This document comprises a supplementary prospectus relating to Target Healthcare REIT Limited (the "Company") prepared in accordance with the prospectus rules and listing rules of the UK Listing Authority made under section 73A of the Financial Services and Markets Act 2000 (the "Supplementary Prospectus"). This document has been approved by the Financial Conduct Authority in accordance with section 85 of the Financial Services and Markets Act 2000. This document will be made available to the public in accordance with the Prospectus Rules by being made available at www.targethealthcarereit.co.uk

This Supplementary Prospectus is supplemental to, and should be read in conjunction with, the prospectus published by the Company on 1 February 2018 relating to the Initial Placing, Offer for Subscription and Placing Programme of up to 150 million New Shares (the "**Prospectus**"). Except as expressly stated herein, or unless the context otherwise requires, the definitions used or referred to in the Prospectus also apply in this Supplementary Prospectus.

The Directors of the Company and the Company each accept responsibility for the information contained in this Supplementary Prospectus and the Prospectus. The Directors and the Company believe having taken all reasonable care to ensure that such is the case, the information contained in this Supplementary Prospectus and the Prospectus is, to the best of the knowledge of the Directors and the Company, in accordance with the facts and does not omit anything likely to affect the import of such information.

TARGET HEALTHCARE REIT LIMITED

(a company incorporated in Jersey, Channel Islands under the Companies (Jersey) Law, 1991 (as amended) with registered number 112287)

Initial Placing, Offer for Subscription and Placing Programme of up to 150 million New Shares of no par value

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This Supplementary Prospectus and the Prospectus do not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. The distribution of this Supplementary Prospectus and the Prospectus and the offering of New Shares in certain jurisdictions may be restricted and accordingly persons into whose possession this Supplementary Prospectus and/or the Prospectus comes are required to inform themselves about and to observe such restrictions. The New Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under any of the relevant securities laws of Canada, Australia or Japan. Accordingly, the New Shares may not (unless an exemption from such Act or such laws is available) be offered, sold or delivered, directly or indirectly, in or into the USA, Canada, Australia or Japan. The Company will not be registered under the United States Investment Company Act of 1940 (as amended) and investors will not be entitled to the benefits of such Act.

Dickson Minto W.S., which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is the sponsor to the Company. Dickson Minto W.S. is not acting for any other person in connection with the Issues. Apart from the responsibilities and liabilities, if any, which may be imposed on Dickson Minto W.S. by the Financial Services and Markets Act 2000 or the regulatory regime established thereunder, Dickson Minto W.S. will not be responsible to anyone other than the Company for providing the protections afforded to clients of Dickson Minto W.S. and is not advising any other person in relation to any transaction contemplated in or by this document.

Stifel, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for the Company and is not acting for any other person in connection with the Issues. Apart from the responsibilities and liabilities, if any, which may be imposed on Stifel by the Financial Services and Markets Act 2000 or the regulatory regime established thereunder, Stifel will not be responsible to anyone other than the Company for providing the protections afforded to clients of Stifel and is not advising any other person in relation to any transaction contemplated in or by this document.

Potential investors should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before investing in the Company. Potential investors should also consider the risk factors relating to the Company set out in the Prospectus.

15 October 2018

Events arising since publication of the Prospectus

This Supplementary Prospectus is being published, in relation to the Company's current Placing Programme. This Supplementary Prospectus is a regulatory requirement under the Prospectus Rules following the publication of the Company's annual report and financial statements for the financial year ended 30 June 2018 and amendments to the investment management agreement (the "IMA") This Supplementary Prospectus is supplemental to the Prospectus and has been approved for publication by the Financial Conduct Authority.

Significant new factors

Annual report and financial statements for the financial year ended 30 June 2018

The Company has published its report and financial statements for the financial year ended 30 June 2018 (the "**Annual Report**"). By virtue of this document, the relevant sections of the Annual Report are incorporated into, and form part of, the Prospectus. The other non-incorporated parts of the Annual Report are either not relevant or are covered elsewhere in this Supplementary Prospectus. A summary of the key changes to the Prospectus, in addition to the financial information, which are set out in the Annual Report is provided below.

