

Continuing to invest wisely
Delivering results
Growing a quality portfolio



Contents

Strategic Report 01-13

About Us	01
Chairman's Statement	02
Business Model	04
Strategic Objectives	06
Strategy in Action	08
Risks	12

Financial Statements 14-34

Consolidated Statement of Comprehensive Income	14
Consolidated Statement of Financial Position	15
Consolidated Statement of Changes in Equity	16
Consolidated Statement of Cash Flow	17
Notes to the Consolidated Financial Statements	18

Corporate Governance 35-51

Board of Directors	35
Investment Manager	36
Directors' Report	37
Statement of Directors' Responsibilities	39
Corporate Governance Statement	40
Report of the Audit Committee	42
Directors' Remuneration Report	44
Independent Auditor's Report	46
Glossary of Terms and Definitions	48

Company Information	
Notice of Annual General Meeting	50
Corporate Information	IBC



Welcome. We are Target Healthcare REIT, a specialist investor in high quality, modern, purpose-built UK care homes and other healthcare assets.

Using the specialist healthcare asset and fund management expertise of our Investment Manager, Target Advisers LLP, we source, invest in and actively manage properties which meet our investment operating criteria.

Financial highlights

- IFRS profit for the year £9.6 million, an increase of £8.8 million
- EPRA* Earnings Per Share of 5.7 pence, an increase of 36 per cent
- Dividend cover for year to June 2015 increased to 84 per cent (period to June 2014: 52 per cent)
- Dividends declared of 6.12 pence per share, an increase of 2 per cent from annualised 2014 period
- EPRA NAV per share growth of 3.4 per cent to 97.9 pence

Portfolio highlights

- 11 assets acquired during the year for £57.6 million inclusive of costs
- Like-for-like portfolio valuation growth of 6.0 per cent
- NAV total return increased to 10.3 per cent from 3.5 per cent in the period to June 2014

* European Public Real Estate Association. See glossary for further information.

Important Information

Past performance is not necessarily a guide to future performance. The value of investments and income from them may go down as well as up and are not guaranteed. Net asset value performance is not linked to share price performance, and shareholders may realise returns that are lower or higher in performance.

If you have sold or otherwise transferred all of your ordinary shares in Target Healthcare REIT Limited, please forward this document as soon as possible to the purchaser or transferee, or to the stockholder, bank or other agent through whom the sale or transfer was, or is being, effected, for delivery to the purchaser or transferee.

About us

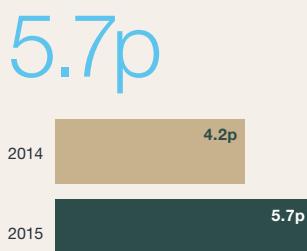
Target Healthcare REIT Limited and its subsidiaries ('the Group') aims to provide investors with an attractive level of income with the potential for capital and income growth from investing in best-in-class care home assets with attractive financial characteristics.

The Group invests in modern, purpose-built properties in locations underpinned by favourable dynamics (population demographics and supply/demand). These are leased at sustainable rental levels and strong rental covers over the long-term to quality tenants who demonstrate excellent operational capabilities and care ethos.

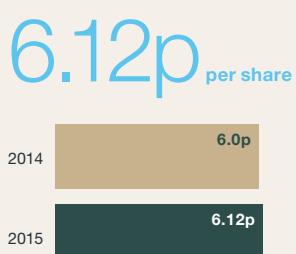
IFRS PROFIT



EPRA EARNINGS PER SHARE



DIVIDENDS DECLARED (ANNUALISED)



EPRA NAV PER SHARE



Chairman's Statement



“I am delighted to announce that the Board intends to increase the quarterly dividend in respect of the year ending June 2016 by 1 per cent to 1.545 pence per share, thereby in line with inflation and providing an annual total of 6.18 pence.”

Malcolm Naish Chairman

I am pleased to present the Group's annual report for 2015, a second busy and successful period since launching in 2013. During the year the Group's portfolio has expanded to twenty-eight quality care home assets, investing funds from both equity issues and bank borrowings. We remain grateful to shareholders for their support and look forward to continuing the growth we have achieved thus far in a sustainable manner.

Performance highlights

Total NAV return for the year, being the increase in EPRA NAV per share and dividends paid, of 10.3 per cent has significantly improved from 2014's 3.5 per cent, demonstrating why we have such conviction in our investment strategy. EPRA earnings have increased by 124 per cent to £6.8 million (2014: £3.0 million) delivering an EPRA earnings per share increase of 36 per cent to 5.7 pence (2014: 4.2 pence).

The portfolio has increased in value by 6.0 per cent on a like-for-like basis, primarily as a result of trading performance and rental increases at individual assets. This results from our investment manager applying a bottom-up appraisal process, identifying assets which benefit from attractive local demand/supply characteristics which can

therefore support quality tenant operators installed at sustainable rental levels, rising in line with inflation.

This supports long-term investment in the assets, providing a stable yield for our shareholders and a platform for our tenants to provide a quality care service.

Dividends

The Company has declared and paid dividends of 6.12 pence per share in respect of the year. This is an increase of 2 per cent on annualised 2014 payments, and meets our objective of a progressive dividend policy. In the absence of unforeseen circumstances, I am delighted to announce that the Board intends to increase the quarterly dividend in respect of the year ending June 2016 by 1 per cent to 1.545 pence per share, thereby in line with inflation and providing an annual total of 6.18 pence.

Outlook

Economic uncertainty over interest rates and Chinese growth will continue to impact sentiment and pricing in the investment market. Additionally, the care sector in the UK is facing headwinds from: introduction of the living wage, which will increase the cost of providing care; uncertainty over government funding of care, and; a stronger regulatory regime. Our investment manager expands on these on page 3.

That said, the underlying fundamentals of population demographics and supply/demand imbalance of quality UK care home stock are compelling.

Our primary challenge is in responding to the competitive acquisition landscape this has created to continue to acquire attractive assets into a portfolio balanced by region, operator and size.

I am pleased to confirm that our investment manager has a strong investment pipeline in our core regional mid-market, leaving the Group on course to complete acquisitions which are accretive to shareholder value. We expect rent roll to grow as we add assets, and organically through fixed and inflation-linked rental reviews. The Group's Weighted-Average Unexpired Lease Term ("WAULT") of 29.5 years and annual rental uplifts, either fixed or inflation-linked, provides sustainability of returns to shareholders in the long-term.

**Mr Malcolm Naish
Chairman**

1 October 2015

UK Healthcare Investment Market Overview

The combination of an ageing population and paucity of quality care home stock continues to present a compelling investment opportunity. Strong levels of investment activity across the UK's elderly care sector have continued during the year, resulting in some investment yield compression and providing a competitive landscape which remains particularly congested for transactions offering scale and /or access to specific geographic locations such as the South East of England. A wide range of participants remain in the market, including generalist commercial property investors, continuing the trend noted in the prior year, though we may currently be witness to a collective "pause for breath" as a reaction to the sector-specific headwinds mentioned by your Chairman on page 2. We expand on these below.

Whilst yields for the most hotly-contested assets reflect the desirability of these assets, with some very keen yields having been paid for the perceived strongest quality covenants, we continue to believe the best value can be found within the Group's core regional mid-market: single asset and smaller portfolios of homes; likely involving regional operators; who deliver robust trading performance often as a result of a strong care culture.

We continue to identify a variety of single and multi-asset investment opportunities as evidenced by the Group's pipeline. Near-term

opportunities worth approximately £64 million are currently being evaluated, of which opportunities worth approximately £20 million have agreed heads of terms in place. In addition the Group is working on further transactions which it is hoping to conclude over the coming months.

Headwinds: National living wage, lifetime cap on care costs, regulatory pressures

In his Summer Budget on 8 July 2015, the Chancellor announced a new living wage which will commence in April 2016 and by 2020 will reach 60 per cent of UK median earnings.

Typically, 50-60 per cent of the costs of a care home are staff costs and approximately two thirds of these staff costs are paid at minimum wage levels. We welcome the announcement that care workers, who undertake what is a critical and often demanding role, will receive fair remuneration for their efforts.

That said, the government needs to ensure this is properly and adequately funded. In recent years, the fees local authorities have paid care providers have risen below cost inflation. If this trend continues, care home operators face the combined effect of wage cost inflation and Local Authority austerity. Due to this, as in previous years, the cost of care homes will almost certainly increase disproportionately for self-funded residents.

It was announced on 17 July 2015 in a written ministerial statement that the £72,000 lifetime

cap on care costs will be delayed until 2020, rather than starting in April 2016 as previously expected. The official line from the government is that it remains firmly committed to the cap – and it was included as a manifesto promise at the recent general election – but notwithstanding this there are those who predict the cap will not now be introduced. For operators themselves, the care cap was something of a mixed blessing and many will be relieved that at least another tier of bureaucracy has been deferred.

Feedback from our tenants, and from operators generally, would appear to indicate that the English regulator is applying a particularly zealous approach to home inspections at present. Required responses to an adverse inspection will likely be increased costs and potentially a restriction on the ability to house new residents, which may even be the case for apparently good homes in such an environment. Time will tell if this is a temporary change in approach or the new normal, but it will impact performance of many homes within the sector.

We believe maintaining a diversified investment portfolio which draws on income from both local authority and self-funded residents provides a good investment strategy as our tenants face these uncertain times.

Additionally, the Group would be expected to benefit defensively from our continued allocation of capital to modern homes as the pressure from these headwinds hastens the retiral from the market of the many aged and inadequate homes.

Changing Demographic of Frail Elderly People

Anyone who is involved in the business of caring of older people in care homes or any other settings must have a close interest in the latest research on dementia. It is clear that the majority of care home residents are affected by dementia. In some studies this has been as many as 90 per cent of residents.

This is why the best care homes now have dementia friendly design in all their rooms, gardens and public spaces. A small number of residents may not be affected, but this sort of design helps everyone who is older, frail and perhaps suffering from sight or hearing loss, or mobility problems. If it is done well, it looks attractive and is comfortable for residents, staff and visitors alike.

Almost 30 per cent of people have dementia at the end of life. This is because dementia is a condition that affects mainly older people, and the older you are, the more likely it is that you will be affected. Two thirds of people with dementia are living at home, some of them

alone, but in many cases, perhaps after a hospital admission for some other reason, such as a fall, the person needs to be looked after, and that can be done well in a care home, with the security and safety of 24 hour supervision and care, and staff who understand dementia.

Every year new statistics provided by the Alzheimer's Society indicate an increase in the number of people affected by dementia. Recent research from the University of Cambridge has indicated that these numbers are not increasing as fast as the Society has indicated. This is good news because it means that some of the public health and lifestyle



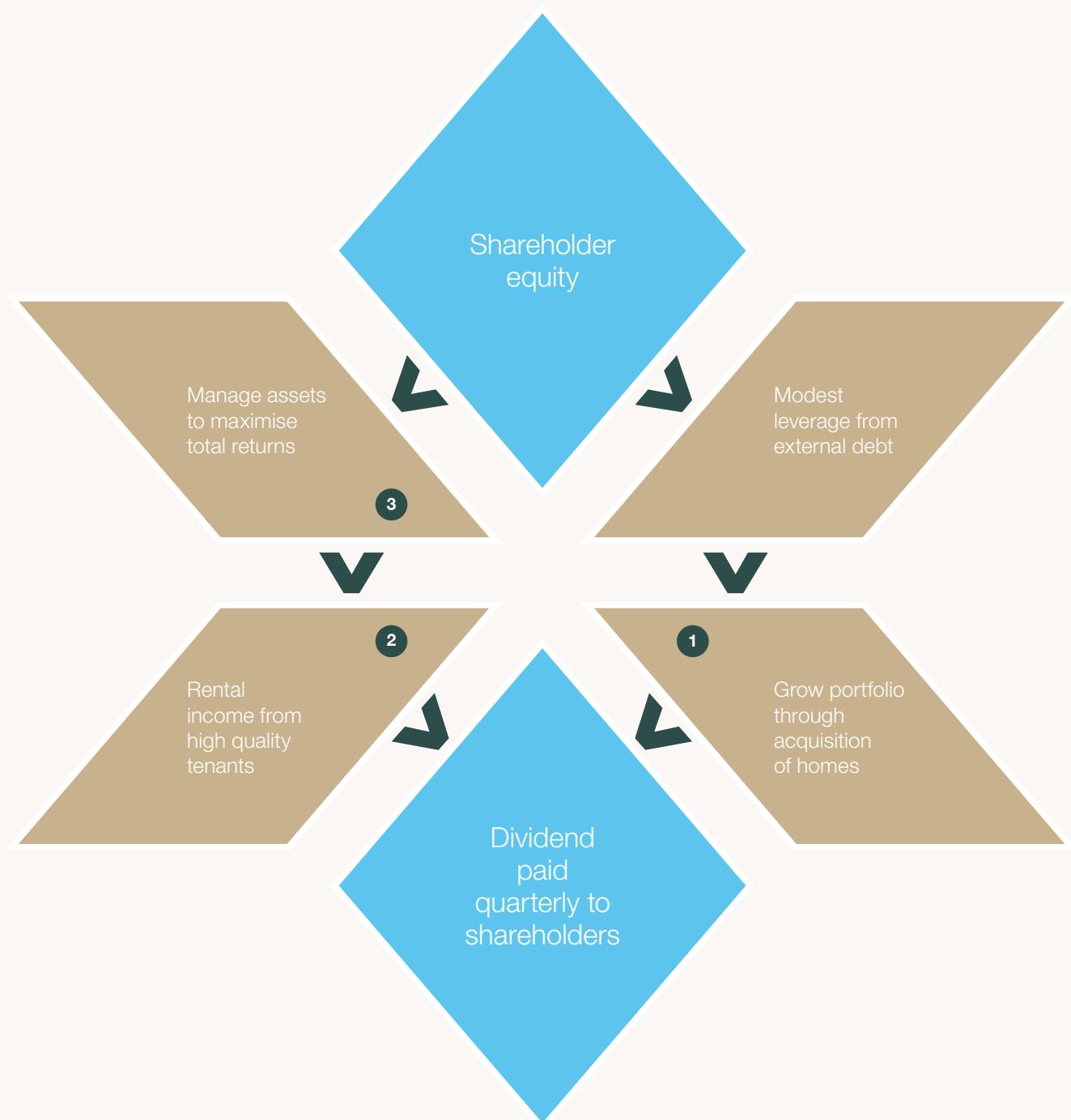
measures being adopted seem to be working. However, we are a long way from seeing a downturn in the total numbers, which will continue to increase steadily in the absence of clinical prevention or a cure. On World Alzheimer's day 2015 it was announced that one in three children born this year will die with dementia. We all need to plan for a future where we are caring for frail, elderly family members and friends and where we may need to be cared for ourselves. The demographics are undeniable.

Professor June Andrews

1 October 2015

Business Model

To provide shareholders with an attractive level of income together with the potential for capital and income growth.



Differentiators (read more on page 5)

- 1** Utilise investment manager's specialist knowledge to identify attractive assets
- 2** Selecting quality operators at sustainable rents
- 3** Manage assets to maximise total returns to shareholders

Our Ethos

The concept of Target Healthcare REIT is to bring much needed investment into the elderly care sector to improve the quality of the lives of the growing numbers of vulnerable elderly members of society.

