TARGET HEALTHCARE REIT LIMITED

INTERIM REPORT AND ACCOUNTS

For the period from incorporation on 22 January 2013 to 31 December 2013

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The Association of
Investment Companies

Corporate Summary

Target Healthcare REIT Limited ("the Company" or "Target Healthcare") is a Jersey closed-ended property investment company which was launched in March 2013. The Company has a single class of ordinary shares in issue, which is listed on the premium segment of the Official List and traded on the London Stock Exchange's Main Market. The Company has, subsequent to its launch, entered the REIT regime for the purposes of UK taxation.

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 Manager/Investment Adviser

R&H Fund Services (UK) Limited has been appointed by the Company, pursuant to the Investment Management Agreement, to be the Company's Investment Manager. The Investment Manager has delegated the day to day management of the Company, pursuant to the Investment Managers' Delegation Agreement, to Target Advisers LLP ("Target" or the "Investment Adviser"). Target advises 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 its portfolio.

Dividend Policy

Subject to market conditions and the Company's performance, financial position and financial outlook, it is the Directors' intention to pay an attractive level of dividend income to shareholders on a quarterly basis. Whilst not forming part of its investment policy, the Company is targeting the payment of an initial dividend of approximately 8p per share in respect of its first financial period to 30 June 2014 (which equates to a gross dividend yield of 6.0 per cent. per annum on the issue price of the shares at the Company's launch). The Directors intend to set the proposed level of dividend, for future financial years, after taking into account the long term income return of the Company's portfolio and the diversity and covenant strength of the tenants. It is the Board's policy that in paying dividends it should target a high level of dividend cover.

The Company paid its first interim dividend of 2p per ordinary share in respect of the period from 7 March 2013 to 30 June 2013 on 30 August 2013 and paid its second dividend of 1.5p per ordinary share in respect of the quarter to 30 September 2013 on 29 November 2013. The Company has declared a third interim dividend of 0.44p per ordinary share in respect of the period from 1 October 2013 to 27 October 2013 and a fourth interim dividend of 1.06p per ordinary share in respect of the period from 28 October 2013 to 31 December 2013. Both the third and fourth interim dividends will be paid on 28 February 2014.

Shareholders' Funds

£91.3 million at 31 December 2013

Company Website:

www.targethealthcarereit.co.uk

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.

Financial Highlights

- Since listing on 7 March 2013, the Company has raised £95.7m gross from a combination of institutional investors, wealth managers and private investors.
- The unaudited Net Asset Value ("NAV") per share as at 31 December 2013 was 95.9 pence.
- The Company's share price of 105.0 pence as at 31 December 2013 represented a 9.5% premium to the unaudited NAV per share as at the same date.
- Interim dividends of 3.5 pence per share were paid during the period. The Company also declared an interim dividend of 0.4 pence per share for the period from 1 October 2013 to 27 October 2013 and an interim dividend of 1.06 pence per share for the period from 28 October 2013 to 31 December 2013, both to be paid on 28 February 2014.
- As at 31 December 2013 the Company owned ten care homes with a market value of £46.9m and had cash balances of approximately £45.4m. At the time of writing the cash balance had decreased to approximately £40.1m.
- During January 2014 the Company acquired a further care home for approximately £4.3m (including acquisition costs) and has entered into advanced, non-binding legal negotiations to acquire a further £49.0m (including acquisition costs) of care home assets.

Chairman's Statement

Introduction

I am pleased to present the Company's interim report for the period from incorporation on 22 January 2013 to 31 December 2013.

Company Performance

Since commencement of trading on 7 March 2013 to 31 December 2013 the Company generated rental revenue from ten care homes of £2.3m.

The Company generated an operating loss of £0.8m, comprising a capital loss of £2.4m relating to the purchase costs on the ten care home assets and a revenue profit of £1.6m. The loss for this period was 1.37 pence per share.

As at 31 December 2013, the Company had cash balances of approximately £45.4m and an unaudited Net Asset Value ("NAV") per share of 95.9 pence. At the time of writing the cash balance had decreased to approximately £40.1m.

Portfolio

The Company has successfully acquired ten care home assets located in Scotland, the North of England and the Midlands for an aggregate consideration (including acquisition costs) of £49.2m. The properties are let on long-term leases (average capital-weighted unexpired lease term 30+ years) and have three well-established, quality care operators as tenants.

