THR Number 32 Limited
(formerly DMWSL 908 Limited)

(Registered number 12108558)

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the period from incorporation on 17 July 2019 to 30 June 2020

THR Number 32 Limited (formerly DMWSL 908 Limited)

Directors

Mr Gordon Bland
Mr Andrew Brown
Mr John Flannelly
Mr Kenneth MacKenzie

Registered Office

Level 13, Broadgate Tower
20 Primrose Street
London
England
EC2A 2EW

Solicitors

Dickson Minto WS
16 Charlotte Square
Edinburgh
EH2 4DF

Auditors

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

THR Number 32 Limited (formerly DMWSL 908 Limited)

STRATEGIC REPORT

Principal Activity and Status

THR Number 32 Limited ("the Company"), which is not a 'Close Company', is a Property Investment Company.

The Company is a wholly owned subsidiary of THR Number 21 Limited. Its ultimate parent company is Target Healthcare REIT plc, a listed company incorporated in England & Wales.

Business Review

During the period the Company acquired two blocks of apartments adjacent to an existing property holding which were acquired to consolidate ownership of the overall retirement village within the Target Healthcare REIT plc Group. The intention is to sell the leasehold on the individual apartments with the Company retaining the freehold. The business of the Company is to operate as a property investment company, in line with the investment objective of its ultimate parent. Whilst the properties have been awaiting sale, certain of the apartments have been rented under short term leases to individual residents.

The objective of the Company's ultimate parent is to provide its 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.

THR Number 32 Limited is one of a number of subsidiaries that the ultimate parent owns that contributes to meeting the ultimate parent's objective by holding a block of retirement apartments.

A full business review is contained in the report and financial statements of the ultimate parent company which can be found on the ultimate parent company's website: www.targethealthcarereit.co.uk.

During the period to 30 June 2020 the Company made a profit of £1,260,000. This mainly reflects the increase in the fair value of the property of £1,505,000. The Company incurred administrative expenses of £209,000 during the period which primarily related to the marketing of the properties held for sale. The investment management fee, which is set by reference to the net assets of the Company, was paid by an intermediate parent company of the Group, THR Number 15 plc.

A floating charge has been granted over the assets of the Company as part of the security provided to HSBC in relation to the loan facility granted by HSBC to the Company's intermediate parent, THR Number 15 plc.

Principal Risks and Uncertainties

The Company's principal risks and uncertainties are similar to those of the Group and are contained in the report and financial statements of the ultimate parent company, or are related to the Company's financial instruments as detailed in note 10 on pages 15 to 17.

These risks and uncertainties include matters relating to the Novel Coronavirus (COVID-19) outbreak which was declared as a global pandemic by the World Health Organisation on 11 March 2020. The pandemic could result in uncertainty over the fair value of the Company's properties.

The impact of COVID-19 on the going concern of the Company has been considered. However, as a property holding company forming part of a larger, solvent group, with limited expenses and no external borrowings held directly by the Company, even if the property valuations or the level of rental income received were to fall significantly, this would not be expected to result in the Company being unable to pay its liabilities as they fall due over a period of twelve months from the date of these financial statements.

On behalf of the Board,

Mr Gordon Bland
Director
31 March 2021

Report of the Directors

The Directors submit their Annual Report and Financial Statements of the Company for the period to 30 June 2020.

Results and Dividends

The profit for the period was £1,260,000.

The Company has not paid any interim dividends during the period. As the Company's policy is to pay all dividends as interim dividends, no final dividend is proposed in respect of the period.

Directors

The Directors who held office during the period to 31 March 2021 are shown below:

Mr Gordon Bland – appointed 30 September 2019
Mr Andrew Brown – appointed 30 September 2019
Mr John Flannelly – appointed 30 September 2019
Mr Kenneth MacKenzie – appointed 30 September 2019
Mr Donald Campbell – appointed 30 September 2019, resigned 31 March 2020
Mr Andrew Nicolson – appointed 30 September 2019, resigned 30 September 2019
Mr Paul Barron – appointed 17 July 2019, resigned 30 September 2019

No Director had any interest in the shares of the Company as at 30 June 2020 and as at 31 March 2021.

Change in Company name

With effect from 2 October 2019, the Company changed its name from DMWSL 908 Limited to THR Number 32 Limited.