We know from our personal experiences that care is a 24/7 vocation and that, done properly, can significantly enhance the quality of lives of those whose acuity of needs require residential care. We invest significant time in understanding the culture of healthcare providers and choose to invest in only those whose values are consistent with our own.

- We are focused on behaving **ethically**;
- We always act with **integrity**;
- We place **diligence** at the heart of our business;
- We perform detailed **analysis**;
- We are genuinely **passionate** about what we do; and
- Because we believe life is **precious**.



Differentiators

1 – Utilise investment manager's specialist knowledge to identify attractive assets

The Manager applies its specialist healthcare asset and fund management expertise to identify target investments which are likely to benefit from the following:

- Changing UK demographics resulting in higher numbers of the elderly;
- Resident choice, expectations as to the quality of care homes and the expectation of growth in the private pay market;
- The forecast rise in acute chronic illness and dementia.

The Manager's approach to investment analysis and appraisal focuses on:

- Geographical regions and local markets with acceptable economic fundamentals;
- A demand/supply imbalance for 'best in class' care homes;
- Support from both the state and self-pay markets.

The Group's investments can include: single care homes; portfolios of care homes; pre-let development funding for care homes; and, other healthcare assets where a robust investment opportunity exists.

2 – Selecting quality operators at sustainable rents

To provide shareholders with sustainable and long-term income returns, one of the Group's key investment policies involves the careful selection of care home operators as tenants, choosing only those that have a focus on high quality care. Accepting a tenant involves careful consideration of not only their ability and track record in providing such care but also their ability to meet financial obligations.

There is a sound underlying commercial benefit from this approach. Care homes with good standards tend to perform much more profitably than those without. Investment in maintaining the quality of facilities and training of staff is reflected in the bottom line.

The Manager develops and maintains relationships with operators throughout the industry, identifying those we would like to partner with. It is intended that tenants see the Group as a stable and reliable long-term partner, allowing the tenant to focus on their core business, the provision of quality care. Sustainable rental levels reduce the risk of default and, alongside the reputational benefits from being an engaged landlord, increase the opportunity for further growth of the Group.

3 – Manage assets to maximise total returns to shareholders

As an actively engaged landlord, the Group takes an ongoing interest in its tenants' operations post-completion. The Manager, on the Group's behalf, undertakes regular monitoring of properties and tenants as part of its continued diligence, including monitoring of:

- Market fundamentals
- Yield movements
- Rental growth
- Rent cover
- Tenant profitability
- Changes in legislation

Through its bi-annual inspections, and often in conjunction with external building surveyors, the Manager assesses the ongoing requirement for maintenance capital expenditure across the portfolio. Given the relatively low ages of the properties within the portfolio, maintenance requirements have been relatively light during the period, however we expect this to increase as the portfolio matures. The Manager continues to monitor and assess opportunities for more comprehensive capital expenditure projects such as extensions and major refurbishments as they arise. This approach should maintain and enhance the capital value of properties, ensuring they are aligned with the strategy of holding modern, homes which are fit for purpose and future proof.

Strategic Objectives

The Group aims to provide ordinary shareholders with an attractive level of income with the potential for capital and income growth from investing in best-in-class care home assets with attractive financial characteristics.

Objectives	Definition	Performance
 1# Dividend	<p>To pay a progressive dividend fully covered when Group fully invested.</p>	<ul style="list-style-type: none"> – Annual dividend of 6.12 pence, 2 per cent increase on 2014 annualised – 84 per cent covered – Ongoing charges ratio 1.58 per cent (2014: 1.95 per cent) <p>Read more on P08 </p>
 2# Total returns	<p>To maximise total returns to shareholders through a combination of dividends and capital appreciation.</p>	<ul style="list-style-type: none"> – Annual NAV total return of 10.3 per cent (2014: 3.5 per cent) – Annualised portfolio total return (excluding acquisition costs) per IPD of 11.1 per cent (to 31 December 2014) – Like-for-like revaluation gains of 6.0 per cent <p>Read more on P08 </p>
 3# Funding	<p>To fund the business through shareholder equity enhanced by modest leverage within pre-determined risk thresholds.</p>	<ul style="list-style-type: none"> – Group loan-to-value (LTV) of 21.9 per cent (excluding effect of cash held) below 35 per cent limit – Gross equity of £47.8 m raised during year <p>Read more on P09 </p>
 4# Long-term secure rental income	<p>To have high quality care providers as tenants with secure, sustainable rental income giving long term growth.</p>	<ul style="list-style-type: none"> – Like-for-like growth of 2.2 per cent – Increase to 8 tenant operators (2014: 5) – WAULT of 29.5 years (2014: 30.9) <p>Read more on P09 </p>
 5# Grow portfolio	<p>To acquire a diversified portfolio of high quality modern care homes providing excellent accommodation standards for residents.</p>	<ul style="list-style-type: none"> – 11 assets with total value £57.6 million (inc. costs) acquired during the year – All acquired assets are modern, the majority being less than 4 years old – All rooms are single occupancy <p>Read more on P10 </p>

Key performance measures	2016 Priorities	Key Risks
<ul style="list-style-type: none"> – Dividend rates – Growth in earnings – Dividend cover – Control of operating costs 	<ul style="list-style-type: none"> – Control costs to provide a fully covered dividend when the Group is fully invested – Maximise rental income from efficient deployment of capital 	<ul style="list-style-type: none"> – Reliance on third party service providers – Breach of REIT regulations
		Read more on P12 
<ul style="list-style-type: none"> – NAV total return – Portfolio performance relative to IPD Healthcare index benchmark – Asset valuations 	<ul style="list-style-type: none"> – Continue to invest in attractively-priced assets which meet the group's investment criteria 	<ul style="list-style-type: none"> – Property valuations could adversely affect returns
		Read more on P12 
– Debt/equity ratio	<ul style="list-style-type: none"> – Continue to monitor debt terms available to the Group 	<ul style="list-style-type: none"> – Lack of equity and debt capital – Interest rate risk
		Read more on P12 
<ul style="list-style-type: none"> – Rent roll increase – Number of tenants – WAULT 	<ul style="list-style-type: none"> – Continued diversification of tenants as the portfolio grows 	<ul style="list-style-type: none"> – Government policies/funding of elderly care – Concentration risk
		Read more on P12 
– Number of acquisitions completed	<ul style="list-style-type: none"> – To convert the current pipeline, and continue to source new opportunities, through Investment Manager 	<ul style="list-style-type: none"> – Lack of available properties – Inability to invest on acceptable terms
		Read more on P12 

Strategy in Action

1# Dividend



The company continues to deliver on its objective to have a progressive dividend.

Total dividends of 6.12 pence per share were declared in respect of the year to 30 June 2015, an increase of 2 per cent on the quarterly rate during 2014 (which totalled 8 pence per share for a 16 month period). The target 6 per cent yield is based on the 100 pence issue price of the IPO shares.

This has been achieved through growth in the Group's rental income on a like-for-like basis of 2.2 per cent, as shown in Figure 1, whilst maintaining an ongoing charges ratio of 1.58 per cent (2014: 1.95 per cent). The resultant EPRA earnings of £6.8 million (2014: 3.0) being 5.7 pence per share (2014: 4.2 pence per share) are shown in Figure 2.

Dividend cover of 84 per cent (based on EPRA EPS) is an increase on 2014's cover of 52 per cent as the Group moves towards operating on a fully invested basis.

The EPRA net initial yield of 7.25 per cent (2014: 7.29 per cent) still remains ahead of the 7.0 per cent modelled at launch due to the

fixed and inflation-linked, upwards only annual rental increases which are subject to collars and caps. In the absence of unforeseen circumstances, the directors intend to increase quarterly dividends for the year ended 30 June 2016 by 1 per cent to 1.545 pence per share.

FIGURE 1: RENT-ROLL GROWTH (£m)

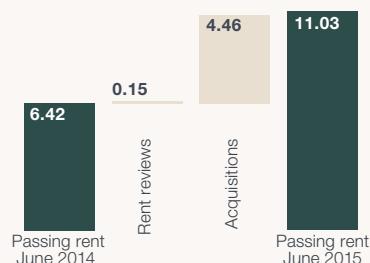


FIGURE 2: SUMMARISED RESULTS

	2015	2014
Rental income	9.9m	4.5m
Admin expenses	(2.4m)	(1.7m)
Net financing (costs)/ income	(0.7m)	0.2m
EPRA earnings	6.8m	3.0m
EPRA EPS	5.7 pence	4.2 pence
Performance fee	0.5m	0.2m
Adjusted EPRA earnings	7.3m	3.2m
Adjusted EPRA EPS	6.1 pence	4.4 pence

2# Total returns



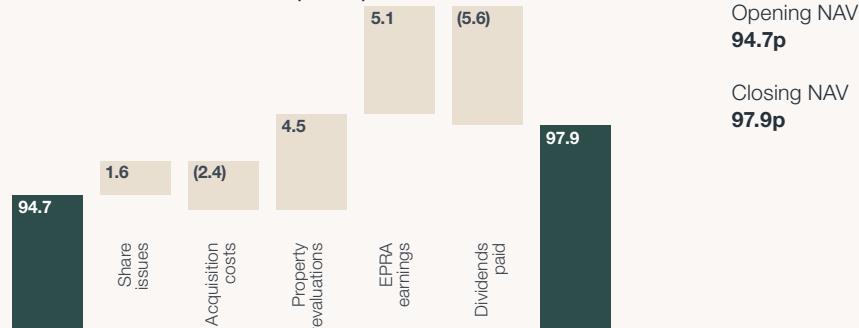
The Group's disciplined investment appraisal and portfolio management activities have contributed to a growth in EPRA NAV per share of 3.4 per cent

A detailed analysis of drivers is presented in figure 3, with asset valuation growth (6.0 per cent on assets held for the full year) having contributed 4.5 pence per share. Further detail on the portfolio itself can be seen on page 11.

The Group's portfolio total return is calculated by IPD and benchmarked to the IPD UK Healthcare Index. The IPD methodology excludes the effect of acquisition costs and fund expenses to measure the contribution of assets held for the full period. For the period from the fund's launch to December 2014, the portfolio's annualised total return of 11.1 per cent outperformed the Index by 2.8 per cent.

The next performance period will be measured from January to December 2015. The Manager's unique investment analysis comprises a detailed 'bottom-up' analysis of property and tenant fundamentals which focuses on long-term sustainability of rents as well as care standards. This has delivered strong results to date and is expected to continue to deliver matching long-term sustainable returns for investors.

FIGURE 3: EPRA NAV PER SHARE (PENCE)



NAV TOTAL RETURN

10.3%
(3.5% in prior period)



3# Funding

The Group aims to combine shareholder equity with an appropriate level of external debt to generate its stated returns objectives (see objectives 1 and 2).

At present, a modest gearing level at around 20 per cent of property value is considered appropriate to deliver on the Group's investment objectives. Access to additional equity and debt is key in allowing the Group to capitalise on investment opportunities to grow the attractive portfolio (See Strategic objective 5).

Interest is payable on the debt facility at a rate of 3 month LIBOR plus a margin of 2 per cent per annum.

In the current year, the following funding has been obtained to allow further investment:

	Equity (£m)*
September 2014	17.4
November 2014	4.9
March 2015	25.5
	47.8

*Gross proceeds

RBS FACILITY

	Facility (£m)	Utilised (£m)
Opening	30.0	12.3
Increase to facility	5.0	–
Debt drawn	–	19.2
Closing	35.0	31.5

The RBS facility is due to be repaid in June 2019. The Group's loan-to-value ratio of 21.9 per cent (excluding the effect of cash held) is considered to be appropriate given current debt facility pricing. It is anticipated that this will be maintained at near 20.0 per cent once the Group has fully invested available equity and debt. Further equity will then be sought to match investment opportunities as they arise, priced sensitively to market conditions and accretive to existing shareholders, as acquisition opportunities become available. The Board will continue to manage the Group's debt/equity balance to generate the required level of leveraged returns.



4# Long-term secure rental income

The Group's commitment to providing modern, purpose-built care homes at sustainable rental levels allows our tenants to focus on providing high quality care whilst being able to meet their rental commitments.

During the tenancy, the Manager actively engages with tenants to ensure the properties continue to meet their operational needs. This collaborative approach allows the Group to secure long-term leases with upwards-only annual rental reviews.

The Group's portfolio of assets is 100 per cent let (2014: 100 per cent) to 8 tenants (2014: 5). All properties are subject to upwards-only annual rent reviews, the majority being RPI-linked and others with fixed uplifts. Like-for-like rental growth during the year was 2.2 per cent contributing an additional £0.15 million per annum to rent-roll.

The weighted-average unexpired lease

term (WAULT) is 29.5 years.

During the year rental income from the Group's largest tenant amounted to 33 per cent of total rental income. The Group, whilst having been fully invested at times, currently has funds awaiting investment. It is intended that investment of these funds will reduce the Group's exposure to this single tenant grouping to less than 30 per cent of total rental income.

Through its bi-annual inspections, and often in conjunction with external building surveyors, the Manager assesses the ongoing requirement for capital maintenance expenditure which tenants are contractually obliged to adhere to under the terms of the FRI leases, protecting asset quality and capital values.

RENTAL GROWTH (LIKE-FOR-LIKE)

2.2%

WAULT

29.5 years

Strategy in Action

5# Grow portfolio

Our portfolio currently comprises twenty-eight assets 100 per cent let to eight tenants. Consistent with the Group's strategy of investing in "best in class" properties, the homes provide a combination of residential and nursing care and benefit from excellent facilities and amenities for residents.

All of the 1,846 bedrooms in the portfolio are single occupancy with en-suite facilities including wet room showers* and are housed in modern, purpose-built homes.

Care home acquisitions

New equity issuance and access to additional debt have allowed the Group to acquire a number of attractive investment opportunities during the year, continuing the growth demonstrated in the Group's first period. Eleven care home purchases have completed since June 2014, an investment of £57.6 million inclusive of acquisition costs, inclusive of the Group's acquisition of a subsidiary company which holds one of the properties.

These property acquisitions are consistent with the Group's strategy of acquiring high quality modern care homes: all eleven homes were built after 2006, with the majority being built in the last four years.

The new properties have allowed the Group to further diversify its tenant base by adding

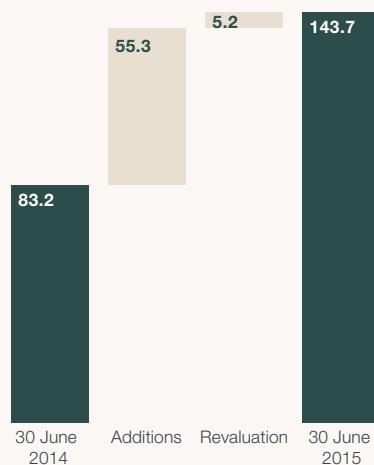
three new tenants to the portfolio. Our conviction in the quality of the existing tenant base has also allowed newly-acquired properties to be let to existing tenants. The geographical spread of the portfolio has extended to the South and South East of England, with the purchase of the Buckingham Lodge and Iceni house care homes in Norfolk, and Hastings Court in East Sussex. This latter property is a £7.6 million newly developed purpose-built care home, details of which are presented below.