The net initial yield on acquisition across the portfolio is ahead of the 7.0% blended initial yield modelled pre-launch and the rents payable are subject to annual uplifts in line with the retail prices index, subject to a cap and collar.

The Company's portfolio was externally valued as at 31 December 2013 at £46.9m.

Funding and Capital Value

The completion of the ten care home acquisitions in the period to 31 December 2013 resulted in the Company having fully invested the gross proceeds of £50.3m raised at the time of listing on 7 March 2013 and from the share issuance completed in June 2013.

On 9 October 2013 the Company published a prospectus in connection with the placing and offer for subscription of up to 45 million ordinary shares of no par value at an issue price of 101 pence per ordinary share. On 25 October 2013, the Company announced that the issue was over-subscribed and that gross proceeds of approximately £45.4m had been raised. Trading in these shares commenced on 28 October 2013.

During the reporting period, the Investment Adviser has also maintained encouraging discussions with a number of UK financial institutions with regards to the raising of a modest level of debt funding. The Company has received credit approved terms and the Investment Adviser is currently engaged in legal documentation with the selected financial institution on behalf of the Company.

The Company entered the REIT regime with effect from 1 June 2013 following its submission to HMRC.

Dividends

During the period the Company has paid its first and second interim dividends. The first interim dividend of 2.0 pence per share in respect of the period from the Company's launch to 30 June 2013 was paid on 30 August 2013 and the second interim dividend of 1.5 pence per share in respect of the period from 1 July 2013 to 30 September 2013 was paid on 29 November 2013.

The Company has also declared its third and fourth interim dividend payments. The third interim dividend payment of 0.4 pence per share in respect of the period from 1 October 2013 to 27 October 2013 was declared on 17 October 2013. The corresponding ex-dividend date was 23 October 2013 and the dividend will be paid on 28 February 2014. The fourth interim dividend of 1.06 pence per share in respect of the period from 28 October 2013 to 31 December 2013 will also be paid on 28 February 2014.

The Company continues to target the payment of an initial dividend of approximately 8 pence per share in respect of its first financial period to 30 June 2014 (which equates to a dividend yield of 6.0 per cent. per annum on the issue price of the shares at the Company's launch). It is the Board's policy that in paying dividends it should target a high level of dividend cover.

Annual General Meeting

The Company was incorporated in Jersey on 22 January 2013. In addition to having to comply with the Listing Rules, the Disclosure and Transparency Rules, it also has to comply with the requirements of the Companies (Jersey) Law 1991 (the "Law"). Therefore, in accordance with the Law the Company must convene its first annual general meeting by no later than 18 months following its incorporation date. Notice of the Company's first annual general meeting to be held on 15 May 2014 at 12 noon, at the office of Dickson Minto W.S., 16 Charlotte Square, Edinburgh, EH2 4DF is therefore set out on pages 21 and 22.

The Company intends to convene another annual general meeting following the publication of its full audited accounts which will be held on 12 November 2014 in London.

Outlook

Following the end of the period under review, the Company acquired a further care home asset in Glasgow for approximately £4.3m (including acquisition costs). This property is a modern, purpose-built facility and is leased to existing operator, Mossvale Care Home Limited which forms part of the Care Concern Group, further diversifying the Company's tenant-base.

In light of the current performance of the existing portfolio and the good investment pipeline, the Board remains confident of being able to continue to grow the Company's portfolio in line with its investment parameters.

The Company should benefit from the first upward-only rental reviews in the portfolio which are due in March 2014 across seven of the properties, coinciding with the first anniversaries of their acquisitions. When accompanied by the addition of further properties, the Company expects annual rental revenues to increase.

The Company is also currently in advanced, non-binding legal negotiations to acquire a further £49.0m (including acquisition costs) of care home assets and there remains a good investment pipeline of both single and multi-asset acquisitions.

Malcolm Naish
Chairman

27 February 2014

Investment Adviser's Review

Operational Highlights

- The investment portfolio as at 31 December 2013 comprised ten modern, purpose-built care homes with three well-established and quality operators as tenants.
- The total current annual rent roll is £3.6m and the next annual rental uplift will be in March 2014 to coincide with the anniversary of the first investment acquisition.
- The average capital-weighted unexpired lease term as at 31 December 2013 was 31.7 years.
- In addition, the Company maintains a good pipeline of investment opportunities.

Portfolio & Asset Management

During the period to 31 December 2013, the Company has acquired ten modern, purpose-built UK care homes for an aggregate consideration (including acquisition costs) of £49.2m.