Auditors

Ernst & Young LLP were appointed as Auditors to the Company for the period ended 30 June 2020. Ernst & Young LLP have expressed their willingness to continue in office.

Going Concern

The financial statements have been prepared on a going concern basis, appropriate accounting policies have been used and consistently applied, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements. Applicable UK Generally Accepted Accounting Practice ("UK GAAP") has been followed. The risk of COVID-19, as described in the Strategic Report, was considered when concluding the accounts should be prepared on a going concern basis.

On behalf of the Board,

Mr Gordon Bland
Director
31 March 2021

THR Number 32 Limited (formerly DMWSL 908 Limited)

Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 101 'Reduced Disclosure Framework', and applicable law (UK Generally Accepted Accounting Practice ("UK GAAP")).

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

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

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

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report that complies with that law and those regulations.

The Directors confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with UK GAAP, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- that, in the opinion of the Directors, the Annual Report and Financial Statements taken as whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's performance, business model and strategy; and
- the Strategic Report includes 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.

Directors' statement as to disclosure of information to Auditors

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 3. Having made enquiries of fellow Directors and of the Company's Auditors, each of these Directors confirms that:

- to the best of his/her knowledge and belief, there is no information (that is, information needed by the Company's Auditors in connection with preparing their report) of which the Company's Auditors are unaware; and

- he/she has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's Auditors are aware of that information.

By Order of the Board

Mr Gordon Bland
Director
31 March 2021

Independent Auditors' Report to the Member of THR Number 32 Limited

Opinion

We have audited the financial statements of THR Number 32 Limited ("the Company") for the period ended 30 June 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 12, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 4 to the financial statements concerning the material valuation uncertainty in the assessment of fair value of the properties held for sale.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 4, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' report.

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

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

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst+Young LLP

Caroline Mercer (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
31 March 2021

THR Number 32 Limited (formerly DMWSL 908 Limited)

Statement of Comprehensive Income
For the period from incorporation on 17 July 2019 to 30 June 2020

	Notes	Period to 30 June 2020 £'000
Rental income from short tem lets		18
Ground rents		4
Other income		2
Total revenue		**24**
Gain on revaluation of properties held for sale	4	1,505
Total income		**1,529**
Expenditure		
Administrative expenses	2	(209)
Total expenditure		**(209)**
Profit before finance costs and taxation		**1,320**
Interest payable		(60)
Profit before taxation		**1,260**
Taxation	3	-
Profit for the period		**1,260**

The Company does not have any income or expense that is not included in the profit for the period. Accordingly, the "profit for the period" is also the "Total Comprehensive Income for the period", as defined by UK GAAP and no separate Statement of Other Comprehensive Income has been presented.

This statement represents the Company's profit and loss account, prepared in accordance with UK GAAP.

All items in the above statement are derived from continuing operations. No operations were discontinued in the period.

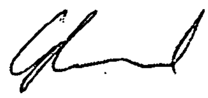
The notes on pages 10 to 17 are an integral part of these financial statements.

Statement of Financial Position
As at 30 June 2020

	Notes	As at 30 June 2020 £'000
Current assets		
Trade and other receivables	5	7
Cash and cash equivalents	6	11
		18
Properties held for sale	4	7,500
Total assets		7,518
Current liabilities		
Intercompany loan payable	7	(5,718)
Trade and other payables	8	(540)
Total liabilities		(6,258)
Net assets		1,260
Share capital and reserves		
Called-up equity share capital	9	-
Capital reserve		1,505
Revenue reserve		(245)
Shareholders' funds		1,260

Company registration number: 12108558

The financial statements were approved by the Board and authorised for issue on 31 March 2021 and were signed on its behalf by:



Mr Gordon Bland, Director

The notes on pages 10 to 17 are an integral part of these financial statements.

THR Number 32 Limited (formerly DMWSL 908 Limited)

Statement of Changes in Equity

For the period from incorporation on 17 July 2019 to 30 June 2020

	Note	Share capital £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Profit for the period		-	-	1,260	1,260
Reallocation of revaluation movement		-	1,505	(1,505)	-
Transactions with owners recognised in equity:					
Issue of ordinary shares	9	-	-	-	-
At 30 June 2020		-	1,505	(245)	1,260

The notes on pages 10 to 17 are an integral part of these financial statements.

