

Transfer Of Operations & Related Party Transaction

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Impact Healthcare REIT PLC
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2 June 2023

Impact Healthcare REIT plc

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

Transfer of the operations of seven care homes to an existing tenant operator of the Group and smaller related party transaction

The Board of Directors of Impact Healthcare REIT plc (ticker: IHR) (the "**Board**"), the real estate investment trust which gives investors exposure to a diversified portfolio of UK healthcare real estate assets, in particular care homes, announces that it has successfully negotiated a transaction to transfer the operations of all homes let to Silverline Group ("Silverline") to an affiliate of an existing tenant of Impact Healthcare REIT plc.

In negotiating this handover of seven homes from Silverline, the Board placed high priority on the best interests of the residents who live in these homes and the staff who work in them by ensuring continuity of care and operational improvements.

The Company has seven homes let to Silverline, which account for 3.4% (£1.6 million) of the Company's total annual contracted rent. As reported by the Company on 31 January and 25 April 2023, Silverline has not paid its contractual rent for the two quarters to 31 March 2023 and 30 June 2023, although the Company has received £0.4 million from Silverline's rent deposits.

The Company has continued to receive 100% of rent payments due from each of its other tenants.

The Company has had extensive discussions with a number of alternative care providers to take over Silverline's responsibilities. The Board has now decided that it is in the best interests of all the Company's stakeholders that it enables the solvent sale of Silverline's tenant companies to Melrose Holdings Limited ("MHL"), which will take over responsibility for operating the seven homes immediately. MHL is a new company and wholly-owned by connected parties of Mahesh Patel⁽¹⁾, and will benefit from a service agreement with Minster Care Group Limited ("Minster"), under which Minster will support the turnaround of the Silverline Homes. Minster has a long and effective track record of taking on and improving under-performing care homes.

To assist in the funding of Silverline's overdue liabilities to third parties other than the Group and to fund remedial capital expenditure to bring the operational and financial performance of the homes up to the required standards, the Group has agreed to provide a £1.6 million loan facility for up to three years to MHL. This facility will have an interest rate of 8.0% per annum on drawn funds and will be repaid in priority to rent from surplus funds in MHL.

In the initial phase of the operational turnaround of these care homes, the existing leases will be temporarily amended to replace the fixed rent with a variable rent, payable once the loan has been repaid. The lease variations will also entitle MHL to pay Minster a fixed management fee of £1,000 per registered bed in the homes (approximately £400,000 per annum plus VAT) to cover the direct costs it will incur in overseeing the turnaround, payable only from any surplus cash generated by the seven homes. Any surplus cash after the management fee, will first be used to repay the loan facility and accrued interest to Impact and, once the loan is repaid, will be paid as rent to Impact.

The rental default from Silverline and the new arrangements agreed with MHL will temporarily reduce the level of rent received by the Group. Whilst this reduction will be partly mitigated by rental deposits, the Board anticipates the total reduction versus the Company's original budget for 2023 to amount to around £1 million⁽²⁾.

The transaction with MHL is a smaller related party transaction for the purposes of Listing Rule 11.1.10R and this announcement is therefore made in accordance with Listing Rule 11.1.10R(2)(c). As per the requirements of Listing Rule 11.1.10 the Company has obtained written confirmation from an FCA-approved sponsor firm that it believes the transaction is fair and reasonable as far as the shareholders of the Company are concerned.

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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 2023 is 6.77 pence per share⁽²⁾, a 3.53% increase over the 6.54 pence in dividends paid or declared per ordinary share for the year ended 31 December 2022.

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) Mahesh Patel is the controlling shareholder of Minster Care Group Limited. He is also a principal in Impact Health Partners LLP and a significant shareholder in the Company. He has a 35 year track record of owning and managing care homes.
- (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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