We have continued our strategy of identifying and sourcing high quality investment opportunities and have successfully diversified the Company's tenant-base and geographic coverage during this period. All the properties in Target Healthcare's portfolio are built to excellent specifications and each benefits from generously proportioned bedrooms and public spaces. All the bedrooms across the portfolio have en-suite facilities, including wet room showers, and the homes also include additional on-site facilities, such as spacious living accommodation, hairdressing salons, libraries, cinemas and "quiet" rooms. Each of the properties is less than six years old, with the majority of the homes having been constructed in 2012 and 2013.

In the reporting period to 31 December 2013, the properties were leased to three care operators: Balhousie Care Group, Ideal Carehomes Group and, most recently, Orchard Care Homes. During our investment process we ensure that the tenants we identify and select conform to the Company's investment approach of supporting established, quality operators who demonstrate a strong focus on resident care. We believe this approach over the long-term is essential to ensuring a profitable and sustainable investment model. With the acquisition of the Glasgow care home in January 2014, this further diversifies the Company's tenant-base.

The ten leases entered into by the Company attract an annual rent roll of £3.6m and an aggregate net initial yield on acquisition in excess of the 7.0% blended initial yield modelled pre-launch. The rents payable are subject to rental reviews in line with the retail prices index, with a cap and collar, and the first rental review is expected in March 2014.

The average capital-weighted unexpired lease term as at 31 December 2014 was 31.7 years and rent has been collected in full across the portfolio during the reporting period.

Continuing the Company's investment ethos of being an actively engaged landlord, we have undertaken bi-annual inspections of each of the care homes during the period on behalf of the Company. During these visits, we draw on the substantial experience we have as a team in the elderly care sector, both as a funder and as a direct provider of care services.

Geographical Analysis

Location	% of portfolio As at 31 December 2013
Scotland	30%
East Midlands	29%
North West	23%
Yorkshire & Humberside	18%

Asset Valuations

The property portfolio was externally valued as at 31 December 2013 at open market value by Colliers International Property Consultants Limited for £46.9m.

This valuation is unchanged from the time of acquisition and is in line with our expectations given the properties were acquired within the last twelve months. A number of the properties are approaching operational maturity and consequently as they demonstrate sustainable levels of trading performance, combined with the impact of annual upward-only rental reviews, we anticipate that these changes will be reflected in the portfolio valuation.

UK Healthcare Investment Market

The longer-term fundamentals of an ageing UK population and the limited supply of quality care home stock mean the UK elderly sector continues to attract good levels of interest from institutional investors. During the reporting period a number of successful fundraisings have been concluded, including that of Target Healthcare, which will see additional capital being allocated towards the UK healthcare sector, including elderly care. We have also seen a number of entrants attracted into the market, from both the UK and overseas, including private equity firms, financial services companies as well as the US healthcare property REITs.

Across some of the recently completed transactions in the elderly care sector, we are observing early indications that property investment yields may be hardening, albeit at this stage it is difficult to ascertain whether these are isolated instances or represent a wider trend. Notwithstanding this, our investment focus remains weighted towards ensuring that the proposed rental levels continue to match the long-term, sustainable trading performance of the Company’s tenants as in many cases we believe this is more material in arriving at investment decisions than simply focusing on yield levels.

Whilst the level of new capital raised is making the competitive landscape more congested, we believe this to be particularly evident in the larger, multi-asset transactions which provide institutional investors with immediate scale. At the single asset and smaller portfolio level, we are of the opinion that we are well-placed to compete strongly in this market for the benefit of the Company.

Pipeline and Outlook

Whilst the supply of quality stock being openly marketed across the sector remains limited, we continue to successfully source a variety of single and multi-asset care home investment opportunities drawing on our well-established relationships with regional and national operators and agents alike.

In the first quarter of 2014 we are pleased to report that we are again witnessing an upturn in deal introductions following a seasonal dip in activity at the end of 2013. Consequently, we are continuing to develop the Company’s acquisition pipeline and are appraising a variety of opportunities with existing tenants as well as continuing to broaden the Company’s tenant base. We are also reviewing potential transactions which would further diversify the geographical weightings of the Company's portfolio.