As the Group seeks to expand it is intended to add both new tenants and new geographies, further diversifying the risk profile of the portfolio.

Asset valuation growth

The property portfolio was externally valued at 30 June 2015 at a market value of £143.7 million, as defined by the Royal Institution of Chartered Surveyors by Colliers International Property Consultants Limited. This is an increase of 73 per cent during the

FIGURE 5: PORTFOLIO VALUATION



year, achieved through valuation growth and additions. Valuation growth has contributed £5.2 million (8.6 per cent of the total increase) with £4.9 million of this growth on assets held for the full year, a like-for-like valuation increase of 6.0 per cent. A detailed analysis of valuation growth is presented in figure 5.

Spotlight: Hastings Court

Hastings Court is an 80-bed purpose-built care home, purchased for £7.6 million in December 2014, achieving a Net Initial Yield in excess of 7 per cent. Constructed in August 2014, it is one of the Group's most modern properties, which provides both residential, nursing and dementia care.

Hastings Court is situated in Hastings, a seaside town of 87,000 people on the south coast of England. This South-Eastern location enhances the geographical diversification of the Group. The population of Hastings and the surrounding area is markedly older than the UK average. Despite the area having an oversupply of beds, most of the competing stock is in the form of

conversions, with nothing purpose built since the 1990's. Hastings Court is therefore well placed to capture the top end of the market.

The property itself boasts full en-suite wet rooms, as well as a cinema room, hair salon, numerous lounges/dining areas on each floor, a quiet lounge and treatment rooms. The bedrooms on one side of the building all have patio doors leading to an outdoor space, and there is a large area of patio to the rear of the property, in addition to some garden space and patio space along the side. Since opening, the operator has seen strong fees and steadily growing occupancy levels, with particularly positive demand in the nursing and dementia space.



The home has recently acquired a contract to house the local hospice over a complete floor, whilst the hospice's own property is being extensively renovated after a serious fire. This will boost occupancy and fees during the early start-up phase of Hastings Court.



NEW ASSETS

11

£57.6m (including costs)

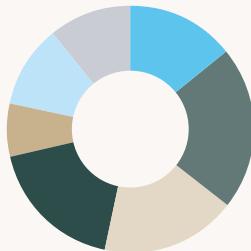
NEW TENANTS

3

NO. OF PROPERTIES

28

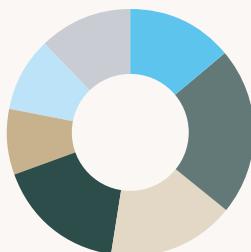
Scotland – 4
North West – 6
Yorkshire and North East – 5
East Midlands – 5
West Midlands – 2
Northern Ireland – 3
South and South East – 3



RENT ROLL (£'000)

£11,026

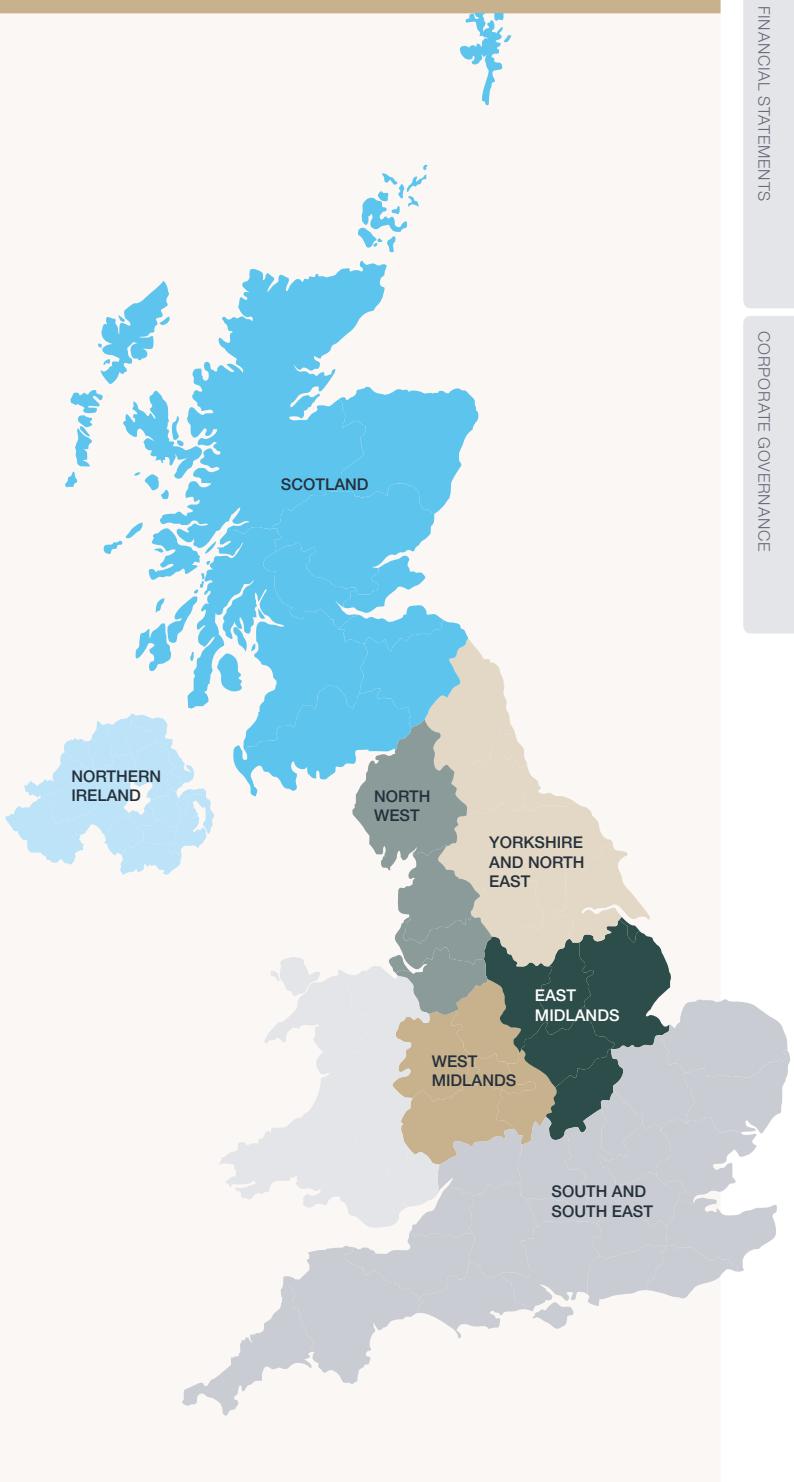
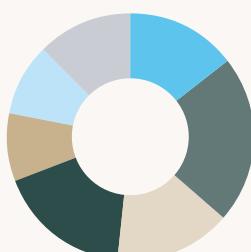
Scotland – £1,542
North West – £2,421
Yorkshire and North East – £1,826
East Midlands – £1,882
West Midlands – £948
Northern Ireland – £1,084
South and South East – £1,323



VALUE (£'000)

£143,748

Scotland – £20,887
North West – £31,581
Yorkshire and North East – £21,841
East Midlands – £25,146
West Midlands – £12,843
Northern Ireland – £13,777
South and South East – £17,673



Risks

Strategic objectives	Risk and impact
 1# Dividend	<ul style="list-style-type: none"> – The group has no employees and relies on third parties to effectively manage operations. Poor performance by providers may result in poor value for money through increased costs, impacting the level of profits available to be paid as dividends – A breach of REIT regulations in relation to payment of dividends may result in loss of tax advantages through holding REIT status
 2# Total returns	<ul style="list-style-type: none"> – Property valuations are inherently subjective and can fluctuate dependent on market and assumptions. Falls in property valuations could adversely affect the Group's borrowing capacity which is linked to the value of its properties
 3# Funding	<ul style="list-style-type: none"> – Without access to equity capital (or further debt) the Group may be unable to grow through acquisition of attractive investment opportunities, and may be unable to meet future financial commitments. This is likely to be driven by investor demand which will reflect Group performance, competitor performance and the relative attractiveness of investment in UK healthcare property – Interest rate fluctuations could increase the Group's costs and increase the likelihood of non-compliance with lender covenants
 4# Long-term secure rental income	<ul style="list-style-type: none"> – Changes in government policies, including specific policies affecting local-authority funding of elderly care, may render the Group's strategy inappropriate. Secure income will be at risk if tenant finances suffer from policy changes, and property valuations would be impacted in the case of a demand downturn – Concentration risk. Significant exposure to a single tenant group may adversely affect Group performance if that tenant was to encounter financial difficulties
 5# Grow portfolio	<ul style="list-style-type: none"> – Lack of attractive investment opportunities and/or an inability to invest on acceptable terms in suitable timeframes will hamper the Group's growth prospects
General	<ul style="list-style-type: none"> – People. Recruitment and retention of Board members and key personnel at the investment manager with relevant and appropriate skills and experience is vital to the Group's ability to meet its objectives. Failure to do so could result in the Group failing to meet its objectives

Change to risk rating	Activity in year affecting risk rating	Mitigation
	<ul style="list-style-type: none"> The Group's costs have improved to an ongoing charges ratio of 1.58 per cent (2014: 1.95 per cent) with dividend cover increasing to 84 per cent The Group remains fully compliant with the REIT regulations 	<ul style="list-style-type: none"> All key service providers are subject to performance assessment at least annually The Group's activities 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
	<ul style="list-style-type: none"> The Group's portfolio value has risen on a like-for-like basis. LTV is within the stated 35 per cent but temporarily above modest target level of 20 per cent whilst the Group has capital awaiting investment Loan covenants have been complied with throughout the year 	<ul style="list-style-type: none"> Loan covenants are closely monitored with there being headroom at present All investments are subject to a detailed investment appraisal prior to acquisition The portfolio is 100 per cent let with sustainable rental levels and upwards-only annual rental reviews which support asset values
	<ul style="list-style-type: none"> The Group has successfully raised new equity funding of £47.8 million during the year, widening its shareholder base in the process Debt facility increased from £30 million to £35 million on existing terms 	<ul style="list-style-type: none"> The Group maintains regular communication with investors, and, with the assistance of its broker and sponsor, regularly monitors the Group's capital requirements and investment pipeline alongside opportunities to raise equity Liquidity available from income, equity and debt is kept under constant review to ensure the Group can meet any forward commitments as they fall due
	<ul style="list-style-type: none"> The market is facing a degree of uncertainty as a result of two recent announcements: firstly, the delay, or possible cancellation, of the social care cap which was to be introduced in 2016; and secondly, the introduction of the National Living Wage from April 2016 which will see care costs for operators rise New equity has been issued which, when invested, will reduce tenant concentration 	<ul style="list-style-type: none"> Government policy is monitored by the Group so as to increase ability to anticipate changes Tenants typically have a multiplicity of income sources, thereby not being totally dependent on government pay The Group's properties are let on long-term leases at sustainable rent levels, providing security of income
	<ul style="list-style-type: none"> The competitive landscape remains particularly congested for transactions offering scale and/or access to specific geographic locations such as the South East of England. In the Group's core regional mid-market, however, we continue to source a variety of single and multi-asset investment opportunities as evidenced by the Company's pipeline 	<ul style="list-style-type: none"> The Investment Manager develops and maintains a network of relationships with property owners and developers which it is expected will provide the Group with the best possible opportunity to acquire suitable properties Demographics are such that many new homes require to be built to satisfy demand. The Group is well-positioned to participate in acquiring a share of these
	<ul style="list-style-type: none"> Two new directors appointed during the year with specific regulatory experience 	<ul style="list-style-type: none"> Directors are subject to annual performance assessment, and are subject to re-election by shareholders The investment manager is subject to regular performance appraisal; has its remuneration aligned with group performance; and, there is a key man provision within the investment management agreement between the manager and the group

Mr Malcolm Naish
Chairman
1 October 2015

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2015

Notes	Year ended 30 June 2015			Period from incorporation on 22 January 2013 to 30 June 2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Revenue						
Rental income	9,898	3,760	13,658	4,517	1,824	6,341
Other income	66	—	66	—	—	—
Total revenue	9,964	3,760	13,724	4,517	1,824	6,341
(Losses) on revaluation of investment properties	9	—	(839)	(839)	—	(4,076)
Acquisition of business cost	11	—	(174)	(174)	—	—
Total income	9,964	2,747	12,711	4,517	(2,252)	2,265
Expenditure						
Investment management fee	2	(1,140)	—	(1,140)	(974)	—
Performance fee	2	(466)	—	(466)	(150)	—
VAT refund on management fees		82	—	82	—	—
Other expenses	3	(880)	—	(880)	(552)	—
Total expenditure	(2,404)	—	(2,404)	(1,676)	—	(1,676)
Profit/(loss) before finance costs and taxation	7,560	2,747	10,307	2,841	(2,252)	589
Net finance costs						
Interest receivable	4	99	—	99	221	—
Interest payable and similar charges	5	(815)	—	(815)	(11)	—
Profit/(loss) before taxation	6,844	2,747	9,591	3,051	(2,252)	799
Taxation	6	(39)	—	(39)	(14)	—
Profit/(loss) for the year/period	6,805	2,747	9,552	3,037	(2,252)	785
Total comprehensive profit/(loss) for the year/period	6,805	2,747	9,552	3,037	(2,252)	785
Earnings/(loss) per share (pence)	8	5.71	2.31	8.02	4.19	(3.11)
						1.08

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/period.