THR Number 32 Limited (formerly DMWSL 908 Limited)

Notes to the Financial Statements

1. Accounting policies

(a) Basis of Preparation

The financial statements as prepared are separate financial statements and the Company is not required to, nor has it elected to, produce consolidated financial statements as the Company is a member of a group where the parent prepares publicly available consolidated financial statements (see note 12).

Basis of Accounting

These financial statements have been prepared in accordance with FRS 101: Reduced Disclosure Framework ('FRS 101'). The financial statements are prepared on a going concern basis. 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.

The Company has taken advantage of the following exemptions permitted under FRS 101:
– an exemption from preparing the Company cash flow statement and related notes;
– an exemption from listing any new or revised standards that have not been adopted or providing information about their likely impact; and
– an exemption from disclosing transactions between the Company and other wholly owned members of the Group and any amounts incurred by the Company for provision of key management personnel from the management entity.

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

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 properties held for sale. Further information on market risk and sensitivity to market changes is provided in the notes.

Revaluation of properties held for sale

Significant estimates and assumptions are made in the valuation of the properties held for sale. The Company engaged an independent valuation specialist to assess fair values for the properties held for sale. The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in notes 4 and 10.

Property lease classification – Company as lessor

The Company has entered into short term leases on certain of its properties held for sale. The Company has determined, based on an evaluation of the terms and conditions of the lease contracts, that it has not transferred substantially all the risks and rewards incidental to ownership of this property and therefore accounts for the contracts as operating leases.

Provision for expected credit losses of rental income and trade receivables

The Company uses a provision matrix to calculate expected credit losses for rental income and trade receivables. The provision rates are initially based on the historical observed default rates of the wider group of which the Company is a member, adjusted for forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. Where historic portfolio losses are not thought an appropriate measure of expected credit losses based on the circumstances of particular tenants, the expected credit losses are calculated by identifying scenarios that specify the amount and timing of cash flows for particular outcomes and estimating a probability of each of these outcomes. Further details are provided in note 10.

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 Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future and at least the next twelve months from the date of issuance of this report. This assessment took into consideration the potential impact of COVID-19; as a property holding company forming part of a larger, solvent group, with limited expenses and no external borrowings held directly by the Company, even if the property valuations or the level of rental income received were to fall significantly, this would not be expected to result in the Company being unable to pay its liabilities as they fall due over a period of twelve months from the date of these financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

1. Accounting policies (continued)

(b) Revenue Recognition
Rental Income
Rental income arising from short term lets during the period in relation to properties held for sale at the period end is accounted for in the Statement of Comprehensive Income on a straight line basis over the lease term.

Interest Receivable
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 Company acts as principal in this respect. Property-related expenses which are not recoverable from tenants are recognised in expenses on an accruals basis.

(c) Expenses
Expenses are accounted for on an accruals basis and are inclusive of VAT. The Company's finance costs and expenses are charged through the Statement of Comprehensive Income and are transferred to the Revenue Reserve, except where such costs relate wholly to capital matters in which case they are transferred to the Capital Reserve.

(d) Dividends payable
Dividends are accounted for in the period in which they are paid.

(e) 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 Company 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
THR Number 32 Limited joined the Group REIT regime with effect from 30 September 2019.

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.

(f) Properties held for sale
Properties held for sale consist of properties whose carrying value is expected to be recovered principally through a sale transaction rather than continuing use and which are available for immediate sale in their present condition. They are initially recognised at cost, being the fair value of consideration given, and subsequently measured at fair value, with gains and losses recognised in the Statement of Comprehensive Income. Fair value is based on the open market valuation, as provided by Colliers International Healthcare Property Consultants Limited, in their capacity as external valuers, at the balance sheet date using recognised valuation techniques.

On derecognition, gains and losses on disposals of properties held for sale 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.

1. Accounting policies (continued)

(g) 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.

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

(i) Interest-bearing borrowings
All 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.

(j) Reserves

Capital Reserve
The following are accounted for in the capital reserve:
– gains and losses on the disposal of properties held for sale;
– increases and decreases in the fair value of properties held for sale held at the period end;
– other expenses or finance costs charged to the Statement of Comprehensive Income that are capital in nature.