Target Advisers LLP
Investment Adviser

27 February 2014

Condensed Statement of Comprehensive Income (unaudited)

For the period from incorporation on 22 January 2013 to 31 December 2013

	Notes	Revenue £'000	Capital £'000	Total £'000
Revenue				
Rental income		2,291	860	3,151
Total revenue		**2,291**	**860**	**3,151**
Losses on revaluation of investment properties	4	–	(3,225)	(3,225)
Total income		**2,291**	**(2,365)**	**(74)**
Expenditure				
Investment management fee	2	(487)	–	(487)
Performance fee		–	–	–
Other expenses		(321)	–	(321)
Total expenditure		**(808)**	**–**	**(808)**
Profit / (loss) before finance costs and taxation		**1,483**	**(2,365)**	**(882)**
Net finance costs				
Interest receivable		93	–	93
		93	**–**	**93**
Profit / (loss) before taxation		**1,576**	**(2,365)**	**(789)**
Taxation		(14)	–	(14)
Profit / (loss) for the period		**1,562**	**(2,365)**	**(803)**
Total comprehensive profit / (loss) for the period		**1,562**	**(2,365)**	**(803)**
Profit / (loss) per share (pence)	3	**2.66p**	**(4.03)p**	**(1.37)p**

The total column of this statement represents the Company's 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 acquired or discontinued in the period.

Condensed Balance Sheet (unaudited)

As at 31 December 2013

	Notes	£'000
Non-current assets		
Investment properties	4	46,004
		46,004
Current assets		
Trade and other receivables		1,300
Cash and cash equivalents		45,354
		46,654
Total assets		**92,658**
Current liabilities		
Trade and other payables		(1,363)
Total liabilities		(1,363)
Net assets		**91,295**
Stated capital and reserves		
Stated capital account		92,992
Capital reserve		(2,365)
Revenue reserve		668
Equity shareholders' funds		**91,295**
Net asset value per ordinary share (pence)	5	**95.88p**

The financial statements on pages 6 to 17 were approved by the Board of Directors on 27 February 2014 and were signed on its behalf by:

M Naish, Chairman

Condensed Statement of Changes in Equity (unaudited)

For the period from incorporation on 22 January 2013 to 31 December 2013

	Stated capital account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 22 January 2013	–	–	–	–
Total comprehensive (loss) / profit for the period:	**–**	**(2,365)**	**1,562**	**(803)**
Transactions with owners recognised in equity:				
Dividends paid	(864)	–	(894)	(1,758)
Issue of ordinary shares	95,740	–	–	95,740
Expenses of issue	(1,884)	–	–	(1,884)
At 31 December 2013	**92,992**	**(2,365)**	**668**	**91,295**

Condensed Cash Flow Statement (unaudited)

For the period from incorporation on 22 January 2013 to 31 December 2013

	Notes	£'000
Cash flows from operating activities		
Loss before tax		(789)
Adjustments for:		
Interest receivable		(93)
Revaluation losses on property portfolio		2,365
Increase in trade and other receivables		(440)
Increase in trade and other payables		1,300
		2,343
Interest received		93
Tax paid		–
		93
Net cash inflow from operating activities		**2,436**
Cash flows from investing activities		
Purchase of investment properties	4	(49,229)
Net cash outflow from investing activities		**(49,229)**
Cash flows from financing activities		
Issue of ordinary share capital		95,740
Expenses of issue paid		(1,882)
Dividends paid		(1,711)
Net cash inflow from financing activities		**92,147**
Net increase in cash and cash equivalents		**45,354**
Opening cash and cash equivalents		–
Closing cash and cash equivalents		**45,354**

Notes to the Condensed 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 period, is set out below.

Basis of Accounting

The condensed unaudited interim results have been prepared in accordance with *IAS 34 'Interim Financial Reporting'* as adopted by the EU and applicable requirements of Jersey law. They do not include all of the information and disclosures required for full annual financial statements. The Directors intend to prepare the annual financial statements under IFRS as adopted by the EU.

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 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 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 are provided in the notes.

The following new standard has been issued but is not effective for this accounting period and has not been adopted early:

- In October 2010, the IASB issued *IFRS 9 (2010) 'Financial Instruments'* and a subsequent amendment in December 2011. This represents part of a project to replace *IAS 39 'Financial Instruments: Recognition and Measurement'*. The objective of the standard is to enhance the ability of investors and other users of financial information to understand the accounting of financial assets and to reduce complexity.

The Company 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.

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

(b) Revenue Recognition

Rental Income

Rental income arising on investment properties is accounted for in the Statement of Comprehensive Income on an accruals basis.