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

Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	As at 30 June 2015 Total £'000	As at 30 June 2014 Total £'000
Non-current assets			
Investment properties	9	138,164	81,422
Trade and other receivables	10	2,530	796
		140,694	82,218
Current assets			
Trade and other receivables	10	6,457	5,728
Cash and cash equivalents	12	29,159	17,125
		176,310	105,071
Total assets			
Non-current liabilities			
Bank loan	13	(30,865)	(11,764)
Trade and other payables	14	(2,530)	(796)
		(33,395)	(12,560)
Current liabilities			
Trade and other payables	14	(3,623)	(2,293)
		(37,018)	(14,853)
Net assets		139,292	90,218
Stated capital and reserves			
Stated capital account	15	136,846	91,516
Capital reserve		495	(2,252)
Revenue reserve		1,951	954
Equity shareholders' funds		139,292	90,218
Net asset value per ordinary share (pence)	8	97.9	94.7

The financial statements on pages 14 to 34 were approved by the Board of Directors and authorised for issue on 1 October 2015 and were signed on its behalf by:

Mr Malcolm Naish

Chairman

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

	Notes	Stated capital account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 30 June 2014		91,516	(2,252)	954	90,218
Total comprehensive profit for the year:		–	2,747	6,805	9,552
Transactions with owners recognised in equity:					
Dividends paid	7	(1,313)	–	(5,808)	(7,121)
Issue of ordinary shares	15	47,802	–	–	47,802
Expenses of issue	15	(1,159)	–	–	(1,159)
At 30 June 2015		136,846	495	1,951	139,292

For the period from incorporation on 22 January 2013 to 30 June 2014

	Notes	Stated capital account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 22 January 2013		–	–	–	–
Total comprehensive (loss)/profit for the period:		–	(2,252)	3,037	785
Transactions with owners recognised in equity:					
Dividends paid	7	(2,333)	–	(2,083)	(4,416)
Issue of ordinary shares		95,740	–	–	95,740
Expenses of issue		(1,891)	–	–	(1,891)
At 30 June 2014		91,516	(2,252)	954	90,218

Consolidated Statement of Cash Flow

For the year ended 30 June 2015

	Notes	Year ended 30 June 2015	Total £'000	Period from incorporation on 22 January 2013 to 30 June 2014 Total £'000
Cash flows from operating activities				
Profit before tax		9,591	799	
Adjustments for:				
Interest receivable		(99)	(221)	
Interest payable		815	11	
Revaluation (gains)/losses on property portfolio		(2,921)	2,252	
(Increase) in trade and other receivables		(308)	(565)	
Increase in trade and other payables		1,003	2,032	
		8,081	4,308	
Interest paid		(613)	–	
Interest received		99	181	
Tax paid		(47)	–	
		(561)	181	
Net cash inflow from operating activities		7,520	4,489	
Cash flows from investing activities				
Purchase of investment properties	9	(51,736)	(85,498)	
Acquisition of subsidiary	11	(5,845)	–	
Net cash outflow from investing activities		(57,581)	(85,498)	
Cash flows from financing activities				
Issue of ordinary share capital		47,802	95,740	
Expenses of issue paid		(1,158)	(1,888)	
Drawdown of bank loan facility		19,225	11,946	
Development loan		3,300	(3,300)	
Dividends paid		(7,074)	(4,364)	
Net cash inflow from financing activities		62,095	98,134	
Net increase in cash and cash equivalents		12,034	17,125	
Opening cash and cash equivalents		17,125	–	
Closing cash and cash equivalents	12	29,159	17,125	
Transactions which do not require the use of cash				
Movement in fixed or guaranteed rent reviews		3,760	1,824	

Notes to the Consolidated 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 International Financial Reporting Standards ('IFRS') as adopted by the EU, interpretations issued by the International Financial Reporting Standards Committee, applicable legal and regulatory requirements of the Companies (Jersey) Law 1991, and the Listing Rules of the UK Listing 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 January 2009 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP. The AIC has issued an updated SORP which is applicable for accounting periods commencing on or after 1 January 2015. The recommendations of the revised SORP have not been adopted early.

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

Significant estimates and judgements

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. Significant estimates and assumptions are made in the valuation of the investment properties held. Further information on market risk and sensitivity to market changes is provided in the notes.

Applicable standards and interpretations

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

- In May 2011, the IASB issued IFRS 10 'Consolidated Financial Statements'. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard does not have any impact on the Group. The Directors have reviewed the new definition of control and consider that all of the entities continue to be controlled by the parent under this definition, and therefore are required to be consolidated.
- In May 2011, the IASB issued IFRS 12 'Disclosure of Interests in Other Entities'. IFRS 12 includes all the disclosures which were previously required by IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The disclosures required under IFRS 12 are included in note 11.
- In December 2011, the IASB issued an amendment to IAS 32 'Offsetting Financial Assets and Financial Liabilities'. These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. The adoption of these amendments does not have an impact on the Group as none of its financial assets and financial liabilities have been offset.
- In October 2012, the IASB issued amendments to IFRS 10 'Consolidated Financial Statement', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 27 'Separate Financial Statements'. These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 'Consolidated Financial Statements'. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments do not have any impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.
- In May 2013, the IASB issued IFRIC Interpretation 21 'Levies', an Interpretation on the accounting for levies imposed by governments. The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The adoption of this interpretation does not have any impact on the consolidated financial statements as presented, as no levies have been imposed on the Group.
- Annual Improvements 2010-2012 Cycle
In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

1. Accounting policies (continued)

(a) Basis of preparation (continued)

Basis of accounting (continued)

Standards issued but not yet effective

The following standards have been issued but are not effective for this accounting year and have not been adopted early:

- In May 2014 the IASB issued IFRS 15, 'Revenue from Contracts with Customers'. IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.
- In July 2014, the IASB published the final version of IFRS 9 'Financial Instruments' which replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'.

The IFRS 9 requirements represent a change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

For financial liabilities, IFRS 9 largely carries forward without substantive amendment the guidance on classification and measurement from IAS 39. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss.

The standard introduces new requirements for hedge accounting that align hedge accounting more closely with risk management and establishes a more principles-based approach to hedge accounting. The standard also adds new requirements to address the impairment of financial assets and means that a loss event will no longer need to occur before an impairment allowance is recognised.

The standard will be effective for annual periods beginning on or after 1 January 2018, and is required to be applied retrospectively with some exemptions. The Group is yet to assess IFRS 9's full impact but it is not currently anticipated that this standard will have any material impact on the Group's financial statements as presented for the current year.

- IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

- IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

- IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3; and
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

- IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e. property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

The Group does not consider that the future adoption of any new standards, in the form currently available, will have any material impact on the financial statements as presented except for changes to disclosures.

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 for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

(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 2015. Subsidiaries are those entities, including special purpose entities, controlled by the Company and are detailed 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 as adjusted for the following:

- Any rental income from fixed and minimum guaranteed rent reviews uplifts is recognised on a straight line basis over the shorter of the term to lease expiry or to the first tenant break option;
- 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 earned.

Where income is recognised in advance of the related cash flows, an adjustment is made to ensure that the carrying value of the relevant property including accrued rent does not exceed the external valuation.

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.

(d) Expenses

Expenses are accounted for on an accruals basis and are inclusive of 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.

Performance fees are charged through the Statement of Comprehensive Income and are charged to revenue. The annual performance fee is based on 10 per cent of the amount by which the total return of the Group's portfolio is in excess of the total return of the IPD Healthcare Index. The performance fee is measured over a rolling three year period, commencing from the acquisition of the first property.

(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 Company's conversion to UK-REIT status was effective from 1 June 2013. With effect from 11 April 2014, the Company withdrew from the single company REIT regime and entered into the Group REIT regime.

Entry to the regime results in, subject to continuing relevant UK-REIT criteria being met, the profits of the Company's property rental business comprising both income and capital gains, being exempt from UK taxation.

1. Accounting policies (continued)

(f) Taxation (continued)

Entry to UK-REIT Regime (continued)

Target Healthcare REIT (Mossvale) Limited joined the Group REIT regime with effect from 12 April 2014. THR Number One PLC and THR Number Two Limited entered the Group REIT regime when they both commenced trading on 17 June 2014.

THR Number 3 Limited entered the Group REIT regime on 29 July 2014 when acquired by the Company.

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

(g) 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. Acquisition related costs are written off in the period in which they are incurred.

For properties subject to deferred consideration clauses within their purchase agreements if certain performance measures are met, the deferred consideration is recognised in the period incurred.

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 provided by Colliers International Property Consultants Limited, Chartered Surveyors, at the balance sheet date using recognised valuation techniques appropriately adjusted for unamortised lease incentives, lease surrender premiums and rental adjustments.

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.

(h) 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.

(i) Rent and other receivables

Rents receivable, which are due to be received in advance at the relevant quarter end, are recognised and carried at the original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

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.

Loans receivable have fixed or determinable payments and are recognised at cost plus any interest accrued.

(j) 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 associated with the investment property which are charged through the statement of comprehensive income in the period of the acquisition. 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. Acquisition related costs are written off as incurred.

(k) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

(l) Interest-bearing bank loans and borrowings

All bank loans and borrowings are initially recognised at cost, being fair value of the consideration received net of arrangement costs associated with the borrowing. 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.

Notes to the Consolidated Financial Statements

(continued)

1. Accounting policies (continued)

(m) Reserves

The Company is able to pay a dividend out of the Stated Capital Account in accordance with the requirements of the Companies (Jersey) Law 1991.

Capital Reserve

The following are accounted for in the capital reserve:

- Gains and losses on the disposal of investment properties;
- Increases and decreases in the fair value of investment properties held at the period end; and
- Rent adjustments which represent the effect of spreading uplifts and incentives.

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 is available for paying dividends.

2. Fees paid to Target Advisers LLP

	Year ended 30 June 2015 £'000	For the period from incorporation on 22 January 2013 to 30 June 2014 £'000
Base management fee	1,140	974
Performance fee	466	150
Total	1,606	1,124

Between 19 March 2013 and 21 July 2014, the Company's Investment Manager was R&H Fund Services (UK) Limited. During this period, the property management arrangements of the Company were delegated by R&H Fund Services (UK) Limited, with the approval of the Company, to Target Advisers LLP (the 'Investment Adviser' or 'Target'), with the Investment Adviser being responsible for the day-to-day management of the Company.

On 22 July 2014, Target became the Company's Investment Manager and was also appointed as its alternative investment fund manager (the 'AIFM'). Target is entitled to an annual base management fee of 0.90 per cent of the net assets of the Group, provided that the fee shall be 0.85 per cent if the net assets of the Group are below £60 million, and an annual performance fee calculated by reference to 10 per cent of the outperformance of the Group's portfolio total return relative to the IPD UK Annual Healthcare Index ('the Index').

The first performance fee period was 8 March 2013 to 31 December 2014. Subsequent performance fee periods will be annually to 31 December, in-line with the Index. Portfolio performance is measured over three cumulative rolling performance periods whereby any performance fees paid to the Investment Manager are subject to clawback if cumulative performance underperforms the Index.

A performance fee in respect of the period from launch until 31 December 2014 totalling £506,000 has been paid of which £150,000 of this was accrued in the prior period accounts. The maximum amount of total fees payable by the Group to the Investment Manager shall be limited to 1.25 per cent of the average net assets of the Group over a financial year.

At the year-end an accrual of £110,000 (inclusive of estimated VAT) has been made based on the Group's portfolio performance and available Index data.

The performance fee is charged to revenue.

The Investment Management Agreement can be terminated by either party on six months' written notice subject to an initial minimum period of notice of three years from Admission. The Investment Management Agreement may be terminated immediately if: the Investment Manager is in material breach of the agreement; guilty of negligence, wilful default or fraud; is the subject of insolvency proceedings; or there occurs a change of Key Managers to which the Board has not given its prior consent.

3. Other expenses

	Year ended 30 June 2015 £'000	For the period from incorporation on 22 January 2013 to 30 June 2014 £'000
Administration fee	147	104
Valuation and other professional fees	242	102
Directors' fees	113	82
Auditor's remuneration for:		
– statutory audit of the Company	37	37
– statutory audit of the subsidiaries	35	–
– assurance related services	5	10
– other services related to taxation compliance*	52	38
– other services relating to tax advisory*	28	48
Listing & registrar fees	54	55
Public relations	26	25
Other	141	51
Total	880	552

The valuers of the investment properties, Colliers International Property Consultants Limited, have agreed to provide valuation services in respect of the property portfolio. The valuation agreement states that annual fees will be payable quarterly based on rates of 0.05 per cent of the aggregate value of the property portfolio up to £30 million, 0.04 per cent up to £60 million and 0.035 per cent greater than £60 million.

* The Company paid a further £27,000 to EY as non-audit fees in relation to expenses of issue and these are included in note 15 and £6,000 to EY as non-audit fees in relation to advice on a property acquisition and these are included in acquisition costs in note 9. Expenses are inclusive of VAT as the Company is not VAT registered. A split of the services provided by EY and the fees for their services is provided within the Report of the Audit Committee on page 43.

4. Interest receivable

	Year ended 30 June 2015 £'000	For the period from incorporation on 22 January 2013 to 30 June 2014 £'000
Deposit interest	61	182
Development loan interest	38	39
Total	99	221

5. Interest payable and similar charges

	Year ended 30 June 2015 £'000	For the period from incorporation on 22 January 2013 to 30 June 2014 £'000
Bank loan	815	11
Total	815	11

Notes to the Consolidated Financial Statements

(continued)

6. Taxation

	Year ended 30 June 2015 £'000	For the period from incorporation on 22 January 2013 to 30 June 2014 £'000
Current tax	39	14
Total tax charge	39	14

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

	Year ended 30 June 2015 £'000	For the period from incorporation on 22 January 2013 to 30 June 2014 £'000
Profit before tax	9,591	799
Tax at 20.76% (2014: 22.70%)	1,991	181
Effects of:		
REIT exempt profits	(2,131)	(617)
REIT exempt gains	174	511
Capital allowances claimed	5	(61)
Total tax charge	39	14

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.

Prior to gaining UK-REIT status on 1 June 2013, the Company was liable to United Kingdom taxation on all of its income or gains under standard corporation tax regulations.

From 1 June 2013, 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.

7. Dividends

Amounts paid as distributions to equity holders during the year.

	Dividend rate (pence per share)	Year ended 30 June 2015 £'000
Sixth interim dividend for the period ended 30 June 2014	1.50	1,428
First interim dividend for the period ended 30 June 2015	1.53	1,721
Second interim dividend for the period ended 30 June 2015	1.53	1,795
Third interim dividend for the period ended 30 June 2015	1.53	2,177
Total	6.09	7,121

Amounts paid as distributions to equity holders during the period.

	Dividend rate (pence per share)	For the period from incorporation on 22 January 2013 to 30 June 2014 £'000
First interim dividend for the period ended 30 June 2014	2.00	1,005
Second interim dividend for the period ended 30 June 2014	1.50	753
Third interim dividend for the period ended 30 June 2014	0.44	221
Fourth interim dividend for the period ended 30 June 2014	1.06	1,009
Fifth interim dividend for the period ended 30 June 2014	1.50	1,428
Total	6.50	4,416

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 2015, of 1.53 pence per share, was paid on 28 August 2015 to shareholders on the register on 7 August 2015 amounting to £2,177,000. 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

EPRA is an industry body which issues best practice reporting guidelines and the Group report an EPRA NAV quarterly. EPRA has issued best practice recommendations for the calculation of certain figures which are included below.

Earnings per share

The Group's revenue earnings per ordinary share of 5.71 pence per share (for the period ended 30 June 2014: 4.19 pence per share) are based on the net revenue for the year of £6,805,000 (for the period ended 30 June 2014: £3,037,000) and on 119,160,560 ordinary shares (for the period ended 30 June 2014: 72,313,773 ordinary shares), being the weighted average number of shares in issue during the year.

The Group's capital earnings per ordinary share of 2.31 pence per share (for the period ended 30 June 2014: capital loss of 3.11 pence per share) are based on the capital return for the year of £2,747,000 (for the period ended 30 June 2014: capital loss of £2,252,000) and on 119,160,560 ordinary shares (for the period ended 30 June 2014: 72,313,773 ordinary shares), being the weighted average number of shares in issue during the year.

The Group's total earnings per ordinary share of 8.02 pence per share (for the period ended 30 June 2014: 1.08 pence per share) are based on the profit for the year of £9,552,000 (for the period to 30 June 2014: £785,000) and on 119,160,560 ordinary shares (for the period ended 30 June 2014: 72,313,773 ordinary shares), being the weighted average number of shares in issue during the year.

The EPRA earnings are arrived at by adjusting the revaluation movements on investment properties and represents the revenue earned by the Group.