The new management fee arrangements

Pursuant to a side letter dated 3 October 2018 (the "Side Letter"), with effect from 1 July 2018 Target Fund Managers Limited, the Company's investment manager (the "Manager") is entitled to a management fee which is based on the Company's net assets and is 1.05 per cent. on the first £500 million of net assets; 0.95 per cent. of net assets between £500 million and £750 million; 0.85 per cent. of net assets between £750 million and £1 billion; 0.75 per cent. of net assets between £1 billion to £1.5 billion; and 0.65 per cent. thereafter.

Furthermore, under the terms of the Side Letter the performance fee that was payable to the Manager pursuant to the IMA has been removed.

With the exception of these amendments to the management fee arrangements, the terms of the IMA will remain in full force and effect.

Changes to the gearing strategy

As part of the Company's gearing strategy the Board had intended that over the medium term, borrowings of the Group would represent approximately 20 per cent. of the Group's gross assets at the time of drawdown. It was always expected that the Group's borrowings would exceed this level from time to time as borrowings were incurred to finance the growth of the Group's property portfolio. The Board is now increasing the intended soft gearing limit from 20 per cent. of the Group's gross assets to 25 per cent. at the time of drawdown. It continues to be expected that the Group's borrowings will exceed this level from time to time as borrowings are incurred to finance the growth of the Group's property portfolio and the hard gearing limit of 35 per cent. is not being amended.

Portfolio growth and financing

Since 30 June 2018 the Group has completed the acquisition of three further assets and exchanged contracts on a fourth for a total value of £31 million (including acquisition and forward funding costs). As at 2 October, the Company had £21.2 million of cash and £64.0 million of available debt. £35.8 million of this is allocated to upcoming commitments of the Group's development program which will support the construction of seven brand new care homes adding £3.8 million to portfolio rent annually once operational. In addition the Group has £18.5 million of potential deferred consideration payments on eight previously acquired assets, this investment being contingent on stringent performance targets being met, and prudently requires £11.4 million of cash for general corporate purposes, including dividends and working capital.

The Group continues to see some attractive investment opportunities in the market with five assets in advanced negotiations, which would total £79.1 million if acquired. In the light of these opportunities and the Group's current cash position, the Directors are considering the optimum way to finance any further assets acquisitions, including issuance of new equity. Whilst a coupon is earned on forward funding developments, the Group is cognisant of the negative effect of cash drag on its returns. Accordingly if an equity raise is launched, the Directors expect it to be relatively small allowing the Group to quickly invest the proceeds. Any equity raise in the near term is likely to be carried out under the remaining Placing Programme authorities.

Supplements to the summary

As a result of the release of the Annual Report including the amendments to the Manager's fee arrangements and the Directors gearing intentions, the summary document which forms part of the Prospectus is hereby supplemented as follows:

B.7	Key financial information	Selected historical information relating to the Company which summarises the financial condition of the Company for the financial year to 30 June 2018 is set out below:		
			Financial Year ended 30 June 2018	***Financial Year ended 30 June 2017***
		Net asset value		
		Net assets (£'000)	358,607	256,937
		Equity shareholders' funds	358,607	256,937
		Net asset value per Ordinary Share (p)	105.7	101.9
		Consolidated Statement of Comprehensive Income		
		Total revenue (£'000)	28,366	23,558
		Total comprehensive income for the		

		period (£'000)	27,503	19,429
		Earnings per Ordinary Share (p)	9.77	7.58
		There has been no significant change in the Company's financial condition or the operating results of the Company during or subsequent to the period covered by the historical information set out above and since 30 June 2018 (being the end of the last financial period of the Company for which financial information has been published) except that the Group has acquired three further assets and exchanged contracts on a fourth for a total value of £31 million (including acquisition and forward funding costs) and the fee arrangements have been removed entirely, with no further payments payable to or receivable from the Manager effective 1 January 2018.		
B.34		**Investment policy** *Investment objective* The Company'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 Company 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 Company 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 Company is also permitted to invest up to: (i) 15 per cent. of its gross assets, at the time of investment, in other healthcare assets, such as properties which accommodate GP practices and other healthcare related services including occupational health and physiotherapy practices, pharmacies, special care schools and hospitals; and (ii) 25 per cent. of its gross assets, at the time of investment, in indirect property investment funds (including joint ventures) with a similar investment policy to that of the Company. The Directors have no current intention to acquire other healthcare assets or indirect property investment funds. The Company may also acquire or establish companies, funds or other SPVs which themselves own assets falling within the Company's investment policy.		