Specifically:

- any rental income from fixed and minimum guaranteed rent reviews uplifts are 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.

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 Company acts as principal in this respect.

(c) Expenses

Expenses are accounted for on an accruals basis and are inclusive of VAT. The Company'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. The annual performance fee is based on 10 per cent of the amount by which the total return of the Company'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.

(d) Dividends

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

The Company's conversion to UK-REIT status was effective from 1 June 2013. 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) 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 Company, 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.

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.

(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 six months or less.

(h) Rent and Other Receivables

Rents receivable, which are generally due for settlement 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.

Reverse lease surrender premiums, 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.

(i) 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.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. 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.

(j) 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. Amortised cost is calculated by taking into account any loan arrangement costs and any discount or premium on settlement.

(k) Reserves

Under Jersey Company Law dividends can be paid out of any capital account of the Company subject to certain solvency restrictions.

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 income statement is added to or deducted from this reserve which is available for paying dividends.

2. Investment Management Fee

	For the period from incorporation on 22 January 2013 to 31 December 2013 £'000
Base management fee	487
Performance fee	–
Total	**487**

The Company's investment manager is R&H Fund Services (UK) Limited. The property management arrangements of the Company have been delegated by R&H Fund Services (UK) Limited, with the approval of the Company, to Target Advisers LLP ("the Investment Adviser" or "TALP"). The Investment Adviser is responsible for the day to day management of the Company.

3. Earnings / (Loss) per Share

The Company's revenue earnings per ordinary share of 2.66 pence per share is based on the net revenue for the period of £1,562,000 and on 58,618,032 ordinary shares, being the weighted average number of shares in issue during the period.

The Company's capital loss per ordinary share of 4.03 pence per share is based on the capital loss for the period of £2,365,000 and on 58,618,032 ordinary shares, being the weighted average number of shares in issue during the period.

The Company's total loss per ordinary share of 1.37 pence per share is based on the loss for the period of £803,000 and on 58,618,032 ordinary shares, being the weighted average number of shares in issue during the period.

Earnings for the period to 31 December 2013 should not be taken as a guide to the results for the period to 30 June 2014.

4. Investments

Freehold Properties

	As at 31 December 2013 £'000
Opening carrying value	–
Purchases	49,229
Sales – proceeds	–
– gain/(loss) on sale	–
Capital expenditure	–
Revaluation movement	(2,365)
Closing market value	**46,864**
Movement in fixed or guaranteed rent reviews	(860)
Closing carrying value	**46,004**

Changes in the valuation of investment properties

	For the period from incorporation on 22 January 2013 to 31 December 2013 £'000
Revaluation movement	(2,365)
Movement in fixed or guaranteed rent reviews	(860)
Losses on revaluation of investment properties	**(3,225)**

The properties were valued at £46,864,000 by Colliers International 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 -

Professional Standards, incorporating the International Valuation Standards March 2012 ('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 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 fair value of the properties after adjusting for the movement in the fixed or guaranteed rent reviews was £46,004,000.

The Company 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 Company'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.

In determining what level of the fair value hierarchy to classify the Company'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 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 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 7.37%. The Directors believe that the yield on individual assets is not materially different from this average. There have been no changes to the valuation technique used through the period, nor have there been any transfers between levels. A reconciliation of movement in the level 3 investments in the period is presented below:

	As at 31 December 2013 £'000
Opening market value	–
Market value of purchases	46,864
Closing market value	**46,864**
Movement in fixed or guaranteed rent reviews	(860)
Closing carrying value	**46,004**

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

5. Net Asset Value

The Company's net asset value per ordinary share of 95.9p is based on equity shareholders' funds of £91,295,000 and on 95,221,629 ordinary shares, being the number of shares in issue at the period end.

6. Stated Capital Movements

	As at 31 December 2013 Number of shares	As at 31 December 2013 £'000
Allotted, called-up and fully paid		
Issue of 45,656,029 ordinary shares of no par value	45,656,029	45,656
Issue of 4,565,600 ordinary shares of no par value	4,565,600	4,634
Issue of 45,000,000 ordinary shares of no par value	45,000,000	45,450
Expenses of issue	–	(1,884)
Dividend allocated to capital	–	(864)
Balance as at 31 December 2013	95,221,629	92,992

7. Related Party Transactions and Investment Adviser's Fees

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 received fees for their services. Total fees for the period were £51,000 of which £9,000 remained payable at the period end.