The Group's specific adjusted EPRA earnings adjusts the EPRA earnings for the performance fee.

The reconciliations are provided in the table below:

	Year ended 30 June 2015	Period from incorporation on 22 January 2013 to 30 June 2014
Earnings		
Earnings per IFRS Consolidated Statement of Comprehensive Income	9,552	785
Adjusted for revaluations of investment properties	(2,747)	2,252
EPRA Earnings	6,805	3,037
Adjusted for performance fee	466	150
Group specific adjusted EPRA earnings	7,271	3,187
Earnings per share ('EPS') (pence per share)		
EPS per IFRS Consolidated Statement of Comprehensive Income	8.02	1.08
EPRA EPS	5.71	4.19
Group specific adjusted EPRA EPS	6.10	4.41

Net Asset Value per share

The Group's net asset value per ordinary share of 97.9 pence (30 June 2014: 94.7 pence) is based on equity shareholders' funds of £139,292,000 (30 June 2014: £90,218,000) and on 142,298,226 (30 June 2014: 95,221,629) ordinary shares, being the number of shares in issue at the year end.

The EPRA net asset value ('EPRA NAV') per share is arrived at by adjusting the net asset value ('NAV') calculated under International Financial Reporting Standards ('IFRS'). The EPRA NAV provides a measure of the fair value of a company on a long-term basis. There were no adjustments required and the NAV is consistent with the EPRA NAV.

	As at 30 June 2015	As at 30 June 2014
Net Asset Value per financial statements (pence per share)	97.9	94.7
EPRA NAV (pence per share)	97.9	94.7

Notes to the Consolidated Financial Statements

(continued)

9. Investments

Freehold and leasehold properties

	As at 30 June 2015 £'000	As at 30 June 2014 £'000
Opening market value at beginning of the period	83,246	–
Purchases	49,424	81,217
Purchase of property through a business combination	5,845	–
Acquisition costs capitalised	2,312	4,281
Acquisition costs written off	(2,312)	(4,281)
Revaluation movement	5,233	2,029
Closing market value	143,748	83,246
Opening carrying value at beginning of the period	81,422	–
Purchases	49,424	81,217
Purchase of property through a business combination	5,845	–
Acquisition costs capitalised	2,312	4,281
Acquisition costs written off	(2,312)	(4,281)
Revaluation movement	5,233	2,029
Fixed or guaranteed rent reviews movement	(3,760)	(1,824)
Closing carrying value	138,164	81,422
Opening fixed or guaranteed rent reviews at beginning of the period	(1,824)	–
Fixed or guaranteed rent reviews movement	(3,760)	(1,824)
Closing fixed or guaranteed rent reviews	(5,584)	(1,824)
Changes in the valuation of investment properties		For the period from incorporation on 22 January 2013 to 30 June 2014 £'000
	Year ended 30 June 2015 £'000	For the period from incorporation on 22 January 2013 to 30 June 2014 £'000
Net revaluation movement	2,921	(2,252)
Movement in fixed or guaranteed rent reviews	(3,760)	(1,824)
Losses on revaluation of investment properties	(839)	(4,076)

The properties were valued at £143,748,000 (2014: £83,246,000) by Colliers International Property Consultants Limited ('Colliers'), in their capacity as external valuers. The valuation was undertaken in accordance with the RICS Valuation – Professional Standards, incorporating the International Valuation Standards January 2014 ('the Red Book') issued by the Royal Institution of Chartered Surveyors ('RICS') on the basis of Market Value, supported by reference to market evidence of transaction prices for similar properties. Market Value represents the estimated amount for which 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 was £138,164,000 (2014: £81,422,000). Included within fixed rent reviews is £7,000 relating to lease incentives.

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. All leasehold properties have more than 990 years remaining on the lease term.

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;
- Level 2 – observable inputs other than quoted prices included within level 1;
- Level 3 – unobservable inputs.

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

9. Investments (continued)

Changes in the valuation of investment properties (continued)

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

Observable market data is considered to be that which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. In arriving at the valuation Colliers will have to make adjustments to observable data of similar properties and transactions to determine the fair value of a property and this will involve the use of considerable judgement.

Considering the Group's specific valuation process, industry guidance, and the level of judgement required in the valuation process, the Directors believe it appropriate to classify the Group's assets within level 3 of the fair value hierarchy.

The Group's investment properties, which are all care homes, are considered to be a single class of assets. The weighted average net initial yield on these assets is ahead of the blended 7 per cent modelled at the time of launch. The yield on individual assets ranges from 6.5 per cent to 8.0 per cent. There have been no changes to the valuation technique used through the period, nor have there been any transfers between levels.

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

- Estimated rental value ('ERV'): The rent at which space could be let in the market conditions prevailing at the date of valuation; and
- Yield – The equivalent yield is defined as the internal rate of return of the cash flow from the property, assuming a rise to ERV at the next review, but with no further rental growth.

The ERV for the total portfolio is materially the same as the passing rent which is disclosed on page 11.

A decrease in the ERV applied to an asset will decrease the fair value of the asset, and consequently decrease the Group's reported income from unrealised gains on investments. An increase in the ERV will increase the fair value of an asset and increase the Group's income.

A decrease in the investment yield applied to the portfolio by 0.25 per cent will increase the fair value of the portfolio by £5.1 million, and consequently increase the Group's reported income from unrealised gains on investments. An increase in yield by 0.25 per cent will decrease the fair value of the portfolio by £4.8 million and reduce the Group's income.

10. Trade and other receivables

	As at 30 June 2015 £'000	As at 30 June 2014 £'000
Non-current trade and other receivables		
Cash held for tenants	2,530	796
Total	2,530	796
Current trade and other receivables		
Development loan	–	3,339
Fixed rent reviews	5,584	1,824
Cash deposits held in escrow for property purchases	605	300
Lease incentives	223	–
Other debtors and prepayments	45	265
Total	6,457	5,728

At the year end trade and other receivables include a fixed rent review debtor of £5,584,000 (30 June 2014: £1,824,000) which represents the effect of recognising guaranteed rental uplifts on a straight line basis over the shorter of the term to lease expiry or to the first tenant break option, in accordance with the Group's accounting policies spreading uplifts and incentives over the lease term. Included within fixed rent reviews is £7,000 relating to lease incentives.

On 16 April 2014, the Group entered into a secured loan facility agreement with Ideal Carehomes (Three) Limited ('Ideal') which is one of the Group's tenants. The Company had agreed to provide Ideal with a loan of £3,338,892 for the purposes of carrying out the development of a property and this was fully drawn down at the prior period end. The interest on this loan was at a rate of 7 per cent. During August 2014 the development was completed and the loan was repaid.

11. Investment in subsidiary undertakings

The Company owns 100 per cent of the issued ordinary share capital of Target Healthcare REIT (Mossvale) Limited ('THRM'), a company registered in Scotland. The principal activity of Target Healthcare REIT (Mossvale) Limited is that of an investment and property company.

Notes to the Consolidated Financial Statements

(continued)

11. Investment in subsidiary undertakings (continued)

In the prior period the Company provided a capital contribution of £4.0 million to THR1.

The Company owns 100 per cent of the issued ordinary share capital of THR Number One PLC ('THR1'), a company registered in England and Wales. The principal activity of THR1 is that of an investment and property company.

THR1 owns 100 per cent of the share capital of THR Number Two Limited ('THR2'), a company registered in England & Wales. The principal activity of THR2 is that of an investment and property company.

In addition to its investment in the shares of THR1, the Company has lent £1.7 million to THR1 as at 30 June 2015 (2014: £4.6 million). Interest is payable at a fixed rate of 2.5 per cent per annum.

THR1 has lent £950k to THR2 as at 30 June 2015 (2014: £2.9 million). Interest is payable at a fixed rate of 2.5 per cent per annum.

Acquisition of Magnum Care Hinckley Limited

On 29 July 2014, the Company acquired 100 per cent of the voting shares of Magnum Care Hinckley Limited, a company registered in England and Wales. The company prior to purchase by the Company was a property development company. The Company acquired Magnum Care Hinckley Limited as the company had developed a care home. Following the acquisition the care home began trading. The principal activity of the company following acquisition is that of a property and investment company.

On 28 November 2014 the name of the company was changed to THR Number 3 Limited ('THR3'). On 29 January 2015, 100 per cent of the share capital of THR3 was transferred to THR1.

The fair value of the identifiable assets and liabilities of Magnum Care Hinckley Limited at the date of acquisition by the Company was:

Fair value recognised on acquisition

	£'000
Investment property	5,845
Cash and cash equivalents	—
Trade and other receivables	—
Total assets	5,845
Trade and other payables	—
Total liabilities	—
Total identifiable net assets at fair value	5,845
Purchase consideration transferred	5,845

Cash flow on acquisition

	£'000
Net cash acquired with the subsidiary	—
Cash paid	(5,845)
Net cash flow on acquisition	(5,845)

The Group sought an independent valuation by Colliers of the investment property held within the company at the time of acquisition.

The cost of acquiring THR3 was £174,000.

From the date of acquisition of THR3 on 29 July 2014, the profit and total comprehensive income of THR3 included within the Consolidated Statement of Comprehensive Income for the year ended 30 June 2015 totalled £437,000 (revenue profit of £405,000, capital profit of £32,000).

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 2015 £'000	As at 30 June 2014 £'000
Cash at bank and on hand	1,159	1,665
Short-term deposits	28,000	15,460
Total	29,159	17,125

13. Bank loan

	As at 30 June 2015 £'000	As at 30 June 2014 £'000
Principal amount outstanding	31,510	12,261
Set-up costs	(708)	(499)
Amortisation of set-up costs	63	2
Total	30,865	11,764

The Group has a £35.0 million committed term loan and revolving credit facility with the Royal Bank of Scotland plc which is repayable on 23 June 2019. Interest accrues on the bank loan at a variable rate, based on 3 month LIBOR plus margin and mandatory lending costs, and is payable quarterly. The margin is 2 per cent per annum for the duration of the loan.

This bank loan is secured by way of a fixed and floating charge over the whole of the assets of the THR Number One PLC Group ('THR1 Group') which consists of THR1 and its two directly held subsidiaries, THR2 and THR3. Under the bank covenants related to this loan, the Group is to ensure that for THR1 Group:

- The loan to value percentage does not exceed 50 per cent; and
- The interest cover is greater than 300 per cent on any calculation date.

THR1 Group has complied with all the bank loan covenants during the year.

14. Trade and other payables

	As at 30 June 2015 £'000	As at 30 June 2014 £'000
Non-current trade and other payables		
Rental deposits	2,530	796
Total	2,530	796
Current trade and other payables		
Rental income received in advance	2,272	1,349
Investment Manager's fees payable including performance fees	450	394
Tax payable	6	14
Other payables	895	536
Total	3,623	2,293

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

15. Stated Capital Movements

	As at 30 June 2015	
	Number of shares	£'000
Allotted, called-up and fully paid ordinary shares of no par value		
Opening balance	95,221,629	91,516
Issue of 17,244,597 ordinary shares of no par value on 25 September 2014	17,244,597	17,417
Issue of 4,832,000 ordinary shares of no par value on 26 November 2014	4,832,000	4,885
Issue of 25,000,000 ordinary shares of no par value on 6 March 2015	25,000,000	25,500
Expenses of issue		139,318
		(1,159)
		138,159
Dividends allocated to capital		(1,313)
Balance as at 30 June 2015	142,298,226	136,846

Under the Company's Articles of Incorporation, the Company may issue an unlimited number of ordinary shares.

Notes to the Consolidated Financial Statements

(continued)

15. Stated Capital Movements (continued)

Capital management

The Company's capital is represented by the stated capital account, capital reserve and revenue reserve. The Company is not subject to any externally-imposed capital requirements.

The capital of the Company is managed in accordance with its investment policy, in pursuit of its investment objective. The Company is able to pay a dividend out of the Stated Capital Account in accordance with the requirements of the Companies (Jersey) Law 1991.

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 or issue new shares. The Company did not repurchase any ordinary shares during the year. At 30 June 2015 and at 30 June 2014, the Company did not hold any ordinary shares in treasury. On 27 August 2015, the Company issued 14,229,822 ordinary shares at a price of 99.5 pence per share. These same shares were repurchased at the same price, to be held in treasury, immediately on admission on 2 September 2015. See note 22 for further details. At 1 October 2015, the Company held 14,229,822 ordinary shares in treasury.

No changes were made in the 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 and receivables and payables that arise directly from its operations. The Group does not currently have exposure to any derivative instruments.

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 £29.8 million (2014: £20.8 million).

In the event of default by a tenant if it is in financial difficulty or otherwise unable to meet its obligations under the lease, the Group will suffer a rental shortfall and incur additional expenses until the property is relet. These expenses could include legal and surveyor's costs in reletting, maintenance costs, insurances, rates and marketing costs and may have a material adverse impact on the financial condition and performance of the Group and/or the level of dividend cover. The 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.

There were no financial assets which were either past due or considered impaired at 30 June 2015 and at 30 June 2014.

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

During the year, due to the quantum of cash balances held, counterparty risk was spread by placing cash across two different financial institutions and at the year-end the Group held £14.1 million (2014: £12.9 million) with The Royal Bank of Scotland plc and £15.0 million (2014: £4.2 million) with Lloyds Bank plc.

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 ongoing 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 2015

	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
Cash	29,159	—	—	29,159
Cash held for tenants	—	—	2,530	2,530
Other debtors and prepayments	873	—	—	873
Total	30,032	—	2,530	32,562

Financial assets as at 30 June 2014

	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
Cash	17,125	—	—	17,125
Development loan	3,339	—	—	3,339
Cash held for tenants	—	—	796	796
Other debtors and prepayments	565	—	—	565
Total	21,029	—	796	21,825

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

Financial liabilities as at 30 June 2015

	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
Bank loan	228	678	37,693	38,599
Rental deposits	—	—	2,530	2,530
Other payables	1,351	—	—	1,351
Total	1,579	678	40,223	42,480

Financial liabilities as at 30 June 2014

	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
Bank loan	169	500	32,665	33,334
Rental deposits	—	—	796	796
Other payables	944	—	—	944
Total	1,113	500	33,461	35,074

The total amount due to RBS under the interest-bearing £35 million bank facility (30 June 2014: £30 million bank facility) includes the expected interest payments due based on the rate of 3 month LIBOR as at the respective period ends. This assumes the facility is fully drawn down from the respective balance sheet dates and for the full period until expiry on 23 June 2019.

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. Interest is received on cash at fixed rates of 0.50 per cent and 0.55 per cent and earns interest at these fixed rates for six months. Exposure varies throughout the period as a consequence of changes in the composition of the net assets of the Group arising out of the investment and risk management policies. These balances expose the Group to cash flow interest rate risk as the Group's income and operating cash flows will be affected by movements in the market rate of interest.

The Group has a £35 million committed term loan and revolving capital facility which is charged interest at a rate of 3 month LIBOR plus a margin of 2 per cent per annum and at the year-end £31.5 million was drawn down (2014: £12.3 million). The bank borrowings are carried at amortised cost and the Group considers this to be a close approximation to fair value. The fair value of the bank borrowings is affected by changes in the market interest rate. The Group intends to hedge a proportion of this exposure through entering into a fixed rate Interest Rate Swap.