		The Company may either invest in assets that require development or that are under development, which when completed would fall within the Company's investment policy to invest in UK care homes and other healthcare assets, including by means of the forward funding of developments and forward commitments to purchase completed developments, provided that the Company will not undertake speculative development and that the gross budgeted development costs to the Company of all such developments, including forward funding and forward commitments, does not exceed 25 per cent. of the Company's gross assets on the commencement of the relevant development. Any development will only be for investment purposes. In order to manage risk in the portfolio, at the time of investment, no single asset shall exceed in value 20 per cent. of the Company's gross asset value and, in any financial year beginning after the Company 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 Company, at the time of investment. The Company 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 Company's REIT status. The Company 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 Company's gross assets, may not exceed 35 per cent. at the time of drawdown. The Board currently intends that, over the medium term, borrowings of the Company will represent approximately 25 per cent. of the Company's gross assets at the time of drawdown. However, it is expected that the Company's borrowings will exceed this level from time to time as borrowings are incurred to finance the growth of the Company's Property Portfolio. Any material change to the investment policy will require the prior approval of Shareholders.
B.35		Gearing, calculated as borrowings as a percentage of the Company's gross assets, may not exceed 35 per cent. at the time of drawdown. The Board currently intends that, in the medium term, any further borrowings of the Company at the time of drawdown will not exceed 25 per cent. of its gross assets. However, it is expected that the Company's borrowings will exceed this level from time to time as borrowings are incurred to finance the growth of the Company's Property Portfolio. The Group has a £50 million bank facility with The Royal Bank of Scotland

		plc, repayable on 1 September 2021, comprising a term loan facility of £30 million and a revolving credit facility of £20 million, of which £30 million has been drawn down. THR 1 is the borrower under the RBS Facility along with THR2, THR3 and THR9. In addition the Group has a £40 million committed term loan facility with First Commercial Bank, Limited of which £36 million has been drawn down which is repayable on 30 August 2022. THR12, THR5, THR6 and THR7 are the borrowers under the FCB Facility. Furthermore, the Group entered into the HSBC Facility Agreement with HSBC plc on 29 January 2018. The HSBC Facility is in addition to the RBS Facility and the FCB Facility and consists of a £40 million three year revolving credit facility, with the option to extend (at the discretion of HSBC) for two further 12 month periods. THR15 is the borrower under the HSBC Facility along with THR8, THR10, THR17 and THR17 Holdings. The Group's undrawn debt will be used to meet the requirements of the Group's existing portfolio commitments, complete the acquisition of the assets that are currently under advanced negotiation and/or acquire further assets which are considered suitable and in accordance with the Company's investment policy.
B.40		**Applicant's service providers** *Investment Manager* Target Fund Managers Limited has been appointed as the investment manager pursuant to the Investment Management Agreement. Pursuant to a side letter to the Investment Management Agreement the Company will pay to the Investment Manager an annual base management fee with effect from 1 July 2018 which is based on the Company's net assets and is 1.05 per cent. on the first £500 million of net assets; 0.95 per cent. between £500 million and £750 million; 0.85 per cent. between £750 million and £1 billion; 0.75 per cent. between £1 billion to £1.5 billion; and 0.65 per cent. thereafter. The Investment Management Agreement can be terminated by either party on twelve months' written notice which is not to expire earlier than 30 September 2019. The Investment Management Agreement may be terminated immediately if the Investment Manager is in material breach of the agreement, is guilty of negligence, wilful default or fraud, or is the subject of insolvency proceedings or there occurs a change of Key Manager to which the Board has not given its prior consent. In its capacity as investment manager, the Investment Manager will advise the Company 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.
B.45		**Portfolio**