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

2. Administrative expenses

	Period ended 30 June 2020 £'000
Valuation and other professional fees	88
Marketing expenses	82
Direct property expenses	32
Auditor's remuneration	7
Total	**209**

3. Taxation

Analysis of charge in the period:

	Period ended 30 June 2020 £'000
Current tax	-
Total	-

3. Taxation (continued)

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

	Period ended 30 June 2020 £'000
Profit before taxation	**1,260**
UK tax at a rate of 19.0%	**239**
Effects of:	
- Non-taxable gains on properties held for sale	**(286)**
- Capital allowances	**(4)**
- Excess expenses carried forward	**51**
Current tax charge	**-**

The Company has unutilised tax losses carried forward in its residual business of £269,000 at 30 June 2020. No deferred tax asset has been recognised on this amount as the Group cannot be certain that there will be taxable profits arising within its residual business from which the future reversal of the deferred tax asset could be deducted.

4. Properties held for sale

Freehold Property	As at 30 June 2020 £'000
Acquisitions	**5,695**
Acquisition costs capitalised	**300**
Acquisition costs written off	**(300)**
Revaluation movement - gain	**1,805**
Closing market value	**7,500**

Changes in the valuation of properties held for sale

	Period ended 30 June 2020 £'000
Acquisition costs written off	**(300)**
Revaluation movement	**1,805**
Gain on revaluation of properties held for sale	**1,505**

The Company owns two blocks of retirement living apartments which are adjacent to an existing property holding owned by another company within the Target Healthcare REIT group. These apartments were acquired to consolidate ownership of the overall retirement village within the same group. The intention of the Group is to sell the leasehold on the individual apartments.

At 30 June 2020, the property was valued at £7,500,000 by Colliers International Healthcare Property Consultants Limited ("Colliers"), in their capacity as external valuers. The valuation was prepared on a tiered fee basis, linked to the portfolio value. The valuation was undertaken in accordance with the RICS Valuation - Global Standards, incorporating the International Valuation Standards (the 'Red Book Global', 31 January 2020) issued by the Royal Institution of Chartered Surveyors (RICS) on the basis of Market Value, supported by reference to market evidence of transaction prices for similar properties. Market Value represents the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The Company is required to classify fair value measurements of its properties held for sale using a fair value hierarchy. This hierarchy reflects the subjectivity of the inputs used, and has the following levels:

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

4. Properties held for sale (continued)

In determining what level of the fair value hierarchy to classify the Company's investment within, the Directors have considered the content and conclusion of the position paper 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 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 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 Company's specific valuation process, industry guidance, and the level of judgement required in the valuation process, the Directors believe it appropriate to classify the Company's assets within level 3 of the fair value hierarchy.

The Company's property, which consists of two blocks of retirement apartments, is considered to be a single class of assets.

Material uncertainty
The Colliers' property valuation at 30 June 2020, in accordance with industry practice, was subject to a material uncertainty clause as follows:

"*The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.*

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation(s) is/are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this portfolio under frequent review."

The RICS Material Valuation Uncertainty Leaders Forum (UK) reached consensus in early August 2020 that reporting material valuation uncertainty may no longer be appropriate for healthcare assets and therefore the material uncertainty clause was removed from the valuation of the property which was conducted as at 30 September 2020.

5. Trade and other receivables

	30 June 2020
Current trade and other receivables	**£'000**
Prepayments	7
Total	**7**

6. Cash and cash equivalents

	30 June 2020 £'000
Cash at bank	11
Total	**11**

All cash balances at the balance sheet date were held in cash, current accounts or deposit accounts with a term of less than three months.

7. Intercompany loan payable

	30 June 2020 £'000
Loan from group undertaking	5,718
Total	**5,718**

The loan is unsecured and interest is payable at a fixed rate of 1.5 per cent per annum or such other interest rate that may be agreed from time to time between the Company and the counterparty. The loan is repayable on demand.

8. Trade and other payables

Current trade and other payables	30 June 2020 £'000
Rental income received in advance	10
Accrued development costs	174
Other accruals	356
Total	**540**

9. Share Capital

Allotted called up and fully paid ordinary shares of £1 each:	Number	£'000
Issued on incorporation	1	-
Balance at 30 June 2020	**1**	**-**

On 17 July 2019, the Company issued 1 Ordinary Share of £1 each for proceeds of £1.

