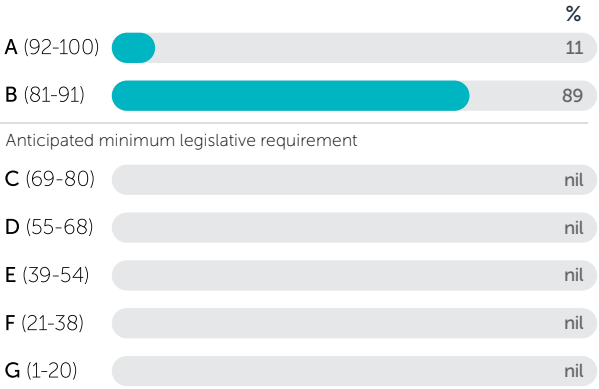
Carbon emissions and ESG

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

- Our EPC ratings are comfortably in compliance with anticipated legislation
- Our first operationally Net Zero Carbon (NZC) care home opened in October 2024
- More details on our Net Zero Carbon Pathway (NZP) are shown on page 22

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

PORTFOLIO EPC RATINGS



TREND 3:

Future-proofed modern real estate in what is generally a poor-quality market

79% of UK care home real estate is either converted or, if purpose-built, over 25 years old. Our portfolio is 100% purpose-built with 84% of homes less than 15 years old.

Our homes offer:

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

See more on page 13. The sector is moving at pace to these higher real estate standards, with 34% of rooms now compliant relative to 14% in 2014. Poorer quality homes will become obsolete.

TREND 4:

Long-term investment with compounding returns profile

- Consistent shareholder total returns through dividend and capital appreciation[1], backed by compounding rental growth annually guaranteed by lease collars
- Dividend fully covered by adjusted EPRA earnings
- Valuations exhibit low volatility with strong investment demand as investment class has institutionalised
- WAULT of 25.9 years

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

Simple approach: Best-in-class real estate managed by a specialist investment manager

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

Our Strategic Pillars

Build high-quality portfolio

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

How we do it

- Specialist Investment Manager whose senior team has spent 16 continuous years together in the sector establishing a strong reputation and enviable track record
- Clearly defined 'house standard' on acceptable investment quality

2025 highlights

Improved portfolio quality, one new home opened with another completing soon.

New build homes supported	Like-for-like valuation growth
1	2.6%
Disposals (net of costs)	**Contractual rent**
£9.8m	£61.2m

Trusted landlord

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

How we do it

The Investment Manager:

- Has a prominent and respected sector presence, tenant selection based on shared values
- Has frequent and regular monitoring and contact with tenants:
  - Home visits performed intelligently and sensitively
  - Monthly financial data collected and analysed
- Shares knowledge, insight, and best practice with tenants supporting their business

2025 highlights

Record portfolio rent cover with successful re-tenantings to support future earnings.

Portfolio occupancy	Rent collection
100%	97%
Mature portfolio rent cover	**Tenant experience positive**
1.9x	10/10

Why we do it

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

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

Key strengths of our approach

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

Deliver returns

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

How we do it

- Annual rental growth from long-term inflation-linked leases
- Stable ongoing cost base
- Conservative approach to debt with LTV at 21.8% and substantially fixed or hedged interest costs
- Disposal of nine homes subsequent to the year end for proceeds of £86 million, representing a premium of 11.6% to their carrying value at 30 June 2025

2025 highlights

Like-for-like rental growth; NTA growth; dividend covered 103% by earnings.

Adjusted EPRA EPS	Total accounting return
6.08pence	9.3%
Like-for-like rental growth	**Adjusted EPRA cost ratio**
3.3%	21.8%

Social purpose

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

How we do it

- Commitment to our no compromise approach on acceptable minimum real estate standards for care setting
- Understand our influence and learn, reflect and respond to feedback
- Report in line with established standards, such as GRESB and EPRA sBPR, with the results awarded under both standards having improved over the year

2025 highlights

100% of beds have en suite wet-rooms; pathway to being Net Zero Carbon unveiled.

Purpose-built homes	En suite wet-rooms
100%	100%
A and B EPC ratings	**Energy usage data collection**
100%	94%

Our purpose: to improve the physical standard of UK care home real estate

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

Strategic pillar #1
Build high-quality portfolio

Well designed, purpose-built care homes

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

Focus on maintaining modernity and quality metrics

The Group's limited access to new capital resulted in a temporary pause on new investment during the year, and the Group instead focused on enhancing the existing portfolio. The single asset sold during the year formed part of a wider transaction to facilitate the exit of an operator tenant from the market. Further details on asset management initiatives are included in the case studies on pages 19 and 20.

All disposals in recent years have been made at or above carrying value, and at attractive return metrics. We continue to consider opportunistic disposals of assets where the sale of existing properties and the reinvestment in alternative assets improves the overall quality of the Group's portfolio, as this is expected to maximise shareholders' returns over the long-term. This approach was demonstrated by the post year-end disposal of nine homes leased to a single tenant for £85.9 million, representing an 11.6% premium to carrying value, which will provide capital for reinvestment.

We have also been active on two development sites, with one home reaching practical completion during the year and the other in September 2025. The latter added a further 60 beds and £0.6m of contractual rent to the portfolio.

These initiatives continue to maintain the portfolio's modernity and longevity. The positive impact can be seen through modest progression and maintenance of key portfolio metrics:

PORTFOLIO MODERNITY

	2025	2024
Purpose-built 2010 onwards	**84%**	84%
WAULT (years)	**25.9**	26.4
EPC A&B	**100%**	99%
En suite wet-rooms	**100%**	99%

Best-in-class care home real estate

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

Wet-rooms (100%): These are essential for private and dignified personal hygiene, with a clear trend to this being the minimum expected standard for care home beds.

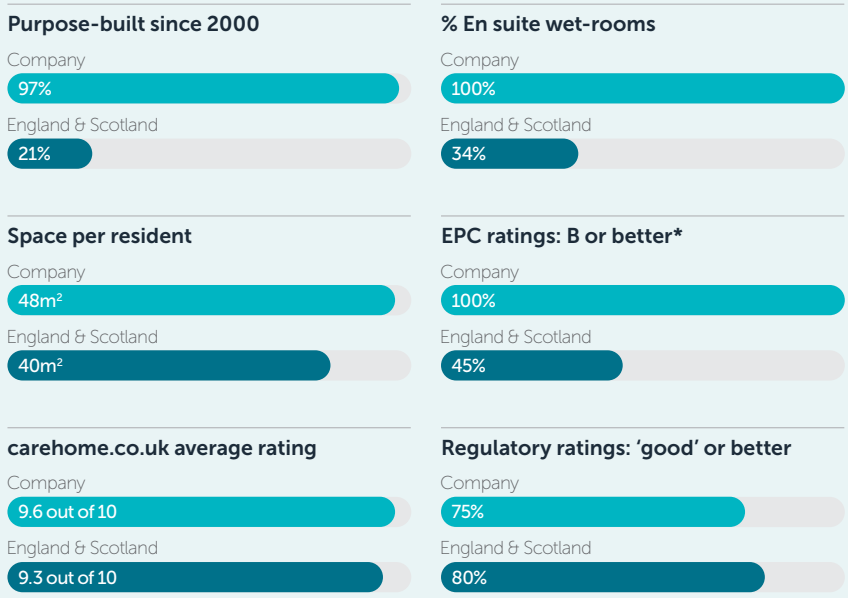
Energy efficiency (100% EPC A or B): Energy efficiency of real estate is critical, with legislative change and public opinion demanding higher standards. Our portfolio is already fully compliant with anticipated incoming legislation, reducing capital expenditure requirements.

Purpose-built and modern (100%): All our properties are designed and built to be used as care homes and to best meet the needs of residents and staff, and are expected to remain in demand by tenant operators.

Financials: Our metrics reflecting capital values and rental levels compare favourably with other care home portfolios, despite being significantly better real estate, demonstrating sustainability and longevity.

PREMIUM, PURPOSE-BUILT PORTFOLIO

Our portfolio remains sector leading in relation to a range of key quality metrics.



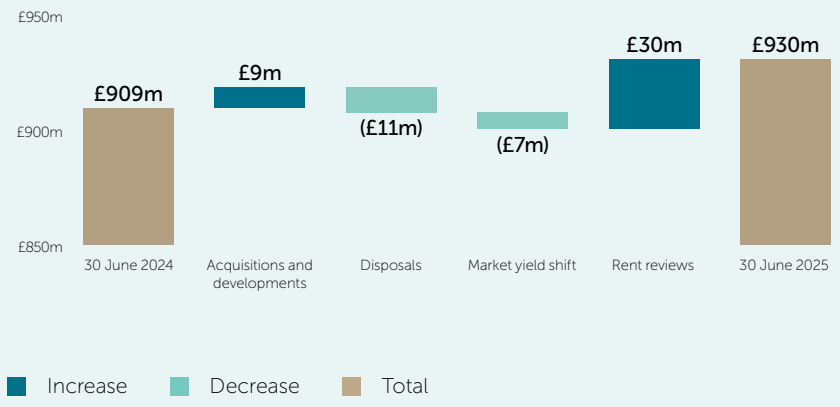
Sources: Target Fund Managers Limited, Carterwood and carehome.co.uk
* Comparative EPC ratings are for illustrative purposes only, capturing homes with matched postcodes.

Relatively stable valuations growing with rental income

The portfolio value increased by 2.4% during the year. This primarily reflected the like-for-like movement of 2.6%, consisting of 3.3% from the positive impact of the rental growth on valuations, offset by an outward yield shift of 0.7%. The Group's capital expenditure added £9 million in value, offset by an £11 million decrease from the disposal of one property and the receipt of a surrender premium in relation to another.

Valuation certificates are received quarterly by the Group from its external valuers with up-to-date values reflecting latest asset trading and comparable market transactions. The portfolio has a strong track record of valuation growth contributing to total returns, such as that shown at the portfolio level on page 8.

ANNUAL MOVEMENT IN PORTFOLIO VALUATION (£ MILLIONS)



Diversification

We continue to ensure the portfolio remains diversified, by leasing our homes to a range of high-quality regional operators. The Group's total number of tenants has remained unchanged overall at 34, despite the portfolio activity in the year.

The largest tenant at 30 June 2025 also remained unchanged with Ideal Carehomes ('Ideal'), part of the wider HC-One group, operating 18 of the Group's homes and accounting for c.16% of contracted rent. However, the disposal subsequent to the year end of nine homes leased to Ideal has reduced this exposure to c.9% with tenant diversification becoming more evenly spread across the portfolio.

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

Census data from our tenants show that 79% of residents are privately-funded, with 52% being fully private and 27% from 'top up' payments where residents pay over and above that which the Local Authority funds for them. 21% of residents are wholly publicly funded.

Geographically, Yorkshire and the Humber remained the Group's largest region by asset value at 30 June 2025, at 19.5%, marginally ahead of the South East, which accounted for 19.3%. The impact on the key portfolio statistics from the significant post-year end disposal does not significantly change the portfolio's geographical weighting.

Strategic pillar #2
Trusted landlord

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

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

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

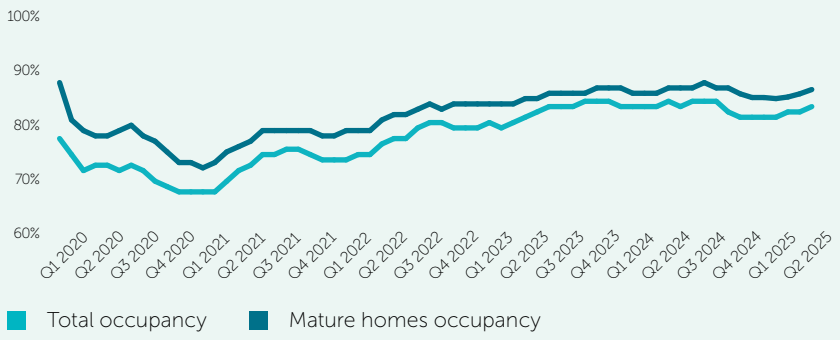
Our completed portfolio is fully let with long-term occupational leases to our tenants, the care providers. Their underlying resident occupancies have remained stable at 86%, consistent with the 87% we reported at this time last year. Operators continue to focus on accepting new residents at fee levels commensurate with the services provided, rather than filling to capacity at uneconomic fees. This approach efficiently manages demand, minimises the need for expensive agency staff, and facilitates a care-led approach when welcoming new residents to a home. Despite the changes to the licensing regime, which reduced the availability of overseas staff, most operators are now reporting stable workforce numbers.

Rent covers have remained stable at over 1.9x for the year, rising to 2.0x for the most recent available quarter (June 2025). These profitability levels support rental payments and financial resilience, and incentivise care providers to invest in their businesses and people.

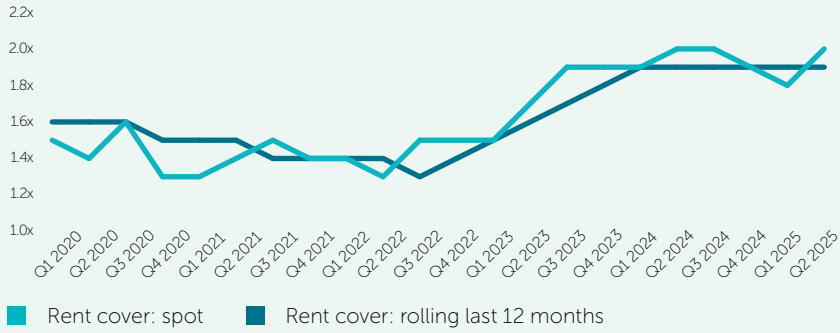
Despite increased staff costs following increases in both the national living wage and employers' national insurance contributions, operators have generally been able to increase revenues to maintain profitability.

Rent collection was 97% for the year (2024: 99%), with no exclusions for non-performing or turnaround homes. The slight dip in 2025 was primarily due to the position with two tenants, and were resolved subsequent to the year end. These are covered in more detail in the Chair's Statement on pages 5 to 7 and in the case study on page 19.

SPOT RESIDENT OCCUPANCY RATES



MATURE HOMES: RENT COVER



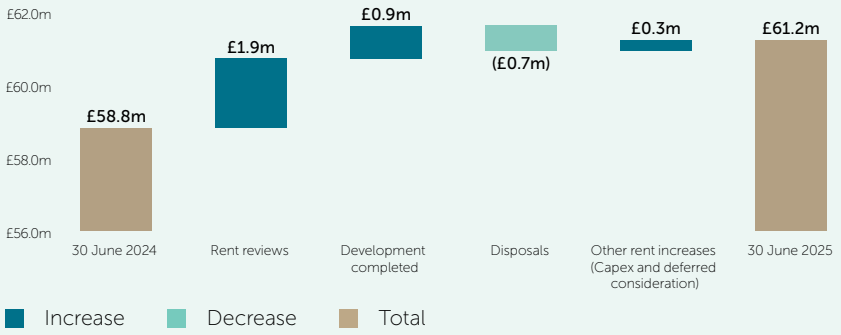
Growing and compounding rental income

The portfolio's contractual rent roll was £61.2 million at year-end (2024: £58.8 million). The 4.0% increase in contractual rent over the year was driven by like-for-like rental growth, being the Key Performance Indicator used by management in assessing recurring rental growth, of 3.3%.

The positive contribution from capex and our developments, offset by our disposal, contributed the remaining 0.7%.

Rent from the Group's leases increase annually, linked to inflation. Collars on this (averaging c.1.6%) ensure the Group receives guaranteed growth, while caps (averaging c.3.9%) ensure assets do not become over-rented, risking rents becoming unaffordable, in periods of higher inflation as we have seen in recent years. This is an important aspect in providing long-term security to our tenants, and in achieving sustainable investment returns.

ANNUAL MOVEMENT IN CONTRACTED RENT (£ MILLIONS)



Tenant and resident satisfaction

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

Resident satisfaction

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

OUR TENANTS

Agreed that working with Target was a positive experience

9.6/10

Previous survey (2023): 9/10

Agreed that Target provides high-quality real estate that supports the working environment and helps deliver dignified care to residents

9.2/10

Previous survey (2023): 9/10

Agreed that Target understands the needs of the tenants' business

9.2/10

Previous survey (2023): 9/10

OUR RESIDENTS

Our resident portfolio's current average rating is

9.6/10

with sufficient review volume and frequency on 'carehome.co.uk' to be considered a valuable data point for the quality of service experienced by residents of homes in the portfolio.

Strategic pillar #3
Deliver Returns

Regular dividends for shareholders

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

Earnings

Earnings decreased by 0.8%, as measured by adjusted EPRA EPS; the Group's primary performance measure. Rental income for the year has increased by 3.3%, driven primarily by inflation-linked rental growth plus completed developments. This is partially offset by the annualised effect of disposals, mainly in the prior year.

The credit loss allowance (for doubtful debts) increased compared to the prior year as, although the portfolio as a whole generally performed well from a rent collection and rent cover perspective, the provision in relation to two tenants was increased by £1.5 million to £2.9 million. Of these, one tenant at a single home was re-tenanted on 2 July 2025, and it is anticipated that the majority of the fully provided for rental arrears of £1.3 million will not be recovered. The three homes leased to the second tenant were re-tenanted in September 2025 and, although the rent arrears remain outstanding at the time of writing, the contractual terms of the re-tenanting include terms which improve the Group's ability to recover the rent outstanding.

The Group's reported operating expenses increased significantly, by 27.1%, however this was primarily due to the non-recurring administration costs associated with the property which was re-tenanted in July 2025. Excluding these one-off costs, operating costs increased by 2.6% in the year.

Due to fixed interest rates and stable debt levels, with the Group's interest costs being fixed/hedged on £230 million of drawn debt until November 2025, net finance costs remained largely unchanged at £10.2 million. The majority of the net saving arose from £0.4 million of interest earned on cash held in a secured account under the terms of the loan facilities following the property disposals near the end of the prior year.

EARNINGS SUMMARY

	2025 (£m)	Movement	2024 (£m)
Rental income (excluding guaranteed uplift)	60.6	+3%	58.6
Administrative expenses (including management fee and credit loss allowance)	(13.4)	+15%	(11.6)
Net financing costs	(10.2)	-5%	(10.8)
Interest from development funding	0.7	-59%	1.8
Adjusted EPRA earnings	37.7	-1%	38.0
Adjusted EPRA EPS (pence)	6.08	-1%	6.13
EPRA EPS (pence)	7.72	+1%	7.61
Adjusted EPRA cost ratio	21.8%	+270 bps	19.1%
EPRA cost ratio	18.3%	+170 bps	16.6%
Ongoing Charges Figure ('OCF')	1.51%	–	1.51%

Expense ratio

The Group's expense ratios reflect these movements. The adjusted EPRA cost ratio, expressing costs as a percentage of the Group's rental income, increased to 21.8% from 19.1%, due mainly to the net increase in the credit loss allowance and the £0.9 million of non-recurring tenant administration costs.

The Ongoing Charges Figure, which provides a measure of recurring operating expenses and which excludes non-recurring property expenses, including bad debts, was stable at 1.51% (2024: 1.51%).

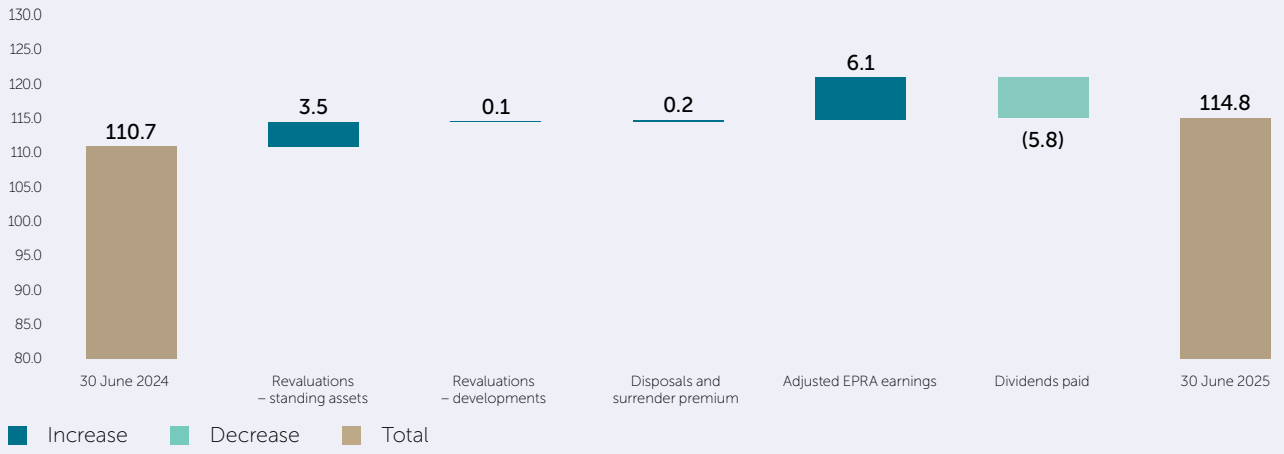
Total Returns

Total accounting return, using EPRA NTA movement and dividends paid, was a healthy 9.3% for the year ended June 2025 and an annualised 7.5% since launch. Our portfolio has returned like-for-like valuation growth for each of the ten quarters since the December 2022 macro-driven response to the higher interest rate environment. Our valuations have been less volatile than the wider commercial property population, as reported within the MSCI Monthly Index (All Property) (see chart on page 24), due to the strength of investment demand and the trading performance at the underlying home level.

This valuation performance, allied with our dividend payouts, fully covered by earnings, has seen EPRA NTA per share grow by 3.7% over the year, and contribute to total returns.

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

EPRA NTA PER SHARE (PENCE)



Debt

Debt facilities were unchanged in the year at £320 million. The weighted average term to expiry on the Group's total committed loan facilities was 4.2 years (30 June 2024: 5.2 years), with drawn debt of £242 million incurring a weighted average cost, inclusive of amortisation of loan arrangement costs, of 3.8% (3.7% on a cash only basis with costs excluded).

Net LTV at 30 June 2025 was 21.8% (2024: 22.5%), with the Group's revolving credit facilities allowing flexible drawdowns/repayments in line with capital requirements.

Subsequent to the year end, the Group has refinanced each of its debt facilities with RBS and HSBC as set out in the table below. Both facilities have been extended by three years, with the option of two further one-year extensions, subject to lender approval. The facilities also include accordion elements providing, in aggregate, additional uncommitted borrowings of a further £70 million.

Further details on the refinancing are provided on page 21 and in Note 20 to the Consolidated Financial Statements.

Net debt to EBITDA ratio

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

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

Net debt to EBITDA ratio

4.6x

2025	4.6x
2024	4.6x
2023	4.8x

DEBT ANALYSIS

Debt Provider	Debt Type at 30 June 2025	Drawn at 30 June 2025	Maturity at 30 June 2025	Debt Type (post refinancing)	Maturity (post refinancing)
Phoenix Group	£150m Term debt	£150m (fixed rate)	Jan 2037 – £63m Jan 2032 – £87m	£150m Term debt (fixed)	Jan 2037 – £63m Jan 2032 – £87m
RBS	£30m Term debt £40m Revolving credit facility	£30m (hedged) £12m (floating rate)	Nov 2025	£20m Term debt (hedged) £30m Revolving credit facility	Sept 2028 (with two 1-year extensions)
HSBC	£100m Revolving credit facility	£50m (hedged)	Nov 2025	£30m Term debt (hedged) £50m Revolving credit facility	Sept 2028 (with two 1-year extensions)
Total	**£320m**	**£242m**		**£280m**	

The post refinancing loan facilities also include accordion options which, subject to the approval of the relevant bank, increase the quantum of the RBS facility by a further £30 million and the HSBC facility by a further £40 million.

Strategic pillar #4
Social purpose

To achieve our social purpose

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

Partially met Met

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

Our Strategy in Action

Our Case Studies

Build high-quality portfolio

Deliver returns

Successful Re-tenanting After Operator in Administration

The current year saw the Group place a tenant into administration. The first time since the Group's IPO in 2013.

Background

In 2021, the Group forward funded the development of a new care home in the South of England, supporting a tenant who was a small, family-owned operator. This tenant had a strong track record operating older care homes, and wished to re-position their group towards modern, best-in-class real estate. Although the home started well with good early ratings, the trading performance of the tenant's remaining older care homes across its wider group declined. Consequently, the tenant became unable to meet their rental obligations.

Activity in the year

Despite initially attempting to work with the tenant to help it meet its rental obligations, the wider tenant group's challenges impacted on the leasehold operations' performance, including a downwards re-rating of the care home by the Care Quality Commission. Ultimately, it was concluded that, both to protect the interests of the Company's shareholders and to ensure continuity for the staff and residents of the care home, it was best for the Group to place the tenant into administration.

Whilst an independent care consultancy firm temporarily ran the care home on behalf of the administrators, the leasehold interest was marketed. This attracted significant interest from multiple operators, resulting in the care home being successfully re-tenanted within four months of the administration. The strong operator demand meant that the Group was not required to offer any rent incentives as part of the transaction, and the new tenant also accepted a modest increase in the passing rent.

Whilst the administration ultimately resulted in exceptional costs of £0.9 million and an increase in accrued rental arrears of £0.8 million during the current year (to a total of £1.3 million at 30 June 2025), the improved passing rent from 2 July 2025 onwards is expected to result in an increase in the forthcoming quarterly property valuation. In addition, there is the potential for further future income and capital upside via the ongoing lease, both via a contractual stepped rent and further potential rent increases linked to the care home's future operational performance. Importantly, delivering the re-tenanting has secured the future stability of the care home, ensuring a sustainable, secure and high-quality environment for residents, their families and staff alike.

This case study demonstrates the benefit of the Group's investment approach of investing in high-quality purpose-built care homes in the right locations. This ensures that, where an issue does arise with the incumbent tenant, the underlying demand for the real estate from alternative operators helps to protect the fundamental capital value over the long-term.

Trusted landlord

Social purpose

Previous Refurbishment and Tenant Support Results in Long-Term Improvements

This case study evidences the positive impact that can be generated through the Group's engaged landlord approach, and also illustrates why, in contrast to the situation above, the Investment Manager will ordinarily choose to engage with a tenant to resolve any issue which arises during the tenancy, to minimise the crystallisation of bad debts and avoid incurring the costs of administration.

Background

The Group purchased a property in the North West of England in 2017 with the intention of refurbishing it to lift the late 1990's home's real estate quality to a modern market-leading standard. This refurbishment, which ultimately completed in April 2024, has provided positive social improvements for the home's residents, including the conversion of all en suite WCs into full wet-rooms. Energy efficiency enhancements were also delivered which have collectively improved the home's environmental credentials, leading to an EPC "A" on this property.

Activity in the year

Although the home experienced operational challenges during the refurbishment, which in turn led to rent arrears, the Group supported the tenant through the turnaround of the home, such that rent arrears, which had reached £0.4 million at the end of the prior year, were fully repaid by 30 June 2025 and the tenant is now building up a rent deposit. Moreover, the subsequent strong financial and operational performance of the home, delivering a rent cover of >2.0 times in the year, means that pre-agreed lease performance triggers have been met, generating a rent increase of more than 6%, which is accretive in terms of both rental income and property value.

Our Case Studies

Deliver returns

Social purpose

Supporting Operator Exit From Care Home Market

This case study illustrates that ongoing re-tenanting activity is an inherent part of the asset management activity of the Group, used to proactively address the changes in the tenant operators' strategy that may arise over a 35-year lease, and should not be viewed as the retrospective resolution of issues which have arisen. In this case, the disposal of one property, and the re-tenanting of two others, was undertaken to facilitate the tenant's preference to exit the care operator market whilst delivering shareholder value and ensuring uninterrupted care provision for the residents.

Background

The owner of a tenant leasing three of the Group's homes decided to exit the elderly care market. This was not a distressed situation, and they maintained their support for the operator throughout the strategically motivated exit process.

Activity in the year

The Investment Manager discussed with the operator how to deliver both a positive long-term solution for the homes and sought to deliver a strong financial outcome for the Group's shareholders. The compelling local demographics and high-quality real estate resulted in several interested operators, and the Investment Manager's priority was to find the "right" operator to deliver a long-term, high-quality service to residents.

The Investment Manager identified operators who it considered to be the best "fit" for each home, ultimately recommending the re-tenanting of two of the homes and the sale of the third. In relation to the re-tenantings, one of the homes has now transitioned smoothly to the new operator, an existing tenant of the Group, and the second is expected to transition by the end of 2025 once the incumbent tenant has completed certain works at the property.

Overall, a positive financial result was achieved for the Group's shareholders. With approximately 15 years remaining on the leases, material exit premiums from the outgoing tenant, significantly in excess of any leases incentives paid to the incoming tenants, were agreed for two of the homes. One of these was received in the year, and the second will be received in the forthcoming year once the transition of the related home has completed. The sale proceeds reflected a premium of 8% to the prevailing external valuation. The surrender premium received, combined with this uplift on the disposal, added 0.2% to the Group's total accounting return for the year. A further 0.2% will be added in the current year on receipt of the second surrender premium. Working closely with the operators, the Investment Manager has delivered an excellent solution for residents, staff, the local communities and the Company's shareholders.

Significant post-year end transactions: Disposal and Refinancing

Disposal of nine care homes

Subsequent to the year end, the Group has entered into an agreement to sell a portfolio of nine care homes, leased to Ideal Carehomes ('Ideal'), to an institutional purchaser for £85.9 million. This represents a premium of 11.6% to the Group's carrying value at the year end and an implied net initial yield of 5.24%.