The Investment Adviser received £536,000 during the period of which £49,000 related to the expenses of issue and £211,000 (inclusive of VAT) remained payable at the period end.

8. Operating Segments

The Board has considered the requirements of *IFRS 8 'Operating Segments'*. The Board is of the view that the Company is engaged in a single segment of business, being property investment, and in one geographical area, the United Kingdom, and that therefore the Company 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 Company. The key measure of performance used by the Board to assess the Company's performance is the total return on the Company's net asset value, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the condensed financial statements.

9. Financial Instruments

The Company's investment objective is to provide ordinary 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.

Consistent with that objective, the Company holds UK care home property investments. 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.

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 investment properties which, whilst not constituting financial instruments as defined by IFRS, are 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.

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 Company will suffer a rental shortfall and incur additional expenses until the property is re let. These expenses could include legal and surveyor's costs in re letting, maintenance costs, insurances, rates and marketing costs and will have a material adverse impact on the financial condition and performance of the Company and/or the level of dividend cover. The Board receives regular reports on concentrations of risk and any tenants in arrears. The Investment Adviser 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 31 December 2013. All of the Company'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 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 UK care homes. 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 Adviser and 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.

Interest Rate Risk

Some of the Company's financial instruments are interest-bearing. The cash held on deposits is on call and earns interest at a fixed rate for a six month period. As a consequence, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rate. The fair value of financial assets and liabilities is not materially different from their carrying value in the financial statements. When the Company retains cash balances, they are ordinarily held on interest-bearing deposit accounts. The Company'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% and 0.65%. Exposure varies throughout the year as a consequence of changes in the composition of the net assets of the Company arising out of the investment and risk management policies.

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 4.

10. Post Balance Sheet Events

On 31 January 2014, the Company acquired a further care home asset near Glasgow for approximately £4.3 million (including acquisition costs).

11. Further Information

All information shown for the period to 31 December 2013 is unaudited.

Certain statements in this report are forward looking statements. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or event to differ materially from those expressed or implied by those statements. Forward regarding past trends or activities should not be taken as representation that such trends or activities will continue in the future. Accordingly, undue reliance should not be placed on forward looking statements.

Directors' Statement of Principal Risks and Uncertainties

The Company's assets consist principally of investment properties and its principal risks are therefore market related. Other key risks faced by the Company relate to the REIT status of the Company, the taxation of the Company, the laws and regulations which may affect the Company, the economic environment, developments and refurbishments of properties, valuations and reliance on key individuals. These risks, and the way in which they are managed, are described in more detail under the heading 'Principal risks and risk mitigation' within the Half-Year Report and Accounts for the period from incorporation to 22 July 2013. For the remainder of the Company's financial period to 30 June 2014 it is anticipated that gearing risk will become relevant to the Company as it is expected a debt facility will be entered into. No other material changes to the Company's principal risks and uncertainties are anticipated.

Statement of Directors' Responsibilities in respect of the Interim Report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' and give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Chairman's Statement and Investment Advisers' Review (together constituting the Interim Management Report) include a fair review of the information required by the Disclosure and Transparency Rules ('DTR') 4.2.7R, being an indication of important events that have occurred during the period and their impact on the financial statements;
- the Statement of Principal Risks and Uncertainties referred to above is a fair review of the information required by DTR 4.2.7R; and
- the condensed set of financial statements includes a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the period and that have materially affected the financial position or performance of the Company during the period.

On behalf of the Board

M Naish
Chairman

27 February 2014

Independent Review Report to Target Healthcare REIT Limited

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the Interim Report and Accounts for the period ended 31 December 2013 which comprises the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the Notes to the Financial Statements. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim report and accounts has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the period ended 31 December 2013 and is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
Edinburgh

27 February 2014

Annual General Meeting

Introduction

In accordance with the Companies (Jersey) Law 1991 (as amended) the Company must convene its first annual general meeting by no later than 18 months following its incorporation date. The Company was incorporated in Jersey on 22 January 2013. The first Annual General Meeting of the Company will be therefore held on 15 May 2014 at 12 noon at the offices of Dickson Minto W.S, 16 Charlotte Square, Edinburgh, EH2 4DF and set out below is an explanation of the Resolutions to be proposed at the Annual General Meeting.

The notice of the Annual General Meeting is set out on pages 21 and 22 of this document. A form of proxy and reply paid envelope for use in respect of the AGM are enclosed.