Notes to the Consolidated Financial Statements

(continued)

16. Financial instruments (continued)

Interest rate risk (continued)

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

	As at 30 June 2015		As at 30 June 2014	
	Fixed rate £'000	Variable rate £'000	Fixed rate £'000	Variable rate £'000
Cash and cash equivalents	29,159	-	17,125	-
Development loan	-	-	3,300	-
Bank loan	-	31,510	-	12,261

An increase of 0.25 per cent in interest rates would have decreased the reported profit for the year and the net assets at the year-end by £6,000 (2014: an increase of £108,000), a decrease in interest rates would have an equal and opposite effect. These movements are calculated based on balances as at 30 June 2015 (30 June 2014) 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.

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 value of the investment properties held as at 30 June 2015 (30 June 2014) would have increased net assets available to shareholders and increased the net income for the year by £13.8 million (2014: £8.1 million); 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 are not representative of the period as a whole, nor reflective of future market conditions.

17. Capital commitments

In December 2014 the Company entered into a forward commitment agreement to acquire a purpose-built care home in Tonbridge, Kent, for a consideration of £12.5 million including acquisition costs. The property is currently being built with the development expected to reach practical completion in summer 2016, at which point payment will become due.

18. Lease length

The Group 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 2015 £'000	As at 30 June 2014 £'000
Less than one year	11,151	6,487
Between two and five years	42,289	27,341
Over five years	395,847	249,962
Total	449,287	283,790

The largest single tenant at the year-end accounted for 31.7 per cent (2014: 45.7 per cent) of the current annual rental income.

There were no unoccupied properties at the period end.

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 of between 25 and 35 years.

19. Related Party Transactions and fees paid to Target Advisers LLP

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.

Mr G Ross is a director of the Company Secretary and the Administrator, R&H Fund Services (Jersey) Limited and R&H Fund Services Limited, which receive fees from the Company. Mrs H Jones is a director of the Company Secretary, R&H Fund Services (Jersey) Limited. Secretarial and administration fees for the period are disclosed in note 3.

The Directors of the Company received fees for their services. Total fees for the year were £113,000 (prior period: £82,000) of which £16,000 (£9,550) remained payable at the year end.

Target Advisers LLP received £1,606,000 (prior period: £1,124,000) during the year of which £nil (2014: £49,000) related to the expenses of issue and £466,000 (prior period: £150,000) related to performance fee. £450,000 (2014: £394,000) (inclusive of VAT) remained payable at the year end.

20. 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 total return on the Group's net asset value. As the total return on the Group's net asset value is calculated based on the net asset value per share calculated under IFRS as shown at the foot of the Statement of Financial Position, assuming dividends are re-invested, the key performance measure is that prepared under IFRS. Therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the financial statements.

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.
- The management of the portfolio is ultimately delegated to a single property manager, Target.

21. Contingent assets and liabilities

One property within the portfolio met contracted performance conditions during the period which triggered a deferred payment of £0.5 million to the vendor. The reported performance figures were verified by an independent reporting accountant, formal approval was granted by the Board and payment was made in March 2015. The Group became entitled to receive an uplift in rental income from the property commencing at the date the deferred payment was made. All other things being equal, this resulted in an increase in the market value of the property by a value equivalent to the deferred payment made.

A further two properties within the portfolio are subject to deferred consideration clauses within the purchase agreements if certain performance measures are met. The performance conditions on the other two properties have not yet been met and as the net effect on the Group's financial position and income is expected to be immaterial, no post-balance sheet adjustment has been made.

22. Post Balance Sheet Events

On 27 August 2015, the Company issued 14,229,822 ordinary shares, under the placing programme described in the Company's prospectus dated 5 September 2014, as supplemented on 7 January 2015 and 24 February 2015, at a price of 99.5 pence per share. Following admission on 2 September 2015, the Company immediately repurchased these same shares, at the same price, to be held in treasury. The net cash position of the Company, following this transaction, remained unchanged. At 1 October 2015, the Company held 14,229,822 ordinary shares in treasury.

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

Notes to the Consolidated Financial Statements

(continued)

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

In accordance with the AIFM Directive, information in relation to the Group's leverage and the remuneration of the Company's AIFM, Target Advisers LLP, is required to be made available to investors. In accordance with the Directive, the AIFM's remuneration policy is available from Target Advisers LLP on request and the numerical remuneration disclosures in relation to the AIFM's first relevant accounting period will be made available in due course.

The Group's maximum and average actual leverage levels at 30 June 2015 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	3.00	3.00
Actual	1.03	1.24

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.

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 Incorporation. 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 on the Company's website.

Board of Directors

Malcolm Naish

Independent Non-Executive Chairman

Mr Naish was a director of Real Estate at Scottish Widows Investment Partnership ('SWIP') until 2012, with responsibility for a portfolio of commercial property assets spanning the UK, Continental Europe and North America, and for SWIP's real estate investment management business. Mr Naish has over 40 years' experience of working in the real estate industry and qualified as a Chartered Surveyor in 1976. Immediately prior to joining SWIP he was director and head of DTZ Investment Management, where he also led new business development in the UK and international markets. He was a founding partner of Jones Lang Wootton Fund Management, and UK Managing Director of LaSalle Investment Management. In 2002, he co-founded Fountain Capital Partners, a pan-European real estate investment manager and adviser. Mr Naish was also Chairman of the Scottish Property Federation for 2010/2011. He now holds a number of non-executive positions and roles in the charity sector.

Date of appointment: 30 January 2013

Country of residence: UK

All other public company directorships: GCP Student Living Plc, Ground Rents Income Fund Plc

Professor June Andrews

Independent Non-Executive Director

Professor Andrews is the director of the Dementia Services Development Centre at the University of Stirling, a Fellow of the Royal College of Nursing and a world renowned dementia specialist. She set up and directed the Centre for Change and Innovation in the Scottish Executive Health Department. Professor Andrews is a former trade union leader, NHS manager and senior civil servant.

Date of appointment: 30 January 2013

Country of residence: UK

All other public company directorships: None

Gordon C. Coull

Independent Non-Executive Director and Chairman of Audit Committee

Mr Coull was, until June 2011, a partner at Ernst & Young LLP where he specialised in investment trusts and property. He has served as an audit committee member at the Universities Superannuation Scheme since April 2012 and as a director of Cornelian Asset Managers Group from May 2015.

Date of appointment: 30 January 2013

Country of residence: UK

All other public company directorships: None

Thomas J. Hutchison III

Independent Non-Executive Director and Senior Independent Director

Mr Hutchison has more than 40 years of experience focused in the lodging, hospitality, real estate development, seniors' housing and financial services industries. He is the principal founder of Legacy Hotel Advisors, LLC and Legacy Healthcare Properties, LLC where he served as the Chairman of both companies. In January 2000, he joined CNL Financial Group, Inc. where he held several key executive positions over an eight year period: CEO of each of CNL Retirement Properties, Inc., CNL Hotels & Resorts, Inc., CNL Real Estate Group, Inc., CNL Realty and Development, Inc. and CNL Income Properties, Inc. Mr Hutchison is currently a director for KSL Capital Partners LLC, ClubCorp, Inc., US Chamber of Commerce, Hersha Hospitality Trust and Trinity Forum Europe. He is also a member of The Real Estate Roundtable, Leadership Council for Communities in Schools and the Advisory Council of the Erickson School of Aging Studies. Additionally, he serves as a senior advisor to various service industry public companies. He is a former Director of Zapata Corporation, General Development Corporation, Vision360 and Trinity Forum.

Date of appointment: 30 January 2013

Country of residence: United States of America

All other public company directorships: None

Hilary Jones

Independent Non-Executive Director

Mrs Jones joined Rawlinson & Hunter's ('R&H') fund administration business in Jersey in 1999 and was promoted to the role of Principal Manager in 2005. Since 2009 she has been a director of R&H Jersey and leads a team responsible for a wide range of corporate services, in particular for property funds. Mrs Jones is a fellow of the Association of Chartered Certified Accountants and a past member of the Legal & Technical Committee of the Jersey Funds Association; she also sat on the Authorisation Users panel which liaised with the JFSC on behalf of the funds industry regarding specific matters relating to the authorisation of funds.

Date of appointment: 22 July 2014

Country of residence: Jersey

All other public company directorships: Global Media Rights Limited

Graeme Ross

Independent Non-Executive Director

Mr Ross is a Chartered Accountant and has over 25 years' experience of the offshore funds sector. He joined R&H's fund administration business in Jersey in 1986 and became a partner in 1995. In 2010 Mr Ross was appointed as Senior Partner of R&H in Jersey with responsibility for the firm's overall business strategy.

Date of appointment: 22 July 2014

Country of residence: Jersey

All other public company directorships: ETFS Commodity Securities Australia Limited, ETFS Commodity Securities Limited, ETFS Equity Securities Limited, ETFS Foreign Exchange Limited, ETFS Hedged Commodity Securities Limited, ETFS Hedged Metal Securities Limited, ETFS Metal Securities Limited, ETFS Oil Securities Limited, Geiger Counter Limited, Genagro Limited, Global Media Rights Limited, Gold Bullion Securities Limited, New City Energy Limited, RHFS Growth & Income Funds Limited, Swiss Commodity Securities Limited.

Investment Manager

The Investment Manager

The Company has appointed Target Advisers LLP ('Target' or the 'Investment Manager') as its investment manager pursuant to the Investment Management Agreement. The Investment Manager is a limited liability partnership 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.

From 19 March 2013 to 22 June 2014, R&H Fund Services (UK) Limited was the investment manager of the Company. R&H Fund Services (UK) Limited had entered into the Investment Manager's Delegation Agreement with Target, pursuant to which the day-to-day management of the Company was delegated to Target.

Alternative Investment Fund Managers Directive ('AIFMD')

The Board has appointed Target as the Company's AIFM and Target has received FCA approval to act as AIFM of the Company; your Company is therefore fully compliant with the AIFMD. An additional requirement of the AIFMD is for the Company to appoint a depositary, which will oversee the property transactions and cash arrangements and other AIFMD required depositary responsibilities. The Board has appointed Augentius Depositary Company Limited to act as the Company's depositary.

Key personnel of the Investment Manager

The key healthcare investment professionals who are responsible for managing the portfolio are:

Kenneth MacKenzie

Kenneth MacKenzie is founder and managing partner of Target since 2010. He is an experienced entrepreneur and healthcare operator. He purchased, developed and operated one of Scotland's largest domiciliary care businesses, Independent Living Services (ILS) Limited, and successfully sold his equity in 2006. Kenneth has over 30 years' experience leading entrepreneurial start ups and acquisitions and securing exits for shareholders. Kenneth knows many of the operators, agents, private equity players, and developers in the healthcare sector via a well developed network. Kenneth will continue to network widely, visiting key players in the sector, inspecting potential acquisitions, and will be instrumental in key negotiations.

John Flannelly

John Flannelly is investment partner of Target since 2010. He qualified as a Chartered Accountant with Arthur Andersen and has extensive investment experience in the healthcare, leisure and real estate sectors from his five years at Bank of Scotland Joint Ventures where he managed a portfolio of approximately £500 million of risk capital. John represented Bank of Scotland on numerous investee company boards including the parent company of the Caring Homes Group, one of the largest owner operators of care homes in the UK, which underwent a material growth phase during the period of his involvement. Prior to this, also at Bank of Scotland, he spent three years structuring debt packages for private equity backed management buy outs and two years in a business development role where he developed his network. John has more than 15 years relevant experience in corporate finance, banking and private equity in investment appraisal, debt structuring, acquisitions, divestments and exits.

Andrew Brown

Andrew Brown is healthcare partner of Target. He is a healthcare professional with wide experience of elderly care through leading and managing the development of Auchlochan, one of the unique continuing care retirement communities in the UK, based in Scotland. Andrew has 25 years' experience of the senior care sector, negotiating with planners, bankers, care commission, health boards, local authorities and clients.

Rob Scholes

Rob Scholes is investment director at Target. He has over 10 years' investment and corporate finance experience having worked in the private equity division of Bank of Scotland and at mid-market private equity firm Caird Capital. Rob's responsibilities include the appraisal and execution of new investment opportunities as well as reporting on the development of the funds and the assets managed by the Investment Manager.

In addition to the healthcare investment professionals:

Gordon Bland

Gordon Bland is Finance Director at Target. He is a Chartered Accountant with extensive experience of financial reporting within the asset management industry. Gordon's responsibilities at Target extend to: advising on strategic planning and formulating business plans; financial modelling and budget analysis; regulatory control; managing relationships with debt partners; and, ensuring provision of financial reporting to stakeholder groups. Prior to joining Target, Gordon worked at PricewaterhouseCoopers for almost ten years serving asset management and financial services clients in the UK, Canada and Australia.

Directors' Report

The Directors present their report, along with the financial statements of the Group on pages 14 to 34, for the year ended 30 June 2015.

Results and dividends

The results for the year are set out in the attached financial statements. The Group declared four quarterly interim dividends of 1.53 pence per share to shareholder in the year ended 30 June 2015.

The Company

The Company is a Jersey registered closed-ended property investment company and its shares have a premium listing on the Official List of the UK Listing Authority and are traded on the main market of the London Stock Exchange.

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 full repairing and insuring leases.

In order to spread risk and diversify its portfolio, the Group is also permitted to invest up to: (i) 10 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 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.

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 such borrowings are incurred. The Board currently intends that, as the proceeds of share issues are invested, any further borrowings of the Group at the time of drawdown will not exceed 20 per cent of its gross assets.

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

An analysis of the Company's property portfolio at 30 June 2015 is shown on page 11.

Directors

Biographical details of the Directors, all of whom are non-executive, can be found on page 35. As explained in more detail under the Corporate Governance Statement on pages 40 and 41, all new appointments by the Board are subject to election by shareholders at the next Annual General Meeting ('AGM') thereafter the Board has agreed that all Directors will retire annually and, if appropriate, seek re-election. Accordingly, all Directors will be subject to re-election at the AGM on 12 November 2015. Having considered the knowledge and experience of each Director the Board has no hesitation in recommending their re-election to shareholders.

The Directors believe that the Board has an appropriate balance of skills, experience, independence and knowledge of the Group to enable it to provide effective strategic leadership and proper guidance of the Group. The Board confirms that, following the evaluation process set out in the Corporate Governance Statement on pages 40 to 41, the performance of each of the Directors continues to be effective and demonstrates commitment to the role. There are no service contracts in existence between the Company and any Directors 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.

Substantial Interests in Share Capital

As at 30 June 2015 the Company had received notification of the following holdings of voting rights (under the Financial Conduct Authority's Disclosure and Transparency Rules):

	Number of Ordinary Shares held	Percentage held*
Investec Wealth & Investment Limited	26,071,482	18.3
CCLA Investment Management Limited	10,616,222	7.5
Baillie Gifford & Co	8,000,000	5.6
Two Sigma Holdings VC Acquisition Vehicle II, LLC	7,000,000	4.9
Rathbone Brothers plc	6,801,183	4.8
Alder Investment Management Limited	6,375,044	4.5
Premier Fund Managers Limited	5,075,000	3.6
Henderson Global Investors Limited	4,500,000	3.2

*Based on 142,298,226 Ordinary Shares in issue as at 30 June 2015.