This disposal, which represent 537 beds and a total of c.8.3% of the Group's overall portfolio value as at 30 June 2025, is highly accretive, adding 1.4 pence to the Group's EPRA NTA per share. However, the primary intention of the transaction is to reduce the Group's exposure to its largest tenant, something which the Investment Manager has been considering since Ideal was acquired by the UK's largest care home operator, HC-One, in the prior year. Prior to this disposal, Ideal was the Group's largest tenant, accounting for c.16% of the Group's contracted rent as at 30 June 2025.

Completion of the disposal is unconditional and is expected to take place on 22 October 2025, and will result in an annualised ungeared internal rate of return ('IRR') in excess of 11%, demonstrating the Group's active approach to portfolio management and ability to drive shareholder returns.

The impact that the disposal would have had on the Group's aggregate portfolio at 30 June 2025, all else being equal, is shown in the tables below.

Use of Proceeds

The Group has a strong pipeline of near-term assets at a net initial yield of c.6%. This comprises a combination of accretive investment opportunities including high-quality, strongly performing existing homes and new purpose-built forward funded assets. The acquisition of the first of the existing homes is expected to take place in November. Execution of this pipeline is expected to fully utilise the proceeds of the disposal as well as make efficient use of the new debt facilities detailed below, and will result in a refreshed Group portfolio with longer average unexpired lease terms, more homes capable of being operationally net zero carbon, a more diverse tenant base and an improved yield on assets.

Debt refinancing

As set out in the table on page 17, the Group refinanced its shortest dated debt facilities on 23 September 2025.

This results in the Group having committed debt facilities of £280 million, including £200 million on which the interest rate has been fixed/hedged until at least 23 September 2030 at a weighted average rate of 3.9% (30 June 2025: £230 million at 3.7%). The Group has additional revolving credit facilities of £80 million, of which £47.6 million is currently drawn. The drawn element is likely to be repaid initially with the proceeds from the disposal and, once redrawn, will carry interest at SONIA plus a margin, including arrangement costs, of 1.8%. It is anticipated that the Group will hedge the revolving credit facilities in due course through the use of interest rate caps.

The transaction improves tenant diversification and provides further capital to re-invest in earnings accretive, and portfolio enhancing, acquisitions without significantly changing the other key portfolio statistics. The tables below show the impact of adjusting the portfolio at 30 June 2025 to exclude the nine assets which the Group has agreed to sell.

	Portfolio at 30 June 2025	Disposals	Portfolio at 30 June 2025 (adjusted)
Total contracted rent	£61.2m	£4.8m	£56.4m
Rent per bed	£9,696	£8,952	£9,765
Total portfolio value	£929.9m	£77.0m	£853.0m
EPRA topped-up net initial yield	6.22%	5.85%	6.25%
Rent cover (spot)	2.0x	2.2x	2.0x
Rent cover (last twelve months)	1.9x	2.4x	1.9x
Average age of homes	12 years	13 years	12 years
Mature homes	93%	100%	93%
WAULT	26 years	24 years	26 years

Tenant diversification (by rental income)

	Portfolio at 30 June 2025	Disposals	Portfolio at 30 June 2025 (adjusted)
Largest tenant	16%	100%	9%
Largest five tenants	41%	–	37%
Largest ten tenants	64%	–	61%

Geographical diversification

The disposal does not significantly change the geographical weighting of the portfolio.

ESG Commitments in focus: Net Zero Carbon Pathway

Net Zero Carbon Pathway

- **2025** Scope 1 and 2 net zero carbon achieved
- **2030** target to have renewable energy generation (or heat pumps) at 50% of its homes
- **2040** net zero carbon target for property portfolio related Scope 3 emissions

Quality of input data

Achieving a net zero-carbon portfolio is a crucial part of our suite of 'targeting tomorrow' commitments as a responsible business.

It is essential to adopt a strategy that is:
(i) based on comprehensive and reliable data;
(ii) achievable and measurable; and
(iii) suitably ambitious.

We are now collecting our tenants' energy usage data to an extent which allows a reliable analysis of our portfolio's current position and of the impacts of initiatives.

Output status

The output we currently have:

- Benchmark data on where we currently stand on carbon intensity, relative to the CRREM and SBTi joint 1.5°C decarbonisation pathway.
- Suggested energy efficiency and carbon reduction initiatives relevant to our properties.
- Cost estimates and impact assessments on carbon intensity.

Our Net Zero Carbon Pathway sets out a clear, science-based roadmap to achieve net zero carbon emissions across firstly, our operations and then, secondly, our portfolio. We are guided strongly by our comprehensive datasets from our real estate.

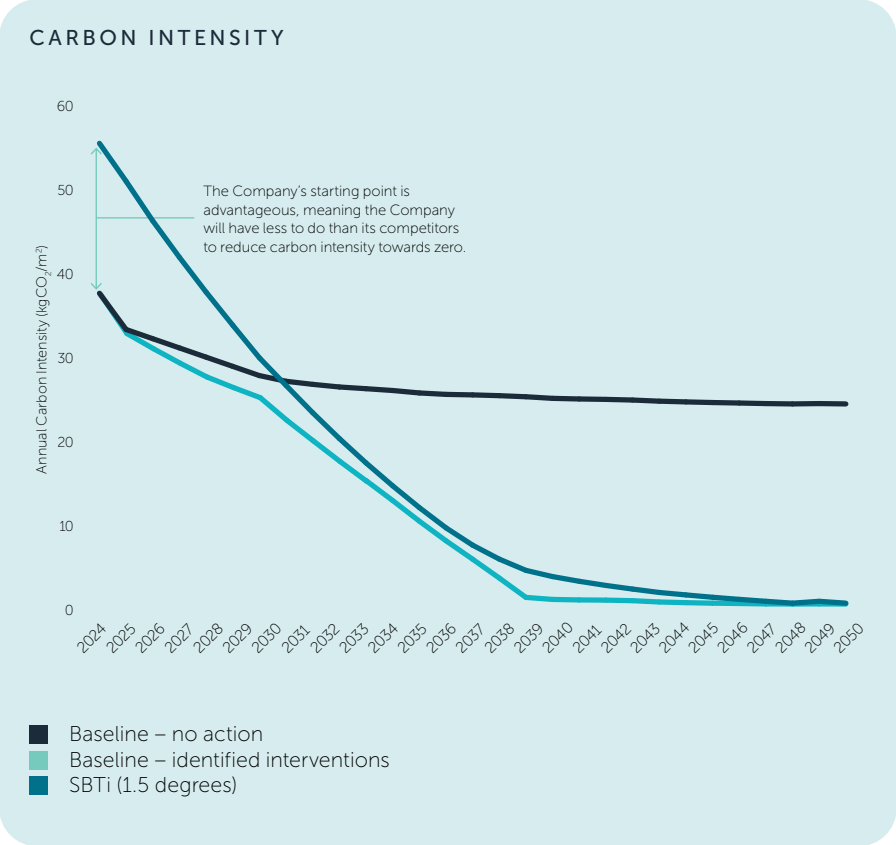
Timeline and actions

- Between **2025 and 2030**: Quick wins: energy efficiency measures, such as thermal installation in plant rooms (2-3% CO_2 savings) and increase renewable energy generation (including by heat pumps) at 50% of homes.
- Between **2025 and 2035**: Increase PV or solar thermal panel coverage towards 100% of portfolio.
- Between **2030 and 2040**: Electrification of heating, phase out gas boilers and install heat pumps and appropriate upgrade of distribution in homes.

Our portfolio's modernity provides an excellent starting point as illustrated in the graph below.

Risks and areas outside our control

- Suitable technology being available at the required scale and cost, per expectations as advised by our external experts, in the time period outlined.
- Materials and labour being available such that the Group is able to have technology installed in a sensible timeframe and at fair, market (not surge) pricing.
- Agreement with tenants as to disruption timeframes for works.
- That the relevant investment costs do not depress investment returns to such an extent the Group cannot achieve its investment objectives to the satisfaction of shareholders.



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

2025 activity and highlights

Environmental

EPC ratings[1]

100% A-B ratings

Important measure of energy efficiency and legislative rating.

BREEAM In-Use certificates

11% coverage

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

Energy consumption data

94%

coverage obtained for 2024 calendar year.

Responsible investment

As an investor we understand that our actions have influence. We use our platform to lead by example through embedding appropriate ESG considerations into our decision-making.

- Increased coverage of portfolio with green lease provisions to 61% from 49%.
- Carbon reduction investment programme continues with 40% of the portfolio currently benefitting from renewable energy generation, heat pumps, or both.
- Steady, increasing installations of photovoltaic or solar thermal panels in homes.
- EPRA sBPR Gold Award achieved in relation to most recent Sustainability Report.

Social

En suite wet-rooms

100%

Defining proxy for real estate quality and social impact. National Comparative: 34%*

* Source: Carterwood

Space per resident

48m²

We assess this against peers and compare favourably.

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

17/1,144

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

Responsible partnerships

We engage with all our stakeholders to drive the creation of economic, social and environmental value around our buildings and in wider society.

Governance & transparency

£1m

Approved budget for energy efficiency initiatives.

Board diversity

40%

Board composition remains at 40% female, with at least one senior board position held by a woman, in line with the 'Women in Leadership' 2025 target set by the FTSE Women Leaders Review. Action will be taken in relation to the Board's ethnic diversity over the forthcoming year.

ESG committee

Met at least quarterly.

GRESB

80

Improved score to 80 from 71 in the Group's third year of assessment. This results in the Group earning three green stars and places us second in our peer group.

Responsible business

We treat all stakeholders with respect and deal fairly in a manner consistent with how we would expect to be treated ourselves.

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

Portfolio performance and UK care home investment market

Portfolio performance

During the year, property level transactions completed by the Group remained low with (i) a single property disposal, which formed part of a wider asset management transaction; and (ii) the progression of two development sites, with one reaching practical completion during the year and the other completing subsequent to the year end. Transactions did, however, continue to be considered, with a significant disposal of nine care homes subsequent to the year end, as set out in detail on page 21.

As expected in any portfolio of scale and with a wide range of tenant operators, asset management activities continued. These included (i) converting a further 41 rooms to provide full en suite wet-rooms across two homes thereby increasing the portfolio towards 100% wet-rooms; (ii) making, and rentalising, performance payments totalling £3.4 million for three homes thereby increasing the contracted rent from the portfolio by £0.2 million per annum; (iii) re-tenanting two homes, from two different tenant operators, on attractive financial terms and with any tenant incentives being funded by the outgoing tenants; and (iv) reaching agreement to re-tenant a third home, which will result in a further surrender premium being received during the current year. Overall, these activities demonstrate an ability to re-tenant high-quality properties of the type held by the Group to alternative operators where it benefits the overall portfolio.

As set out in the case study on page 19, on 2 July 2025 the Group also completed the re-tenanting of the home which had contributed significantly to the increase in the Group's costs and credit loss allowance in the year, securing its future stability.

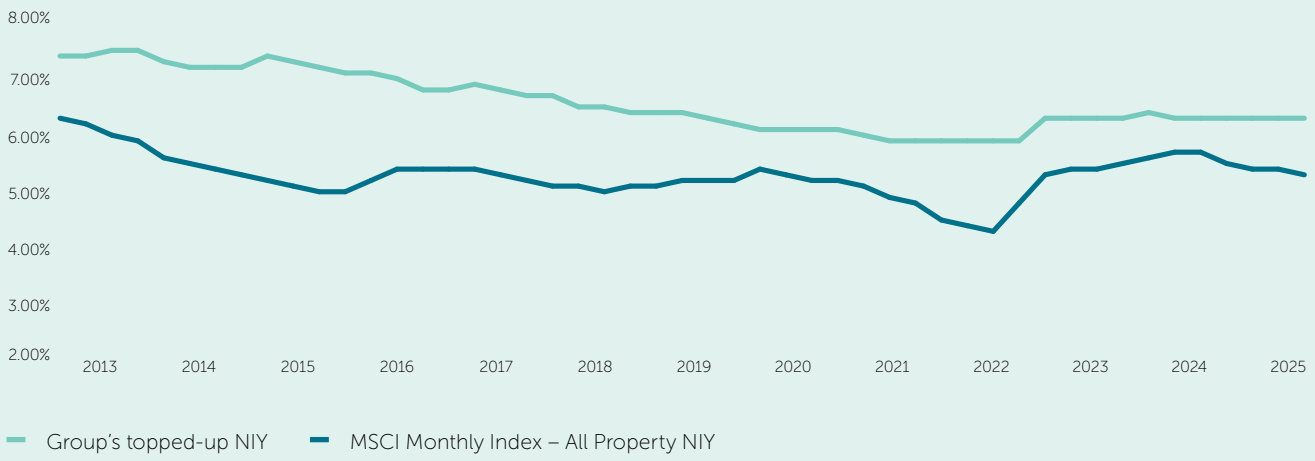
At the portfolio level, two key portfolio metrics are presented on page 8 which are reflective of the investment grade characteristics of our prime, modern UK care home portfolio. Firstly, rental growth was 3.3% on a like-for-like basis (2024: 3.8%) and this has been supported by a quality rental stream from 34 tenants with a robust average rent cover for the last twelve months of over 1.9x (2024: 1.9x), the highest reported by the Group since IPO. Underlying demand for places in our homes remains high at 86% mature home occupancy (2024: 87%), with scope for further profitability growth were occupancy to trend further towards the 90% long-term average.

Secondly, portfolio-level total returns remain strong. We are pleased to have continued to perform well against the MSCI UK Annual Healthcare Property Index for the calendar year 2024, with a standing assets return of 10.5% for the year compared to the benchmark return of 5.4%. More importantly, this is sustained performance as the Group's portfolio also ranks second of 12 over the 10-year period ending 2024. This long-term portfolio performance resulted in the Group recently winning the MSCI award for the highest 10-year risk adjusted total return.

The like-for-like valuation growth for the year was 2.6%, primarily driven by 3.3% from the growth in rents and the expiry of rent free periods, offset by 0.7% from an outward movement in valuation yields.

Our overall portfolio metrics remain strong. 92% of homes are mature in their trading, 84% have a younger than 2010-build date, and the WAULT remains long at over 25 years. These characteristics, and the bias towards private-fee payments of our tenants' revenue (79%) all support the quality of our rental stream and its annual and compounding long-term growth.

GROUP TOPPED-UP NET INITIAL YIELD ('NIY') AND MSCI MONTHLY INDEX – ALL PROPERTY NIY



Property regulation

In July 2025, the Government issued a proposal to ban upward only rent reviews in leases. Whilst aimed at retail properties, this has the potential for significant unintended consequences elsewhere. The details remain unclear at this stage, although it would appear that any legislation will not be retrospective, so the Group's existing leases would not be directly affected. We do not believe that the proposal would be a welcome change and are working with the British Property Federation and others in the sector to help inform the Government on the potential impact on the sector if it were to proceed.

Care home trading

Our typical investment appraisal has historically been based on a home's ability to achieve earnings of at least 1.6x the home's rent. More recently, a level of 1.8x has been sought, to provide headroom and financial resilience. The mature homes portfolio has achieved over 1.9x rent cover for the last twelve months, the highest since IPO, and 2.0x rent cover for the final quarter of the year, endorsing our investment case on the trading potential of prime care home real estate. Average weekly fees for residents have increased by c.8% across the portfolio's mature homes during the year, illustrating that inflationary cost increases are largely being passed on by operator tenants.

Investment market

Low volatility of valuation continues

The UK care home investment market has seen transaction volumes increase compared with the prior year. The US REITs, in particular, have begun investing significant capital in our sector and this trend is expected to continue. This will provide both structural support and transactional evidence to corroborate property valuations. Some US REITs are investing on a slightly different basis to the Group by taking an ownership interest in care home operations in addition to acquiring the freehold interest in the properties. We believe that there are many operators for whom the Group's partnership approach and more traditional triple net lease structures are preferable to the management contract arrangements preferred by some investors and that this remains a suitable market for us to be investing in.

Other market participants have returned to investment activity and it is anticipated that new investors may enter the care home sector meaning that investment demand, particularly for prime care home real estate such as ours, is expected to remain robust.

Market pricing has remained relatively flat in recent quarters and supports both the current portfolio valuation and the indicative pipeline pricing.

Health and social care update

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

Social care reform

The social care review led by Baroness Casey commenced this May, with an initial report due out in 2026. While many in the sector feel the process is a repeat of numerous other similarly well-intentioned reviews carried out over previous decades, there is some optimism that Baroness Casey will indeed bring some pragmatism to the process. The second phase of the review, scheduled to report back in 2028, will build on the initial recommendations, but again there are fears that the timing of this element may be overshadowed by a future election, and become lost or diluted in the process. Current ministers, helpfully, do express a strong belief that an efficient and productive NHS is increasingly dependent on a fully functional and aligned social care sector. Further scrutiny via Baroness Casey should at least help to keep the sector's frustrations on the Government's radar. During spring, the sector further welcomed the NHS 10-year plan – the sector being well positioned to assist in the provision of resources.

Spring statement and spending reviews

Both of these proved to be a frustration for the sector, with little mention of wider support to social care. The Association of Directors of Adult Social Services Spring Survey further highlighted the challenging situation that many Local Authorities ("LAs") find themselves in, with increasing care costs driven by ageing demographics consuming the lion's share of their budgets. The squeeze on LAs has been compounded by cuts to Independent Care Boards with NHS Continuing Healthcare services in places being withdrawn. Our recent research notes that the numbers receiving domiciliary care have dropped between 2016 and 2023 due to the increased cost of domiciliary care per person – which doubled between the same dates. Likewise, we note that the numbers of private residents entering care homes has now overtaken publicly funded placements, likely an indication of the pressure on LA budgets as much as demographics.

Staffing

We reported six months ago that operators were much more comfortable with staffing recruitment, despite more onerous conditions on overseas recruitment including the restriction on accompanying family members. However, operators were dismayed in May by the blanket Government restriction on overseas recruitment for the social care sector. Between 2022 and 2024, 185,000 care staff were recruited from overseas, while going forward 43,000 new care workers will be required every year until 2035, excluding the current c.135,000 vacancies, all of which causes consternation within the sector. Proposed changes in employment legislation are also awaited with some trepidation.

Costs and fees

Care home operating costs have mainly increased on the back of minimum wage and NIC increases, albeit ancillary costs have been relatively subdued. This has led to large fee increases for the fourth year running, with operators, where possible, passing the costs onto residents. This continues to equate to private fee increases of around 8% to 10% per annum. Families, overall, have reportedly remained forbearing, likely due to inflationary pressures being widely publicised. LA fee increases, as far as we can ascertain, seem to be between 3% to 6%. Nursing homes, the majority of homes within the Group, have received a useful 7.7% rise in Funded Nursing Care payments.

Regulatory

The Care Quality Commission (CQC) continues to face challenges in scaling the inspection regime up to its own targets, with many organisations frustrated by extended timescales between inspections and slow results process. The CQC report some progress but dated inspection reports remain unhelpful to both operators and the general public, who may need to make decisions for the appropriate placement of their loved ones.

Target Fund Managers Limited
13 October 2025

Principal and emerging risks and risk management

Risk	Description of risk and factors affecting risk rating	Mitigation	Risk rating & change
Poor performance of investments/ investment assets	There is a risk that a tenant's business could become unsustainable if its care homes trade poorly. This could lead to a loss of income for the Group and an adverse impact on the Group's results and shareholder returns. The strategy of investing in new purpose-built care homes could lead to additional fill-up risk and there may be a limited amount of time that operators can fund start-up losses.	The Investment Manager focuses on tenant diversification across the portfolio and, by considering the local market dynamics for each home, aims to ensure that rents are set at sustainable levels. Rent deposits or other guarantees are sought, where appropriate, to provide additional security for the Group. The Investment Manager has ongoing engagement with the Group's tenants to proactively assist and monitor performance. Rent cover, a key measure of the underlying home profitability, is currently at the highest level since the Group's IPO.	**High**
High inflationary environment	An increase in the UK inflation rate to a level above the rent review caps in place across the portfolio's long-term leases may result in a real term decrease in the Group's income and be detrimental to its performance. In addition, cost increases for tenants, particularly in relation to staffing and utilities, may erode their profitability and rent cover unless their revenue increases accordingly.	The Group's portfolio includes inflation-linked leases, with primarily annual upwards-only rent reviews within a cap and collar. Despite the rise in the RPI inflation rate since June 2024, the rate of inflation remained below the level of the majority of the Group's rent review caps. The Investment Manager is monitoring tenant performance, including rent covers and whether average weekly fees paid by the underlying diversified mix of publicly funded and private-fee paying residents are growing in line with inflation.	**Medium**
Adverse interest rate fluctuations/ debt covenant compliance	Adverse interest rate fluctuations will increase the cost of the Group's variable rate debt facilities; limit borrowing capacity; adversely impact property valuations; and be detrimental to the Group's overall returns.	The Group has a conservative gearing strategy. The gearing level remained consistent throughout the year, although net gearing is anticipated to increase as the Group nears full investment. Loan covenants and liquidity levels are closely monitored for compliance and headroom. The Group had fixed interest costs on 95% of its total borrowings as at 30 June 2025 and, as part of its more recent loan refinancing, entered into new five-year interest rate swaps to hedge its interest rate exposure.	**Medium**
Negative perception of the care home sector	A negative perception of the care home sector, due to matters such as societal trends, pandemic or safeguarding failures, or difficulties in accessing social care, may result in a reduction in demand for care home beds, causing asset performance to fall below expectations despite the demographic shifts and the realities of needs-based demand in the sector. The resultant reputational damage could impact occupancy levels and rent covers across the portfolio.	The Group is committed to investing in high quality real estate with high quality operators. These assets are expected to experience demand ahead of the sector average while in the wider market a large number of care homes without fit-for-purpose facilities are expected to close. A trend of improving occupancy rates across the portfolio has been noted in recent times, with occupancy rates approaching pre-pandemic levels.	**Medium**
Availability of capital	Without access to equity or debt capital, the Group may be unable to grow through acquisition of attractive investment opportunities. This is likely to be driven by both investor demand and lender appetite which will reflect Group performance, competitor performance, general market conditions and the relative attractiveness of investment in UK healthcare property.	The Group maintains regular communication with investors and existing debt providers, and, with the assistance of its brokers and sponsor, regularly monitors the Group's capital requirements and investment pipeline alongside opportunities to raise both equity and debt. Whilst the Company's shares remain at a discount, potentially limiting access to equity capital for further growth, the loan facilities due to expire in November 2025 were successfully refinanced subsequent to the year end.	**Medium**
ESG and climate change	A change in climate, such as an increased risk of local or coastal flooding, or a change in tenant/investor demands or regulatory requirements for properties which meet certain environmental criteria, such as integral heat pumps, may result in a fall in demand for the Group's properties, reducing rental income and/or property valuations.	The Group is committed to investing in high quality real estate with high quality operators. The portfolio's EPC and BREEAM in-use ratings suggest the portfolio is well positioned to meet future requirements/expectations. The Investment Manager uses a house standard to ensure ESG factors are fully considered during the acquisition process.	**Medium**

STRATEGIC PILLARS

Build high-quality portfolio

Deliver returns

Trusted landlord

Social purpose

RISK TREND

Risk increased

Risk unchanged

Risk decreased

Risk	Description of risk and factors affecting risk rating	Mitigation	Risk rating & change
Reduced availability of carers, nurses and other care home staff	Recent trends have reduced the availability of key staff in the care sector which may result in a reduction in the quality of care for the underlying residents of our homes, restrict tenants from being able to admit residents or result in wage inflation.	The Group is committed to investing in high quality real estate with high quality operators and these should be better placed to attract staff. The Investment Manager continues to engage with tenants in the portfolio and to share examples of best practice in recruitment and retention of staff.	**Medium**
Development costs	The high inflationary environment, particularly for building materials and staff, combined with supply chain difficulties, may result in an increased risk that the developers of contracted developments do not fulfil their obligations and/or may increase the cost of new development opportunities.	The Group is not significantly exposed to development risk, with forward funded acquisitions being developed under fixed price contracts, with the Investment Manager having considered both the financial strength of the developer and the ability of the developer's profit to absorb any cost overruns. As at 30 June 2025, the Group held only one remaining development, although this may increase as the Group invests its available capital.	**Medium**
Breach of REIT regulations	A breach of REIT regulations, primarily in relation to making the necessary level of distributions, may result in loss of tax advantages derived from the Group's REIT status. The Group remains fully compliant with the REIT regulations and is fully domiciled in the UK.	The Group's activities, including the level of distributions, are monitored to ensure all conditions are adhered to. The REIT rules are considered during investment appraisal and transactions structured to ensure conditions are met.	**Medium**
Changes in government policies	Changes in government policies, including those affecting local authority funding of care, may render the Group's strategy inappropriate. Secure income and property valuations will be at risk if tenant finances suffer from policy changes.	Government policy is monitored by the Group to increase the ability to anticipate changes. The Group's tenants also typically have a multiplicity of income sources, with their business models not wholly dependent on government funding.	**Medium**
Reliance on third party service providers	The Group is externally managed and, as such, relies on a number of service providers. Poor quality service from providers such as the Investment Manager, company secretary, brokers, legal advisers or depositary could have potentially negative impacts on the Group's investment performance, legal obligations, compliance or shareholder relations.	The Investment Manager, along with all other significant service providers, is subject to regular performance appraisal by the Board. The Investment Manager has retained the majority of key personnel since the Group's IPO and has successfully hired further skilled individuals and invested in its systems.	**Medium**
Failure to differentiate qualities from competitors or poor investment performance	Failing to differentiate strategy and qualities from competitors is a significant risk for the business, with increased competition in the healthcare real estate sector. The failure to communicate these effectively to stakeholders could have a negative impact on the Company's share price, future demand for equity raises and/or debt finance and wider reputational damage.	The stakeholder communications strategy of the Group has always been to highlight the quality of the real estate in which the Group invests. The regular production of investor relations materials (annual and interim reports, investor presentations and quarterly factsheets) along with direct engagement with investors helps to mitigate this risk.	**Medium**

The Company's risk matrix is reviewed regularly by the Board as detailed on page 50. Emerging risks are identified though regular discussion at Board meetings of matters relevant to the Company and the sectors in which it operates; including matters that may impact on the underlying tenant operators. In addition, the Board holds an annual two-day strategy meeting which includes presentations from relevant external parties to ensure that the Board is fully briefed on relevant matters. At the strategy meeting, as part of an overall SWOT analysis, principal and emerging risks are discussed and reviewed to ensure that they have all been appropriately identified and, where necessary, addressed.

The detailed consideration of the Company's viability and its continuation as a going concern, including sensitivity analysis to address the appropriate risks, is set out on pages 38 and 39.

Promoting the success of Target Healthcare REIT plc

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

(a) The likely consequences of any decision in the long-term	Our investment approach is long-term with an average lease length of 25.9 years. We believe this is the most responsible approach to provide stability and sustainability to tenants and key stakeholders. Therefore, most decisions require consideration of long-term consequences, from determining a sustainable rent level and the right tenant partner for each investment, to considering the impact of debt and key contracts with service providers on the recurring earnings which support dividends to shareholders.
(b) The interests of the Company's employees	The Company is externally managed and therefore has no employees.
(c) The need to foster the Company's business relationships with suppliers, customers and others	As a REIT with no employees, the Board works in close partnership with the Investment Manager, which runs the Group's operations and portfolio within parameters set by the Board and subject to appropriate oversight. The Investment Manager has deep relationships with tenants, the wider care home sector, and many of the Group's other suppliers. These are set out in more detail in the table on the following page.
(d) The impact of the Company's operations on the community and the environment	The Board is confident the Group's approach to investing in a sensitive sector is responsible with regard to social and environmental impact. This is set out in more detail in the 'community and the environment' section of the table on the following page.
(e) The desirability of the Company maintaining a reputation for high standards of business conduct	The Board requires high standards of itself, service providers and stakeholders. The Group's purpose and investment objectives dictate that these standards are met in order to retain credibility. The ethos and tone is set by the Board and the Investment Manager.
(f) The need to act fairly as between members of the Company	The Board encourages an active dialogue with shareholders to ensure effective communication, either directly or via its brokers and/or Investment Manager. The interests of all shareholders are considered when issuing new shares and/or considering the level of distributions or other return of capital.

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

Ongoing investment and asset management activity

The Group was actively engaged in several re-tenantings during the year. Further details on which are described in detail in the case studies on pages 19 and 20.

One of these involved placing a tenant into administration, the first time that this has been undertaken by the Group and a decision which was not taken lightly given both the costs involved and its potential impact across a number of stakeholders. This transaction required careful consideration by the Board to balance the competing interests of the Group, its shareholders, the tenant operator and the staff and residents of the relevant care home. Despite the additional costs involved in this process, it resulted in a successful re-tenanting of the care home; preventing a further loss of rental income and protecting capital value for the Group, whilst ensuring continuity of the home's operations for staff and residents.

Another significant tenant activity involved an operator who decided to exit the elderly care home market. Working with the operator, the Group disposed of one property in June 2025 and agreed the re-tenanting of another two care homes to existing tenants of the Group.

A further home was re-tenanted to accommodate an operator which had also taken the strategic decision to exit the elderly care sector. This introduced a new tenant with an experienced management team and ensured the continued provision of care services to the local community, whilst securing attractive financial terms for the Group and its shareholders.

Subsequent to the year end, the Group agreed a transaction to sell nine properties as set out in detail on page 21.

The Board also determined, and approved for publication, the Group's Net Zero Carbon Pathway, including an initial interim target and intended timescale, as part of its annual Sustainability Report.

Advisers

The Board appointed Panmure Liberum Limited as joint broker during the year to improve both investor engagement and the quantum and availability of market research published in relation to the Group.