		The Company's Existing Portfolio comprises 55 purpose built care homes including four forward funding projects with a Market Value of approximately £385.5 million as at 30 June 2018. As at 30 June 2018 these properties are let to 21 distinct operating groups for an aggregate rent of approximately £26 million which represents an EPRA net initial yield of 6.44per cent. The weighted average unexpired lease term of the Existing Portfolio is 28.5 years. The rents payable under the majority of the leases are subject to an annual uplift and there are two leases where the rent is partially determined by reference to EBITDA of the care home operation. Since 30 June 2018 the Group has completed the acquisition of three further assets and exchanged contracts on a fourth for a total value of £31 million (including acquisition and forward funding costs). As at the date of this document the Group's forward funding and commitment projects represent 13 per cent. of the Company's gross assets.
B.46		**Net Asset Value** As at 30 June 2018 NAV per Share was 105.7 pence.
C.3		**Number of securities in issue** The Ordinary Shares have no par value. As at the date of this document the Company has 339,217,889 Ordinary Shares in issue, all of which are fully paid.

Historical financial information

Historical financial information relating to the Company on the matters referred to below is included in the Annual Report as set out in the table below and is expressly incorporated by reference into this document and the Prospectus. The Annual Report (which includes this incorporated historical financial information) can be obtained from the Company's website, www.targethealthcarereit.co.uk. The non-incorporated parts of the Annual Report are either not relevant to investors or covered elsewhere in the Prospectus.

Nature of information	***Accounts for the Financial Year ended 30 June 2018 Page No.***
Chairman's statement	4-5
Investment Manager's report	6-7
Consolidated Statement of Comprehensive Income	22
Consolidated Statement of Financial Position	23
Consolidated Statement of Changes in Equity	24

Selected financial information

The information in this section is information regarding the Company that has been prepared by the Company and has been extracted directly from the historical financial information referred to in the above section. Selected unaudited historical financial information relating to the Company which summarises the financial condition of the Company for the financial year ended 30 June 2018 is set out in the following table:

	Accounts for the financial year ended 30 June 2018
Net asset value	
Net assets (£'000)	358,607
Equity shareholders' funds	358,607
Net asset value per Ordinary Share (p)	105.7
Consolidated Statement of Comprehensive Income	
Total revenue	28,366
Total comprehensive income for the year (£'000)	27,503
Earnings per Ordinary Share (p)	9.74

Operating and financial review

A description of changes in the performance of the Company, both capital and revenue, and changes to the Company's portfolio of investments is set out in the sections headed "Performance Highlights", "Chairman's Statement", and "Investment Manager's Report" in the Annual Report as follows:

	Accounts for the financial year ended 30 June 2018 Page No.
Nature of information	
Performance Highlights	1
Chairman's Statement	4-5

Investment Manager's Report 6-7

Significant change

As a result of the release of the Annual Report, paragraph 5 of Part 8 of the Prospectus is supplemented as follows:

Since 30 June 2018 (being the end of the last financial period of the Company for which financial information has been published) there has been no significant change in the financial or trading position of the Group except that the Group has acquired three further assets and exchanged contracts on a fourth for a total value of £31 million (including acquisition and forward funding costs) and the performance fee arrangements have been removed entirely, with no further payments payable to or receivable from the Manager effective 1 January 2018.

Documents available for inspection

Full copies of the Annual Report are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW until 31 January 2019. Full copies of the Annual Report are also available on the Company's website (www.targethealthcarereit.co.uk).

Copies of this Supplementary Prospectus are available for inspection at http://www.morningstar.co.uk/uk/NSM and, until 31 January 2019, copies are available for collection, free of charge, from the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW. Copies of this Supplementary Prospectus are also available on the Company's website (www.targethealthcarereit.co.uk).

General

To the extent that there is any inconsistency between any statement in this document and any other statement in or incorporated by reference in the Prospectus, the statements in this document will prevail.

Save as disclosed in this Supplementary Prospectus, no other significant new factor, material mistake or inaccuracy relating to information included in the Prospectus has arisen or been noted, as the case may be, since the publication of the Prospectus.

15 October 2018