Since 30 June 2015, the Company has been notified that Investec Wealth & Investment Limited has reduced its holding of voting rights to 25,185,535 (17.7 per cent). There have been no other changes notified to the Company in respect of the above holdings, and no new holdings notified, since 30 June 2015.

Directors' Report (continued)

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. The Group has agreements relating to its borrowing facilities with which it has complied during the year. Based on this information the Directors believe that the Group has the ability to meet its financial obligations as they fall due for a period of at least twelve months from the date of approval of the financial statements. For this reason, we continue to adopt the going concern basis in preparing the financial statements.

Resolutions to be proposed at the AGM

Resolutions 1 to 8 are self-explanatory.

Authority to issue shares on a non-pre-emptive basis

In accordance with the provisions of the Company's articles of association and the Listing Rules, the directors of an overseas premium listed company are not permitted to allot new shares (or grant rights over shares) for cash without first offering them to existing shareholders in proportion to their existing holdings. Resolution 10 which is a special resolution therefore seeks to provide the Directors with the authority to issue shares 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 amount of 15,652,804 shares (representing 10 per cent of the issued ordinary share capital of the Company as at 1 October 2015).

This authority will expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, unless it is previously renewed, varied or revoked. It is expected that the Company will seek this authority on an annual basis.

This authority 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 the Company to do so.

Authority to make market purchases of ordinary shares

Given the Company is currently in an investment phase, it is unlikely that the Directors will buy back any ordinary shares in the short term. Thereafter any buy back of ordinary shares will be subject to the Companies (Jersey) Law 1991 (as amended), the Listing Rules and within guidelines established by the Board from time to time (which take into account the income and cashflow requirements of the Company).

Resolution 11 will be proposed as a special resolution and seeks to provide the Directors with the authority to purchase up to 21,330,504 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 11. Any shares purchased shall either be cancelled or held in treasury.

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

Share Issues and Buybacks

On 27 February 2015 shareholders, at a general meeting, granted the Directors the authority to allot 77,923,403 ordinary shares for cash as if the pre-emption rights did not apply. Since 27 February 2015, the Company has issued, on a non pre-emptive basis, 44,061,822 ordinary shares in the capital of the Company pursuant to the Company's placing programme under the prospectus it published on 5 September 2014. On 12 November 2014 (the date of the Company's 2014 annual general meeting) the Directors were granted authority to repurchase 16,858,687 ordinary shares (of no par value) for cancellation or to be held in treasury.

On 2 September 2015 the Company issued to the Company's corporate broker, Stifel Nicolaus Europe Limited ('Stifel'), 14,229,822 ordinary shares and immediately bought them back on market. Therefore at the date of this report the Directors have remaining authority to repurchase 2,628,865 shares and holds 14,229,822 shares in treasury.

Resolution 12 is being proposed as a special resolution to provide the Company with the flexibility to reissue these ordinary shares from treasury in addition to being able to issue and allot ordinary shares pursuant to Resolution 10, without first offering them pro-rata to existing Shareholders, to meet ongoing market demand. These shares will be sold only at a premium to the prevailing NAV per Share and a premium to 99.5p which was the price at which they were issued to Stifel.

The net proceeds of any reissue out of treasury, in accordance with resolution 12, will provide the Company with additional capital to enable it 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.

Directors' remuneration reports

The Directors' remuneration policy and annual report, which can be found on pages 44 and 45, provides detailed information on the remuneration arrangements for Directors of the Company. Included is the Directors' Remuneration Policy which shareholders approved at the last AGM and will again be put to shareholders at the AGM in 2017. Shareholders will be asked to approve the Directors' Annual Report on Remuneration (resolution 2).

Auditor

The Independent Auditor's Report can be found on pages 46 and 47. Ernst & Young ('EY') has indicated its willingness to continue in office with the Company and a resolution will be proposed at the Annual General Meeting to re-appoint EY as the Auditor and for the Directors to determine their remuneration (resolution 9).

On behalf of the Board

Mr Malcolm Naish
Chairman

1 October 2015

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements, in accordance with applicable Jersey law and International Financial Reporting Standards ('IFRS') as adopted by the EU.

Jersey law requires the Directors to prepare, in accordance with generally accepted accounting principles, financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. In addition the Directors must not approve the financial statements unless they are satisfied that they present a fair, balanced and understandable report and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Under Jersey law they have elected to prepare the financial statements in accordance with IFRS as adopted by the EU. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable;
- 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 proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies (Jersey) Law 1991, where applicable. They are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Statement of Corporate Governance that complies with that law and those regulations.

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Annual Report and Financial Statements taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's position and performance, business model and strategy; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

On behalf of the Board

Mr Malcolm Naish

Chairman

1 October 2015

Corporate Governance Statement

Introduction

The Board has considered the principles set out in the UK Corporate Governance Code ('the UK Code') and the AIC Code of Corporate Governance (the 'AIC Code'). The Company is a member of the AIC. The Board believes that during the period under review the Company has complied with the provisions of the UK Code, in so far as they relate to the Company's business. The Board is also adhering to the principles and recommendations of the AIC Code.

*Copies of both codes may be found on the respective websites: www.frc.org.uk and www.theaic.co.uk

The Board

The Board is responsible for the effective stewardship of the Company'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 is responsible for authorising all purchases and sales within the Group's portfolio and for reviewing the quarterly independent property valuation reports produced by Colliers International Property Consultants.

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 Company'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. The Board held a strategy meeting in October 2014 to consider strategic issues. In addition to these scheduled meetings, there were a further 16 Board Committee meetings held during the period.

Each of the above Directors has signed a letter of appointment with the Company which in all cases other than for Mrs Jones and Mr Ross includes twelve months' notice of termination by either party. Both Mrs Jones' and Mr Ross's letters of appointment include no notice period on termination by either party. These are available for inspection at the Company's registered office during normal business hours and are also available at annual general meetings.

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. The Company 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 and the fees payable to the Investment Manager, together with the standard of the other services provided.

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 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 Incorporation require all Directors to retire by rotation at least every three years. However, in accordance with the recommendations of the AIC Code and the UK Corporate Governance Code the Board has agreed that all Directors will retire annually and, if appropriate, seek re-election.

The Board believes in the benefits of having a diverse range of skills and backgrounds, including gender and length of service, on its board of Directors. All appointments will continue to be based on merit and therefore the Board is unwilling to commit to numerical diversity targets. 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 Chairman, has been imposed.

	Board		Audit Committee		Management Engagement Committee	
	Held	Attended	Held	Attended	Held	Attended
M Naish	5	5	2	2	1	1
J Andrews	5	4	2	1	1	-
G Coull	5	5	2	2	1	1
T Hutchison	5	4	2	1	1	-
H Jones	5	3	2	1	1	-
G Ross	5	4	2	2	1	1

Removal of Directors

The Company may by special resolution remove any Director before the expiration of his or her period of office and may by ordinary resolution appoint another person who is willing to act to be a Director in his or her place.

Independence of Directors

The Board, which is composed solely of independent non-executive Directors, regularly reviews the independence of its members. Mr Hutchison performs the role of Senior Independent Director. All the Directors have been assessed by the Board as remaining independent of the Investment Manager and of the Company 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 Company that are likely to affect that judgement.

The basis on which the Company aims to generate value over the longer term is set out in its objective and investment policy as contained on page 37. A management agreement between the Company 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. 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.

Audit Committee

The Board has established an Audit Committee, the role and responsibilities of which are set out in the report on pages 42 and 43.

Management Engagement Committee

The Board has established an Management Engagement Committee. The Management Engagement Committee comprises all the Directors and is chaired by Mr Naish. 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.

Nomination Committee

Directors are selected and appointed by the Board as a whole functioning as a nomination committee. It is chaired by Mr Naish. There is no separate nomination committee as the Board is considered small relative to listed trading companies. 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 and believes that this enables all Directors to be kept fully informed of any issues that arise. The Directors are therefore responsible for reviewing the size, structure and skills of the Board and considering whether any changes are required or new appointments are necessary to meet the requirements of the Company's business or to maintain a balanced Board. During the year the performance of the Board, Committees and individual Directors was evaluated through an assessment process led by the Chairman. This process involved the completion of questionnaires tailored to suit the nature of the Company, discussions with individual Directors and individual feedback from the Chairman to each of the Directors. The evaluation of the Chairman was led by the Senior Independent Director in consultation with all the other Directors.

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.

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

Relations with shareholders

The Company proactively seeks the views of its shareholders and places great importance on communication with them. The Board receives regular reports from the Investment Manager and Broker on the views of shareholders, and the Chairman and other Directors make themselves available to meet shareholders when required to discuss any significant issues that have arisen and address shareholder concerns and queries. The Notice of Annual General Meeting to be held on 12 November 2015 is set out on page 50. It is hoped that this will provide a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and the Investment Manager. The Annual Report and Notice of Annual General Meeting are posted to shareholders at least 21 clear days before the Annual General Meeting.

On behalf of the Board

Mr Malcolm Naish
Chairman

1 October 2015

Report of the Audit Committee

Composition of the Audit Committee

An Audit Committee comprised of all of the Directors and chaired by Mr Coull has been established with written terms of reference which are reviewed at each meeting and are available on request.

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
Consideration of the half-year and annual financial statements, the appropriateness of the accounting policies applied and any financial reporting judgements and key assumptions.	The Committee has met twice during the year and has reviewed the contents of the half-yearly and annual reports. The Investment Manager, Administrator and Auditor attended both meetings. Significant matters considered by the Group are listed on page 43.
Evaluation of the effectiveness of the risk management and internal control procedures.	The Investment Manager maintains a risk matrix which summarises the Group's key risks and an internal control matrix which shows the Group's key controls over its principal financial systems (including the relevant procedures operated by the Administrator). From a review of these matrices, a review of regular management information and discussion with the Investment Manager the Committee has satisfied itself on the effectiveness of the risk and control procedures.
Consideration of the narrative elements of the annual financial report, including whether the annual financial report taken as a whole is fair, balanced and understandable and provides the necessary information for shareholders to assess the Group's business model, strategy and performance.	The Committee has reviewed the content and presentation of the annual financial report and discussed how well it achieves the three criteria opposite.
Evaluation of reports received from the Auditor with respect to the annual financial statements.	The Auditor's planning report and related timetable were discussed with the Auditor in advance of work commencing, together with the areas of audit focus. At the conclusion of the audit the Committee discussed the audit results report with the Auditor, Administrator and Investment Manager.
Monitoring developments in accounting and reporting requirements that impact on the Group's compliance with relevant statutory and listing requirements.	The Company ensures through its Legal Adviser, Administrator, Investment Manager and Auditor, that any developments impacting on its responsibilities are tabled for discussion at Committee or Board meetings. There were no significant developments that became effective during the year to 30 June 2015.
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 has attended two meetings of the Committee during the year and has also met separately with the chairman of the Committee. 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.

Risk management and internal controls

Risks

The principal risks faced by the Group together with the procedures employed to manage them are described in the Strategic Report on pages 12 and 13.

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 and the Administrator to provide reasonable assurance on the effectiveness of internal financial control in the following areas:

- income flows, including rental income;
- expenditure, including operating and finance costs;
- capital expenditure, including pre acquisition diligence and authorisation procedures;
- dividend payments, including the calculation of Property Income Distributions;
- 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 the annual report.

As the Group has evolved, the Investment Manager has developed a system of internal controls covering the processes listed above which it has subsequently presented in the form of a controls matrix and which it has discussed with the Committee.

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.

The Investment Manager reports in writing to the Board on operations and compliance issues prior to each meeting, and otherwise as necessary. The Investment Manager reports directly to the Audit Committee concerning the internal controls applicable to the Investment Manager's investment and general office procedures.

In addition, the Board keeps under its own direct control, through the Investment and Property Valuation Committee, all property transactions.

The review procedures detailed above have been in place throughout the year and the Board is satisfied with their effectiveness. 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. It has decided that the systems and procedures employed by the Investment Manager and the Administrator, and the work carried out by the Group's external 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 evaluating EY's performance, the Audit Committee has taken into consideration the standing, skills and experience of the firm and of the audit team.

The Committee assessed the effectiveness of the audit process through the quality of the formal reports it received from EY at the planning and conclusion of the audit, together with the contribution which EY made to the discussion of any matters raised in these reports or by Committee members. The Committee also took into account any relevant observations made by the Investment Manager and the Administrator. The Committee is satisfied that EY provides an effective independent challenge in carrying out its responsibilities.

Following professional guidelines, the audit principal rotates after five years. The current audit principal is in the second year of her appointment. On this basis and having considered the effectiveness of the audit the Audit Committee has recommended the continuing appointment of EY to the Board. EY's performance will continue to be reviewed annually taking into account all relevant guidance and best practice.

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 services shown in the table below do not constitute such a threat.

Service provided	Fee (£'000)
Statutory audit	72
Review of interim financial information	5
Tax compliance	52
Tax advice	34
Assurance on accounting and tax information in prospectuses	27
Total	190

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 considered certain significant issues during the year. These are noted in the table below.

Matter

Audit Committee action

Valuation and ownership of the investment property portfolio

The Group's property portfolio accounted for 78.3 per cent of its total assets as at 30 June 2015. Although valued by an independent firm of valuers, Colliers International Property Consultants Limited ('Colliers'), the valuation of the investment property portfolio is inherently subjective, requiring significant 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 are set out in note 9 to the 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 period and discussed the detail of each of the quarterly valuations with the Investment Manager. Members of the Committee had the opportunity to discuss the June valuation with Colliers to ensure that they understood the assumptions underlying the valuation and the sensitivities inherent in the valuation and any significant area of judgement.

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 income received for the year to forecasts.

Calculation and payment of management and performance fees

Incorrect interpretation of the relevant provisions in the Investment Management Agreement ('IMA') and/or incorrect calculation of the fees payable to the Investment Manager could result in an error in the financial statements and an incorrect payment to the Investment Manager.

The Audit Committee assessed the appropriateness of the accounting treatment of the fixed rental uplifts and how this impacted the Property Income component of dividends paid or payable by the Company.

The Committee has discussed the provisions in the IMA relating to both components of the fee and the controls over fee payments. It has also reviewed in detail the period end estimate for the performance fee accrued in the financial statements and satisfied itself that the underlying calculations and assumptions which lie behind it are in accordance with the IMA, as is the proposed timing of payment.

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 2015, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's business model, strategy and performance.

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 and enquiries of the various parties involved in the preparation of the report and financial statements.

Mr Gordon C Coull
Chairman of the Audit Committee
1 October 2015

Directors' Remuneration Report

The Board comprises only independent non-executive Directors. The Company has no executive Directors or employees. For these reasons, it is not considered appropriate to have a separate Remuneration Committee. The full Board determines the level of Directors' fees.