Board

The Board concluded that, both in order to meet the 'comply or explain' requirement of the UK Listing Rules to have at least one Director from an ethnic minority and to aid the Board with future succession planning, a sixth Director should be appointed to the Board over the following twelve months.

Capital financing

The Board finalised the refinancing of its shortest dated debt facilities with each of the existing lenders in advance of their November 2025 expiry. This required the Board to assess the appropriate gearing level of the Group and the potential lenders to be considered, as well as the appropriate duration, interest rate hedging strategy and financial terms of the loan facilities.

Dividends paid

The Board recognised the importance of dividends to its shareholders and, after careful financial analysis, decided to increase the Company's dividends in relation to the year ending 30 June 2026 to reflect net rental growth whilst remaining at a level which is expected to be fully covered with the potential for further growth.

Stakeholders

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

Shareholders	Shareholders are key stakeholders and the Board proactively seeks the views of its shareholders and places great importance on communication with them. The Board reviews the detail of significant shareholders and recent movements at each Board Meeting and receives regular reports from the Investment Manager and brokers on the views of shareholders, and prospective shareholders, as well as updates on general market trends and expectations. The Chair and other Directors make themselves available to meet shareholders when required to discuss the Group's business and address shareholder queries. The Directors make themselves available at the AGM in person, with the Company also providing the ability for any questions to be raised with the Board by email in advance of the meeting. The Company and Investment Manager also provide regular updates to shareholders and the market through the Annual Report, Interim Report, Sustainability Report, regular RNS announcements, quarterly investor reports and the Company's website. The Investment Manager holds a results presentation on the day of publication of each of the Annual and Interim Reports, and meets with analysts and members of the financial press throughout the year.
Tenants and underlying residents	As set out in more detail on pages 14 and 15, the Investment Manager liaises closely with tenants to understand their needs, and those of their underlying residents, through visits to properties and regular communication with both care home personnel and senior management of the tenant operators. The effectiveness of this engagement is assessed through a regular tenant survey which, during 2024, was undertaken by an external third-party. The Investment Manager also receives, and analyses, management information provided by each tenant at least quarterly and regularly monitors the CQC, or equivalent, rating for each home and any online reviews, such as carehome.co.uk. Any significant matters are discussed with the tenant and are included within the Board reporting.
Debt providers	The Group has term loan and revolving credit facilities with the Royal Bank of Scotland plc, HSBC Bank plc and Phoenix Group (see Notes 13 and 20 to the Consolidated Financial Statements for more information). The Company maintains a positive working relationship with each of its lenders and provides regular updates, at least quarterly, on portfolio activity and compliance with its loan covenants in relation to each loan facility. Since the year-end, the Group has finalised the refinancing of the proportion of its debt facilities which had been due to expire in November 2025.
Investment Manager	The Investment Manager has responsibility for the day-to-day management of the Group pursuant to the Investment Management Agreement. The Board, and its committees, are in regular communication with the Investment Manager and receive formal presentations at every Board Meeting to aid its oversight of the Group's activities and the formulation of its ongoing strategy. The Board, through the Management Engagement Committee, formally reviews the performance of the Investment Manager, the terms of its appointment and the quality of the other services provided at least annually. Further details on this process and the conclusions reached in relation to the year ended 30 June 2025 are contained on page 45.
Other service providers	The Board, through the Management Engagement Committee, formally reviews the performance of each of its significant service providers at least annually. The reviews will include the Company's legal adviser, brokers, tax adviser, auditor, depositary, external valuer, company secretary, insurance broker, surveyors and registrar. The purpose of these reviews is to ensure that the quality of the services provided remains of the standard expected by the Board and that overall costs and other contractual arrangements remain in the interests of the Group and other significant stakeholders. The Investment Manager also reports regularly to the Board on these relationships. The significant other service providers, particularly the Group's legal advisers and brokers, are invited to attend Board Meetings, including the annual Strategy Meeting, and report directly to the Directors where appropriate.
Community and the environment	The Group's principal non-financial objective is to generate a positive social impact for the end-users of its real estate. Investment decisions are made based on the fundamental premise that the real estate is suitable for its residents, the staff who care for them, and their friends, families and local communities, both on original acquisition and for the long-term. Environmental considerations are an integral part of the acquisition and portfolio management process, given the strategy of only acquiring modern buildings which benchmark well from an energy efficiency aspect and which meet the requirements of the Investment Manager's ESG Charter 'Targeting Tomorrow'. Under the remit of the ESG Committee, the progression of the Group's ESG strategy has prioritised gathering useful energy/consumption data on its portfolio, whilst progressing work on a straightforward hierarchy of initiatives to maximise the Group's impact over both the short and longer term. The Group is now working on improving its feedback and reporting to tenants of the data collected in order to highlight areas in which they may be able to improve their own performance. The Group has formulated and published a high-level longer term portfolio strategy in relation to setting and meeting the Group's net zero carbon target, including initial consideration of a short term interim target and intended timescale.

On behalf of the Board

Alison Fyfe
Chair
13 October 2025

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Board of Directors

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

Alison Fyfe

Independent Non-Executive Chair

Ms Fyfe is a highly experienced property professional with over 40 years of experience in surveying, banking and property finance. Having trained and worked as a commercial surveyor with Knight Frank in both London and Edinburgh, she joined the Royal Bank of Scotland in 1996 to specialise in property finance. Over a period of 19 years with the bank she fulfilled several senior property finance roles, ultimately serving for five years as Head of Real Estate Restructuring in Scotland before leaving the bank in 2015. She has subsequently acted as a director of a number of companies in the property and debt finance sectors. She has been elected as a Governing Board Member of Hillcrest Homes (Scotland) and serves as a trustee of the Church of Scotland Housing and Loan Fund.

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

Michael Brodtman

Independent Non-Executive Director

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

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

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

	Alison Fyfe	Michael Brodtman
Date of appointment	1 May 2020	1 January 2023
Country of residence	UK	UK
Independent	Yes	Yes
Other public company directorships	None	Grainger plc
Committee membership	Investment Committee (Chair) Audit Committee ESG Committee Management Engagement Committee Nomination Committee Remuneration Committee	ESG Committee (Chair) Audit Committee Investment Committee Management Engagement Committee Nomination Committee Remuneration Committee

Richard Cotton

Independent Non-Executive Director
and Senior Independent Director

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

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

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

1 November 2022

UK

Yes

Helical plc

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

Vince Niblett

Independent Non-Executive Director
and Chair of Audit Committee

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

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

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

25 August 2021

UK

Yes

Big Yellow Group plc

Forterra plc

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

Dr Amanda Thompsell

Independent Non-Executive Director

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

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

1 February 2022

UK

Yes

None

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

Experts in strategic, responsible investment

The Investment Manager

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

Key personnel of the Investment Manager

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

Kenneth MacKenzie MBE MA CA

Kenneth MacKenzie MBE is the founder and Chief Executive of Target. He is a Chartered Accountant with over 50 years of business leadership experience with the last 20 in healthcare. In addition to his responsibilities as Target's chief executive, Kenneth leads the creation and management of Target's client funds and oversees fundraising and investor liaison for the Group. In 2005, he led the acquisition of Independent Living Services ('ILS'), Scotland's largest independent domiciliary care provider. Kenneth grew this business by acquisition and put in place a new senior management team before exiting via a disposal to a private equity house. Prior to his involvement with ILS, Kenneth negotiated the proposed acquisition of a UK independent living business in a JV with the large US care home operator, Sunrise Senior Living. Prior to his involvement in the healthcare sector, Kenneth has owned businesses in the publishing, IT, shipping and accountancy sectors and he holds a number of pro-bono charitable roles.

John Flannelly BAcc FCA

John Flannelly is Head of Investment at Target. He is a Chartered Accountant with over 25 years' experience, the last 19 of which have been in real estate investment management. He has primary responsibility for investment activity across the Target business. John has been involved in the appraisal of several hundred care home opportunities resulting in the acquisition of more than 100 properties for those client funds. Prior to joining Target, during his time as investment director for an institutional investor, John held board positions at a UK top-10 care home operator and a care home development business. John started his career at Arthur Andersen where he worked on audits, financial due diligence and corporate finance projects before moving to the Bank of Scotland initially to structure finance packages for management buy-outs and latterly to a role in real estate investment management.

Andrew Brown

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

Scott Steven MA

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

Alternative Investment Fund Managers Directive ('AIFMD')

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

Alastair Murray BA CA

Alastair Murray was appointed Chief Financial Officer at Target in August 2025, having previously fulfilled the role of the Finance Director: Listed Funds since April 2023. He is a Chartered Accountant with extensive experience in the financial services, asset management and SME sectors. He provides financial input to the strategic and commercial activities of the senior management team and leads the finance function where his key responsibilities include: financial planning and analysis; risk management; ownership of relationships with debt providers; treasury services; and financial reporting to shareholders. Alastair previously worked at Bank of Scotland Corporate Division for 17 years, including seven years providing debt in support of leveraged buy-outs and four years developing divisional strategy, before transition to a Finance Director role in the SME sector for 12 years, prior to joining Target.

Donald Cameron BCom CA

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

James MacKenzie LLB

James MacKenzie is Head of Investor Relations at Target. He is a Solicitor with more than 20 years of corporate advisory, relationship management and corporate governance experience. He last worked at Aegon UK where he was General Counsel and Company Secretary for the last 12 years before joining Target in January 2025. At Aegon UK, James provided strategic legal counsel to the board and played a key role in driving and supporting major business change programmes, including M&A activity. James leads Target's investor relations function, with a particular focus on growing and broadening its capital partner base, including on behalf of the Company.

Directors' Report

The Directors present their report, along with the financial statements of the Group and Company on pages 66 to 97, for the year ended 30 June 2025.

The Directors consider that, following advice from the Audit Committee, the Annual Report and Consolidated Financial Statements taken as a whole are fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. The Audit Committee has reviewed the Annual Report and Consolidated Financial Statements for the purpose of this assessment. In reaching this conclusion, the Directors have assumed that the reader of the Annual Report and Consolidated Financial Statements would have a reasonable level of knowledge of the investment industry in general and Real Estate Investment Trusts in particular. The outlook for the Group can be found in the Chair's Statement on pages 5 to 7 and the Investment Manager's Report on pages 24 and 25. Principal and emerging risks and uncertainties can be found on pages 26 and 27 with further information in Note 16 to the Consolidated Financial Statements.

Results and Dividends

The results for the year are set out in the following Consolidated Financial Statements. The Group has paid four quarterly interim dividends, totalling 5.884 pence per share, to shareholders in relation to the year ended 30 June 2025. Details of the dividends paid are set out in Note 7 to the Consolidated Financial Statements, and a breakdown of the distributions paid analysed between Property Income Distributions ('PIDs') and Ordinary Dividends are provided on page 102.

The Company

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

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

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

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

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

Investment Objective

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

Investment Policy

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

In order to spread risk and diversify its portfolio, the Group is also permitted to invest up to: (i) 15 per cent of its gross assets, at the time of investment, in other healthcare assets, such as properties which accommodate GP practices and other healthcare related services including occupational health and physiotherapy practices, pharmacies, special care schools and hospitals; and (ii) 25 per cent of its gross assets, at the time of investment, in indirect property investment funds (including joint ventures) with a similar investment policy to that of the Group. The Directors have no current intention to acquire other healthcare assets or indirect property investment funds. The Group may also acquire or establish companies, funds or other SPVs which themselves own assets falling within the Group's investment policy.

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

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

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

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

Gearing, calculated as borrowings as a percentage of the Group's gross assets, may not exceed 35 per cent at the time of drawdown. The Board currently intends that, over the medium term, borrowings of the Group will represent no more than approximately 30 per cent of the Group's gross assets at the time of drawdown. However, the Group's borrowings may exceed this level from time to time as borrowings are incurred to finance the growth of the Group's property portfolio.

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

Dividend Policy

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

Directors

Biographical details of the Directors, all of whom are non-executive, can be found on pages 32 and 33. As explained in more detail in the Corporate Governance Statement on page 45, any new appointment by the Board is subject to election by shareholders at the Annual General Meeting ('AGM') following the appointment. Thereafter the Board has agreed that all Directors will retire annually and, if appropriate, seek re-election.

Each of the Directors was re-elected at the AGM held on 9 December 2024 and, in line with the Company's stated policy, will seek annual re-election at the AGM to be held on 4 December 2025.

In making appointments to the Board, the Directors use a 'skills and experience' matrix to ensure the continued appropriateness of the Board as a whole. The matrix covering the current members of the Board is set out below. The Directors continue to believe that the Board has an appropriate balance of skills, experience, independence and knowledge of the Group to enable it to provide effective strategic leadership and proper guidance of the Group. However, the Directors remains cognisant of both the need for regular refreshment of the membership of the Board and the 'comply or explain' UK Listing Rules requirement in relation to diversity, and therefore it is expected that a sixth Director will be appointed to the Board over the course of the following twelve months. It is intended that this appointment will (i) ensure that the Company will be fully compliant with the diversity requirements of the UK Listing Rules; (ii) add further resilience, knowledge and experience to the Board; and (iii) broaden the spread of tenure across the Board and thereby help to ensure that corporate knowledge and history is retained as part of future succession planning.

	Board Tenure	Property	Technical Accounting, Governance & Audit	Banking & Debt Finance	Healthcare Sector	Corporate Finance & Listed Markets	Other ESG Matters
Alison Fyfe (Chair)	5.2 years	■		■			■
Vince Niblett	3.8 years		■				■
Amanda Thompsell	3.4 years				■		■
Richard Cotton	2.7 years	■				■	
Michael Brodtman	2.5 years	■			■		■

■ areas of core skills, knowledge and experience ■ secondary areas of competence and knowledge

The Board confirms that, following the evaluation process set out in the Corporate Governance Statement on pages 47 and 48, the performance of each of the Directors continues to be effective and demonstrates commitment to the role. It is also considered that each of the Directors has sufficient time to meet their Board responsibilities. There are no service contracts in existence between the Company and any Director but each of the Directors has been issued with, and accepted the terms of, a letter of appointment that sets out the main terms of his or her appointment. Amongst other things, the letter includes confirmation that the Directors have a sufficient understanding of the Group and the sector in which it operates, and sufficient time available to discharge their duties effectively taking into account their other commitments. These letters are available for inspection upon request at the Company's registered office.

Capital Structure and Voting Rights

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

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

Substantial Interests in Share Capital

As at 30 June 2025, the Company had received notification of the following holdings of voting rights (under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules):

	Number of Ordinary Shares held	Percentage held*
Rathbones Investment Management Limited	50,161,197	8.1
Blackrock, Inc	33,745,156	5.4
Baillie Gifford & Co	25,358,041	4.1
Premier Miton Group plc	24,348,972	3.9
Alder Investment Management Limited	23,681,156	3.8
Waverton Investment Management Limited	18,869,630	3.0

* Based on 620,237,346 ordinary shares in issue as at 30 June 2025.

Since 30 June 2025, the Company has received notification that Blackrock, Inc has increased its overall holding to 36,971,529 Ordinary Shares, representing 6.0 per cent of the ordinary shares in issue, and that Rathbones Investment Management Limited has decreased its overall holding to 30,983,995 Ordinary Shares, representing 5.0 per cent of the ordinary shares in issue.

As at 13 October 2025, the Company has not received notification of any other changes in the holdings of voting rights (under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules) compared with those above.

Share Issuance and Share Buy Backs

At the Annual General Meeting held on 9 December 2024, shareholders granted authority for the Company to issue up to 62,023,700 ordinary shares on a non-pre-emptive basis for cash. This equated to 10 per cent of the shares in issue at the time of passing of the resolution. As at 13 October 2025, the Company has not issued any shares under this authority. The authority will expire on the earlier of 9 March 2026 or the conclusion of the forthcoming Annual General Meeting, which is expected to be held on 4 December 2025. It is expected that the Company will continue to seek this authority on an annual basis.

At the Annual General Meeting held on 9 December 2024, shareholders granted authority for the Company to buy back up to 92,973,578 ordinary shares for cancellation or for holding in treasury. The Company did not buy back any shares under this authority, which will expire at the conclusion of the forthcoming Annual General Meeting.

Statement of Disclosure of Information to Auditor

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

Continuation Vote

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

Going Concern

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. They have considered the current cash position of the Group, forecast rental income and other forecast cash flows; taking into consideration the potential impact of current economic conditions on both the Group, any increase in the likelihood that the tenants of its investment properties will not be able to meet their contractual rental obligations on a timely basis and recent changes to both the Group's investment portfolio, debt financing and the longer term viability considerations set out below. The Group had agreements relating to its ongoing borrowing facilities with which it has complied during the year.

The Board has considered the ability of the Group to fully draw, repay, refinance or increase its loan facilities on, or before, their expected maturity date. As part of this assessment the Board noted that the Group had net current liabilities at 30 June 2025. This was resolved subsequent to the year end, when the Group entered into new loan facilities, each with terms of at least three years, in place of the existing facilities which had been due to expire in November 2025. The Directors also considered the Group's exposure to rising interest rates, with the interest rate on 95 per cent of the Group's drawn debt at 30 June 2025, and 81 per cent of its drawn debt at 13 October 2025, being fixed until the expiry of the relevant loan facility. The Board also noted that, subsequent to the year end, the Group had entered into an agreement to dispose of certain of its properties, the proceeds of which were expected to be used to temporarily reduce the Group's unhedged debt exposure.

The Directors have also considered the Group's level of uninvested capital, the current status of the property investment market and the Group's pipeline of capital commitments and other investment opportunities. Based on all the information considered, the Directors believe that the Group has the ability to meet its financial obligations as they fall due to 31 December 2026, which is a period of at least 12 months from the date of approval of the financial statements. For this reason, the Board continues to adopt the going concern basis in preparing the financial statements.

Viability Statement

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

The Board has conducted this review over a five-year time horizon, which is a period thought to be appropriate for a company investing in UK care homes with a long-term investment outlook. At each Board Meeting, the Directors consider the key outputs from a detailed financial model covering a similar five-year rolling period, as this is considered the maximum timescale over which the performance of the Group can be forecast with a reasonable degree of accuracy. At 30 June 2025, the Group had a property portfolio which has long leases and a weighted average unexpired lease term of 25.9 years.

Following the Group's refinancing in September 2025, the Group's committed loan facilities have staggered expiry dates with £130.0 million being committed until at least 23 September 2028, £87.3 million to 12 January 2032 and £62.7 million to 12 January 2037. The Group's debt facilities also include additional accordion facilities which, subject to approval of the relevant lender, may provide additional uncommitted loan facilities of up to £70.0 million until at least 23 September 2028. At 13 October 2025, the Group had drawn borrowings of £247.6 million consisting of:

- £150.0 million on which the interest rate had been fixed directly until at least 12 January 2032 at a maximum weighted interest rate of 3.18 per cent per annum;
- £50.0 million on which the interest rate had been hedged or capped through interest rate derivatives until 23 September 2030 at a weighted average margin of 5.30 per cent per annum; and
- £47.6 million which carried interest at SONIA plus a weighted average margin of 1.50 per cent per annum, with SONIA capped at 3.0 per cent per annum for the short period to 5 November 2025.

All interest rates stated exclude the amortisation of arrangement costs on each of the relevant loan facilities.

The Directors' assessment of the Group's principal risks are highlighted on pages 26 and 27. The most significant risks identified as relevant to the viability statement were those relating to:

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

In assessing the Group's viability, the Board has considered the key outputs from a detailed model of the Group's expected cashflows over the coming five years under both normal and stressed conditions. The stressed conditions, which were intended to represent severe but plausible scenarios, included modelling increases in interest rates of 200bps per annum compared to market forecasts at 30 June 2025, a reduction in the capital value of the property portfolio of 20 per cent and a significant default on rental receipts from the Group's tenants equating to an aggregate of c.13 per cent of the Group's contracted rent roll. The stressed level of default from the Group's tenants assumed in the financial modelling was based on a detailed assessment of the financial position of each individual tenant or tenant group and the structure in place to secure rental income (such as the strength of tenants' balance sheets, rental guarantees in place or rental deposits held). The financial modelling assumed that the Group's dividend continued to be paid throughout the five year period of the assessment, and that the financial covenants on the Group's loan facilities remained substantially unchanged. Under the stressed scenario, the Group's net LTV was forecast to reach a peak of 31 per cent and no breaches were forecast in relation to the Group's compliance with the financial covenants on each of its loan facilities.

Based on the results of the scenario analysis outlined above, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five year period of its assessment.

Audit Tender

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

Significant Votes Against Previous Resolutions

There were no significant votes against the resolutions proposed at the Annual General Meeting held on 9 December 2024.

Resolutions to be Proposed at the AGM

Directors' remuneration

The Directors' remuneration policy and annual report on Directors' remuneration, which can be found on pages 54 to 57, provide detailed information on the remuneration arrangements for the Directors of the Company. The Directors' Remuneration Policy, which is proposed for approval every three years and which is unchanged from that approved by shareholders in 2022, is being put to shareholders at the 2025 AGM and will be proposed as an ordinary resolution (resolution 2). Shareholders are also requested to approve the Directors' Annual Report on Directors' Remuneration for the year ended 30 June 2025 (resolution 3).

As detailed in the Directors' Annual Report on Directors' Remuneration, the present limit on Directors' fees is an aggregate of £300,000 per annum. Primarily to allow for the appointment of an additional Director, as discussed on page 37, whilst providing headroom for future annual increases in order to reflect market changes in the level of Directors' fees payable, it is proposed that the limit on Directors' fees is increased to an aggregate of £350,000 (resolution 4).

Resolutions to be Proposed at the AGM continued

Dividend policy

The Company's dividend policy is set out on page 37. In order to be able to continue paying a consistent dividend on a regular basis, and to ensure that sufficient distributions are made to meet the Company's REIT status, the Company intends to continue to pay all dividends as interim dividends. Recognising that this means that shareholders will not have the opportunity to vote on a final dividend, the Company will instead propose a non-binding resolution to approve the Company's dividend policy at the AGM (resolution 5). The Directors anticipate that such non-binding resolution to approve the Company's dividend policy will be proposed annually.

Auditor

The Independent Auditor's Report can be found on pages 58 to 63. EY has indicated its willingness to continue in office and a resolution will be proposed at the AGM to re-appoint EY as Auditor until the conclusion of the AGM to be held in 2026 (resolution 6). A separate resolution will be proposed to authorise the Directors to determine the Auditor's remuneration (resolution 7).

Election of Directors

As explained in more detail on page 37, each Director is subject under the Articles of Association to election by shareholders at the AGM following their appointment and, by policy of the Board, by annual re-election thereafter. Resolutions 8 to 12 therefore propose each of the Directors for re-election. The biographies of each of the Directors, which include the skills and experience each Director brings to the Board for the long-term sustainable success of the Company, are detailed on pages 32 to 33. In addition, how these individual skills and experience contribute to the Board as a whole are set out in the matrix on page 37. Having considered the knowledge, experience and contribution of each Director putting themselves forward, the Board has no hesitation in recommending their re-election to shareholders.

Share Issuance Authority

The Directors are seeking authority to allot additional new shares which would not require the publication of a prospectus. Resolution 13 will, if passed, authorise the Directors to allot new shares of £0.01 each up to an aggregate nominal amount representing 10 per cent of the issued shares at the date of the passing of resolution 13. Based on the shares in issue at 13 October 2025, this resolution would therefore authorise the Directors to allot up to 62,023,700 ordinary shares.

In accordance with the provisions of the Company's Articles of Association and the UK Listing Rules, the directors of a premium listed company are not permitted to allot new shares (or grant rights over shares) for cash at a price below the net asset value per share of those shares without first offering them to existing shareholders in proportion to their existing holdings. Resolution 14, which is a special resolution, seeks to provide the Directors with the authority to issue shares of £0.01 each or sell shares held in treasury on a non-pre-emptive basis for cash (i.e. without first offering such shares to existing shareholders pro-rata to their existing holdings) up to an aggregate nominal amount representing 10 per cent of the issued ordinary share capital of the Company at the date of the passing of resolution 14.

The authorities granted under resolutions 13 and 14 will expire at the conclusion of the next AGM of the Company after the passing of the resolutions, expected to be held in December 2026, or on the expiry of 15 months from the passing of the resolutions, unless they are previously renewed, varied or revoked. It is expected that the Company will seek these authorities on an annual basis. The authorities sought under resolutions 13 and 14 will only be used to issue shares at a premium to net asset value and only when the Directors believe that it would be in the best interests of shareholders as a whole to do so.

Authority to Buy Back Ordinary Shares

Any buy back of ordinary shares will be subject to the Companies Act 2006 (as amended), the UK Listing Rules and within guidelines established by the Board from time to time (which will take into account the income and cash flow requirements of the Company).

Resolution 15 will be proposed as a special resolution and seeks to provide the Directors with the authority to purchase up to 92,973,578 ordinary shares or, if less, the number representing approximately 14.99 per cent of the Company's ordinary shares in issue at the date of the passing of resolution 15. Any shares purchased by the Company may be cancelled or held in treasury. The Company does not currently hold any shares in treasury.

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

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

Notice for General Meetings

Resolution 16 is being proposed to reflect the provisions of the Companies Act 2006 relating to meetings and the minimum notice period for listed company General Meetings being increased to 21 clear days, but with an ability for companies to reduce this period to 14 clear days (other than for AGMs), provided that the Company offers facilities for shareholders to vote by electronic means and that there is an annual resolution of shareholders approving the reduction in the minimum period for notice of General Meetings (other than for AGMs) from 21 clear days to 14 clear days. The Board is therefore proposing resolution 16 as a special resolution to ensure that the minimum required period for notice of General Meetings of the Company (other than for AGMs) is 14 clear days.

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

Recommendation

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

Directors' Deeds of Indemnity

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

Conflicts of Interest

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

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

Depositary

IQ EQ Depositary (UK) Limited (the 'Depositary') acts as the Group's depositary in accordance with the AIFM Directive. The Depositary's responsibilities, which are set out in an Investor Disclosure Document available on the Company's website, include cash monitoring, record keeping and verification of non-custodial assets and general oversight of the Group's portfolio. The Depositary receives for its services a fee based on the value and activity of the property portfolio, payable quarterly. For the year ended 30 June 2025, the fees paid totalled £165,000 (2024: £212,000).

Other Companies Act 2006 Disclosures

The rules for appointment and replacement of Directors are contained in the Articles of Association of the Company. In respect of retiral by rotation, the Articles of Association provide that each Director is required to retire at the third annual general meeting after the annual general meeting at which last elected. As mentioned on page 45, the Board has agreed that all Directors will retire annually.

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

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

Future Developments of the Company

The future success of the Company in pursuit of its investment objective is dependent primarily on the performance of its investments and the outlook for the Company is set out in the Chair's Statement on pages 5 to 7 and the Investment Manager's Report on pages 24 and 25.

Environmental, Social and Governance Principles

The Company seeks to conduct its affairs responsibly and environmental factors are, where appropriate, taken into consideration in relation to investment decisions taken on behalf of the Group, with all investment acquisitions being assessed by the Investment Manager in line with their "house standard" approach which more explicitly evaluates ESG matters in relation to each proposed acquisition. Further details are contained on pages 18, 22 and 23 and in the Corporate Governance Statement on page 48.

The Company published its annual Sustainability Report in July 2025, covering ESG matters in more detail, and intends to continue to publish such report annually to 31 December each year to align with the Group's data collection and reporting under the GRESB framework (as considered in more detail on the following page).

Greenhouse Gas Emissions/Streamlined Energy and Carbon Reporting

All of the Company's activities are outsourced to third parties. As such it does not have any physical assets, property, employees or operations of its own and does not generate any greenhouse gas or other emissions. As the Group has entered into operational leases on its property portfolio, the Company does not have operational control over these properties and therefore assesses that the tenant should report on any carbon emissions associated with the operation of the care homes. Following this assessment, the Group is categorised as a lower energy user under the HM Government Environmental Reporting Guidelines March 2019 ('the Guidelines') and is not required to make the detailed disclosures of energy and carbon information set out within the Guidelines within this Annual Report. Disclosures on the property portfolio's environmental sustainability performance measures, prepared in accordance with the latest European Public Real Estate Association's ('EPRA') sustainability Best Practices Recommendations (sBPR), which in turn are aligned principally with the Global Reporting Initiative ('GRI') Standards, are included in the Company's separate Sustainability Report, as referred to above. The Company achieved an EPRA sBPR Gold Award for its report in relation to the year ended 31 December 2024, as published in July 2025.

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

The Company acknowledges the recommendations of the Financial Stability Board TCFD to improve and increase reporting of climate-related financial information and will work towards mitigating, where appropriate, the physical climate risks and opportunities arising in the property portfolio. Further detail on the climate risks in the portfolio are detailed in the 'principal and emerging risks and risk management' on page 26 and consideration of the impact of climate risks on the market value of the property portfolio is included in Notes 9 and 16 to the Consolidated Financial Statements. More information is included in the Company's separate Sustainability Report.

GRESB Framework

GRESB is a mission-driven and investor-led organisation that provides actionable and transparent ESG data to financial markets. GRESB collects, validates, scores, and independently benchmarks ESG data to provide business intelligence, engagement tools, and regulatory reporting solutions. This helps to aid transparency and comparability, and allows assessment of performance and trends. The Company submitted data to GRESB under this framework and achieved a score of 80 in relation to the year ended 31 December 2024, placing the Group second in its peer group and resulting in the award of three green stars. This continues to demonstrate the underlying quality of the property portfolio and the Group's tangible progress in ESG measurement and reporting.