Ordinary business to be proposed at the Annual General Meeting

Resolutions 1 to 4 – Election of Directors

The Annual General Meeting will be the first following the appointment of Mr R M Naish, Prof. J Andrews, Mr G C Coull and Mr T J Hutchison III, and they therefore offer themselves for election.

The Board is satisfied that each Director has the skills, experience and commitment necessary to contribute very effectively to the deliberations of the Board. The contribution of Mr Naish, Prof. Andrews, Mr Coull and Mr Hutchison III to the Board is greatly valued and the Board recommends their re-election to shareholders.

A Chartered Surveyor, Mr Naish has over 40 years' experience of working in the real estate industry. Until recently he was head of real estate at Scottish Widows Investment Partnership ("SWIP") with responsibility for a portfolio of commercial property assets spanning the UK, Continental Europe and North America, and SWIP's real estate investment management business. 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 2010/11.

Prof. Andrews is a director of the Dementia Service Development Centre at the University of Stirling and is a world renowned dementia specialist. She has been recognised with the Founders Award of the British American Project of which she is a Fellow, and was awarded the Robert Tiffany Award by the Nursing Standard for her international work. She has considerable experience in management of change in health services, having set up and directed for three years the Centre for Change and Innovation in the Scottish Executive Health Department. In her current role she is applying those skills across sectors in the care of people with dementia including the health, social services, private and voluntary bodies who provide care.

Mr Coull is a former partner at Ernst & Young LLP where he specialised in investment trusts and property. He has served as an audit committee member at Universities Superannuation Scheme since April 2012 and is the Chairman of the Company's audit committee.

Mr Hutchison has more than 40 years of experience focused in the lodging, hospitality, real estate development, seniors' housing and financial services industries. Mr Hutchison 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. 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 services industry public companies. He is a former Director of Zapata Corporation, General Development Corporation, Vision360 and Trinity Forum.

Resolutions 1 to 4 will be proposed as ordinary resolutions.

Resolution 5 – 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 5 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 aggregate nominal amount of £9,522,162 (representing 10 per cent. of the issued ordinary share capital of the Company as at 27 February 2014).

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.

Resolution 5 above will be proposed as a special resolution.

Resolution 6 – Authority to make market purchases of ordinary shares

Given the Company is currently in a 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) 1991, 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 6 seeks to provide the Directors with the authority to purchase up to 14,273,722 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 6.

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.

Purchases of ordinary shares will only be made through the market for cash at prices below the prevailing published net asset value where the Directors believe such purchases will enhance shareholder value. Such purchases will also only be made in accordance with the Listing Rules which provide that the maximum price (excluding expenses) that may be paid on the exercise of the authority must not exceed the higher of:

(i) 5 per cent. above the average closing price on the London Stock Exchange plc (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.

The minimum price (exclusive of expenses) that may be paid will be 1p per share.

The Company may retain shares which have been bought back as treasury shares for future sale and may cancel any such shares. It is the intention of the Board that any shares that might be held in treasury from time to time would only be sold at a price equal to or above the net asset value per share (as determined by the Directors at or shortly before such sale).

Resolution 6 above will be proposed as a special resolution.

Action to be taken

Shareholders will find enclosed with this document a form of proxy for use in connection with the Annual General Meeting. Whether or not Shareholders propose to attend the Annual General Meeting, they are requested to complete, sign and return the form of proxy as soon as possible, in accordance with the instructions printed on it. The completion and return of the form of proxy will not prevent a Shareholder from attending and voting in person at the Annual General Meeting.

To be valid, such forms must be completed and returned, in accordance with the instructions printed on it, so as to be received by the Company's registrars, Computershare Investor Services (Jersey) Limited, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, as soon as possible, but in any event not later than 12 noon on 13 May 2014.

TARGET HEALTHCARE REIT LIMITED

(Incorporated in Jersey with registered number 112287)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the first annual general meeting of Target Healthcare REIT Limited (the "**Company**") will be held on 15 May 2014 at 12 noon at the offices of Dickson Minto W.S., 16 Charlotte Square, Edinburgh, EH2 4DF for the following purposes:

Ordinary Business

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

1. To elect Mr R M Naish as a Director.
2. To elect Prof. J Andrews as a Director.
3. To elect Mr G C Coull as a Director.
4. To elect Mr T J Hutchison III as a Director.