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

Capital management
The Company's capital is represented by the share 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.

Capital risk management
The objective of the Company's ultimate parent 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 Company'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.

The Company's capital structure may be amended in order to meet the overall capital funding requirements of the Target Healthcare REIT Group. 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 period.

No changes were made in the objectives, policies or processes during the period.

10. Financial Instruments

Consistent with the Company's objective, the Company owned two blocks of retirement apartments. In addition, the Company's financial instruments comprise cash and receivables and payables that arise directly from its operations. The Company does not have exposure to any derivative instruments.

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

10. Financial Instruments (continued)

The Board reviews and agrees policies for managing the Company's risk exposure. These policies are summarised below and have remained unchanged for the period under review. These disclosures include, where appropriate, consideration of the Company's property which, whilst not constituting a financial instrument as defined by UK GAAP, is considered by the Board to be integral to the Company's overall risk exposure.

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company. The Company only leases certain of its apartments on a short term basis, whilst they are awailting sale, and rent is payable monthly in advance. There were no financial assets which were either past due or considered impaired at 30 June 2020.

All of the Company's cash is placed with financial institutions with a long-term credit rating of BBB or better. Bankruptcy or insolvency of such financial institutions may cause the Company'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.

Liquidity risk

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

The Company's liquidity risk is managed on an ongoing basis by the Investment Manager, Target Fund Managers Limited, and will be monitored on a quarterly basis by the Board. In order to mitigate liquidity risk the Company 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.

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

Financial assets as at 30 June 2020

	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
Cash and cash equivalents	11	-	-	11
Total	**11**	**-**	**-**	**11**

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

Financial liabilities as at 30 June 2020

	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
Loan from group undertaking	5,718	-	-	5,718
Total	**5,718**	**-**	**-**	**5,718**

Interest rate risk

Interest rate risk is the risk that future cash flows will change adversely as a result of changes in market interest rates. Some of the Company's financial instruments are interest-bearing. As a consequence, the Company will be exposed to interest rate risk due to fluctuations in the prevailing market rate.

The Company's policy is to hold cash in variable rate or short term fixed rate bank accounts. Interest is received on cash at a variable rate of 0.01 per cent. Exposure varies throughout the period as a consequence of changes in the composition of the net assets of the Company arising out of the investment and risk management policies. These balances expose the Company to cash flow interest rate risk as the Company's income and operating cash flows will be affected by movements in the market rate of interest.

10. Financial Instruments (continued)

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

	As at 30 June 2020	
	Fixed rate £'000	Variable rate £'000
Cash and cash equivalents	-	11
Amount due to parent company	(5,718)	-

An increase of 0.25 per cent in interest rates would have increased the reported profit for the period and the net assets at the period end by £nil, a decrease in interest rates would have an equal and opposite effect. This movement was calculated as at 30 June 2020 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 is set out in detail in the accounting policies and in note 4.

Any changes in market conditions will directly affect the profit and loss reported through the Statement of Comprehensive Income. Details of the Company's property portfolio held at the balance sheet date are disclosed in note 4. A 10 per cent increase in the carrying value of the property held as at 30 June 2020 would have increased net assets available to shareholders and increased the net income for the period by £750,000; an equal and opposite movement would have decreased net assets and decreased the net income by an equivalent amount.

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

11. Related Party Transactions

The Board of Directors is considered to be a related party. No Director has an interest in any transactions which are, or were, unusual in their nature or significant to the nature of the Company. The Directors of the Company are also directors of the Investment Manager.

The Investment Manager appointed to the Group, Target Fund Managers Limited, is also considered to be a related party. Any management fee relating to the property held by the Company during the period was paid by the Company's intermediate parent, THR Number 15 plc.

12. Holding Company and Ultimate Controlling Party

During the period ended 30 June 2020, the Company was a wholly owned subsidiary of THR Number 21 Limited.

The ultimate parent undertaking is Target Healthcare REIT plc, a listed company incorporated in England & Wales (registered number: 11990238).

The Company's results for the period ended 30 June 2020 are consolidated in the Group Financial Statements of Target Healthcare REIT plc, copies of which are available from Level 13, Broadgate Tower, 20 Primrose Street, London, EC2A 2EW.