Modern Slavery Act 2015

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

Criminal Finances Act 2017

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

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

UK Bribery Act 2010

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

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

Financial Instruments

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

Annual General Meeting

The Company is required by law to hold an Annual General Meeting and it will be held at the offices of Dickson Minto LLP, Dashwood House, 69 Old Broad Street, London EC2M 1QS on 4 December 2025 at 4.00 p.m. The Notice of Annual General Meeting is set out on pages 98 to 100.

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

On behalf of the Board

Alison Fyfe
Chair
13 October 2025

Statement of Directors' Responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

Directors' responsibility statement under the disclosure guidance and transparency rules

To the best of our knowledge:

- the Consolidated Financial Statements, prepared in accordance with UK-adopted IFRSs, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Annual Report, including the Strategic Report and the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Disclosure of information to the auditor

The Directors confirm that:

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

On behalf of the Board

Alison Fyfe
Chair
13 October 2025

Welcome to the Corporate Governance section of the Annual Report

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

Alison Fyfe, Chair

Introduction

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

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

The Board

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

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

The table below sets out the number of scheduled Board and Committee meetings held during the year and the number of meetings attended by each Director. This includes a two-day strategy meeting held at an external venue by the Board during June 2025 in order to consider strategic issues, with a similar such meeting expected to be held on an annual basis. In addition to these scheduled meetings, there were a further 10 Board and Board Committee meetings held during the year. These additional meetings included regular updates with the Investment Manager and other appropriate advisers on significant matters arising to ensure that appropriate actions were taken on a timely basis.

	Board		Audit Committee		Investment Committee		Management Engagement Committee		ESG Committee		Nomination Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Alison Fyfe	5	5	3	3	4	4	4	4	4	4	3	3	1	1
Vince Niblett	5	5	3	3	4	4	4	4	4	4	3	3	1	1
Michael Brodtman	5	5	3	3	4	4	4	4	4	4	3	3	1	1
Richard Cotton	5	5	3	3	4	4	4	4	4	4	3	3	1	1
Amanda Thompsell	5	5	3	3	4	4	4	4	4	4	3	3	1	1

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

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

Investment management

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

During the year, through the Management Engagement Committee, the Board considered the appropriateness of the terms of the Investment Manager's appointment, including seeking independent advice and views from the Company's brokers and legal advisers, and concluded that:

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

The Management Engagement Committee has noted that certain listed investment companies have amended their management fee arrangements, following shareholder pressure for greater alignment between the interests of the investment company (and their shareholders as a whole) and those of their external managers. There are certain important features of the running of the Group which are not directly comparable to other listed companies in the real estate and alternatives sectors, nevertheless the Board is keen to see greater alignment and has initiated discussions with the Investment Manager in this regard.

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

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

Appointments, diversity, tenure and succession planning

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

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

The Board supports the overall recommendations of the FTSE Women Leaders Review and Parker Review for appropriate gender and ethnic diversity and notes that the UK Listing Rules include 'comply or explain' targets that at least 40 per cent of the Board should be held by women, that at least one of the senior board positions should be held by a woman, and that at least one member of the Board should be from a minority ethnic background. At the year end, 40 per cent of the Board were women and Ms Fyfe was Chair and therefore the Company meets the first two of these targets. The Company's non-compliance with the third is explained in more detail on the following page. In accordance with UKLR 6.6.6R (9), (10) and (11) the Board has provided the following information in relation to its diversity. This information has been collected by self-disclosure directly from the individuals concerned who were asked to confirm their gender and ethnicity. There have been no changes to the composition of the Board since 30 June 2025.

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

Corporate Governance Statement continued

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

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

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

The Board remains cognisant of the UK Listing Rules and supports the Parker Review recommendations in relation to ethnic diversity and commits to addressing them at such time as future recruitment is undertaken. Therefore, although the conclusions of both the externally facilitated Board Performance Review conducted in the prior year and the current year internal assessment process, as set out on page 47, were that Board was operating effectively as currently constituted, the Directors intend to appoint a sixth Director to the Board over the course of the following year in order both to address diversity concerns and to bolster the resilience of the Board and aid in its succession planning.

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

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

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

Independence of Directors

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

The basis on which the Group aims to generate value over the longer term is set out in its objective and investment policy as contained on pages 36 and 37. An investment management agreement between the Group and Target sets out the matters over which the Investment Manager has authority and the limits beyond which Board approval must be sought. All other matters, including investment and dividend policies, corporate strategy, gearing, corporate governance procedures and risk management, are reserved for the approval of the Board of Directors.

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

Senior Independent Director

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

Removal of Directors

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

Audit Committee

The Board has established an Audit Committee, the role and responsibilities of which are set out in the report on pages 49 to 53.

Remuneration Committee

The Board has established a Remuneration Committee, the role and responsibilities of which are set out in the report on page 54.

ESG Committee

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

The ESG Committee met formally on four occasions throughout the year to consider the progress and status of relevant ESG matters, as reported by the Investment Manager, and to continue the process of developing challenging, but achievable and realistic, targets for the Group. This included consideration of the appropriate means of measuring results and monitoring progress against those targets. The members of the ESG Committee also discussed the progress of the Net Zero Carbon Pathway and continued the process of reaching net zero carbon, including the setting of appropriate interim targets and consideration of any external factors which may prevent the Group from achieving its stated targets. The Committee also monitored progress in relation to the annual GRESB submission for the year ended 31 December 2024, and reviewed and approved the Group's annual Sustainability Report which was subsequently published in July 2025. The Investment Manager has reported to the ESG Committee on its property-by-property asset management plan to identify and implement initiatives where the energy efficiency and carbon emissions of the Group's property portfolio can be further improved, with the initial capital expenditure budget of £1 million previously approved by the ESG Committee continuing to be allocated to appropriate projects.

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

Management Engagement Committee

The Board has established a Management Engagement Committee which comprises all the Directors and which is chaired by Mr Cotton. Mr Cotton was appointed as chair of the Management Engagement Committee with effect from 4 September 2024 and has chaired all meetings held throughout the year. The Committee reviews the appropriateness of the Investment Manager's continuing appointment together with the terms and conditions thereof on a regular basis. It also reviews the terms and quality of service received from other service providers on a regular basis. Further details of the work undertaken by the Management Engagement Committee in relation to the terms of appointment of the Investment Manager is set out on page 45. The Management Engagement Committee oversaw the review of the services provided by the Company's Depositary, which resulted in the retention of the incumbent provider but with a significant reduction in the overall depositary fee payable with effect from 1 January 2025.

Investment Committee

The Board has established an Investment Committee which comprises all the Directors and which is chaired by Ms Fyfe. The Committee reviews each investment paper prepared by the Investment Manager and is responsible for authorising all purchases and sales, and significant capital expenditure or asset management activities, within the Company's portfolio. The Investment Committee considered each investment paper as and when circulated by the Investment Manager, providing independent challenge where appropriate, and met quarterly to formally ratify the Investment Committee's decision to approve or decline each of the investment recommendations proposed. Amongst other matters, the Investment Committee particularly considered the investment and asset management activities described in detail on pages 19 to 21.

Nomination Committee

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

The Nomination Committee is responsible for:

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

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

Assessment of the Board and Committees

During the year, the performance of the Board, Committees and individual Directors was evaluated through an assessment process led by the Chair. This process involved the completion of questionnaires tailored to suit the nature of the Company and, as required, discussions with individual Directors and individual feedback from the Chair to each of the Directors. The evaluation of the Chair was led by the Senior Independent Director in consultation with the other Directors.

The main findings of the assessment were:

- that the minor points for development and suggestions raised following the externally-facilitated assessment of the Board in the prior year had been appropriately actioned and were functioning effectively;
- that the meetings of the Board and Committees were effectively conducted and chaired, aided by appropriate agendas and supporting papers, and were of sufficient duration, regularity and timeliness to support effective decision making;
- that the current Directors resulted in a balanced Board with the necessary range of skills and experience to enable effective oversight over the Group and the performance of the Investment Manager, although recruitment of a sixth Director over the following year would help to address both Board diversity and support future succession planning.

Assessment of the Board and Committees continued

The conclusion from the performance review process conducted in relation to the year ended 30 June 2025 was that the Board and each committee was operating effectively, with an appropriate and sufficient balance of experience and skills. An assessment process led by an external facilitator was last conducted in relation to the year ended 30 June 2024 and the Board anticipates having an externally facilitated Board performance review conducted at least every three years.

Relations with shareholders

The Group pro-actively seeks the views of its shareholders and places great importance on communication with them. The Board receives regular reports from the Investment Manager and Brokers on the views of shareholders, and the Chair and other Directors make themselves available to meet shareholders when required to discuss the Group's business and address shareholder queries. The Chair has held a number of discussions directly with shareholders over the course of the year on specific areas of interest, and the Board has considered the views of other shareholders that preferred to meet with the Investment Manager. The Board also requested that its broker(s) pro-actively engage with significant shareholders in relation to a number of pre-determined questions in order to ensure that the Directors were fully informed on the up-to-date views of shareholders immediately prior to the Board's annual strategy meeting. It is expected that direct meetings with the Chair, or the chair(s) of the relevant Committee(s), will continue to be made available to shareholders, although this may be through the use of video conferencing facilities.

The Notice regarding the Annual General Meeting is included on pages 98 to 100. It is intended that the AGM will be held physically at the offices of Dickson Minto LLP, Dashwood House, 69 Old Broad Street, London EC2M 1QS. However, as set out on page 42, shareholders are encouraged to lodge their votes with the Registrar either by use of the proxy form provided, or by electronic means, and to submit any questions they may have for the Directors or Investment Manager in advance through the Company Secretary (info@targetfundmanagers.com). The Annual Report and Notice of Annual General Meeting are posted to shareholders at least 21 clear days before the Annual General Meeting.

Environmental, Social and Human Rights Issues

Responsible Investment and Environmental, Social and Governance ('ESG') considerations are core values of the Group and its Investment Manager. In collaboration with its tenants, the Group provides demonstrable social impact within best-in-class care homes. These are considered in more detail on pages 18, 22 and 23. The Group has also published a separate Sustainability Report for the year to 31 December 2024.

A summary of the key ESG considerations in the investment and asset management approach followed by the Group is as follows:

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

Stewardship Code

The Investment Manager is a signatory to the Stewardship Code published by the Financial Reporting Council. Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. The Stewardship Code sets high stewardship standards for asset owners and asset managers, and for service providers that support them. The Investment Manager's Stewardship Code Statement of Compliance for the year ended 31 December 2024 is available on its website at www.targetfundmanagers.com.

On behalf of the Board

Alison Fyfe
Chair
13 October 2025

Report of the Audit Committee

I am pleased to present my report as the Chair of the Audit Committee

This report sets out the role, responsibilities and actions taken by the Audit Committee to ensure that the suitable controls continue to operate effectively and that appropriate financial information continues to be issued on a timely basis to the Company's stakeholders.

Vince Niblett, Chair of the Audit Committee

Composition of the Audit Committee

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

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

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

Role of the Audit Committee

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

Responsibilities of the Audit Committee	How they have been discharged
Monitoring the integrity of the half-year and annual financial statements, and any formal announcements relative to the Group's financial performance, including the appropriateness of the accounting policies applied and any significant financial reporting judgements and key assumptions. This includes consideration of the narrative elements of the half-year and annual financial reports, including whether, taken as a whole, they are fair, balanced and understandable and provide the necessary information for shareholders to assess the Group's position, performance, business model and strategy.	The Committee met three times during the year to: • review the contents of the half-yearly report, and to consider the audit plan and the proposed audit fee; • consider, in advance of the Company's year end, any significant changes to accounting standards, judgements or estimates, or other disclosure requirements expected to apply at the Group's year end; and • review the contents of the Annual Report, including the structure and content of the Strategic Report, the impact of changes in financial reporting standards and other areas of guidance, and approving the Group's significant accounting policies, judgements and estimates, going concern and viability statements. The Investment Manager and Company Secretary attended each of these meetings, with the Auditor also attending the meetings at which the audit plan and the contents of the half-yearly and annual reports were reviewed. The significant matters considered by the Group are listed on pages 52 and 53. In addition, during the year the Committee kept under review the statutory financial reporting of each of the Group's subsidiaries for the year ended 30 June 2024, the reporting timetable for the year ended 30 June 2025 and the internal financing structure of the Group, including the quarterly settlement of intercompany loans and the payment of intragroup dividends. The Committee also noted the resignation of the Investment Manager's Finance Director and participated in the recruitment process in relation to the appointment of his successor. The Committee also ensured that this did not adversely impact on the accuracy or timeliness of the Company's financial reporting. The Committee considered the appropriateness of the accounting policies, judgements and key assumptions in relation to the property re-tenantings, surrender premiums received and disposals completed in the context of the particular circumstances of each transaction, including giving particular consideration to any potential impact on the valuations at 30 June 2025 for those properties in relation to which an agreement to sell was contracted after the balance sheet date. As part of this review, the Committee considered the characteristics of good corporate reporting set out in the FRC's Annual Review of Corporate Reporting.

Report of the Audit Committee continued

Responsibilities of the Audit Committee	How they have been discharged
Assessment of the prospects of the Company, taking account of the Company's position and principal risks, and consideration of the period of time over which such evaluation can be made.	The Committee has reviewed the assessment described in more detail under the section 'Viability Statement' within the Directors' Report, and the underlying data on which such assessment was based, to ensure that the work undertaken, the conclusions reached and the disclosures included within the Annual Report were appropriate.
Evaluation of the effectiveness of the internal controls and risk management systems and procedures.	The Investment Manager maintains a risk matrix which summarises the Group's key risks. The risk matrix is considered by the Directors at least semi-annually, with key principal and emerging risks also being discussed at the Group's annual two-day strategy meeting. The Committee reviewed the Investment Manager's internal controls report over its own processes, prepared under ISAE 3402 "Assurance Reports on Controls at a Service Organization" and covering the year to 30 June 2025. The Committee noted that this report was a Type II report, which documented the operation of the controls over a period of time. Following consideration and review, the Committee concluded that this provided sufficient information to adequately assess the Investment Manager's control environment, as far as it was relevant to the Group. The Committee also considered the internal control reports for other significant service providers, where available, including the Company's registrar. From a review of the risk matrix, the ISAE 3402 report on the Investment Manager, and the regular management information received by the Board and Committees, combined with discussion with the Investment Manager and Company Secretary, the Committee has satisfied itself on the effectiveness of the risk and control procedures.
Consideration of dividend calculations both in relation to PID/non-PID payments made by the Company and other dividends paid internally within the Group.	The Committee has reviewed the calculation of the split of distributions between PID and non-PID, including consideration of the suitability of the allocation of the costs of the Group between its property rental business and its residual business. The Committee has reviewed the methodology followed by the Investment Manager, and directors of the subsidiaries, in determining and recommending the level of other dividends paid internally within the Group.
Monitoring developments in accounting and reporting requirements that impact on the Group's compliance with relevant statutory and listing requirements.	The Committee ensures, through its Legal Adviser, Investment Manager, Company Secretary and Auditor, that any developments impacting on the Company's responsibilities are tabled for discussion at Committee or Board meetings. The Committee ensured that the Company was fully compliant with the AIC Code.
Evaluation of reports received from the Auditor with respect to the annual financial statements and assessment of quality of the audit.	The Auditor's planning report, timetable and fee proposal were discussed with the Auditor in advance of work commencing, together with the areas of audit focus, the level of materiality and the audit work proposed to be undertaken. The Committee paid particular attention to any changes in accounting standards or in the nature of activities undertaken by the Group and ensured that the audit plan appropriately addressed these areas. The Committee specifically challenged the Auditors, at both the planning and reporting stage, in relation to the audit work undertaken on any particular areas of judgement or estimation; including the valuation of the property portfolio, any accounting or disclosure implications in relation to the significant property transaction which completed subsequent to the balance sheet date, and the methodology followed to determine the credit loss allowance. The Committee specifically considered the external valuation of the Group's property portfolio, with the external valuers attending the meeting at which the annual results were discussed in order to present directly to the Committee a summary of their valuation process and any significant matters they wished to highlight either in relation to the valuation methodology generally or to specific properties or tenants. At the conclusion of the audit, the Committee discussed the audit results report with the Auditor, Company Secretary and Investment Manager. This review considered the quality of the audit through ensuring that the audit risks identified and the audit work undertaken did, in the opinion of the Audit Committee, capture and appropriately consider those matters which gave rise to the risk of material misstatement to the financial statements and disclosures. Further detail on the assessment of the quality of the audit is included in the section entitled 'The Auditor' on page 52.

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

Risk management and internal controls

The principal and emerging risks faced by the Group together with the procedures employed to manage them are described in the Strategic Report on pages 26 and 27.

Internal controls

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

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

As the Group has evolved, the Investment Manager has developed a system of internal controls covering the processes listed above. As referred to on page 50, the Audit Committee's review of the Investment Manager's ISAE-3402 report, which was unqualified and contained no material exceptions, did not identify any significant issues or concerns over the control environment, including information technology systems. The Audit Committee also requested and reviewed further information in relation to the Investment Manager's cyber fraud and resilience procedures and controls and noted no significant issues or concerns insofar as these related to the Group.

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

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

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

The Auditor

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

In its evaluation of EY's performance, the Audit Committee has taken into consideration the standing, skills and experience of the firm and of the audit team, along with their robustness and perceptiveness in their identification, consideration and reporting of the key accounting and audit judgements. The Committee assessed the effectiveness of the audit process through the quality of the formal reports, both verbal and written, it received from EY at the planning and conclusion of the audit, including the reasons for any variation from the original audit plan, together with the contribution which EY made to the discussion and challenge of any matters raised in these reports or by Committee members. In addition to the outcome of the FRC's inspection of the audit of the Group detailed previously, the Committee also reviewed the FRC's Audit Quality Inspection Report on Ernst & Young LLP published in July 2025 and took into account any relevant observations made by the Investment Manager and Company Secretary. The Committee is satisfied that EY provides an effective independent challenge in carrying out its responsibilities.

EY has been the auditor to the Group since its launch in 2013. Following professional guidelines, the audit principal rotates after five years. The current audit principal is Matthew Price and the audit for the year ended 30 June 2025 constitutes the third year of his term. Having considered the effectiveness of the audit, the Audit Committee has recommended to the Board the continuing appointment of EY as the Group's auditor. The performance of the Auditor will continue to be reviewed annually taking into account all relevant guidance and best practice. The Company is in compliance with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014. This order relates to the frequency and governance of tenders for the appointment of the external auditor and the setting of the policy on the provision of non-audit services. The Group will require to undertake an audit tender, with mandatory rotation of the audit firm, before 30 June 2032.

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

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

Service provided (inclusive of irrecoverable VAT)	Fee (£'000)
Statutory audit of the Company for the year ended 30 June 2025	167
Statutory audit of the Company's subsidiaries for the year ended 30 June 2025	291
Review of interim financial information for the six months ended 31 December 2024	17
Total (inclusive of irrecoverable VAT)	**475**

Annual Report and Financial Statements

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

The Audit Committee has also considered certain significant issues during the year in addition to its work on internal controls described above. These are noted in the table below.

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

Matter	Audit Committee action
Valuation and ownership of the investment property portfolio The Group's property portfolio accounted for 85.2 per cent of its total assets as at 30 June 2025. Although valued by an independent firm of valuers, the valuation of the investment property portfolio is inherently subjective, requiring judgement by the valuers. Errors in the valuation could have a material impact on the Group's net asset value. Further information about the property portfolio and inputs to the valuations is set out in Note 9 to the Consolidated Financial Statements.	The Investment Manager liaises with the valuers on a regular basis and meets with them prior to the production of each quarterly valuation. The Audit Committee reviewed the results of the valuation process throughout the year and the Directors had the opportunity to discuss the detail of each of the quarterly valuations with the Investment Manager. The quarterly valuations have been prepared by CBRE Limited ('CBRE'). The Committee noted that, as part of the Group's refinancing of its external loan facilities, the two proposed lenders had each instructed separate firms of valuers to complete external valuations on approximately 36 per cent by value of the Group's property portfolio as at 30 June 2025. This Committee noted that the aggregate valuation on each of these sub-portfolios was not significantly different from CBRE's quarterly valuations of the same properties at the same date. This provided the Committee with comfort that despite the inherently subjective nature of the valuation process, a similar conclusion had been reached by different independent firms of valuers on a representative sample of the Group's property portfolio. The Board also noted the property disposals completed both during the year and subsequent to the year end, and compared the proceeds received to the quarterly valuation of the relevant properties immediately prior to each such transaction. The Committee discussed the valuation as at 30 June 2025 directly with representatives of CBRE to ensure that the Directors understood the assumptions underlying the valuation and the sensitivities inherent in the valuation and any particular areas of judgement. The Committee also considered whether the property transaction(s) entered into subsequent to the balance sheet date represented an adjusting or non-adjusting event under *IAS 10: Events after the Reporting Period*, and whether this had any implications in relation to the valuation of the relevant properties at the balance sheet date. The Committee discussed with the Auditor the work performed to assess the valuation and confirm ownership of the properties in the portfolio and noted the report of the Depositary, particularly the sections regarding the Depositary's responsibilities and work in relation to asset verification. The Committee considered the significant estimates and judgements inherent in the valuation process and considered how the auditors had challenged these by discussing the outcome of the review of the property valuations directly with the Auditor's valuation specialists; focussing particularly on any areas of difference between the judgement of the external valuers and the auditors.

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

Conclusion with respect to the Annual Report and Financial Statements

The Audit Committee has concluded that the report and financial statements for the year ended 30 June 2025, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

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

Vince Niblett
Chair of the Audit Committee
13 October 2025

Welcome to the Directors' Remuneration Report

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

Dr Amanda Thompsell, Chair of the Remuneration Committee

Composition and Role of the Remuneration Committee

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

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

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

Full details of the Group's policy with regards to Directors' fees, the fees paid to each Director during the year ended 30 June 2025 and the intended fees to be paid in relation to the forthcoming year are shown on the following page.

Remuneration policy

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

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

It is the Board's policy that Directors do not have service contracts, but each new Director is provided with a letter of appointment setting out the terms and conditions of his or her appointment. The Directors' letters of appointment are available on request at the Company's registered office during business hours and will be available for 15 minutes prior to and during the forthcoming Annual General Meeting.

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

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

Voting at Annual General Meeting on the Directors' Remuneration Policy

The Company has not received any direct communications from its shareholders in respect of the levels of Directors' remuneration. Shareholders last approved the Directors' Remuneration Policy at the Company's AGM held on 6 December 2022. 100 per cent of the votes cast were in favour of the resolution and votes withheld represented less than 2.7 per cent of the shares in issue. An ordinary resolution for the approval of the Directors' Remuneration Policy will be put to shareholders at the forthcoming AGM to be held on 4 December 2025 and, if approved, it is intended that this policy will continue for the three-year period ending at the AGM in 2028.

Directors' Fees

The Board considers the level of Directors' fees at least annually, and intends to appoint an external consultant at least every three years to provide advice on the level of Directors' Remuneration in order to ensure that the level of remuneration remains in line with the market level necessary to attract, retain and motivate non-executive Directors of the quality required to govern the Company successfully.

As reported last year, the most recent external review was conducted in August 2024 and concluded that there would be some merit in continuing to increase the level of the fee paid in relation to the role of Chair given this remained below that paid by other similar companies. However, the Committee also remained mindful of both the Group's share price performance and the overall economic environment, particularly in relation to the healthcare and property sectors, and concluded that the Directors' remuneration should remain unchanged for the year ended 30 June 2025.

The Remuneration Committee conducted a review of the level of Directors' fees at the end of the year ended 30 June 2025, which also included:

- consideration of the cumulative level of wage and price inflation since the Directors' fees were last increased;
- an assessment of the ongoing workload and responsibilities, taking into account increasingly complex legal and regulatory requirements and the active asset management particularly required in the care home property sub-sector;
- consideration of the Group's performance;
- consultation with various of the Group's advisers in relation to their experiences of current market practice; and
- consideration of the level of fees paid by the Group's peer group.

The Committee concluded that the level of Directors' fees paid by the Company were below those paid by other similar companies. Therefore, in order to ensure that the level of Directors' fees remained at market levels and in line with the Group's remuneration policy, it was considered appropriate to increase the level of Directors' fees for the forthcoming year as set out in the table below.

	Year ending 30 June 2026 £'s	Year ended 30 June 2025 £'s	Year ended 30 June 2024 £'s	Change in year ended 30 June 2025 %
Chair	**64,350**	58,500	58,500	+0.0
Audit Committee Chair	**52,000**	47,250	47,250	+0.0
Director	**42,550**	40,500	40,500	+0.0

In order to keep competitive with the practices of other similar Boards, it is also intended that, with effect from 1 January 2026, an additional fee of £5,000 per annum is paid to each of the Senior Independent Director and the chair of the ESG Committee in order to recognise the additional workload and responsibilites of those roles.

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

	Change in year ending 30 June 2026 %	Change in year ended 30 June 2025 %	Change in year ended 30 June 2024 %	Change in year ended 30 June 2023 %	Change in year ended 30 June 2022 %	Change in year ended 30 June 2021 %
Chair	**+10.0**	+0.0	+8.3	+8.0	+13.6	+0.0
Audit Committee Chair	**+10.0**	+0.0	+3.8	+3.4	+12.8	+0.0
Director	**+5.1**	+0.0	+3.8	+4.0	+14.5	+0.0

The present limit on Directors' fees is an aggregate of £300,000 per annum. This limit may be amended by changing the Company's Articles of Association, or by the passing of an ordinary resolution at a general meeting. Taking into consideration the expectation of the appointment of a sixth Director to the Board and the fee increases noted above, an ordinary resolution will be put to shareholders at the forthcoming Annual General Meeting proposing to increase this limit to £350,000.

Annual Report on Directors' Remuneration

Relative importance of spend on pay

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

	Year ended 30 June 2025 £'000	Year ended 30 June 2024 £'000	Change in year ended 30 June 2025 %
Aggregate Directors' remuneration	**227**	227	**+0.0**
Management fee and other revenue expenses	**13,335**	11,554	**+15.4**
Distributions paid to shareholders in respect of the year	**36,495**	35,428	**+3.0**

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

Annual Report on Directors' Remuneration continued

Directors' emoluments for the year (audited)

The Directors who served during the year received the following emoluments in the form of fees. The Directors received no additional fees for serving as the chair of any of the Board's committees for the year ended 30 June 2025, save that the chair of the audit committee is paid at a higher rate than other directors in view of the additional responsibilities attached to that role. As highlighted on page 55, it is proposed that additional fees are introduced with effect from 1 January 2026 in relation to fulfilling the role of Senior Independent Director and the role of chair of the ESG Committee. No other forms of remuneration or taxable benefits were paid during the year.

	Year ended 30 June 2025 £'s	**Change in year ended 30 June 2025[1] %**	Year ended 30 June 2024 £'s	Change in year ended 30 June 2024[1] %	Change in year ended 30 June 2023[1] %	Change in year ended 30 June 2022[1] %	Change in year ended 30 June 2021[1] %
Alison Fyfe	**58,500**	**+0.0**	58,500	+22.9[2]	+26.9[2]	+14.5	+600.0[2]
Vince Niblett	**47,250**	**+0.0**	47,250	+3.8	+27.3[3]	n/a	n/a
Amanda Thompsell	**40,500**	**+0.0**	40,500	+3.8	+149.6[4]	n/a	n/a
Richard Cotton	**40,500**	**+0.0**	40,500	+55.8[5]	n/a	n/a	n/a
Michael Brodtman	**40,500**	**+0.0**	40,500	+107.7[6]	n/a	n/a	n/a
Total	**227,250**	**+0.0**	227,250	+4.3	+2.0	+17.9	+13.4

1 In accordance with The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, these columns show the annual percentage change over the preceding financial year by comparison to the current financial year in respect of each Director that has served in their relevant role for a minimum of two financial years. A history of the previous five financial years is presented. The percentage increases shown reflect both: (i) any changes in remuneration arising if a director served for less than a year, or changed roles, during one of the years being compared; and (ii) increases in rates of remuneration (as per the table on page 55 showing the remuneration per role for recent years).
2 Ms Fyfe was appointed as a Director on 1 May 2020 and as Chair on 6 December 2022.
3 Mr Niblett was appointed as a Director on 25 August 2021 and as Chair of the Audit Committee on 14 December 2021.
4 Dr Thompsell was appointed as a Director on 1 February 2022.
5 Mr Cotton was appointed as a Director on 1 November 2022.
6 Mr Brodtman was appointed as a Director on 1 January 2023.