Statement by the Chairman

Full details of the Group's policy with regards to Directors' fees and fees paid during the period ended 30 June 2015 are shown below. With effect from 1 July 2014 the annual fees increased as follows: Mr Naish, the Chairman, £30,000 per annum (previously £22,500 per annum), Mr Coull, the Audit Committee Chairman, £25,000 per annum (previously £15,000 per annum), £20,000 per annum (previously £12,500 per annum) to each of Professor Andrews and Mr Hutchison. Mrs Jones and Mr Ross each receive a fee of £10,000 per annum.

The remuneration policy, which was approved by shareholders at the Company's AGM in November 2014, will again be put to shareholders at the AGM in 2017.

The Board considers the level of Directors' fees at least annually.

The Board has not received any direct communications from the Company's Shareholders in respect of the levels of Directors' remuneration.

Remuneration policy

The Group'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. There were no changes to the policy during the year and it is intended that this policy will continue to apply for the year ending 30 June 2017.

The fees for the Directors are determined within the limit set out in the Company's Articles of Incorporation. The present limit is an aggregate of £200,000 per annum and 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.

It is the Board's policy that Directors do not have service contracts, but each new Director is provided with a letter of 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 re-election at the first Annual General Meeting after their appointment and in accordance with the recommendations of the UK Corporate Governance Code, the Board has agreed that all Directors will retire annually.

Annual Report on Directors' Remuneration

Directors' emoluments for the year

The Directors who served during the year received the following emoluments in the form of fees:

	For the year ended 30 June 2015 £'000	For the period from incorporation on 22 January 2013 to 30 June 2014 £'000
Mr Naish (Chairman)	30	30
Mr Coull (Audit Committee Chairman)	25	20
Professor Andrews	20	16
Mr Hutchison	20	16
Mrs Jones*	9	–
Mr Ross*	9	–
Total	113	82

* Appointed on 22 July 2014. Fees are paid to R&H Fund Services (Jersey) Limited.

Relative importance of spend on pay

As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distribution to shareholders.

Directors' shareholdings

The Directors who held office at the year-end and their interests (all beneficial) in the ordinary shares of the Company as at 30 June 2015 and as at 1 October 2015 were as follows:

	Ordinary shares 1 October 2015	Ordinary shares 30 June 2015
Mr M Naish	30,000	30,000
Professor J Andrews	–	–
Mr G Coull	30,000	30,000
Mr T Hutchison	60,000	60,000
Mrs H Jones	–	–
Mr G Ross	–	–
Total	120,000	120,000

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 36.

The graph below compares, from launch to 30 June 2015, the share price total return (assuming all dividends are reinvested) to ordinary shareholders compared to the NAV total return.



Source: R&H Fund Services Limited/Datastream.

Voting at Annual General Meeting

At the Company's last AGM, held on 12 November 2014, shareholders approved the Directors' Remuneration Report in respect of the period ended 30 June 2014. All votes were in favour of the resolution. Also, at the last AGM, shareholders approved the Directors' Remuneration Policy in respect of the three year period ended 30 June 2017. All votes were in favour of the resolution.

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

On behalf of the Board

Mr Malcolm Naish
Chairman

1 October 2015

Independent Auditor's Report

To the Members of Target Healthcare REIT Limited

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2015 and of the profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

What we have audited

We have audited the financial statements of Target Healthcare REIT Limited for the year ended 30 June 2015 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 39, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our assessment of risks of material misstatement

We identified the following risks of material misstatement that had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team:

- valuation of the Group's investment properties;
- recognition of rental income; and
- calculation of performance fees.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and of uncorrected misstatements, if any, on the financial statements in forming our audit opinion.

We determined materiality for the Group to be £1,393,000 (2014: £900,000) which is 1 per cent of net assets. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgment was that the overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 75 per cent (2014: 50 per cent) of materiality, namely £1,045,000 (2014: £450,000). We determined a lower performance materiality level in 2014 due to the first period of audit. Our objective in adopting this approach was to ensure that total uncorrected and undetected audit differences in all accounts did not exceed our planning materiality level.

We have agreed with the Audit Committee to report any audit differences in excess of £70,000 (2014: £50,000), as well as differences below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

100 per cent of the Group's profit before tax and 100 per cent of the Group's net assets were subject to a full scope audit by the Group audit team. Our response to the risks identified above was as follows.

We addressed the risk of valuation of the Group's investment properties by:

- reading third party valuation reports to assess the appropriateness and suitability of the reported values;
- assessing the independence and qualifications of the valuers; and
- challenging the valuation of a sample of properties by assessing the reasonableness of the valuation methodologies used and the key inputs and assumptions by reference to published market data and comparable transaction evidence.

We addressed the risk of recognition of rental income by:

- agreeing tenancy rates used in the calculation of rental income to the underlying rental agreements; and
- assessing the appropriateness of the accounting treatment for rental agreements with rental patterns not on a straight line basis.

We addressed the risk of calculation of performance fees by:

- agreeing the key inputs to the performance fee calculation to the relevant supporting data; and
- reading the investment management agreement and comparing the terms of the agreement to the methodology used in the calculation of the performance fee.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the part of the Corporate Governance Statement relating to the company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

Susan Dawe
for and on behalf of Ernst & Young LLP
Edinburgh

1 October 2015

Notes:

1. The maintenance and integrity of the Target Healthcare REIT Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Glossary of Terms and Definitions

Corporate Terms

AIC	Association of Investment Companies. This is the trade body for Closed-end Investment Companies (www.theaic.co.uk).
AIFMD	Alternative Investment Fund Managers Directive. Issued by the European Parliament in 2012 and 2013, the Directive requires that all investment vehicles in the European Union, including Closed-end Investment Companies, must have appointed a Depositary and an Alternative Investment Fund Manager before 22 July 2014. 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 applying from July 2014, 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 Augentius Depositary Limited.
Discount/Premium	The amount by which the market price per share of Closed-end Investment Company is lower or higher than the net asset value per share. The discount or premium is normally expressed as a percentage of the net asset value per share.
Dividend	The income from an investment. The Company currently pays dividends to shareholders quarterly.
Dividend Cover	EPRA Earnings per Share divided by Dividends per share expressed as a ratio
Dividend Yield	The annual Dividend expressed as a percentage of the share price.
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 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.
EPRA NAV	Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model. Makes adjustments to the IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy.
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.
GAAP	Generally Accepted Accounting Practice. This includes UK GAAP and International GAAP (IFRS or International Financial Reporting Standards applicable in the European Union). The Company's financial statements are prepared in accordance with 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 gearing figure is calculated as debt divided by the market value of the properties held.
Investment Managers	The Company's investment managers are Target Advisers LLP. Further details are set out on page 36 and in note 2 to the accounts.
IPD	Investment Property Databank. 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. IPD produces the index which is used to calculate any performance fee payable by the Company to the Investment Manager.
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 Company'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.
Net Asset Value or NAV	The value of total assets less liabilities. Liabilities for this purpose included current and long-term liabilities.
Net Asset Value ('NAV') per Ordinary Share	This is calculated as the NAV divided by the number of shares in issue, excluding those shares held in treasury.
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 and the costs of buying back or issuing ordinary shares.
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. As at 30 June 2015 the Company had only Ordinary Shares in issue.
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.

Property 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.
Covenant Strength	This refers to the quality of a tenant's financial status and its ability to perform the covenants in the Lease.
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 Uplift Rents	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 Commitment	A contract pertaining to the future purchase of a property.
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.
Net Initial Yield	The initial net income from a property at the date of purchase, expressed as a percentage of the gross purchase price including the costs of purchase.
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.
Rent Review	A periodic review of rent during the term of a Lease, as provided for within a Lease agreement.
Reversion	Increase in rent estimated by the Company's Valuer, where the passing rent is below the ERV. The increases to rent arise on rent reviews and lettings.
Valuer	An independent external valuer of a property. The Company's Valuer is Colliers International Property Consultants Limited and detailed information regarding the valuation of the Company's properties is included in note 9 to the accounts.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the third Annual General Meeting ('AGM') of Target Healthcare REIT Limited (the 'Company') will be held on Thursday 12 November 2015 at 4pm at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW for the following purposes:

Ordinary business

To consider and if thought fit to pass the following resolutions as ordinary resolutions:

1. To receive and adopt the Directors' report and financial statements of the Company for the year ended 30 June 2015, together with the auditor's report thereon.
2. To approve the Directors' Remuneration Report.
3. To re-elect, a Director retiring by rotation, Professor J Andrews as a Director.
4. To re-elect, a Director retiring by rotation, Mr G Coull as a Director.
5. To re-elect, a Director retiring by rotation, Mr T Hutchison III as a Director.
6. To re-elect, a Director retiring by rotation, Mrs H Jones as a Director.
7. To re-elect, a Director retiring by rotation, Mr M Naish as a Director.
8. To re-elect, a Director retiring by rotation, Mr G Ross as a Director.
9. That Ernst & Young LLP, be re-appointed as Auditor and that the Directors be authorised to determine their remuneration.

To consider and, if thought fit, to pass resolutions 10 to 12 as special resolutions:

10. That the Directors be and are hereby generally empowered to allot Ordinary Shares of no par value (the 'Ordinary Shares') carrying the rights, privileges and subject to the restrictions attached to the Ordinary Shares or to grant rights to subscribe for, or to convert securities into Ordinary Shares ('equity Securities') for cash, including by way of a sale of Ordinary Shares held by the Company as treasury shares, as if any pre-emption rights in relation to the issue of shares as set out in Article 10(B) of the articles of association of the Company (the 'Articles') and the listing rules made by the Financial Conduct Authority under Part VI of the Financial Services and Markets Act 2000 (as amended) (the 'Listing Rules') did not apply to any such allotment of or grant of rights to subscribe for or to convert into equity securities, 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 the expiry of 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and
 - (b) shall be limited to the allotment of equity securities up to 15,652,804 ordinary shares of no par value representing approximately 10 per cent of the issued share capital of the Company, as at 1 October 2015.
11. That the Company be authorised in accordance with the Companies (Jersey) Law 1991 as amended (the 'Law'), to make market purchases pursuant to Article 57 of the Law of its own ordinary shares ('Shares') (either for retention as treasury shares in accordance with Article 58A (1) (b) of the Companies (Jersey) Law, 1991 (as amended) (the 'Law') for future resale or transfer, or cancellation), provided that:
 - (a) the maximum number of Shares hereby authorised to be purchased shall be equal to 14.99 per cent of the Company's issued share capital on the date on which this resolution is passed;
 - (b) the minimum price (excluding expenses) which may be paid for each ordinary share is 1 pence;
 - (c) the maximum price (excluding expenses) which may be paid for each ordinary share shall not be more than the higher of:
 - (i) 5 per cent above the average closing price on the London Stock Exchange of an ordinary share 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 London Stock Exchange;
 - (d) unless previously varied, revoked or renewed by the Company in a general meeting, the authority hereby conferred shall expire at the conclusion of the Company's Annual General Meeting to be held in respect of the year ended 30 June 2016, save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract; and
 - (e) the Directors of the Company provide a statement of solvency in accordance with Articles 55 and 57 of the Law.
12. That in addition to the authority sought under resolution 10 above, the Directors be and hereby generally empowered to reissue and sell, for cash, up to 14,229,822 Ordinary Shares (representing approximately 9.1 per cent of the issued share capital of the Company as at 1 October 2015) which are, at the date of the passing of this resolution, held by the Company as treasury shares as if any pre-emption rights in relation to the issue of shares set out in Article 10(B) of the Articles and the Listing Rules did not apply to any such sale. This power shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted or reissued from treasury after such expiry and the Directors may allot or reissue from treasury equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

The defined terms used in this resolution 12 are defined in resolution 10 above.

By order of the Board

R&H Fund Services (Jersey) Limited
Company Secretary

1 October 2015

Registered Office

Ordnance House
31 Pier Road
St. Helier
Jersey JE4 8PW

Notes:

1. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the general meeting. A proxy need not be a member of the Company but must attend the general 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 procedure 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 circular and proxy form) to communicate with the Company for any purpose other than those expressly stated.
2. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand at Computershare Investor Services (Jersey) Limited, Queensway House, Hilgrove Street, St. Helier, Jersey, JE1 1ES no later than 48 hours before the time of the meeting or any adjourned meeting.
3. The return of a completed proxy form or other instrument of proxy will not prevent you attending the general meeting and voting in person if you wish.
4. The Company specifies that only those shareholders registered in the register of members of the Company at 4pm on 10 November 2015 (or, if the meeting is adjourned, 48 hours (excluding non-working days) before the time fixed for the adjourned meeting) shall be entitled to attend or vote at the meeting in respect of the number of Ordinary Shares registered in their name at that time. In each case, changes to entries on the register of members of the Company after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. As at 1 October 2015 (being the last business day prior to the publication of this notice) the Company's issued share capital consisted of 142,298,226 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 1 October 2015 were 142,298,226 votes.
6. Any person holding 3 per cent or more of the total voting rights of the Company who appoints a person other than the chairman of the meeting as his proxy will need to ensure that both he and his proxy complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
7. Electronic receipt of proxies
To appoint one or more proxies or give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the Company's agent (ID number 3RA50) no later than the deadline specified in note 2. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertified Securities Regulations 2001. Instructions on how to vote through CREST can be found on the website www.euroclear.com
8. Information regarding the general meeting is available from the Company's webpage at www.targethealthcarereit.co.uk

Notes

Corporate Information

Target Healthcare REIT Limited ('the Company') is a Jersey registered closed-ended property investment company which was launched in March 2013.

Directors

Mr Malcolm Naish (Chairman)
Professor June Andrews
Mr Gordon C Coull*
Mr Thomas J Hutchison III**
Mrs Hilary Jones
Mr Graeme Ross

Registered Office

Ordnance House
31 Pier Road
St. Helier
Jersey JE4 8PW

Investment Manager

Target Advisers LLP
Laurel House
Laurelhill Business Park
Stirling FK7 9JQ

Company Secretary

R&H Fund Services (Jersey) Limited
Ordnance House
31 Pier Road
St. Helier
Jersey JE4 8PW

Administrator

R&H Fund Services Limited
15-19 York Place
Edinburgh EH1 3EB

UK Legal Adviser

Dickson Minto W.S.
Broadgate Tower
20 Primrose Street
London EC2A 2EW

Broker

Stifel Nicolaus Europe Limited
150 Cheapside
London EC2V 6ET

Jersey Legal Adviser

Howard Law
Ordnance House
31 Pier Road
St. Helier
Jersey JE4 8PW

Valuers

**Colliers International
Property Consultants Limited**
50 George Street
London W1U 7GA

Auditors

Ernst & Young LLP
Ten George Street
Edinburgh EH2 2DZ

Tax Adviser

Ernst & Young LLP
Ten George Street
Edinburgh EH2 2DZ

Depositary

Augentius Depositary Limited
Two London Bridge
London SE1 9RA

Registrars

**Computershare Investor
Services (Jersey) Limited**
Queensway House
Hilgrove Street
St. Helier
Jersey JE1 1ES

Website

www.targethealthcarereit.co.uk

* Chairman of Audit Committee

** Senior Independent Director





Target Healthcare REIT

Target Healthcare REIT

Ordnance House

31 Pier Road

St. Helier

Jersey, JE4 8PW

www.targethealthcarereit.co.uk