

INVESTMENT IN PORTFOLIO OF 12 CARE HOMES

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Impact Healthcare REIT PLC
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Impact Healthcare REIT plc

("Impact" or the "Company" or, together with its subsidiaries, the "Group")

INVESTMENT IN A PORTFOLIO OF 12 CARE HOMES IN FIFE, SCOTLAND WITH HOLMES CARE GROUP

The Group has invested in a portfolio of 12 care homes which were owned and operated by Kingdom Homes whose owners are retiring from the care home business. All of the homes will be operated by an existing Group tenant, Holmes Care Group, and are located in Fife, Scotland, offering 480 high quality en-suite beds, located within established residential areas.

The homes each have a track record of delivering high quality care and strong operational performance which will continue under the stewardship of Holmes. Each home has either an equivalent EPC rating of B or C with strategies in place for achieving an equivalent EPC rating of B.¹

The initial consideration is £37.5 million, with a potential deferred payment of up to £2.5 million subject to the future performance of the care homes. The deferred payment, if it becomes payable, will result in increased rental payments, ensuring that the effective purchase yield remains materially unchanged.

The investment has been made initially by way of a loan to Holmes Care Group which will allow it to complete the acquisition of Kingdom Homes immediately. The structure creates a number of benefits for all stakeholders, including enabling Holmes Care Group to take immediate operational control of the homes, thereby avoiding a potentially lengthy transition period while regulatory approvals are sought to register the operation of the homes in new legal entities, as well as other financial and operational efficiencies.

Once the regulatory approvals are received, Impact then has the option to acquire the property assets from Holmes Care Group (who also has the option to sell the property assets to Impact). Impact will receive interest payments equal to 8.6% per annum for the duration of the loan and, if either option is exercised, new 30-year leases on Impact's standard terms have been pre-agreed with Holmes. Initial rent under the new leases is set at £2.7 million reflecting a gross initial yield of 7.2%.

The loan structure used to make this investment includes additional protections for Impact's shareholders, including security over the applicable property assets under option and a number of operational covenants from Holmes Care Group, whilst the options also allow Impact to fix the future price of the property assets and associated rents in advance.

This investment will take our relationship with Holmes Care Group to 21 care homes across Scotland, with 1,129 beds.

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The Company's LEI is 213800AX3FHPMJL4IJ53.

Further information on Impact Healthcare REIT is available at www.impactreit.uk.

NOTES:

Impact Healthcare REIT plc acquires, renovates, extends and redevelops high quality healthcare real estate assets in the UK and lets these assets on long-term full repairing and insuring leases to high-quality established healthcare operators which offer good quality care, under leases which provide the Company with attractive levels of rent cover.

The Company aims to provide shareholders with an attractive sustainable return, principally in the form of quarterly income distributions and with the potential for capital and income growth, through exposure to a diversified and resilient portfolio of UK healthcare real estate assets, in particular care homes for the elderly.

The Company has a progressive dividend policy with a target to grow its annual aggregate dividend in line with the inflation-linked rental uplifts received by the Group under the terms of the rent review provisions contained in the Group's leases in the prior financial year.

On this basis, the target total dividend for the year ending 31 December 2021 is 6.41 pence per share², a 1.91% increase over the 6.29 pence in dividends paid per ordinary share for the year ended 31 December 2020.

The Group's Ordinary Shares were admitted to trading on the main market of the London Stock Exchange, premium segment, on 8 February 2019. The Company is a constituent of the FTSE EPRA/NAREIT index.

Neither the content of the Company's website, nor the content on any website accessible from hyperlinks on its website for any other website, is incorporated into, or forms part of, this announcement nor, unless previously published by means of a recognised information service, should any such content be relied upon in reaching a decision as to whether or not to acquire, continue to hold, or dispose of, securities in the Company.

¹ All homes have been appraised under the English EPC rating system to ensure consistency and benchmarking.

² This is a target only and not a profit forecast. There can be no assurance that the target will be met and it should not be taken as an indicator of the Company's expected or actual results.

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