Directors' shareholdings (audited)

The Directors who held office at the year-end and their interests (all of which were beneficially held) in the ordinary shares of the Company as at 30 June 2025 were as follows:

	Ordinary shares 30 June 2025	Ordinary shares 30 June 2024
Alison Fyfe	**10,000**	10,000
Vince Niblett	**24,052**	24,052
Amanda Thompsell	**–**	–
Richard Cotton	**30,000**	30,000
Michael Brodtman	**24,210**	24,210
Total	**88,262**	88,262

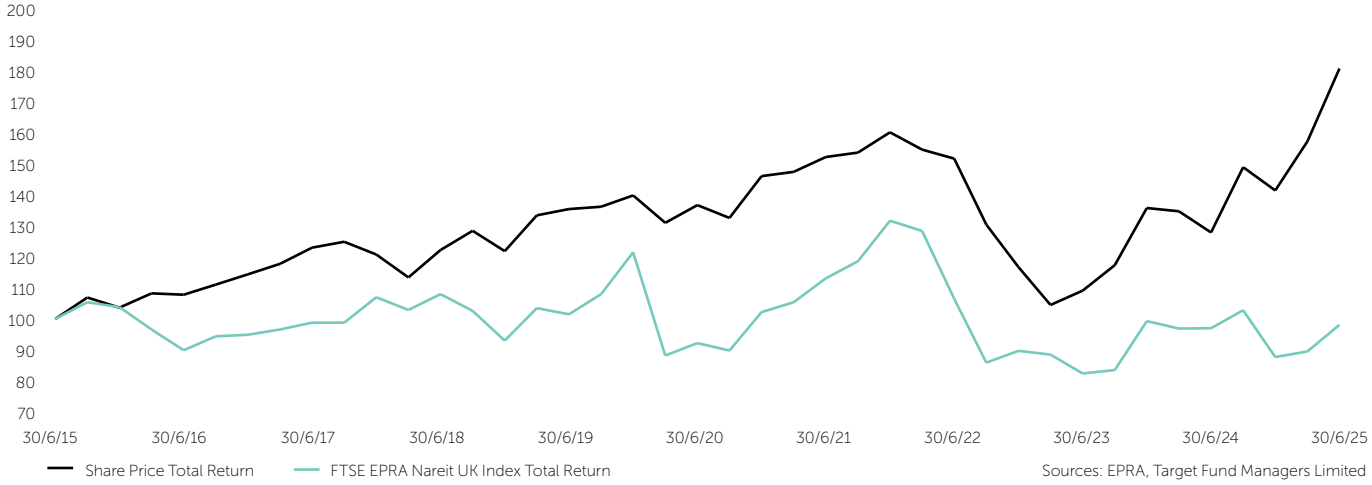
There have not been any changes in the Directors' interests between 30 June 2025 and 13 October 2025. No Director had an interest in any contracts with the Company during the year or subsequently. Senior representatives of the Investment Manager, including persons closely associated with them, have an interest in the shares of the Company totalling, in aggregate, 286,317 Ordinary shares.

Group performance

The Board is responsible for the Group's investment strategy and performance, although the management of the Group's investment portfolio is delegated to the Investment Manager through the investment management agreement, as referred to on page 34.

The graph on the following page compares, for the ten years to 30 June 2025, the share price total return (assuming all dividends are reinvested) to ordinary shareholders compared to the total return on the FTSE EPRA Nareit UK Index. The index was chosen for comparative purposes as it represents the performance of real estate companies and REITs listed on the London Stock Exchange; however, it should be noted that this index will contain types of property assets that may perform significantly differently from the care home properties within the Group's investment remit.

SHARE PRICE TOTAL RETURN AND THE FTSE EPRA NAREIT UK INDEX TOTAL RETURN PERFORMANCE GRAPH (REBASED TO 100 AT 30 JUNE 2015)



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

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

At the Company's previous AGM, held on 9 December 2024, shareholders approved the Directors' Remuneration Report in respect of the year ended 30 June 2024. 99.9 per cent of the votes cast were in favour of the resolution and votes withheld represented less than 2.7 per cent of the shares in issue.

An ordinary resolution for the approval of this Annual Report on Directors' Remuneration will be put to shareholders at the forthcoming Annual General Meeting to be held on 4 December 2025.

On behalf of the Board

Amanda Thompsell
Director
13 October 2025

Independent Auditor's Report to the Members of Target Healthcare REIT plc

Opinion

In our opinion:

- Target Healthcare REIT plc's Group financial statements and Parent Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2025 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Target Healthcare REIT plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2025 which comprise:

Group	Parent Company
Consolidated Statement of Comprehensive Income for the year ended 30 June 2025	Statement of Financial Position as at 30 June 2025
Consolidated Statement of Financial Position as at 30 June 2025	Statement of Changes in Equity for the year ended 30 June 2025
Consolidated Statement of Changes in Equity for the year ended 30 June 2025	Related notes 1 to 13 to the financial statements, including material accounting policy information
Consolidated Statement of Cash Flows for the year ended 30 June 2025	
Related notes 1 to 23 to the financial statements, including material accounting policy information	

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Confirming our understanding of the Group and Parent Company's going concern assessment process and engaging with the directors and the Company Secretary to determine if all key factors have been included in their assessment.
- Inspecting the directors' assessment of going concern, including the revenue and expenses forecast for the period to 31 December 2026, which is at least 12 months from the date the financial statements have been authorised for issue. In preparing the revenue and expenses forecast, the Group and Parent Company have concluded that it is able to continue to meet its costs as they fall due.
- Reviewing the factors and assumptions, including the impact of external market factors, as applied to the revenue and expenses forecast. We considered the appropriateness of the methods used to calculate the revenue and expenses forecast, and determined, through testing of the methodology and calculations, that the methods, inputs and assumptions utilised were appropriate to be able to make an assessment for the Group and Parent Company.
- In relation to the Group's borrowing arrangements, inspecting the directors' assessment of the risk of breaching the debt covenants as a result of a reduction in the value of the Group's portfolio. We recalculated the Group's compliance with debt covenants in the scenarios assessed by the directors and performed reverse stress testing in order to identify what factors would lead to the Group breaching the financial covenants.
- Considering the mitigating factors included in the revenue forecasts and covenant calculations that are within the control of the Group.
- Reviewing the Group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with UK adopted international accounting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for a period to 31 December 2026, which is at least 12 months from the date the financial statements have been authorised for issue.

In relation to the Group and Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	• Incorrect valuation and ownership of investment properties • Incomplete or inaccurate recognition of rental income, including accounting for rental uplifts and lease incentives
Materiality	• Overall Group materiality of £7.12m which represents 1% of Group net assets.

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

Tailoring the scope

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

Climate change

Stakeholders are increasingly interested in how climate change will impact Target Healthcare REIT plc. The Group and Parent Company has determined that the most significant future impacts from climate change on their operations will be on the valuation of investment properties, and potentially shareholder returns. These are explained on pages 26 to 27 in the principal risks and uncertainties. These disclosures form part of the "Other information", rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

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

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

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report to the Members of Target Healthcare REIT plc continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect valuation and ownership of investment properties (Refer to Report of the Audit Committee (page 53); Accounting policies (pages 72 and 73); and Note 9 to the Consolidated Financial Statements (pages 78 and 79). At 30 June 2025, the Group's investment portfolio consisted of UK healthcare properties, with a market value of £929.94m (2024: £908.53m) and carrying value of £840.43m (2024: £831.57m), which is net of a deduction of £89.51m (2024: £76.96m) to account for lease incentives, rent reviews and performance payments accrued as payable to tenants where performance conditions have been met as at year end. The Parent Company investment portfolio consisted of UK healthcare properties, with a market value of £8.86m (2024: £7.71m) and a carrying value of £8.61m (2024: £7.54m) which is net of a deduction of £0.25m (2024: £0.17m) to account for rent reviews. The valuation of the properties held in the investment portfolio, and unrealised gain/(losses) on the investment portfolio are the key drivers of the Group's net asset value and total return. Incorrect investment pricing, including the judgement involved in the valuation of property investments could have an impact on the portfolio valuation and the return generated for shareholders. The valuation of investment property requires judgement and estimates by the Manager and the external valuers. Any input inaccuracies or unreasonable bases used in these judgements and estimates (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement of the Statement of Financial Position and in the Statement of Comprehensive Income. The properties are valued externally on behalf of the Group by CBRE and recorded in the Consolidated Financial Statements at their carrying value, being the CBRE open market valuation adjusted for the impact of lease incentives, rental uplifts, and performance payments. Failure to maintain proper legal title of the Group's investment properties could result in assets being incorrectly recognised within the Statement of Financial Position. The valuation of investment properties and the resultant impact on unrealised gains/(losses) is the area requiring the most judgement and estimation in the preparation of the financial statements and has been classified as an area of fraud risk as highlighted below on page 63.	**We performed the following procedures:** We obtained an understanding of the processes and controls surrounding investment valuation and unrealised gains and losses by performing walkthrough procedures to evaluate the design and implementation of controls. We agreed the value of all the properties in the investment portfolio held at the year end to the open market valuations included in the valuation report provided by CBRE. We agreed the key inputs used by CBRE in the valuation to source data including lease terms and CQC ratings. We used our property valuation specialists to perform a review of the property valuations, which included: • Evaluating the work performed, competency, capability, and objectivity of CBRE; • Reviewing the assumptions used by CBRE in undertaking their valuation and an assessment of the valuation methodology adopted; • Holding discussions with CBRE including an overview of the portfolio, covenant strength of the tenants within the portfolio and occupancy and historical rent cover for a sample of properties; • Reviewing a sample of the individual property valuations as at 30 June 2025 and examining key valuation inputs; • Analysing key changes in the property valuation as a whole including a review of the reasonableness of the income yields for the properties; and • Reviewing the management information and the expected credit loss models for any indicators or trends that may be relevant to the valuation of the properties. For all properties not included in the sample for the valuation specialists we have reviewed the movement in property values to the MSCI benchmark. We reviewed the accounting policy and recalculated the adjustments made to the CBRE fair value in respect of lease incentives and rental smoothing to validate the carrying value of investment properties. We recalculated the unrealised gains/(losses) on all investment properties as at the year-end using the book cost reconciliation. We ensured the consolidated financial statements contain adequate disclosures regarding the methods and assumptions used in the valuation, including the required sensitivity analysis under IFRS 13 'Fair value measurement' and reviewed the fair value hierarchy disclosures. We reviewed the prior year estimate with reference to any disposals made in the year to confirm the estimate was reasonable. We obtained direct confirmation from the Group's legal adviser regarding legal title to investment properties and forward funding development sites held as at 30 June 2025. We agreed a sample of key transaction details (e.g. property and trade date) of purchases and sales recorded by Target Fund Managers Limited to legal agreements, completion statements and bank statements.	The results of our procedures identified no material misstatement in relation to the risk of incorrect valuation, calculation of unrealised gains/(losses) or ownership of investment properties.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete or inaccurate recognition of rental income including accounting for rental uplifts and lease incentives (Refer to Report of the Audit Committee (page 52) and Accounting Policies (page 71)). During the year ended 30 June 2025, £71.21m (2024: £69.54m) has been recognised by the Group as rental income. Of this £60.37m (2024: £58.61m) has been recorded as revenue in the Consolidated Statement of Comprehensive Income and £10.84m (2024: £10.93m) as capital relating to accrued rent review uplifts and lease incentives not yet received. The rental income receivable by the Group during the period is a significant factor in the Group's decision to make a dividend payment to shareholders. Rental income from the investment properties is recognised on an accrual basis with the exception of contingent rents which are recognised on a receipt basis. The lease agreements tend to have durations of multiple years and minimum and maximum annual rental increase clauses. Leases may also include lease incentives such as rent-free periods. IFRS 16 'Leases' requires that lessors recognise lease payments as income on either a straight-line basis or another systematic basis if that basis is more representative of the pattern in which benefit derived from the use of the underlying asset is diminished. There is a risk of incomplete or inaccurate recognition of rental income including rental uplifts and lease incentives through the failure to recognise the proper entitlements or applying the appropriate accounting treatment and has been classified as an area of fraud risk as highlighted below on page 63.	**We performed the following procedures:** We obtained an understanding of the processes and controls surrounding rental income recognition including accounting for rental uplifts and lease incentives by performing walkthrough procedures to evaluate the design and implementation of controls. We have verified 100% of the rental rates to lease agreements (including rent reviews, completed forward funds and re-tenanted assets) and recalculated 100% of the rental income recognised. We reperformed the rental adjustment calculations for rental uplifts under IFRS 16 for all tenants and considered the allocation between revenue and capital. We have assessed the appropriateness of all contingent rent with reference to agreements and confirmed that there was no contingent rent recognised in the period. We have agreed a sample of rental income recorded as received to bank statements to ensure completeness of payments received. We have tested that a sample of expected rent receipts have been recorded with reference to executed lease agreements to ensure completeness. We reviewed the Group's accounting policies in respect of the significant terms of the tenancy agreements (for example rental uplifts, rent free periods and lease incentives) to confirm that the accounting treatment is in line with UK adopted international accounting standards and consider the capital and revenue allocation to be appropriate. We reviewed management's workings for the minimum lease payment disclosure with reference to audit work performed on the Group's operating leases.	The results of our procedures identified no material misstatement in relation to the risk of incomplete or inaccurate recognition of rental income including accounting for rental uplifts and lease incentives.

Our application of materiality

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

Materiality

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

We determined materiality for the Group to be £7.12m (2024: £6.89m), which is 1% (2024: 1%) of net assets. We believe that net assets provides us with materiality aligned to a key measurement of the Group's performance.

We determined materiality for the Parent Company to be £7.40 million (2024: £7.19 million), which is 1% (2024: 1%) of net assets.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2024: 75%) of our planning materiality, namely £5.34m (2024: £5.17m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.36m (2024: £0.34m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Corporate Governance Statement

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

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 38;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on pages 38 and 39;
- Directors' statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 39;
- Directors' statement on fair, balanced and understandable set out on page 36;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 27;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 51; and;
- The section describing the work of the audit committee set out on pages 49 to 53.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 43, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

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

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

Other matters we are required to address

- Following the recommendation from the audit committee we were appointed as auditors of the Group, whose Parent Company at that time was Target Healthcare REIT Limited, on 10 September 2013. Following a Group reconstruction in August 2019, Target Healthcare REIT plc became the Parent Company of the Group and re-appointed us as auditor of the Group on 4 September 2019.
- The period of total uninterrupted engagement following reconstruction and including previous renewals and reappointments is six years, covering the years ending 30 June 2020 to 30 June 2025.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Price (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
13 October 2025

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Consolidated Statement of Comprehensive Income

For the year ended 30 June 2025

	Notes	Year ended 30 June 2025 Revenue £'000	Capital £'000	Total £'000	Year ended 30 June 2024 Revenue £'000	Capital £'000	Total £'000
Revenue							
Rental income		**60,369**	**10,841**	**71,210**	58,615	10,927	69,542
Other rental income		**202**	**1,505**	**1,707**	–	–	–
Other income		**11**	**–**	**11**	9	–	9
Total revenue		**60,582**	**12,346**	**72,928**	58,624	10,927	69,551
Gains on revaluation of investment properties	9	**–**	**12,244**	**12,244**	–	24,693	24,693
Gains on investment properties realised	9	**–**	**39**	**39**	–	1,934	1,934
Total income		**60,582**	**24,629**	**85,211**	58,624	37,554	96,178
Expenditure							
Investment management fee	2	**(7,816)**	**–**	**(7,816)**	(7,518)	–	(7,518)
Credit loss allowance and bad debts	3	**(1,612)**	**–**	**(1,612)**	(962)	–	(962)
Other expenses	3	**(3,907)**	**–**	**(3,907)**	(3,074)	–	(3,074)
Total expenditure		**(13,335)**	**–**	**(13,335)**	(11,554)	–	(11,554)
Profit before finance costs and taxation		**47,247**	**24,629**	**71,876**	47,070	37,554	84,624
Net finance costs							
Interest income	4	**426**	**–**	**426**	66	–	66
Finance costs	5	**(10,659)**	**(798)**	**(11,457)**	(10,866)	(800)	(11,666)
Net finance costs		**(10,233)**	**(798)**	**(11,031)**	(10,800)	(800)	(11,600)
Profit before taxation		**37,014**	**23,831**	**60,845**	36,270	36,754	73,024
Taxation	6	**–**	**–**	**–**	–	–	–
Profit for the year		**37,014**	**23,831**	**60,845**	36,270	36,754	73,024
Other comprehensive income:							
Items that are or may be reclassified subsequently to profit or loss							
Movement in fair value of interest rate derivatives designated as cash flow hedges	13	**–**	**(1,450)**	**(1,450)**	–	(3,285)	(3,285)
Total comprehensive income for the year		**37,014**	**22,381**	**59,395**	36,270	33,469	69,739
Earnings per share (pence)	8	**5.97**	**3.84**	**9.81**	5.85	5.92	11.77

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

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

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

Consolidated Statement of Financial Position
As at 30 June 2025

	Notes	**As at 30 June 2025 £'000**	As at 30 June 2024 £'000
Non-current assets			
Investment properties	9	**840,432**	831,573
Trade and other receivables	10	**101,861**	88,426
Interest rate derivatives	13	**–**	2,820
		942,293	922,819
Current assets			
Trade and other receivables	10	**3,682**	5,667
Interest rate derivatives	13	**572**	–
Cash and cash equivalents	12	**39,639**	38,884
		43,893	44,551
Total assets		**986,186**	967,370
Non-current liabilities			
Loans	13	**(148,439)**	(240,672)
Trade and other payables	14	**(12,695)**	(9,893)
		(161,134)	(250,565)
Current liabilities			
Loans	13	**(91,852)**	–
Trade and other payables	14	**(20,740)**	(27,512)
		(112,592)	(27,512)
Total liabilities		**(273,726)**	(278,077)
Net assets		**712,460**	689,293
Share capital and reserves			
Share capital	15	**6,202**	6,202
Share premium		**256,633**	256,633
Merger reserve		**47,751**	47,751
Distributable reserve		**160,531**	170,347
Hedging reserve		**291**	1,741
Capital reserve		**101,499**	77,668
Revenue reserve		**139,553**	128,951
Equity shareholders' funds		**712,460**	689,293
Net asset value per ordinary share (pence)	8	**114.9**	111.1

Company number: 11990238.

The financial statements on pages 66 to 87 were approved by the Board of Directors and authorised for issue on 13 October 2025 and were signed on its behalf by:

Alison Fyfe
Chair

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2025

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Distributable reserve £'000	Hedging reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 30 June 2024		**6,202**	**256,633**	**47,751**	**170,347**	**1,741**	**77,668**	**128,951**	**689,293**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**23,831**	**37,014**	**60,845**
Other comprehensive income		**–**	**–**	**–**	**–**	**(1,450)**	**–**	**–**	**(1,450)**
Total comprehensive income		**–**	**–**	**–**	**–**	**(1,450)**	**23,831**	**37,014**	**59,395**
Transactions with owners recognised in equity:									
Dividends paid	7	**–**	**–**	**–**	**(9,816)**	**–**	**–**	**(26,412)**	**(36,228)**
At 30 June 2025		**6,202**	**256,633**	**47,751**	**160,531**	**291**	**101,499**	**139,553**	**712,460**

For the year ended 30 June 2024

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

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

Consolidated Statement of Cash Flows
For the year ended 30 June 2025

	Notes	**Year ended 30 June 2025 £'000**	Year ended 30 June 2024 £'000
Cash flows from operating activities			
Profit before tax		**60,845**	73,024
Adjustments for:			
Interest income		**(426)**	(66)
Finance costs		**11,457**	11,666
Revaluation gain on investment properties and movements in lease incentives, net of acquisition costs written off	9	**(23,085)**	(35,620)
Gain on investment properties realised	9	**(39)**	(1,934)
Decrease in trade and other receivables		**1,367**	3,083
Increase in trade and other payables		**646**	2,088
		50,765	52,241
Interest paid		**(10,090)**	(9,962)
Interest received		**426**	66
		(9,664)	(9,896)
Net cash inflow from operating activities		**41,101**	42,345
Cash flows from investing activities			
Purchase of investment properties, including acquisition costs		**(12,985)**	(40,927)
Disposal of investment properties, net of lease incentives		**9,753**	44,344
Net cash (outflow)/inflow from investing activities		**(3,232)**	3,417
Cash flows from financing activities			
Drawdown of bank loan facilities	13	**13,000**	52,500
Repayment of bank loan facilities	13	**(14,000)**	(39,500)
Dividends paid		**(36,114)**	(35,244)
Net cash outflow from financing activities		**(37,114)**	(22,244)
Net increase in cash and cash equivalents		**755**	23,518
Opening cash and cash equivalents		**38,884**	15,366
Closing cash and cash equivalents	12	**39,639**	38,884
Transactions which do not require the use of cash			
Movement in fixed or guaranteed rent reviews	9	**10,841**	10,927
Movement in lease incentives	9	**359**	839
Fixed or guaranteed rent reviews derecognised on disposal or re-tenanting	9	**(559)**	(1,449)
Total		**10,641**	10,317

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

1. Accounting policies

(a) Basis of preparation

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

Basis of accounting

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

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

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

Applicable standards and interpretations

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

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

  In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The amendments are applied retrospectively.

This amendment does not have an impact on the Consolidated Financial Statements of the Group.

Standards issued but not yet effective

- IFRS 18: Presentation and Disclosure in Financial Statements: In April 2024, the IASB issued IFRS 18, which replaces IAS 1. IFRS 18 sets out general presentation and disclosure requirements that apply across the primary financial statements and the notes but does not change how entities recognise and measure items in the financial statements. This includes the requirement for presentation of two new defined subtotals in the Income Statement. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. The amendments may become effective for annual reporting periods beginning on or after 1 January 2027, with early application permitted, and with any changes being applied retrospectively. However, this standard has not yet been endorsed for use in the UK.

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

Significant estimates

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

Revaluation of investment properties (estimate)

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

Other estimates

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

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

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

1. Accounting policies continued

(a) Basis of preparation continued

Going concern

The Directors have continued to place a particular focus on the appropriateness of adopting the going concern basis in preparing the financial statements for the year ended 30 June 2025. The Group's going concern assessment particularly considered that:

- The value of the Group's portfolio of assets significantly exceeds the value of its liabilities;
- The Group is contractually entitled to receive rental income which significantly exceeds its forecast expenses and loan interest;
- The Group remains within its loan covenants, with a weighted average term to maturity of 4.2 years and a fixed interest rate on £230 million of the Group's borrowings at 30 June 2025;
- The Group had bank loan facilities that were due to expire in November 2025 which resulted in the Group having negative net current assets at 30 June 2025. Subsequent to the balance sheet date, the Group successfully re-financed these loans;
- The previous continuation vote that was required to be proposed under the Company's Articles was passed with 100 per cent of the votes cast being in favour of the Company's continuation. The next continuation vote under the Company's Articles is required to be proposed at the AGM expected to be held in 2027.

The forecast cash flows considered as part of the going concern assessment are based on the period from the date of approval of the financial statements to 31 December 2026 as contained in the Group's five-year viability model (as set out on pages 38 and 39). The viability model is based on a severe but plausible downside scenario. Throughout this severe but plausible downside scenario the Group has sufficient cash reserves and is forecast to be able to remain within the financial covenants for each of its loan facilities for a period of at least twelve months from the date of approval of these financial statements. The Group has a significant balance of cash and undrawn debt available and the Group's current policy is to prudently retain a proportion of this to ensure it can continue to pay the Group's expenses and loan interest in the unlikely scenario that the level of rental income received deteriorates significantly. The proportion retained will be kept under review dependent on portfolio performance and market conditions.

Based on these considerations, the Directors consider that the Group has adequate resources to continue in operational existence to 31 December 2026, which is at least twelve months from the date of issuance of this report. For this reason, they continue to adopt the going concern basis in preparing the financial statements for the year ended 30 June 2025.

In preparing the Consolidated Financial Statements, the Directors have considered the impact of climate change risk as set out on page 26. In line with IFRS, investment properties are valued at fair value based on open market valuations as described in Notes 1(h) and 9. The assessment of the open market valuation includes consideration of environmental matters and the condition of each property. The investment properties continue to be monitored by the Investment Manager and key considerations include EPC ratings as summarised at a portfolio level on page 9 and their impact on the properties' forecast compliance with forthcoming minimum energy efficiency standards. Having assessed the impact of climate change on the Group, the Directors concluded that it is not expected to have a significant impact on the Group's going concern or viability assessment as described on pages 38 and 39.

(b) Basis of consolidation

The Consolidated Financial Statements comprise the financial statements of the Company and all of its subsidiaries drawn up to 30 June 2025. Subsidiaries are those entities, including special purpose entities, controlled by the Company and further information is provided in Note 11. Control exists when the Company is exposed, or has rights, to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

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

(c) Revenue recognition

Rental Income

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

- The lease agreements on the properties held within the Group's property portfolio generally allow for regular increases in the contracted rental level in line with inflation, within a cap and a collar, or at a fixed level. Any rental income from such future fixed and minimum guaranteed rent review uplifts is recalculated to reflect the actual rent uplift realised in the period and is recognised on a straight line basis over the remainder of the lease term;
- Lease incentives are spread evenly over the lease term, even if payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option; and
- Contingent rents are recognised in the period in which they are received.

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

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

Other Rental Income

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

1. Accounting policies continued

(c) Revenue recognition continued

Interest Income

Interest income is accounted for on an accruals basis.

Service charges and expenses recoverable from tenants

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

(d) Expenses

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

(e) Dividends

Dividends are accounted for in the period in which they are paid.

(f) Taxation

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

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

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

Entry to UK-REIT Regime

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

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

(g) Property acquisitions

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

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

(h) Investment properties

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

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

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

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

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

1. Accounting policies continued

(h) Investment properties continued

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

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

(i) Cash and cash equivalents

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

(j) Rent and other receivables

Rent receivables are carried at amortised cost. A provision for impairment of trade receivables is calculated through the expected credit loss method in accordance with IFRS 9 as explained in 'other estimates' on page 70. As part of this expected credit loss process the following is taken into account: significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is recognised in the Statement of Comprehensive Income, separately disclosed as an impairment. Bad debts are written off once all avenues to recover the debt have been exhausted and the lease has ended, or a formal settlement agreement has been reached.

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

(k) Interest-bearing loans and borrowings

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

(l) Derivative financial instruments

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

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

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

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

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

(m) Reserves

Share Premium

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

Merger Reserve

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

1. Accounting policies continued

(m) Reserves continued

Distributable Reserve

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

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

Hedging Reserve

The following are accounted for in the hedging reserve:

- Increases and decreases in the fair value of interest rate derivatives held at the period end.

Capital Reserve

The following are accounted for in the capital reserve:

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

Revenue Reserve

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

2. Fee paid to the Investment Manager

	Year ended 30 June 2025 £'000	Year ended 30 June 2024 £'000
Investment management fee	**7,816**	7,518
Total	**7,816**	7,518

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

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

The Investment Manager is entitled to an additional fee of £160,000 per annum (plus VAT), increasing annually in line with inflation, in relation to its appointment as Company Secretary and Administrator to the Group.

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

3. Other expenses

	Year ended 30 June 2025 £'000	Year ended 30 June 2024 £'000
Total movement in credit loss allowance	**1,612**	962
Bad debts written off	**–**	–
Credit loss allowance charge	**1,612**	962
Valuation and other professional fees	**1,601**	1,107
Auditor's remuneration for:		
– statutory audit of the Company	**167**	181
– statutory audit of the Company's subsidiaries	**286**	277
– review of interim financial information	**17**	16
Other taxation compliance and advisory*	**382**	271
Direct property costs	**267**	199
Secretarial and administration fees	**229**	229
Directors' fees	**227**	227
Public relations and marketing	**185**	179
Printing, postage and website	**146**	100
Listing and Registrar fees	**134**	115
Abortive costs	**81**	9
Other	**185**	164
Total other expenses	**3,907**	3,074

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

The valuers of the investment properties, CBRE Limited, have agreed to provide valuation services in respect of the property portfolio. The valuation agreement states that annual fees will be payable quarterly at a rate of £614 per property per quarter (including VAT).

During the year ended 30 June 2025, the Group incurred additional one-off costs related to the administration of the tenant entity at one of its care home properties. These are primarily included in 'valuation and other professional fees' above. Further details are provided in the case study entitled 'Successful re-tenanting after operator in administration' on page 19.

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

4. Interest income

	Year ended 30 June 2025 £'000	Year ended 30 June 2024 £'000
Deposit interest	**426**	66
Total	**426**	66

5. Finance costs

	Year ended 30 June 2025 £'000	Year ended 30 June 2024 £'000
Interest paid on loans	**10,040**	10,245
Amortisation of loan costs	**619**	621
Finance and transaction costs relating to the interest rate cap	**798**	800
Total	**11,457**	11,666

6. Taxation

	Year ended 30 June 2025 £'000	Year ended 30 June 2024 £'000
Current tax	**–**	–
Adjustment to tax charge for prior years	**–**	–
Total tax charge	**–**	–

6. Taxation continued

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

	Year ended 30 June 2025 £'000	Year ended 30 June 2024 £'000
Profit before tax	**60,845**	73,024
Tax at 25% (2024: 25%)	**15,211**	18,256
Effects of:		
REIT exempt profits	**(10,101)**	(8,964)
REIT exempt (gains)/losses	**(2,890)**	(6,215)
Capital allowances	**(2,286)**	(2,476)
Utilisation of excess management expenses brought forward	**(162)**	(809)
Expenses not deductible for tax purposes	**228**	208
Total tax charge	**–**	–

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

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

The Group has unutilised tax losses carried forward in its residual business of £10.5 million at 30 June 2025 (2024: £11.2 million). No deferred tax asset has been recognised on this amount as the Group cannot be certain that there will be taxable profits arising within its residual business from which the future reversal of the deferred tax asset could be deducted.

7. Dividends

Amounts paid as distributions to equity holders during the year to 30 June 2025.

	Dividend rate (pence per share)	**Year ended 30 June 2025 £'000**
Fourth interim dividend for the year ended 30 June 2024	**1.428**	**8,857**
First interim dividend for the year ended 30 June 2025	**1.471**	**9,123**
Second interim dividend for the year ended 30 June 2025	**1.471**	**9,124**
Third interim dividend for the year ended 30 June 2025	**1.471**	**9,124**
Total	**5.841**	**36,228**

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

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

It is the policy of the Directors to declare and pay dividends as interim dividends. The Directors do not therefore recommend a final dividend. The fourth interim dividend in respect of the year ended 30 June 2025, of 1.471 pence per share, was paid on 29 August 2025 to shareholders on the register on 15 August 2025 and amounted to £9,124,000. It is the intention of the Directors that the Group will continue to pay dividends quarterly.