To consider and, if thought fit, to pass resolutions 5 and 6 as special resolutions:

5. That the Directors be and are hereby empowered to allot and issue equity securities for cash as if the pre-emption rights contained in Article 10(B) of the Company's articles of association and the Listing Rules did not apply to any such allotment, 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 an aggregate nominal value of £9,522,162 or if less the number representing approximately 10 per cent. of the nominal value of the issued share capital of the Company, as at 27 February 2014.

6. 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 ordinary shares ("Shares") (either for retention as treasury shares 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; and

(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 ending 30 June 2014, 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.

By order of the Board
R&H Fund Services Limited
Company Secretary
27 February 2014

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, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY 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 12 noon on 13 May 2014 (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 27 February 2014 (being the last business day prior to the publication of this notice) the Company's issued share capital consisted of 95,221,629 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 27 February 2014 were 95,221,629 votes.
6. Any person holding 3% 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. Information regarding the general meeting is available from the Company's webpage at www.targethealthcarereit.co.uk

FORM OF PROXY

TARGET HEALTHCARE REIT LIMITED

(A COMPANY INCORPORATED IN JERSEY *UNDER THE COMPANIES (JERSEY) LAW 1991 (AS AMENDED) WITH REGISTERED NUMBER 112287*)

ANNUAL GENERAL MEETING

For use at the annual general meeting of the Target Healthcare REIT Limited (the "Company") convened for Thursday 15 May 2014 at 12 noon at the offices of Dickson Minto W.S., 16 Charlotte Square, Edinburgh, EH2 4DF and any adjournment thereof

I/We ....

(BLOCK LETTERS PLEASE)

of ....

being (a) member(s) of Target Healthcare REIT Limited entitled to attend and vote at the annual general meeting of the Company hereby appoint the Chairman of the meeting, or failing him* (see Notes at end)

....

as my/our proxy to vote in my/our name(s) and on my/our behalf at the annual general meeting of the Company to be held on Thursday 15 May 2014 at 12 noon at the offices of Dickson Minto W.S., 16 Charlotte Square, Edinburgh, EH2 4DF on the following resolutions to be submitted to the meeting and at any adjournment thereof.

Please indicate with an "X" in the appropriate space how you wish your vote(s) to be cast. Unless otherwise instructed, the proxy may vote as he thinks fit or abstain from voting.

Resolutions	For	Against	Vote Withheld
1. To elect Mr R M Naish as a Director.			
2. To elect Prof. J Andrews as a Director.			
3. To elect Mr G C Coull as a Director.			
4. To elect Mr T J Hutchison III as a Director.			
5. To authorise the disapplicaiton of pre-emption rights subject to the limits set out in the resolution.			
6. To authorise the Company to purchase its own shares subject to the limits set out in the resolution.			

Signature ....

Dated 2014

Notes

* You may, if you wish, in the space provided insert the name(s) of the person(s) of your choice to attend and vote at the meeting on your behalf. A proxy need not be a member of the Company.

In the case of a corporation, the form of proxy must be either under its common seal or under the hand of an officer, attorney or other person authorised by the corporation.

In order to have effect, the completed form of proxy must be deposited at Computershare Investor Services (Jersey) Limited, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY by no later than 12 noon on 13 May 2014.

In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (first-named being the most senior).

Completion of a form of proxy shall not prevent a shareholder from attending or voting at the meeting in person.

If this form of proxy is executed under a power of attorney or such other authority, such power of attorney or other authority must be lodged with the Company along with the Proxy Form.

Corporate Information

Directors	Mr Robert Malcolm Naish (Chairman) Prof. June Andrews Mr Gordon C Coull * Mr Thomas J Hutchison III **
Registered office	Ordnance House, 31 Pier Road, St. Helier, Jersey JE4 8PW
Investment Manager	R&H Fund Services (UK) Limited 15-19 York Place Edinburgh EH1 3EB
Investment Adviser	Target Advisers LLP Springfield House Laurelhill Business Park Stirling, FK7 9JQ
Administrator and Company Secretary	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	Winterflood Securities Limited The Atrium Building Cannon Bridge 25 Dowgate Hill London EC4R 2GA
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
Registrars	Computershare Investor Services (Jersey) Limited Queensway House, Hilgrove Street St. Helier Jersey JE1 1ES
Website	www.targethealthcareit.co.uk

* Chairman of audit committee
** Senior Independent Director