8. Earnings per share and Net Asset Value per share

Earnings per share

	Year ended 30 June 2025		Year ended 30 June 2024	
	£'000	**Pence per share**	£'000	Pence per share
Revenue earnings	**37,014**	**5.97**	36,270	5.85
Capital earnings	**23,831**	**3.84**	36,754	5.92
Total earnings	**60,845**	**9.81**	73,024	11.77
Average number of shares in issue		**620,237,346**		620,237,346

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

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

Earnings per share continued

EPRA is an industry body which issues best practice reporting guidelines for financial disclosures by public real estate companies and the Group reports an EPRA NAV quarterly. EPRA has issued best practice recommendations for the calculation of certain figures which are included below. Other EPRA measures are included in the EPRA Performance Measures on pages 105 and 106.

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

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

	Year ended 30 June 2025 £'000	Year ended 30 June 2024 £'000
Earnings per IFRS Consolidated Statement of Comprehensive Income	**60,845**	73,024
Adjusted for gains on investment properties realised	**(39)**	(1,934)
Adjusted for revaluations of investment properties	**(12,244)**	(24,693)
Adjusted for finance and transaction costs on the interest rate cap	**798**	800
Adjusted for other capital items	**(1,505)**	–
EPRA earnings	**47,855**	47,197
Adjusted for rental income arising from recognising guaranteed rent review uplifts	**(10,841)**	(10,927)
Adjusted for development interest under forward fund agreements	**725**	1,767
Group specific adjusted EPRA earnings	**37,739**	38,037
Earnings per share ('EPS') (pence per share)		
EPS per IFRS Consolidated Statement of Comprehensive Income	**9.81**	11.77
EPRA EPS	**7.72**	7.61
Group specific adjusted EPRA EPS	**6.08**	6.13

Net Asset Value per share

The Group's Net Asset Value per ordinary share of 114.9 pence (2024: 111.1 pence) is based on equity shareholders' funds of £712,460,000 (2024: £689,293,000) and on 620,237,346 (2024: 620,237,346) ordinary shares, being the number of shares in issue at the year-end.

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

- **EPRA Net Reinstatement Value ('NRV'):** Assumes that entities never sell assets and aims to represent the value required to rebuild the entity. The objective is to highlight the value of net assets on a long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances, such as the fair value movements on financial derivatives, are excluded and the costs of recreating the Group through investment markets, such as property acquisition costs and taxes, are included.
- **EPRA Net Tangible Assets ('NTA'):** Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax. Given the Group's REIT status, it is not expected that significant deferred tax will be applicable to the Group.
- **EPRA Net Disposal Value ('NDV'):** Represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax. At 30 June 2025, the Group held all its material balance sheet items at fair value, or at a value considered to be a close approximation to fair value, in its financial statements apart from its fixed-rate debt facilities where the fair value is estimated to be lower than the nominal value. See Note 13 for further details on the Group's loan facilities.

	2025 EPRA NRV £'000	**2025 EPRA NTA £'000**	**2025 EPRA NDV £'000**	2024 EPRA NRV £'000	2024 EPRA NTA £'000	2024 EPRA NDV £'000
IFRS NAV per financial statements	**712,460**	**712,460**	**712,460**	689,293	689,293	689,293
Fair value of interest rate derivatives	**(572)**	**(572)**	**–**	(2,820)	(2,820)	–
Fair value adjustment to loans	**–**	**–**	**27,929**	–	–	29,780
Estimated purchasers' costs	**62,175**	**–**	**–**	60,026	–	–
EPRA net assets	**774,063**	**711,888**	**740,389**	746,499	686,473	719,073
EPRA net assets (pence per share)	**124.8**	**114.8**	**119.4**	120.4	110.7	115.9

9. Investment properties

Freehold and leasehold properties

	As at 30 June 2025 £'000	As at 30 June 2024 £'000
Opening market value	**908,530**	868,705
Opening fixed or guaranteed rent reviews	**(68,856)**	(59,378)
Opening lease incentives	**(10,011)**	(9,172)
Opening performance payments (see Note 18)	**1,910**	–
Opening carrying value	**831,573**	800,155
Disposals – proceeds	**(9,753)**	(44,344)
– (loss)/gain on sale	**(542)**	1,382
Purchases and performance payments	**7,650**	45,444
Acquisition costs capitalised	**30**	332
Acquisition costs written off	**(30)**	(332)
Unrealised loss realised during the year	**581**	552
Revaluation movement – gains	**25,484**	45,496
Revaluation movement – losses	**(2,010)**	(8,705)
Movement in market value	**21,410**	39,825
Fixed or guaranteed rent reviews derecognised on disposal or re-tenanting	**559**	1,449
Movement in fixed or guaranteed rent reviews	**(10,841)**	(10,927)
Movement in lease incentives	**(359)**	(839)
Movement in performance payments (see Note 18)	**(1,910)**	1,910
Movement in carrying value	**8,859**	31,418
Closing market value	**929,940**	908,530
Closing fixed or guaranteed rent reviews	**(79,138)**	(68,856)
Closing lease incentives	**(10,370)**	(10,011)
Closing performance payments (see Note 18)	**–**	1,910
Closing carrying value	**840,432**	831,573

Changes in the valuation of investment properties

	Year ended 30 June 2025 £'000	Year ended 30 June 2024 £'000
(Loss)/gain on sale of investment properties	**(542)**	1,382
Unrealised loss realised during the year	**581**	552
Gain on investment properties realised	**39**	1,934
Revaluation movement	**23,474**	36,791
Acquisition costs written off	**(30)**	(332)
Movement in fixed or guaranteed rent reviews	**(10,841)**	(10,927)
Movement in lease incentives	**(359)**	(839)
Gain on revaluation of investment properties	**12,244**	24,693

The investment properties can be analysed as follows:

	As at 30 June 2025 £'000	As at 30 June 2024 £'000
Standing assets	**921,080**	889,255
Developments under forward fund agreements	**8,860**	19,275
Closing market value	**929,940**	908,530

At 30 June 2025, the properties were valued at £929,940,000 (2024: £908,530,000) by CBRE Limited ('CBRE') in their capacity as external valuers. The valuation was undertaken in accordance with the RICS Valuation – Global Standards, issued by the Royal Institution of Chartered Surveyors ('RICS') on the basis of Market Value, supported by reference to market evidence of transaction prices for similar properties. CBRE has recent experience in the location and category of the investment properties being valued.

9. Investment properties continued

Market Value represents the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion. The quarterly property valuations are reviewed by the Board at each Board meeting. The fair value of the properties after adjusting for the movement in the fixed or guaranteed rent reviews, lease incentives and performance payments was £840,432,000 (2024: £831,573,000). The adjustment consisted of £79,138,000 (2024: £68,856,000) relating to fixed or guaranteed rent reviews and £10,370,000 (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 accounts as non-current or current assets within 'trade and other receivables' (see Note 10). An adjustment is also made, where applicable, to reflect the amount by which the portfolio value is expected to increase if the performance payments recognised in 'trade and other payables' are paid and the passing rent at the relevant property increased accordingly (see Notes 14 and 18). The total purchases in the year to 30 June 2025, inclusive of the performance payments recognised in the year and/or exclusive of those recognised in the prior year, were £5,740,000 (2024: £47,354,000).

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

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

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

The external valuations reflect CBRE's understanding of how market participants include sustainability factors in their decisions and the consequential impact on market valuations, although there is still a gap in the exact knowledge of valuation of sustainability features of a green premium or brown discount. Green building certifications, and reducing energy consumption and carbon emissions, are factors considered likely to impact on real estate decisions and property values.

The Group is required to classify fair value measurements of its investment properties using a fair value hierarchy, in accordance with IFRS 13 'Fair Value Measurement'. This hierarchy reflects the subjectivity of the inputs used, and has the following levels:

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

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

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

The key unobservable inputs made in determining the fair values are:

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

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

The Group's investment properties, which are all care homes, are considered to be a single class of assets. The weighted average net initial yield ('NIY') on these assets, as measured by the EPRA topped up NIY, is 6.2 per cent (2024: 6.2 per cent). The yield on the majority of the individual assets ranges from 5.6 per cent to 8.9 per cent (2024: 5.5 per cent to 8.9 per cent). The average annual contracted rent per bed is £9,696 (2024: £9,292) with the annual contracted rent per bed on individual assets ranging between £5,093 and £21,033 (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.

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 £9,299,000 (2024: £9,085,000); an equal and opposite movement would have decreased net assets and decreased the Group's income by the same amount.

9. Investment properties continued

A decrease of 0.25 per cent in the weighted average net initial yield applied to the portfolio will increase the fair value of the portfolio by £38,690,000 (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 weighted average net initial yield will decrease the fair value of the portfolio by £35,718,000 (2024: £34,982,000) and reduce the Group's income.

10. Trade and other receivables

Non-current trade and other receivables	**As at 30 June 2025 £'000**	As at 30 June 2024 £'000
Fixed rent reviews	**79,138**	68,856
Rental deposits held in escrow for tenants	**12,695**	9,893
Lease incentives	**10,028**	9,677
Total	**101,861**	88,426

Current trade and other receivables	**As at 30 June 2025 £'000**	As at 30 June 2024 £'000
Lease incentives	**342**	334
VAT recoverable	**47**	1,624
Accrued income – rent receivable	**1,089**	890
Accrued development interest under forward fund agreements	**809**	1,076
Other debtors and prepayments	**1,395**	1,743
Total	**3,682**	5,667

At the year-end, trade and other receivables include a fixed rent review debtor of £79,138,000 (2024: £68,856,000) which represents the effect of recognising guaranteed rental uplifts on a straight line basis over the lease term and £10,370,000 (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.

11. Investment in subsidiary undertakings

The Group included 50 subsidiary companies as at 30 June 2025 (2024: 49). All subsidiary companies were wholly owned, either directly or indirectly, by the Company and, from the date of acquisition onwards, the principal activity of each company within the Group was to act as an investment and property company. Other than one subsidiary incorporated in Jersey, two subsidiaries incorporated in Gibraltar and two subsidiaries incorporated in Luxembourg, all subsidiaries are incorporated within the United Kingdom.

The Group incorporated one subsidiary during the year, with the intention that this be used in due course to hold potential forward fund development(s). The Group did not acquire or dispose of any subsidiaries during the year (2024: the Group did not incorporate, acquire or dispose of any subsidiaries during the year).

12. Cash and cash equivalents

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

	As at 30 June 2025 £'000	As at 30 June 2024 £'000
Cash at bank and in hand	**11,302**	15,813
Short-term deposits	**28,337**	23,071
Total	**39,639**	38,884

The cash on deposit at 30 June 2025 included £28,226,000 (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 30 June 2025, the Group had sufficient unencumbered assets which could be pledged as additional security in order to release these funds.

13. Loans

Non-current loans	**As at 30 June 2025 £'000**	As at 30 June 2024 £'000
Principal amount outstanding	**150,000**	243,000
Set-up costs	**(2,413)**	(4,520)
Amortisation of set-up costs	**852**	2,192
Total	**148,439**	240,672

Current loans	**As at 30 June 2025 £'000**	As at 30 June 2024 £'000
Principal amount outstanding	**92,000**	–
Set-up costs	**(2,107)**	–
Amortisation of set-up costs	**1,959**	–
Total	**91,852**	–

13. Loans continued

In November 2020, the Group entered into a £70,000,000 committed term loan and revolving credit facility with the Royal Bank of Scotland plc ('RBS') which is repayable in November 2025. Interest accrues on the bank loan at a variable rate, based on SONIA plus margin and mandatory lending costs, and is payable quarterly. The margin is 2.18 per cent per annum on £50,000,000 of the facility and 2.33 per cent per annum on the remaining £20,000,000 revolving credit facility, both for the duration of the loan. A non-utilisation fee of 1.13 per cent per annum is payable on the first £20,000,000 of any undrawn element of the facility, reducing to 1.05 per cent per annum thereafter. As at 30 June 2025, the Group had drawn £42,000,000 under this facility (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 30 June 2025, the Group had drawn £50,000,000 under this facility (2024: £50,000,000). Subsequent to the year end, the RBS and HSBC facilities have each been refinanced. Refer to Note 20 for details.

In January 2020 and November 2021, the Group entered into committed term loan facilities with Phoenix Group of £50,000,000 and £37,250,000, respectively. Both these facilities are repayable on 12 January 2032. The Group has a further committed term loan facility with Phoenix Group of £62,750,000 which is repayable on 12 January 2037. Interest accrues on these three loans at aggregate annual fixed rates of interest of 3.28 per cent, 3.13 per cent and 3.14 per cent, respectively and is payable quarterly. As at 30 June 2025, the Group had drawn £150,000,000 under these facilities (2024: £150,000,000).

The following interest rate derivatives were in place during the year ended 30 June 2025:

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

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

At 30 June 2025, inclusive of the interest rate derivatives, the interest rate on £230,000,000 of the Group's borrowings has been capped, including the amortisation of loan arrangement costs, at an all-in rate of 3.70 per cent per annum until at least 5 November 2025. The remaining £90,000,000 of debt, of which £12,000,000 was drawn at 30 June 2025, would, if fully drawn, carry interest at a variable rate equal to daily compounded SONIA plus a weighted average lending margin, including the amortisation of loan arrangement costs, of 2.46 per cent per annum.

The aggregate fair value of the interest rate derivatives held at 30 June 2025 was an asset of £572,000 (2024: £2,820,000). The Group categorises all interest rate derivatives as level 2 in the fair value hierarchy as they are valued with reference to published interest rates (see Note 9 for further explanation of the fair value hierarchy).

At 30 June 2025, the nominal value of the Group's loans equated to £242,000,000 (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 treasury plus an estimated margin based on market conditions at 30 June 2025, totalled, in aggregate, £214,071,000 (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 £225,493,000 (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 £754,390,000 as at 30 June 2025 (2024: £743,265,000).

Under the covenants related to the loans, which are tested quarterly, the Group is to ensure that:

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

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

Analysis of net debt:

	Cash and cash equivalents 2025 £'000	**Borrowing 2025 £'000**	**Net debt 2025 £'000**	Cash and cash equivalents 2024 £'000	Borrowing 2024 £'000	Net debt 2024 £'000
Opening balance	**38,884**	**(240,672)**	**(201,788)**	15,366	(227,051)	(211,685)
Cash flows	**755**	**1,000**	**1,755**	23,518	(13,000)	10,518
Non-cash flows	**–**	**(619)**	**(619)**	–	(621)	(621)
Closing balance as at 30 June	**39,639**	**(240,291)**	**(200,652)**	38,884	(240,672)	(201,788)

14. Trade and other payables

Non-current trade and other payables	As at 30 June 2025 £'000	As at 30 June 2024 £'000
Rental deposits	**12,695**	9,893
Total	**12,695**	9,893

Current trade and other payables	As at 30 June 2025 £'000	As at 30 June 2024 £'000
Rental income received in advance	**10,463**	10,146
Property acquisition and development costs accrued	**3,218**	8,790
Interest payable	**2,225**	2,275
Investment Manager's fees payable	**1,979**	1,927
Performance payments	**–**	1,910
Other payables	**2,855**	2,464
Total	**20,740**	27,512

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

15. Share capital

Allotted, called-up and fully paid ordinary shares of £0.01 each	Number of shares	£'000
Balance as at 30 June 2024 and 30 June 2025	**620,237,346**	**6,202**

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

During the year to 30 June 2025, the Company did not issue any ordinary shares (2024: nil). The Company did not repurchase any ordinary shares into treasury (2024: nil) or resell any ordinary shares from treasury (2024: nil). At 30 June 2025, the Company did not hold any shares in treasury (2024: nil).

Capital management

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

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

Capital risk management

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

The Board has responsibility for ensuring the Group's ability to continue as a going concern. This involves the ability to borrow monies in the short and long term; and pay dividends out of reserves, all of which are considered and approved by the Board on a regular basis.

To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or buyback shares for cancellation or for holding in treasury. The Company may also increase or decrease its level of long-term borrowings. The Group monitors capital using the net LTV ratio, which was 21.8 per cent at 30 June 2025 (2024: 22.5 per cent). The Board currently intends that, over the medium term, borrowings of the Group will represent no more than approximately 30 per cent of the Group's gross assets at the time of drawdown.

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

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

16. Financial instruments

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

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

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

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. At the reporting date, the Group's financial assets exposed to credit risk amounted to £42,122,000 (2024: £41,536,000), consisting of cash of £39,639,000 (2024: £38,884,000), accrued development interest of £809,000 (2024: £1,076,000), net rent receivable of £1,089,000 (2024: £890,000) and other debtors of £585,000 (2024: £686,000).

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

As at 30 June 2025, the Group had recognised a credit loss allowance totalling £4,547,000 (2024: £2,935,000) against a gross rent receivable balance of £4,828,000 (2024: £3,267,000), gross loans to tenants totalling £788,000 (2024: £952,000) and other tenant debtors of £287,000 (2024: £nil). Of the gross receivable of £4,219,000 at 30 June 2024, £638,000 was subsequently recovered and £3,581,000 is still outstanding. There were no other financial assets which were either past due or considered impaired at 30 June 2025 (2024: nil).

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

Should the Group hold significant cash balances for an extended period, then counterparty risk will be spread, by placing cash across different financial institutions. At 30 June 2025 the Group held £39.4 million (2024: £37.7 million) with The Royal Bank of Scotland plc and £0.2 million (2024: £1.2 million) with HSBC Bank plc. Given the credit quality of the counterparties used, no credit loss allowance is recognised against cash balances as it is considered to be immaterial.

Liquidity risk

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

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

16. Financial instruments continued

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

Financial assets as at 30 June 2025	Three months or less £'000	More than three months but less than one year £'000	1-2 years £'000	2-5 years £'000	More than five years £'000	Total £'000
Cash and cash equivalents	**39,639**	**–**	**–**	**–**	**–**	**39,639**
Rental deposits held in escrow for tenants	**–**	**–**	**–**	**–**	**12,695**	**12,695**
Other debtors	**2,483**	**–**	**–**	**–**	**–**	**2,483**
Total	**42,122**	**–**	**–**	**–**	**12,695**	**54,817**

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

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

Financial liabilities as at 30 June 2025	Three months or less £'000	More than three months but less than one year £'000	1-2 years £'000	2-5 years £'000	More than five years £'000	Total £'000
Loans and interest rate derivatives	**2,432**	**96,052**	**4,775**	**14,340**	**167,196**	**284,795**
Rental deposits	**–**	**–**	**–**	**–**	**12,695**	**12,695**
Other payables	**10,277**	**–**	**–**	**–**	**–**	**10,277**
Total	**12,709**	**96,052**	**4,775**	**14,340**	**179,891**	**307,767**

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

The total amount due under the loan facilities includes the expected hedged interest payments due under both the loan and interest rate derivatives combined (see Note 13 for further details) assuming that both the drawn element of the loans and the notional value of the interest rate derivatives remain unchanged from 30 June 2025 (30 June 2024) until the repayment date of the relevant loan and expiry date of the related interest rate derivative. The interest rate on any unhedged element of the loans is based on the rate of SONIA at 30 June 2025 (30 June 2024) plus the relevant lending margin. The commitment fee payable on the undrawn element of any facility is included, where applicable.

Interest rate risk

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

The Group's policy is to hold cash in variable rate or short-term fixed rate bank accounts. At 30 June 2025, interest was being received on cash at a weighted average variable rate of 1.2 per cent (2024: 1.1 per cent). Exposure varies throughout the period as a consequence of changes in the composition of the net assets of the Group arising out of the investment and risk management policies. These balances expose the Group to cash flow interest rate risk as the Group's income and operating cash flows will be affected by movements in the market rate of interest.

At 30 June 2025, the Group had £170,000,000 (2024: £170,000,000) of committed term loans and revolving credit facilities which were charged interest at a rate of SONIA plus the relevant margin. At 30 June 2025, £92,000,000 of the variable rate facilities had been drawn down (2024: £93,000,000). The fair value of the variable rate borrowings is affected by changes in the market rate of the lending margin that would apply to similar loans. The variable rate borrowings are carried at amortised cost and the Group considers this to be a close approximation to fair value at 30 June 2025 and 30 June 2024.

At 30 June 2025, the Group had hedged its exposure on £80,000,000 of the £92,000,000 of the drawn variable rate borrowings (2024: £80,000,000 of the £93,000,000 of drawn variable rate facilities was hedged). On the unhedged variable rate borrowings, interest is payable at a variable rate equal to SONIA plus the weighted average lending margin, including the amortisation of costs, of 2.46 per cent per annum (2024: 2.46 per cent). The variable rate borrowings expose the Group to cash flow interest rate risk as the Group's income and operating cash flows will be affected by movements in the market rate of interest.

16. Financial instruments continued

At 30 June 2025, the Group had fixed rate term loans totalling £150,000,000 (2024: £150,000,000) and had hedged its exposure to increases in interest rates on £80,000,000 (2024: £80,000,000) of the variable rate loans, as referred to above, through entering into a £30,000,000 fixed rate interest rate swap and a £50,000,000 interest rate cap at 3.0 per cent. Fixing the interest rate exposes the Group to fair value interest rate risk as the fair value of the fixed rate borrowings, or the fair value of the interest rate derivative used to fix the interest rate on an otherwise variable rate loan, will be affected by movements in the market rate of interest. The £150,000,000 fixed rate term loans are carried at amortised cost on the Group's balance sheet, with the estimated fair value and cost of repayment being disclosed in Note 13, whereas the fair value of the interest rate derivatives are recognised directly on the Group's balance sheet.

At 30 June 2025 the Group's interest rate derivatives, which had a fair value of £572,000 (2024: £2,820,000) and hedged a notional value of £80,000,000 (2024: £80,000,000), and its fixed rate term loans of £150,000,000 (2024: £150,000,000) were exposed to fair value interest rate risk. At 30 June 2025, an increase of 0.25 per cent in interest rates would have increased the fair value of the interest rate derivative assets and increased the other comprehensive income and reported total comprehensive income for the year by £65,000 (2024: £235,000). The same increase in interest rates would have decreased the fair value of the fixed rate term loans by an aggregate of £2,047,000 (2024: £2,221,000); however, as the fixed rate loan is held at amortised cost, the reported total comprehensive income for the year would have remained unchanged. A decrease in interest rates would have had an approximately equal and opposite effect.

Further details on the Group's borrowings are detailed in Note 13 and changes subsequent to the year end are detailed in Note 20.

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

	As at 30 June 2025		As at 30 June 2024	
	Fixed rate £'000	**Variable rate £'000**	Fixed rate £'000	Variable rate £'000
Cash and cash equivalents	**–**	**39,639**	–	38,884
Interest rate derivatives	**572**	**–**	2,820	–
Loans	**(230,000)**	**(12,000)**	(230,000)	(13,000)
	(229,428)	**27,639**	(227,180)	25,884

Based on the Group's exposure to cash flow interest rate risk, an increase of 0.25 per cent in interest rates would have increased the reported profit for the year and the net assets at the year end by £69,000 (2024: £65,000), a decrease in interest rates would have an equal and opposite effect. These movements are calculated based on balances as at 30 June 2025 (30 June 2024) and may not be reflective of actual future conditions.

Market price risk

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

As set out in Note 9, the external valuers are mindful of the potential impacts ESG may have on capital and rental valuations. Currently in the UK, demands for more precise and rigorous valuation of sustainability features have grown; however, there is still a gap in the exact knowledge of how to value sustainability features to appropriately reflect a 'green premium' or 'brown discount'. Sentiment is shifting towards a focus on energy use, ensuring buildings meet environmental energy efficiency standards, with regulation being tightened to meet the UK government's 'net zero carbon' target. The more stringent Minimum Energy Efficiency Standards' regulations will require landlords, especially those whose properties do not meet the Minimum Energy Efficiency Standards' regulations, to invest further in their properties. In addition, the UK's introduction of mandatory climate related disclosures and the European Union's Sustainable Finance Disclosure Regulations may impact on asset values, or how the market views risks and incorporates them into the sale or letting of assets. There is also the potential that future legislative change, such as an update to the Minimum Energy Efficiency Standards or the introduction of an operational rating, may impact future property valuations.

Any changes in market conditions will directly affect the profit and loss reported through the Statement of Comprehensive Income. Details of the Group's investment property portfolio held at the balance sheet date are disclosed in Note 9. A 10 per cent increase in the carrying value of the investment properties as at 30 June 2025 (30 June 2024) would have increased net assets available to shareholders and increased the net income for the year by £84,043,000 (2024: £83,157,000); an equal and opposite movement would have decreased net assets and decreased the net income by an equivalent amount.

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

17. Lease length

The Group has entered into commercial property leases on its investment property portfolio. These properties, held under operating leases, are measured under the fair value model as the properties are held to earn rentals. All leases are non-cancellable leases with lease terms remaining of between 15 and 35 years (2024: between 16 and 35 years).

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

	As at 30 June 2025 £'000	As at 30 June 2024 £'000
Less than one year	**61,162**	59,001
Between one and two years	**62,547**	60,180
Between two and three years	**63,529**	61,126
Between three and four years	**64,528**	62,087
Between four and five years	**65,545**	63,066
Over five years	**1,638,302**	1,623,709
Total	**1,955,613**	1,929,169

The largest single tenant at the year-end accounted for 16.0 per cent (2024: 16.1 per cent) of the current annual rental income. There were no unoccupied properties at the year-end (2024: none).

18. Contingent assets and liabilities

As at 30 June 2025, one property (2024: three properties) within the Group's investment property portfolio contained a performance payment clause which provided that, subject to contracted performance conditions being met, a further capital payment of £1,785,000 (2024: £3,695,000) may be payable by the Group to the vendor/tenant of the property. The potential timing of this payment is also conditional on the date(s) at which the contracted performance conditions are met and is 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 payment made would be expected to result in a commensurate increase in the value of the Group's investment property portfolio.

As at 30 June 2024, performance conditions had been met in relation to two properties and therefore £1,910,000 had been recognised as a liability at that date (see Note 14). An equal but opposite amount had been recognised as an asset in 'investment properties' (see Note 9) to reflect the increase in the investment property value that would have been expected to arise from the payment of the performance payment(s) and the resulting increase in the contracted rental income. These performance payments of £1,910,000 were subsequently paid and rentalised during the year ended 30 June 2025. In relation to the one property performance clause referred to above which remained outstanding at 30 June 2025, the Group determined that the contracted performance conditions had not been met at the balance sheet date.

19. Capital commitments

The Group had capital commitments as follows:

	30 June 2025 £'000	30 June 2024 £'000
Amounts due to complete forward fund developments	**912**	4,723
Other capital expenditure commitments	**1,113**	394
Total	**2,025**	5,117

20. Post balance sheet events

On 23 September 2025, the Group entered into a £20,000,000 committed term loan and £30,000,000 revolving credit facility with RBS which is repayable in September 2028, with the option of two one-year extensions thereafter subject to the consent of RBS. The facility also includes an accordion option that, subject to the consent of RBS, would increase the total quantum of the facility to £80,000,000. Interest accrues on the drawn element of the bank loan at a variable rate, based on SONIA plus margin and mandatory lending costs, and is payable quarterly. The margin on the facility is 1.50 per cent per annum for the duration of the loan. A non-utilisation fee of 0.75 per cent per annum is payable on any undrawn element of the facility. As at 13 October 2025, the Group has drawn £47,575,000 under this facility. The Group has entered into a five year swap which fixes the interest rate on the £20,000,000 term loan, including the margin, at 5.26 per cent per annum.

On 23 September 2025, the Group entered into a £30,000,000 committed term loan and £50,000,000 revolving credit facility with HSBC which is repayable in September 2028, with the option of two one-year extensions thereafter subject to the consent of HSBC. The facility also includes an accordion option that, subject to the consent of HSBC, would increase the total quantum of the facility to £120,000,000. Interest accrues on the drawn element of the bank loan at a variable rate, based on SONIA plus margin and mandatory lending costs, and is payable quarterly. The margin on the facility is 1.50 per cent per annum for the duration of the loan. A non-utilisation fee of 0.60 per cent per annum is payable on any undrawn element of the facility. As at 13 October 2025, the Group has drawn £50,000,000 under this facility. The Group has entered into a five year interest rate swap which fixes the interest rate on the £30,000,000 term loan, including the margin, at 5.32 per cent per annum.

On 24 September 2025, the Group exchanged contracts in relation to the disposal of nine care homes for proceeds of £85.9 million. This represents a premium of 11.6 per cent to the aggregate holding value of the properties as at 30 June 2025, and an implied net initial yield of 5.24 per cent. The transaction is unconditional and is expected to complete on 22 October 2025.

With effect from 21 August 2025, the Group has an agreement to dispose of a further property for £8.0 million, a premium of c.13 per cent to its holding value at 30 June 2025. This disposal is expected to complete in November 2025.

21. Related parties and transactions with the Investment Manager

The Board of Directors is considered to be a related party. No Director has an interest in any transactions which are, or were, unusual in their nature or significant to the nature of the Group. The Directors of the Group received fees for their services. Total fees for the year were £227,000 (2024: £227,000) of which £nil (2024: £nil) remained payable at the year-end.

The Investment Manager received £7,816,000 (inclusive of irrecoverable VAT) in management fees in relation to the year ended 30 June 2025 (2024: £7,518,000). Of this amount £1,979,000 (2024: £1,927,000) remained payable at the year-end. The Investment Manager received a further £193,000 (inclusive of irrecoverable VAT) during the year ended 30 June 2025 (2024: £187,000) in relation to its appointment as Company Secretary and Administrator, of which £48,000 (2024: £47,000) remained payable at the year end. Certain employees of the Investment Manager are directors of some of the Group's subsidiaries. Neither they nor the Investment Manager receive any additional remuneration in relation to fulfilling this role.

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

22. Operating segments

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

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

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

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

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

The Group's maximum and average actual leverage levels are shown below:

	30 June 2025		30 June 2024	
Leverage exposure	**Gross method**	**Commitment method**	Gross method	Commitment method
Maximum limit	**3.00**	**3.00**	3.00	3.00
Actual	**1.76**	**1.81**	1.79	1.85

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

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

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

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

Company Statement of Financial Position
As at 30 June 2025

	Notes	As at 30 June 2025 £'000	As at 30 June 2024 £'000
Non-current assets			
Investment in subsidiary undertakings	3	**801,714**	791,304
Investment properties	4	**8,608**	8,450
Trade and other receivables	5	**387**	287
		810,709	800,041
Current assets			
Trade and other receivables	5	**1,125**	2,641
Cash and cash equivalents	6	**311**	753
		1,436	3,394
Total assets		**812,145**	803,435
Non-current liabilities			
Trade and other payables	7	**(135)**	(117)
Current liabilities			
Trade and other payables	7	**(71,622)**	(84,245)
Total liabilities		**(71,757)**	(84,362)
Net assets		**740,388**	719,073
Share capital and reserves			
Share capital	8	**6,202**	6,202
Share premium		**256,633**	256,633
Merger reserve		**47,751**	47,751
Distributable reserve		**222,080**	231,896
Capital reserve		**153,013**	150,179
Revenue reserve		**54,709**	26,412
Equity shareholders' funds		**740,388**	719,073
Net asset value per ordinary share (pence)	9	**119.4**	115.9

Company number: 11990238

The Company made a profit for the year ended 30 June 2025 of £57,543,000 (2024: £59,847,000).

The financial statements on pages 88 to 97 were approved by the Board of Directors and authorised for issue on 13 October 2025 and were signed on its behalf by:

Alison Fyfe
Chair

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

Company Statement of Changes in Equity

For the year ended 30 June 2025

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 30 June 2024		**6,202**	**256,633**	**47,751**	**231,896**	**150,179**	**26,412**	**719,073**
Profit for the year		–	–	–	–	**2,834**	**54,709**	**57,543**
Transactions with owners recognised in equity:								
Dividends paid	2	–	–	–	**(9,816)**	–	**(26,412)**	**(36,228)**
At 30 June 2025		**6,202**	**256,633**	**47,751**	**222,080**	**153,013**	**54,709**	**740,388**

For the year ended 30 June 2024

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

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

1. Accounting policies

(a) Basis of preparation

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

Basis of accounting

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

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

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

The results of the Company have been included in the Consolidated Financial Statements as presented on pages 66 to 87. The accounting policies adopted are consistent with those adopted by the Group as stated in Note 1 to the Consolidated Financial Statements. The only additional policies applied are in relation to investments in subsidiary undertakings and dividends received and these are set out below.

The Company has taken advantage of the following exemptions permitted under FRS 101:
- an exemption from preparing the Company cash flow statement and related notes;
- an exemption from listing any new or revised standards that have not been adopted or providing information about their likely impact; and
- an exemption from disclosing transactions between the Company and its wholly-owned subsidiaries.

Going concern

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. After making enquiries, and bearing in mind the nature of the Group's business and assets, the Directors consider that the Group has adequate resources to continue in operational existence to 31 December 2026 which is at least twelve months from the date of issuance of this report. For this reason, they continue to adopt the going concern basis in preparing the financial statements for the year ended 30 June 2025.

Further explanation of the assessment undertaken is provided in the Consolidated Financial Statements on page 71.

Investments in subsidiary undertakings

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

Dividends received

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

Company Profit for the financial year

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The profit after tax for the year was £57,543,000 (2024: £59,847,000).

The Company does not have any employees (2024: nil). Details of the Directors' fees paid during the year are disclosed in the Group's Remuneration Report and in Note 3 to the Consolidated Financial Statements. The Company has paid the Directors' fees which equated to £227,000 during the year ended 30 June 2025 (2024: £227,000).

Audit fees in relation to the parent company were £170,000 (2024: £183,000), including irrecoverable VAT. This included £3,000 payable by the Company on behalf of certain subsidiaries (2024: £2,000) and £nil relating to additional audit work undertaken in relation to the prior year financial statements (2024: £18,000). The fee for assurance related services, being the review of the Company's Interim Report, was £17,000 (2024: £16,000). There were no other non-audit fees paid to EY by the Company during the year (2024: £nil).

2. Dividends

Amounts paid as distributions to equity holders.

	Dividend rate (pence per share)	**Year ended 30 June 2025 £'000**	Dividend rate (pence per share)	Year ended 30 June 2024 £'000
Fourth interim dividend for the prior year	**1.428**	**8,857**	1.400	8,683
First interim dividend	**1.471**	**9,123**	1.428	8,857
Second interim dividend	**1.471**	**9,124**	1.428	8,857
Third interim dividend	**1.471**	**9,124**	1.428	8,857
Total	**5.841**	**36,228**	5.684	35,254

It is the policy of the Directors to declare and pay dividends as interim dividends. The Directors do not therefore recommend a final dividend. The fourth interim dividend in respect of the year ended 30 June 2025, of 1.471 pence per share, was paid on 29 August 2025 to shareholders on the register on 15 August 2025 and amounted to £9,124,000. It is the intention of the Directors that the Company will continue to pay dividends quarterly.

3. Investments in subsidiary undertakings

As at 30 June 2025, the Company's directly held subsidiary undertakings were:

Name	Country of incorporation	Class of Capital	% of class held	% of equity held	Book Cost £'000	Fair Value £'000
Target Healthcare REIT Limited	Jersey	Ordinary	100	100	432,841	430,723
THR Number 12 plc	England & Wales	Ordinary	100	100	103,336	155,963
THR Number 37 Limited	England & Wales	Ordinary	100	100	7,521	9,123
THR Number 39 Limited	England & Wales	Ordinary	100	100	14,635	14,332
THR Number 40 Limited	England & Wales	Ordinary	100	100	13,696	13,795
THR Number 41 Limited	England & Wales	Ordinary	100	100	14,086	11,341
THR Number 42 Limited	England & Wales	Ordinary	100	100	14,903	14,557
THR Number 43 plc	England & Wales	Ordinary	100	100	94,861	121,414
THR Number 44 Limited	England & Wales	Ordinary	100	100	–	(81)
THR Number 45 Limited	England & Wales	Ordinary	100	100	14,858	15,001
THR Number 46 Limited	England & Wales	Ordinary	100	100	8,591	8,295
THR Number 47 Limited	England & Wales	Ordinary	100	100	6,197	7,251
Total					**725,525**	**801,714**

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

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

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

	Year ended 30 June 2025 £'000	Year ended 30 June 2024 £'000
Opening fair value	**791,304**	699,223
Additions	**7,816**	35,427
Movement in fair value	**2,594**	56,654
Closing fair value	**801,714**	791,304

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

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

3. Investments in subsidiary undertakings continued

As at 30 June 2025, the Company's indirectly held subsidiary undertakings were:

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

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

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

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

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

4. Investment properties

Freehold property	**As at 30 June 2025 £'000**	As at 30 June 2024 £'000
Opening market value	**7,710**	7,520
Opening fixed or guaranteed rent reviews	**(170)**	(87)
Opening performance payment (see Note 12)	**910**	–
Opening carrying value	**8,450**	7,433
Purchases	**910**	–
Revaluation movement – gain/(loss)	**240**	190
Movement in market value	**1,150**	190
Movement in fixed or guaranteed rent reviews	**(82)**	(83)
Movement in performance payment (see Note 12)	**(910)**	910
Movement in carrying value	**158**	1,017
Closing market value	**8,860**	7,710
Closing fixed or guaranteed rent reviews	**(252)**	(170)
Closing performance payment (see Note 12)	**–**	910
Closing carrying value	**8,608**	8,450

At 30 June 2025, the property was valued at £8,860,000 (2024: £7,710,000) by CBRE Limited ('CBRE') in their capacity as external valuers. The valuation was undertaken in accordance with the RICS Valuation Global Standards, issued by the Royal Institution of Chartered Surveyors ('RICS') on the basis of Market Value, supported by reference to market evidence of transaction prices for similar properties. CBRE has recent experience in the location and category of the investment properties being valued.

Market Value represents the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion. The quarterly property valuation is reviewed by the Board at each Board meeting. The fair value of the property after adjusting for the movement in the fixed or guaranteed rent reviews and performance payment was £8,608,000 (2024: £8,450,000). The adjustment consisted of £252,000 (2024: £170,000) relating to fixed or guaranteed rent reviews, which is separately recorded in the accounts as a non-current asset within 'trade and other receivables' (see Note 5). An adjustment is also made to reflect the amount by which the portfolio value is expected to increase if the performance payment recognised in 'trade and other payables' is paid and the passing rent at the property increased accordingly (see Notes 7 and 12). The total purchases in the year to 30 June 2025, inclusive of any performance payment recognised in the year and/or exclusive of that recognised in a prior year, were £nil (2024: £910,000).

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

The Company's investment property portfolio, which consisted of a single care home, is considered to be a single class of assets. The weighted average net initial yield on the property, as measured by the EPRA topped up NIY, is 5.8 per cent (2024: 5.8 per cent). There have been no changes to the valuation technique used through the period, nor have there been any transfers between levels. The annual contracted rent per bed is £8,235 (2024: £7,160).

The lease agreement on the property held by the Company allows for an annual increase in the contracted rental level in line with inflation, within a cap and a collar. An increase of 1.0 per cent in the contracted rental level will increase the fair value of the property, and consequently the Company's reported income from unrealised gains on investments, by £89,000 (2024: £77,000); an equal and opposite movement would have decreased net assets and reduced the Company's income by the same amount.

A decrease of 0.25 per cent in the yield applied to the property will increase the fair value of the property by £402,000 (2024: £350,000), and consequently increase the Company's reported income from unrealised gains on investments. An increase of 0.25 per cent in the net initial yield will decrease the fair value of the property by £369,000 (2024: £321,000) and reduce the Company's income.

5. Trade and other receivables

Non-current trade and other receivables	As at 30 June 2025 £'000	As at 30 June 2024 £'000
Fixed rent reviews	**252**	170
Rental deposits held in escrow for tenants	**135**	117
Total	**387**	287

Current trade and other receivables	As at 30 June 2025 £'000	As at 30 June 2024 £'000
Balances due from group undertakings	**1,003**	2,462
Other debtors and prepayments	**122**	179
Total	**1,125**	2,641

At the year-end, trade and other receivables include a fixed rent review debtor of £252,000 (2024: £170,000) which represents the effect of recognising guaranteed rental uplifts on a straight line basis over the lease term.

The balances due from group undertakings are unsecured and interest is receivable at a fixed rate of 5.7 per cent (2024: 6.7 per cent) per annum or such other interest rate that may be agreed from time to time between the Company and the relevant counterparty. The balances are repayable on demand.

6. Cash and cash equivalents

	As at 30 June 2025 £'000	As at 30 June 2024 £'000
Cash at bank and in hand	**311**	753
Total	**311**	753

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

7. Trade and other payables

Non-current trade and other payables	As at 30 June 2025 £'000	As at 30 June 2024 £'000
Rental deposits	**135**	117
Total	**135**	117

Current trade and other payables	As at 30 June 2025 £'000	As at 30 June 2024 £'000
Balances due to group undertakings	**69,494**	81,248
Income tax payable	**1,046**	932
Investment Manager's fees payable	**171**	104
Rental income received in advance	**126**	109
Performance payments	**–**	910
Other payables	**785**	942
Total	**71,622**	84,245

The balances due to group undertakings are unsecured and interest is payable at a fixed rate of 5.7 per cent (2024: 6.7 per cent) per annum or such other interest rate that may be agreed from time to time between the Company and the relevant counterparty. The balances are repayable on demand.

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

8. Share capital

Allotted, called-up and fully paid ordinary shares of £0.01 each	Number of shares	£'000
Balance as at 30 June 2024 and 30 June 2025	**620,237,346**	**6,202**

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

During the year to 30 June 2025, the Company did not issue any ordinary shares (2024: nil). The Company did not repurchase any ordinary shares into treasury (2024: nil) or resell any ordinary shares from treasury (2024: nil). At 30 June 2025, the Company did not hold any shares in treasury (2024: nil).

Capital Management

The Company's capital is represented by the share capital, share premium, merger reserve, distributable reserve, capital reserve and revenue reserve and is managed in line with the policies set out for the Group on page 82.

9. Net Asset Value

The Company's net asset value per ordinary share of 119.4 pence (2024: 115.9 pence) is based on equity shareholders' funds of £740,388,000 (2024: £719,073,000) and on 620,237,346 (2024: 620,237,346) ordinary shares, being the number of shares in issue at the year end.

10. Financial instruments

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

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

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

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company. At the reporting date, the Company's financial assets exposed to credit risk amounted to £1,323,000 (2024: £3,226,000) consisting of balances due from group undertakings of £1,003,000 (2024: £2,462,000), cash balances of £311,000 (2024: £753,000) and other debtors of £9,000 (2024: £11,000).

There have been no historical losses from intercompany loans and any resulting provision from the estimated credit loss allowance is considered to be immaterial. The Company has no financial assets which were either past due or considered impaired at 30 June 2025 (2024: nil).

Liquidity risk

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

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

Financial assets as at 30 June 2025	**Three months or less £'000**	**More than three months but less than one year £'000**	**1-2 years £'000**	**2-5 years £'000**	**More than five years £'000**	**Total £'000**
Cash and cash equivalents	**311**	**–**	**–**	**–**	**–**	**311**
Rental deposits held in escrow for tenants	**–**	**–**	**–**	**–**	**135**	**135**
Balances due from group undertakings	**1,003**	**–**	**–**	**–**	**–**	**1,003**
Other debtors	**9**	**–**	**–**	**–**	**–**	**9**
Total	**1,323**	**–**	**–**	**–**	**135**	**1,458**

10. Financial instruments continued

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

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

Financial liabilities as at 30 June 2025	**Three months or less £'000**	**More than three months but less than one year £'000**	**1-2 years £'000**	**2-5 years £'000**	**More than five years £'000**	**Total £'000**
Rental deposits	**–**	**–**	**–**	**–**	**135**	**135**
Balances due to group undertakings	**69,494**	**–**	**–**	**–**	**–**	**69,494**
Other payables	**2,002**	**–**	**–**	**–**	**–**	**2,002**
Total	**71,496**	**–**	**–**	**–**	**135**	**71,631**

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

Interest rate risk

Some of the Company's financial instruments are interest-bearing. Interest-rate risk is the risk that future cash flows will change adversely as a result of changes in market interest rates. The Company's policy is to hold cash in variable rate or short-term fixed rate bank accounts. Interest is received on cash at a weighted average variable rate which was nil at 30 June 2025 (2024: nil).

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

	As at 30 June 2025		As at 30 June 2024	
	Fixed rate £'000	**Variable rate £'000**	Fixed rate £'000	Variable rate £'000
Cash and cash equivalents	**–**	**311**	–	753
Balances due from group undertakings	**1,003**	**–**	2,462	–
Balances due to group undertakings	**(69,494)**	**–**	(81,248)	–
Total	**(68,491)**	**311**	(78,786)	753

Based on the Company's exposure to cash flow interest rate risk, an increase of 0.25 per cent in interest rates would have increased the reported profit for the year and the net assets at the year end by £1,000 (2024: £2,000), a decrease in interest rates would have an equal and opposite effect. These movements are calculated based on balances as at 30 June 2025 (30 June 2024) and may not be reflective of actual future conditions.

Market price risk

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

11. Lease length

The Company leases out its investment properties under operating leases.

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

	As at 30 June 2025 £'000	As at 30 June 2024 £'000
Less than one year	**544**	473
Between one and two years	**549**	478
Between two and three years	**555**	482
Between three and four years	**560**	487
Between four and five years	**566**	492
Over five years	**17,577**	15,934
Total	**20,351**	18,346

The largest single tenant at the year-end accounted for 100 per cent (2024: 100 per cent) of the current annual rental income. There were no unoccupied properties at the year-end.

The Company has entered into a commercial property lease on its investment property. This property, held under an operating lease, is measured under the fair value model as the property is held to earn rentals. The lease is a non-cancellable lease with a lease term remaining of 32 years (2024: 33 years).

12. Contingent assets and liabilities

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

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

The performance payment of £910,000 was paid during the year ended 30 June 2025 (see Note 4). There are no performance payment clauses remaining outstanding at 30 June 2025.

13. Related party transactions

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

The Directors of the Company received fees for their services. Total fees paid by the Company in relation to the year were £227,000 (2024: £227,000) of which £nil (2024: £nil) remained payable at the year-end.

The Investment Manager received management fees of £632,000 (inclusive of irrecoverable VAT) from the Company in relation to the year ended 30 June 2025 (2024: £527,000). Of this amount £171,000 (2024: £104,000) remained payable at the year-end.

The Investment Manager received a further £193,000 (inclusive of irrecoverable VAT) during the year ended 30 June 2025 (2024: £187,000) in relation to its appointment as Company Secretary and Administrator. Of this amount £48,000 (2024: £47,000) remained payable at the year-end.

NOTICE IS HEREBY GIVEN that the seventh Annual General Meeting ('AGM') of Target Healthcare REIT plc (the 'Company') will be held on Thursday 4 December 2025 at 4.00 p.m. at the offices of Dickson Minto LLP, Level 4, Dashwood House, 69 Old Broad Street, London EC2M 1QS for the purposes of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 13 inclusive will be proposed as ordinary resolutions and resolutions 14 to 16 inclusive will be proposed as special resolutions:

Ordinary resolutions

1. That the Annual Report and Accounts for the year ended 30 June 2025 be received.
2. That the Directors' Remuneration Policy be approved.
3. That the Directors' Annual Report on Remuneration for the year ended 30 June 2025 be approved.
4. That the maximum limit on aggregate Directors' fees be increased to £350,000.
5. That the Company's dividend policy be approved.
6. That Ernst & Young LLP be re-appointed as the Company's Auditor until the conclusion of the next Annual General Meeting.
7. That the Directors be authorised to determine the Auditor's remuneration.
8. To re-elect Michael Brodtman as a Director.
9. To re-elect Richard Cotton as a Director.
10. To re-elect Alison Fyfe as a Director.
11. To re-elect Vince Niblett as a Director.
12. To re-elect Amanda Thompsell as a Director.
13. That, in addition to any existing authority, in accordance with section 551 of the Companies Act 2006, the Directors be generally and unconditionally authorised to exercise all powers of the Company to allot ordinary shares of £0.01 each (or of such other nominal value as the Directors may resolve) in the capital of the Company and to grant rights to subscribe for or to convert any security into shares in the Company ('Securities') up to an aggregate nominal amount of £620,237 (being approximately 10% of the Company's issued share capital immediately prior to the passing of this resolution), provided that this authority shall, unless renewed, varied or revoked by the Company, expire at the conclusion of the next Annual General Meeting of the Company or on 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before such expiry, make offers or enter into agreements which would or might require shares to be allotted or Securities to be granted and the Directors may allot shares or grant Securities in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.

Special resolutions

14. That, in addition to any existing authority and subject to the passing of resolution 13, the Directors be given the general power, pursuant to section 570 of the Companies Act 2006 (the 'Act'), to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority under section 551 of the Act either conferred by resolution 13 or by way of a sale of treasury shares as if section 561 of the Act did not apply to any such allotment or sale, provided that this power:
    (a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on expiry of 15 months from the passing of this resolution, whichever is the earlier, unless renewed, varied or revoked by the Company prior to or on such date, and save that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities or sell treasury shares in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired; and
    (b) shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £620,237 (being approximately equal to 10% of the nominal value of the issued share capital of the Company immediately prior to the passing of this resolution).
    This power applies in relation to the sale of treasury shares as if in the opening paragraph of this resolution the words 'and subject to the passing of resolution 13' were omitted.
15. To authorise the Company generally and unconditionally, pursuant to and in accordance with section 701 of the Companies Act 2006, to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of ordinary shares of £0.01 each (or of such other nominal value as the Directors of the Company shall resolve) either for retention as treasury shares for future reissue, resale or transfer or cancellation provided that:
    (a) the maximum aggregate number of ordinary shares that may be purchased is 92,973,578 ordinary shares or, if less, 14.99% of the issued ordinary share capital of the Company immediately prior to the passing of this resolution (excluding treasury shares);
    (b) the minimum price (excluding expenses) which may be paid for each ordinary share is the nominal value at the time of purchase;
    (c) the maximum price (excluding expenses) which may be paid for each ordinary share is the higher of:
        (i) 105% of the average market value of an ordinary share in the Company for the five business days prior to the day the purchase is made; and
        (ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange; and
    (d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the Company's next Annual General Meeting or on 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before the expiry of the authority granted by this resolution, enter into a contract to purchase ordinary shares which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of shares pursuant to any such contract.
16. That, the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than Annual General Meetings) on 14 clear days' notice, such authority to expire at the conclusion of the next Annual General Meeting of the Company or 15 months from the passing of this resolution, whichever is the earlier.

By order of the Board

Target Fund Managers Limited
Company Secretary

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

13 October 2025

Notes:

1. Only those shareholders registered in the Company's register of members at 6.00 p.m. on 2 December 2025 or, if the meeting is adjourned, 6.00 p.m. on the day two working days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
2. Information regarding the meeting, including the information required by section 311A of the Companies Act 2006 (the 'Act'), can be found at www.targethealthcarereit.co.uk.
3. As a member you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. A proxy does not need to be a shareholder of the Company but must attend the meeting to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. You may not use any electronic address provided either in this notice or any related documents (including the financial statements and proxy form) to communicate with the Company for any purpose other than those expressly stated.
4. Shareholders can: (a) appoint a proxy and give proxy instructions by returning the enclosed proxy form by post (see Note 5); or (b) if a CREST member, register their proxy appointment by utilising the CREST electronic proxy appointment service (see Note 6); or (c) via the Proxymity platform (see Note 7). Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting and vote in person, your proxy appointment will automatically be terminated.
5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be: (a) completed and signed; (b) sent or delivered to Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY; and (c) received by Computershare Investor Services PLC no later than 4.00 p.m. on 2 December 2025 or, in the event of an adjournment of the meeting, 48 hours before the adjourned meeting. In the case of a shareholder which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form. If you have not received a proxy form and believe that you should have one, or if you require additional proxy forms, please contact Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY (Telephone: 0370 703 0013).
6. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) of it by using the procedures described in the CREST manual (available via www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & International Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Computershare Investor Services PLC (ID 3RA50) no later than 4.00 p.m. on 2 December 2025 or, in the event of an adjournment of the meeting, 48 hours before the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular message. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. Proxymity Voting – if you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 4.00 p.m. on 2 December 2025 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.
8. A corporation which is a shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
9. As at 6.00 p.m. on 10 October 2025, the Company's issued share capital comprised 620,237,346 Ordinary Shares of £0.01 each. Each Ordinary Share carries the right to one vote at a General Meeting of the Company and, therefore, the total number of voting rights in the Company as at 6.00 p.m. on 10 October 2025 is 620,237,346. The website referred to in Note 2 will include information on the number of shares and voting rights.
10. Under section 319A of the Act, any member attending the meeting has a right to ask questions. The Company must answer any question you ask relating to the business being dealt with at the meeting unless: (a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
11. Under section 338 of the Act, a member or members meeting the qualification criteria set out in Note 14 on page 100 may, subject to certain conditions, require the Company to circulate to members notice of a resolution which may properly be moved and is intended to be moved at that meeting. The conditions are that: (a) the resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); (b) the resolution must not be defamatory of any person, frivolous or vexatious; and (c) the request: (i) may be in hard copy form or in electronic form; (ii) must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identifying the resolution which is being supported; (iii) must be authenticated by the person or persons making it; and (iv) must be received by the Company not later than six weeks before the meeting to which the request relates.

12. Under section 338A of the Act 2006, a member or members meeting the qualification criteria set out at Note 14 below may require the Company to include in the business to be dealt with at the Annual General Meeting a matter (other than a proposed resolution) which may properly be included in the business (a matter of business). The request must have been received by the Company not later than 23 October 2025. The conditions are that the matter of business must not be defamatory of any person, frivolous or vexatious. The request must identify the matter of business by either setting it out in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported. The request must be accompanied by a statement setting out the grounds for the request. Members seeking to do this should write to the Company providing their full name and address.
13. Under section 527 of the Act, a member or members meeting the qualification criteria set out at Note 14 below may have the right to request the Company to publish on its website a statement setting out any matter that such members propose to raise at the meeting relating to the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the meeting. Where the Company is required to publish such a statement on its website: (a) it may not require the shareholders making the request to pay any expenses incurred by the Company in complying with the request; (b) it must forward the statement to the Company's auditors no later than the time the statement is made available on the Company's website; and (c) the statement may be dealt with as part of the business of the meeting. The request must: (a) be in writing to Target Fund Managers Limited at Glendevon House, Castle Business Park, Stirling FK9 4TZ; (b) either set out the statement in full or, if supporting a statement sent by another shareholder, clearly identify the statement which is being supported; (c) be authenticated by the person or persons making it; and (d) be received by the Company at least one week before the meeting.
14. In order to be able to exercise the members' rights in Notes 11 to 13, the relevant request must be made by: (a) a member or members having a right to vote at the meeting and holding at least 5% of total voting rights of the Company; or (b) at least 100 members having a right to vote at the meeting and holding, on average, at least £100 of paid-up share capital.
15. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights (Nominated Person), you may have a right under an agreement between you and the shareholder of the Company who has nominated you to have information rights (Relevant Shareholder) to be appointed or to have someone else appointed as a proxy for the meeting. If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Shareholder to give instructions to the Relevant Shareholder as to the exercise of voting rights. Your main point of contact in terms of your investment in the Company remains the Relevant Shareholder (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you. The statement of the rights of members in relation to the appointment of proxies in Notes 3 and 4 on page 99 does not apply to a Nominated Person.
16. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chair of the meeting as his or her proxy will need to ensure that both he/she and his or her proxy comply with their respective disclosure obligations under the UK Disclosure Guidance and Transparency Rules.
17. Copies of the Directors' letters of appointment are available for inspection at the Company's registered office during normal business hours and at the place of the meeting from at least 15 minutes prior to the meeting until the end of the meeting.

Tax Summary for Real Estate Investment Trusts

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

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

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

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

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

UK Taxation of PIDs

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

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

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

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

UK Taxation of Non-PIDs

Under current UK legislation, most individual shareholders who are resident in the UK for taxation purposes receive a tax-free dividend allowance of £500 per annum for tax year 2025/26 (£500 per annum for tax year 2024/25) and any dividend income (including Non-PIDs) in excess of this allowance is subject to income tax.

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

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

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

UK ISAs and SIPPS

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

The statements on taxation on pages 101 and 102 are intended to be a general outline of certain tax consequences that may arise in relation to the Company and shareholders. This is not a comprehensive summary of all technical aspects of the taxation of the Company and its shareholders and is not intended to constitute legal or tax advice to investors.

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

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

Historical Distributions

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

Distribution	Ex-dividend date	Payment date	PID (pence per share)	Non-PID (pence per share)	Total distribution (pence per share)
In relation to the year ended 30 June 2025					
Fourth interim dividend	14/08/25	29/08/25	–	1.471	1.471
Third interim dividend	15/05/25	30/05/25	1.471	–	1.471
Second interim dividend	13/02/25	28/02/25	1.471	–	1.471
First interim dividend	14/11/24	29/11/24	1.471	–	1.471
Total			**4.413**	**1.471**	**5.884**
In relation to the year ended 30 June 2024					
Fourth interim dividend	15/08/24	30/08/24	1.428	–	1.428
Third interim dividend	16/05/24	31/05/24	1.428	–	1.428
Second interim dividend	08/02/24	23/02/24	1.428	–	1.428
First interim dividend	09/11/23	24/11/23	1.428	–	1.428
Total			**5.712**	**–**	**5.712**
In relation to the year ended 30 June 2023					
Fourth interim dividend	10/08/23	25/08/23	1.190	0.210	1.400
Third interim dividend	11/05/23	26/05/23	1.400	–	1.400
Second interim dividend	09/02/23	24/02/23	1.690	–	1.690
First interim dividend	10/11/22	25/11/22	1.690	–	1.690
Total			**5.970**	**0.210**	**6.180**
In relation to the year ended 30 June 2022					
Fourth interim dividend	11/08/22	26/08/22	–	1.690	1.690
Third interim dividend	12/05/22	27/05/22	1.690	–	1.690
Second interim dividend	10/02/22	25/02/22	1.690	–	1.690
First interim dividend	11/11/21	26/11/21	1.690	–	1.690
Total			**5.070**	**1.690**	**6.760**
In relation to the year ended 30 June 2021					
Fourth interim dividend	12/08/21	27/08/21	0.168	1.512	1.680
Third interim dividend	13/05/21	28/05/21	1.680	–	1.680
Second interim dividend	11/02/21	26/02/21	1.680	–	1.680
First interim dividend	12/11/20	27/11/20	1.680	–	1.680
Total			**5.208**	**1.512**	**6.720**

Historical Record

Assets

At 30 June	2016	2017	2018	2019	2020	2021	2022	2023	2024	**2025**
Total assets (£'000)	282,791	306,246	434,822	538,379	663,772	718,394	963,658	908,258	967,370	**986,186**
Market value of property portfolio (£'000)	210,666	281,951	385,542	500,884	617,584	684,845	911,596	868,705	908,530	**929,940**
Shareholders' funds (£'000)	253,282	256,937	358,607	413,089	494,113	565,185	698,767	654,808	689,293	**712,460**

Performance

At 30 June	2016	2017	2018	2019	2020	2021	2022	2023	2024	**2025**
EPRA NTA per share	100.6p	101.9p	105.7p	107.5p	108.1p	110.4p	112.3p	104.5p	110.7p	**114.8p**
Share price	109.0p	117.8p	110.5p	115.6p	110.0p	115.4p	108.4p	71.8p	78.5p	**104.2p**
Premium/(discount)	8.3%	15.6%	4.5%	7.5%	1.8%	4.5%	(3.5)%	(31.3)%	(29.1)%	**(9.2)%**
IFRS EPS	6.81p	7.58p	9.77p	8.10p	7.18p	9.23p	8.20p	(1.06)p	11.77p	**9.81p**
Adjusted EPRA EPS	5.25p	5.23p	5.54p	5.45p	5.27p	5.46p	5.05p	6.00p	6.13p	**6.08p**
Dividends per share	6.18p	6.28p	6.45p	6.58p	6.68p	6.72p	6.76p	6.18p	5.71p	**5.88p**
Ongoing charges	1.42%	1.48%	1.48%	1.52%	1.51%	1.55%	1.51%	1.53%	1.51%	**1.51%**

Contact Information

Investor relations

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

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

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

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

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

Warning to shareholders – Boiler Room Scams

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

If you receive unsolicited investment advice or requests:

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

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

Alternative Performance Measures

The Company uses Alternative Performance Measures ('APMs'). APMs do not have a standard meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities. The definitions of all APMs used by the Company are highlighted in the glossary on pages 108 to 110, with detailed calculations, including reconciliation to the IFRS figures where appropriate, being set out below and within the EPRA Performance Measures on pages 105 and 106.

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

		2025 pence	2024 pence
EPRA Net Tangible Assets per share (see Note 8 to the Consolidated Financial Statements)	(a)	**114.8**	110.7
Share price	(b)	**104.2**	78.5
(Discount)/premium	**= (b-a)/a**	**(9.2)%**	(29.1)%

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

		2025 £'000	2024 £'000
Group-specific EPRA earnings for the year (see Note 8 to the Consolidated Financial Statements)	(a)	**37,739**	38,037
First interim dividend		**9,123**	8,857
Second interim dividend		**9,124**	8,857
Third interim dividend		**9,124**	8,857
Fourth interim dividend		**9,124**	8,857
Dividends paid in relation to the year	(b)	**36,495**	35,428
Dividend cover	**= (a/b)**	**103%**	107%

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

		2025 £'000	2024 £'000
Net debt (see page 106)	(a)	**219,761**	224,385
Group-specific EPRA earnings for the year (see Note 8 to the Consolidated Financial Statements)		**37,739**	38,037
Net finance costs		**10,233**	10,800
EBITDA	(b)	**47,972**	48,837
Net debt to EBITDA ratio	**= (a/b)**	**4.6 times**	4.6 times

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

		2025 £'000	2024 £'000
Investment management fee		**7,816**	7,518
Other expenses		**3,907**	3,074
Less direct property costs and other non-recurring items*		**(1,129)**	(405)
Adjustment to management fee arrangements and irrecoverable VAT**		**9**	(8)
Total	(a)	**10,603**	10,179
Average net assets	(b)	**702,441**	673,625
Ongoing charges	**= (a/b)**	**1.51%**	1.51%

* Excludes, amongst other items, the one-off costs related to the administration of the tenant entity at one of the Group's care home properties. Further details are provided in the case study on page 19.

** Based on the Group's net asset value as at 30 June 2025, the management fee is expected to be paid at a weighted average rate of 1.02% (2024: 1.02%) of the Group's average net asset plus an effective irrecoverable VAT rate of approximately 9% (2024: 9%). The management fee has therefore been amended so that the Ongoing Charges figure includes the expected all-in management fee rate of 1.11% (2024: 1.11%).

The Group has also published a cost figure in its Key Information Document which follows the methodology previously prescribed by UK law and regulations applicable to PRIIPs. Under this methodology the reported 'portfolio transaction costs' at 30 June 2025 would be 0.06% (2024: 0.51%). At the same date, 'other ongoing costs' would be 3.53% (2024: 3.45%), which includes finance costs of 1.63% (2024: 1.73%). The Company's Key Information Document is available on its website at: www.targethealthcarereit.co.uk.

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

		2025			2024		
		EPRA NTA (pence)	IFRS NAV (pence)	Share price (pence)	EPRA NTA (pence)	IFRS NAV (pence)	Share price (pence)
Value at start of year	(a)	**110.7**	**111.1**	**78.5**	104.5	105.6	71.8
Value at end of year	(b)	**114.8**	**114.9**	**104.2**	110.7	111.1	78.5
Change in value during the year **(b-a)**	(c)	**4.1**	**3.8**	**25.7**	6.2	5.5	6.7
Dividends paid	(d)	**5.9**	**5.9**	**5.9**	5.7	5.7	5.7
Additional impact of dividend reinvestment	(e)	**0.3**	**0.2**	**0.9**	0.4	0.4	–
Total gain in year (c+d+e)	(f)	**10.3**	**9.9**	**32.5**	12.3	11.6	12.4
Total return for the year	**= (f/a)**	**9.3%**	**8.9%**	**41.4%**	11.8%	11.0%	17.2%

EPRA Performance Measures

The European Public Real Estate Association is the industry body representing listed companies in the real estate sector. EPRA publishes Best Practice Recommendations ('BPR') to establish consistent reporting by European property companies. Further information on the EPRA BPR can be found at www.epra.com.

The figures below are calculated and presented in line with the BPR Guidelines published by EPRA in September 2024.

	2025	2024
EPRA Net Reinstatement Value (£'000)	**774,063**	746,499
EPRA Net Tangible Assets (£'000)	**711,888**	686,473
EPRA Net Disposal Value (£'000)	**740,389**	719,073
EPRA Net Reinstatement Value per share (pence)	**124.8**	120.4
EPRA Net Tangible Assets per share (pence)	**114.8**	110.7
EPRA Net Disposal Value per share (pence)	**119.4**	115.9
EPRA Earnings (£'000)	**47,855**	47,197
Group specific adjusted EPRA earnings (£'000)	**37,739**	38,037
EPRA Earnings per share (pence)	**7.72**	7.61
Group specific adjusted EPRA earnings per share (pence)	**6.08**	6.13
EPRA Net Initial Yield	**6.04%**	6.05%
EPRA Topped-up Net Initial Yield	**6.22%**	6.20%
EPRA Vacancy Rate	**–**	–
EPRA Cost Ratio (including direct vacancy costs)	**18.3%**	16.6%
EPRA Group specific adjusted Cost Ratio (including direct vacancy costs)	**21.8%**	19.1%
EPRA Cost Ratio (excluding direct vacancy costs)	**18.3%**	16.6%
EPRA Group specific adjusted Cost Ratio (excluding direct vacancy costs)	**21.8%**	19.1%
EPRA Loan-to-Value	**23.6%**	24.7%
Capital Expenditure (£'000)	**7,680**	45,776
Like-for-like Rental Growth	**3.3%**	3.8%

EPRA NAV metrics and EPRA Earnings

Full details of these calculations, including reconciliations of each to the IFRS measures, are detailed in Note 8 to the Consolidated Financial Statements on pages 76 and 77.

EPRA Net Initial Yield and EPRA Topped-up Net Initial Yield

EPRA Net Initial Yield is calculated as annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs. The EPRA Topped-up Net Initial Yield incorporates an adjustment in respect of the expiration of rent-free periods (or other unexpired lease incentives).

		As at 30 June 2025 £'000	As at 30 June 2024 £'000
Annualised passing rental income based on cash rents	(a)	**59,369**	57,462
Notional rent expiration of rent-free periods or other lease incentives		**1,800**	1,363
Topped-up net annualised rent	(b)	**61,169**	58,825
Standing assets (see page 78)		**921,080**	889,255
Allowance for estimated purchasers' costs		**62,175**	60,026
Grossed-up completed property portfolio valuation	(c)	**983,255**	949,281
EPRA Net Initial Yield	**= (a/c)**	**6.04%**	6.05%
EPRA Topped-up Net Initial Yield	**= (b/c)**	**6.22%**	6.20%

EPRA Vacancy Rate

EPRA Vacancy Rate is the estimated rental value (ERV) of vacant space (excluding forward fund developments) divided by the contractual rent of the investment property portfolio, expressed as a percentage.

		As at 30 June 2025 £'000	As at 30 June 2024 £'000
Annualised potential rental value of vacant premises*	(a)	**–**	–
Annualised potential rental value of the property portfolio (including vacant properties)	(b)	**61,169**	58,825
EPRA Vacancy Rate	**= (a/b)**	**–**	–

* As detailed in Note 17 to the Consolidated Financial Statements, there were no unoccupied properties at either 30 June 2024 or 30 June 2025.

EPRA Cost Ratio

The EPRA cost ratios are produced using EPRA methodology, which aims to provide a consistent base-line from which companies can provide additional information, and include all property expenses and management fees. Consistent with the Group specific adjusted EPRA earnings detailed in Note 8 to the Consolidated Financial Statements, similar adjustments have been made to also present the adjusted Cost Ratio which is thought more appropriate for the Group's business model.

		Year ended 30 June 2025 £'000	Year ended 30 June 2024 £'000
Investment management fee		**7,816**	7,518
Credit loss allowance and bad debts		**1,612**	962
Other expenses		**3,907**	3,074
EPRA costs (including direct vacancy costs)	(a)	**13,335**	11,554
Specific cost adjustments, if applicable		**–**	–
Group specific adjusted EPRA costs (including direct vacancy costs)	(b)	**13,335**	11,554
Direct vacancy costs	(c)	**–**	–
Gross rental income per IFRS	(d)	**72,928**	69,551
Adjusted for rental income arising from recognising guaranteed rent review uplifts		**(10,841)**	(10,927)
Adjusted for surrender premiums recognised in capital		**(1,505)**	–
Adjusted for development interest under forward fund arrangements		**725**	1,767
Group specific adjusted gross rental income	(e)	**61,307**	60,391
EPRA Cost Ratio (including direct vacancy costs)	**= (a/d)**	**18.3%**	16.6%
EPRA Group specific adjusted Cost Ratio (including direct vacancy costs)	**= (b/e)**	**21.8%**	19.1%
EPRA Cost Ratio (excluding direct vacancy costs)	**= ((a-c)/d)**	**18.3%**	16.6%
EPRA Group specific adjusted Cost Ratio (excluding direct vacancy costs)	**= ((b-c)/e)**	**21.8%**	19.1%

EPRA Loan-to-Value

		As at 30 June 2025 £'000	As at 30 June 2024 £'000
Borrowings		**242,000**	243,000
Net payables		**17,400**	20,269
Cash and cash equivalents		**(39,639)**	(38,884)
Net debt	(a)	**219,761**	224,385
Investment properties at market value		**929,940**	908,530
Total property value	(b)	**929,940**	908,530
EPRA Loan-to-Value	**= (a/b)**	**23.6%**	24.7%

EPRA Capital Expenditure

	Year ended 30 June 2025 £'000	Year ended 30 June 2024 £'000
Acquisitions (including acquisition costs)	**30**	332
Forward fund developments	**3,085**	40,368
Like-for-like portfolio	**4,565**	5,076
Total capital expenditure	**7,680**	45,776
Conversion from accrual to cash basis	**5,305**	(4,849)
Total capital expenditure on a cash basis	**12,985**	40,927

Like-for-like Rental Growth

		Year ended 30 June 2025 £'000	Year ended 30 June 2024 £'000
Opening contractual rent	(a)	**58,825**	56,557
Rent reviews		**1,939**	2,125
Re-tenanting of properties and performance linked increases		**15**	–
Like-for-like rental growth	(b)	**1,954**	2,125
Acquisitions and developments		**1,148**	2,819
Disposals		**(758)**	(2,676)
Total movement	(c)	**2,344**	2,268
Closing contractual rent	**= (a+c)**	**61,169**	58,825
Like-for-like rental growth	**= (b/a)**	**3.3%**	3.8%

Data Centre

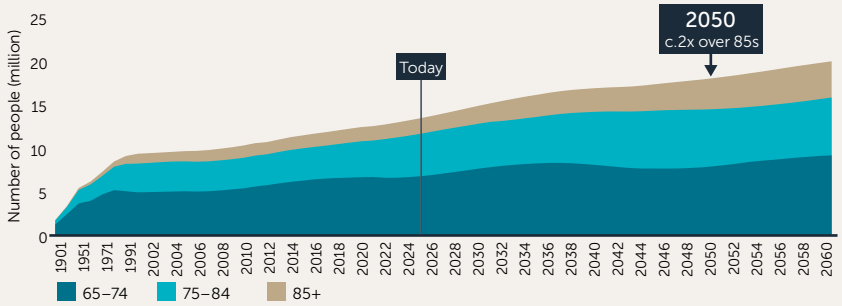
As the age of the UK population increases along with the care needs of older people, there is a clear requirement for investment that will modernise and grow the supply of fit-for-purpose care homes. Much of the UK's existing care home real estate is sub-standard for residents and their care professionals.

Responsible investment, applying specialist knowledge to a complex and sensitive sector, can deliver stable, long-term returns and provide positive social and community impact.

1. Demographics

- Number of over 85s forecast to double to 3.6m by 2050.
- It is forecast that 1 in 8 people aged over 85 will require residential care.
- Societal shift means less elderly care provided within families.

People aged 64 and over: Trend and projections

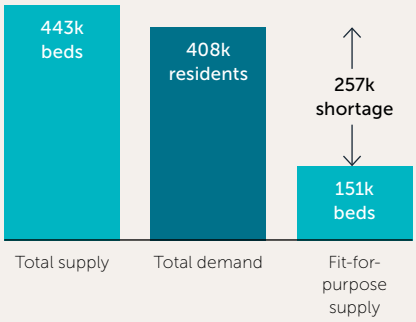


Sources: 1901–2001, Census data; Following 2001, successive principal national projections (the latest being 2021-based) from the Office for National Statistics and (formerly) the Government Actuary's Department.

2. Real estate standards

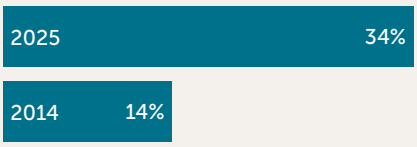
- Resident and family expectations on accommodation quality are increasing.
- Only 34% of rooms in UK have the en suite wet-rooms which are vital for hygiene, privacy & dignity.
- Purpose-built homes offer advantages for residents and care providers, and better social space for communities.

Supply and demand



Total en suite wet-room provision

Proportion of the market is increasing as older homes close and new homes are built

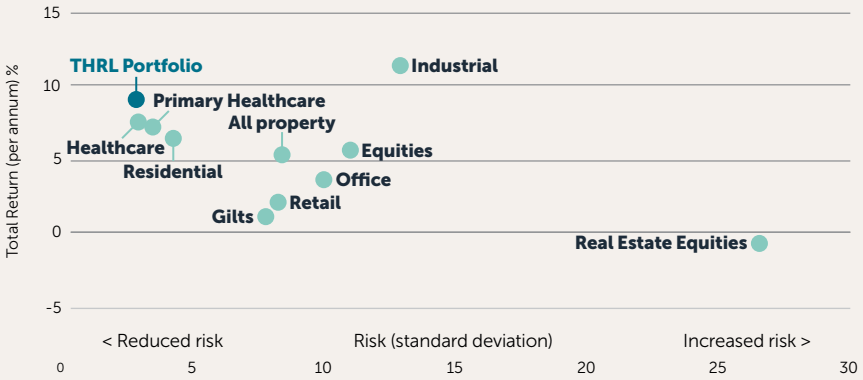


Sources: Carterwood, analysis covers Great Britain as at September 2025.

3. Long-term investment, stable returns

- Lease structures are long-term (typically 30-35 years) and inflation-linked.
- Portfolio track record of strong returns and low volatility (defensive, non-cyclical).
- Long-term capital appropriate for vital UK social care infrastructure.

Eleven year total return vs standard deviation 2014-2024



Source: MSCI, based on annual index to 31 December 2024.

Corporate Terms

AIC	Association of Investment Companies. This is the trade body for Closed-end Investment Companies (www.theaic.co.uk).
AIFMD	The UK version of the Alternative Investment Fund Managers Directive and all delegated legislation thereunder as it forms part of UK law pursuant to the European Union (Withdrawal) Act 2018, as amended. Issued by the European Parliament in 2012 and 2013, the Directive requires that all investment vehicles, including Closed-end Investment Companies, must have appointed a Depositary and an Alternative Investment Fund Manager. The Board of Directors of a Closed-end Investment Company, nevertheless, remains fully responsible for all aspects of the company's strategy, operations and compliance with regulations.
Closed-end Investment Company	A company with a fixed issued ordinary share capital which is traded on an exchange at a price not necessarily related to the Net Asset Value of the company and where shares can only be issued or bought back by the company in certain circumstances. This contrasts with an open-ended investment company, which has units not traded on an exchange but issued or bought back from investors at a price directly related to the Net Asset Value.
CQC	Care Quality Commission. The independent regulator of all health and social care services in England.
Depositary	Under AIFMD rules, the Company must appoint a Depositary, whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. The Depositary's oversight duties include, but are not limited to, oversight of share buy backs, dividend payments and adherence to investment limits. The Company's Depositary is IQ EQ Depositary Company (UK) Limited.
Discount/Premium*	The amount by which the market price per share of a Closed-end Investment Company is lower or higher than the net asset value per share. The share price of an Investment Company is derived from buyers and sellers trading their shares on the stock market. This price is not identical to the NAV. If the share price is lower than the NAV per share, the shares are trading at a discount and, if the share price is higher than the NAV per share, are said to be at a premium. The figure is calculated at a point in time and, unless stated otherwise, the Company measures its discount or premium relative to the EPRA NTA per share. The detailed method of calculation is shown on page 104.
Dividend	The income from an investment. The Company currently pays interim dividends to shareholders quarterly.
Dividend Cover*	The absolute value of Group specific adjusted EPRA Earnings divided by the absolute value of dividends relating to the period of calculation. The detailed method of calculation is shown on page 104.
Dividend Yield*	The annual Dividend expressed as a percentage of the share price at the date of calculation.
EBITDA	Earnings before interest, taxes, depreciation and amortisation costs. Generally considered to be a measure of a company's operational performance excluding non-operational expenses.
EPRA Best Practice	European Public Real Estate Association. A not-for-profit organisation which aims to foster trust for, and encourage greater investment in, listed real estate in Europe (www.epra.com). EPRA also issue best practice recommendations to enhance the financial reporting of listed property companies.
EPRA Cost Ratio	Reflects the relevant overhead and operating costs of the business. It is calculated by expressing the sum of property expenses (net of service charge recoveries and third-party asset management fees) and administration expenses (excluding exceptional items) as a percentage of gross rental income. The detailed method of calculation is shown on page 106.
EPRA Earnings per Share*	Recurring earnings from core operational activities. A key measure of a company's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings. A reconciliation of the earnings per IFRS and the EPRA earnings, including any items specific to the Group, is contained in Note 8 to the Consolidated Financial Statements.
EPRA Group specific adjusted Cost Ratio*	The EPRA Cost Ratio adjusted for items thought appropriate for the Group's specific business model. The adjustments made are consistent with those made to the Group specific adjusted EPRA earnings as detailed in Note 8 to the Consolidated Financial Statements.
EPRA Loan-to-Value ('LTV')*	A shareholder-gearing measure to determine the percentage of debt comparing to the appraised value of the properties. EPRA LTV is calculated as total gross debt (adding net trade payables and less cash) as a proportion of gross property value. The detailed method of calculation is shown on page 106.
EPRA Net Disposal Value ('NDV')*	A measure of Net Asset Value which represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax. A reconciliation of the NAV per IFRS and the EPRA NDV is contained in Note 8 to the Consolidated Financial Statements.
EPRA Net Initial Yield*	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs. EPRA's purpose is to provide a comparable measure around Europe for portfolio valuations. The detailed method of calculation is shown on page 105.
EPRA Net Reinstatement Value ('NRV')*	A measure of Net Asset Value which assumes that entities never sell assets and aims to represent the value required to rebuild the entity. The objective is to highlight the value of net assets on a long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances, such as the fair value movements on financial derivatives, are excluded and the costs of recreating the Group through investment markets, such as property acquisition costs and taxes, are included. A reconciliation of the NAV per IFRS and the EPRA NRV is contained in Note 8 to the Consolidated Financial Statements.

EPRA Net Tangible Assets ('NTA')*	A measure of Net Asset Value which assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax. A reconciliation of the NAV per IFRS and the EPRA NTA is contained in Note 8 to the Consolidated Financial Statements.
EPRA Topped-up Net Initial Yield*	Incorporates an adjustment to the EPRA Net Initial Yield in respect of the expiration of rent-free periods (or other unexpired lease incentives). The detailed method of calculation is shown on page 105.
GAAP	Generally Accepted Accounting Practice. This includes UK GAAP and International GAAP (IFRS or International Financial Reporting Standards). The Group's Consolidated Financial Statements are prepared in accordance with UK-adopted IFRS.
Gearing	Unlike open-ended investment companies, Closed-end Investment Companies have the ability to borrow to invest. This term is used to describe the level of borrowings that an Investment Company has undertaken. The higher the level of borrowings, the higher the gearing ratio. The gross gearing figure is calculated as debt divided by the market value of the properties held. The net gearing figure is calculated as debt less cash divided by the market value of the properties held.
Investment Manager	The Company's Investment Manager is Target Fund Managers Limited. Further details are set out on pages 34 and 35 and in Note 2 to the Consolidated Financial Statements.
IRR (or Internal Rate of Return)*	A metric used in financial analysis to estimate the profitability of potential investments. The IRR is the discount rate that makes the net present value of all cash flows equal to zero in a discounted cash flow analysis.
Leverage	As defined under AIFMD rules, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions. Leverage is broadly equivalent to Gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Group's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.
Loan-to-Value*	A measure of the Group's Gearing level. Gross LTV is calculated as total gross debt as a proportion of gross property value. Net LTV is calculated as total gross debt less cash as a proportion of gross property value.
Market Capitalisation	The stock market value of the Company as determined by multiplying the number of Ordinary Shares in issue, excluding any shares held in treasury, by the Share Price of the Ordinary Shares.
MSCI	Produces indexes for both privately-held real estate portfolios, as well as publicly-listed organisations which provides a long performance history and which are mostly appraised quarterly.
NAV per Ordinary Share	This is calculated as the Net Asset Value (NAV) divided by the number of shares in issue.
Net Asset Value (or Shareholders' Funds)	The value of total assets less liabilities. Liabilities for this purpose include current and long-term liabilities. It represents the underlying value of an Investment Company at a point in time.
Non-Property Income Distribution ('Non-PID') (or Ordinary Dividend)	The Dividends paid by the Company relating to profits or gains of the Tax-Exempt Business. Further details on the categorisation of Dividends paid by a REIT are included in the Tax Summary on pages 101 and 102.
Ongoing Charges Ratio*	A measure of all operating costs incurred in the reporting period, calculated as a percentage of average net assets in that year. Operating costs exclude costs of buying and selling investments, interest costs, taxation, non-recurring costs and the costs of buying back or issuing ordinary shares. In calculating this figure, the Group follows the methodology and guidance published by the AIC. The detailed method of calculation is shown on page 104.
Ordinary Shares	The main type of equity capital issued by conventional Investment Companies. Shareholders are entitled to their share of both income, in the form of dividends paid by the Investment Company, and any capital growth. The Company has only Ordinary Shares in issue.
Property Income Distribution ('PID')	The Dividends paid by the Company relating to profits or gains of the Residual Business. Further details on the categorisation of Dividends paid by a REIT are included in the Tax Summary on pages 101 and 102.
Real Estate Investment Trust (or REIT)	A tax regime which in the UK exempts participants from corporation tax both on UK rental income and gains arising on UK investment property sales, subject to certain requirements. Further details are provided on pages 101 and 102.
Share Price	The value of a share at a point in time as quoted on a stock exchange. The Company's Ordinary Shares are traded on the Main Market of the London Stock Exchange.
SORP	Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the AIC.
Total Return*	The return to shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the Share Price or NAV. The dividends are assumed to have been reinvested in the form of Ordinary Shares or Net Assets. The detailed method of calculation is shown on page 104.
Total Accounting Return*	The Total Accounting Return is calculated based on the dividends paid in the period and the increase or decrease in the EPRA NTA. The detailed method of calculation is shown on page 104.

* Alternative Performance Measure.

Property and ESG Terms

Break Option	A clause in a lease which provides the landlord or tenant with an ability to terminate the lease before its contractual expiry date.
Building Research Establishment Environmental Assessment Method ('BREEAM')	BREEAM is the world's leading science-based suite of validation and certification systems for sustainable built environment. The BREEAM in-use standards provide a framework to enable property investors, owners, managers and occupiers to determine and drive sustainable improvements in the operational performance of their assets, leading to benchmarking, assurance and validation of operational asset data.
Contractual Rent	The annual rental income receivable on a property as at the balance sheet date, adjusted for the inclusion of rent currently subject to a rent free period.
Covenant Strength	This refers to the quality of a tenant's financial status and its ability to perform the covenants in the lease.
Deed of Surrender	A legal document which allows the early termination of a lease upon the agreement of both parties. It will list the obligations that need to be fulfilled by both parties before the rights and interests under the lease are extinguished. Depending on the circumstances a surrender premium may be payable from the Group to the tenant, or receivable by the Group from the tenant.
Energy Performance Certificate ('EPC')	An Energy Performance Certificate (EPC) rates how energy efficient a building is using grades from A to G (with 'A' the most efficient grade). All commercial properties leased to a tenant must have an EPC. All EPCs are valid for 10 years.
Estimated Rental Value ('ERV')	The estimated annual market rental value of a property as determined by the Company's External Valuer. This will normally be different from the actual rent being paid.
Fixed and Minimum Guaranteed Rental Uplifts	Rents subject to fixed uplifts at an agreed level on agreed dates stipulated within the lease, or rents subject to contracted minimum uplifts at specified review dates.
Forward Fund/Commitment	A contract pertaining to the future purchase of a property. Forward Funding relates to the acquisition of a property which hasn't yet been built, with the Group providing the developer with the funding for the development, usually in staged payments throughout the contract.
GRESB	GRESB is a mission-driven and investor-led organisation that provides actionable and transparent ESG data to financial markets. GRESB collects, validates, scores and benchmarks ESG data using a standardised, globally recognised framework so that both investors and Investment Managers can act on ESG data and insights.
Lease	A legally binding contract between a landlord and a tenant which sets out the basis on which the tenant is permitted to occupy a property, including the lease length.
Lease Incentive	A payment used to encourage a tenant to take on a new lease, for example by a landlord paying a tenant a sum of money to contribute to the cost of a tenant's fit-out of a property or by allowing a rent free period.
Lease Renewal	The renegotiation of a lease with the existing tenant at its contractual expiry.
Mature Homes	Care homes which have been in operation for more than three years. There were 81 homes in the Group's portfolio which both met this definition and were held by the Group for the entire duration of the year ended 30 June 2025, closing at 86 homes on 30 June 2025.
Occupancy Rate or Resident Occupancy Rate	The occupancy rate calculates the number of occupied rooms as a percentage of the overall capacity of the care home. This is an important measure in determining the quality of the property held, the strength of the tenant and the sustainability of the rental income received.
Photovoltaic ('PV') Panels	Panels which are used to generate renewable electricity by capturing solar energy.
Portfolio or Passing Rent*	The annual rental income currently receivable on a property as at the balance sheet date, excluding rental income where a rent-free period is in operation. The gross rent payable by a tenant at a point in time.
Rent Cover*	A measure of the tenant's ability to meet its rental liability from the profit generated by their underlying operations. Generally calculated as the tenant's EBITDARM (earnings before interest, taxes, depreciation, amortisation, rent and management fees) divided by the contracted rent. Unless otherwise stated, rent cover is calculated based on Mature Homes only.
Rent Review	A periodic review of rent during the term of a lease, as provided for within a lease agreement.
Science Based Targets initiative ('SBTi')	A corporate climate action organisation that enables companies and financial institutions worldwide to play their part in combating the climate crisis.
Surrender Premium	A sum of monies that may be paid from the tenant to the landlord, or from the landlord to a tenant, in order to extinguish a lease prior to the termination date originally set out in the lease agreement.
Valuer	An independent external valuer of a property. The Group's Valuer is CBRE Limited and detailed information regarding the valuation of the Group's properties is included in Note 9 to the Consolidated Financial Statements.
Wet-room	A private, en-suite shower and toilet room, fully tiled and drained, providing the practical living space for personal hygiene to be applied in a dignified manner and with assistance as required.
WAULT*	Weighted average unexpired lease term. The average lease term remaining to expiry across the portfolio weighted by contracted rental income.

* Alternative Performance Measure.

Corporate Information

Directors	Alison Fyfe (Chair) Michael Brodtman Richard Cotton* Vince Niblett** Amanda Thompsell
Registered Office	Level 4 Dashwood House 69 Old Broad Street London EC2M 1QS
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Valuers	CBRE Limited Henrietta House Henrietta Place London W1G 0NB
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Tax Adviser	Deloitte LLP Athene Place 66 Shoe Lane London EC4A 3BQ
Tax Compliance	Alvarez & Marsal Tax LLP 1 West Regent Street Glasgow G2 1RW
Depositary	IQ EQ Depositary Company (UK) Limited Two London Bridge London SE1 9RA
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Notes

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